



Stewardship Ontario

**RPRA Filing on
2021 Program Performance**

April 1, 2022

TABLE OF CONTENTS

Signature of the Administrator	3
SECTION 1	
2021 Blue Box Performance Report	4
Blue Box Performance Report for 2021	5
Background – Updated February 2022	5
Blue Box Program Transition Plan	5
Steward Registration, Reporting & Audit	5
Program Diversion Performance	6
Program Cost	7
Market Development	8
Capturing More Materials from Around the Home	8
Promotion and Education	9
Anti-Contamination Campaign	9
Social Media	9
SECTION 2	
2021 MHSW Program Performance	10
MHSW Performance Report for 2021	11
Background	11
MHSW Wind-Up Summary	11
MHSW Wind-Up Cost Performance to Budget	12
Steward Registration, Reporting & Audit	14
Program Supply Chain	14
Accessibility	16
Program Performance Against Targets	17
Promotion and Education	19
Overview	19
Website	19
Advertising	19
Social Media	19
SECTION 3	
2021 Audited Financial Statements	20

Signature of the Administrator

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

A handwritten signature in black ink, appearing to read 'Sue Lo', is positioned above the printed name.

Sue Lo
Administrator
Stewardship Ontario



SECTION 1

2021 Blue Box Program Performance

Blue Box Performance Report for 2021

Background – Updated February 2022

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.rpra.ca

Stewardship Ontario presented the Blue Box Program performance and fee schedule for 2022 to stewards on October 27, 2021. Relevant documentation, including a discussion paper, presentations and Q&A's from the meeting can be found www.stewardshipontario.ca/engagement/information-sessions.

Blue Box Program Transition Plan

Stewardship Ontario continued work to satisfy the conditions set for the approval of the Transition Plan.

Stewardship Ontario deferred plans to change the fee setting methodology to incorporate Material Cost Differentiation (Condition #1) when its focus shifted to a new proposal to simplify fee setting and eliminate the need for Stewards to report supply-to-market data.

Stewardship Ontario's proposal to address Condition #2 (Conflict of Interest) was approved by RPPRA on March 31, 2021. Stewardship Ontario will be reviewing this plan in 2022, with the closure of the MHSW program.

Stewardship Ontario's plan to respond to

Condition #3 was delayed as a result in a significant change to Stewardship Ontario's relationship with the Canadian Stewardship Services Alliance (CSSA) when it was announced that its assets would be purchased by a private waste management company, and that it planned to establish a Producer Responsibility Organization under the name of the Resource Recovery Alliance (RRA). Stewardship Ontario established new requirements over CSSA's access to and use of Stewardship Ontario's confidential data in response to the announcement, while it considered a request that it consent to the transfer its services contract to RRA. That consent was subsequently granted with RPPRA's concurrence subject to conditions. Stewardship Ontario received further direction from RPPRA on Condition #3 that reflected the granting of consent which Stewardship Ontario submitted on February 28, 2022.

Stewardship Ontario has been in discussion with RPPRA staff regarding the limitations it faces in responding to Condition #4. A provisional plan was submitted on September 15, 2021, and following further direction from RPPRA, Stewardship Ontario submitted a detailed revised plan on January 30, 2022 for consideration.

All aspects of the Blue Box Transition Plan are being addressed on time and within budget.

Steward Registration, Reporting & Audit

There were 1,800 stewards registered with Stewardship Ontario's Blue Box Program as of December 31, 2021. In 2021, 1,372 steward reports were submitted (versus 1,318 in 2020).

Blue Box fee revenue invoiced for 2021 was \$147,527,971 vs \$140,276,059 for 2020, which is an increase of 5.17%. 2021 fee revenue of \$147,527,971 compared to the 2021 budget

of \$148,611,000 is a decrease of 0.73%. 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 or change takes place.

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 2021, 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. Because of the late 2020 launch, much of the 2020 reviews carried forward into the 2021 year. In addition, any steward-initiated adjustment request involving a significant amount undergoes 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.

The recycling rate for 2020 increased from the previous year to 59.9% due to an increase in recycled tonnes and a decrease in generated tonnes. Access to recycling programs is being maintained at very high levels.

