



Stewardship Ontario

Thinking
beyond
the box

**2020
ANNUAL
REPORT**

About Stewardship Ontario

Stewardship Ontario is a not-for-profit organization financed and governed by the businesses that supply designated products, packaging and printed paper to the Ontario market. In partnership with Ontario municipalities, we have been providing financing to Ontario's **Blue Box** curbside recycling program for printed paper and packaging since 2004. Since 2008, Stewardship Ontario has also been financing and operating the **Orange Drop** recycling and safe disposal program for certain hazardous or special wastes (also known as the MHSW program) such as batteries, household special wastes and other products that don't belong in landfills.

The activities of Stewardship Ontario are governed by directors employed by businesses that fund its programs, as well as an independent director.

With our partners, we touch the lives of Ontarians every day—whether they are putting something in their Blue Box or returning spent used special waste materials such as oil filters or pressured containers to a depot or special collection site. We work hard to keep many materials out of landfill, and to recover as much value as possible from these materials at the end of their useful life.

With the passing of the *Waste-Free Ontario Act, 2016*, the Ontario government is implementing a new approach to resource recovery in which businesses will be fully responsible for financing and operating take back programs for recyclables or special wastes. The wind-up of the MHSW Program is underway and the program is scheduled to terminate in 2021. A plan for the transition of the Blue Box Program to the new approach was approved in December 2020. The plan provides for Stewardship Ontario's responsibilities to carry through to the end of 2025, after which the organization will be fully wound-up.

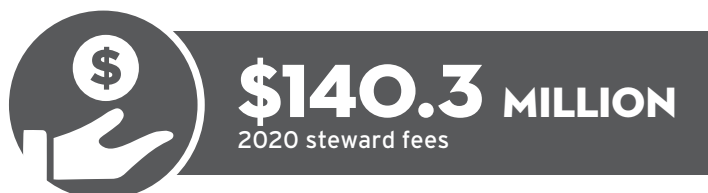
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2020 Highlights

Blue Box Program

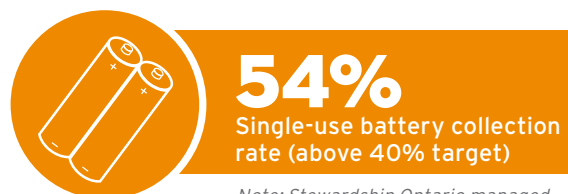
DATA FROM 2019 EXCEPT FEES



Orange Drop Program

ALL DATA FROM 2020

While the COVID-19 pandemic reduced the supply and collected volumes of MHSW materials, almost all service providers continued to offer collection, transportation, and processing services through 2020.



Note: Stewardship Ontario managed single-use batteries until June 30, 2020



Message to Stakeholders

With the extensive disruption that the COVID-19 pandemic brought to our lives, the uninterrupted operation of household recycling in Ontario during 2020 was nothing short of remarkable. Municipalities and other service providers continued to offer collection, transportation, and processing of materials throughout the year. Businesses, even those hit hard by the pandemic, continued to remit their stewardship fees so that we could keep funds to municipalities flowing. Only in a very few cases did Stewardship Ontario have to ease payment terms for those stewards facing financial hardship. On behalf of Stewardship Ontario, I would like to thank everyone involved in maintaining this essential service during these difficult circumstances.

I am very pleased to report that Stewardship Ontario successfully completed its Transition Plan for the Blue Box Program, making way for business to take over full financial and operational responsibility for the Blue Box system under the Resource Recovery and Circular Economy Act. I am also pleased to report that our progress in implementing the Wind Up Plan for Municipal Hazardous or Special Waste (MHSW) Program is on time and on budget. Part of the wind up included transferring the management of single-use batteries to business on June 30, 2020. While we recently received a direction from the Minister to extend the MHSW program by 90 days, we continue to anticipate being in a position to wind up the remainder of the activities under the MHSW Wind Up Plan by September 30, as set out in the April direction letter.

2020 marked a major turning point for Stewardship Ontario. We have established a clear path for the transition of both the Blue Box and MHSW programs, making way for a new and exciting era for resource recovery in Ontario. We look forward to Ontario's continued evolution from a linear to a circular economy that our efforts in 2020 helped make possible.

Blue Box Program Transition Plan

Stewardship Ontario submitted the Blue Box Program Transition Plan to the Resource Productivity and Recovery Authority (RPRA) in August 2020. The fundamental objective of our Plan, approved by RPRA in December 2020, was to ensure that Ontario's iconic curbside recycling program continues to offer services to Ontario residents seamlessly and without disruption throughout the multi-year transition. Similarly, our Plan pledges a business-as-usual approach to important program stakeholders such as stewards and municipalities who must provide and pay for recycling services under the current Blue Box program while adopting and implementing a new framework for Ontario's Blue Box. Under the approved Plan, the first communities will be transitioned beginning July 1, 2023, with the entire province operating under the new framework by December 31, 2025. Further details about the transition are available in this report and on the Stewardship Ontario website.



As much as possible, the Transition Plan attempts to ensure that Blue Box recycling performance remains stable throughout the transition period. However, the program's recycling performance has eroded in recent years due to a number of market factors; this challenge is intended to be addressed by the government's plan to transfer full financial and operational responsibility for Blue Box to businesses under the post-transition framework. This is the first Stewardship Ontario Annual Report in which the recycling rate achieved by the Blue Box Program dipped below the 60% target (the program achieved a recycling rate of 57.3% in 2019, the most recent year for which data are available), primarily because of the steep decline in newsprint due to continued media digitization. Historically, newspapers have represented a large volume of material in the Blue Box and, because of their high recycling rate, boosted the performance of the Blue Box program overall.

As the transition to the new framework proceeds and Stewardship Ontario prepares to wind up, I want to express my appreciation to everyone who has contributed to making these significant changes go smoothly. That this has been done in the midst of a global pandemic that severely impacted Ontario businesses and society at large makes the efforts more notable.

I want to thank my fellow board members, Stewardship Ontario staff, and our many partners and stakeholder groups for their continued hard work and support during 2020. There are more changes ahead and I am confident working together we can continue to adapt and deliver.

A handwritten signature in dark ink, appearing to read 'R. Collver'.

Robyn Collver, 2020 Board Chair

**Senior Vice-President, Regulatory and
Chief Sustainability Officer, Canadian Tire
Corporation, Limited**

Blue Box Program

The Blue Box Program is Ontario's curbside recycling program for diverting packaging and printed paper from the residential waste stream. It collects glass, metal, paper and plastic materials – in various formats and an ever-evolving mix.

