



Thinking
beyond
the box

Stewardship Ontario

2022 ANNUAL REPORT



About Stewardship Ontario

Stewardship Ontario is a not-for-profit organization financed by the businesses that supply designated products, packaging and printed paper to the Ontario market. In partnership with Ontario municipalities, recycling associations and First Nations communities (Participating Communities), Stewardship Ontario has operated the province's Blue Box Program for recycling printed paper and packaging since 2004.

The Ontario government is implementing a new approach to resource recovery in which businesses will be fully responsible for financing and operating activities for household recyclables and special wastes. The current Blue Box Program is transitioning to a full producer responsibility framework beginning in the second half of 2023.

Between 2008 and 2021, Stewardship Ontario also operated the MHSW Program (also known as Orange Drop) for recycling and safe disposal of certain hazardous or special wastes. The MHSW Program ceased operations in September 2021, as planned, when the new producer responsibility model was applied to materials previously covered by the MHSW Program.

Stewardship Ontario will be fully wound up as an entity following the completion of the Blue Box transition at the end of 2025.

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Message to Stakeholders

Stewardship Ontario's primary objective is to complete its transition as smoothly and efficiently as possible, minimising the impact of the legacy Blue Box Program, and enabling stewards to focus on their new responsibilities (as producers) under the *Resource Recovery and Circular Economy Act*.

Stewardship Ontario is pleased to note the introduction of Simplified Fee Setting in 2022, which significantly advanced this core objective.

After extensive consultation in 2021, early in 2022 the Resource Productivity & Recovery Authority (RPRA) approved Stewardship Ontario's proposed simplified model for setting fees for stewards through transition, eliminating the need for most stewards to report annual supply-to-market data.

This change avoided the potentially costly and confusing process of stewards reporting data to both Stewardship Ontario as well as to RPRA and a Producer Responsibility Organization under the new Blue Box Regulation during the remaining years of the transition.

Only three percent of stewards that would normally have reported material supply data were required to do so. Reporters included newspapers and stewards that did not have the historic data required for simplified fees.

Simplified fees and other efficiencies have enabled Stewardship Ontario to reduce projected operating and transition costs by more than \$15 million. Projected operating costs have been reduced by \$11.1 million or 19.9% and projected transition costs have been reduced by \$4 million or 35.4%, compared to the projections in the Blue Box Transition Plan.

The Blue Box Transition Plan included annual estimates of the steward obligation, which were shared with stewards during the October 2022 steward meeting. The total steward obligation amount over the full course of the Transition Plan (2020-2025) is estimated to be \$34.1 million or 5.1% higher than the initial projection.

Stewardship Ontario has also obtained approval from RPRA for its proposed approach to address each of the conditions it set for the Transition Plan at the time of approval, with the final approval being granted shortly after the end of the year.

Stewardship Ontario will continue work hard on behalf of stewards to make the transition process as smooth and cost-effective as possible.

Governance

In June 2021, the governance of Stewardship Ontario transitioned from a Board of Directors to an Administrator, with Susan Lo appointed to the position by RPRA. The Administrator fulfills the role of the Board, overseeing the work of Stewardship Ontario's management team, and reports to the RPRA Board.

Stewardship Ontario is led by a management team with extensive experience in senior roles and in the stewardship field: Lyle Clarke, Executive Director; Jane Mackenzie, Chief Financial Officer; Scott Tudor, Steward Relations Lead; and Tina Caputo, Project Manager.

As part of the governance change, a Steward Advisory Group was created to bring together industry representatives to advise the organization's management team and the Administrator. The Steward Advisory Group meets quarterly and provides feedback on the implementation of the Blue Box Transition Plan.

Blue Box Program

The Blue Box Program is Ontario's legacy 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.

Under this program, costs are shared equally between Participating Communities and industry stewards -- the registered businesses that supply packaging and printed paper to Ontario residents. This shared-cost model is changing as the Blue Box Program transitions to a full producer responsibility framework.

Blue Box Transition - Background

In August 2019, the Minister of the Environment, Conservation and Parks directed Stewardship Ontario to wind up the current Blue Box Program and develop a Transition Plan to a new model in which producers are fully responsible for both the funding and operation of residential recycling in the province under the Resource Recovery and Circular Economy Act (RRCEA). Stewardship Ontario does not have a role in the new model.

