



Stewardship Ontario

Municipal Hazardous or Special Waste Wind Up Plan

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Authority

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Confidential Schedule III: Human Resources Information

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Stewardship Ontario By-law 2017-02
A by-law relating to the Code of Conduct of Stewardship Ontario

 Draft Revisions to Stewardship Ontario By-law 2017-02 (Confidential Pending Stewardship Ontario Board Approval)

Stewardship Ontario By-law 2017-01
General By-law Number 2017-01 Stewardship Ontario

MHSW Executive Committee Mandate

Stewardship Ontario Conflict of Interest Mitigation Plan



Stewardship Ontario

GLOSSARY

- AMS:** Automotive Materials Stewardship
- BAU:** Business as usual
- BIP:** Battery Incentive Program
- CRA:** Canada Revenue Agency
- CSSA:** Canadian Stewardship Services Alliance Inc.
- ECA:** Environmental Certificate of Approval
- ERP:** Enterprise Resource Planning
- FF&B:** Financial Forecast and Budget
- GST:** Goods and Services Tax
- HST:** Harmonized Sales Tax
- IFO:** Industry Funding Organization
- IP:** Intellectual Property
- ISO:** Industry Stewardship Organization
- ISP:** Industry Stewardship Plan
- IT:** Information Technology
- ITC:** Input Tax Credit
- MECP:** Ministry of Environment, Conservation and Parks
- MHSM:** Municipal Hazardous or Special Materials
- MHSW:** Municipal Hazardous or Special Waste
- PCA:** Product Care Association
- PRO:** Producer Responsibility Organization
- PSF:** Pesticides, solvents and fertilizers
- RFP:** Request for Proposal
- RPRA:** Resource Productivity and Recovery Authority
- RRCEA:** *Resource Recovery and Circular Economy Act, 2016*
- RRSP:** Registered Retirement Savings Plan
- SAP:** Systems, Applications and Products
- UOMA:** Used Oil Management Association
- WDTA:** *Waste Diversion Transition Act, 2016*
- WUR:** Wind up related



INTRODUCTION: PROGRAM OVERVIEW AND WIND UP PROCESS

The Municipal Hazardous or Special Waste (MHSW) Program is operated under the authority of Ontario's *Waste Diversion Transition Act, 2016* (WDTA). The program is designed to collect certain hazardous and special wastes and ensure they are recycled and disposed of in an environmentally responsible manner. MHSW materials include single-use dry-cell batteries,¹ pressurized containers, oil containers, oil filters, antifreeze, paints and coatings, pesticides, solvents and fertilizers.

Under the WDTA, Stewardship Ontario is designated as the Industry Funding Organization (IFO) for the MHSW Program. Since the program's inception in 2008, the collection and processing of some MHSW materials has been transitioned to Industry Stewardship Plans (ISPs).

Currently, Stewardship Ontario directly manages waste recovery and recycling programs for single-use batteries and pressurized containers.² Stewardship Ontario administers these programs with the support of services from Canadian Stewardship Services Alliance Inc. (CSSA) pursuant to a service agreement with CSSA.

Pursuant to approved ISPs, Product Care Association (PCA) took over the management and collection of paints and coatings in 2015, and the collection and processing of pesticides, solvents and fertilizers (PSFs) in 2016, while Automotive Materials Stewardship (AMS) assumed responsibility for managing oil containers, oil filters and antifreeze in 2017.

With the creation of PCA and AMS's ISPs, stewards were provided with the option to either stay with Stewardship Ontario as their service provider for compliance with the WDTA, or join the new Industry Stewardship Organization (ISO). Consequently, Stewardship Ontario has service agreements with these ISOs to purchase an allocation of recycled waste materials collected to account for the continued Stewardship Ontario stewards' supply of Municipal Hazardous or Special Materials (MHSM) into the Ontario market.³ Orange Drop is the consumer-facing brand for the MHSW Program, and continues to act as such for those materials managed by AMS.⁴

On April 12, 2018, the Minister of Environment and Climate Change⁵ issued direction to Stewardship Ontario to wind up the MHSW Program by December 31, 2020. On December 11, 2018, the Minister issued subsequent direction to wind up the program for single-use batteries by June 30, 2020. On July 2, 2019, Stewardship Ontario received further Ministerial direction changing the termination date for the

¹ For brevity, the term single-use battery or single-use batteries will be used to describe single-use dry cell batteries throughout this report.

² SodaStream Canada began operating an Industry Stewardship Plan for its proprietary refillable pressurized containers in 2016.

³ With respect to paints, Stewardship Ontario purchases or pays for a tonnage of recycled paint material from PCA to meet recycling targets for its remaining paint stewards. With respect to solvents, pesticides, fertilizers, oil filters, oil containers and antifreeze, under Stewardship Ontario service agreements with PCA and AMS, materials collected are apportioned to Stewardship Ontario stewards based on their proportion of supply of MHSM into the Ontario market.

⁴ AMS contracts with Stewardship Ontario for use of Orange Drop services.

⁵ In July 2018, the name of the ministry responsible for the administration of the *Waste Diversion Transition Act, 2016* and the *Resource Recovery and Circular Economy Act, 2016* was changed to the Ministry of Environment, Conservation and Parks.



MHSW Program for materials other than single-use batteries to June 30, 2021. This Ministerial direction also extended the original timeline for Stewardship Ontario submission of its Wind Up Plan to the Resource Productivity and Recovery Authority (RPRA) to September 30, 2019.

Current MHSW Program Materials

As noted above, the MHSW Program covers nine classes of defined MHSW materials:

- Single-use dry cell batteries:
 - Does not include rechargeable batteries;
- Pressurized containers (both refillable and non-refillable):
 - Defined by Transportation Canada codes;
 - Examples include propane tanks and cylinders, oxygen and helium tanks;
 - Does not include aerosol cans, butane lighters or fire extinguishers;
 - For the purposes of program financing, pressurized containers are divided into two classes of materials: refillable and non-refillable.
- Oil filters – after they have been used for their intended purpose;
- Empty lubricating oil containers (30 litres or less);
- Antifreeze and containers (30 litres or less);
- Pesticides:
 - Includes fungicides, herbicides, insecticides or pesticides and containers in which they are contained;
 - Does not include commercial class pesticides used for commercial or agricultural purposes which are managed under other programs;
- Fertilizers:
 - Includes fertilizers and fertilizer and herbicide and pesticide/fertilizer combination products and containers in which they are contained;
 - Does not include commercial class fertilizers used for commercial or agricultural purposes which are managed under other programs;
- Paints and coatings:
 - Paints and coatings means latex, oil and solvent-based architectural coatings including paints and stains whether tinted or untinted;
 - Includes aerosol paints and coatings and the containers in which they are sold up to a maximum size of 30 litres;
- Solvents (containers of 30 litres or less):
 - Means liquid products that are intended to be used to dissolve or thin a compatible substance and:
 - i. Are comprised of 10% or more of water-immiscible liquid hydrocarbons, including halogen-substituted liquid hydrocarbons; or
 - ii. Are flammable as described in part (c) of “municipal hazardous waste” in Ontario Reg. 542; or
 - iii. All of the above.

A more detailed description of program materials and related exclusions can be found within the MHSW Program agreement signed between Stewardship Ontario and RPRA, and the MHSW steward Rules available at <https://stewardshipontario.ca/stewards-orangedrop/rules/>.



Current MHSW Program Funding

The MHSW Program is fully funded by businesses (referred to as stewards). Stewards are obligated to report on MHSW they supply into the Ontario market and pay fees related to the collection and recycling of MHSW materials.⁶

Stewardship Ontario calculates costs and related steward fees for managing each category of MHSW waste material in accordance with Regulation 387/16 under the WDTA. Costs of managing each class of MHSW material are calculated on a quarterly basis (i.e. in three-month periods) and stewards are obligated to pay their share of costs of each class of MHSW material based on their portion of supplied quantities of MHSW.

In the case of MHSW materials where Stewardship Ontario directly manages the collection and processing of waste materials (single-use batteries and pressurized containers), quarterly costs for the purposes of calculating quarterly steward fees include collection, transportation and processing costs (as well as related administrative and program costs) of managing those materials.

In the case of MHSW materials managed by ISOs, Stewardship Ontario enters into commercial contracts with ISOs to purchase credits to ensure its stewards' obligations are fulfilled under the program. Quarterly steward costs include the payments made by Stewardship Ontario to ISOs in relation to these materials.⁷

Stewards are required to pay fees owing at the end of the second month of each quarterly period. Supply volumes used to apportion steward costs and determine applicable fees owing for each steward are based on steward MSHM supply reports from the quarter that is two quarterly periods prior to the quarter in which payment is due.⁸

MHSW steward Rules provide further details with respect to the payment and collection of related steward fees.

⁶ With respect to program funding, businesses that join ISPs are exempt (under Section 39 of the WDTA) from paying steward fees directly to Stewardship Ontario. These ISP members fund ISP activities directly as per their contractual arrangements with the ISO. ISPs are approved by RPRA (formerly by Waste Diversion Ontario) and ISOs must collect and manage MHSW materials in accordance with approved plans.

⁷ Stewardship Ontario commercial arrangements with both the PCA and AMS provide that these ISOs apportion a volume of collected and processed waste MHSW materials to Stewardship Ontario equivalent to the volume of material associated with the direct Stewardship Ontario stewards' supply of MSHM into the Ontario market. Stewardship Ontario pays both PCA and AMS for the costs of managing these materials – those payments are then included in the costs Stewardship Ontario uses to calculate related steward fees as per Regulation 387/16.

⁸ For example, a steward fee payment for a class of MHSW material in the first quarter of 2018 would be due February 28, 2018. Costs for the class of material in that quarter would be based on Stewardship Ontario costs for managing those materials for the fourth quarter in 2017. Steward supply volumes used to apportion overall class costs and determine individual steward fees would be based on Steward supply volumes from the third quarter in 2017.



MHSW Service Providers and Program Delivery

Stewardship Ontario oversight of MHSW service providers takes place in two ways:

1. In the case of materials directly managed by Stewardship Ontario, it registers service providers, reviews performance and ensures accountability.
2. In the case of MHSW materials managed by ISOs, the ISOs perform many of these functions, but contractual terms create a consistent program approach to service provider oversight and Stewardship Ontario works cooperatively with ISPs to ensure compliance with program requirements.

Consumers can drop off MHSW materials at a variety of municipal, retail and other Orange Drop branded locations in Ontario. The Orange Drop website allows consumers to locate the nearest collection site for specific MHSW materials (excluding those managed by PCA) and also provides consumers with information about collection events (see Promotion and Education below). The number of MHSW consumer collection sites and activities for 2018 is listed in Table 1 below.⁹

Note that consumer outreach related to paints and coatings, pesticides, solvents and fertilizers is managed by PCA.

Table 1: MHSW Consumer Collection Sites - Events

Channel – Activity	2018
Municipal – Depot	88
Municipal – Event	312
Return-to-Retail	30
Battery Incentive Program	5,340
Parks program	102
Total	5,872

Single-Use Dry Cell Batteries

Single-use batteries are collected by municipal depots, municipal recycling events, return-to-retail locations (which may also include not-for-profit corporations) and collection sites operating under Stewardship Ontario’s Battery Incentive Program (BIP).

Under Stewardship Ontario’s BIP program, transporters register single-use battery collection sites and incentives are paid to transporters. Other than municipal depots, Stewardship Ontario does not pay sites to collect batteries but does ensure the batteries are collected by authorized transporters who receive an incentive payment from Stewardship Ontario.

Single-use battery transporters and processors must register with Stewardship Ontario and meet reporting obligations and operating standards (i.e. compliance with related provincial and federal environmental statutes) and are subject to Stewardship Ontario audits to ensure compliance.

⁹ In addition to the locations identified in Table 1, the Orange Drop website also includes information on approximately 12,000 drop off locations related to AMS materials.



With respect to municipalities, municipal depots arrange pickup of MHSW materials directly with approved transporters who will then submit claims for transportation incentives to Stewardship Ontario with supporting documentation.

Stewardship Ontario provides single-use battery transporters with a transportation incentive based on the geographic area in which batteries are collected and whether the collection is from a BIP site or a municipal depot.¹⁰ There are currently 25 registered single-use battery transporters and four registered single-use battery processors approved to operate under the MHSW Program.

Stewardship Ontario provides single-use battery processors with a processing incentive to facilitate the management of these materials in an environmentally responsible manner.

Both transporters and processors must submit incentive claims to Stewardship Ontario no later than 30 days from the time in which the service was provided.

Pressurized Containers

Consumers are able to drop off pressurized containers, defined by Transportation Canada codes and include both refillable and non-refillable containers, at designated municipal depots (88) or at special collection events (approximately 300 annually). In addition, Stewardship Ontario has an arrangement with a majority of provincial parks to collect single-use propane cylinders. This program was extended to include some privately-run parks shortly after implementation. Stewardship Ontario selected two transporters to service these parks through a competitive RFP process.

Similar to single-use batteries, Stewardship Ontario provides transportation and processing incentives for non-refillable containers to facilitate the proper disposal and diversion of these pressurized containers. Transporters and processors must register with Stewardship Ontario and meet certain operational standards and policies established by Stewardship Ontario to be eligible for incentives. Transporters and processors are to submit individual incentive claims to Stewardship Ontario no later than 30 days from the time in which the service was provided.

There are currently 26 registered pressurized transporters and 10 registered pressurized container processors approved to operate under the MHSW Program.

Oil Filters, Empty Lubricating Oil Containers and Antifreeze

The management of the waste stream related to oil filters, oil containers and antifreeze was transitioned to AMS in April, 2017.

Some stewards that supply oil filters, oil containers and antifreeze into the Ontario market chose not to join AMS. These stewards continue to pay fees to Stewardship Ontario for the purposes of meeting their obligations under the WDTA. When the AMS ISP began operations in 2017, Stewardship Ontario entered into an agreement with AMS to purchase recycling credits for Stewardship Ontario stewards in proportion to their supply of related MHSW into the Ontario market.

In 2018, Stewardship Ontario stewards that supplied oil filters, oil containers and antifreeze into the Ontario market accounted for 25% of oil filters, 19% of empty lubricating oil containers and 17% of

¹⁰ Under the BIP and municipal collection programs there are nine geographic zones related to transportation incentives.



antifreeze and empty containers. Stewardship Ontario subsequently purchased recycling credits from AMS related to these materials equivalent to the proportion of related materials that AMS collected and processed.

In the case of materials managed under the AMS ISP, Stewardship Ontario entered into a service agreement with AMS for the continued use of Orange Drop branding and the Stewardship Ontario field services team. Consumers can find a number of collection locations, including municipal depots and automotive service centres for oil filters, oil containers and antifreeze on the Orange Drop website.

Paints and Coatings, Pesticides, Solvents and Fertilizers

PCA manages paints and coatings, pesticides, solvents and fertilizers. Stewardship Ontario has an agreement with PCA to purchase collection and recycling credits to meet its performance obligations related to stewards that have remained with Stewardship Ontario with respect to pesticides, solvents and fertilizers. Stewardship Ontario also purchases credits with respect to paints and coatings based on the volume of MHSW its stewards supply into the Ontario market.

PCA collects paint and paint containers from consumers through municipal depots and collection events and approximately 300 return-to-retail locations.

In 2017, over 99.9% of the volume of MHSW paints and coatings and 100% of pesticide’s volume in the Ontario market were supplied by former stewards (ISP members) that have joined PCA. For solvents and fertilizers, stewards that remained with Stewardship Ontario represented approximately 34% and 19% of supplied volume respectively in each MHSW category.

Summary of Program Performance

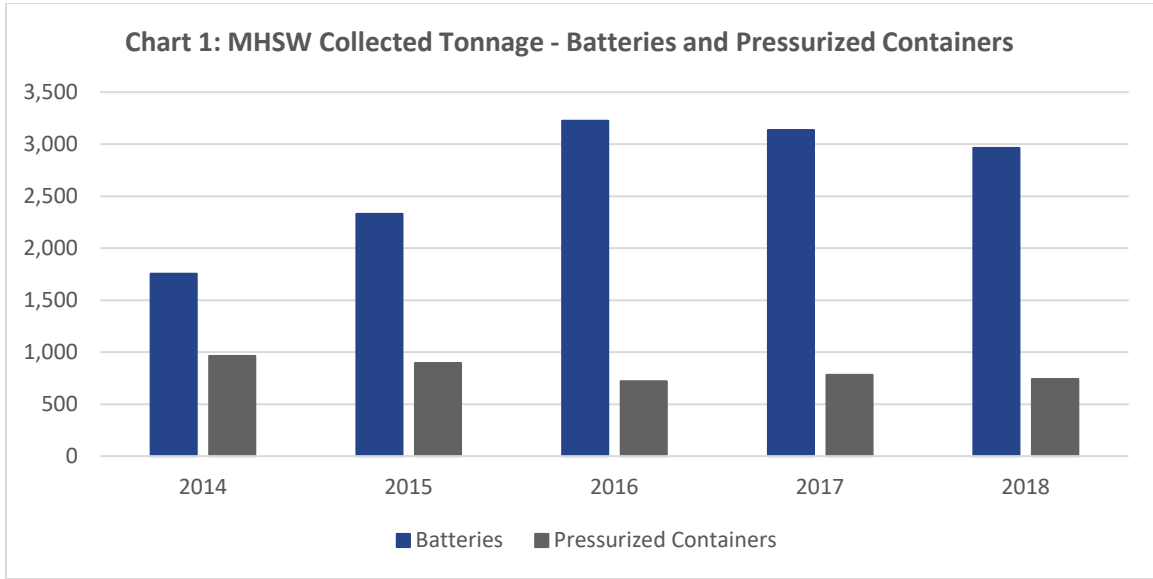
Due to the migration of materials to ISPs, the tonnage of material managed directly by Stewardship Ontario through the MHSW Program has declined over the last five years.

Table 2: Aggregate MHSW Tonnage Collected vs. Target 2014 - 2018

Year	Aggregate Collection Target (tonnes)	Actual Collection (tonnes)	Actual to Target
2018	5,835	7,424	127%
2017	9,330	11,412	122%
2016	16,326	20,230	124%
2015	27,972	24,958	87%
2014	24,625	28,958	118%

As seen in Table 2 above, total tonnage collected of MHSW materials managed by Stewardship Ontario has declined from over 28,000 tonnes in 2014 to 7,424 tonnes in 2018; a decline of 74%. This does not reflect an actual decline in program performance, as the ratio of tonnes collected to the program target was 127% in 2018.

As seen in Chart 1 below, the tonnage of single-use batteries managed by Stewardship Ontario in 2018 was about 75% higher than the tonnage in 2014. The tonnage of pressurized containers managed under the program has declined slightly over the same period.



Collection and Diversion by Material Category

See Section 1.3 for details on current targets and performance by material category.

