



Stewardship Ontario

**RPRA Filing on
2020 Program Performance**

April 1, 2021

TABLE OF CONTENTS

Signature of the Chair of the Board of Directors	3
SECTION 1	
2019 Blue Box Program Performance	4
Background	5
Blue Box Program Transition Plan	5
Steward Registration, Reporting & Audit	5
Program Diversion Performance	6
Program Cost	7
Market Development	7
Capturing More Materials from Around the Home	7
Promotion and Education	10
Contamination Reduction Campaign	10
Social Media	10
SECTION 2	
2019 MHSW Program Performance	11
Background	12
MHSW Wind-Up Summary	12
MHSW Wind-Up Cost Performance to Budget	13
Steward Registration, Reporting & Audit	15
Program Supply Chain	15
Accessibility	17
Program Performance Against Targets	18
Promotion and Education	20
Website	20
Advertising	20
Partnership with Ontario Parks	20
Social Media	20
SECTION 3	
2019 Audited Financial Statements	21

Signature of the Chair of the Board of Directors

This report has been approved by the Stewardship Ontario Board of Directors for submission to the Resource Productivity and Recovery Authority (RPRA) in accordance with the requirements of the *Waste Diversion Transition Act, 2016*.

A large, light blue circular graphic is positioned in the background. It features a stylized arrow that starts at the top, curves around the right side, and points towards the bottom left, creating a sense of a continuous cycle or process.

Robyn Collver
Chair
Stewardship Ontario Board of Directors



SECTION 1

2020 Blue Box Program Performance

Background

Stewardship Ontario is the industry funding organization responsible for the Blue Box Program Plan, which was approved by the Minister on December 22, 2003 and commenced on February 1, 2004. For further information please see the Stewardship Ontario website and the Resource Productivity and Recovery Authority (RPPRA) website.

www.stewardshipontario.ca
www.rppra.ca

Stewardship Ontario presented the Blue Box Program performance and fee schedule for 2021 to stewards on October 21, 2020. Relevant documentation, including a discussion paper, presentations and Q&A's from the meeting can be found at www.stewardshipontario.ca/engagement/information-sessions.

Blue Box Program Transition Plan

The transition of the Blue Box Program to full producer responsibility, which will make industry responsible for both the funding and operation of residential recycling in the province and subsequent wind up of Stewardship Ontario as an organization was initiated by a direction letter from the Minister of Environment, Conservation and Parks (MECP) on August 15, 2019.

Stewardship Ontario was required to submit a Blue Box Program Wind-Up Plan to the Resource Productivity and Recovery Authority (RPPRA) by June 30, 2020 but due to complications related to the COVID-19 pandemic, the date was extended to August 31, 2020. During this time, the Ontario government has developed and consulted on regulations to support the new responsibility framework for the Blue Box Program.

According to the Minister's letter, the first communities are to be transitioned beginning January 1, 2023, with the entire province operating under the new framework by December 31, 2025.

On December 21, 2020 Stewardship Ontario was advised that the Blue Box Transition Plan submitted to the RPPRA board was approved with a set of six conditions.

Due to condition number 1 to defer Material Cost Differentiation (MCD), it was necessary to recalculate the 2021 steward fees and a new fee schedule was released on December 23, 2020.

Steward Registration, Reporting & Audit

There were 1,813 stewards registered with Stewardship Ontario's Blue Box Program as of December 31, 2020. In 2020, 1,318 steward reports were submitted (versus 1,457 in 2019).

Blue Box fee revenue invoiced for Q4 2020 year-to-date (YTD) was \$140,276,059 vs \$128,843,918 for Q4 2019 YTD, which is an increase of 8.9%. The Q4 2020 YTD fee revenue of \$140,276,059 compared to the Q4 2020 YTD budget of \$138,423,016 is an increase of 1.3%. Please note that steward reports for any prior year's obligations or changes to steward reports for prior years are captured in the year that the reporting occurred.

Steward reports were analyzed to flag inconsistencies in reporting against prior years. Where inconsistencies are flagged, follow-up activities are initiated to confirm the reported quantities and to make corrections where required. At the end of 2020, steward reports representing more than 90% of reported tonnes had undergone desk verification and review.

Stewardship Ontario utilizes a compliance audit framework designed in cooperation with Deloitte LLP and PwC, that was built upon the best practices from European EPR jurisdictions. The criteria for selecting stewards for comprehensive audits is designed to improve overall confidence in the quality of reporting. Fourteen compliance reviews relating to 2020 packaging and printed paper reports were launched in the fall of 2020. In addition, any steward-initiated adjustment requests involving a significant amount undergo an independent third party audit.

Program Diversion Performance

The Blue Box Program supports the efforts of Ontario municipalities and First Nations communities to collect and market packaging and printed paper. Municipalities are paid 50% of the costs they incur as a result of the Blue Box Program.

Based on municipal reports through the RPRA Datacall, the recycled tonnes managed through the Blue Box program in 2019 declined more than generated tonnes (an estimate of the total quantity of residential PPP created by households) compared to the previous year. As a result, the recycling rate declined to 57.3%. Paper and newsprint continued to be a primary reason for the decline in the recycled tonnes. Also, higher residue rates and higher contamination standards imposed by end markets played a role. Recycling kilograms per capita decreased in 2019 reflecting reduced tonnes and an increased population.

	2019	2018	2017	2016	2015	2014	YOY Variance %
Recycling Performance							
Recycled Tonnes	729,906	780,555	822,979	836,227	852,437	884,504	-6.5%
Generated Tonnes	1,274,310	1,296,207	1,342,017	1,340,947	1,332,544	1,361,930	-1.7%
Recycling Rate	57.3%	60.2%	61.3%	62.4%	64.0%	64.9%	-2.9%
Provincial Recycling Target	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	0.0%
Population Serviced by PPP Program	13,205,235	13,078,155	12,962,740	12,814,578	12,830,228	13,358,776	1.0%
Recycling kg per Capita	55.3	59.7	63.5	65.3	66.4	66.21	-7.4%
Accessibility Performance							
# Households Serviced	5,333,161	5,278,332	5,237,905	5,174,930	5,165,154	5,365,378	1.0%
% Households with Access to PPP Program	94.0%	94.0%	94.4%	94.6%	95.3%	97.3%	0.0%
Consumer Awareness	97.0%	97.0%	97.0%	97.0%	97.0%	97.0%	0.0%

Program Cost

The overall net cost of the Blue Box recycling system increased by 12.4%. This increase is primarily due to reduced commodity revenue, as anticipated from stricter trade restrictions on recyclable material globally. As a result, the net cost per tonne and per capita also increased from the previous year.