To implement the Minister's direction, Stewardship Ontario consulted extensively with stakeholders to develop the Blue Box Transition Plan for submission to the Resource Productivity & Recovery Authority (RPPRA) for approval. This included webinars with stewards, municipalities, First Nations communities, the waste management industry and environmental non-government organizations, followed by additional rounds of consultations.

In December 2020, Stewardship Ontario was advised that the Blue Box Transition Plan it submitted to RPPRA was approved, with conditions. The first Participating Communities are scheduled to be transitioned to the new RRCEA framework beginning July 1, 2023, with the entire province operating under the new framework by December 31, 2025. After the transition is completed, Stewardship Ontario will be wound up as an organization.

Blue Box Transition - 2022 Updates

- **Final approvals for Blue Box simplified fee setting** were provided by RPPRA in May 2022, which included conditions for participation, deadlines for claiming changes to prior reporting, and procedures for setting fees for stewards that are not eligible. Almost all stewards will no longer need to report their annual supply data to Stewardship Ontario. More information about simplified fees is available on the [Stewardship Ontario website](#).
- **Stewardship Ontario and Circular Materials finalized terms of a new administrative and operational services agreement** following the acquisition of Resource Recovery Alliance (RRA) by Circular Materials announced in September 2022, maintaining the requirements for confidentiality and data security that previously applied to RRA. The contract is managed by Stewardship Ontario's independent executive management team, all funds are deposited into Stewardship Ontario's bank account and subject to extensive financial controls, which include matching of receivables and receipts, and an annual independent audit. Further information on Stewardship Ontario governance can be found on page 3.
- **All conditions attached to Blue Box Transition Plan approval were met** following Stewardship Ontario's submission in 2022 of a plan to meet Condition 3 (related to data security). RPPRA approved the plan for Condition 3 in early 2023. RPPRA had previously approved the plans for Condition 2

Simplified fees reduced the number of stewards required to report supply data by 97%, substantially reducing steward compliance costs. It was also the biggest contributor to Stewardship Ontario's projected cost savings of more than \$15 million over the course of transition.

(mitigating conflict of interest) and Condition 4 (maintaining performance during transition). Condition 1 (potential introduction of the Material Cost Differentiation methodology) was no longer relevant following the implementation of simplified fee setting.

Blue Box Program Activities in 2022

There were 1,797 stewards registered with Stewardship Ontario's Blue Box Program as of December 31, 2022. They 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 and that are supplied by the entire Ontario franchise system) who supply designated materials to consumers.

In 2022, stewards contributed \$169.2 million to the Blue Box Program, an increase from \$147.5 million in 2021.

In 2022, a total of 246 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.

With the pending program transition, Stewardship Ontario is not participating in any further market development projects.

In early 2022 Stewardship Ontario determined that, although the curbside and depot waste composition data for single family homes was sufficient, it would increase the number of data points related to multi-family residences. Improving multi-residential waste study data would help to provide a more robust dataset to calculate the provincial obligated Blue Box material residential generation amount and improve performance reporting. Stewardship Ontario worked closely with the Continuous Improvement Fund to incorporate a broader dataset into the analysis. This included incorporating data from more municipalities, particularly current and historical data from the City of Toronto, the largest multi-residential market in the province. This continued into 2023 and was completed in the first quarter of 2023.

Blue Box Promotion and Education

Following a review of prior media campaigns, Stewardship Ontario decided to shift its program from a broad-based paid media program aimed at reducing contamination to a more locally focused program leveraging digital media. Stewardship Ontario engaged with select municipalities to generate interest in the new approach and to gather information on the kind of digital media assets that would best support the digital media efforts of Participating Communities, particularly those that don't transition until 2024 and 2025. As a result, new digital media resources will be made available to all Participating Communities in 2023.

As part of its efforts to provide stakeholders with clear, timely and updated information, Stewardship Ontario also launched a new website in 2022, focusing on providing stakeholders the information they need about the Stewardship Ontario program during the Blue Box transition. The site includes the transition plan, resources for stewards prior to and throughout the transition period and information for municipalities.

