

Interest, Penalties and Sanctions Policy

The **Interest, Penalties and Sanctions Policy** applies in connection with EPR Selective Collection and sets out:

- The conditions leading to the assessment of interest, penalties or sanctions in the event of failure to meet the obligations or time frames stipulated in the Contract, the General Terms and Conditions, the Policies or the Regulation;
- The amount of the charges that can be assessed on a Member.

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. Any Producer that fails to meet its obligations stipulated in the Contract, the General Terms and Conditions, the Policies or the Regulation shall be subject to interest, penalties and sanctions, as described in the Regulation and this Policy.
2. Ultimately, in the event of default, the file of any Producer may be sent to the Ministry, as provided in the Regulation.
3. This Policy forms an integral part of the Contract and the General Terms and Conditions, and it may be amended in accordance with such General Terms and Conditions.

Policy

4. Unless otherwise provided, capitalized terms used in this Policy shall have the meaning ascribed thereto in the General Terms and Conditions.

5. Interest Charges

- (a) Interest shall apply when a Producer fails to pay to ÉEQ all or part of:
 - (i) any PFP or special PFP before the payment due date set forth in the Financial Participation Policy. Such interest shall accrue retroactive to the due date;
 - (ii) any revised invoice resulting in a higher PFP than the PFP produced according to the initial Report within 30 days of the date on which the revised invoice was generated. Such interest shall accrue retroactive to the initial payment date of the Report set forth in the Financial Participation Policy.
- (b) The rate of interest applied shall be the one fixed under section 28 of the *Tax Administration Act* (CQLR, c. A-6.002). Any change in that rate shall automatically entail a change in the rate of interest applied on the billing of the PFP as of the date of the change.
- (c) Interest on the amount of PFP outstanding shall be calculated daily, as of the due date for such amount of PFP or revised PFP, and it shall be invoiced monthly thereafter at the rate mentioned above until the date of payment.

6. Penalties

- (a) Penalties for failure to file a Report
 - (i) As of the 31st day following the due date for filing a Report, ÉEQ may invoice a Producer or Small Producer a penalty of up to \$5,000 for any failure to file a Report, regardless of

whether such Report leads to a payment exemption or a PFP payment. Such penalty shall be payable upon receipt of the invoice.

(b) Penalties for failure to meet due dates

(i) Charges for failure to meet the Reporting deadline:

- As of the day following the deadline for filing a Report, ÉEQ may invoice a Producer or Small Producer a penalty of 5% of the PFP resulting from the late filing of a Report;
- The penalty shall be applied on the first invoice for the PFP owing pursuant to such late Report;
- In a case of failure to meet the Reporting deadline, if a Producer voluntarily submits a Report, has not been the subject of compliance measures taken by ÉEQ, and makes a written request thereto, it may be eligible for a credit equal to 100% of the amount of the charges payable for the failure to meet the Reporting deadline.

(ii) Charges for failure to pay by the due date:

- Except at the discretion of ÉEQ, a Producer that has not fully paid the PFP owing or the revised invoice produced as provided in the Audit Policy within 90 days after the payment due date showing on the invoice shall pay, in addition to the interest and penalties applicable under this Policy, a charge equivalent to 10% of that amount to cover the administrative expenses incurred.

(c) Charges for failure to cooperate during an audit

- (i) Where a Producer fails to provide the information and documents required by ÉEQ within the 30-day time limit set forth in the Audit Policy, ÉEQ may assess charges for failure to cooperate corresponding to the higher of \$250 and 1% of the PFP for the Obligation Year in question, up to an amount of \$25,000.

(d) Penalties for multiple amendment requests

- (i) If, within 2 years following the deadline for requesting an amendment to a Report established under the Producers' Financial Participation Policy, a Producer submits more than one Report amendment request, such request shall be subject to the addition of a penalty corresponding to the higher of \$250 and 5%, calculated on the difference between the existing PFP and that indicated in the new revised PFP submitted for approval, up to an amount of \$25,000.
- (iii) Such penalties shall be payable upon submission of the revised Report, prior to any analysis of a revised Report by ÉEQ.

7. Charges in cases of imposed PFP

- (a) Any imposed PFP generated under the Audit Policy shall include the interest and penalties described in this Policy.
- (i) Where a Producer transmits data and information specific to the Materials it has generated in the Reference Year covered by the invoice for imposed Financial Participation, ÉEQ may, at its discretion, adjust the interest and penalties initially invoiced accordingly.
- (b) Where a Producer has already been imposed a PFP invoice due to non-compliance with the Producers' Financial Participation Policy, ÉEQ may require payment of an amount equivalent to a 20% increase of the payable PFP as estimated by ÉEQ.