	2019	2018	2017	2016	2015	2014	YOY Variance %
Cost Performance							
Recycled Tonnes	729,906	780,555	822,979	836,227	852,437	884,504	-6.5%
Net Cost*	\$336,293,874	\$299,307,268	\$249,809,925	\$258,540,366	\$263,726,504	\$252,936,907	12.4%
Net Cost per Tonne	\$461	\$383	\$304	\$309	\$309	\$286	20.2%
Net Cost per Capita	\$25	\$23	\$19	\$20	\$21	\$19	11.3%
P&E Cost per Capita	\$0.62	\$0.61	\$0.56	\$0.64	\$0.58	\$0.52	1.7%
Recycled kg per capita	55.3	59.7	63.5	65.3	66.4	66.2	-7.4%

* Net cost includes total supply chain costs, commodity revenues, P&E, regulatory, market development and program management costs.

Market Development

As highlighted in the approved Blue Box Transition Plan, a decision was made to not engage in any new market development projects beginning in 2020. However, Stewardship Ontario has continued to invest and partner with municipalities in Residential Waste Composition Studies as well as Material Recovery Facility (MRF) Material Composition Studies. Highlights of this work are summarized below.

Capturing More Materials from Around the Home

The 2019/2020 residential waste composition study work, in co-operation with the Continuous Improvement Fund (CIF), continued throughout 2020. These studies are carried out four times a year corresponding to each season, beginning in the summer. They provide insight for both industry and municipalities on what paper and packaging materials residents are actively sorting for recycling. The data collected from these studies provide very important information on the changing mix of materials in the Blue Box stream. This information is used by both municipalities and industry to plan for program requirements and help with resident communications to manage the changing mix.

In 2019/2020 the waste composition studies included ten municipalities. Of these, one location was a depot and three municipalities also provided multi-family waste audits.

The third study (the winter season), which was carried out from January to March, was able to be finished on time but Stewardship Ontario began to hear of municipal concerns related to the emergence of the COVID-19 pandemic as it began to impact Ontario. New safety measures set out by the government of Ontario to combat the pandemic were starting to be implemented

mid to late March. These measures included the closing of non-essential businesses, working from home, social distancing, and curtailing travel. Prior to the start of the final season (spring) of audits all participating municipal programs did indicate that they were not in a position to undertake the studies at this time and would need to defer to a later date or cancel the season outright. In collaboration with the municipalities it was decided to cancel all field work. Toward the latter half of the spring season, as the COVID-19 pandemic measures began to relax, and more protocols and procedures were able to be put in place, the field studies were able to resume under strict guidelines developed in partnership by the municipality, SO and the third party auditor. As a result of the full spring data not being available, the municipalities were given the option of either finishing the 2019/2020 waste audits with only three seasons of data or having a fourth season take place in the summer. Just over half the programs proceeded with the fourth (summer) season. Also, as a result of this arrangement, the start of 2020/2021 waste composition studies was delayed until the fall of 2020.

The planning for the 2020/2021 waste composition studies was undertaken during the first quarter of 2020, in conjunction with the Continuous Improvement Fund (CIF). Nine municipalities agreed to participate in the studies, with three providing multi-family waste audits and one depot location. Procurement of the third-party contractor(s) was done through a Request for Proposal (RFP) which was issued in February 2020. As the COVID-19 pandemic was beginning to become prevalent at that time, a clause was introduced to ensure if work was postponed (which happened) there would be no change to pricing. The work was awarded to two contractors: AET Environmental and Waste Reduction Group. The municipalities that are part of the 2020/2021 program were also consulted about the possibility of postponing

the start of the work; all were in agreement that waiting to begin the season was an acceptable plan. The field work resumed in October and was completed in all the municipalities by December 2020.

The MRF Material Composition and Density Studies (MMCDS) are undertaken annually by Stewardship Ontario, in cooperation with municipal MRF's to acquire detailed data on the composition of MRF commodities. This data is utilized as a component of the annual fee setting process and is used to help determine the overall tonnes of the various Blue Box materials recovered in Ontario each year. Stewardship Ontario allocates material for reported commingled materials based on waste composition data. While Blue Box performance and cost metrics are primarily expressed as weight-based measures, (i.e., tonnes collected as a proportion of tonnes generated, material cost per tonne managed and fee rates per kilogram), understanding the volume of individual Blue Box waste materials is equally as important. The MMCDS incorporate two discrete sampling events at the participating facilities, in which four or five different commodities are examined. The samples are extracted from the post sort pre-baled material where possible otherwise, baled material is used for the samples.

The sampling work is typically planned to take place twice in two different seasons (quarters). Q1-Q2 is normally used as the planning time for the study, which consists of recruiting participating facilities, procuring the contractor(s) to carry out the work and developing the sampling schedule for each facility.

During the planning phase for the first season of studies, COVID-19 pandemic safety measures were beginning to be implemented across

Ontario and as a result, the recruitment of facilities was put on hold as locations were not able to commit to participating. By late summer, COVID-19 pandemic safety measures were being relaxed and most municipalities had a strong set of protocols and procedures in place to help keep staff safe. These safety measures allowed for five facilities to commit to participating in the field work. Due to the delays caused by the COVID-19 pandemic, the two sets of field work for the 2020 program occurred during Q4. Two contractors were engaged to undertake the field work: AET Environmental and Waste Reduction Group.

Promotion and Education

Contamination Reduction Campaign

Stewardship Ontario continued to support municipalities' efforts to reduce contamination in residential blue boxes by re-running its 2019 contamination reduction campaign. The campaign once again focused on educating residents to rinse dirty containers as well as avoid putting organics and other non-compliant materials in their bins. A holiday version of the campaign ran in November and December reminding residents that holiday lights and decorations do not belong in their recycling.