Stewardship Ontario did not engage in social media campaigns in 2022, while it developed a plan to respond to a related condition in the approval of Blue Box Transition Plan.

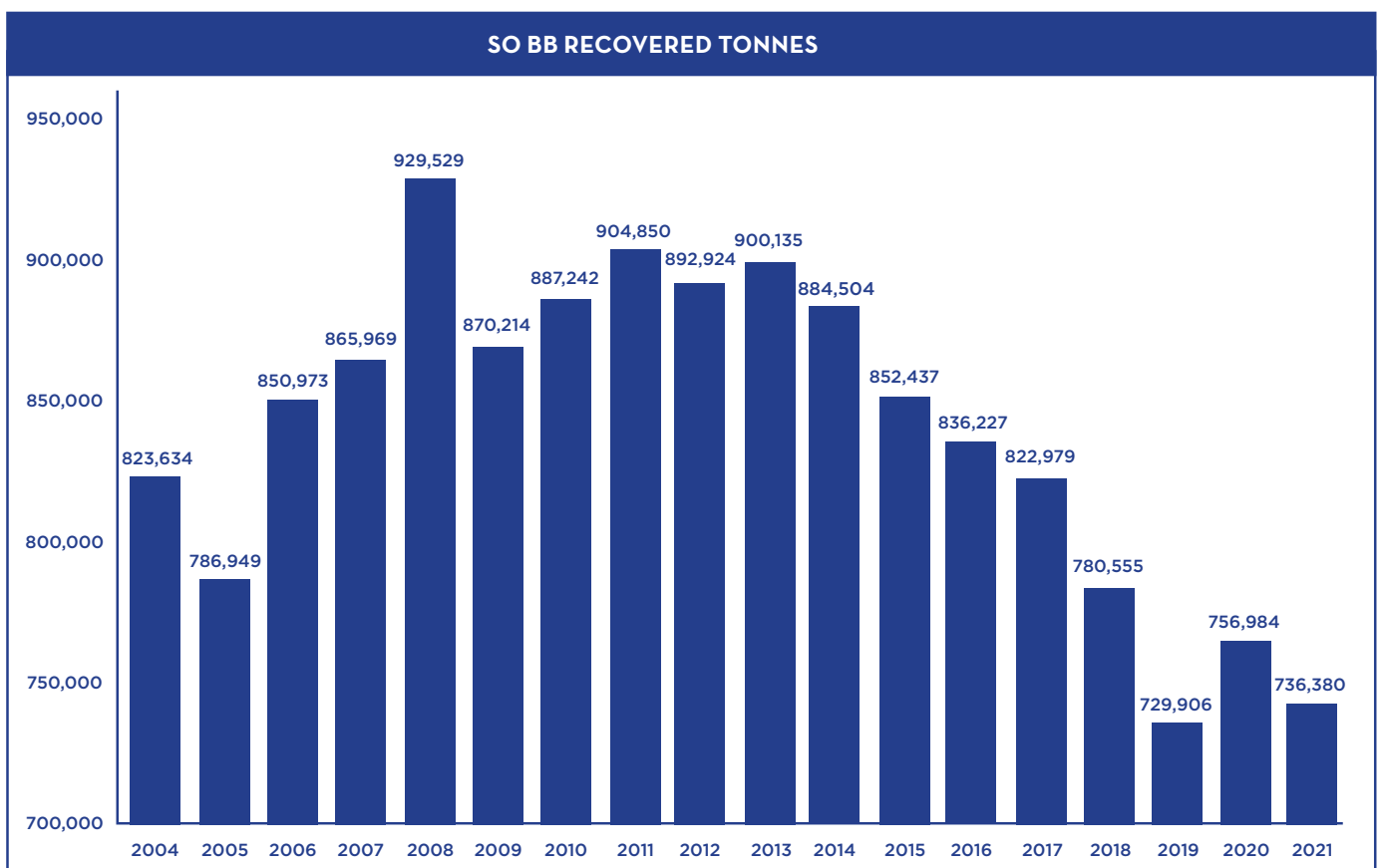
Blue Box Program Performance

(NOTE PERFORMANCE DATA IS FROM 2021)

The Blue Box Program recycling rate for 2021 (the most recent year for which data is available) was 53.3%, down from 59.9% in 2020, based on a slight decrease in recycled tonnes and a significant increase in generated tonnes, primarily due to a broader set of multi-family data. The year-over-year decrease reflects the general downward trend over the previous several years, in both the rate and recycled volumes.