Tonnages for other Stewardship Ontario MHSW materials, where collection and diversion is managed under approved ISPs, will decline if Stewardship Ontario stewards continue to migrate to ISPs during the wind up period. Lower Stewardship Ontario MHSW volumes associated with these materials will also reduce performance targets meaning the net impact on program performance should be neutral.

Promotion and Education

The Orange Drop brand is used to communicate with Ontario consumers about the MHSW Program. Since its launch in 2008, Orange Drop has been used in ongoing promotion and education initiatives to increase consumer awareness of how to safely dispose of MHSW materials. These initiatives have utilized different mediums which correlate with communication strategies and target demographics. Mediums have included out of home (i.e. billboards), transit, radio, video (e.g. Cineplex movie preview), digital (e.g. The Weather Network, online ads), events, street teams, social media and print. As well, Orange Drop campaign artwork has been developed into customizable templates for municipalities to download and use for their own promotion and education initiatives.

Website and Social Media

The Orange Drop website contains a tool where consumers can search by postal code and material to find a drop-off location near them. Since its launch in 2014, the website has seen 350,000 visits.

Orange Drop also engages with consumers via social media through its Facebook and Twitter accounts. Orange Drop regularly posts material tips and reminders, and also promotes the locator tool on its website. Combined, Orange Drop’s social media channels have over 3,500 followers.

Single-use Batteries

Single-use battery Orange Drop advertising campaigns ran from 2012 – 2016 to increase awareness around batteries not being thrown in garbage or recycling containers, but rather at a drop-off locations



for safe handling. These campaigns stimulated year-over-year increases in single-use battery collection and diversion rates which have been maintained since 2016. Orange Drop social media posts continue to support of battery recycling awareness.

Pressurized Containers

Province-wide awareness campaigns have run regarding the proper disposal of pressurized containers, mainly focused on single-use propane canisters. There are also Orange Drop ‘drop cages’ at most Ontario Parks where consumers can place their used propane canisters when leaving the parks. Stewardship Ontario has worked closely with Ontario Parks and select private parks to combine advertising efforts to promote the message of proper disposal.

See Section 1.4 for a detailed description of MHSW educational programs and proposed approach to promotion and education during wind up.

Program Administration

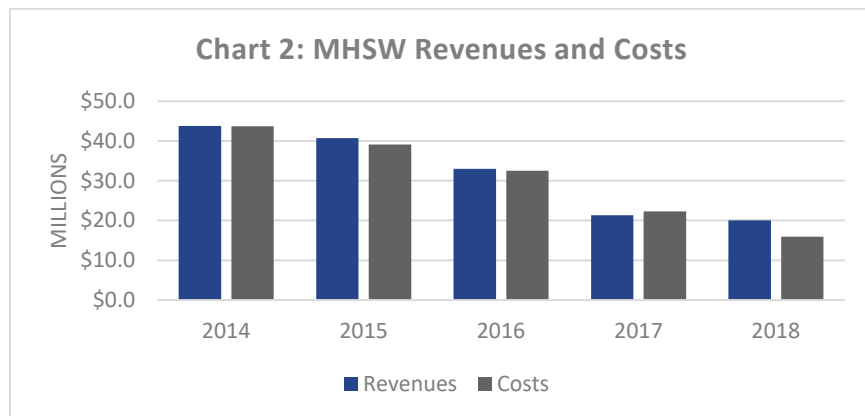
Stewardship Ontario retains responsibility for oversight of both the MHSW and Blue Box programs. Certain program functions are delivered through a service agreement with CSSA. With respect to the MHSW Program, administration of various program activities is conducted primarily by CSSA staff operating in cooperation Stewardship Ontario employees.

Stewardship Ontario conducts compliance and audit activities with respect to both steward reporting and service provider services to ensure program integrity (see Section 3.3 for more detail on audit/review activities).

The Wind Up Plan proposes a process for amendment of the current Stewardship Ontario-CSSA service agreement to reflect the impending termination of the MHSW Program (See Section 11: Legal Considerations). The Wind Up Plan also includes proposals to manage any direct employee impacts related to termination of the program (see Section 10: Human Resources).

Key Financial Metrics and Trends

MHSW financial metrics reflect trends associated with declining collection tonnages because of the migration of program materials from Stewardship Ontario to ISPs. As can be seen in Chart 2 below, both MHSW operating revenues and expenses have declined significantly as stewards and related material tonnage have migrated to the ISPs.





In 2018, MHSW operating revenues were more than operating expenses due in large part to certain steward supply report adjustments for previous years made during the 2018 operating period. These adjustments contributed to a net operating surplus of \$4.7 million.

2018 Canada Revenue Agency HST Refund

In 2018, Stewardship Ontario received a favourable decision from the Tax Court of Canada on claims for GST/HST input tax credits for fees related to the MHSW Program. This ruling has resulted in significant favourable financial implications for MHSW-related reserve funds.

Stewardship Ontario collected GST/HST on MHSW invoices and remitted GST/HST to the Canada Revenue Agency (CRA) since the program’s inception in 2008. However, CRA denied the program’s claims for input tax credits for GST/HST on expenses, which included amounts paid to third-party service providers for recycling and disposal of materials. As a result, any GST/HST paid by Stewardship Ontario related to these costs had to be included in the total program costs charged to stewards.

After pursuing administrative remedies with CRA for many years, Stewardship Ontario appealed a CRA ruling that culminated in a 2017 trial in the Federal Court. In a ruling released in March 2018, the judge rejected various CRA arguments and determined that Stewardship Ontario provides a service that entitles it to receive input tax credits.

Stewardship Ontario’s initial claim of \$18 million was for the period between 2011 and 2013. The final amount of \$29.4 million returned to Stewardship Ontario by the CRA in relation to the current program included GST/HST input tax credit claims, plus interest for the period from 2011 to 2017.¹¹

The net impact of the tax court ruling on MHSW reserves can be seen in Table 3 below.

Table 3: 2018 MHSW Operating Results Overview

	\$ Millions
Accumulated MHSW Reserves as of December 2017	\$19.032
Revenue	
Steward Fees	\$19.594
Investment Income	0.398
Total	\$19.992
Expenses	
Direct Material Costs	\$12.338
Promotion and Education	0.064
Common program Management Costs	2.741
RPRA Fees	0.170
Total	\$15.313
Operating Surplus/(Deficit)	\$4.679
CRA HST Refund	29.375
Accumulated Operating Surplus 2018	\$34.054
Accumulated MHSW Reserves as of December 2018	\$53.086

¹¹ As a result of the ruling, Stewardship Ontario also received a 2018 CRA HST refund related to previous program costs that were financed by the Ontario government. HST refunds related to these costs have been returned to the Ontario Ministry of Finance.



Given the \$4.7 million operating surplus combined with the \$29.4 CRA HST refund, the net asset position of the MHSW Program increased by \$34.1 million in 2018, resulting in a total of \$53.1 million in MHSW reserves as of year end 2018.

MHSW Reserves by Material Category

Table 4: MHSW Reserves December 2018 Including HST Adjustments

	Accumulated Surplus (\$000)	Deferred Revenue (2012) (\$000)	Total Reserves and Deferred Revenue December 2018 (\$000)
Antifreeze	\$1,583	\$527	\$2,110
Fertilizers	128	5	\$133
Oil Containers	9,779	715	\$10,494
Oil Filters	7,683	2,688	\$10,372
Paints/Coatings	11,793	3,141	\$14,934
Pesticides	58	11	\$69
Pressurized Containers (Non-Refillable)	405	110	\$515
Pressurized Containers (Refillable)	285	2	\$287
Single-Use Batteries	5,393	1,903	\$7,296
Solvents	1,410	37	\$1,447
Total Reserves Allocated by Material	\$38,517	\$9,139	\$47,657
General MHSW Reserves (Restricted & Unrestricted)	\$5,429		\$5,429
Total MHSW Reserves December 2018	\$43,946		\$53,086

As shown Table 4, MHSW reserves are divided into two types:

1. Amounts that have been allocated to various material categories, and
2. General reserves that have not been allocated to particular material categories.

The Accumulated Surplus column above shows the reserve amounts for each material category as of December 2018. These amounts include the impact of both the 2018 operating surplus adjustments and the one-time 2018 CRA HST refund.

With respect to the 2018 CRA HST refund, Stewardship Ontario allocated \$27.4 million of the total \$29.4 to related material reserves based on the input tax credits (ITCs) associated with related material costs. Two million of the \$29.4 million CRA HST refund was allocated to general MHSW reserves (totalling \$5.429 million as of December 2018) reflecting ITC credits in relation to general MHSW Program costs.

Since 2012 Stewardship Ontario has also held \$9.1 million in deferred revenue in relation to the MHSW Program. Deferred revenue for the MHSW Program represents fee revenue billed in advance in the first quarter of 2012 which was deferred in accordance with the Stewardship Ontario’s revenue recognition policy. This deferred revenue will be recognized as revenue at the end of the program.

Table 4 breaks down deferred revenue amounts by material category in the Deferred Revenue column and the Total Reserves for each material category in the adjacent column.

As can be seen in Table 4, Stewardship Ontario estimates reserve amounts of \$47.657 million which can be allocated to various MHSW material categories, and general MHSW reserves of \$5.429 million. Some



Stewardship Ontario

of the largest MHSW material category reserves relate to materials which are managed under ISPs. MHSW reserves, therefore, relate to both current and former stewards (including stewards that have left Stewardship Ontario to join ISPs).



SECTION 1: OPERATING PLAN

1.1 Operating Plan

1.1.1 *General Approach to Wind Up of the MHSW Program*

Under the WDTA, Stewardship Ontario proposals to wind up the MHSW Program must comply with Ministerial direction. Consistent with that direction, Stewardship Ontario is proposing to run the MHSW Program up until designated program termination dates of June 30, 2020 for single-use batteries, and June 30, 2021 for other MHSW materials. Stewardship Ontario will wind up the MHSW Program in a manner designed to minimize potential disruptions for service providers and ensure that program performance is maintained throughout the wind up period.

Stewardship Ontario is not proposing any changes to service provider claims procedures, incentive payments or contractual terms prior to the MHSW Program termination date. This approach will ensure, as per Ministerial direction, that there is no disruption in the operation of the MHSW Program while the program is still operating. All MHSW materials will continue to be collected, transported, processed and recycled in accordance with current program standards and performance metrics up until June 30, 2021 (or June 30, 2020 in the case of single-use batteries).

Stewardship Ontario has developed a detailed schedule of final reporting and submission deadlines associated with program termination to ensure that all stewards and service providers understand their reporting obligations as the program is wound up. Stewardship Ontario will also work cooperatively with ISOs to ensure the eventual wind up of existing service arrangements with those ISOs is not disruptive to either the ISP or MHSW Programs.

Stewardship Ontario has developed a detailed financial budget which estimates MHSW Program and wind up costs throughout 2019, 2020 and 2021. The proposed wind up budget includes adjustments to the Stewardship Ontario methodology for allocation of common costs (implemented in 2019).¹² As of December 31, 2018, Stewardship Ontario held total MHSW Program reserves of \$53.1 million. Pending financial contingencies that may arise during wind up, Stewardship Ontario anticipates that it will retain residual funds of approximately \$375,000 following resolution of all wind up and financial obligations.

Consistent with Ministerial direction from July 2, 2019 regarding the return of surplus funds to consumers, Stewardship Ontario is proposing to reduce steward and ISP member fees prior to program termination dates for all MHSW materials including those where the supply chain is currently managed under ISPs. This recommendation is made after careful consideration of extensive input from MHSW stakeholders on the matter and taking into account issues such as fairness for MHSW participants, administrative costs, effectiveness and complexity regarding the various options related to the issue. Stewardship Ontario is committed to working with ISOs, ISP members and MHSW stewards to ensure that the proposed approach adequately addresses the Ministerial expectation that consumers will benefit from the proposed fee reduction approach. This approach will significantly reduce the level of residual funds that remain in the program following the resolution of outstanding financial obligations. Details regarding proposals related to the proposed fee reduction can be found in Section 8: Reserves.

¹² See Section 8: Reserves for a detail description of the 2019 change to the MHSW common cost allocation.



The details of Stewardship Ontario wind up budget forecast can be found in Section 4: Financial Budget & Forecast. A summary of MHSW wind up budget is shown in Table 5 below.

Table 5: MHSW WUP Financial Forecast 2019 - 2021 (\$000)* (Amended November 2019)			
	2019	2020	2021
Estimated Reserves Beginning of Year	53,086	\$48,728	\$22,035
Estimated Revenue	\$16,058	\$11,187	\$2,914
Stewardship Ontario Steward Fee Reduction	-\$2,300	-\$6,101	-1,974
Revised Steward Revenues	\$13,758	\$5,086	\$939
Program Operating Expenses			
Direct Material Costs	\$13,110	\$8,773	\$1,792
Administration	\$3,560	\$3,057	\$2,325
Sub-Total	\$16,670	\$11,830	\$4,117
Operating Surplus/Deficit (includes material specific wind up costs)	-\$2,912	-\$6,744	-\$3,178
Material Costs – Wind Up Contingencies	-\$0	-\$1,000	-\$1,000
ISP Fee Reduction		-\$17,268	-\$15,319
Total Drawdown from Material Reserves	-\$2,912	-\$25,012	-\$19,497
Estimated Material Reserves End of Year	\$44,745	\$19,733	\$236
General MSHW Wind Up Costs (excluding material contingencies and costs)	\$1,446	\$1,681	\$2,165
General Reserve Drawdown	-\$1,446	-\$1,681	-\$2,165
Estimated General Reserves End of Year	\$3,984	\$2,303	\$138
Estimated Total Reserves End of Year	\$48,728	\$22,035	\$373

* **Note:** Financial projections and forecasts included in this Wind Up Plan, including forecasts relating to surplus amounts that may be disbursed to parties during the wind up of the MHSW Program, are based on assumptions about future events and conditions that are not ascertainable at this time.

Therefore, the actual results achieved during the wind up period may vary from the projections and forecasts disclosed herein, even if the assumptions materialize, and such variation may be material. Stewardship Ontario makes no representation, warranty or other assurance that any of the estimates, forecasts or projections will be achieved.

During consultation on the Wind Up Plan, Stewardship Ontario proposed to finance general wind up costs by drawing down from general MHSW reserves. Contingency amounts and projected deficits related directly to materials will be financed by drawing down from material-specific reserves. General contingency amounts will be financed by drawing from general material reserves. In the event that general reserve levels are lower than general wind up costs, general reserve amounts will be reallocated to material reserve categories prior to program termination. The initial forecast related to this potential



allocation is approximately \$138,000 as noted in Table 5 above (see Section 8: Reserves for more details on estimated reserve levels).¹³

The Stewardship Ontario wind up budget identifies the length of and initial estimates of fee reduction amounts for each MHSW material. For example, with respect to single-use batteries Stewardship Ontario proposes to reduce steward invoices in the final three billing quarters by amounts which would minimize the amount of residual funds remaining associated with the category following the resolution of related outstanding financial obligations after program termination. Stewardship Ontario's initial fee reduction estimates are based on current financial forecasts.¹⁴ The fee reduction approach gives Stewardship Ontario the flexibility to adjust the amount of the final fee reduction based on more up to date financial and operational information.

In order to maximize accuracy, Stewardship Ontario is proposing that the issuing of final steward invoices be delayed by 90 days following the program termination date as opposed to the current billing practice of issuing invoices 30 days after each quarter end. This proposed delay in steward invoicing concurrent with the termination of the program will allow Stewardship Ontario to more fully assess final Steward supply reports and post-termination administrative costs prior to reconciling steward invoices and determining the level of fee reduction that Stewardship Ontario can implement in a fiscally responsible manner. The proposed approach minimizes the level of residual funds that are projected to remain with the program following the resolution of all outstanding financial and operational obligations.

Stewardship Ontario has worked with ISOs to identify a proposed fee reduction schedule for each MHSW material managed under an ISP as well as developing a fee reduction schedule for those materials where it directly manages the supply chain (See Section 8: Reserves). Following approval of the MHSW Wind Up Plan, Stewardship Ontario will work with ISOs to finalize a fee reduction schedule for all MHSW materials that would be communicated to all MHSW stewards and ISP members shortly after approval of the MHSW Wind Up Plan.

It should be noted that the level of surplus funds in various MHSW categories may not support a fee reduction. Currently with respect to non-refillable pressurized containers, the projected material category surplus fund of \$40,000 is not sufficient to guarantee an actual fee reduction. If a fee reduction approach is approved, Stewardship Ontario may be able to reduce steward invoices for non-refillable pressurized containers for the final billing quarter by a certain amount, dependent on the outcome of projected program costs and use of related material contingency amounts.

Stewardship Ontario will implement the same conceptual approach to fee reduction for all MHSW material categories. With respect to those materials managed under ISPs, Stewardship Ontario is proposing to pay a portion of ISP member fees (in a manner similar to the approach proposed for single-use batteries and pressurized containers). Stewardship Ontario would pay ISPs on behalf of their

¹³ In the event, that general wind up costs exceed general program reserves during the wind up period, Stewardship Ontario would draw from material reserves to cover wind up costs.

¹⁴ As noted in Section 4: Stewardship Ontario's initial estimate of the reduction in the single-use battery steward invoices would be approximately 80% implemented over 3 fiscal billing quarters. However, as note above, the percentage fee reduction may be larger if the Wind Up Plan contingency costs (current forecast as \$1 million) related to single-sue batteries are not required.



members based on supply reports submitted to ISPs by their members. Under the proposal, ISP members would still be paying amounts to the related ISO for services, but the amount of ISP member payments would be significantly reduced by Stewardship Ontario covering a significant percentage of the ISOs operational costs.

Details regarding the assumptions related to the Financial Forecast & Budget provided above are found in Section 4: Financial Forecast & Budget. The details of proposed steward and ISP member fee reductions along with fee reduction schedules for each MHSW material are found in Section 8: Reserves.

Subject to any possible litigation contingencies that may exist as of June 30, 2021, Stewardship Ontario anticipates that it will take approximately six months following the program termination date to wrap up final program obligations, conduct final program financial reconciliations and terminate all service agreements related to the MHSW Program. Stewardship Ontario anticipates that a final report confirming full implementation of the Wind Up Plan as required by Subsection 14 (20) of the WDTA, will be submitted to the Minister of Environment, Conservation and Parks no later than April 1, 2022. Key elements of the proposed MHSW Wind Up Plan are described in detail below.

1.1.2 Steward Reporting and Final Fee Payments

As per Ministerial direction, there are two program termination dates for MHSW materials: one for single-use batteries on June 30, 2020, and the other for all remaining MHSW materials (excluding single-use batteries) on June 30, 2021. Consequently, final steward reporting deadlines and payment schedules are different for single-use battery stewards and other MHSW stewards.