Campaign results:

- 75,746,240 impressions
- 14,708 visits to the campaign landing page
- 8,778 clicks on digital ads
- 3,966 radio spots
- 1,344 CP24 television spots
- Ad recall research indicated that 62% of residents recalled hearing or seeing an ad on household recycling or what goes in the recycling bin

Social Media

Stewardship Ontario continued to engage residents on Twitter by providing useful recycling tips and reminders. In 2020, Stewardship Ontario's Twitter posts generated over 60,300 impressions.





SECTION 2

2020 MHSW Program Performance

Background

The MHSW Program is designed to collect consumer household hazardous or special waste material and manage these materials through to their end-of-life (recycled or disposed of safely) in accordance with the *Waste Diversion Transition Act, 2016*.

MHSW Wind-Up Summary

On April 12, 2018, the Minister of the Environment and Climate Change (MOECC) issued direction to Stewardship Ontario to wind up the Municipal Hazardous or Special Waste (MHSW) Program by December 31, 2020. Upon Wind-Up, materials collected under the MHSW Program will be managed according to an individual producer responsibility framework under the Resource Recovery and Circular Economy Act, 2016.

On December 11, 2018, the Minister of the Environment, Conservation and Parks (MECP) amended the timelines for the Wind-Up of single-use batteries. The waste diversion program for single-use batteries were to cease operation on June 30, 2020, to allow for coordination with waste electrical and electronic equipment. Programs for other MHSW materials were to cease operation on December 31, 2020.

On July 2, 2019, Stewardship Ontario received further direction from the MECP regarding the Wind-Up of the MHSW Program. The new direction letter amendments are summarized below:

- The program to manage all designated materials except single-use batteries will now cease operation on June 30, 2021 instead of December 31, 2020;
- Stewardship Ontario is to develop a proposal to return surplus funds to Ontario consumers

of MHSM in its proposed Wind-Up Plan;

- For MHSM categories whose recovery is managed by Stewardship Ontario, the plan will set out rules governing a fee elimination during the Wind-Up period;
- For MHSM categories that are managed through industry stewardship plans, the plan will include options to return surplus funds to MHSM consumers, for example, through a consumer rebate program.

Stewardship Ontario consulted on these topics with stakeholders and submitted a revised Wind-Up Plan to RPRA by the Minister's September 30, 2019, deadline.

On December 20, 2019, The Minister of the Environment, Conservation and Parks issued a new direction letter to Stewardship Ontario and the Resource Productivity and Recovery Authority (RPRA) clarifying how MHSW residual funds should be managed once the program winds up on June 30, 2021. The Minister's direction letter clarifies that all residual funds remaining once the program ceases operating and all financial obligations have been accounted for should be returned to stewards. This applies to stewards managed by Stewardship Ontario, and those managed through industry stewardship plans. Stewardship Ontario consulted on and made revisions to its MHSW Wind-Up Plan to address this new direction.

RPRA approved the MHSW Wind-Up Plan with conditions in December, 2019.

On April 1, 2020, the Minister of the Environment, Conservation and Parks sent Stewardship Ontario a letter directing Stewardship Ontario to develop amendments to the approved MHSW Wind-Up Plan which would return 100% of material-specific surplus funds to Industry Stewardship Organizations (ISOs) in one lump sum transfer.

In a second letter received April 29, 2020, the Minister granted an extension for submitting the amendments to the RPRA to June 5, 2020 in order to allow sufficient meaningful consultation with stakeholders given the current situation with the COVID-19 pandemic. Stewardship Ontario consulted on these topics with stakeholders and submitted a revised Wind-Up Plan to the RPRA by the Minister's June 5, 2020 deadline.

On June 30th 2020 Stewardship Ontario ceased operation of the single-use battery program supply chain.

Throughout 2020, Stewardship Ontario continued to consult with all stakeholders on activities to Wind-Up including steward payments, fee elimination and supply chain operations to name a few. More information on MHSW Wind-up activities can be found at

www.stewardshipontario.ca/mhsw-windup.

MHSW Wind-Up Cost Performance to Budget

MHSW WIND UP UPDATE - COSTS (EXCLUDING MATERIAL CONTINGENCIES AND COSTS) FORECASTS VS ACTUALS								
Budget Category (\$000s)	2019 WUP Forecast	2019 Actuals	2020 WUP Forecast	2020 Actuals	2021 WUP Forecast	Current 2021	Total WUP Forecast	Revised WUP Forecast
Plan								
Development & Implementation	\$996	\$935	\$1,231	\$1,167	\$895	\$1,375	\$3,121	\$3,477
Regulatory Charges (RPRA Fees)	\$450	\$181	\$450	\$467	\$610	\$610	\$1,510	\$1,258
Contingencies								
<i>General</i>					\$500	\$500	\$500	\$500
<i>HR</i>					\$110	\$110	\$110	\$110
Corporate Wind-Up Hold Back					\$50	\$50	\$50	\$50
Total	\$1,446	\$1,116	\$1,681	\$1,634	\$2,165	\$2,645	\$5,291	\$5,395

The MHSW program is scheduled to terminate on June 30, 2021.

The MHSW WUP submitted September 2019 included a forecast of wind up expenses (excluding material specific contingencies and costs) of \$5.291 million over a three year period. Since the MHSW WUP was submitted, Stewardship Ontario has continued to adjust WUP expense forecasts based on actual expenses incurred and changes to the WUP process. Currently Stewardship Ontario is projecting an increase to general WUP expenses of approximately \$100,000 or 2% over the original WUP forecast based on actual 2019 and 2020 expenses and revised forecasts for 2021. A number of developments have impacted anticipated WUP expenses.

In 2019 WUP expenses were lower than plan forecasts as related RPRA fees were significantly less than Plan forecasts and actual plan development and implementation costs were about 6% less than forecast. General WUP expenses in 2020 were affected by a number of developments. In late 2019 Stewardship Ontario adopted, following RPRA approval, a new Conflict of Interest mitigation plan to minimize conflict of interest concerns as Stewardship Ontario assumed responsibility for winding up both the MHSW Program and the provincial Blue Box program. While these COI measures had a minimal impact on MHSW general expenses in 2019, they increased general MHSW expenses going forward. In 2020, following approval of the initial MHSW WUP, Stewardship Ontario also received additional Ministerial directions related to both the disbursement of residual funds and the payment of surplus funds to Industry Stewardship Organizations. The new Ministerial directions, required Stewardship Ontario to reassess program financing, conduct extensive consultations with

stakeholders and submit plan amendments to the RPRA for review and approval. The unanticipated changes in WUP directions increased Stewardship Ontario accounting, policy and legal costs related to the development and implementation of the wind up plan.