Recycled tonnes decreased 2.7% year over year to 736,380 tonnes, while generated tonnes increased 9.3% to 1.381 million tonnes. The number of recycled kilograms per capita decreased 3.8%, to 54.3 kg.

Access to recycling programs remained high in 2021 with more than 94% of Ontario households having access.



With the approval of simplified fee setting, 97% of stewards were no longer required to report sales data to Stewardship Ontario. As a result, the material composition breakdown included in past annual reports is no longer available. A new methodology is used to calculate generated tonnes for the purpose of calculating the Blue Box Program recovery rate through to the final wind-up of the program in 2025.

RECYCLING AND ACCESSIBILITY IN ONTARIO

RECYCLING PERFORMANCE			
METRIC	2021	2020	YOY VARIANCE
Recycled Tonnes	736,380	756,984	-2.7%
Generated Tonnes	1,380,911	1,263,401	9.3%
Recycling Rate*	53.3%	59.9%	-6.6%
Provincial Recycling Target	60.0%	60.0%	--
Population Served by Program	13,562,763	13,412,332	1.1%
Recycled kg per Capita	54.3	56.4	-3.8%
# of Households Served	5,423,218	5,374,308	0.9%
% of Households with Access to Program	94.4%	94.8%	-0.4%

- Note that the year-over-year change in the reporting recycling rate is mainly due to the use of a broader dataset, particularly the incorporation of statistics from multi-family households.

Blue Box Financial Performance

The overall net cost of the Blue Box recycling system for 2021 was \$317.2 million, a decrease of 11.7% from 2020.

Net cost includes supply chain costs, commodity revenues, promotion and education costs, market development and program management costs.

The year-over-year decrease is primarily due to an increase in overall revenue partially offset by a modest increase in gross cost. As a result, net cost per tonne and per capita also decreased from the previous year.

As noted in our previous annual reports, the program uses a three-year rolling average for commodity revenue, so the full effects of significant commodity market declines and resultant revenue decreases in recent years remain a factor.

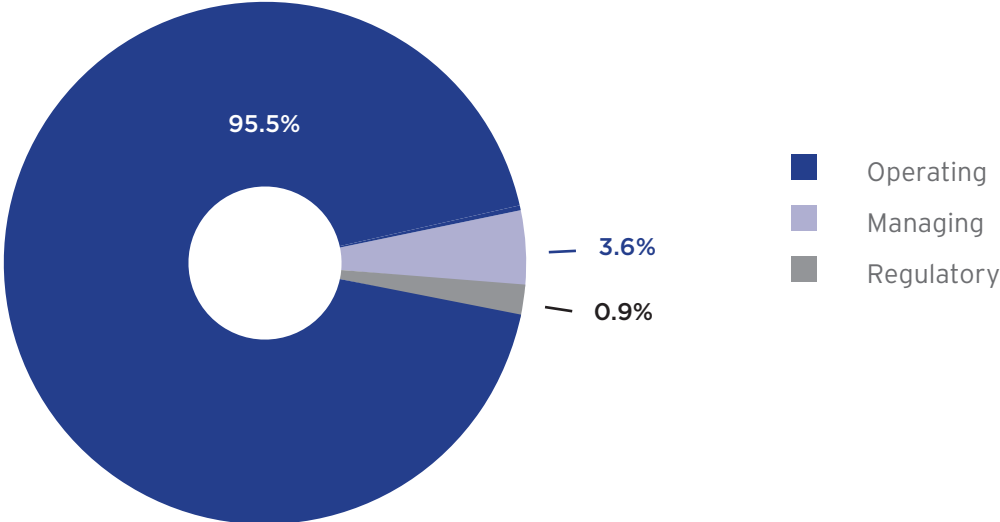
PROGRAM COST PERFORMANCE

METRIC	2021	2020	YOY VARIANCE
Recycled Tonnes	736,380	756,984	-2.7%
Net Cost *	\$317,181,659	\$359,178,458	-11.7%
Net Cost per Tonne	\$431	\$474	-9.2%
Net Cost per Capita	\$23	\$27	-12.7%