In general, Stewardship Ontario is proposing that steward supply reports and invoicing timeframes for the MHSW Program follow existing timeframes until program termination. Changes are necessary to steward deadlines for submitting adjustment requests to accommodate the wind up process.

1.1.2.1 Single-use Battery Steward Reporting and Payment Dates

Proposed supply report and invoicing dates and payment deadlines for single-use battery stewards are shown in Tables 6 and 7 below.

Table 6: Single-use Battery Steward Supply Report Schedule

Supply Report	Report Due Date	Data Included
Q2 2020	April 30, 2020	Q1 Data (Jan 1 – Mar 31)
Q3 2020	July 31, 2020	Q2 Data (April 1 – June 30)
Final Adjustment Requests	May 31, 2020	For 2019 and earlier
	August 31, 2020	For 2020 only

Currently stewards have two years within which to submit adjustment requests to supply reports. Stewardship Ontario is proposing that steward adjustment requests related to reports submitted in or before 2019 (currently subject to the existing two-year (eight quarters) deadline) must be submitted by May 31, 2020. Single-use battery steward adjustment requests to reports submitted in 2020 would need to be submitted to Stewardship Ontario by August 31, 2020.



Table 7: Single-use Battery Steward Payment Schedule

Invoice Payment	Costs	Invoice Due Date	Summary
Q2 Invoice (sent April 30)	Q1 material management & administrative costs	May 31, 2020	Q1 Report (Q4 data) Q1 Costs Q2 Invoice
Q3 Invoice & Final True Up (sent Sept 30, 2020)	Q2 material management & administrative costs	October 31, 2020	Q2 Report (Q1 data) & Previous 3 Quarters Q2 Costs Q3 Invoice

A key proposed change associated with program termination is that single-use battery stewards would receive their last invoice from Stewardship Ontario 90 days after the program termination date of June 30, 2020 with payment required 30 days after receipt of the invoice. This delay in issuing the final steward invoice will enable Stewardship Ontario to maximize the steward fee reduction associated with the final steward invoice and minimize the residual funds associated with the single-use battery category following the resolution of outstanding financial obligations.

1.1.2.2 Other MHSW Steward Reporting and Payment Dates (Excluding Single-use Batteries)

The proposed reporting schedules for other MHSW stewards follow the schedule proposed for single-use batteries with modifications to account for the different program termination date for those materials.

Table 8: MHSW Materials (Excluding Single-use Batteries) Steward Report Schedule

Supply Report	Report Due Date	Data Included
Q2 2021	April 30, 2021	Q1 Data (Jan 1 – Mar 31)
Q3 2021	July 31, 2021	Q2 Data (April 1 – June 30)
Final Adjustment Requests	May 31, 2021	For 2020 and earlier
	August 31, 2021	For 2021

Stewardship Ontario is proposing that steward adjustment requests related to material supply reports (excluding single-use batteries) submitted in or before 2020 (currently subject to the existing two-year (eight quarters) deadline) must be submitted by May 31, 2021.

As noted above, changes to the current adjustment request deadline for steward reports will allow Stewardship Ontario to conclude final financial arrangements with respect to the termination of the MHSW Program in a timely and reasonable manner.



Table 9: MHSW Materials (Excluding Single-use Batteries) Steward Payment Schedule

Invoice Payment	Costs	Invoice Due Date	Summary
Q2 Invoice (sent April 30)	Q1 material management & administrative costs	May 31, 2021	Q1 Report (Q4 data) Q1 Costs Q2 Invoice
Q1 Invoice & Final True Up (sent Sept 30, 2021)	Q2 material management & administrative costs	October 31, 2021	Q2 Report (Q1 data) & previous 3 Quarters Q2 Costs Q3 Invoice

MHSW stewards would receive their last invoice from Stewardship Ontario 90 days after the program termination date of June 30, 2021 with payment required 30 days after receipt of the invoice. With respect to pressurized containers, this delay in issuing the final steward invoice will enable Stewardship Ontario to maximize the steward fee reduction associated with the final steward invoice and minimize the residual funds associated with the pressurized categories following the resolution of outstanding financial obligations. With respect to other MHSW materials the delay in issuing the final steward invoice will allow Stewardship Ontario to adjust steward fees to accurately reflect final report adjustments received by August 31, 2021.

Following the resolution of all Stewardship Ontario MHSW financial obligations to service providers (see below) Stewardship Ontario will conduct final financial reconciliations in relation MHSW material categories. Stewardship Ontario is proposing that any residual funds that remain in the program at that time be transferred to RPRA to be used an offset to producer fees and costs under the RRCEA framework. See Sections 4: Financial Forecast & Budget and 8: Reserves for more detail regarding proposed treatment of residual MHSW funds following program termination.

1.1.3 Program Operations and Service Provider Key Dates and Deadlines

Stewardship Ontario is not proposing any changes to current program service provider incentive rates or reporting procedures during the wind up period. Key dates and deadlines related to service providers are outlined below.

1.1.3.1 Single-use Batteries

Under the BIP, single-use batteries are currently collected from a wide variety of sites (5,000 as of 2018) including both municipal depots and collection events, community and not-for-profit drop off locations and return-to-retail locations.

Under the program, with the exception of municipalities, approved transporters and processors make arrangements for the collection of batteries from collection sites. Stewardship Ontario incentives are paid to these transporters and processors under the program with transportation incentive rates varying depending on the geographic location of the single-use battery collection site.

Stewardship Ontario is proposing to continue to provide incentives under the BIP for all single-use batteries collected by June 30, 2020 (program termination date). Transporters would have until July 15, 2020 to collect single-use batteries from collection sites, and transporters and processors would have



until August 31, 2020 to submit incentive claims for single-use batteries dropped off by June 30, 2020 and collected by July 15, 2020.

These service provider timeframes are consistent with current operational practice and would enable Stewardship Ontario to conduct final financial reconciliations with respect to the single-use battery program in a reasonable timeframe.

With respect to any Orange Drop branded materials that may be present at single-use battery collection sites, Stewardship Ontario will work with service providers to have these materials removed prior to the end of the program.

With respect to municipalities, Stewardship Ontario is proposing to pay depot hours related to single-use battery collection activities and pay single-use battery incentives related to municipal collection events up until June 30, 2020. As with other service providers, Stewardship Ontario is proposing that municipalities have until August 31, 2020 to submit claims for battery collection at events up until the June 30, 2020 deadline.

Table 10: Single-use Battery Service Provider Key Wind Up Dates

June 30, 2020	Program Termination Date – single-use batteries collected by this date are eligible for program incentives
July 15, 2020	Collection deadline for single-use batteries dropped off by June 30, 2020
August 31, 2020	Deadline for submission of incentive claims to Stewardship Ontario

With respect to Stewardship Ontario agreements with BIP service providers, current agreements require either 30-day or 60-day notice periods to terminate. Stewardship Ontario will coordinate service provider agreement terminations to align with termination of the MHSW Program for single-use batteries. Stewardship Ontario will provide service providers with formal notice of agreement terminations following MHSW Wind Up Plan approval (anticipated by December 31, 2019) in a manner consistent with existing contractual requirements.

With respect to agreements with municipalities, Stewardship Ontario will propose amendments to existing municipal agreements necessary to accommodate different termination dates for single-use batteries and other MHSW materials (see Section 1.1.4 below for more details).

1.1.3.2 Pressurized Containers

With respect to pressurized containers, municipal depots and events represent the primary drop off locations for consumers. Stewardship Ontario also has an arrangement with provincial parks and some private parks regarding the collection of single-use propane containers. Stewardship Ontario provides transportation and processing incentives (non-refillable pressurized containers only) to pressurized container transporters and processors to facilitate the proper disposal and diversion of these materials.

Stewardship Ontario is proposing to follow the current service provider schedules, processes and timeframes until the termination of the program. Stewardship Ontario is proposing to pay incentives for all pressurized containers collected up to June 30, 2021.

Stewardship Ontario is also proposing that service providers would need to make arrangements to have pressurized containers collected by July 15, 2021 and have claims for related processing and



transportation incentives submitted no later than August 31, 2021. These proposed deadlines are consistent with current program practices and will allow Stewardship Ontario to finalize service provider financial arrangements in a reasonable timeframe.

With respect to municipalities, Stewardship Ontario will pay existing pressurized container incentives for municipal depot hours incurred and collection events held up until June 30, 2021. As with other service providers, Stewardship Ontario is proposing that municipalities submit final incentive claims no later than August 31, 2021.

Table 11: Pressurized Container Service Provider Key Wind Up Dates

June 30, 2021	Program Termination Date – pressurized containers collected by this date are eligible for program incentives
July 15, 2021	Collection deadline for pressurized containers dropped by June 30, 2021
August 31, 2021	Deadline for submission of incentive claims to Stewardship Ontario

With respect to Stewardship Ontario agreements with pressurized container transporters and processors, Stewardship Ontario provides incentives for the collection of single-use pressurized containers at provincial parks through service agreements with service providers selected through an RFP process. Current contracts can be terminated without cause with six-months notice.

Stewardship Ontario will coordinate service provider agreement terminations to align with termination of the MHSW Program for pressurized containers. Stewardship Ontario will provide service providers with formal notice of agreement terminations following MHSW Wind Up Plan approval sometime in 2020 in a manner consistent with existing contractual requirements.

As noted in relation to single-use batteries, Stewardship Ontario is proposing to amend municipal agreements to reflect the different termination dates for single-use batteries and other MHSW materials under the Wind Up Plan (see Section 1.1.4 Municipal Agreements).

1.1.3.3 Oil Filters, Oil Containers and Antifreeze

Stewardship Ontario fulfills its ongoing obligations on behalf of its remaining stewards in these categories by purchasing credits for these materials from AMS. Stewardship Ontario is proposing to follow the current process and arrangements with AMS and purchase credits to satisfy its stewards' obligations until June 30, 2021.

Under the current agreement, Stewardship Ontario's share of quarterly AMS costs in each material category are based on estimates of its stewards' proportionate share of total supplied quantities of MHSW to the Ontario market with a reconciliation conducted at year-end based on actual steward and ISP member supply reports. Stewardship Ontario proposes to follow existing invoicing and payment process until program termination. Under existing agreement terms, AMS would submit a final reconciliation invoice to Stewardship Ontario by September 1, 2021 (subject to an extension of the current agreement).

Stewardship Ontario is proposing to extend its current agreement with AMS to align with the MHSW Program wind up termination date (the current Stewardship Ontario-AMS agreement terminates on March 31, 2020).



1.1.3.4 Paints and coatings, Fertilizers, Pesticides and Solvents

Stewardship Ontario fulfills its ongoing stewards' obligations in these categories by purchasing credits for these materials from PCA.

Under the current agreement, Stewardship Ontario provides funding payable to PCA related to the pesticide, solvents and fertilizer material categories based on the proportionate amount of MHSW material supplied by stewards, registered with Stewardship Ontario, in each category. This is initially estimated and reconciled annually based on actual supply reports.¹⁵

Stewardship Ontario proposes to follow existing invoicing and payment processes until program termination. Stewardship Ontario is proposing to extend its current agreement with PCA to align with the MHSW Program wind up termination date of June 30, 2021 (the current Stewardship Ontario-PCA agreement terminates on December 31, 2019).

Under current contractual terms, Stewardship Ontario would receive a final invoice/reconciliation report from PCA in relation to pesticides, solvents and fertilizers for 2021 by September 30, 2021. Thereafter, Stewardship Ontario will resolve any outstanding financial obligations with PCA pursuant to the commercial agreement between PCA and Stewardship Ontario.

With respect to paints and coatings, Stewardship Ontario currently purchases credits on behalf of its stewards from PCA based on program target obligations. Stewardship Ontario will explore the possibility of adding paints and coatings to its existing supply agreement with PCA (covering PSF categories) during the wind up period. It will continue to purchase credits on behalf of its registered stewards from PCA until program termination.

1.1.4 Municipal Agreements

Under current program arrangements Stewardship Ontario pays some municipalities directly for depot expenses attributable to the management of MHSW materials and provides incentives for municipal collection events in relation to single-use batteries and pressurized containers.

Stewardship Ontario is proposing to continue providing municipalities with payments for municipal depots and collection events until the applicable termination dates for MHSW materials. In particular, Stewardship Ontario would continue to pay municipalities for depot hours and collection events in relation to single-use batteries until June 30, 2020 and pay depot hours and collection events for other MHSW materials until June 30, 2021. Municipalities would receive these payments pursuant to the same payment schedule as they currently receive.

As with other service providers, Stewardship Ontario is proposing that municipalities submit event claims to Stewardship Ontario no later than two months after the program termination dates. Municipal event claims related to single-use battery payments would be required no later than August 31, 2020. Municipal event claims in relation to other MHSW materials would be required no later than August 31, 2021.

¹⁵ The Stewardship Ontario-PCA agreement includes a number of different cost components and obligations but Stewardship Ontario PSF related costs payable to PCA are generally based on the relative supply share of Stewardship Ontario stewards into the Ontario market.



Stewardship Ontario is proposing as part of the wind up process that existing agreements with municipalities be amended to reflect the different termination dates for single-use batteries and other MHSW materials. Stewardship Ontario plans to begin working with municipalities on updated agreements in 2019.

1.1.5 Finalization of Service Provider Arrangements

Following the submission and payment of various service providers claims noted above and the resolution of any outstanding financial obligations with various service providers, Stewardship Ontario will be in a position to conduct final financial program reconciliations and determine the amount of residual funds available for transfer to RPRA.

1.1.6 Orange Drop Website and Branding

Stewardship Ontario is proposing to continue to use Orange Drop branding and website functions as the consumer-facing brand of the MHSW Program throughout the wind up period.

Following program termination dates, the Orange Drop website will not provide detailed information for consumers on material collection locations, but Stewardship Ontario is proposing to maintain the website for six months (18 months in the case of single-use batteries) after program termination until December 31, 2021, to direct consumers to new sources of information on the proper disposal of MHSW materials.

Following this transition period, Stewardship Ontario is proposing to transfer the legal title of Orange Drop and its website domain name to RPRA. During consultation on this issue, some stakeholders expressed interest in the Orange Drop brand continuing to operate under the RRCEA framework.

Stewardship Ontario's proposal would allow RPRA to work with stakeholders to determine how the website and brand might be utilized under the new legal framework in a manner that is fair for various stakeholders.

Stewardship Ontario is proposing that the pressurized container drop cages be given to Ontario Parks (with Orange Drop branding removed) so the cages can continue to be utilized for collecting pressurized containers.¹⁶

1.1.7 Data Management

As per Ministerial direction, Stewardship Ontario will work cooperatively with RPRA to transfer MHSW Program data as part of the wind up process. Stewardship Ontario will ensure that MHSW data transferred to RPRA is done in a secure manner and that any confidential or commercially sensitive information transferred is identified so that RPRA can take necessary steps to protect.

As is currently the case, MHSW stewards will have access to their individual program reports through the WeRecycle web portal during the duration of the MHSW Program. Following the MHSW Program termination date and the final dates for submission of MHSW steward adjustment requests to Stewardship Ontario, MHSW stewards will no longer have access to their reports. Stewardship Ontario

¹⁶ These cages have zero book value from the perspective of Stewardship Ontario financial statements.



will give MHSW stewards at least 45-days notice regarding the anticipated change in accessibility in relation to the current program web portal.

Following termination of the MHSW Program and transfer of MHSW Program data to RPRA, Stewardship Ontario will only retain MHSW information necessary to comply with its tax and legal obligations. After program termination, where Stewardship Ontario does not require the program data for legal or regulatory reasons, the process of destroying this program data from active and back-up access points will begin. Upon completion of the destruction process, Stewardship Ontario will provide RPRA with an attestation that the destruction process is complete.

1.1.8 Final MHSW Wind Up Steps

Under wind up proposals noted above, Stewardship Ontario will be in a position to conduct final financial reconciliations related to the MHSW Program approximately six to nine months after the program termination date.

Once all service provider invoices have been paid and steward adjustment requests and annual true-ups to supplied quantities have been finalized, Stewardship Ontario will be a position to conduct final financial reconciliations for the 2021 operating period and the entire MHSW Program. If any MHSW residual funds remain following these reconciliations, Stewardship Ontario is proposing to transfer these funds to RPRA to be used to offset steward fees and costs related to RPRA services (see Section 4: Financial Forecast & Budget and Section 8: Reserves).

Following the resolution of all program financial obligations, Stewardship Ontario will be in a position to adjust the management fees it currently pays to CSSA to reflect the fact that CSSA’s services are no longer required in relation to administration of the MHSW Program.

Termination of the MHSW Program may have some employment implications, however Stewardship Ontario will take steps to minimize these impacts if possible (see Section 11: Human Resources).

As per requirements of the WDTA, following the completion of all MHSW wind up activities, Stewardship Ontario will submit a Wind Up Plan Implementation Report to RPRA and the MECP outlining the steps taken to wind up the program. Stewardship Ontario is targeting the April 2022 for the completion and submission of this report.