Although Stewardship Ontario 2020 WUP plan development costs came in below WUP forecasts, despite the aforementioned increased cost pressures, this is because certain wind up expenses related to data transfer and destruction scheduled to begin in 2020 were deferred until 2021. Consequently, the revised forecast for 2021 plan development and implementation costs is significantly higher than the original WUP forecast and overall WUP plan development and implementation costs are approximately 10% above those originally forecast.

Given the inherent difficulties in projecting program costs multiple years in advance of operations, the general wind budget included a general contingency amount of \$500,000. This contingency amount was roughly equivalent to 10% of overall forecast general expenses. To date, while there have been a number of unforeseen developments since the submission of the Wind Up Plan, current forecasts are projecting an overall increase in general wind up expenses of just under 2% well within the range of program cost fluctuations that the contingency amount was created to absorb. If contingency amounts created to deal with unforeseen expense pressures are not required following the termination of the program, they will contribute to residual funds that will be disbursed to Stewards in accordance with the Approved MHSW Residual Funds addendum.

Steward Registration, Reporting & Audit

There were 276 stewards registered with the MHSW Program as of December 31, 2020. In 2020, 934 steward reports were received (versus 1,186 reports in 2019).

Net revenue in Q4 2020 was \$4,096,290 which includes the steward fee reduction for \$6,929,400. Total fee reduction for batteries stewards amounted to \$6,484,400. For Q4 2020 year-to-date (YTD) the fee reduction for Non-Refillable Pressurized Containers and Refillable Pressurized Containers was \$80,000 and \$65,000 respectively and fee reduction for Oil Filters and Oil Containers was \$100,000 and \$200,000 respectively. MHSW fee revenue actual invoiced for Q4 2020 year-to-date (YTD) was \$4,096,290 vs \$14,336,428 for Q4 2019 YTD which is a decrease of 71.43% and is due mainly to stewards exiting the program. The Q4 2020 YTD fee revenue of \$4,096,290 compared to the Q4 2020 YTD budget of \$11,098,482 is a decrease of 63.09%. Note that steward reports for any prior year's obligations are captured in the year that the reporting took place.

Each quarter, stewards' filed reports are analyzed via a comparative analysis tool, which flags inconsistencies quarter-to-quarter on a season-to-season basis. Stewardship Ontario reviews reports where inconsistencies are flagged and conducts a follow up program.

Stewardship Ontario utilizes a compliance audit framework designed in cooperation with Deloitte LLP and PwC, that was built upon the best practices from European EPR jurisdictions. The criteria for selecting stewards for comprehensive audits is designed to improve overall confidence in the quality of reporting.

To facilitate administrative harmonization and cost savings, Stewardship Ontario participates in Used Oil Management Association steward audit process. Eleven MHSW review cases were executed by UOMA in 2020.

Program Supply Chain

Stewardship Ontario's supply chain-related responsibilities and duties include fostering a marketplace that maintains and encourages competition, achieves efficiencies and cost-effectiveness, and ensures that all industry service providers have a fair and equitable opportunity to participate in the provision of services.

In 2020, Stewardship Ontario oversaw the reverse supply chain (collection, transportation and recycling) of pressurized containers, for the full year, and single-use dry cell batteries until June 30th. Over the past five years, the supply chain activities for the other seven materials have been transitioned to Industry Service Plan (ISP) operators since they now have a majority of the stewards participating in their program. However, not all stewards decided to transition to these ISP's, therefore Stewardship Ontario still has an obligation to provide recycling services on their behalf. As such, Stewardship Ontario has entered into agreements with these ISPs to fulfill their recycling obligation for these materials. In 2020, Stewardship Ontario entered into a new agreement with Product Care Association (PCA) to participate in the cost sharing of their supply chain for Paint, Stains and Coatings which is effective until the anticipated Wind-Up of the MHSW program on June 30, 2021.

Material management activities are only eligible to be performed by Service Providers that are approved by Stewardship Ontario. All approved Service Providers must adhere to the vendor standards, policies and procedures which are established and monitored by Stewardship Ontario. However, most on-site visits were cancelled or rescheduled due to the COVID-19 pandemic.

Due to the COVID-19 pandemic, the field services team had to make changes in the way that they communicate with our service provider, Municipal & First Nations partners. The field services team was able to remain in communication through email and teleconference minimizing travel and on-site visitation. It was important for Stewardship Ontario to understand the impacts to supply chain activities during the pandemic and provide assistance if/where possible. While Stewardship Ontario did see cancellation of many municipal events and closure of municipal depots to the public early in the year, most events were rescheduled and depots were reopened as soon as strong procedures and protocols were put in place to protect staff and minimize the threat of the COVID-19 pandemic.

The Ontario Parks also saw a decline in attendance due to closure of parks during the spring/summer months as well as the cancellation of overnight camping in many locations, which had an impact

on the collection of non-refillable pressurized containers. Almost all service providers continue to offer collection, transportation, and processing services throughout 2020. This helped to support the movement of materials and offset any stockpiling issues at collection sites. On-site visits were cancelled or postponed in most instances due to the COVID-19 pandemic to ensure the safety of Stewardship Ontario staff.

As the Wind-Up of the single-use battery program occurred on June 30, 2020, the field services team provided support to service providers, municipalities and First Nations in order to successfully assist with the Wind-Up of the single-use battery program. They engaged all battery supply chain partners to ensure inventories were removed from all collection sites by July 15th and shipped to the approved processor. Staff also supported the submission and payment of all outstanding invoices for post collection activities related to single-use batteries by the cut-off dates.

Accessibility

The following chart details consumer accessibility by collector type for MHSW in 2020:

Channel - Activity	2020 Actual
Municipal – Depot	88
Municipal – Events	-
Automotive – Commercial Sites ¹	-
Automotive – Do It Yourself (DIY) Sites ¹	-
Return-to-Retail (R2R) ²	30
Battery Incentive Program (BIP) ²	5,787
Parks	107

¹The collection sites for used antifreeze, oil containers and oil filters were transitioned to Automotive Materials Stewardship on April 1, 2017.