- * Net cost includes 100% of supply chain costs, commodity revenues, P&E, regulatory, market development and program management costs

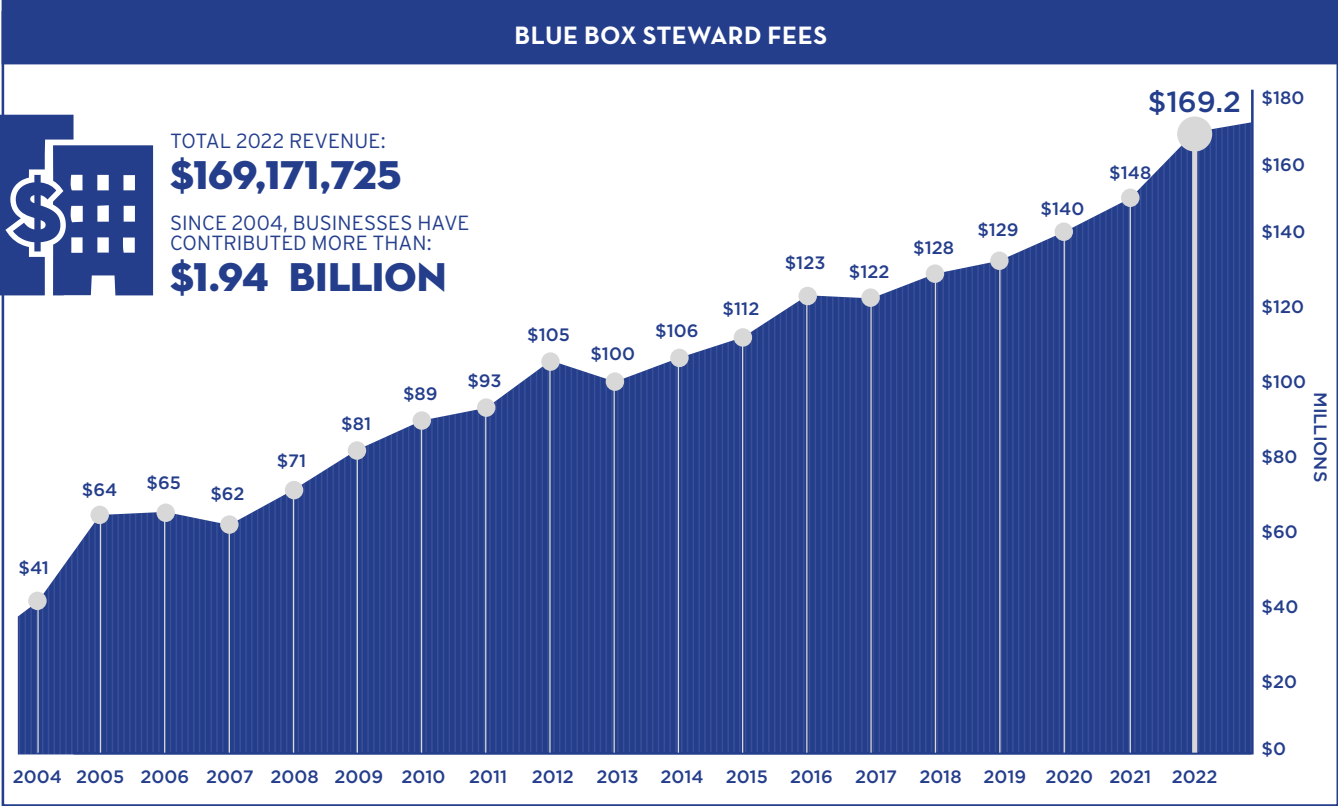
PROGRAM EXPENSES

This graphic shows a breakdown of Stewardship Ontario expenses in 2022, 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 for 2022 was \$169.2 million, an increase of 14.7% from 2021. The increase reflects the rising costs to operate the program, with the annual funding requirement determined by RPRa from verified municipal cost data. Costs and fees are expected to decline significantly as communities transition to the new regulatory framework.