Table 12: Summary of Operational Timelines

Stewardship Ontario MHSW Wind Up Activity	Date
Deadline for submission of MHSW Wind Up Plan to RPRA	September 30, 2019
RPRA Windup Plan Approval Deadline	December 31, 2019
Communication to stakeholders re approval of MHSW Wind Up Plan	January 2020
Formal notifications from Stewardship Ontario of agreement terminations: <ul style="list-style-type: none"> • Municipalities; • Product Care Association; • Automotive Material Stewardship; • Service Provider contracts. 	TBD
Implementation of reduction to single-use battery steward invoices	January 31, 2020
Submission of Stewardship Ontario RPRA Filing on 2019 program Performance	April 1, 2020



Stewardship Ontario MHSW Wind Up Activity	Date
Implementation of reduction to pesticide ISP member invoices	April 30, 2020
Implementation of reduction to solvent steward and ISP member invoices	April 30, 2020
Deadline for single-use battery steward supply adjustments for the 2019 calendar year and earlier periods	May 31, 2020
Single-use Battery program Termination Date	June 30, 2020
Deadline for pickup of single-use batteries from collection sites	July 15, 2020
Implementation of reduction to oil filter steward and ISP member invoices	July 31, 2020
Implementation of reduction to refillable pressurized container steward invoices	July 31, 2020
Deadline for final single-use battery steward supply report adjustments for 2020	August 31, 2020
Deadline for submission of service provider claims re single-use battery program (transporters, processors, municipalities)	August 31, 2020
Final Stewardship Ontario single-use battery steward invoices sent out	September 30, 2020
Deadline for single use battery steward payment of final MHSW invoice	October 31, 2020
Implementation of reduction to anti-freeze steward and ISP member invoices	October 31, 2020
Implementation of reduction to paint and coatings steward and ISP member invoices	October 31, 2020
Implementation of reduction to oil container steward and ISP member invoices	October 31, 2020
Implementation of reduction to fertilizer steward and ISP member invoices	October 31, 2020
Submission of Stewardship Ontario RPRA Filing on 2020 program Performance	April 1, 2021
Deadline for steward supply adjustments (excluding single-use batteries) for the 2020 calendar year and earlier periods	May 31, 2021
MHSW Program Termination Date MHSW Materials (excluding Single-use Batteries)	June 30, 2021
Deadline for pickup of pressurized containers from collection sites	July 15, 2021
Deadline for final steward supply report adjustments for 2021 (excluding single-use batteries)	August 31, 2021
Deadline for submission of service provider claims re incentives (transporters, processors, municipalities) (excluding single-use batteries)	August 31, 2021
Final AMS reconciliation reports due to Stewardship Ontario	September 1, 2021
Final Stewardship Ontario steward invoices sent out	September 30, 2021
Final PCA invoices and adjustments due to Stewardship Ontario	September 30, 2021
Deadline for steward payment of final MHSW invoice	October 31, 2021
Final 2021 and program financial reconciliations by Stewardship Ontario	TBD
Transfer of MHSW data to RPRA	TBD
Transfer of Orange Drop trademark and legal title to RPRA	Target January 2022
Final resolution of any Stewardship Ontario MHSW related staffing implications	TBD
Transfer of MHSW Residual Funds to RPRA	TBD
Amendment of Stewardship Ontario-CSSA Operating Agreement	TBD



Stewardship Ontario MHSW Wind Up Activity	Date
Submission of Final Report (MHSW Wind Up Plan Implementation Report to RPRA and Ministry)	Target April 2022
Submission of Stewardship Ontario RPRA Filing on 2021 program Performance	April 1, 2022

1.1.9 Reporting Obligations During Wind Up

Prior to and during the wind up period, Stewardship Ontario will continue to fulfill its reporting obligations for the MHSW Program under the WDTA:

Consistent with the WDTA, Stewardship Ontario will release the following reports by the dates noted:

- RPRA Filing of 2019 program performance by April 1, 2020 (to RPRA, public) (annual IFO report as per Section 30 of the WDTA);
- Stewardship Ontario 2019 Annual Report, July 1, 2020 (public);
- RPRA Filing of 2020 program performance by April 1, 2021 (to RPRA, public) (annual IFO report as per Section 30 of the WDTA);
- Stewardship Ontario 2020 Annual Report, July 1, 2021 (public);
- RPRA Filing of 2021 program performance by April 1, 2022 (to RPRA, public) (annual IFO report as per Section 30 of the WDTA);
- Stewardship Ontario 2021 Annual Report, July 1, 2022 (public); and
- Final Report, MHSW Wind Up Plan Implementation Report, as per WDTA Subsection 14 (20) by April 2022 (to RPRA and Minister).

Consistent with Ministerial direction, Stewardship Ontario will also provide RPRA with quarterly financial reports outlining MHSW Program revenues and expenditures for the years 2018 to June 2021 in accordance with the following timeframes:

- First quarter (Q1) results by the last Friday in April of that year;
- Second quarter (Q2) results by the last Friday in July of that year;
- Third quarter (Q3) results by the last Friday in October of that year;
- Fourth quarter (Q4) results by the last Friday in January of the next year.

1.2 Steward Rules During Wind Up

MHSW steward Rules for the wind up period will be amended to facilitate implementation and align with the proposed deadlines contained in this Wind Up Plan. Draft MHSW steward Rules for implementation on January 1, 2020 are attached as Appendix A to this Wind Up Plan.

Key steward Rules changes necessary to facilitate the MHSW Program wind up include:

- Adjustments to rules regarding steward adjustment request deadlines necessary to implement wind up of the program in a reasonable timeframe;
- Adjustments to Stewardship steward invoicing timeframes after program termination necessary to maximize the amount of fee reductions and accurately conduct final program financial reconciliations;
- Rule amendments necessary to implement Steward and ISP member fee reductions in accordance with the Wind Up Plan;
- Rule amendments to implement financial arrangements associated with program wind up.



1.3 Targets and Performance

Individual collection and diversion rates for various MHSW materials are in Tables 13 and 14 below.

Table 13: 2018 MHSW Tonnes Collected vs. Target

Material Category	Available for Collection (tonnes)	Collection Target Rate	Target (tonnes)	Actual Collection (tonnes)	Actual Collection Rate
Antifreeze	711	50%	356	497	70%
Fertilizers	2	N/A	N/A	4	N/A
Oil Containers	758	52%	394	769	102%
Oil Filters	2,091	85%	1,777	2,396	115%
Paints & Coatings	7	77%	6	8	108%
Pesticides	N/A	57%	N/A	N/A	N/A
Pressurized Containers (Non-Refill)	830	46%	382	318	38%
Pressurized Containers (Refillable)	472	98%	462	424	90%
Single Use Batteries	5,877	40%	2,351	2,964	50%
Solvents	232	46%	107	44	19%

Table 14: 2018 MHSW Tonnes Diverted vs. Target

Material Category	Available for Diversion (tonnes)	Diversion Target Rate	Target (tonnes)	Actual Collection (tonnes)	Actual Diversion Rate
Antifreeze	711	50%	356	497	70%
Fertilizers	2	N/A	N/A	N/A	N/A
Oil Containers	758	52%	394	769	102%
Oil Filters	2,091	85%	1,777	2,396	115%
Paints & Coatings	7	62%	5	0	0%
Pesticides	N/A	N/A	N/A	N/A	N/A
Pressurized Containers (Non-Refill)	830	46%	382	318	38%
Pressurized Containers (Refillable)	472	98%	462	424	90%
Single Use Batteries	5,877	28%	1,669	2,549	43%
Solvents	232	6%	14	0	0%

In general, current program performance is consistent with or exceeds program targets. Where current program performance is slightly below targets for select materials, Stewardship Ontario will continue to work with service providers to improve collection and diversion rates.

While some fluctuation in material collection and diversion rates has been common with respect to the various classes of MHSW materials, the Stewardship Ontario Wind Up Plan proposes to deliver program performance consistent with program targets and historical performance.

With respect to program accessibility, Steward Ontario anticipates that consumers will have access to drop off sites for MHSW materials generally consistent with current program accessibility arrangements



throughout the wind up period. A summary of 2018 collection locations for each MHSW material is provided in Table 15 below.

Table 15: MHSW Consumer Collection Sites - Events

Channel - Activity	2018
Municipal – Depot	88
Municipal – Event	312
Return-to-Retail	30
Battery Incentive Program	5,340
Provincial Parks program	102
Total	5,872

Stewardship Ontario will continue to cooperate with municipalities to facilitate municipal collection events throughout 2019, 2020 and 2021 to maintain program accessibility delivered by these events. In addition, Stewardship Ontario will monitor collection sites and related activity throughout the wind up period to ensure consumers have adequate access to drop off locations for MHSW materials.

1.4 Educational Programs

Stewardship Ontario runs a number of promotion and education awareness initiatives every year under Orange Drop, the consumer-facing brand of the MHSW Program.

Stewardship Ontario is proposing to continue the current promotion and education awareness programs throughout the wind up period to ensure that program performance is not adversely affected by a slow down of these activities. There may be some decline in promotion and education spending in 2021 where related activities would occur after the program termination date. Promotion and education activities described below will cease by the June 30, 2021 wind up.

Note: promotion and education activities represented approximately 4% of Stewardship Ontario MHSW Program expenses in 2018. A similar level of spending is being proposed for 2019 and 2020.

1.4.1 MHSW Material Awareness Campaign

Orange Drop campaigns to promote the proper disposal of single-use batteries, pressurized containers, oil filters, oil containers and antifreeze will continue to run across Ontario.¹⁷ Customizable templates will be available on the [Stewardship Ontario website](#) for municipalities to download, edit and use for their own promotion and education initiatives.



1.4.2 Pressurized Container Campaign

An Orange Drop campaign highlighting the proper and safe disposal of pressurized containers will continue in 2020.

¹⁷ In collaboration with AMS, which licenses the use of the Orange Drop brand.



1.4.3 Partnership with Ontario Parks and Private Parks

Stewardship Ontario will continue its ongoing partnership with Ontario Parks and select private parks for the collection of non-refillable pressurized containers. Orange Drop messaging will continue to be coordinated with Ontario Parks utilizing messaging in Ontario Parks' e-newsletter, blog and social media channels reminding park-goers to drop their used pressurized containers in the Orange Drop cages available within the parks.

1.4.4 Website

The Orange Drop website and its locator tool is a resource for Ontario consumers to find places to properly dispose of their hazardous waste materials. The website has approximately 60,000 visitors a year. The website will include specific notices regarding the wind up of the MHSW Program and links where consumers and stakeholders can find more information about wind up specifics.

1.4.5 Social Media

Orange Drop social media channels provide tips and reminders, as well as promotion of the website's locator tool to encourage consumers to properly dispose of their hazardous waste materials. Orange Drop contests to increase engagement with social media followers will also continue.

1.5 Market Development

As the promotion and education campaigns are designed to improve collection and related diversion rates, Stewardship Ontario does not fund any market development programs related to the end use of MHSW materials. As such, there are no market development programs or funds that need to be managed or addressed as part of the MHSW Wind Up Plan.

SECTION 2: IMPLEMENTATION PLAN AND TIMELINE

2.1 Implementation Plan and Timeline

A detailed MHSW Wind Up Implementation Plan and Timeline is attached to this submission as Confidential Schedule I.¹⁸ The Implementation Plan and Timeline identifies the wind up tasks and processes associated with key wind up deliverables covering all major components of the wind up operating plan. Target dates, steps and personnel are identified for each wind up deliverable.

Stewardship Ontario proposes to meet with RPRA staff throughout the wind up process to review the implementation plan and timelines to ensure that key wind up tasks are completed in accordance with program objectives. Meeting frequency will vary dependent upon wind up activities but Stewardship Ontario anticipates that meetings with RPRA will be held monthly or more frequently as required.

Stewardship Ontario has hired an independent resource, Tina Caputo, to oversee the development of the Wind Up Plan and act as MHSW Program Manager for the execution of the approved plan. Ms.

¹⁸ Given the personal information included in the Implementation Plan and Timeline schedule it was submitted as a Confidential Schedule. Please note this Implementation Plan and Timeline may be adjusted throughout the wind up period as financial forecasts are finalized and detailed schedules for the implementation of proposed wind up plan activities are completed.



Caputo will work closely with program staff to track progress of deliverables against key program indicators throughout the wind up process.

On September 26, 2019, Stewardship Ontario approved further changes to its management structure appointing Gemma Zecchini as Executive Director of both the Blue Box and MHSW program wind ups (effective November 1, 2019) and engaged Lyle Clarke as Blue Box and MHSW Program Officer. See Section 13.2 Conflict of Interest for more information on Stewardship Ontario’s MHSW Wind Up governance structure.

2.2 Key Dates

Sept 30, 2019	Deadline for submission of MHSW Wind Up Plan to RPRA
Dec 31, 2019	Anticipated RPRA approval of MHSW Wind Up Plan
June 30, 2020	MHSW Program termination date for single-use batteries
June 30, 2021	MHSW Program termination date for MHSW materials (excluding single-use batteries)
April 2022	Final Report, MHSW Wind Up Plan Implementation Report (submission to RPRA and MECP)

2.3 Other

The detailed MHSW Wind Up Implementation Plan and Timeline attached in Confidential Schedule I includes steward reporting and payment deadlines, agreement notification procedures in accordance with existing contractual obligations, key service provider activity deadlines and claims submission deadlines for collectors, transporters and processors.

SECTION 3: COMMUNICATION WITH STAKEHOLDERS

3.1 Consultation with Stakeholders

Stewardship Ontario conducted two phases of stakeholder consultation in relation to the development of this Wind Up Plan. The MHSW Wind Up Plan Consultation Report attached as Appendix B includes a full overview of the consultation process, feedback received and stakeholders consulted with.

3.1.1 Phase I Consultations

The first phase of stakeholder consultation was conducted through a combination of one-on-one stakeholder meetings and two general consultation webinars held on Wednesday, April 2, 2019. The content of this consultation period was based on Ministerial direction received in April and December of 2018. An overview of key MHSW Wind Up Plan proposals and dates were included during the consultation webinars. Webinar recordings, presentations and a fulsome question & answer document of answers to questions asked during the webinars were posted on the [Stewardship Ontario website](#) for stakeholders to access afterwards. Stakeholders were asked to provide feedback on Stewardship Ontario’s Wind Up Plan proposals by May 1, 2019.



3.1.2 Phase II Consultations

In July 2019, Stewardship Ontario received new Ministerial direction which changed some Wind Up Plan timelines and significantly altered Ministerial direction regarding the potential uses of MHSW surplus funds.

A second phase of stakeholder consultation was held in August 2019. Once again, Stewardship Ontario utilized a combination of consultation webinars (held August 14 and 20, 2019) and one-on-one stakeholder meetings to receive feedback on the adjustments to the MHSW Wind Up Plan. An overview of key MHSW Wind Up Plan proposals and adjusted dates were included during the consultation webinars. Webinar recordings, presentations and a fulsome question & answer document of answers to questions asked during the webinars were posted on the [Stewardship Ontario website](#) for stakeholders to access afterwards. Stakeholders were asked to provide feedback on Stewardship Ontario's Wind Up Plan proposals by August 30, 2019.

3.2 Communication with Stakeholders

The following outlines the MHSW Program communications plan for all affected stakeholders during the implementation of the Wind Up Plan. Communication initiatives during the implementation of the Wind Up Plan will remain consistent with information stakeholders receive during normal operations, with additional emphasis on information and updates related to key wind up dates and deadlines as applicable.

Throughout the wind up period Stewardship Ontario will coordinate wind up communications activities with RPRA and provide RPRA with quarterly reports summarizing all stakeholder communications completed in each quarter.

3.2.1 Communication Goals

- Ensure MHSW Program communication initiatives support the smooth and successful wind up of single-use batteries by June 30, 2020, and the other MHSW materials by June 30, 2021.
- Ensure affected stakeholders receive effective communications to be kept aware of changes associated to the wind up leading up to the June 30, 2020 and June 30, 2021 program termination dates.
- Ensure both Stewardship Ontario stewards and ISP members are fully aware of the estimated cost reductions associated with Wind Up Plan fee reduction recommendations in relation to the return of surplus funds to consumers (see Fee Reduction Communications Strategy below).

3.2.2 Communication Strategy

- Provide affected stakeholders with clear, relevant and timely information.
- Regularly communicate with affected stakeholders in a way that builds trust and fosters two-way communication.
- Encourage open dialogue and opportunities for stakeholder feedback and suggestions.

3.2.3 Stakeholder Groups

MHSW stakeholders can be categorized as follows:

- Ministry of the Environment, Conservation and Parks (MECP)
- Resource Productivity and Recovery Authority (RPRA)



- Stewards and ISP members including:
 - Single-use battery stewards;
 - Pressurized cylinder stewards;
 - Automotive material stewards still with Stewardship Ontario and former stewards who are now ISP members ;
 - Paints and coatings stewards still with Stewardship Ontario and former stewards who are now ISP members;
 - Pesticide, Solvent and Fertilizer stewards still with Stewardship Ontario and former stewards who are now ISP members; and
 - Related industry/trade associations.
- Municipalities, First Nation communities and municipal associations
- MHSW collection sites
- Approved transporters
- Approved processors
- Ontario Parks and participating private parks (Parks)
- Industry Stewardship Organizations (ISOs) and their members
- Environmental groups
- General public
- Stewardship Ontario employees (staff)

3.2.4 Method and Timing of Communications

Business as usual communications with stakeholders will continue throughout the implementation of the Wind Up Plan. Specific information regarding the Wind Up Plan will be communicated in a timely manner as described below. The table below also indicates whether the communication is business as usual (BAU) or wind up-related (WUR).

Table 16: General MHSW Wind Up Plan Communication Activities

Communication Method	Frequency	Stakeholder Group(s)	BAU / WUR
Stewardship Ontario website (corporate)	Always Updates posted immediately. Feedback/comment form available on MHSW Wind Up page.	• All	Both
Orange Drop website (consumer-facing)	Always	• General public	BAU



Communication Method	Frequency	Stakeholder Group(s)	BAU / WUR
Email blast	As required for normal operational notices and wind up notices. Emails can be to specific stakeholder groups or multiple stakeholder groups.	<ul style="list-style-type: none"> Stewards ISP Members Municipalities Collectors Transporters Processors Parks ISPs Environmental Groups Staff RPRA MECP 	Both
Quarterly Steward Newsletter	Quarterly (March, June, September, December)	<ul style="list-style-type: none"> Stewards RPRA Staff 	BAU
Social media (Facebook, Twitter)	A few posts per week	<ul style="list-style-type: none"> General public 	BAU
Media	As required	<ul style="list-style-type: none"> All 	Both
Webinar	As required Potential webinar for stakeholders on details of wind up process including service provider and steward reporting deadlines and obligations, etc. once plan is approved.	<ul style="list-style-type: none"> Stewards ISP Members Municipalities Collectors Transporters Processors Parks ISPs Environmental Groups Staff RPRA MECP 	WUR
Phone calls	As required Requested by stakeholder	<ul style="list-style-type: none"> All 	WUR
One-on-one meetings	As required Requested by stakeholder	<ul style="list-style-type: none"> All 	WUR
Stewardship Ontario Annual Report	Annually by July 1	<ul style="list-style-type: none"> All 	BAU
Mailed letter	February 2019, July 2019, January 2020 As required	<ul style="list-style-type: none"> Stewards ISP Members Supply chain stakeholders 	WUR



3.2.5 Questions, Comments and Feedback Forums

MHSW stakeholders will have the opportunity to provide questions, comments, concerns and feedback throughout implementation of the Wind Up Plan using the methods outlined in Table 17.

Table 17: MHSW Feedback Mechanisms

Method	Description	Stewardship Ontario's Response Time
Online form on the MHSW Wind Up webpage	An online web form will be available on the corporate Stewardship Ontario website throughout the implementation of the Wind Up Plan. Links on the consumer-facing website (Orange Drop) and CSSA website will also point to this form. Responses will be sent back via email.	Two business days
Email to consultation@stewardshipontario.ca	Stakeholders can send an email and receive an emailed response.	Two business days
Email to mhswwindup@stewardshipontario.ca	Stakeholders can send an email and receive an emailed response.	Two business days
Webinar submission	Stakeholders can submit questions, feedback, comments, etc. via the webinar platform. Stewardship Ontario will post a QA document with all submissions and responses on the MHSW Wind Up webpage.	14 business days
Phone call to Stewardship Ontario	Stakeholders can call Stewardship Ontario and speak to the most appropriate representative.	Two business days
Mailed letter to Stewardship Ontario 1 St. Clair Ave W, Suite 700, Toronto, ON	Stakeholders can mail a letter to Stewardship Ontario. Responses will be sent back via letter or email.	10 business days
In-person meeting	Stakeholders can meet with Stewardship Ontario, where their comments, concerns, feedback and questions will be documented. Responses will be immediate within the meeting.	Immediate

3.2.6 Fee Reduction Communications Activities

In addition to general MHSW Wind Up Plan communications activities, Stewardship Ontario will implement a targeted communications strategy in conjunction with its proposed fee reduction for various MHSW materials. Communication activities in relation to proposed fee reductions will focus on Stewardship Ontario stewards and ISP members (most of whom are former MHSW stewards) and MHSM wholesalers and retailers.