Program costs are currently shared equally between Ontario municipalities and industry stewards -- the registered businesses that supply packaging and printed paper to Ontario residents. This shared-cost model is changing. The Blue Box Program is shifting to a full producer responsibility framework, in which the producers of designated materials will eventually have both operational and financial responsibility for meeting recycling performance obligations.

The 1,813 stewards registered with the program in 2020 included brand owners (companies who hold registered trademarks associated with the designated packaging or printed materials), first importers (Ontario companies, mostly retailers, that are the first to take ownership, possession or control of products into Ontario) and franchisors (the responsible stewards for all designated materials supplied by their entire Ontario franchise system) who supply designated materials to consumers.

Stewards pay fees based on the quantities and types of designated materials they supply to residential consumers to meet the annual funding requirement determined by the Resource Productivity and Recovery Authority (RPPRA) from verified municipal cost data. In 2020, stewards contributed \$140.3 million to the Blue Box Program, an increase from \$128.7 million in 2019.

In 2020, a total of 253 Ontario communities participated in the Blue Box Program. These communities manage, and in some cases directly handle, the collection, sorting and marketing of materials and educate residents about accepted materials.

Blue Box Transition Plan

On December 21, 2020, Stewardship Ontario was advised that the Blue Box Transition Plan it submitted to RPPRA was approved, with conditions. The transition plan is currently being implemented in accordance with the conditions and changes introduced by RPPRA.

BACKGROUND

The regulatory transition of the Blue Box Program to full producer responsibility, which will make individual producers responsible for both the funding and operation of residential recycling in the province and includes the wind up of Stewardship Ontario as an organization, was initiated by the Minister of Environment, Conservation and Parks on August 15, 2019.

Stewardship Ontario was required to submit a Blue Box Program Transition Plan to RPPRA by June 30, 2020. Due to complications related to the COVID-19 pandemic, the submission date was extended to August 31, 2020. During this time, the Ontario government developed and consulted on the new regulatory framework for the Blue Box Program.

The first Ontario communities are scheduled to be transitioned to the new framework beginning July 1, 2023, with the entire province operating under the new framework by December 31, 2025.

ACTIVITIES IN 2020

In the development of the Transition Plan, Stewardship Ontario consulted with stakeholders, including hosting webinars on June 16 and 17, 2020. Stewards, municipalities, First Nations communities, the waste management industry and environmental non-government organizations were given the opportunity to provide input via the webinars.

In preparation for the webinars, a presentation and a lengthy list of Q&As were developed, along with materials on the proposal to use Material Cost Differentiation (MCD) as a new input to the annual steward fee-setting process.

After considering consultation feedback and revising the proposed plan, it was approved by the Stewardship Ontario board and submitted to RPRA on August 31, 2020.

RPRA consulted on the submitted Blue Box Transition Plan in October and November 2020. In December 2020, Stewardship Ontario was advised that RPRA had approved the Blue Box Transition Plan with a set of conditions that relate to the following:

- The impact of adopting MCD on the in-kind amount paid to participating communities.
- Perceived competitive impacts of adopting MCD prior to transition.
- Scope of Stewardship Ontario's Code of Conduct.
- Access to Stewardship Ontario's data.
- Maintaining program performance.
- Updating the plan through the course of transition.
- Provision of information to RPRA.

RPRA's conditional approval included deferral of MCD, with use of the Four-Step Fee Methodology approved. As a result, it was necessary to recalculate the 2021 steward fee rates and a new fee schedule was released on December 23, 2020.

Stewardship Ontario submitted a revised Conflict of Interest Plan to RPRA on February 11, 2021. Following review, further amendments were completed and the plan was approved by RPRA on March 31, 2021.

Updates on implementation of the Blue Box Transition Plan can be found on the [Stewardship Ontario website](#).

With the transition pending, Stewardship Ontario decided to forgo any new market development projects in 2020. However, work continued during the year on residential waste composition studies as well as Material Recovery Facility (MRF) material composition and density studies. These studies provide data and insight for both industry and municipalities about the changing mix of materials in the Blue Box stream, supporting planning for program requirements and resident communications. Field work was delayed by the COVID-19 pandemic but resumed in October and was completed by December 2020.

Blue Box Promotion and Education

Rising levels of contamination have been a factor in driving up program costs by reducing the quality of recovered materials sent to recycling end markets and the associated revenue. To support municipalities' education efforts, Stewardship Ontario continued its main 2019 advertising campaign in 2020. The campaign educates residents on various contamination reduction steps, including the need to rinse containers of residual product and to avoid putting organics and other unaccepted materials in their bins.

The campaign ran throughout the summer and a holiday version ran in November and December, reminding residents that holiday lights and decorations do not belong in their recycling bins. Overall, the 2020 campaign generated a total of 75.7 million impressions.

**One bad apple
can ruin your
recycling.**

Make sure organics and food scraps stay out of your blue box.




Check with your municipality for a full list of acceptable items.
StewardshipOntario.ca/RecycleRight




Stewardship Ontario

**Empty.
Rinse.
Recycle.**

Remove residue from dirty containers before putting them in your blue box.

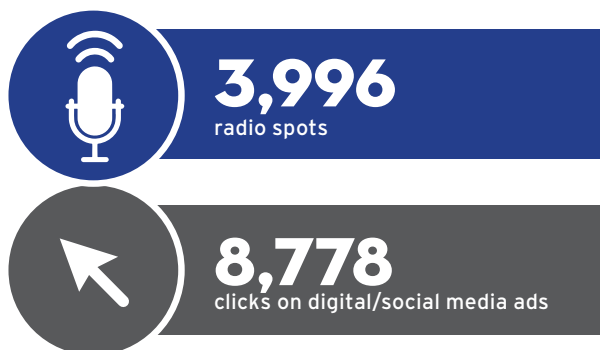


Check with your municipality for a full list of acceptable items.
StewardshipOntario.ca/RecycleRight



Stewardship Ontario

2020 QUICK FACTS ON CONTAMINATION REDUCTION CAMPAIGN



Stewardship Ontario’s ad recall research indicated that 62% of Ontario residents recalled hearing or seeing an ad about household recycling or what is appropriate to put in the recycling bin.

