

## Audit Policy

The **Audit Policy** applies in the framework of EPR Selective Collection and sets out:

- The audit procedures;
- The frequency and time frames for performance;
- The terms for adjustment of the Report;
- The conditions leading to a listing in the internal register of Members in default and the ensuing actions.

The amendments to this policy, which was adopted by the board of directors of ÉEQ on March 30, 2023, are effective as of June 19, 2024.

### Scope

1. This Policy applies to all Producers.
2. A Producer is responsible at all times for its compliance with the Contract, the General Terms and Conditions, the Policies and the Regulation.
3. The performance of an audit by ÉEQ or its representative does not release the Producer from its obligations under the Contract, the General Terms and Conditions, the Policies and the Regulation.
4. In accordance with the Producers' Financial Participation Policy, a Producer must keep and maintain full, accurate and up-to-date Internal Records to justify the content of every Report and the amount of each Financial Participation for a period of 5 years after filing its Report.
5. ÉEQ applies this Policy in accordance with its regulatory obligations, as set out in the Contract and the General Terms and Conditions.
6. In keeping with its core values (fairness, vigilance, responsibility), ÉEQ uses best practices in its process for auditing the Reports of the Producers.
7. This Policy forms an integral part of the Contract and the General Terms and Conditions, and it may be amended in accordance with the General Terms and Conditions.

### Policy

8. Unless otherwise provided, capitalized terms used in this Policy shall have the meaning ascribed thereto in the General Terms and Conditions.
9. Audits
  - (a) In the 3-year period following the filing of a Producer's Report, ÉEQ may revise it on its own initiative.
  - (b) ÉEQ reserves the right to perform an internal audit of one or more of a Producer's Reports or to ask a third party to do so.
    - (i) The use of a third party may be warranted due to:
      - The complexity of the Report and the Internal Records transmitted;
      - Repeated errors in consecutive Reports;
      - Too great a volume of audits to be performed, whether as a follow-up to internal audits or resulting from amendment requests.
    - (ii) The identification of such third party is a matter for ÉEQ to decide.

- Unless there is a conflict of interest between the third party and the Producer, the Producer shall be obligated to cooperate with the third party identified by ÉEQ.
- (c) ÉEQ reserves the right to demand that the Producer provide the Internal Records deemed necessary for the performance of an audit, including, without limitation:
  - (i) Backing up the data and information used to complete its annual Report and determine any PFP due and owing;
  - (ii) Specifying the list of Names and Trademarks and the Producer's status for each of the Products, Printed Matter and Materials, and
  - (iii) Enabling ÉEQ to meet its regulatory obligations to audit Producers, particularly as regards the quantity and type of materials (as well as the type of resins in the case of plastic materials) of which the Materials that the Producer commercializes, markets or distributes are composed.
- (d) Any Producer to which such a request is made must forward the information within 30 days of the date of request.
- (e) In addition to the information and particulars to be submitted by a Producer in connection with its Report and in support of same, ÉEQ shall have the right to ask the Producer to provide, within 30 days of receipt of the request for Internal Records, any supplemental information the Producer may have used to prepare its Report.
- (f) If any information is particularly sensitive, a Producer may, at its expense, use reasonable means to shield such information (without, however, hindering the audit) or appoint an independent auditor who will deliver a report to ÉEQ that does not contain the sensitive information. These steps must be completed within 30 days of receipt of ÉEQ's request for Internal Records.
- (g) Following the audit, ÉEQ may make any necessary corrections to a Report after informing the Producer thereof by written notice:
  - (i) Where a Producer has over-reported a quantity of Materials, ÉEQ will generate a credit note equivalent to the over-payment which will then be applied to the next invoice to be paid;
  - (ii) Where the Producer has under-estimated the quantity of Materials, ÉEQ will generate a revised invoice to be paid within 30 days of receipt, failing which interest and penalties may apply, as provided in the Interest, Penalties and Sanctions Policy. The revised invoice will be presumed to be valid and, if contested, it shall be up to the Producer to establish that it is ill-founded.
- (h) When a Producer fails to provide the information and documents required by ÉEQ within the required time frame, ÉEQ may impose charges for failure to cooperate, as provided in the Interest, Penalties and Sanctions Policy.