Communications activities will be designed to ensure that all businesses involved in the sale of MHSW products are fully aware of the estimated cost reductions anticipated for various MHSW material



categories with sufficient lead time to ensure those cost reductions can be factored into business pricing strategies and related marketing activities.

Stewardship Ontario stewards and ISP members will be made aware of the expected consumer benefits associated with a fee reduction. Fee reduction notices in relation to invoices issued to stewards and ISP members in relation to fee reductions will require acknowledgements recognizing the expectation by MECP that fee reductions should benefit consumers through elimination of any consumer fees or reduced product cost.

Robust communications will ensure that all businesses which sell and purchase MHSW products are aware of anticipated cost reductions and can incorporate those cost reductions into pricing decisions and marketing activities. The competitive market dynamic associated with the sale of MHSW materials should result in cost savings being passed onto related consumers.

Communications activities will include email blasts, website posts and targeted webinar sessions for related Stewardship Ontario stewards and ISP members.

Given that the fee reduction period for the various MHSW materials will vary by product category, and the estimated fee reduction amounts will also be different for the various MHSW categories, Stewardship Ontario is proposing the following webinar sessions related to the fee reduction proposal:

- Stewardship Ontario hosted fee reduction webinar related to:
 - Single-use batteries (target date: January 2020)
 - Refillable pressurized containers (target date: June 2020)
- Joint Stewardship Ontario ISP fee reduction webinars related to:
 - Pesticides and solvents in conjunction with PCA (target date: April 2020)
 - Oil Filters in conjunction with AMS (target date: June 2020)
 - Oil containers and antifreeze in conjunction with AMS (target date: September 2020)
 - Paints and coatings and fertilizers in conjunction with PCA (target date: September 2020)

Stewardship Ontario, in consultation with RPRA and ISPs, will also evaluate the benefits of holding additional stakeholder fee reduction webinars throughout the wind up period and hold information sessions and financial updates as required.

The fee reduction webinars will provide specific information for MHSW stakeholders on the process by which fees will be reduced for Stewardship Ontario stewards and ISP members, the anticipated timing of implementation of the fee reductions and estimated level of the fee reduction (utilizing current ISP fee levels and historic Stewardship Ontario cost data). The proposed fee reduction webinars will be in addition to general MHSW information webinars and activities that will be utilized to support the MHSW Wind Up Plan.

The Stewardship Ontario and ISP websites will also include information related to the fee reduction proposal which will enable businesses to estimate the anticipated amount of cost reduction associated with fee reduction for various MHSW materials.



3.2.7 Timelines

Stewardship Ontario has outlined the timing of wind up-related communications to its stakeholders.¹⁹ All timelines are subject to change and other communications may be sent as the need arises.

- **October 2019:**
 - Email to stakeholders regarding Stewardship Ontario's submission of the MHSW Wind Up Plan to RPRA.
 - Mailed letter to past and present MHSW stewards and supply chain stakeholders regarding MHSW Wind Up Plan to RPRA.
 - Email to stakeholders referencing RPRA consultation sessions when announced.
- **December 2019:**
 - Steward newsletter section on MHSW Wind Up process and status.
- **January 2020:**
 - Email to stakeholders with RPRA's decision on the MHSW Wind Up Plan.
 - Mailed letter to past and present MHSW stewards and supply chain stakeholders on RPRA's decision on the MHSW Wind Up Plan.
 - Stewardship Ontario fee reduction webinar for single-use batteries.
- **March 2020:**
 - Email and mailed letter to single-use battery stewards and service providers with steps to wind up.
- **April 2020:**
 - Stakeholder webinar information session on single-use battery wind up steps including steward and service provider reporting deadlines and obligations.
 - Joint Stewardship Ontario-PCA fee reduction webinar for pesticide and solvents.
- **June 30, 2020:**
 - Email to MHSW stakeholders that single-use battery program has ceased operations.
 - Joint Stewardship Ontario-AMS fee reduction webinar for oil filters.
 - Stewardship Ontario fee reduction webinar for refillable pressurized containers.
- **September 2020**
 - Joint Stewardship Ontario-PCA fee reduction webinar for paints and coatings and fertilizers.
 - Joint Stewardship Ontario-AMS fee reduction webinar for oil containers and antifreeze.
- **March 2021**
 - Email and mailed letter to all other MHSW stewards and service providers with steps to wind up.
- **April 2021:**
 - Stakeholder webinar information session on MHSW wind up steps including steward and service provider reporting deadlines and obligations.
- **June 30, 2021:**
 - Email MHSW stakeholders that the program has ceased operations.
 - Mailed letter to past and present MHSW stewards and supply chain stakeholders that the program has ceased operations.

¹⁹ Stewardship Ontario utilizes email address and mailing address information currently on file for stakeholders.



3.3 Audits/Review Engagements

3.3.1 Service Provider Monitoring

Stewardship Ontario operates a reverse supply chain for the collection, transportation and recycling of pressurized containers and single-use dry cell batteries. These activities are outsourced to public and private sector service providers through commercial agreements and incentive-based performance programs. Eligible service providers must meet and adhere to vendor standards, policies and procedures established by Stewardship Ontario.

As of December 31, 2018 there were 29 approved transporters and 14 approved processors for MHSW materials. Material is sourced from nearly 6,000 collection sites across Ontario.

Stewardship Ontario monitors service provider performance against established standards including: service provider reviews supported by an audit checklist developed in 2018; onsite/event visits on a priority and/or rotating basis and random audits of materials, service providers and collection sites.

Stewardship Ontario proposes to continue with current service provider monitoring throughout the wind up period. While the impending termination of the program may result in some changes with respect to the volume of materials collected and processed, Stewardship Ontario will monitor final service provider claims submissions closely and initiate review procedures to confirm materials collected are consistent with program standards.

3.3.2 Steward Reporting and Reviews

As of December 31, 2018, 320 stewards were registered with the MHSW Program. In 2018, Stewardship Ontario received 1,126 steward reports, down 28% from the previous year due to a migration of stewards to ISOs and approved ISPs.

Stewardship Ontario utilizes a compliance audit framework designed in light of best practices associated with European extended producer responsibility jurisdictions. The criteria for selecting stewards for a comprehensive review of their data is designed to improve confidence in the quality of reporting. To facilitate administrative harmonization and cost savings, Stewardship Ontario, in addition to conducting its own desk-top steward submission reviews, participates in the Used Oil Management Association (UOMA) steward review process. In 2018 UOMA conducted eight review cases on behalf of Stewardship Ontario. An additional third-party audit was executed in relation to data associated with an adjustment request.

Stewardship Ontario is proposing to continue to follow its current steward compliance audit framework for selecting stewards to audit throughout 2019 and 2020. As program termination dates get closer, Stewardship Ontario will limit random steward audits and focus resources on ensuring steward compliance with program termination reporting deadlines and requirements.

3.3.3 Annual Reports and Financial Audits

As noted in Section 1.1, Stewardship Ontario will continue to submit annual RPPRA filings on program performance (annual IFO report as per Section 30 of the WDTA) and publish annual reports throughout the wind up period. Stewardship Ontario's 2021 RPPRA filing and Annual Report will include a review of



the termination of the MHSW Wind Up Plan including the necessary adjustments to Stewardship Ontario financial statements.

As per Subsection 14 (20) of the WDTA, Stewardship Ontario will also submit a final report outlining the implementation of its Wind Up Plan to RPRA and MECP. The report will include financial information regarding the termination of the MHSW Program that is consistent with Stewardship Ontario's ongoing audited financial statements.

3.4 Stakeholders

See Section 3.2 above.

3.5 Communications Mechanisms

See Section 3.2 above.

SECTION 4: FINANCIAL FORECAST & BUDGET

4.1 Financial Forecast and Budget

As noted in Section 1, the MHSW Program retained net assets of approximately \$53.1 million as of December 31, 2018.

A monthly cash flow forecast for the period January 2019 to December 2021 is provided as supporting Confidential Schedule II: MHSW Financial Forecast & Budget (FF&B). The Forecast details cash inflows/outflows expected during program wind up along with key assumptions. There are no potential cash shortfalls anticipated during the period.

Aggregate financial impacts associated with the MHSW Wind Up Plan FF&B are summarized in Table 18 below. Key Stewardship Ontario Wind Up Plan recommendations related to the FF&B are the following:

- MHSW general wind up costs will be financed by drawing from general MHSW reserves;
- Material specific wind up costs (including related contingencies) will be financed by drawing from MHSW material specific reserves;
- Program costs associated with post-termination activities will be financed by drawing from MHSW material specific reserves in proportion to cost estimates associated with material categories;
- A fee reduction will be implemented for all MHSW categories for a period of time prior to program termination, depending on the level of surplus funds available in each respective category and the estimated costs anticipated to be incurred for that material category during wind up. The fee reduction period will vary for each material category, except that the surplus funds for the non-refillable pressurized containers may not support a fee reduction:
 - For single-use batteries and refillable pressurized containers, the fee reduction will be implemented as a reduction to Stewardship Ontario steward invoices in the final quarters of the program.
 - For materials where the supply chain is managed under ISPs, the fee reduction will be implemented through:



- A reduction to Stewardship Ontario steward invoices in the final quarters of the program; and
- A reduction to ISP member fees payable to ISOs in the final quarters of the program based on Stewardship Ontario offsets paid on behalf of those members to the related ISO.

See Section 8: Reserves for initial fee reduction schedules for each MHSW category.

Table 18: MHSW WUP Financial Forecast 2019 - 2021 (\$000)* (Amended November 2019)			
	2019	2020	2021
Estimated Reserves Beginning of Year	53,086	\$48,728	\$22,035
Estimated Revenue	\$16,058	\$11,187	\$2,914
Stewardship Ontario Steward Fee Reduction	-\$2,300	-\$6,101	-1,974
Revised Steward Revenues	\$13,758	\$5,086	\$939
Program Operating Expenses			
Direct Material Costs	\$13,110	\$8,773	\$1,792
Administration	\$3,560	\$3,057	\$2,325
Sub-Total	\$16,670	\$11,830	\$4,117
Operating Surplus/Deficit (includes material specific wind up costs)	-\$2,912	-\$6,744	-\$3,178
Material Costs – Wind Up Contingencies	-\$0	-\$1,000	-\$1,000
ISP Fee Reduction		-\$17,268	-\$15,319
Total Drawdown from Material Reserves	-\$2,912	-\$25,012	-\$19,497
Estimated Material Reserves End of Year	\$44,745	\$19,733	\$236
General MSHW Wind Up Costs (excluding material contingencies and costs)	\$1,446	\$1,681	\$2,165
General Reserve Drawdown	-\$1,446	-\$1,681	-\$2,165
Estimated General Reserves End of Year	\$3,984	\$2,303	\$138
Estimated Total Reserves End of Year	\$48,728	\$22,035	\$373

* **Note:** Financial projections and forecasts included in this Wind Up Plan, including forecasts relating to surplus amounts that may be disbursed to parties during the wind up of the MHSW Program, are based on assumptions about future events and conditions that are not ascertainable at this time.

Therefore, the actual results achieved during the wind up period may vary from the projections and forecasts disclosed herein, even if the assumptions materialize, and such variation may be material. Stewardship Ontario makes no representation, warranty or other assurance that any of the estimates, forecasts or projections will be achieved.



4.1.1 Key Financial Forecast & Budget Assumptions

- Direct material costs for 2019 are forecast to be roughly equivalent to those in 2018 with a slight reduction due to an anticipated reduction in Stewardship Ontario stewards' market share in automotive materials and a small increase in direct material costs related to single-use batteries and pressurized containers.
- Direct material costs in 2020 will drop significantly due to a reduction in single-use battery costs associated with an expected termination date of June 30, 2020.
- Direct material costs in 2021 will be significantly less than 2020 due to the six-month operating period and the transition of single-use batteries out of the program.
- Stewardship Ontario forecasts assume that steward adjustment reports for prior periods will not be significant.
- Other than minor adjustments in the 2019 operating period, Stewardship Ontario forecasts for operating year budgets assume a minimal impact associated with accounts receivables (i.e. bad debt, bankruptcies, business disruptions, etc.).
- Contingency amounts related to accounts receivable and potential steward supply report volume fluctuations at program termination have been built into projected MHSW wind up costs.
- The FF&B assumes that inflation during the budget period will be 2%.
- The FF&B includes certain assumptions regarding 2019 material reserve adjustments related to changes in the MHSW Program common cost allocation methodology and other adjustments which will be implemented in the 2019 operating year. See Section 8.1.1: 2019 Reserve Adjustment Assumptions and Common Cost Allocation for more detail regarding these adjustments.

As seen in Table 18, in 2019 Stewardship Ontario is anticipating that program reserves will be reduced by wind up costs incurred during that period. Wind Up costs include both general wind up costs and contingency amounts related to various program costs and potential cost fluctuations associated with program contingencies. As noted in the Operating Plan, general wind up costs are proposed to be financed by drawing from general reserves. Material-specific contingency amounts and wind up costs associated with specific materials will be financed by drawing from material reserves (See Section 8: Reserves for more detail on reserve adjustments).

In 2020 and 2021 program revenue estimates will be reduced by proposed fee reductions related to various MHSW materials.

In both 2020 and 2021, Stewardship Ontario will also continue to incur program costs for post termination activities which will be financed from material specific reserves.

Following the completion of all wind up activities, Stewardship Ontario will finalize program financial reconciliations for both the 2021 operating period and the entire MHSW Program. Any residual funds that remain in the program at that time will be transferred to RPRA to offset MHSW steward costs in relation to RPRA operations (a detailed explanation of reserve estimates and the proposed fee reduction methodology are provided in Section 8: Reserves).



A summary of project MHSW Wind Up costs is provided in Table 19 below. Supporting Confidential Schedule II: Financial Forecast and Budget provides the breakdown of various Wind Up Plan costs and related assumptions.

Table 19: Estimated MHSW Wind Up Costs

	2019	2020	2021	Total
Plan Development & Implementation	\$995,680	\$1,230,700	\$894,750	\$3,121,130
RPRA fees	\$450,000	\$450,000	\$610,000	\$1,510,000
Material and HR Contingencies		\$1,000,000	\$1,610,000	\$2,610,000
Corporate Wind Up Hold Back			\$50,000	\$50,000
Total	\$1,445,680	\$2,680,700	\$3,164,750	\$7,291,130

Wind Up Plan development and implementation costs include the consultant, legal, accounting and staff costs associated with development and implementation of the MHSW Wind Up Plan. These costs relate to all program materials, including those now managed under ISPs, and relate to both current and former Stewardship Ontario stewards as they include assessment of financial and operational issues that cover the length of the MHSW Program. As noted above, general MHSW wind up costs will be financed by drawing down general MHSW reserves.

SECTION 5: ASSETS

5.1 Cash

The MHSW Program cash position is equivalent to its net assets at January 1, 2019, as detailed in the Confidential Schedule II: Financial Forecast and Budget provided in Section 4.1 of this Wind Up Plan. The program does not have any short-term investments, other assets, or monies held in trust.

Stewardship Ontario maintains a single bank account for the Blue Box and MHSW Programs. Details are included in Confidential Schedule II: Financial Forecast and Budget including the banking institution, address and contact information, account name, balance as of August 31, 2019 and individuals with signing authority on the account.

5.2 Accounts Receivable

A summary of all account receivable balances at December 31, 2018, is provided as part of the Confidential Schedule II: Financial Forecast and Budget. The Schedule details 219 debtors and net receivables of \$1.7 million. Invoices issued in 2019 and other account activities to date are not captured in the summary. Specific provisions for doubtful accounts have been made based on information available and ongoing risk assessment by CSSA’s Compliance Department.

5.3 Prepaid Assets

The MHSW Program has no prepaid assets.



5.4 Capital Assets

The MHSW Program has no capital assets, although it does own Orange Drop collection cages utilized by provincial parks to collect pressurized containers that are not considered capital assets. As noted in Section 1, Stewardship Ontario is proposing to give Orange Drop collection cages to the respective provincial parks where they are located for continued use in recycling pressurized containers. These cages were purchased by Stewardship Ontario between 2009 and 2013 and have no remaining book value.

5.5 Leased Assets

The MHSW Program has no leased assets.

5.6 Intellectual Property (IP)

Stewardship Ontario filed a Canadian registered trademark for Orange Drop in 2010 (registration number TMA878072). Stewardship Ontario does not intend to retain use of the Orange Drop brand, logo or website following MHSW Program termination (other than a six-month period to assist program transition). During consultation on this issue, a number of stakeholders expressed interest in the Orange Drop program continuing to operate under the RRCEA framework.

Following the transition period, Stewardship Ontario is proposing to transfer the legal title to the Orange Drop brand and website domain name to RPRA. Stewardship Ontario's proposal would allow RPRA to work with RRCEA stakeholders and determine how the website and branding might be utilized under the new legal framework in a manner that was fair for various stakeholders.

Other than the IP, the Orange Drop trademark and social media accounts, the program does not have any other intellectual property.

5.7 Investments

The MHSW Program has no debt or equity investments.

5.8 Internally Restricted Assets

As noted in the Budget table in Section 4, the MHSW Program has a Sustaining Fund that was established by Stewardship Ontario to enable the organization to carry out its non-profit activities and satisfy all of its obligations. The Sustaining Fund is \$2.1 million in cash that is a restricted asset. The amount is included in the total \$5.4 million in general MHSW reserves. Stewardship Ontario is proposing to use the fund to cover MHSW wind up costs which is consistent with its purpose.

SECTION 6: LIABILITIES

6.1 Accounts Payable and Accrued Liabilities

A summary of all account payables as of December 31, 2018, is included in the Confidential Schedule II: Financial Forecast and Budget. The summary details 89 accounts and net payables of approximately \$700,000.



Accrued liabilities of \$135,000 at December 31, 2018, are related to unbilled amounts for direct material management costs.

Information about the MHSW Program’s supplier agreements is included in Section 1: Operating Plan. There are no financial penalties associated with the termination of these agreements.

6.2 Debt

The MHSW Program has no short or long-term debt. Stewardship Ontario does not anticipate any need for debt financing associated with current Wind Up Plan recommendations.