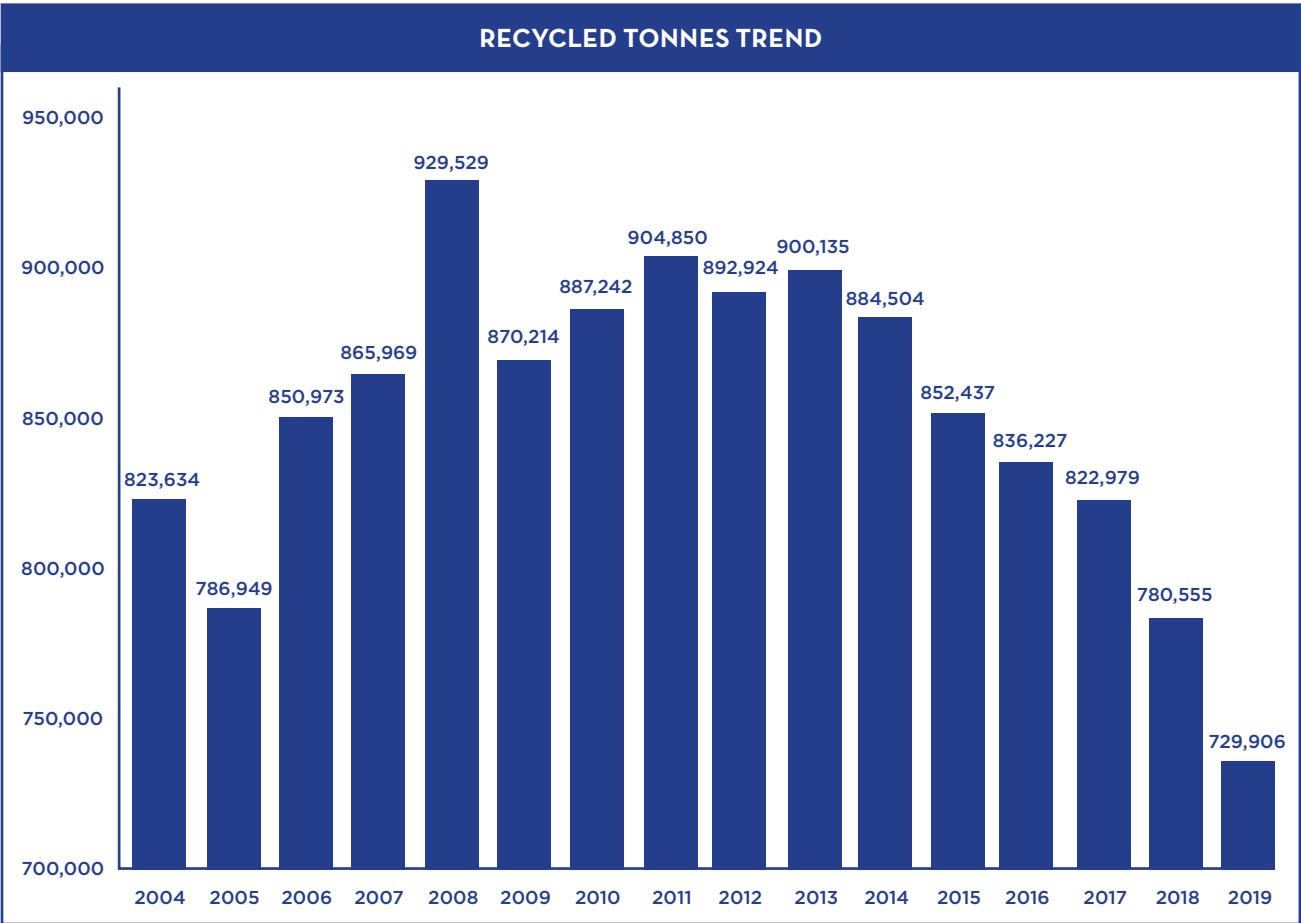
Ontario residents were also engaged on social media, providing recycling tips and reminders via our Twitter account. In 2020, our Twitter posts generated 60,300 impressions.

Blue Box Program Performance

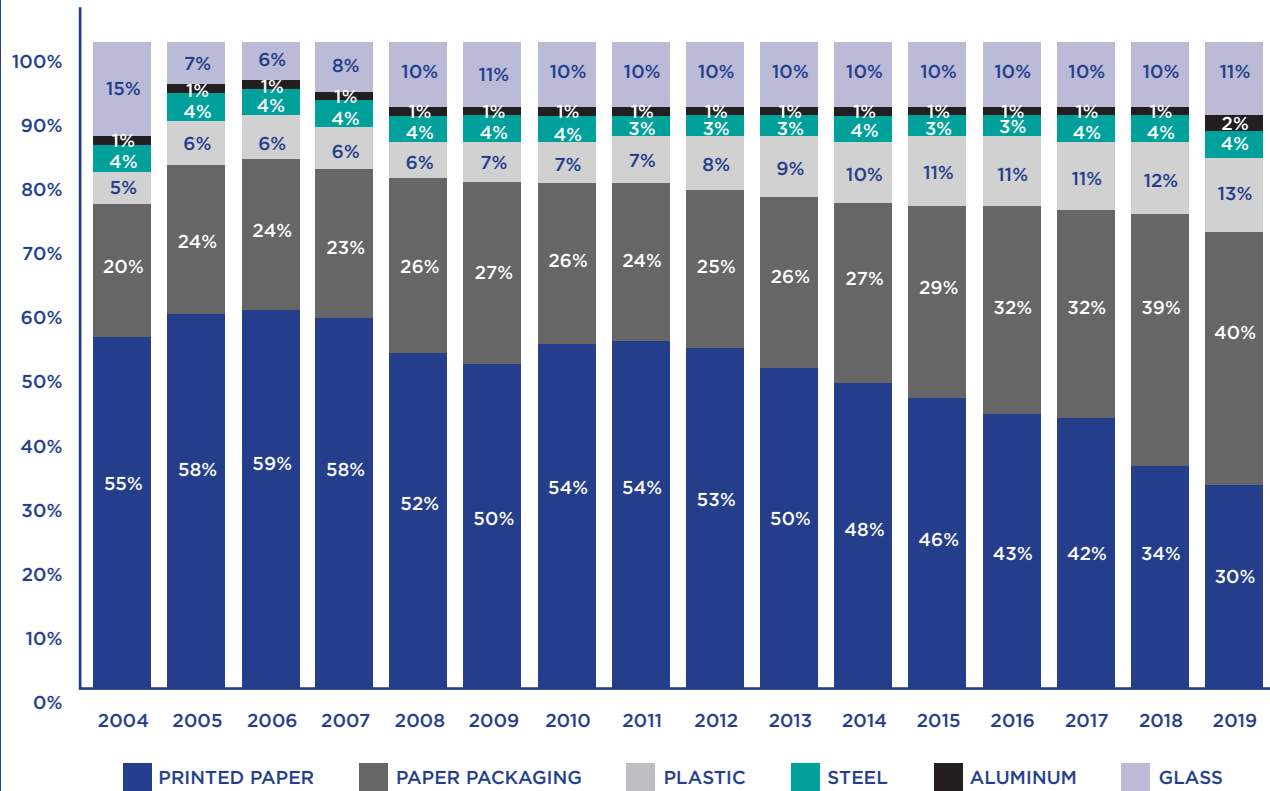
The Blue Box Program did not meet the 60% government-mandated target recycling rate in 2019, the most recent year for which data is available.