²As of July 1, 2020, Stewardship Ontario no longer manages single-use batteries.

Program Performance Against Targets

2020 Tonnes Collected

Material Category	Available for Collection ¹	Collection Target Rate (%)	Target Tonnes ²	Actual Collection Tonnes ³	Actual Collection Rate (%)	Variance to Target (Tonnes)	Prior Year (Tonnes)	Variance to Prior Year (Tonnes)
Antifreeze	395	50%	198	194	49%	(3)	219	(25)
Fertilizers	N/A	N/A	N/A	0	N/A	N/A	2	(2)
Oil Containers	658	52%	342	642	98%	300	719	(77)
Oil Filters	863	85%	733	714	83%	(19)	876	(162)
Paints & Coatings	4	77%	3	3	79%	0	6	(3)
Pesticides	-	57%	-	-	N/A	-	-	-
Pressurized Containers (Non-Refillable)	834	46%	384	304	36%	(80)	327	(23)
Pressurized Containers (Refillable)	427	98%	419	413	97%	(6)	415	(2)
Single-Use Batteries ⁴	3,583	40%	1,433	1,941	54%	508	3,224	(1,283)
Solvents	180	46%	83	5	3%	(78)	16	(12)

¹Available for Collection is using the quantity supplied to market in 2018 as of July 1, 2019.

²Annual Collection Targets (Tonnes) is using the quantity supplied to market in 2018 as of July 1, 2019

³Actual YTD Collection (Tonnes) represent SO portion only

⁴Please note that MHSW wound-up the collection of single-use batteries June 30, 2020.

Program Performance Against Targets

2020 Tonnes Diverted

Material Category	Available for Collection ¹	Diversion Target Rate (%)	Target Tonnes ²	Actual Diversion Tonnes ³	Actual Diversion Rate (%)	Variance to Target (Tonnes)	Prior Year (Tonnes)	Variance to Prior Year (Tonnes)
Antifreeze	395	50%	198	194	49%	(3)	219	(25)
Fertilizers	N/A	N/A	N/A	-	N/A	N/A	-	-
Oil Containers	658	52%	342	642	98%	300	719	(77)
Oil Filters	863	85%	733	714	83%	(19)	876	(162)
Paints & Coatings	4	62%	2	2	53%	(0)	3	(1)
Pesticides	-	N/A	-	-	N/A	-	-	-
Pressurized Containers (Non-Refillable)	834	46%	384	304	36%	(80)	327	(23)
Pressurized Containers (Refillable)	427	98%	419	413	97%	(6)	415	(2)
Single-Use Batteries ⁴	3,583	28%	1,017	1,669	47%	652	2,773	(1,103)
Solvents	180	6%	11	0	0%	(11)	-	0

¹Available for Collection is using the quantity supplied to market in 2018 as of July 1, 2019.

²Annual Diversion Targets (Tonnes) is using the quantity supplied to market in 2018 as of July 1, 2019

³Actual YTD Diversion (Tonnes) represent SO portion only

⁴Please note that MHSW wound-up the collection of single-use batteries June 30, 2020.

Promotion and Education

Promotion and education initiatives for the residential-facing Orange Drop program are designed to increase awareness of the hazardous waste materials, drive behaviour change and support collection channels in order to achieve collection and diversion targets.

Website

The Orange Drop website contains a locator tool that allows residents to search for material drop off locations and events by postal code. The website saw over 85,500 visitors in 2020, up 28% from 2019.

Advertising

Material Awareness Campaign

The 2020 Orange Drop awareness advertising campaign ran from August to October. The campaign was similar to the 2019 campaign but removed single-use batteries as that program wound up in June.

The campaign ran on various digital channels and generated 9.27 million impressions as well as an impressive 18% click rate.

Templates were made available for municipalities to download, customize, and use for their own promotion and education initiatives.

Propane Canister Awareness Campaign

Orange Drop's annual propane canister awareness campaign ran throughout July and August on Google AdWords and Facebook. The campaign generated 3.21 million impressions and 4,059 link clicks.



Partnership with Ontario Parks

Orange Drop continued its partnership with Ontario Parks to promote the proper disposal of propane canisters in the dedicated park cages.

Campaign Results:

- Blog post: 1,063 page views
- Facebook posts: 862 engagements; 26,442 people reached
- Twitter posts: 1,236 engagements
- Instagram posts: 1,318 engagements; 38,800 people reached
- Instagram stories: 17,266 people reached

Social Media

Orange Drop's Twitter and Facebook accounts were used to educate residents about Orange Drop materials, as well as promote the drop off locator tool and collection events featured on the website. Twitter and Facebook posts generated over five million impressions, up 70% from 2019.



Find a drop-off location:
[MakeTheDrop.ca](https://www.makedrop.ca)





SECTION 3

2020 Audited Financial Statements

Stewardship Ontario

Financial Statements

For the year ended December 31, 2020

Stewardship Ontario

Financial Statements

For the year ended December 31, 2020

Contents

Independent Auditor's Report	2-3
Financial Statements	
Balance Sheet	4
Statement of Changes in Net Assets	5
Statement of Operations	6
Statement of Cash Flows	7
Notes to Financial Statements	8-16



Tel: 416 865 0200
Fax: 416 865 0887
www.bdo.ca

BDO Canada LLP
222 Bay Street
Suite 2200, P.O. Box 131
Toronto, ON M5K 1H1 Canada

Independent Auditor's Report

To the Members of Stewardship Ontario

Opinion

We have audited the financial statements of Stewardship Ontario (the "Organization"), which comprise the balance sheet as at December 31, 2020, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 19, 2021

Stewardship Ontario Balance Sheet

December 31	2020	2019
-------------	------	------

Assets

Current

Cash	\$ 24,910,238	\$ 67,890,350
Investments (Note 2)	19,619,113	23,427,560
Accounts and other receivables (Note 3)	8,430,032	6,200,359
Prepaid expenses and deposits	25,505	28,575

	52,984,888	97,546,844
--	------------	------------

Investments (Note 2)	46,740,136	40,295,634
----------------------	------------	------------

	\$ 99,725,024	\$137,842,478
--	---------------	---------------

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 38,563,105	\$ 38,934,147
Deferred revenue (Note 5)	9,807,566	9,807,566
Continuous Improvement Fund (Note 6)	14,965,065	17,553,275

	63,335,736	66,294,988
--	------------	------------


Net Assets

Unrestricted	28,678,909	59,079,476
Internally restricted (Note 7)	7,710,379	12,468,014

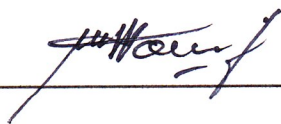
	36,389,288	71,547,490
--	------------	------------

	\$ 99,725,024	\$137,842,478
--	---------------	---------------

On behalf of the Board:



Director



Director

The accompanying notes are an integral part of these financial statements.