SECTION 7: CUT-OFF

7.1 Cut-off

Stewardship Ontario is proposing to provide program incentives and payments for MHSW materials collected up until the MHSW Program termination dates: June 30, 2020 for single-use batteries and June 30, 2021 for other MHSW materials. Key cut-off dates are summarized in Table 20 below.

Table 20: MHSW Program Cut-off Dates

Cut-off Date	
May 31, 2020	Deadline for single-use battery stewards to submit 2019 supply report adjustments
June 30, 2020	Single-use Battery program termination date: - Materials collected by this date eligible for transportation and processing incentives; - Municipalities eligible for single-use battery related incentives re depot hours and collection events.
July 15, 2020	Deadline for pick-up of single-use batteries collected by June 30
August 31, 2020	Deadline for: - Submission of single-use battery steward supply report adjustments for 2020; - Submission of municipal claims for single-use battery related incentives (final submission); - Submission of service provider claims for battery incentives (final submission);
Oct 31, 2020	Deadline for steward payment of final Stewardship Ontario invoice – sent September 30, 2020 – Due 30 days after receipt
May 31, 2021	Deadline for other MHSW stewards (excluding single-use batteries) to submit 2019-2020 supply report adjustments
June 30, 2021	MHSW material program termination date (excluding single-use batteries): - Materials collected by this date eligible for transportation and processing incentives; - Municipalities eligible for incentives re depot hours and collection events
July 15, 2021	Deadline for pick-up of MHSW collected by June 30 (excluding single-use batteries)
August 31, 2021	Deadline for: - Submission of steward supply report adjustments for 2021; - Submission of municipal claims for incentives (final submission); - Submission of service provider claims for incentives (final submission);
Sept 1, 2021	Deadline for submission of final AMS invoice/reconciliation report for 2021 to Stewardship Ontario



Cut-off Date	
Sept 30, 2021	Deadline for submission of final PCA invoice/reconciliation report for 2021 to Stewardship Ontario
Oct 31, 2021	Deadline for steward payment of final Stewardship Ontario invoice – sent September 30, 2021 – Due 30 days after receipt

7.2 Revenue

Final steward invoices will be payable to Stewardship Ontario 30 days after receipt, target of October 31, 2020 for single-use battery stewards and October 31, 2021 for other MHSW stewards (excluding single-use batteries).

As noted in Section 4: Financial Forecast & Budget, all revenues received by Stewardship Ontario related to the second quarter of 2021 and earlier periods would accrue to the 2021 operating period (see Section 4: Financial Forecast & Budget for more detail on revenues). Section 8: Reserves

SECTION 8: RESERVES

8.1 Reserves

As of December 31, 2018, Stewardship Ontario estimates total MHSW Program reserves of \$53.1 million.

MHSW Program reserves can be divided into three general categories:

1. Deferred revenue;
2. Reserves that have been allocated to material categories; and
3. Reserves that have not been allocated to material categories.

Deferred revenue for the MHSW Program represents fee revenue billed in advance of the first quarter of 2012 which was deferred in accordance with Stewardship Ontario’s revenue recognition policy. This deferred revenue was intended to be recognized as revenue at the end of the program.

Reserves that have been allocated to specific material categories have accumulated over the course of the program and include the 2018 CRA HST refund which was received by Stewardship Ontario in 2018 (see Section 12: Tax for information regarding the 2018 CRA HST refund). While the CRA HST refund accrued to the program in 2018, the refund relates to program operations between 2009 and 2018.

Various MHSW material category reserves therefore relate to contributions by stewards throughout the course of the MHSW Program. This explains why the program has relatively large reserves in certain material categories where current program costs are relatively small. For example, total material reserves in the paint and coating category as of December 2018 totalled \$14.9 million or 28% of total MHSW reserves (shown in Table 22 below) even though program costs related to this category in 2018 were only \$263,000 out of a total operating budget of approximately \$15.8 million or approximately 2% of 2018 operating costs.

Prior to the creation and management of MHSW materials under ISPs, related material expenses (such as those for paints and coatings) and related steward revenues represented a much larger percentage of MHSW Program costs and revenues. As such, current program reserves relate to revenue contributions



made by both current Stewardship Ontario stewards²⁰ and former stewards who are now members of Industry Stewardship Plans.

MHSW reserves which have not been allocated to material categories include both restricted and unrestricted general reserves that have accumulated over the course of the program. General program reserves also include a portion of the 2018 CRA HST refund. Both restricted and unrestricted general reserves are available to Stewardship Ontario to pay for program wind up costs.

Table 21 below provides a breakdown of MHSW reserves by material category including the effect of deferred revenue and operational material reserves and the 2018 CRA HST refund.

As can be seen in the table below, \$47.7 million of the total MHSW reserve estimate for December 31, 2018 is considered material specific. \$5.4 million of MHSW reserves as of that date is general in nature including \$2.1 million which resides in an MHSW Sustaining Fund. The Sustaining Fund was created to enable Stewardship Ontario to carry out non-profit activities and satisfy all program obligations including potential wind up of the MHSW Program.

	Accumulated Operating Surplus (Excluding HST Adjustment)	HST ITC Adjustment	Deferred Revenue (2012)	Total Reserve Estimate December 2018
Antifreeze	\$316	\$1,267	\$527	\$2,110
Fertilizers	\$33	\$94	\$5	\$132
Oil Containers	\$3,668	\$6,111	\$715	\$10,494
Oil Filters	\$1,622	\$6,062	\$2,688	\$10,372
Paints/Coatings	\$4,648	\$7,145	\$3,141	\$14,934
Pesticides	-\$43	\$101	\$11	\$69
Pressurized Containers (Non-Refillable)	-\$413	\$818	\$110	\$515
Pressurized Containers (Refillable)	\$127	\$159	\$2	\$288
Single-Use Batteries	\$419	\$4,974	\$1,903	\$7,296
Solvents	\$734	\$676	\$37	\$1,447
Total Reserves Allocated by Material	\$11,111	\$27,407	\$9,139	\$47,657
MHSW General Unrestricted Reserves	\$1,360	\$1,969	\$0	\$3,329
MHSW Portion of Sustaining Fund	\$2,100	\$0	\$0	\$2,100
Total Unallocated Reserves	\$3,460	\$1,969	\$0	\$5,429
Total MHSW Reserve Estimate	\$14,571	\$29,376	\$9,139	\$53,086

²⁰ Businesses who are registered with Stewardship Ontario for the purposes of fulfilling their obligations related to MHSW materials under the *Waste Diversion Transition Act*.



Stewardship Ontario is proposing to finance general wind up costs by drawing down from unallocated reserves. The proposed MHSW Program wind up budget also includes some material-specific wind up contingency costs and other adjustments related to projected operating deficits related to the program wind up which impact various material reserve amounts.

Please note that under Stewardship Ontario financing any interest accrued on cash reserves is allocated to general unallocated reserves. Total unallocated reserves noted above, therefore, will be adjusted annually based on potential interest revenues and other operational adjustments. As noted in the Operating Plan, any excess general reserve funds that remain in the program at termination will be allocated to material reserves.²¹

8.2 Ministerial Direction and Surplus Funds

On July 2, 2019 Stewardship Ontario received Ministerial direction to include proposals to return surplus funds to consumers of MHSW in the Wind Up Plan in order to substantially eliminate the amount of the surplus funds projected to be held by Stewardship Ontario for any MHSW categories once the program ceased operation.

With respect to materials managed by Stewardship Ontario (single-use batteries and pressurized containers) the Ministerial direction specifically required the plan to set out rules governing a fee elimination during the wind up period with the expectation that consumers would benefit from the elimination of consumer fees or through reduced product costs.

With respect to materials that are managed through industry stewardship plans, Ministerial direction required the plan to include options to return surplus funds to MHSW consumers but was not specific in terms of how surplus funds should be returned to consumers (although an example of a potential consumer rebate program was cited in the direction).

Ministerial direction also made it clear that any proposal to return surplus funds to consumers should be determined in a manner that would provide sufficient funds for the costs of operating the program during the wind up period, as well as costs incurred to wind up the waste diversion program for MHSW.

As per Ministerial direction, the level of surplus funds available to return to consumers will be a function of changes to material reserve amounts during the wind up period and the forecasted costs Stewardship Ontario will incur in winding up the MHSW Program.

With respect to material reserves and annual adjustments, these reserves can be affected by steward adjustments to supply reports and other operational adjustments. In 2019 Stewardship Ontario is also implementing a retroactive change to its methodology regarding the allocation of common costs associated with MHSW Program which affects various material category reserve amounts (see Section 8.1.1 2019 Reserve Adjustment Assumptions and Common Cost Allocation).

²¹ As noted in the Operating Plan, Stewardship Ontario's initial estimate of a potential surplus related to general MHSW reserves for allocation to material reserves is \$138,000. However, this amount will be subject to a number of financial contingencies, annual interest revenue and program adjustments, actual general wind up costs incurred and actual general wind cost contingency amounts that may be required. Throughout the wind-up period, Stewardship Ontario will adjust reserve forecasts as appropriate.



In Section 8.1.2 Stewardship Ontario provides an initial estimate of the level of surplus funds that are available to be returned to consumers taking into account forecasted wind up costs and operational adjustments to reserves levels in 2019.

8.2.1 2019 Reserve Adjustment Assumptions and Common Cost Allocation

Under the MHSW Program costs can be divided into two general categories: direct material costs and common program costs. Direct material costs include the costs of collecting, transporting and processing various MHSW waste materials. Direct material costs can also include other specific material costs such as promotion and educational activity related to a particular material. These direct material costs represent the majority of MHSW Program costs (approximately 80% of program costs in 2018).

In addition to direct material costs, the MHSW Program also incurs administrative costs which are common to all materials. Common costs include steward registration and compliance management costs, material and supplier management costs, general program management costs and shared promotional and educational costs.

Under the MHSW Program plan common costs have historically been allocated on the basis of an 85/15 percentage cost sharing formula with 85% of costs allocated in proportion to the direct costs of managing each material and 15% shared equally across all material categories.

Following discussions with RPRA on the issue, Stewardship Ontario was directed by RPRA to implement a new common cost allocation methodology for the MHSW Program in 2019 to be applied retroactively to July 2015. The new allocation methodology addresses concerns regarding the allocation of MHSW common costs in light of the migration of stewards out of the MHSW Program related to the operation of ISPs for certain MHSW materials (pesticides, fertilizers, solvents, paints and coatings, oil filters, oil containers and antifreeze).

The new MHSW common cost allocation methodology will allocate 15% of common program costs based on the relative share of stewards in each material category. 85% of MHSW common costs will continue to be allocated in proportion to the direct costs of managing each MHSW material.

The retro-active adjustment of the MHSW common cost allocation methodology will be implemented by adjusting MHSW category reserves. The net impact on overall MHSW material category reserves will be zero but individual material category reserves will increase or decrease dependent upon the proportion of stewards in each category.

8.2.2 Initial Estimate of MHSW Surplus Funds Available for Return to Consumers

Table 22 below provides an initial estimate of the material reserves available to be returned to consumers under the Wind Up Plan for each material category.

Table 22: Initial Estimate of Material Reserves Throughout the Wind Up Period				
	Actual December 2018	Forecast December 2019	Forecast December 2020	Forecast December 2021
Antifreeze	\$2,110	\$2,127	\$2,127	\$1,955
Fertilizers	\$132	\$239	\$239	\$200
Oil Containers	\$10,494	\$10,308	\$10,308	\$9,787



Table 22: Initial Estimate of Material Reserves Throughout the Wind Up Period

	Actual December 2018	Forecast December 2019	Forecast December 2020	Forecast December 2021
Oil Filters	\$10,372	\$10,252	\$10,252	\$9,608
Paints/Coatings	\$14,934	\$14,517	\$14,517	\$14,523
Pesticides	\$69	\$208	\$158	\$117
Solvents	\$1,447	\$1,443	\$1,443	\$1,329
Pressurized Containers (Non-Refillable)	\$515	\$526	\$526	\$44
Pressurized Containers (Refillable)	\$288	\$339	\$339	\$258
Single-Use Batteries	\$7,296	\$7,086	\$5,493	\$5,517
Total Reserves Allocated by Material	\$47,657	\$47,045	\$45,402	\$43,338
MHSW General Unrestricted Reserves	\$3,329	\$1,883	\$202	\$0
MHSW Portion of Sustaining Fund	\$2,100	\$2,100	\$2,100	\$0
Total Unallocated Reserves	\$5,429	\$3,983	\$2,302	\$0
MHSW Total	\$53,086	\$51,028	\$47,704	\$43,338

The estimated adjustments to reserve levels presented from 2018 through to 2021 have taken into account a number of fiscal adjustments:

- The impact of the retro-active implementation in 2019 of the new MHSW common cost allocation methodology back to July 2015 through material reserve adjustments;
- Year to date estimates of other material reserves adjustments in 2019;
- Affect of project wind up costs and projected operational deficits on MHSW reserve levels from 2019 through to 2021.

With respect to the impact of the wind up costs on MHSW reserve levels, as noted in Section 4: Financial Forecast & Budget, Stewardship Ontario is projecting approximately \$7.3 million in Wind Up Plan costs which include costs related to the development and implementation of the plan, related RPRA fees and contingency amounts set aside to manage potential operational contingencies and related cost fluctuations that may occur during the implementation of the MHSW Wind Up Plan. In addition, Stewardship Ontario is forecasting program operational deficits related to both 2020 and 2021 related to post-program termination operational activities that will be required to resolve outstanding operational and financial obligations when the program is no longer generating revenue from related Steward revenues.

Given the projected wind up costs, Stewardship Ontario is projecting that most of its unallocated reserves, totalling \$5.43 million as of December 2018, will be drawn down during the wind up period. In



addition, Stewardship Ontario will have to draw down from material reserves to cover operational deficits and finance contingency amounts related to the wind up process. In the event that contingency amounts are not required as part of the wind up process or required contingency costs are lower than amounts set aside, the reserve amounts available to finance fee reductions may be adjusted (see proposed fee reduction schedule below).

As can be seen from Table 22, Stewardship Ontario is forecasting a total of approximately \$43.3 million in surplus funds that can be returned to consumers. Of this approximately \$37.5 million relates to MHSW materials where the supply chain is managed under ISPs and approximately \$5.8 million relates to MHSW materials where the supply chain is managed by Stewardship Ontario.

8.3 Proposals for the Disbursement of Surplus Funds to Consumers

As noted in Section 1: Operating Plan the costs of collecting, recycling and processing MHSW materials in Ontario are incurred partially by Stewardship Ontario and partially by ISOs operating under ISPs. For materials where Stewardship Ontario is managing the supply chain, single-use batteries and pressurized containers, Stewardship Ontario program costs cover all related costs incurred in relation to these materials under the WDTA.

In the case of materials where the supply chain of materials is managed under ISPs, the costs of recycling and processing these materials is divided by Stewardship Ontario and ISOs in proportion to the amount of material that Stewardship Ontario stewards and ISP members supply into the Ontario market. Stewardship Ontario purchases credits for MHSW materials from ISOs for materials managed by the ISO in order to fulfill its steward obligations under the WDTA.

While the term steward is commonly used by stakeholders to refer to both Stewardship Ontario stewards and members of ISPs, for the purposes of this section, the term Stewardship Ontario steward will be used to identify those entities who are registered with Stewardship Ontario for the purposes of fulfilling their obligations under the WDTA (as of December 2018, this includes stewards in all MHSW categories which the exception of the pesticide category). The term ISP member will be used to identify those entities (including former Stewardship Ontario stewards) that have joined ISPs for the purposes of fulfilling their obligations under the WDTA. This includes ISP members of AMS in relation to anti-freeze, oil containers and oil filters and ISP members of the PCA in relation to pesticide, solvents, fertilizers and paints and coatings.

Stewardship Ontario is proposing to comply with Ministerial direction to return surplus funds to consumers by implementation of a fee reduction for both Stewardship Ontario stewards and ISP members during the wind up period. In other words, Stewardship Ontario is proposing to implement a fee reduction approach for all MHSW categories. This proposed Stewardship Ontario steward and ISP member fee reduction will be significant with the length of the fee reduction varying by material category dependent the level of surplus funds available for disbursement and the projected costs of managing those materials throughout the wind up period.

In the view of Stewardship Ontario, this recommendation related to the use of surplus funds provides: consistent treatment of all program participants; represents the most efficient and targeted way to ensure that the disbursement of these surplus funds will benefit consumers; minimizes the administrative costs associated with disbursement of these funds and maximizes the aggregate level of disbursed funds which minimizes the level of residual funds left in the program following its termination



(consistent with Ministerial direction). These recommendations are also strongly supported by MHSW stakeholders regarding the potential treatment of program surplus funds.

While the benefit to consumers is indirect in comparison to implementing a direct consumer rebate in relation to surplus funds, MHSM consumer products are generally sold in highly price competitive markets and feature prominently in weekly flyer specials issued by various retailers. Stewardship Ontario is proposing to work closely with ISOs to ensure that all stewards and ISP members are aware of the projected MHSW cost reductions that will be associated with the MHSW fee reduction proposals (See Section 3: Communications for details on fee reduction related communications activities).

While explicit recycling fees are not common with respect to MHSM products, where they exist, Stewardship Ontario will work with retailers to ensure they are reduced or eliminated in relation to Steward cost reductions associated with any related products. In the case of MHSM materials it is common practice for the waste management costs associated with these materials to be embedded in the wholesale and retail prices of MHSM products (i.e. like other types of costs not explicitly identified in the price of the product). A robust communications strategy in combination with the current market dynamic for these products will ensure that MHSM wholesalers and retailers factor MHSW Program cost reductions into their various pricing strategies. As such consumers will benefit through reduced product costs.

8.3.1 Fee Reduction versus Fee Elimination

The value of a fee reduction approach in contrast to a full fee elimination is that it creates flexibility for Stewardship Ontario to maximize the level of surplus funds available for disbursement. With a 100% fee elimination Stewardship Ontario has to forecast a 100% elimination of Stewardship Ontario Steward or ISP member fees for a specified period of time prior to incurring many wind up related costs. As part of its Wind Up Plan budget, Stewardship Ontario needs to retain sufficient cash reserves to finance the program and hold back contingency amounts to ensure that it has sufficient funds necessary to complete its wind up obligations. These amounts must be identified and set aside prior to implementation of the full fee elimination (i.e. well in advance of termination of the program).

With a fee reduction approach, Stewardship Ontario has flexibility with respect to the amount of the fee reduction that is applied to final Steward and ISP member invoices. As such it will be assessing financial contingency needs and wind up costs at a much later point in the wind up process and can better forecast the level of surplus funds that are not needed to fulfill final program obligations. This allows Stewardship Ontario to maximize the aggregate level of the fee reduction and minimize residual funds left in the program after it ceases operations (a key element of Ministerial direction related to disbursement of surplus funds).