There has been a downward trend in the rate and recycled volumes in the last five years. Based on municipal reports through the RPRA Datacall, the 2019 recycling rate was 57.3%, down from 60.2% in 2018. The recycled tonnes managed through the Blue Box Program in 2019 declined proportionally more than generated tonnes (an estimate of the total quantity of residential packaging and printed paper) compared to the previous year. The reduction of newsprint, magazines and catalogues and other printed paper materials, along with higher residue rates and higher contamination standards imposed by end markets, are the main reasons for the overall decline in recycled tonnes.

Recycled kilograms per capita decreased in 2019, reflecting an increase in the population and the reduced tonnes managed. Access to recycling programs remained high in 2019 with 94% of Ontario households having access.



MATERIAL COMPOSITION



RECYCLING AND ACCESSIBILITY IN ONTARIO

RECYCLING PERFORMANCE			
METRIC	2019	2018	YOY VARIANCE %
Recycled Tonnes	729,906	780,555	-6.5%
Generated Tonnes	1,274,310	1,296,207	-1.7%
Recycling Rate	57.3%	60.2%	-2.9%
Provincial Recycling Target	60.0%	60.0%	--
Population Serviced by Program	13,205,235	13,078,155	1.0%
Recycled kg per Capita	55.3	59.7	-7.4%

ACCESSIBILITY PERFORMANCE			
METRIC	2019	2018	YOY VARIANCE %
# of Households Serviced	5,333,161	5,278,332	1.0%
% of Households with Access to Program	94.0%	94.0%	--

Blue Box Financial Performance

The overall net cost of the Blue Box recycling system for 2019 increased by 12.4% or \$37 million from the previous year. Net cost includes supply chain costs, commodity revenues, promotion and education costs, regulatory costs, market development and program management costs.

The program uses a three-year rolling average for commodity revenue, so the full effects of significant commodity market declines and resultant revenue decreases driven by the China ban in 2018 are a growing factor.

The increased cost also drove higher net cost per tonne and per capita from the previous year.

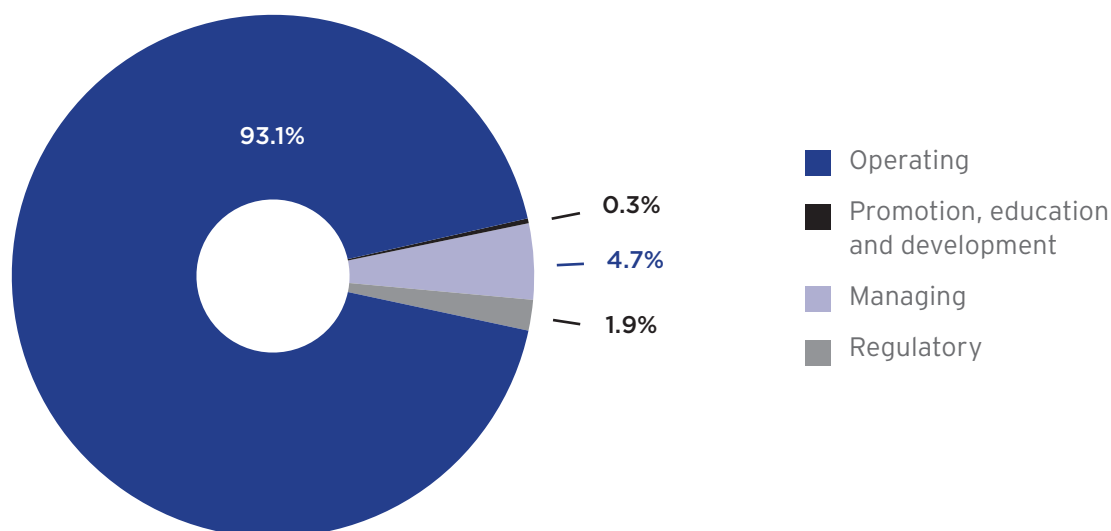
The Blue Box funding obligation that stewards pay to municipalities increased by 1.2% from the previous year. An arbitration decision in June 2020 clarified the costs to be included in the Blue Box funding obligation, and RPRA has established a new methodology for determining the Municipal Cost Containment (an amount deducted from the reported costs). These two decisions have clarified how the steward obligation will be determined for the remainder of the transition.

PROGRAM COST PERFORMANCE

METRIC	2019	2018	YOY VARIANCE %
Recycled Tonnes	729,906	780,555	-6.5%
Net Cost	\$336,293,874	\$299,307,268	12.4%
Net Cost per Tonne	\$461	\$383	20.2%
Net Cost per Capita	\$25	\$23	11.3%
Promotion & Education Cost per Capita	\$0.62	\$0.61	1.7%