Stewardship Ontario Statement of Changes in Net Assets

For the year ended December 31, 2020

	Unrestricted	Internally Restricted	2020 Total
Balance, beginning of year	\$ 59,079,476	\$ 12,468,014	\$ 71,547,490
Deficiency of revenue over expenses for the year	(35,158,202)	-	(35,158,202)
Transfer to unrestricted net assets (Note 7)	5,403,635	(5,403,635)	-
MHSW Program Extension Reserve (Note 7)	(646,000)	646,000	-
Balance, end of year	\$ 28,678,909	\$ 7,710,379	\$ 36,389,288

For the year ended December 31, 2019

	Unrestricted	Internally Restricted	2019 Total
Balance, beginning of year	\$ 59,863,684	\$ 9,530,530	\$ 69,394,214
Excess of revenue over expenses for the year	2,153,276	-	2,153,276
Blue Box Program wind up costs (Note 7)	415,052	(415,052)	-
Blue Box Program net investment income (Note 7)	(3,352,536)	3,352,536	-
Balance, end of year	\$ 59,079,476	\$ 12,468,014	\$ 71,547,490

The accompanying notes are an integral part of these financial statements.

Stewardship Ontario Statement of Operations

For the year ended December 31	2020	2019
Revenue		
Blue Box program steward fees	\$ 140,276,059	\$ 128,700,725
MHSW program steward fees	11,025,699	14,479,758
MHSW program steward fee reduction (Note 8)	(6,929,410)	-
Investment income (Note 9)	3,388,327	4,148,345
	147,760,675	147,328,828
Expenses		
Blue Box Program		
Municipal Transfer Payments	126,199,889	121,256,520
Continuous Improvement Fund (Note 12(b))	26,556	3,122
Research and development	18,049	146,467
Promotion and education	395,545	412,306
Program wind up costs	1,371,821	415,052
	128,011,860	122,233,467
MHSW Program		
Direct material costs (Note 4)	8,036,698	11,625,579
Promotion and education	48,722	52,363
Program wind up costs	1,633,922	1,115,583
Surplus transfer (Note 11)	34,982,600	-
	44,701,942	12,793,525
Common costs		
Program management (Note 4)	7,638,649	7,384,735
Resource Productivity and Recovery Authority (Note 10)	2,566,426	2,763,825
	10,205,075	10,148,560
Total expenses	182,918,877	145,175,552
Excess (deficiency) of revenue over expenses for the year	\$ (35,158,202)	\$ 2,153,276

The accompanying notes are an integral part of these financial statements.

Stewardship Ontario Statement of Cash Flows

For the year ended December 31	2020	2019
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ (35,158,202)	\$ 2,153,276
Adjustments to reconcile excess (deficiency) of revenue over expenses for the year to cash provided by operating activities		
Non-cash component of investment income	(1,195,887)	(903,179)
Changes in non-cash working capital balances:		
Accounts and other receivables	(2,229,673)	2,085,933
Prepaid expenses and deposits	3,070	(2,127)
Accounts payable and accrued liabilities	(371,042)	(637,986)
Deferred revenue	-	2,006
Continuous Improvement Fund	(2,588,210)	(2,253,879)
	(41,539,944)	444,044
Investing activities		
Purchase of investments, net of expenses	(1,440,168)	(1,501,884)
Decrease in cash during the year	(42,980,112)	(1,057,840)
Cash, beginning of year	67,890,350	68,948,190
Cash, end of year	\$ 24,910,238	\$ 67,890,350

The accompanying notes are an integral part of these financial statements.

Stewardship Ontario

Notes to Financial Statements

December 31, 2020

1. Significant Accounting Policies

The following is a summary of significant accounting policies of the Organization:

(a) Business Organization and Operations

Stewardship Ontario ("Organization") is an Industry Funding Organization created under Section 24 of the Waste Diversion Act, 2002 ("WDA") to operate waste diversion programs. On February 14, 2003, the Organization was formally incorporated in the Province of Ontario as a corporation without share capital. The Organization is a not-for-profit organization and as such is not subject to income taxes.

On November 30, 2016, The Resource Recovery and Circular Economy Act (2016) ("RRCEA") was proclaimed along with the Waste Diversion Transition Act (2016) ("WDTA") which replaces the WDA. Under the RRCEA, Waste Diversion Ontario ("WDO") continued under its new name, the Resource Productivity and Recovery Authority ("RPRA").

Blue Box Program

The first Blue Box Program Plan was approved by the Minister of the Environment in December 2003 and the program commenced operations in February 2004.

On August 15, 2019, Management received a letter from the Minister of the Environment, Conservation and Parks that directed the Organization to transition the management of the Blue Box Program to producers of plastic and other packaging. The Organization had to submit a plan to transition the Blue Box Program no later than August 31, 2020. The transition plan was approved by RPRA on December 23, 2020. The Blue Box Program is expected to begin its transition in January 2023 and cease operations by the end of 2025. Corporate wind up is expected to follow the Blue Box Program transition.

MHSW Program

On December 11, 2006, the Minister of the Environment prescribed Municipal Hazardous or Special Waste ("MHSW") as a designated waste under the WDA. The Minister required that WDO develop a waste diversion program for MHSW, and the Organization to be the Industry Funding Organization ("IFO"). The Minister of the Environment approved the Program Plan in November 2007. MHSW officially commenced operations July 1, 2008.