	2020	2019	2018	2017	2016	2015	2014	YOY Variance %
Recycling Performance								
Recycled Tonnes	756,984	729,906	780,555	822,979	836,227	852,437	884,504	3.7%
Generated Tonnes	1,263,401	1,274,310	1,296,207	1,342,017	1,340,947	1,332,544	1,361,930	-0.9%
Recycling Rate	59.9%	57.3%	60.2%	61.3%	62.4%	64.0%	64.9%	2.6%
Provincial Recycling Target	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	0.0%
Population Serviced by PPP Program	13,412,332	13,205,235	13,078,155	12,962,740	12,814,578	12,830,228	13,358,776	1.6%
Recycling kg per Capita	56.4	55.3	59.7	63.5	65.3	66.4	66.21	2.1%
Accessibility Performance								
# Households Serviced	5,374,308	5,333,161	5,278,332	5,237,905	5,174,930	5,165,154	5,365,378	0.8%
% Households with Access to PPP Program	94.8%	94.0%	94.0%	94.4%	94.6%	95.3%	97.3%	0.7%
P&E Cost per Capita	\$ 0.56	\$ 0.62	\$ 0.61	\$ 0.56	\$ 0.64	\$ 0.58	\$ 0.52	-9.6%
Consumer Awareness	97.0%	97.0%	97.0%	97.0%	97.0%	97.0%	97.0%	0.0%

Program Cost

Total reported net cost of the Blue Box system by municipalities and administrative costs for 2020 was \$358.8 million, an increase of 6.7% from 2019, primarily due to increased processing contract prices, along with reduced commodity revenue, as the China ban continues to affect commodity prices. As a result, net cost per tonne and per capita also increased from the previous year.

	2020	2019	2018	2017	2016	2015	2014	YOY Variance %
Cost Performance								
Recycled Tonnes	756,984	729,906	780,555	822,979	836,227	852,437	884,504	3.7%
Net Cost*	\$ 358,836,370	\$336,293,874	\$299,307,268	\$249,809,925	\$258,540,366	\$263,726,504	\$252,936,907	6.7%
Net Cost per Tonne	\$ 474	\$461	\$383	\$304	\$309	\$309	\$286	2.9%
Net Cost per Capita	\$ 27	\$25	\$23	\$19	\$20	\$21	\$19	5.1%
Recycled kg per capita	56.4	55.3	59.7	63.5	65.3	66.4	66.2	2.1%

* Net cost includes 100% of 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 during the wind up of the program. 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 2020/2021 residential waste composition study work, in co-operation with the Continuous Improvement Fund (CIF), continued throughout 2021. These studies 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. They are carried out four times a year corresponding to each season. Typically, these studies begin in the summer (Q3) but due to the loss of a season caused by COVID-19 shutdowns in the previous year's studies, they now begin with the fall season (Q4).

In 2020/2021 the waste composition studies included nine municipalities. Of these, one location was a depot and three municipalities also provided multi-family waste audits. The three seasons (winter, spring and summer) of the waste composition studies, which fall into 2021 proceeded without any delays related to the COVID-19 pandemic or any other issues. All participants followed safety measures set out by the Government of Ontario and/or the

municipalities to mitigate any risk of spreading or contracting COVID-19.

The planning for the 2021/2022 waste composition studies was undertaken during the second quarter of 2021, in conjunction with the Continuous Improvement Fund (CIF). Nine municipalities agreed to participate in the studies, with only one providing multi-family waste audits and two depot locations. Procurement of the third-party contractor(s) was done through a Request for Proposal (RFP) which was issued in May 2021. As the COVID-19 pandemic continued to affect working conditions, Stewardship Ontario continued the clause from the previous year of studies to ensure if work was postponed there would be no change to pricing. Like the previous year, the work was awarded to two contractors: AET Environmental and Waste Reduction Group. During the planning stages, there were significant logistical issues encountered with two of the municipalities. Unfortunately, this resulted in the discontinuing the multi-residential component of the work in the City of Vaughan and the withdrawal of the Town of Spanish (depot). The field work for the fall season began in October and was completed in all the municipalities in December 2021.

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. The only significant highlight in the 2021 MRF studies was the delay in the planning phase until the summer (Q3). This was caused by the increase in COVID-19 case counts during the first two quarters of the year. The result of this delay was that the field work for the 2021 program would have to occur only during the beginning and the end of the fall season (Q4) or push into 2022.