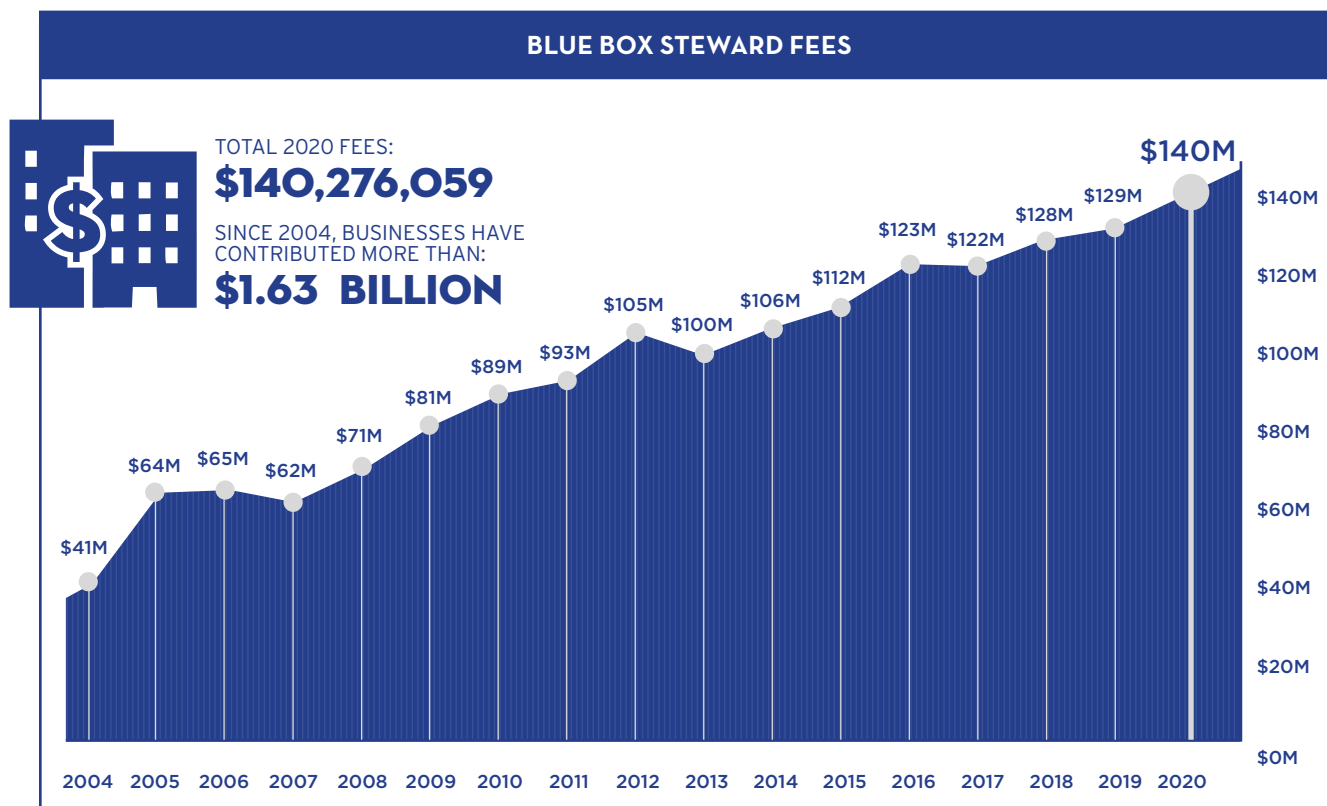
PROGRAM EXPENSES

This graphic shows a breakdown of Stewardship Ontario expenses in 2019, which are based on the payment obligation to municipalities as determined by RPRA plus the cost of managing the program.



REVENUE FROM STEWARD FEES

Revenue from Blue Box steward fees totalled \$140.3 million, an increase of 9% (\$11.6 million) from 2019. The increase reflects the rising costs to operate the program, largely due to lower commodity revenue.



MHSW (Orange Drop) Program

The Municipal Hazardous or Special Waste (MHSW) Program, known to consumers as Orange Drop, is designed to collect household hazardous or special waste and manage these materials at their end of life, ensuring they are recycled or disposed of safely. In contrast with the Blue Box Program's shared-responsibility model, MHSW stewards are fully responsible for both the costs and operations.

The MHSW Program had been scheduled to terminate on June 30, 2021, per the MHSW Wind Up Plan developed by Stewardship Ontario and approved by the Resource Productivity and Recovery Authority (RPRA). An April 29, 2021 direction letter from the Minister of the Environment, Conservation and Parks (MECP) extended the current MHSW Program to September 30, 2021.

Upon wind up, materials previously collected under the MHSW Program will be managed according to an individual producer responsibility (IPR) framework.

Over the past few years, management of many MHSW materials has shifted to plans operated by various Industry Stewardship Organizations (ISOs or ISPs). At the end of 2020, Stewardship Ontario directly oversaw end-of-life support for pressurized containers that previously held propane, oxygen or other gases.

There were 276 stewards registered with the MHSW Program on December 31, 2020.

MHSW Wind Up Plan

Stewardship Ontario continued to implement the revised MHSW Wind Up Plan in 2020.

BACKGROUND

RPRA approved a revised MHSW Wind Up Plan with conditions in December 2019. The plan was designed to support competition, prevent conflict of interest, demonstrate fairness, maintain and improve program performance, and result in no disruption for stakeholders. The plan also includes fee reductions for various MHSW materials to distribute financial surpluses for material categories that had accumulated as reserves over past years.

2020 ACTIVITIES

In 2020, Stewardship Ontario continued to consult with all stakeholders on wind-up activities, including steward reporting and supply chain operations. Details on these activities, including updates related to fee reductions, are available at: www.stewardshipontario.ca/mhsw-windup.

Due to the COVID-19 pandemic, the field services team minimized travel and on-site visits, remaining in touch with service providers and municipal and First Nations partners through email and teleconferencing. Almost all service providers continued to offer collection, transportation, and processing services throughout 2020. While many municipal events and depots were cancelled or closed early in the year, most events were rescheduled, and depots were reopened once protocols were in place to protect staff and visitors.

The program for single-use batteries wound up on June 30, 2020, as planned. The field services team engaged all battery supply chain partners to ensure inventories were removed from collection sites by July 15 and shipped to the approved processor.

On June 8, 2021, the Ministry of Environment, Conservation and Parks released the Hazardous and Special Products (HSP) Regulation, which details the new regulatory framework for most materials in the MHSW program.

Following the April direction to extend the program to September 30, 2021, Stewardship Ontario held consultations on necessary changes to reporting deadlines for stakeholders and updated financial information. An addendum to the MHSW Wind Up Plan was submitted to RPRA at the end of May.

RESIDUAL AND SURPLUS FUNDS

In early 2020, as directed, Stewardship Ontario developed an addendum to the approved wind-up plan to return residual funds to stewards once the program has ceased operation and all financial obligations had been accounted for. After consulting with stakeholders, RPRA approved the Residual Funds Addendum in February 2020.

On April 1, 2020, the Minister of the Environment, Conservation and Parks directed Stewardship Ontario to amend the approved MHSW Wind Up Plan to return 100% of material-specific surplus funds to ISOs in one lump sum transfer. Stewardship Ontario consulted on these topics with stakeholders and submitted a revised MHSW Wind Up Plan to RPRA by the June 5, 2020, deadline.

In accordance with RPRA's conditions of the ISO Surplus Fund Transfer Addendum, Stewardship Ontario made a surplus fund payment of \$18.6 million to Automotive Materials Stewardship and \$16.4 million to Product Care Association of Canada.

Details of steward fee reductions and the 2020 surplus fund transfers can be found on the Stewardship Ontario website.

2020 Performance Summary

Stewardship Ontario has seen notable declines in MHSW Program material volumes, steward fees and expenses in recent years, as producers withdrew to become members of various ISOs.

Supply chain activities for seven MHSW materials are managed by ISO operators. Not all stewards decided to transition to the relevant ISOs, so Stewardship Ontario is obligated to provide recycling services on their behalf. As such, Stewardship Ontario has agreements with these ISOs to fulfill recycling obligation for these materials. In 2020, Stewardship Ontario entered into a new agreement with Product Care Association to participate in the cost sharing of its supply chain for paint, stains and coatings until the anticipated wind up of the MHSW Program.

The MHSW Program provided end-of-life management for single-use batteries until June 30, 2020, after which a new regulation implementing an individual producer responsibility regulatory framework took effect.