Ontario Regulation 11/12 took effect on April 1, 2012 where the Organization is required to apply a market share methodology to recover both ongoing operating costs and to recover past deficits that have accumulated over the course of the program. This cost recovery methodology is designed to result in an economically sustainable program.

Management received letters from the Ministry of the Environment, Conservation and Parks ("Ministry") on April 12 and December 11, 2018. Pursuant to Section 14 of the WDTA, the Ministry directed the Organization to wind up the MHSW waste diversion program. The Wind Up Plan was approved by RPRA on January 8, 2020. The single-use battery portion of the MHSW program ceased operation on June 30, 2020 and the remainder of the MHSW program will cease operation on June 30, 2021.

Stewardship Ontario

Notes to Financial Statements

December 31, 2020

1. Significant Accounting Policies - (Continued)

(b) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

(c) Revenue Recognition

The Blue Box program steward fees are recognized as revenue based on reported tonnages for stewards registered with the Organization. Steward reported tonnages for prior years' obligations and revenues resulting from compliance and enforcement activities are recognized when the amount can be reasonably estimated and collection is reasonably assured. The MHSW program steward fees are recognized on a cost recovery basis when costs are incurred and collection is reasonably assured. Any revenue resulting from compliance and enforcement activities are recorded as revenue when the amount can be reasonably estimated and collection is reasonably assured.

The Organization follows the deferral method of accounting for revenues, including the Glass Market Development Fund. Amounts received for programs are recognized as revenue when the related expenses are incurred.

(d) Financial Instruments

Fixed income investments are valued at year-end quoted market prices. Realized and unrealized gains (losses) are recorded in the statement of operations. The Organization accounts for these investments on a settlement date basis and transaction costs associated with these investment activities are included in the statement of operations. These investments have been presented according to their contractual maturity dates.

Unless otherwise noted, the Organization initially measures its financial assets and liabilities at fair value and subsequently measures its financial assets and liabilities at amortized cost.

(e) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include estimates of unreported tonnages and collectability of steward fees, accrued post collection costs and the valuation of accounts receivable. Actual results could differ from management's best estimates as additional information becomes available in the future.

Stewardship Ontario Notes to Financial Statements

December 31, 2020

2. Investments

	2020	2019
Cash held with broker	\$ 398,545	\$ 471,070
Fixed income	65,960,704	63,252,124
	66,359,249	63,723,194
Less: Current portion	19,619,113	23,427,560
	\$ 46,740,136	\$ 40,295,634

Fixed income investments bear interest at 1.83% to 4.25% (2019 - 1.70% to 4.65%) and mature between December 2021 and April 2030 (2019 - April 2020 and January 2029). The increase in market value of investments for the year ended December 31, 2020 amounted to \$2,039,678 (2019 - \$1,277,003) which is included in investment income (Note 9).

3. Accounts and Other Receivables

	2020	2019
Blue Box and MHSW program steward fees	\$ 9,157,703	\$ 6,535,343
Other	31,657	150,683
Allowance for doubtful accounts	(759,328)	(485,667)
	\$ 8,430,032	\$ 6,200,359

Stewardship Ontario Notes to Financial Statements

December 31, 2020

4. Significant Contracts

(a) Canadian Stewardship Services Alliance Inc. ("CSSA")

The Organization entered into an agreement with CSSA to sublicense its original intellectual property licenses and intellectual property associated therewith, being the Enterprise Information System to CSSA, for consideration of \$1,650,000. This agreement expires in 2023 with the option to renew for an additional five year period.

Effective January 1, 2014, the Organization entered into a five year Management Services Agreement with CSSA for management, administrative and technical support, other services and facilities for administrative, technical and reporting activities. On January 1, 2019, the agreement was amended to extend for a further three years. During the year ended December 31, 2020, the Organization incurred costs of \$6,280,742 (2019 - \$5,425,000) for these services that included in program management expenses and program wind up costs. Included are accounts payable and accrued liabilities as at December 31, 2020 is \$486,969 (2019 - \$643,519) relating to these services.

In 2019, certain members of the CSSA board of directors were also members of the Organization's board of directors and accounted for approximately 25% of the Organization's board membership until September 26, 2019. On this date, the Organization introduced a Conflict of Interest Mitigation Plan to ensure independence during the Wind Up of the Organization. There are no longer any shared board members between CSSA and the Organization. Further details are included in Note 1(a).

(b) Automotive Materials Stewardship Inc. ("AMS")

On February 2, 2017, the Organization entered into a Supply Chain Agreement with AMS, a newly established organization whose program was previously under the Organization's MHSW program. AMS focuses on the waste management of anti-freeze, oil filters, and oil containers. Under the Supply Chain Agreement, the Organization shall purchase from AMS, the Organization's Automotive Market Share of tonnes of each Automotive Materials (oil filters, oil containers, and anti-freeze) under the supply chain. During the year ended December 31, 2020, the Organization incurred costs of \$1,719,238 (2019 - \$1,852,177) under this agreement which are included in direct material costs for the MHSW program. Included in accounts payable and accrued liabilities as at December 31, 2020 is \$62,662 (2019 - \$129,363 in accounts and other receivables) relating to these services.

The Organization and AMS do not share any common board members.

Stewardship Ontario Notes to Financial Statements

December 31, 2020

5. Deferred Revenue

	<u>2020</u>	<u>2019</u>
Blue Box Program		
Glass Market Development Fund	\$ 666,017	\$ 666,017
MHSW Program		
Deferred revenue	<u>9,141,549</u>	<u>9,141,549</u>
	<u>\$ 9,807,566</u>	<u>\$ 9,807,566</u>

Deferred revenue in the Blue Box Program represents unspent resources that are externally restricted for the Glass Market Development Fund. Commitments related to the Glass Market Development Fund are further explained in Note 12(a).

Deferred revenue for the MHSW program represents fee revenue billed in advance in the first quarter of 2012 and is deferred in accordance with the Organization's revenue recognition policy (Note 1(c)). This deferred revenue is expected to be recognized as revenue at the end of the program.

6. Continuous Improvement Fund ("CIF")

Each year, the Organization is directed to hold back a portion of the municipal blue box obligation for the CIF; see Note 12(b) for further details regarding the fund. The CIF is managed by external parties and directs the Organization to release funds as required.