In 2021, there were six participating MRF's: City of Hamilton, City of London, Bluewater Recycling Association, Region of Waterloo, Quinte Waste Solutions, and City of Ottawa. The contractors that were engaged to undertake the work were AET Environmental and Waste Reduction Group. As stated, the plan for the two sampling sessions was to have one of the sessions completed very early in the fall (Q4) and the second session completed at the end of the same season. In two of the facilities (the City of Hamilton, and Quinte Waste Solutions) there were logistical and scheduling issues which resulted in the second study to be completed in the first quarter of 2022. As well, due to scheduling conflicts the Region of Waterloo had both studies delayed until 2022. This should have no impact on the quality of data collected from these studies.

Promotion and Education

Anti-Contamination Campaign

Stewardship Ontario continued to support municipalities' efforts to reduce contamination in residential Blue Boxes by creating a new anti-contamination campaign. The campaign focused on educating residents on how to recycle right and what items can go into their Blue Box. This campaign ran for eight weeks from May 29- July 18, 2021. A holiday version of the campaign ran for five weeks from November 24- December 31, 2021.



"Let's Do It Right" campaign results (May 24- July 18; November 29- December 31):

- 134,489,895 total impressions
- 11,997 visits to the campaign landing page
- 15,445 clicks on digital ads
- 3,966 radio spots

Social Media

Stewardship Ontario continued to engage residents on Twitter by providing useful recycling tips and reminders in 2021. In 2021, Stewardship Ontario's Twitter posts generated over 48,165 impressions, 611 engagements and 73 link clicks, excluding campaign engagement.



SECTION 2

2021 MHSW Program Performance

MHSW Performance Report for 2021

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.

A variety of changes and amendments were to the Minister's direction were made prior to and following approval of the Wind-up Plan in December of 2019, which were approved and addressed as required.

On April 29, 2021, Stewardship Ontario received direction to extend the MHSW program three months, moving the new wind-up date to September 30, 2021.

On September 30, 2021, Stewardship Ontario ceased supply chain operations of the MHSW program. Approved service providers were given until October 15 to complete final collections from all approved collections sites and given until November 30 to submit all invoices for payment to Stewardship Ontario.

Throughout 2021, 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.