The COVID-19 pandemic caused the closure of many Ontario Parks sites for much of the camping season, which in turn reduced the number of non-refillable containers collected for recycling. When combined with the exit of many stewards to ISOs, these factors caused the aggregate collection and recycling of all materials in 2020 to decline to 4,217 tonnes from 5,802 tonnes in 2019.

YEAR	AGGREGATE COLLECTION TARGET (TONNES)	ACTUAL COLLECTION (TONNES)	ACTUAL TO TARGET (%)
2020	3,594	4,217	117
2019	4,518	5,802	128
2018	5,835	7,423	127
2017	9,330	11,412	122
2016	16,326	20,230	124
2015	27,972	24,385	87
2014	24,625	28,958	118
2013	21,615	28,280	131

Program Accessibility

Consumers can drop off specific materials at a variety of municipal, automotive, retail and other locations in Ontario. Accessibility to Orange Drop locations and MHSW material collection events, excluding automotive materials sites (which were transferred to Automotive Materials Stewardship in 2017), was limited in 2020 compared to the prior year as the COVID-19 pandemic prompted the cancellation of some municipal collection events.

CHANNEL - ACTIVITY	2020	2019	2018	2017	2016
Municipal - Depot	88	88	88	88	89
Municipal - Events	0	294	312	305	313
Automotive - Commercial Sites*	N/A	N/A	N/A	12,000+	12,000+
Automotive - Do It Yourself (DIY) Sites*	N/A	N/A	N/A	985	985
Return-to-Retail	30	30	30	30	30
Battery Incentive Program	5,787	5,739	5,340	5,340	5,340
Provincial Parks	107	102	102	102	102
Total	6,012	6,253	5,872	18,850+	18,859+

* Accessibility to automotive materials sites is reported by Automotive Materials Stewardship.

Orange Drop Promotion and Education

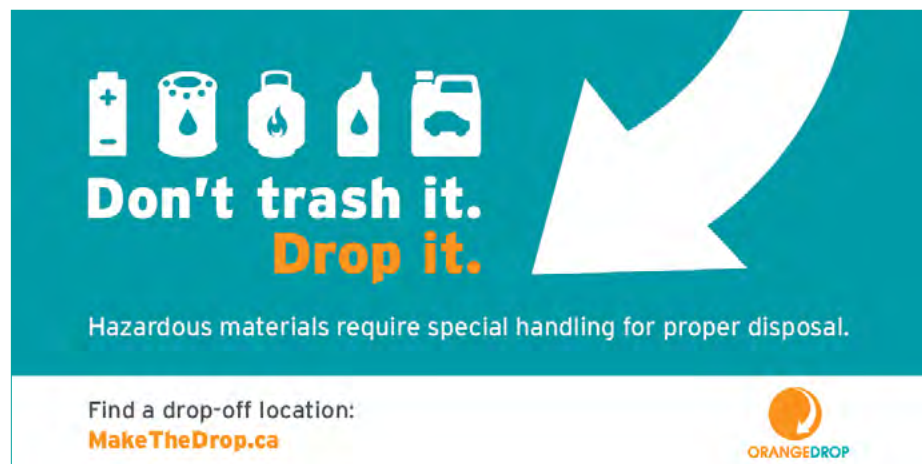
The promotion and education activities to support the Orange Drop Program are designed to increase awareness, drive behavioural change and support collection channels (such as depots, events, return-to-retail and incentive partners) to achieve collection and diversion targets.

The Orange Drop website continued to provide a locator tool for consumers to easily search for drop-off locations and municipal events by postal code. The website attracted more than 85,500 visitors in 2020, up 28% from 2019.

The Orange Drop awareness campaign ran from August to October 2020, using the prior year's creative material. As in 2019, the campaign promoted proper disposal of Orange Drop and AMS materials, as well as the depot and event locator tool. The campaign, which ran on various digital channels, excluded single-use batteries because that program wound up on June 30.

2020 QUICK FACTS

- more than 85,500 visits to Orange Drop's website, an increase of 28% from 2019
- 9.27 million impressions from ad campaign
- 18% ad click rate



SOCIAL MEDIA

Stewardship Ontario continued to develop content for Orange Drop's social media channels to increase following and engagement with residents. The Twitter and Facebook accounts continued to provide seasonal tips and reminders, as well as contests to encourage engagement, increase followers and educate residents on proper disposal of materials. Posts on the two social media accounts generated more than 5 million impressions, up 70% from 2019.



ONTARIO PARKS

Stewardship Ontario continued its ongoing partnership with Ontario Parks and select private parks for the collection of non-refillable pressurized containers. While the COVID-19 pandemic caused the closure of many parks for much of the camping season, Orange Drop continued to promote the proper disposal of propane canisters in the dedicated park cages.

Performance by Material Category

The tables in this section summarize collection and diversion results for each of the MHSW materials managed by Stewardship Ontario for 2020.

The total volume of batteries collected in 2020 decreased significantly, as batteries were only managed until June 30, 2020. However, the percentage of batteries collected remained at 54% of those available, which once again exceeded the 40% target.

BATTERIES COLLECTED IN ONTARIO

YEAR	TONNES OF BATTERIES COLLECTED	ANNUAL GROWTH
2020 (six months)	1,941	N/A
2019	3,224	9%
2018	2,964	-6%
2017	3,136	-3%
2016	3,226	38%
2015	2,330	33%
2014	1,754	38%
2013	1,271	32%

The 97% collection rate for refillable pressurized containers in 2020 was similar to the previous year and close to the 98% target. The collection rate for non-refillable containers was down, both compared to target and the previous year, due to reduced access to provincial parks during the COVID-19 pandemic.

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)	ISO YEAR
Antifreeze	395	50%	198	194	49%	(3)	219	(25)	2017
Fertilizers	N/A	N/A	N/A	0	N/A	N/A	2	(2)	2016
Oil Containers	658	52%	342	642	98%	300	719	(77)	2017
Oil Filters	863	85%	733	714	83%	(19)	876	(162)	2017
Paints & Coatings	4	77%	3	3	79%	0	6	(3)	2015
Pesticides	-	-	-	-	-	-	-	-	2016
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	3,244	(1,283)	--
Solvents	180	46%	83	5	3%	(78)	16	(12)	2016

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

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

3 Actual Collection (Tonnes) represent SO portion only

4 MHSW wound up the collection of single-use batteries June 30, 2020

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)	ISO YEAR
Antifreeze	395	50%	198	194	49%	(3)	219	(25)	2017
Fertilizers	N/A	N/A	N/A	N/A	N/A	N/A	N/A-	N/A	2016
Oil Containers	658	52%	342	642	98%	300	719	(77)	2017
Oil Filters	863	85%	733	714	83%	(19)	876	(162)	2017
Paints & Coatings	4	62%	2	2	53%	0	3	(1)	2015
Pesticides	N/A	N/A	N/A	N/A	N/A	N/A	N/A-	N/A	2016
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	0	2016

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

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

3 Actual Diversion (Tonnes) represent SO portion only

4 MHSW wound up the collection of single-use batteries June 30, 2020

MHSW (Orange Drop) Financial Performance

This table shows financial details for each of the MHSW materials managed by Stewardship Ontario for the year ended December 31, 2020.