#### **10. Amendment requests by a Producer**

- (a) Time frame and conditions for requesting an amendment to the Report:
  - (i) Any Producer that believes it has admissible grounds that could justify an admissible Report amendment request, as listed in section 10(b) of this Policy, shall have a period of 2 years from the filing deadline for such Report to do so, if it is then still a Member of ÉEQ;
  - (ii) All relevant documents and information enabling ÉEQ to proceed with a full analysis of the amendment request and render an informed decision must be submitted at the same time;

- (iii) If ÉEQ deems that the documents and information received do not adequately support the amendment request, it may ask the Producer to provide additional information. If such information is not provided within 30 days, ÉEQ may refuse to process the request;
  - (iv) A Producer shall have 30 days to submit a request to amend a Report, if any, following the Producer's delivery of a notice of termination of membership or receipt of ÉEQ's prior notice of termination of membership. No amendment requests will be accepted after that time period. Where applicable, a credit or invoice will be generated once the analysis of the request has been completed, in accordance with this Policy;
  - (v) Following the analysis of the amendment request and its full or partial approval, ÉEQ may, after having informed the Producer, make the necessary corrections to the Report:
    - A revised invoice for the Financial Participation will then be sent to the Producer;
    - The revised invoice shall be presumed to be valid and, if contested, it shall be up to the Producer to establish that it is ill-founded;
    - As provided in the Interest, Penalties and Sanctions Policy, Producers have 30 days to pay the revised invoice, failing which charges shall apply.
- (b) The admissible grounds for amendment requests in view of obtaining the revision of a Report, subject to the transmission of adequate supporting documentation in the time frame stipulated in this Policy and acceptance by ÉEQ are, most notably:
- (i) An incorrect formula in an Excel spreadsheet or a similar "tool";
  - (ii) Faulty logic in an Excel spreadsheet or a similar "tool";
  - (iii) An error in the classification of Materials;
  - (iv) An error in the entry of the weight of a Material (for example, entering 1 instead of 10);
  - (v) Data entry in the wrong units of measure (for example, grams instead of kilograms);
  - (vi) An error or omission in the quantities of Materials;
  - (vii) An erroneous exclusion of one or more Materials;
  - (viii) The inclusion of Materials excluded under the Producers' Financial Participation Policy or the Regulation (e.g., books or long-lasting Materials); and
  - (ix) Duplication of Materials where more than one Producer has submitted Reports for the same Material for the same Reference Year.
- (c) The grounds for amendment requests that are not admissible for revision of a Report include, most notably:
- (i) Amendments resulting from changes in Reporting methodology:
    - Discontinued use of a calculator to estimate quantities or the average bill of materials (ABOM) to report actual data or vice versa;
    - The use of a new study, new methodology or an amendment of internal processes identifying previous errors in the quantities reported or modifying the percentage of apportionment between reported Materials and deducted Materials (for example, for returns, changes in delivery locations and sales data);
    - The updating of a methodology (ABOM or other) including any reorganization of Product samples or the reorganization of the manner in which the methodology is applied to the company's UPC (SKU);

- The creation of an ABOM, where none existed originally to develop the report, and vice versa.

(d) Time frame for processing amendment requests:

- (i) The time frame for processing amendment requests may vary depending on:
- The complexity of the Report;
  - The quality of the supporting documentation transmitted by the Producer;
  - The number of amendment requests already received.

**11. Non-compliance resulting in an imposed Financial Participation**

- (a) Any failure to file a Report and any incomplete, late, erroneous or fraudulent Report shall result in the ability of ÉEQ to impose, at any time, the PFP owing by means of an estimate prepared on the basis of all the elements in its possession.
- (i) The estimation elements or methods used by ÉEQ shall remain confidential;
- (ii) The imposed PFP shall be presumed to be valid and, if contested, it is up to the Producer to establish that such PFP is ill-founded;
- (iii) The interest and charges specified in the Interest, Penalties and Sanctions Policy shall apply to the imposed PFP;
- (iv) The imposed PFP shall be paid in accordance with the terms of the payment schedule contained in the Producers' Financial Participation Policy. In the event such PFP is issued after the time frames stipulated in this Policy, the amounts for which the due date is past shall be paid on receipt of the invoice;
- (v) The Producer may transmit data and information specific to the Materials it has put on the market in the Reference Year to which the imposed PFP relates within 30 days of the date of issuance of the imposed PFP. The data will be analyzed by ÉEQ and, if deemed admissible, a revised invoice will be issued and the applicable charges will be adjusted accordingly, in conformity with the Interest, Penalties and Sanctions Policy.

**12. Recurring non-compliance of Reporting and internal register of Members in default**

- (a) A recurring non-compliance of Reporting by a Producer will systematically lead to its listing in the internal register of Members in default.
- (i) By "recurring," ÉEQ means where a second non-compliance of Reporting is observed in the course of one of the last three Reports;
- (ii) By "internal register of Members in default," ÉEQ means the list of all Producers that have had recurring non-compliances of Reporting.
- (b) The listing of a Producer in the internal register of Members in default:
- (i) Results in an annual audit of its Report or critical deficiencies raised in the context of previous audits;
- (ii) May lead to, amongst other remedies, the application of charges, in accordance with the Interest, Penalties and Sanctions Policy.
- (c) A Producer will remain listed in the internal register of Members in default unless and until ÉEQ is reasonably assured that the deficiencies observed have been sustainably corrected.