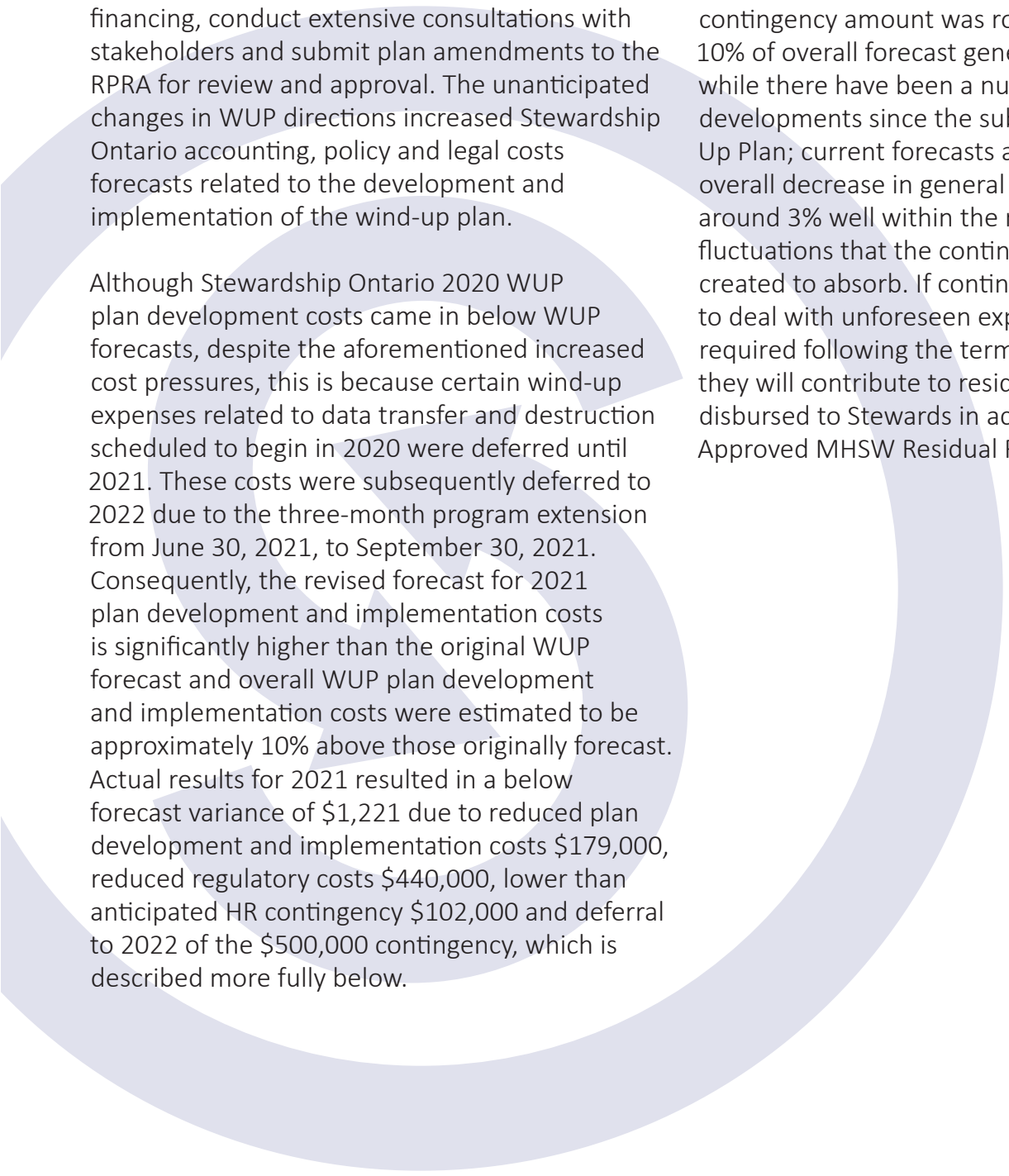
MHSW Wind-Up Cost Performance to Budget

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 a decrease to general WUP expenses of approximately \$150,000 or 3% under the original WUP forecast based on actual 2019, 2020 and 2021 expenses and revised forecasts for 2022. 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

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	2021 Actuals	2022 WUP Forecast	Revised WUP Forecast
Plan Development & Implementation	\$996	\$935	\$1,231	\$1,167	\$895	\$716	\$723	\$3,541
Regulatory Charges (RPRA Fees)	\$450	\$181	\$450	\$467	\$610	\$170	\$225	\$1,043
Contingencies								
<i>General</i>					\$500		\$500	\$500
<i>HR</i>					\$110	\$8		\$8
Corporate Wind-Up Hold Back					\$50	\$50		\$50
Total	\$1,446	\$1,116	\$1,681	\$1,634	\$2,165	\$944	\$1,448	\$5,142



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 forecasts 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. These costs were subsequently deferred to 2022 due to the three-month program extension from June 30, 2021, to September 30, 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 were estimated to be approximately 10% above those originally forecast. Actual results for 2021 resulted in a below forecast variance of \$1,221 due to reduced plan development and implementation costs \$179,000, reduced regulatory costs \$440,000, lower than anticipated HR contingency \$102,000 and deferral to 2022 of the \$500,000 contingency, which is described more fully below.

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 decrease in general wind-up expenses of around 3% 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 266 stewards registered with the MHSW Program as of September 30, 2021. In 2021, 484 steward reports were received (versus 934 reports in 2020). The decline in the number of steward reports in 2021 over 2020 being the result of the battery program ending and the remaining materials only being operational for the three quarters in 2021 versus four quarters in 2020.

Revenue for 2021 was \$3,963,778 which included steward fee reductions totalling \$2,479,505. Fee reductions in 2021 by material category were as follows: Antifreeze \$80,000, Oil Containers \$1,357,258, Oil Filters \$573,000, Pressurized Containers-Refillable \$215,000, Pressurized Containers-Non-Refillable \$190,000, Batteries \$8,737, Fertilizers \$6,700, Solvents \$47,400 and Paints \$1,409. 2021 fee revenue before fee reductions of \$2,479,505 was \$3,963,778 vs 2020 revenue of \$11,025,699 before fee reductions of \$6,929,410; a decrease year over year of 64%. 2021 fee revenue of \$3,963,778 compared to the 2021 budget of \$2,698,662 was an increase of 47% mainly due to increased material management costs re wind up of the program. Note that steward reports for any prior year's obligations are captured in the year that the reporting takes place. Please note that fee reduction amounts referred to above are gross amounts prior to the adjustment of deferred revenue. Please refer to Note 5 of the 2021 Audited Financial Statements attached.