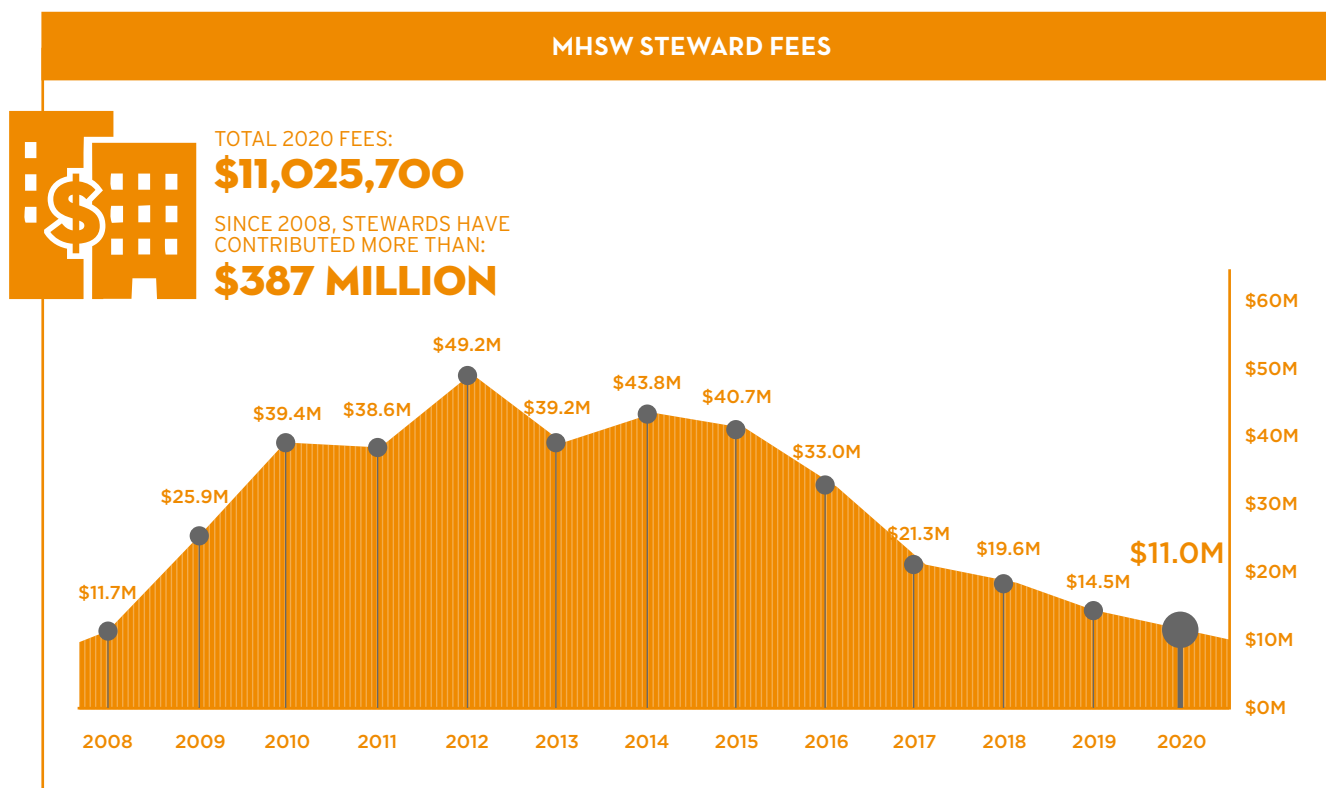
	FEE	TOTAL PROGRAM COSTS	OPERATING SURPLUS/ (DEFICIT)	WIND UP COSTS	FEE REDUCTIONS	ISO SURPLUS TRANSFERS	SURPLUS/ (DEFICIT)	ACCUMULATED RESERVE
Antifreeze	\$133,687	\$178,878	(\$45,191)			\$1,901,200	(\$1,946,391)	\$196,534
Fertilizers	8,888	8,899	(11)			289,900	(289,911)	42,379
Oil Containers	1,992,995	1,829,955	163,040		200,000	7,971,600	(8,008,560)	2,341,218
Oil Filters	697,460	747,781	(50,321)		100,000	8,743,300	(8,893,621)	1,273,189
Paints/ Coatings	26,998	25,274	1,724			14,586,000	(14,584,276)	57,046
Pesticides	0	0	0			250,200	(250,200)	24
Pressurized Containers (Non-Refillable)	1,562,872	1,239,207	323,665		80,000		243,665	808,451
Pressurized Containers (Refillable)	259,538	231,005	28,533		65,000		(36,467)	354,288
Single-Use Batteries	6,311,324	5,839,737	471,587	611,626	6,484,410	0	(6,624,449)	444,855
Solvents	31,938	25,112	6,826			1,240,400	(1,233,574)	184,716
TOTAL	\$11,025,700	\$10,125,848	\$899,852	\$611,626	\$6,929,410	\$34,982,600	(\$41,623,784)	\$5,702,700

REVENUE FROM STEWARD FEES

Fee revenue decreased in 2020 to \$11.0 million, from \$14.5 million in 2019, before accounting for the substantial steward fee reductions and ISO transfers described earlier.

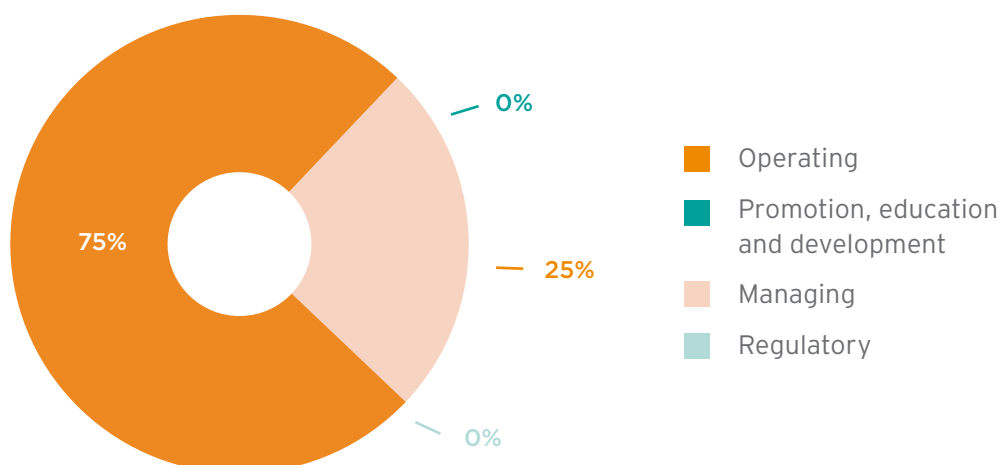
In accordance with RPRA's conditions of the ISO Surplus Fund Transfer Addendum, Stewardship Ontario made a surplus fund payment of \$18.6 million to Automotive Materials Stewardship and \$16.4 million to Product Care Association of Canada.