8.3.2 Fee Reduction versus Direct Consumer Rebates

In contrast to the proposed fee reduction approach, in the view of Stewardship Ontario, implementation of direct consumer rebates (for those materials that are managed under ISPs) suffers from a number of problematic policy, administrative, fiscal and operational issues.

From a policy perspective, Stewardship Ontario would be implementing a different approach to addressing the Ministerial direction regarding the return of surplus funds for different MHSW materials (as Ministerial direction specifically requires a fee elimination/reduction with respect to single-use batteries and pressurized containers). In the view of Stewardship Ontario there is no clear distinction



related to the markets for these MHSW materials that justifies a separate approach. As such pursuing different policies related to different MHSW categories will be perceived as unfair by most stakeholders.

At a practical level, given the variety of the MHSW materials in the marketplace, the level of consumer rebate would vary significantly by product type and the amount of the potential rebate related to many types of MHSW materials would be relatively small. This makes the cooperation of wholesalers and retailers and the implementation of product consumer rebates extremely difficult. In short, Stewardship Ontario is not confident that product specific MHSW rebates is a practical or workable approach to implementing a return of surplus funds back to consumers.

A single aggregated MHSW consumer rebate related to MHSW materials managed under ISPs is perhaps a more practical approach to implementing a direct consumer rebate for these materials. However, this approach would generate significant communication and administrative costs to be successful and would be more difficult to predict and implement in a timely fashion (in comparison to reducing Stewardship Ontario steward and ISP member fees). From the perspective of consistent treatment of MHSW materials, the aggregated rebate approach also does not target surplus funds back to the specific MHSW material categories associated with the various material reserves.

In the view of Stewardship Ontario, the fairest approach to the treatment of surplus funds is to manage those funds in a manner that is similar for all MHSW Program categories.

As noted earlier, Stewardship Ontario consulted with stakeholders on a range of options related to how, given Ministerial direction, surplus funds should be treated during the wind up period. Stewardship Ontario received extensive commentary on this issue from a wide variety of stakeholders. A summary of stakeholder views and how Stewardship Ontario considered them in the development of this Wind Up Plan is provided in Appendix B.

8.3.3 Proposed MHSW Fee Reduction Schedules

Stewardship Ontario will support its fee reduction proposal with a detailed communications strategy designed to ensure all Stewards and ISP members understand how the fee reduction implementation will work in practice and the estimated benefit of that fee reduction to their anticipated MHSW related costs (see Section 3: Communications).

Based on current financial forecasts Stewardship Ontario has developed an initial schedule of proposed fee reduction amounts for each MHSW category. Stewardship Ontario will continue to assess costs and, in the case of materials managed under ISPs, work with ISOs to refine financial forecasts. As such, in the event this Wind Up Plan proposal is approved, the timing of implementation for actual fee reductions and the amount of the fee reductions may vary from the schedules shown below.²²

How a fee reduction initiative would be implemented in practice can be illustrated by reviewing Table 23 below which provides an initial forecast with respect to the level of the fee reduction in the single-use battery category. In the case of single-use batteries, Stewardship Ontario is proposing to apportion

²² Pending discussions with ISOs, and with RPRA's approval, Stewardship Ontario may implement modified fee reduction schedules from those presented in this wind up plan (i.e. potentially implement fee reductions over the same period for all material associated with a particular ISO) which may require different timing and different quarterly percentage fee reductions for particular materials than those shown in this section.



these surplus funds as a reduction to steward invoices during the last three quarters of the program. Table 23 below shows the aggregate impact of this approach in the category over the billing cycle.

Steward invoices would indicate the amount of the program costs (i.e. what would normally be billed to the steward) and the amount of the fee reduction associated with the reserve drawdown in addition to the amount the steward would be required to pay.

By delaying the final single-use battery invoice by 90 days after the June 30, 2020 program termination date, Stewardship Ontario will be in a position to resolve steward volume adjustments and service provider financial obligations prior to determining the how much can be deducted from the final single-use battery steward second quarter invoice. As noted earlier this approach will minimize residual funds that may be left in the category following the resolution of outstanding program financial obligations.

The fee reduction approach will be implemented in a similar fashion for all Stewardship Ontario stewards with quarterly invoices reduced by certain amounts for select quarters prior to the termination of the program.

In the case of materials managed under ISPs, Stewardship Ontario would work with ISOs to reduce ISP member fees related to the operational costs of managing these materials under the ISP. The schedules provided below provide an initial estimate of steward and IPS member fee reductions under the proposal and the length of time associated with particular fee reductions in various MHSW categories.

8.3.3.1 Single-use Batteries

Table 23: Initial Forecast of Fee Reduction Schedule: Single Use Batteries			
	Projected Program Cost (\$000)	Projected Steward Fee Reduction (\$000)	Percent Reduction
2019 Q4 Period	\$2,334	\$2,300	98.5%
2020 Q1 Period	\$1,881	\$1,700	90.4%
2020 Q2 Period	\$2,632	\$1,490	56.7%
Total Reduction	\$6,847	\$5,490	

Program costs for the single-use battery category include \$1 million in contingency amounts meaning the variation in the total amount of the fee reduction may vary significantly from initial projections depending on the actual wind up costs incurred and any related contingency costs incurred during the wind up period.



8.3.3.2 Refillable Pressurized Containers

	Projected Program Cost Stewardship Ontario (\$000)	Projected Stewardship Ontario Steward Fee Reduction (\$000)	Percent Fee Reduction
2020 Q2 Period	\$85	\$70	83%
2020 Q3 Period	\$74	\$60	81%
2020 Q4 Period	\$56	\$40	71%
2021 Q1 Period	\$39	\$25	63%
2021 Q2 Period	\$85	\$30	35%
Totals	\$340	\$225	

With respect to the refillable pressurized container category, Stewardship Ontario is proposing to implement a fee reduction for the final five quarters of the program. Stewardship Ontario stewards would begin to see a reduction in MHSW related costs beginning in relation to the second quarter of 2020, or on the invoices received from Stewardship Ontario on July 31, 2020. The proposed length of the fee reduction for the category would be five quarters or 15 months. As noted previously, the amount of the proposed fee reduction related to the final quarter of the program may be adjusted dependent upon the outcome of various MHSW operational costs and fiscal contingencies in relation to the refillable pressurized container category.

8.3.3.3 Non-Refillable Pressurized Containers

	Projected Program Cost (\$000)	Projected Steward Fee Reduction (\$000)	Percent Reduction
2021 Q2 Period	\$378	\$0	TBD
Total Reduction	\$378	\$0	TBD

Please note in the case of Non-refillable pressurised containers current financial forecasts do not support a definitive fee reduction. However, the final non-refillable pressurized container invoices may be eligible for a fee reduction dependent on the outcome of other financial contingencies and actual operational and wind up costs incurred over the course of the wind up period.

8.3.4 Materials Managed Under ISPs

In the case of materials managed under ISPs, the total amount of the fee reduction for each quarter and the anticipated length of the fee reduction (i.e. number of quarters) will be based on a combination of the projected Stewardship Ontario program costs for that material during the wind up period and the project ISP member fees payable to ISOs with respect to ISO operational costs over the same period (i.e. excluding member fee amounts that relate to the creation of ISO reserves).

The proposed fee reduction would be divided between Stewardship Ontario stewards (where applicable) and ISP members in accordance with the projected supply share for each group during the quarter in question. The proportion of the fee reduction allocated to Stewardship Ontario stewards versus ISP members may change from quarter to quarter dependent on the migration of Stewardship



Ontario stewards from the program to ISPs and potential changes in supply share associated with Stewardship Ontario stewards and ISP members for those materials in any particular quarter.

Stewardship Ontario and the ISOs, PCA and AMS currently share program supply data to properly determine the share of PCA and AMS costs that are appropriately paid by Stewardship Ontario on behalf of stewards that it still represents in relation to these MHSW material categories. Payment terms are defined in service agreements between Stewardship Ontario and the respective ISO. These agreements would continue to function during the wind up period.

Stewardship Ontario is proposing to implement the fee reduction for ISP members through separate service agreements with those ISOs. These agreements would specify the data to be shared between the ISO and Stewardship Ontario and document the process to be followed in relation to any issues that may arise during the implementation of the fee reduction. The agreements would explicitly require that any fee reductions paid for by Stewardship Ontario benefit or are passed onto to ISP members (see Section 11: Legal Issues for a brief description of the proposed Stewardship Ontario ISO Fee Reduction Agreements).

8.3.4.1 Solvents

Table 26: Initial Forecast of Fee Reduction Schedule: Solvents		
	Projected Stewardship Ontario Steward Percentage Fee Reduction	Projected ISP Member Percentage Fee Reduction
2020 Q1 Period	98%	98%
2020 Q2 Period	87%	87%
2020 Q3 Period	88%	88%
2020 Q4 Period	93%	93%
2021 Q1 Period	93%	93%
2021 Q2 Period	69%	69%
Total Fee Reduction Stewardship Ontario Stewards and ISP Members		\$1,320,000
Percentage Accruing to Stewardship Ontario Stewards		33%
Percentage Accruing to ISP Members		67%

As can be seen in Table 26, with respect to solvents, Stewardship Ontario is proposing to implement a fee reduction for the final six quarters of the program. Stewardship Ontario stewards and ISP members would begin to see a reduction in MHSW related costs beginning in relation to the first quarter of 2020, or for Stewardship Ontario stewards on the invoices received from Stewardship Ontario on April 30, 2020. The proposed length of the fee reduction for the solvent category would be six quarters or 18 months.

The total estimated amount of the proposed fee reduction would be \$1,320,000 of which 33% would accrue to Stewardship Ontario stewards and 67% would accrue to ISP members. As noted previously, the amount of the proposed fee reduction related to the final quarter of the program may be adjusted dependent upon the outcome of various MHSW operational costs and fiscal contingencies in relation to the solvent category.



The share of fee reduction that accrues to Stewardship Ontario stewards and ISP members may also vary from the estimates provided above as this share will fluctuate by quarter dependent on steward representation decisions (i.e. potential migration of stewards to ISPs during the wind up period) and the volume of materials supplied into the Ontario market by respective Stewardship Ontario stewards and ISP members in each particular quarter.

8.3.4.2 Pesticides

Table 27: Initial Forecast of Fee Reduction Schedule: Pesticides		
	Projected Stewardship Ontario Steward Percentage Fee Reduction	Projected ISP Member Percentage Fee Reduction
2020 Q1 Period	N/A	97%
2020 Q2 Period	N/A	100%
2020 Q3 Period	N/A	99%
2020 Q4 Period	N/A	96%
2021 Q1 Period	N/A	97%
2021 Q2 Period	N/A	3%
Total Fee Reduction Stewardship Ontario Stewards and ISP Members		\$113,000
Percentage Accruing to Stewardship Ontario Stewards		0%
Percentage Accruing to ISP Members		100%

With respect to pesticides, Stewardship Ontario is proposing to implement a fee reduction for the final six quarters of the program. ISP members would begin to see a reduction in MHSW related costs beginning in relation to the first quarter of 2020. The proposed length of the fee reduction for the pesticide category would be six quarters or 18 months.

The total estimated amount of the proposed fee reduction would be \$113,000 of which 100% would accrue to ISP members as there are currently no Stewardship Ontario stewards in the pesticide category. As noted previously, the amount of the proposed fee reduction related to the final quarter of the program may be adjusted dependent upon the outcome of various MHSW operational costs and fiscal contingencies in relation to the pesticide category.

The share of fee reduction that accrues to Stewardship Ontario stewards and ISP members may also vary from the estimates provided above as this share may fluctuate by quarter dependent on Steward representation decisions (i.e. a new pesticide steward joining Stewardship Ontario for example) and the volume of materials supplied into the Ontario market by potential Stewardship Ontario stewards and ISP members in each particular quarter.



8.3.4.3 Fertilizers

Table 28: Initial Forecast of Fee Reduction Schedule: Fertilizers		
	Projected Stewardship Ontario Steward Percentage Fee Reduction	Projected ISP Member Percentage Fee Reduction
2020 Q3 Period	54%	54%
2020 Q4 Period	58%	58%
2021 Q1 Period	98%	99%
2021 Q2 Period	75%	75%
Total Fee Reduction Stewardship Ontario Stewards and ISP Members		\$195,000
Percentage Accruing to Stewardship Ontario Stewards		15%
Percentage Accruing to ISP Members		85%

As can be seen in Table 28, Stewardship Ontario is proposing to implement a fee reduction for the final four quarters of the program. Stewardship Ontario stewards and ISP members would begin to see a reduction in MHSW related costs beginning in relation to the third quarter of 2020, or for Stewardship Ontario stewards on the invoices received from Stewardship Ontario on October 31, 2020. The proposed length of the fee reduction for the fertilizer category would be four quarters or one year.

The total estimated amount of the proposed fee reduction would be \$195,000 of which 15% would accrue to Stewardship Ontario stewards and 85% would accrue to ISP members. As noted previously, the amount of the proposed fee reduction related to the final quarter of the program may be adjusted dependent upon the outcome of various MHSW operational costs and fiscal contingencies in relation to the fertilizer category.

The share of fee reduction that accrues to Stewardship Ontario stewards and ISP members may also vary from the estimates provided above as this share will fluctuate by quarter dependent on steward representation decisions (i.e. potential migration of stewards to ISPs during the wind up period) and the volume of materials supplied into the Ontario market by respective Stewardship Ontario stewards and ISP members in each particular quarter.

8.3.4.4 Paints and Coatings

Table 29: Initial Forecast of Fee Reduction Schedule: Paints and Coatings		
	Projected Stewardship Ontario Steward Percentage Fee Reduction	Projected ISP Member Percentage Fee Reduction
2020 Q3 Period	68%	68%
2020 Q4 Period	99%	99%
2021 Q1 Period	98%	98%
2021 Q2 Period	99%	98%
Total Fee Reduction Stewardship Ontario Stewards and ISP Members		\$14,470,000
Percentage Accruing to Stewardship Ontario Stewards		0.2%
Percentage Accruing to ISP Members		99.8%



As can be seen in Table 29, with respect to paints and coatings, Stewardship Ontario is proposing to implement a fee reduction for the final four quarters of the program. Stewardship Ontario stewards and ISP members would begin to see a reduction in MHSW related costs beginning in relation to the third quarter of 2020, or for Stewardship Ontario stewards on the invoices received from Stewardship Ontario on October 31, 2020. The proposed length of the fee reduction for the paints and coatings category would be four quarters or one year.

The total estimated amount of the proposed fee reduction would be \$14.47 million of which 0.2% would accrue to Stewardship Ontario stewards and 99.8% would accrue to ISP members. As noted previously, the amount of the proposed fee reduction related to the final quarter of the program may be adjusted dependent upon the outcome of various MHSW operational costs and fiscal contingencies in relation to the paints and coatings category.

The share of fee reduction that accrues to Stewardship Ontario stewards and ISP members may also vary from the estimates provided above as this share will fluctuate by quarter dependent on steward representation decisions (i.e. potential migration of stewards to ISPs during the wind up period) and the volume of materials supplied into the Ontario market by respective Stewardship Ontario stewards and ISP members in each particular quarter.

8.3.4.5 Antifreeze

Table 30: Initial Forecast of Fee Reduction Schedule: Antifreeze		
	Projected Stewardship Ontario Steward Percentage Fee Reduction	Projected ISP Member Percentage Fee Reduction
2020 Q3 Period	79%	79%
2020 Q4 Period	85%	85%
2021 Q1 Period	85%	85%
2021 Q2 Period	85%	83%
Total Fee Reduction Stewardship Ontario Stewards and ISP Members		\$1,900,000
Percentage Accruing to Stewardship Ontario Stewards		21%
Percentage Accruing to ISP Members		79%

As can be seen in Table 30, with respect to antifreeze, Stewardship Ontario is proposing to implement a fee reduction for the final four quarters of the program. Stewardship Ontario stewards and ISP members would begin to see a reduction in MHSW related costs beginning in relation to the third quarter of 2020, or for Stewardship Ontario stewards on the invoices received from Stewardship Ontario on October 31, 2020. The proposed length of the fee reduction for the antifreeze category would be four quarters or one year.

The total estimated amount of the proposed fee reduction would be \$1,900,000 of which 21% would accrue to Stewardship Ontario Stewards and 79% would accrue to ISP members. As noted previously, the amount of the proposed fee reduction related to the final quarter of the program may be adjusted dependent upon the outcome of various MHSW operational costs and fiscal contingencies in relation to the antifreeze category.



The share of fee reduction that accrues to Stewardship Ontario stewards and ISP members may also vary from the estimates provided above as this share will fluctuate by quarter dependent on steward representation decisions (i.e. potential migration of stewards to ISPs during the wind up period) and the volume of materials supplied into the Ontario market by respective Stewardship Ontario stewards and ISP members in each particular quarter.

8.3.4.6 Oil Containers

Table 31: Initial Forecast of Fee Reduction Schedule: Oil Containers		
	Projected Stewardship Ontario Steward Percentage Fee Reduction	Projected ISP Member Percentage Fee Reduction
2020 Q3 Period	98%	98%
2020 Q4 Period	98%	98%
2021 Q1 Period	99%	99%
2021 Q2 Period	85%	85%
Total Fee Reduction Stewardship Ontario Stewards and ISP Members		\$9,700,000
Percentage Accruing to Stewardship Ontario Stewards		16%
Percentage Accruing to ISP Members		84%

As can be seen in Table 31, with respect to oil containers, Stewardship Ontario is proposing to implement a fee reduction for the final four quarters of the program. Stewardship Ontario stewards and ISP members would begin to see a reduction in MHSW related costs beginning in relation to the third quarter of 2020, or for Stewardship Ontario stewards on the invoices received from Stewardship Ontario on October 31, 2020. The proposed length of the fee reduction for the oil container category would be four quarters or one year.

The total estimated amount of the proposed fee reduction would be \$9,700,000 of which 16% would accrue to Stewardship Ontario stewards and 84% would accrue to ISP members. As noted previously, the amount of the proposed fee reduction related to the final quarter of the program may be adjusted dependent upon the outcome of various MHSW operational costs and fiscal contingencies in relation to the oil container category.

The share of fee reduction that accrues to Stewardship Ontario stewards and ISP members may also vary from the estimates provided above as this share will fluctuate by quarter dependent on Steward representation decisions (i.e. potential migration of stewards to ISPs during the wind up period) and the volume of materials supplied into the Ontario market by respective Stewardship Ontario stewards and ISP members in each particular quarter.