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 the Used Oil Management Association (UOMA) steward audit process. Four MHSW review cases were carried over from 2020 and were completed by UOMA in 2021 while two remain open. No new review cases were opened in 2021 due to the MHSW Program winding up.

Program Supply Chain

In 2021, Stewardship Ontario oversaw the reverse supply chain (collection, transportation and recycling) of pressurized containers, for the first three quarters of the year. Over the past six years, the supply chain activities for the other eight materials have been transitioned to Industry Service Stewardship Plan (ISP) operators since they now have most 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.

Due to the COVID-19 pandemic, the field services team made changes in the way that they communicate with service providers, municipalities and 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 2021. 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.

Due to the wind up of the MHSW program on September 30, 2021, the focus for first three quarters was to assist service providers, municipalities and First Nations partners in understanding the deadlines that affect them and their business as well as helping develop plans to ensure the final collection of all pressurized containers from all sites was successful. Material was required to be collected from all approved collection sites by October 15 with all invoices to be submitted to Stewardship Ontario no later than November 30. As this would be final collections under this program, Stewardship Ontario saw significantly higher volume of material collected during this time. This was due to locations wanting to ensure they were completely cleaned out, the removal of excess material that may have been left over from stockpiling due to COVID-19 from the previous year, and increased usage by residents as they stayed at home more often.

For the most part final collection pick ups were completed at participating municipalities and First Nations by the October 15 deadline. There were only a few exceptions given where municipalities could not meet these timelines for acceptable reasons therefore extensions were provided. There was one significant issue with an approved service provider who services a portion of the Ontario Parks program. This service provider did not provide adequate final collection at the sites they service by the October 15 deadline. The field services team had to work diligently with the Ontario Parks team and the service provider to ensure final collection of all material was removed from the site for which they were responsible. A collection extension was granted until November 30, 2021, which aligned with the deadline for invoice submissions to be provided to Stewardship Ontario. By November 30 the service provider was able to meet the extended deadline and provide a satisfactory service level meeting the requirements of both Ontario Parks and Stewardship Ontario.

Accessibility

The following chart details consumer accessibility by collector type for MHSW in 2021:

Channel - Activity	2021 Actual
Municipal – Depot	88
Municipal – Events	191
Automotive – Commercial Sites ¹	-
Automotive – Do It Yourself (DIY) Sites ¹	-
Return-to-Retail (R2R) ²	-
Battery Incentive Program (BIP) ²	-
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

2021 Tonnes Collected

Material Category	Available for Collection ¹	Collection Target Rate (%)	Target Tonnes ²	Actual Collection Tonnes ³	Actual Collection Rate (%) ⁴	Variance to Target (Tonnes)	Prior Year (Tonnes)	Variance to Prior Year (Tonnes)
Antifreeze	205	50%	103	170	83%	68	194	(24)
Fertilizers	N/A	N/A	2	1	N/A	(1)	0	0
Oil Containers	511	52%	266	487	95%	221	642	(155)
Oil Filters	519	85%	441	341	66%	(100)	714	(373)
Paints & Coatings	4	77%	3	1	33%	(2)	3	(2)
Pesticides	-	57%	-	-	N/A	-	-	-
Pressurized Containers (Non-Refillable)	532	46%	245	406	76%	161	304	102
Pressurized Containers (Refillable)	392	98%	384	318	81%	(66)	413	(95)
Single-Use Batteries ⁵	-	40%	-	-	N/A	-	1,941	(1,941)
Solvents	82	46%	38	8	9%	(30)	5	3

¹Available for Collection is using the quantity supplied to market in Q1 - Q3, 2019 as of July 1, 2020

²Annual Collection Targets (Tonnes) is using the quantity supplied to market in Q1 - Q3, 2019 as of July 1, 2020

³Actual YTD Collection (Tonnes) represent SO portion only

⁴IFO/ISO market share used to calculate the target tonnes (using 2019 data, the last full year of operating information, when the target is required to be established) is different from the current market share which is used when purchasing actual tonnes, resulting in collection target not being met for Oil Filters, Paints & Coatings, and Solvents

⁵Please note that MHSW wound-up the collection of single-use batteries June 30, 2020