Details of steward fee reductions and the 2020 surplus fund transfers can be found on the Stewardship Ontario website.



2020 MHSW PROGRAM EXPENSES

This graphic shows a breakdown of 2020 expenses.



Governance

Board of Directors

The Stewardship Ontario Board of Directors focuses on governance and oversight. The board's duty is to supervise the management of the business and affairs of the organization and to ensure that it meets the requirements and obligations of the approved stewardship program plans (Blue Box and MHSW). The board represents a balance of skills, knowledge and experience, and also reflects appropriate sectoral balance.

Two board committees support the board in exercising its responsibilities: the Finance, Audit & Performance Committee, and the Governance & Nominating Committee. The board is required to approve the audited financial statements annually, upon recommendation from the Finance, Audit & Performance Committee.

Stewardship Ontario has a formal [Code of Conduct](#) policy with which all board members must comply regarding personal accountability, conflict of interest and confidentiality.

A [Conflict of Interest Mitigation Plan](#) sets out procedures designed to ensure there is no real, potential or apparent conflict of interest in respect of the Blue Box Transition Plan.

At December 31, 2020, the Stewardship Ontario board comprised seven directors. There were several director resignations in 2020 as detailed in the below list. As of year-end Stewardship Ontario was seeking two new directors to join the board.

Elections to fill vacancies are held in any year in which the term of two or more members of the board of directors is scheduled to end. Directors hold three-year terms.

For biographies of directors and more details about the Stewardship Ontario governance structure, please visit the [Stewardship Ontario website](#).

2020 Board Members

Debbie Baxter

Vice-President, Corporate Real Estate,
Deloitte (Independent Director)
(Resigned from the board in October 2020)

Diane J. Brisebois

President and Chief Executive Officer,
Retail Council of Canada
(Resigned from the board in October 2020)

Robyn Collver (Board Chair)

Senior Vice-President, Regulatory and
Chief Sustainability Officer, Canadian Tire
Corporation, Limited

Tim Faveri

Vice-President, Sustainability and Shared Value,
Maple Leaf Foods Inc.

Gulnara Gabidullina

Director, Global Product Stewardship,
Procter & Gamble Inc.

Faroek Hanif

Vice President of Finance,
The Clorox Company of Canada Limited

Joseph Longo

General Counsel & Vice President, Real Estate,
Longo Brothers Fruit Markets Inc.
(Resigned from the board in March 2020)

Sylvain Mayrand

Executive Vice-President, Operations,
A. Lassonde Industries Inc.

Paul Methot

Senior Vice President, Corporate Development
and Administration, Pizza Pizza Limited
(Resigned from the board in December 2020)

Ron Soreanu

VP Public Affairs & Communications,
Coca-Cola Limited

Scott Tudor

Independent Director
(Appointed to the board in December 2020)

2020 BOARD MEETINGS AND ATTENDANCE

BOARD MEMBER	FEB 3	MARCH 10	MARCH 30	APRIL 21	JUNE 4	JUNE 25	AUG 26	OCT 2	DEC 11
Debbie Baxter*	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	n/a
Diane Brisebois*	Yes	Yes	No	Yes	Yes	Yes	Yes	No	n/a
Robyn Collver	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Tim Faveri	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gulnara Gabidullina	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes
Farook Hanif	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Joseph Longo**	No	No	No	n/a	n/a	n/a	n/a	n/a	n/a
Sylvain Mayrand	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Paul Methot***	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Ron Soreanu	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
Scott Tudor****	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Yes

* Debbie Baxter and Diane Brisebois resigned October 5, 2020

** Joseph Longo resigned March 31, 2020

*** Paul Methot resigned December 31, 2020

**** Scott Tudor was appointed to the board December 11, 2020

Board Committees

FINANCE, AUDIT & PERFORMANCE COMMITTEE

The Finance, Audit & Performance Committee oversees the quarterly financial and diversion performance of Stewardship Ontario. The committee also instructs and meets the auditors, without the presence of management, at least once per year. Committee meetings and attendance for 2020 are shown below.

BOARD MEMBER	MARCH 4	JUNE 11	JULY 8	SEPT 10	DEC 3
Debbie Baxter*	Yes	Yes	Yes	Yes	n/a
Diane Brisebois*	Yes	Yes	Yes	Yes	n/a
Faroek Hanif	Yes	Yes	No	No	Yes
Joseph Longo**	No	n/a	n/a	n/a	n/a
Sylvain Mayrand	Yes	Yes	Yes	Yes	Yes

* Debbie Baxter and Diane Brisebois resigned from the committee October 5, 2020

** Joseph Longo resigned from the committee March 31, 2020

GOVERNANCE & NOMINATING COMMITTEE

The Governance & Nominating Committee is responsible for ensuring the board and its committees are properly constituted and mandated. The committee recruits directors in accordance with its skill-based requirements and makes recommendations to the board regarding vacancies and appointments. It oversees the board, committee and director evaluation process annually and encourages implementation of best governance practices. Committee meetings and attendance for 2020 are shown below.

BOARD MEMBER	MARCH 18	DEC 2
Tim Faveri	Yes	Yes
Gulnara Gabidullina	Yes	Yes
Paul Methot*	No	Yes
Ron Soreanu	No	Yes

* Paul Methot resigned from the committee December 31, 2020



Financial Performance

**Stewardship Ontario Financial Statements
For the year ended December 31, 2020**

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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

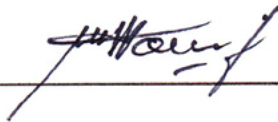
36,389,288 71,547,490

\$ 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
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Excess (deficiency) of revenue over expenses for the year	\$ (35,158,202)	\$ 2,153,276
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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

	2020	2019
Blue Box Program		
Glass Market Development Fund	\$ 666,017	\$ 666,017
MHSW Program		
Deferred revenue	9,141,549	9,141,549
	<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)
	<u>\$ 3,388,327</u>	<u>\$ 4,148,345</u>

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).

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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.

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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.



Stewardship Ontario

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