MHSW Wind Up

The Municipal Hazardous or Special Waste (MHSW) Program, also known to consumers as the Orange Drop program, ceased operations on September 30, 2021, per the [MHSW Wind Up Plan](#) that was developed following extensive stakeholder consultations and approved by Resource Productivity and Recovery Authority (RPRA) in December 2019.

The MHSW Program had no operations in 2022. Under the Wind Up Plan, Stewardship Ontario disbursed \$2.9 million in residual funds in June 2022 to stewards and Industry Stewardship Organizations. Previously, \$44.8 million in surplus MHSW funds had been distributed to stewards through fee reductions. All MHSW data and assets are being transferred to RPRA as detailed in the Wind Up Plan.

Former MHSW materials are now collected and recycled under Resource Recovery and Circular Economy Act regulations, which are administered by RPRA. Information on current recycling of Hazardous and Special Product (HSP) materials can be found on [RPRA's website](#).

Financial Performance

Stewardship Ontario Financial Statements For the year ended December 31, 2022

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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, 2022, 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, 2022, 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 13, 2023

Stewardship Ontario Balance Sheet

December 31 2022 2021

Assets

Current

Cash	\$ 16,634,930	\$ 16,315,043
Investments (Note 2)	26,308,042	27,192,732
Accounts and other receivables (Note 3)	2,470,000	3,149,741
Prepaid expenses and deposits	35,117	31,487
	45,448,089	46,689,003

Investments (Note 2)	28,377,356	39,101,436
	57,020,219	85,790,439

\$ 73,825,445 **\$ 85,790,439**

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 45,379,523	\$ 40,314,511
Deferred revenue (Note 5)	666,017	666,017
Continuous Improvement Fund (Note 6)	10,974,679	12,713,937
	57,020,219	53,694,465

Net Assets

Unrestricted	16,805,226	31,449,974
Internally restricted (Note 7)	-	646,000
	16,805,226	32,095,974

\$ 73,825,445 **\$ 85,790,439**

On behalf of the Administrator:



Administrator

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, 2022

	Unrestricted	Internally Restricted	2022 Total
Balance, beginning of year	\$ 31,449,974	\$ 646,000	\$ 32,095,974
Deficiency of revenue over expenses for the year	(15,290,748)	-	(15,290,748)
MHSW Program Extension Reserve (Note 7)	646,000	(646,000)	-
Balance, end of year	\$ 16,805,226	\$ -	\$ 16,805,226

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

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

Stewardship Ontario Statement of Operations

For the year ended December 31	2022	2021
Revenue		
Blue Box program steward fees	\$ 169,171,725	\$ 147,527,971
MHSW program steward fees	8,180	3,963,778
MHSW program steward fee reduction (Note 8)	-	(2,334,503)
Investment income (loss) (Note 9)	(696,341)	273,418
	168,483,564	149,430,664
Expenses		
Blue Box Program		
Municipal Transfer Payments	169,143,232	149,246,510
Research and development	67,149	91,089
Promotion and education	362,561	384,723
Program wind up costs	641,722	898,588
	170,214,664	150,620,910
MHSW Program		
Direct material costs (Note 4)	461,262	2,063,166
Program wind up costs	1,197,839	944,137
Surplus transfer (Note 11)	3,354,068	-
	5,013,169	3,007,303
Common costs		
Program management (Note 4)	6,876,685	7,302,736
Resource Productivity and Recovery Authority (Note 10)	1,669,794	1,789,577
	8,546,479	9,092,313
Total expenses	183,774,312	162,720,526
Deficiency of revenue over expenses for the year	\$ (15,290,748)	\$ (13,289,862)

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

Stewardship Ontario Statement of Cash Flows

For the year ended December 31	2022	2021
Cash (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	\$ (15,290,748)	\$ (13,289,862)
Adjustments to reconcile deficiency of revenue over expenses for the year to cash provided by operating activities		
Non-cash component of investment income	3,104,689	1,436,322
Changes in non-cash working capital balances:		
Accounts and other receivables	679,741	5,280,291
Prepaid expenses and deposits	(3,630)	(5,982)
Accounts payable and accrued liabilities	5,065,011	1,751,406
Deferred revenue	-	(145,001)
Continuous Improvement Fund	(1,739,258)	(2,251,128)
	(8,184,195)	(7,223,954)
Investing activities		
Proceeds from (purchase of) investments, net of expenses	8,504,082	(1,371,241)
Increase (decrease) in cash during the year	319,887	(8,595,195)
Cash, beginning of year	16,315,043	24,910,238
Cash, end of year	\$ 16,634,930	\$ 16,315,043

