



Guidance for the Recycling Regulation

Financial Reporting for Extended Producer Responsibility Plans

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**Environmental Policy and Initiatives Branch
Environmental Protection Division**

Name of Guidance: **Financial Reporting for Extended Producer Responsibility Plans**

References and Relationships: This guidance is prepared in accordance with the Recycling Regulation (regulation) [B.C. Reg. 449/2004], but in no way supplants, replaces, or amends any of the legal requirements of the regulation or the *Environmental Management Act*. This guidance augments the provisions of the Recycling Regulation Guide and does not constitute legal advice.

Application: This guidance applies to all obligated producers and their appointed agencies under Part 2 of the regulation.

Background: Section 8(2)(f) of the regulation requires that annual reports include independently audited financial statements detailing all deposits received and refunds paid by producers covered by an approved extended producer responsibility (EPR) plan. Audited financial statements must also detail revenues and expenditures for any fees associated with the EPR plan that are charged separately and identified on the consumer receipt of sale.

In 2016, the Office of the Auditor General (OAG) of British Columbia evaluated B.C.'s EPR system to determine the effectiveness of the Ministry of Environment and Climate Change Strategy's (Ministry's) oversight. This review identified the need for greater financial transparency to increase public confidence and accountability in B.C.'s EPR system.

Purpose: The purpose of this guidance is to provide clarification on the Ministry's expectations for annual financial reporting required under the regulation.

Financial reporting is intended to demonstrate transparency in B.C.'s EPR system for the purpose of building public trust. This guidance supports the evaluation of an approved EPR plan's provisions for adequately assessing the management of costs incurred (section 5(1)(c)(v)) and understanding the structure of financial cooperation with other producers (section 5(2)(m)).

Financial reporting:

The following financial statements for the preceding one-year period should be included in annual reporting:

- Statement of Operations
- Statement of Financial Position
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to Financial Statements

Financial statements submitted under section 8(2)(f) must be independently audited and should include the Independent Auditor's Report.

Financial information should be disaggregated to provide details on:

- (a) Revenues by source (e.g., fees paid by consumers, fees collected from producers, revenue from sales of raw materials, grants or subsidies, investment income denoting income derived from the investment of B.C. revenue).
- (b) Expenditures (e.g., operational expenses such as collection, transportation and processing, communications and marketing, administration such as salaries), including identifying any expenditures funded from sources referred to in (a) that are not necessary for or ancillary to the implementation of the EPR plan for B.C. products.
- (c) Assets (e.g., operational reserves, cash, property, equipment, investments).
- (d) Liabilities (e.g., accounts payable, loans and other debt).

Producers or EPR agencies that operate across multiple provinces may submit aggregated financial statements with an appended statement for the EPR program's B.C. revenues and expenditures, including applicable deposits and refunds.

Where products from multiple schedules are managed under a single EPR plan, statements of B.C. revenues and expenditures (including applicable deposits and refunds) for operations under each schedule as defined in the regulation should be appended.

Financial statements are to include information pertaining to B.C. EPR programs under the regulation. Financial reporting should be in accordance with accounting standards (e.g., Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO), Canadian Generally Accepted Accounting Principles (GAAP), International Financial Reporting Standards (IFRS)).

EPR programs that do not collect deposits or separate fees identified on the consumer receipt of sale are encouraged to adopt this level of financial reporting as best practice.