Program Performance Against Targets

2021 Tonnes Diverted

Material Category	Available for Collection ¹	Diversion Target Rate (%)	Target Tonnes ²	Actual Diversion Tonnes ³	Actual Diversion Rate (%) ⁴	Variance to Target (Tonnes)	Prior Year (Tonnes)	Variance to Prior Year (Tonnes)
Antifreeze	205	50%	103	170	83%	68	194	(24)
Fertilizers	N/A	N/A	-	-	N/A	-	-	-
Oil Containers	511	52%	266	487	95%	221	642	(155)
Oil Filters	519	85%	441	341	66%	(100)	714	(373)
Paints & Coatings	4	62%	2	1	18%	(2)	2	(1)
Pesticides	-	N/A	-	-	-	-	-	-
Pressurized Containers (Non-Refillable)	532	46%	245	406	76%	161	304	102
Pressurized Containers (Refillable)	392	98%	384	318	81%	(66)	413	(95)
Single-Use Batteries ⁵	-	28%	-	-	N/A	-	1,669	(1,669)
Solvents	82	6%	5	0	0%	(5)	0	0

¹Available for Collection is using the quantity supplied to market in Q1 - Q3, 2019 as of July 1, 2020

²Annual Collection Targets (Tonnes) is using the quantity supplied to market in Q1 - Q3, 2019 as of July 1, 2020

³Actual YTD Collection (Tonnes) represent SO portion only

⁴IFO/ISO market share used to calculate the target tonnes (using 2019 data, the last full year of operating information, when the target is required to be established) is different from the current market share which is used when purchasing actual tonnes, resulting in collection target not being met for Oil Filters, Paints & Coatings, and Solvents

⁵Please note that MHSW wound-up the collection of single-use batteries June 30, 2020

Promotion and Education

Overview

Following the introduction of the Hazardous and Special Products (HSP) Regulation in June 2021, MHSW completed the work to wind up its program on September 30, 2021.

Promotion and education initiatives to support the MHSW program were designed to increase awareness, drive behaviour change and support collection channels (such as depot, events, return to retail and incentive partners) to achieve diversion targets.

MHSW uses the Orange Drop brand and logo when promoting MHSW materials to residents. As Orange Drop ceased operations as of September 30, 2021, this license will be transferred to RPRA no earlier than June 1, 2022, along with all other related Orange Drop materials (social media, website, etc.).

Website

The Orange Drop program and website ceased operations on September 30, 2021, the website was replaced with a single landing page that directs visitors to resources hosted by RPRA to dispose of household hazardous or special waste or find details about the Hazardous and Special Products Regulation.

The Orange Drop (makethedrop.ca) website saw over 48,000 visitors in 2021, down 43% from 2020. In 2021, there were no campaigns directing residents to the website, and it functioned solely as a landing page beyond September 30, 2021.

Advertising

As the Orange Drop program was ceasing operations on September 30, 2021, no advertising was done for this program in 2021.

Social Media

Orange Drop's Twitter and Facebook accounts concluded all activity on September 30, 2021, and will be transferred to RPRA on or after June 1, 2022. These social media accounts were used to educate residents about Orange Drop materials and promote the drop off locator tool and collection events featured on the website. Orange Drop Twitter and Facebook posts generated over 20,000 impressions, 522 engagements and 275 links clicked from January to September before concluding activity on September 30, 2021.



SECTION 3

2021 Audited Financial Statements

Stewardship Ontario

Financial Statements

For the year ended December 31, 2021

Stewardship Ontario

Financial Statements

For the year ended December 31, 2021

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



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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, 2021, 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, 2021, 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 21, 2022

Stewardship Ontario Balance Sheet

December 31	2021	2020
		(Note 5)
Assets		
Current		
Cash	\$ 16,315,043	\$ 24,910,238
Investments (Note 2)	27,192,732	19,619,113
Accounts and other receivables (Note 3)	3,149,741	8,430,032
Prepaid expenses and deposits	31,487	25,505
	<u>46,689,003</u>	52,984,888
Investments (Note 2)	<u>39,101,436</u>	46,740,136
	<u>\$ 85,790,439</u>	\$ 99,725,024
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 40,314,511	\$ 38,563,105
Deferred revenue (Note 5)	666,017	811,018
Continuous Improvement Fund (Note 6)	12,713,937	14,965,065
	<u>53,694,465</u>	54,339,188
Net Assets		
Unrestricted	31,449,974	37,675,457
Internally restricted (Note 7)	646,000	7,710,379
	<u>32,095,974</u>	45,385,836
	<u>\$ 85,790,439</u>	\$ 99,725,024