During the year ended December 31, 2020, the CIF spent \$2,811,260 (2019 - \$2,623,256) on continuous improvement activities. The funds held by the Organization for the CIF are included in cash.

Stewardship Ontario Notes to Financial Statements

December 31, 2020

7. Internally Restricted Net Assets

	2020	2019
Sustaining Fund	\$ 2,100,000	\$ 7,503,635
Plastic Market Development Fund	4,964,379	4,964,379
MHSW Program Extension Fund	646,000	-
	\$ 7,710,379	\$ 12,468,014

The directors recognized the need for a Sustaining Fund to enable the Organization to carry out its non-profit activities and satisfy all of its obligations. During the year, the directors authorized the transfer of \$5,403,635 from the Sustaining Fund to the Unrestricted Net Assets for wind up transition costs.

In 2019, the directors authorized the transfer of the \$1,066,151 balance in the Blue Box Fund to the Sustaining Fund to support the Blue Box Program the transition activities and \$415,052 was spent on the Blue Box Program wind up. In addition, \$3,352,536 of net investment income earned in the Blue Box Program was authorized to be transferred to the Sustaining Fund.

The directors authorized the establishment of the Plastic Market Development Fund for investment in infrastructure for plastic markets and activities for their development and therefore internally restricted funds for this purpose.

The directors authorized the establishment of the MHSW Program Extension Fund to support the costs associated with an increase in general wind up costs associated with a potential program extension. During the year, the directors authorized the transfer of \$646,000 from the Unrestricted Net Assets to the MHSW Program Extension Fund.

8. Steward Fee Reduction

The approved MHSW Wind Up Plan and subsequent amendments included provisions for the Organization to disburse MHSW program surplus funds to stewards and to industry steward organizations (ISOs) to facilitate fee reductions during the remainder of the program. During the year, \$6,929,410 was disbursed to stewards through fee reductions.

Stewardship Ontario

Notes to Financial Statements

December 31, 2020

9. Investment Income

	2020	2019
Interest income	\$ 2,087,385	\$ 3,138,643
Dividend income	105,055	106,522
Loss on sale of investments	(637,001)	(171,857)
	1,555,439	3,073,308
Adjustment to fair value	2,039,678	1,277,003
Investment expenses	(206,790)	(201,966)
	\$ 3,388,327	\$ 4,148,345

10. Resource Productivity and Recovery Authority

Under the Blue Box and MHSW program agreements, the Organization is required to collect fees to cover both program operations and the program specific and common costs of RPRA that relate to program oversight.

11. Surplus Transfer

During the year, in accordance with RPRA's conditions of the ISO Surplus Fund Transfer Addendum to the MHSW Wind Up Plan, the Organization made a surplus fund payment of \$18,616,100 to AMS and \$16,366,500 to Product Care Association of Canada.

12. Commitments

(a) Glass Market Development Fund

The Blue Box Program Plan is committed to pay \$2,901,525 to a Glass Market Development Fund from contributions from stewards of glass. As of December 31, 2020, the Organization has spent \$2,235,508 (2019 - \$2,235,508) and the remaining balance is restricted for glass market development projects.

(b) Continuous Improvement Fund ("CIF")

The CIF provides grants and loans to municipalities to execute projects that will increase the efficiency of municipal Blue Box recycling and help boost system effectiveness. The CIF was created to support projects that will identify and implement best practices, examine and test emerging technologies, employ innovative solutions to increase Blue Box materials marketed, and promote gains in cost-effectiveness that can be implemented province wide. Each year, RPRA determines the amount of the annual municipal obligation funded by the Organization's stewards that is passed along to the CIF and any cumulative unused amounts are reflected in CIF (Note 6). As of December 31, 2020, approved project funding and related commitments for the CIF amounted to approximately \$4,839,438 (2019 - \$15,266,576) of the total fund balance of \$14,965,065 (2019 - \$17,553,275).

Stewardship Ontario Notes to Financial Statements

December 31, 2020

13. Financial Instrument Risk Exposure and Management

Management has established policies and procedures to manage risks related to financial instruments, with the objective of minimizing any adverse effects on financial performance. Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant interest rate, currency or credit risks arising from its financial instruments. A brief description of management's assessments of these risks is as follows:

(a) Credit Risk:

Financial instruments potentially exposed to credit risk include cash, investments, and accounts and other receivables. Management considers its exposure to credit risk over cash to be remote as the Organization holds cash deposits at a major Canadian bank. Management considers its exposure to credit risk over investments to be remote as the Organization invests in federal or provincial government securities, corporate bonds, securities backed by any chartered bank, guaranteed investment certificates or equity and bond pooled funds. Accounts and other receivables, are not significantly concentrated, monitored regularly for collections, and the carrying amount represents the maximum credit risk exposure. The Organization's provision for uncollectable accounts, other receivables and loans receivable is approximately \$809,328 (2019 - \$585,667).

(b) Interest Rate Risk:

The Organization is exposed to interest rate risk from fluctuations in interest rates depending on prevailing rates at renewal of fixed income investments. To manage this exposure, the Organization invests mainly in fixed income securities (federal or provincial government securities, securities backed by any chartered bank or equity and bond pooled funds), and cash and/or money market investments as determined by the Organization's portfolio manager and in accordance with the Organization's investment policy. To further manage interest rate risk, the Organization's investment portfolio has been laddered so that investment maturities are staggered over the long term.

(c) Liquidity Risk:

Liquidity risk is the risk that the Organization will not be able to meet its obligations as they come due. The two programs operated by the Organization carry substantially different risks in the ability to forecast and control expenditures. Management has taken steps to ensure that the Blue Box and MHSW programs will have sufficient working capital available to meet obligations which it is unable to cover from program revenues in the short term. Ontario Regulations related to the MHSW Program allow the Organization to charge actual costs to stewards and significantly reduces risks related to timing of receipt and payments for the MHSW Program (Note 1(a)).

These risks have not changed from the prior year.

Stewardship Ontario Notes to Financial Statements

December 31, 2020

14. COVID-19 Impact

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus ("COVID-19") a pandemic. There have been significant disruptions to the Canadian and global economies. As the impact of COVID-19 continues to evolve, management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, industry, and workforce.

Although the Organization continues to operate, it is not possible to reliably estimate the length or effect of these developments, including the impact on the financial results of the Organization in future periods.