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

Stewardship Ontario Notes to Financial Statements

December 31, 2022

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, 2022

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, 2022

2. Investments

	2022	2021
Cash held with broker	\$ 115,825	\$ 3,496,461
Fixed income	54,569,573	62,797,707
	54,685,398	66,294,168
Less: Current portion	26,308,042	27,192,732
	\$ 28,377,356	\$ 39,101,436

Fixed income investments bear interest at 2.29% to 3.95% (2021 - 1.83% to 3.95%) and mature between June 2023 and May 2030 (2021 - December 2022 and May 2030). The decrease in market value of investments for the year ended December 31, 2022 amounted to \$2,811,879 (2021 - \$830,551) which is included in investment income (Note 9).

3. Accounts and Other Receivables

	2022	2021
Blue Box and MHSW program steward fees	\$ 4,243,060	\$ 3,759,449
Other	143,739	28,868
Allowance for doubtful accounts	(1,916,799)	(638,576)
	\$ 2,470,000	\$ 3,149,741

Stewardship Ontario

Notes to Financial Statements

December 31, 2022

4. Significant Contracts

- (a) Canadian Stewardship Services Alliance Inc. ("CSSA") and Circular Materials ("CM")

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 will expire on May 31, 2023.

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. On November 11, 2021, CSSA entered into an agreement 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. On September 15, 2022 CM acquired all of the issued and outstanding shares of RRA, and, as part of the acquisition, a Service Agreement was signed between CM and SO which became effective on September 15, 2022. Charges totaling \$4,373,880 (\$3,309,312 to RRA and \$1,064,568 to CM) ((2021 - \$4,657,271 to CSSA and \$1,051,367 to RRA) were paid pursuant to the contract and are included in program management expenses and program wind up costs in the statement of operations. Included in accounts payable and accrued liabilities as at December 31, 2022 is \$609,824 (2021 - \$Nil) relating to these services.

- (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, 2022, the Organization incurred costs of \$458,065 (2021 - \$624,100) under this agreement which are included in direct material costs for the MHSW program.

During 2021, 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.

Stewardship Ontario Notes to Financial Statements

December 31, 2022

5. Deferred Revenue

	2022	2021
Blue Box Program		
Glass Market Development Fund	\$ 666,017	\$ 666,017

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).

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, 2022, the CIF spent \$1,739,258 (2021 - \$2,251,128) 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, 2022

7. Internally Restricted Net Assets

	2022	2021
MHSW Program Extension Fund	\$ -	\$ 646,000

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 2022, the directors authorized the transfer of \$646,000 from the MHSW Program Extension Fund to Unrestricted Net Assets.

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 2021, the directors authorized the transfer of \$2,100,000 from the Sustaining Fund to 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. In 2021, the directors authorized the transfer of \$4,964,379 from the Plastic Market Development Fund to Unrestricted Net Assets.

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.

9. Investment Income

	2022	2021
Interest income	\$ 2,288,921	\$ 1,597,439
Dividend income	119,426	112,300
Loss on sale of investments	(83,335)	(394,440)
	2,325,012	1,315,299
Adjustment to fair value	(2,811,879)	(830,551)
Investment expenses	(209,474)	(211,330)
	\$ (696,341)	\$ 273,418

Stewardship Ontario Notes to Financial Statements

December 31, 2022

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 an additional surplus distribution payment of \$1,389,901 to AMS and \$585,039 to Product Care Association of Canada. In addition, a residual fund payment of \$930,325 and a retroactive fee reduction payment of \$448,803 was made to MHSW stewards.

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, 2022, the Organization has spent \$2,235,508 (2021 - \$2,235,508).

(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, 2022, approved project funding and related commitments for the CIF amounted to approximately \$1,279,884 (2021 - \$1,783,045) of the total fund balance of \$10,974,679 (2021 - \$12,713,937).

Stewardship Ontario

Notes to Financial Statements

December 31, 2022

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 \$1,916,799 (2021 - \$638,576).

(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

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