On behalf of the Administrator:



Administrator

Stewardship Ontario Statement of Changes in Net Assets

For the year ended December 31, 2021

	Unrestricted	Internally Restricted	2021 Total
Balance, beginning of year	\$ 37,675,457	\$ 7,710,379	\$ 45,385,836
Deficiency of revenue over expenses for the year	(13,289,862)	-	(13,289,862)
MHSW Sustaining Fund (Note 7)	2,100,000	(2,100,000)	-
Plastic Market Development Fund (Note 7)	4,964,379	(4,964,379)	-
Balance, end of year	\$ 31,449,974	\$ 646,000	\$ 32,095,974

For the year ended December 31, 2020

	Unrestricted	Internally Restricted	2020 Total (Note 5)
Balance, beginning of year	\$ 59,079,476	\$ 12,468,014	\$ 71,547,490
Deficiency of revenue over expenses for the year	(26,161,654)	-	(26,161,654)
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	\$ 37,675,457	\$ 7,710,379	\$ 45,385,836

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

Stewardship Ontario Statement of Operations

For the year ended December 31	2021	2020
		(Note 5)
Revenue		
Blue Box program steward fees	\$147,527,971	\$140,276,059
MHSW program steward fees	3,963,778	11,025,699
MHSW program steward fee reduction (Note 8)	(2,334,503)	(4,727,373)
Investment income (Note 9)	273,418	3,388,327
	149,430,664	149,962,712
Expenses		
Blue Box Program		
Municipal Transfer Payments	149,246,510	126,199,889
Continuous Improvement Fund (Note 12(b))	-	26,556
Research and development	91,089	18,049
Promotion and education	384,723	395,545
Program wind up costs	898,588	1,371,821
	150,620,910	128,011,860
MHSW Program		
Direct material costs (Note 4)	2,063,166	8,036,698
Promotion and education	-	48,722
Program wind up costs	944,137	1,633,922
Surplus transfer (Note 11)	-	28,188,089
	3,007,303	37,907,431
Common costs		
Program management (Note 4)	7,302,736	7,638,649
Resource Productivity and Recovery Authority (Note 10)	1,789,577	2,566,426
	9,092,313	10,205,075
Total expenses	162,720,526	176,124,366
Deficiency of revenue over expenses for the year	\$ (13,289,862)	\$ (26,161,654)

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

Stewardship Ontario Statement of Cash Flows

For the year ended December 31	2021	2020
		(Note 5)
Cash (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	\$ (13,289,862)	\$ (26,161,654)
Adjustments to reconcile deficiency of revenue over expenses for the year to cash provided by operating activities		
Non-cash component of investment income	1,436,322	(1,195,887)
Changes in non-cash working capital balances:		
Accounts and other receivables	5,280,291	(2,229,673)
Prepaid expenses and deposits	(5,982)	3,070
Accounts payable and accrued liabilities	1,751,406	(371,042)
Deferred revenue	(145,001)	(8,996,548)
Continuous Improvement Fund	(2,251,128)	(2,588,210)
	(7,223,954)	(41,539,944)
Investing activities		
Purchase of investments, net of expenses	(1,371,241)	(1,440,168)
Decrease in cash during the year	(8,595,195)	(42,980,112)
Cash, beginning of year	24,910,238	67,890,350
Cash, end of year	\$ 16,315,043	\$ 24,910,238

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

Stewardship Ontario Notes to Financial Statements

December 31, 2021

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 July 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 ceased operation on September 30, 2021.

Stewardship Ontario Notes to Financial Statements

December 31, 2021

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, 2021

2. Investments

	2021	2020
Cash held with broker	\$ 3,496,461	\$ 398,545
Fixed income	62,797,707	65,960,704
	66,294,168	66,359,249
Less: Current portion	27,192,732	19,619,113
	\$ 39,101,436	\$ 46,740,136

Fixed income investments bear interest at 1.83% to 3.95% (2020 - 1.83% to 4.25%) and mature between December 2022 and May 2030 (2020 - December 2021 and April 2030). The decrease in market value of investments for the year ended December 31, 2021 amounted to \$830,551 (2020 - increase of \$2,039,678) which is included in investment income (Note 9).