8. Assessment of sanctions, as provided in the Regulation

- (a) The Ministry may assess monetary administrative penalties ranging from \$250 to \$2,000 in the case of an individual, and from \$1,000 to \$10,000 in other cases, on any person that fails to comply with the Regulation.
- (b) The Ministry may also assess fines for penal offences in an amount ranging from \$1,000 to \$1,000,000 in the case of an individual, and from \$3,000 to \$6,000,000 in other cases, on any person who fails to comply with the Regulation.

9. For information and summary purposes only, the following table illustrates the gradation of application of interest charges, penalties and sanctions based on non-compliance situations.

Non-compliance	Stage 1	Stage 2
Failure to become an ÉEQ Member	<p>For a Producer that does not become an ÉEQ Member:</p> <ul style="list-style-type: none"> Commencing 30 days prior to the Reporting deadline and continuing until the payment due date: <ul style="list-style-type: none"> Escalation (high management) follow-up with the Producer to promote compliance. On January 31 of the Obligation Year when a Report was due: <ul style="list-style-type: none"> Potential transfer of file to Ministry. 	<p>For a non-Member Producer:</p> <ul style="list-style-type: none"> Escalation of file to the Ministry, which is responsible for the enforcement of monetary administrative penalties and sanctioning penal offences. May be liable to a fine of \$2,000 to \$10,000 assessed by the Ministry. May be liable to a fine of \$10,000 to \$6,000,000 for penal offence.
Failure to file a Report	<ul style="list-style-type: none"> As of the 31st day following the Reporting deadline: <ul style="list-style-type: none"> Invoicing of penalties of up to \$5,000 for failure to file a Report applicable to each outstanding Report. 	<p>Assessment of the penalties stipulated for failure to meet the Reporting deadline</p> <p>May be liable to a fine of \$1,000 to \$5,000 assessed by Ministry.</p> <p>May be liable to a fine of \$5,000 to \$3,000,000 for a penal offence.</p>
Failure to meet Reporting deadline	<p>For a Producer that submits a Report after the Reporting deadline:</p> <ul style="list-style-type: none"> From 30 days prior to the Reporting deadline to the issuance of an imposed PFP: <ul style="list-style-type: none"> Escalation (high management) follow-up with the Producer to promote compliance. As of the day following the Reporting deadline: <ul style="list-style-type: none"> Invoicing of a charge equivalent to 5% of the PFP owing added to the first invoice for the PFP. As of the day following each of the PFP payment due dates: <ul style="list-style-type: none"> Invoicing of interest charges at the rate in force for each period of 	<ul style="list-style-type: none"> Potential issuance of an imposed PFP including all the stipulated charges. Potential 20% increase of the imposed PFP if a Producer has already been imposed a PFP. Potential legal recourse by ÉEQ.

	tardiness, retroactive to the due date for the payments.	
Failure to meet payment due dates	<p>Commencing on the payment due date:</p> <ul style="list-style-type: none"> Interest charges at the rate in force applied retroactive to the payment due date of the PFP. 	<p>Commencing on the 91st day following the payment due date showing on the invoice:</p> <ul style="list-style-type: none"> 10% penalty applicable on the outstanding PFP. Potential legal recourse by ÉEQ.
Failure to cooperate during an audit	<p>Commencing on the 31st day following the Date of Request for Internal Records:</p> <ul style="list-style-type: none"> Charges corresponding to the higher of \$250 and 1% of the PFP owing for the Obligation Year in question, up to an amount of \$25,000. 	<p>Commencing on the 61st day following the Date of Request for Internal Records:</p> <ul style="list-style-type: none"> Potential issuance of an imposed invoice and legal recourse by ÉEQ. Possibility of escalation to the Ministry. <ul style="list-style-type: none"> May be liable to a fine of \$500 to \$2,500 or fine of \$2,500 to \$1,500,000 for penal offence.
Multiple amendment requests	<p>Applicable to the revised PFP where a Producer submits more than one Report amendment request within the permitted time frame:</p> <ul style="list-style-type: none"> Charges corresponding to the greater of \$250 and 5%, calculated on the difference between the existing PFP and the revised PFP, up to an amount of \$25,000. 	