3. Accounts and Other Receivables

	2021	2020
Blue Box and MHSW program steward fees	\$ 3,759,449	\$ 9,157,703
Other	28,868	31,657
Allowance for doubtful accounts	(638,576)	(759,328)
	\$ 3,149,741	\$ 8,430,032

Stewardship Ontario Notes to Financial Statements

December 31, 2021

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, 2021, the Organization incurred costs of \$4,657,271 (2020 - \$6,280,742) 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, 2021 is \$Nil (2020 - \$486,969) 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).

During the year, CSSA entered into an agreement dated November 11, 2021 with the Resource Recovery Alliance Inc. ("RRA") to acquire substantially all assets, liabilities and operations of the CSSA. As a result of the acquisition, the MSA with CSSA was assigned to RRA. Charges totaling \$1,051,367 (2020 - \$Nil) were paid to RRA pursuant to the contract and are included in program management expenses in the statement of operations.

(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, 2021, the Organization incurred costs of \$624,100 (2020 - \$1,719,238) 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, 2021 is \$Nil (2020 - \$62,662) relating to these services.

During the year, under the Hazardous and Special Products ("HSP") Regulation and new regulatory framework, AMS transitioned to a Producer Responsibility Organization ("PRO"). As at September 30, 2021, AMS and the Organization's MHSW program ceased operations.

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

Stewardship Ontario Notes to Financial Statements

December 31, 2021

5. Deferred Revenue

	2021	2020
Blue Box Program		
Glass Market Development Fund	\$ 666,017	\$ 666,017
MHSW Program		
Deferred revenue	-	145,001
	<u>\$ 666,017</u>	<u>\$ 811,018</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).

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 ("ISO") to facilitate fee reductions during the remainder of the program.

In fiscal 2020, funds were disbursed to stewards through fee reductions and surplus transfers and recognized in the statement of operations. It was subsequently determined that the deferred revenue advanced billings in 2012 should have been partially adjusted against fee reductions and surplus transfers, as they represent funds distributed back to the stewards. Therefore, an adjustment to the prior year comparative figures was recorded to recognize a decrease of \$2,202,037 in fee reduction, a decrease of \$6,794,511 in surplus transfer and a corresponding decrease of \$8,996,548 against the balance of deferred revenue for the year ended December 31, 2020, resulting in a corresponding reduction in the deficiency of revenue over expenses for the year and an increase in unrestricted net assets as at December 31, 2020 of \$8,996,548.

As at December 31, 2021, the balance of deferred revenue for the MHSW Program was reduced to \$nil by the fee reduction distributed to stewards of \$145,001 in fiscal 2021.

6. Continuous Improvement Fund ("CIF")

In prior years, the Organization was 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, 2021, the CIF spent \$2,251,128 (2020 - \$2,811,260) 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, 2021

7. Internally Restricted Net Assets

	2021	2020
Sustaining Fund	\$ -	\$ 2,100,000
Plastic Market Development Fund	-	4,964,379
MHSW Program Extension Fund	646,000	646,000
	\$ 646,000	\$ 7,710,379

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 \$2,100,000 (2020 - \$5,403,635) from the Sustaining Fund to the Unrestricted Net Assets.

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. During the year, the directors authorized the transfer of \$4,964,379 from the Plastic Market Development Fund to the Unrestricted Net Assets.

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. In 2020, 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 ("ISO") to facilitate fee reductions during the remainder of the program.

Stewardship Ontario Notes to Financial Statements

December 31, 2021

9. Investment Income

	2021	2020
Interest income	\$ 1,597,509	\$ 2,087,385
Dividend income	112,230	105,055
Loss on sale of investments	(394,440)	(637,001)
	1,315,299	1,555,439
Adjustment to fair value	(830,551)	2,039,678
Investment expenses	(211,330)	(206,790)
	\$ 273,418	\$ 3,388,327

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 fiscal year 2020, 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. The surplus fund expense was reduced by \$6,794,511 that related to the recognition of advanced billings in deferred revenue (Note 5).

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, 2021, the Organization has spent \$2,235,508 (2020 - \$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, 2021, approved project funding and related commitments for the CIF amounted to approximately \$1,783,045 (2020 - \$4,839,438) of the total fund balance of \$12,713,937 (2020 - \$14,965,065).

Stewardship Ontario Notes to Financial Statements

December 31, 2021

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 \$638,576 (2020 - \$759,328).

(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)) and the program has ceased operations as of September 30, 2021.

These risks have not changed from the prior year.

Stewardship Ontario Notes to Financial Statements

December 31, 2021

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.