8.3.4.7 Oil Filters

Table 32: Initial Forecast of Fee Reduction Schedule: Oil Filters		
	Projected Stewardship Ontario Steward Percentage Fee Reduction	Projected ISP Member Percentage Fee Reduction
2020 Q2 Period	69%	69%
2020 Q3 Period	98%	98%
2020 Q4 Period	99%	99%
2021 Q1 Period	96%	96%
2021 Q2 Period	78%	78%
Total Fee Reduction Stewardship Ontario Stewards and ISP Members		\$9,550,000
Percentage Accruing to Stewardship Ontario Stewards		23%
Percentage Accruing to ISP Members		77%

As can be seen in Table 32, with respect to oil filters, Stewardship Ontario is proposing to implement a fee reduction for the final five quarters of the program. Stewardship Ontario stewards and ISP members would begin to see a reduction in MHSW related costs beginning in relation to the second quarter of 2020, or for Stewardship Ontario stewards on the invoices received from Stewardship Ontario on July 31, 2020. The proposed length of the fee reduction for the oil filter category would be five quarters or 15 months.

The total estimated amount of the proposed fee reduction would be \$9,550,000 of which 23% would accrue to Stewardship Ontario stewards and 77% would accrue to ISP members. As noted previously, the amount of the proposed fee reduction related to the final quarter of the program may be adjusted dependent upon the outcome of various MHSW operational costs and fiscal contingencies in relation to the oil filter category.

The share of fee reduction that accrues to Stewardship Ontario stewards and ISP members may also vary from the estimates provided above as this share will fluctuate by quarter dependent on Steward representation decisions (i.e. potential migration of stewards to ISPs during the wind up period) and the volume of materials supplied into the Ontario market by respective Stewardship Ontario stewards and ISP members in each particular quarter.

8.4 Residual Funds

As noted in Section 1: Operating Plan, Stewardship Ontario is proposing that any residual funds that remain in the program following the resolution of outstanding program financial obligations, be transferred to RPRRA to help offset registry-related costs under the RRCEA framework in relation to various MHSW material categories.

Using Stewardship Ontario residual funds to offset RPRRA registry-related expenses will lower registry fees recoverable from producers, thereby reducing the cost that producers pass on to consumers.

Stewardship Ontario will allocate residual funds to RPRRA that remain in particular MHSW categories based on the amount of revenue remaining in each MHSW category reserve following termination of the program and the resolution of outstanding financial obligations.



As can be seen in Table 33 below, under current Wind Up Plan proposals, Stewardship Ontario is currently forecasting a total residual fund amounts of approximately \$375,000 following the completion of program fiscal and operational obligations. The actual level of residual funds left in the program may vary dependent upon variances in operational forecasts versus actual costs incurred and other potential financial-related contingencies that may occur between now and the termination of the program.

Table 33: Initial MHSW Residual Fund Forecast (\$000)	
Antifreeze	\$55
Fertilizers	\$5
Oil Containers	\$87
Oil Filters	\$58
Paints/Coatings	\$53
Pesticides	\$5
Solvents	\$9
Pressurized Containers (Non-Refillable)	\$44
Pressurized Containers (Refillable)	\$33
Single-Use Batteries	\$27
Residual Funds at program Termination*	\$376

* Total may differ slightly from residual fund level reported in other charts due to rounding.

Please note the residual fund forecast in Table 33 includes an allocation of an estimated \$138,000 from general MHSW reserves. This amount and final residual amounts may vary dependent on the outcome of various financial contingencies experienced during the MHSW wind up period.

8.5 Reserve Funds

As noted earlier, MHSW reserves can be divided into three general categories:

1. Deferred Revenue (from 2012);
2. Reserves that have been allocated to material categories; and
3. Reserves that have not been allocated to material categories.

Surplus amounts related to deferred revenue and those that have been allocated to material categories are both unrestricted funds. Deferred revenue from 2012 is intended to be recognized as program revenue in 2020 prior to the program’s termination.

Reserves that have not been allocated to various MHSW material categories include both unrestricted general funds and \$2.1 million in a sustaining fund. As noted earlier, Stewardship Ontario’s sustaining was fund was created to fund non-profit activities and satisfy program obligations including the potential wind up of the program.

Stewardship Ontario proposals for the use of both restricted and unrestricted funds are consistent with Stewardship Ontario bylaws and operating policies and Ministerial direction.



SECTION 9: DATA

9.1 Security/Privacy

Through the operation of the MHSW Program, Stewardship Ontario collects data from stewards, service providers, stakeholders and the public. MHSW data collected includes:

- Steward and service provider contact information;
- Steward supply reports, related adjustments, invoices and payments; and
- Service provider banking information, volume reports, incentive claims and related payments.

Public or consumer data related to the MHSW Program is limited to inquiries or feedback in response to stakeholder consultations.

Stewardship Ontario MHSW data has been collected since the initial operation of the MHSW Program in 2008. Stewardship Ontario does not operate its Information Technology (IT) data storage system, nor does Stewardship Ontario have a licence to do so with the software provider, SAP Canada. IT services are provided through a service agreement with Canadian Stewardship Services Alliance which remains in effect for the duration of the MHSW wind up timeline.

Stewardship Ontario is one of six companies that share IT system services provided by CSSA based on industry-standard SAP (Systems, Applications and Products) enterprise resource planning (ERP) software. CSSA is the licensee in the software licence in the agreements with SAP Canada.

Stewardship Ontario data and processes are segregated from other companies using standard organizational structures such as company codes, divisions, sales and purchasing organizations. This type of segregation follows SAP best practices for operating several business entities on one shared software application.

Security and privacy with respect to Stewardship Ontario data is maintained through access control processes and protocols that are consistent with industry standards for information governance and comply with legal and regulatory obligations.

With respect to Stewardship Ontario and CSSA staff engaged in the administration of the MHSW Program, access to MHSW data files is maintained via role-based permissions governed by the Finance department. Access and permissions will continue to be monitored on a regular basis for adherence to Stewardship Ontario's data security and privacy policies.

9.2 Destruction

All MHSW Program data will be transferred to RPPA. Where Stewardship Ontario does not require the program data for legal or regulatory reasons, the process of destroying this program data from active and back-up access points will begin. Upon completion of the destruction process, Stewardship Ontario will provide RPPA with an attestation that the destruction process is complete.

As Stewardship Ontario will remain an active corporate entity after the MHSW Program is wound up, it has legal and regulatory obligations to retain certain program data. In this case, the access to this program data will be strictly controlled through the application of access security control processes providing assurance that only authorized Stewardship Ontario or CSSA staff will be able to access the data and only where required to satisfy a legal or regulatory obligation such as an inquiry from the CRA.



Stewardship Ontario will work with CSSA to develop an auditable approach to initiating, executing and validating appropriate user security permissions. Access to MHSW Program data for tax and legal purposes following the MHSW wind up will require authorization from Stewardship Ontario's Chief Financial Officer and prior approval by RPRA.

9.3 Retention and Sharing

9.3.1 *Corporate Data Retention*

Stewardship Ontario will identify all data required to be stored in relation to statutory and regulatory requirements and make necessary arrangements for retention of that data in a secure manner while those legal obligations exist.

9.3.2 *Public Information*

Stewardship Ontario will continue to publish an Annual Report and submit an Annual RPRA Filing on program Performance (annual IFO report as per Section 30 of the WDTA). These public reports include aggregated program information but do not include any confidential or commercially sensitive information in relation to program stewards, service providers or other stakeholders.

Stewardship Ontario is not proposing, as part of the wind up process, to release additional data on program performance publicly other than the information included in this Wind Up Plan or provided in the Annual Reports and RPRA Filings on program Performance noted above.

9.3.3 *Confidential Information*

Confidential information submitted to RPRA as part of this Wind Up Plan is attached as appendices and marked as confidential. It will be excluded from publication.

All confidential and commercially sensitive information held by Stewardship Ontario in relation to the MHSW Program will continue to be protected following the termination of the program and eventually destroyed in accordance with the proposal in Section 9.2 above.

Currently, stewards have access to their historic submission data through the WeRecycle steward reporting web portal for each of their reported obligation years. MHSW steward access to this portal and historic submission data will be terminated as part of the final program wind up activities; historic program data will be in RPRA's possession and future access to this data will be subject to their policies.

9.4 Data Transfer

As per Ministerial direction, as part of the wind up process, Stewardship Ontario will transfer MHSW Program data in its possession to RPRA. Most of this information will be provided to RPRA in a digital format with measures implemented to maintain data security throughout the transfer process.

Any confidential or commercially sensitive information that is provided to RPRA as part of the transfer process will be identified so that RPRA can take appropriate steps to ensure secure data storage and protection of such information.

Once MHSW Program data has been transferred to RPRA, only MHSW Program data that has been retained for tax and legal purposes will be accessible to Stewardship Ontario or CSSA staff. Access to this data will require authorization from Stewardship Ontario's CFO and prior approval of RPRA.



SECTION 10: HUMAN RESOURCES

10.1 Employees

As noted in the Section 1: Operating Plan, pursuant to a services agreement between CSSA and Stewardship Ontario, CSSA provides administrative services to Stewardship Ontario to assist Stewardship Ontario in the operation of the MHSW Program. Under current program operations, there are only a small number of Stewardship Ontario employees involved in administration of the MHSW and Blue Box programs. These Stewardship Ontario employees work in conjunction with CSSA staff to operate the program. However, the bulk of staff time associated with administration of the MHSW Program is provided by CSSA employees or consultants. As the Stewardship Ontario employees also have responsibilities associated with the Blue Box program, the potential for employee impacts is relatively limited.

Potential Stewardship Ontario employees affected by the termination of the MHSW Program are limited to those Stewardship Ontario employees involved in MHSW Program administration. Stewardship Ontario will attempt to minimize the impact of MHSW Program termination on these employees by transferring these positions as needed, or refocusing them to other duties related to the Blue Box Program. However, potential employee severance, retention and other related costs have been included in the MHSW Wind Up Plan Financial Forecast and Budget (see Section 4).

A Confidential Schedule III: Human Resources Information is attached to this Wind Up Plan. Schedule III includes a list of Stewardship Ontario employees potentially affected by termination of the MHSW Program including; the department and position held, length of service, severance and holiday entitlements, recommended retention bonuses if applicable.

Stewardship Ontario does not anticipate that additional staffing resources will be required during the wind up period.

10.2 Sub-contractors

Stewardship Ontario engages CSSA through a service agreement to support Stewardship Ontario in administering both the MHSW and Blue Box programs. This agreement will need to be amended following the termination of the MHSW Program. A description of the process to be followed regarding amendments to the Stewardship Ontario–CSSA service agreement is provided in Section 11.5: Key Contracts.

CSSA utilizes third party IT service providers to administer, manage and update IT systems utilized by CSSA on behalf of Stewardship Ontario in the administration of the MHSW Program. CSSA's IT service provider arrangements will be retained in order to provide necessary support to Stewardship Ontario regarding the ongoing operation of the Blue Box program and related IT systems.

There are no other sub-contractors or potential sub-contracting costs associated with MHSW operations.



10.3 Pension and RRSPs

Stewardship Ontario employees participate in a voluntary Registered Retirement Savings Plan (RRSP), managed by a third-party provider. Stewardship Ontario matches employee contributions (to a maximum of 5% of salary) which are deductions at source on payroll every pay period. Employees that leave Stewardship Ontario retain ownership over their account which is transferrable to their own RRSP.

Stewardship Ontario employee costs relating to matching RRSP contributions have been factored into employee costs associated with the MHSW Wind Up Financial Forecast & Budget (see Section 4). There are no additional pension or RRSP costs associated with termination of the MHSW Program.

10.4 Communication with Personnel

Stewardship Ontario will arrange for one-on-one meetings with all staff members potentially affected by the termination of the MHSW Program following approval of the MHSW Wind Up Plan to review potential employment adjustments and arrangements well in advance of their implementation. Given the limited number of Stewardship Ontario employees potentially affected by the termination of the MHSW Program, Stewardship Ontario engagement strategy is limited only to Stewardship Ontario employees potentially affected by MHSW Program termination.

SECTION 11: LEGAL CONSIDERATIONS

11.1 Litigation

The MHSW Program has no ongoing litigation or claims. No litigation is anticipated, though Stewardship Ontario (on behalf of the MHSW Program) could potentially pursue civil remedies against stewards for unpaid fees. The value of accounts receivable is detailed in Section 5: Assets.

Stewardship Ontario's compliance with: (i) the terms of all stakeholder agreements; (ii) legislative and regulatory provisions; (iii) the provisions of the approved Wind Up Plan and ongoing RPRA guidance regarding those provisions; should minimize legal risks that may arise during wind up.

As noted above, there is currently no ongoing litigation against Stewardship Ontario. Stewardship Ontario will manage any legal claims or actions that arise during or following the MHSW Program wind up on an *ad hoc* basis. Stewardship Ontario's estimate of wind up costs includes a contingency for legal fees and costs associated with resolving any such future legal claims or actions. Stewardship Ontario does not anticipate that run-off insurance will be required in relation to managing these risks.

11.2 Contracts

The MHSW Program has a number of service and supply chain agreements in place related to the collection, transportation and processing of program materials. Each agreement and its terms (including method and timing of cancellation notice and any cancellation costs) are included in Section 1: Operating Plan and summarized below:

- **Municipal MHSW Services:** 128 agreements with individual municipalities identify payments Stewardship Ontario agrees to make for either depot hours, events, or both; agreements have no end date and no termination or cancellation fees. It is anticipated that agreements will be amended to accommodate different termination dates for MHSW materials.



- **Parks Services:** agreements with two service providers for the collection and transportation of non-refillable pressurized containers from a list of designated provincial and private parks; agreements have no end date and no termination or cancellation fees.
- **Single-use Battery Service Providers:** agreements with seven service providers for the collection, transportation and processing of single-use batteries under the BIP; agreements have no end date and no termination or cancellation fees.
- **Automotive Supply Chain Sharing:** agreement with AMS for the collection and processing of automotive materials, on behalf of those stewards who remain with Stewardship Ontario. Current agreement is scheduled to expire on March 31, 2020 although it is anticipated that the agreement may be extended to align with the termination of the MHSW Program. There are no termination or cancellation fees associated with the agreement.
- **Pesticide, Solvent & Fertilizers Supply Chain Sharing:** agreement with PCA for the collection and processing of pesticides, solvents and fertilizers, on behalf of those stewards who remain with Stewardship Ontario; agreement is scheduled to expire on December 31, 2019 although it is anticipated that the agreement may be extended to align with the termination of the MHSW Program. There are no termination or cancellation fees associated with the agreement.
- **Paints and Coatings:** Stewardship Ontario will review the possibility of including paints and coatings in the current supply share agreement with PCA for the remainder of the wind up period.

There are currently three active stewards that have signed Reporter's Agreements by which they assume responsibility for reporting one or more municipal hazardous or special materials on behalf of an obligated steward. Without the agreement, the obligated steward would be responsible for reporting its own materials. The agreement provides that any party may terminate by giving notice to the other parties prior to the expiry of a quarterly data period, with termination effective on the expiry of the next quarterly data period. The MHSW Program will contact the applicable stewards and advise of pending termination of the agreements, followed by formal notice at least 30 days prior to Q3 2021 report due date. It will also monitor if any new agreements are created and advise the parties of the effect of program wind up on the agreement.

11.2.1 ISO Fee Reduction Agreements

As noted in Section 8: Reserves, Stewardship Ontario is proposing to implement a fee reduction to return surplus funds to consumers for all MHSW material categories. To operationalize this proposal with respect to materials managed under ISPs, Stewardship Ontario is proposing to enter into new agreements with both AMS and PCAs.

These fee reduction agreements would include provisions covering:

- Data to be shared between the organizations related to cost forecasting and fee reduction estimates;
- Methodology for implementation of fee reduction with respect to ISP member invoicing and payments;
- Commitment that any monies paid by Stewardship Ontario to an ISO in relation to the fee reduction proposal would be passed on to ISP members through related fee reductions;
- A requirement that ISP members acknowledge the Ministerial expectation that fee reductions will benefit consumers through elimination of any consumer fees or through reduced product cost;



- A requirement that Stewardship Ontario will provide information to an ISO relating to any former Stewardship Ontario Steward which is now an ISO Member where:
 - the former Steward owes fees to Stewardship Ontario (“Fee Arrears”), and
 - Stewardship Ontario has deducted those Fee Arrears from any distribution otherwise payable to that ISO Member.
- Joint-communication activities to be conducted by Stewardship Ontario and the ISO for Stewardship Ontario stewards and ISP members related to the initiative; and
- Process for resolving any issues that may arise during the implementation of the agreement.

11.3 Contingencies

The MHSW Program has no known existing or future legal costs related to litigation, leases, property sales, undertakings or pensions.

Potential legal fees and costs associated with any legal claims or actions that might arise during the wind-up period have been included in the Financial Forecast and Budget (see Section 4: Financial Forecast & Budget).

11.4 Environmental Issues

Stewardship Ontario does not operate any transportation or processing facilities and therefore does not have any environmental claims/liabilities related to waste disposal.

Single-use dry cell batteries do not require environmental approvals until they are processed. Processors of single-use batteries are required to have an Environmental Certificate of Approval (ECA) which is provided and monitored by MECP. Transporters and processors of pressurized containers require valid ECAs for the movement and processing of materials. MECP oversees the ECAs of the service providers and therefore no environmental review of materials managed by the MHSW Program is required.

Stewardship Ontario currently holds a Environmental Certificate of Approval (ECA) provided by MECP that allows for some participating sites to collect used automotive materials from the public. As of wind up (June 30, 2021) Stewardship Ontario will not require use of the ECA.

Stewardship Ontario, through CSSA, holds environmental insurance as it financially supports the process of MHSW material movement and processing in the province. The insurance policy has a \$5 million limit and it will be renewed when the current two-year policy expires in 2019.

11.5 Key Contracts

The MHSW Program is delivered through an amended and restated management services agreement dated December 31, 2013, between Stewardship Ontario and CSSA. The agreement covers services to Stewardship Ontario with respect to both the MHSW and Blue Box recycling programs. Accordingly, the management services agreement will be amended to reflect the termination of the MHSW Program following completion of functions required under the Wind Up Plan. Any costs associated with the termination of CSSA’s services to the MHSW Program have been included in Stewardship Ontario’s estimates of wind up costs in the budgetary forecasts provided in this plan.



SECTION 12: TAX

12.1 Harmonized Sales Tax

The MHSW Program has no unremitted HST and no active proceedings with Canada Revenue Agency.

In April 2018, Stewardship Ontario received a favourable decision from the Tax Court of Canada on its claim for GST/HST input tax credits and sent an advisory notice to stewards. GST/HST was collected on steward invoices and remitted to CRA since the program's inception in 2008. However, CRA denied the program's claims for input tax credits which included GST/HST on program expenses, primarily amounts paid to third-party service providers, for recycling and disposal of materials. As a result, GST/HST had to be included in total program costs charged to stewards. Funds were received from CRA and are detailed in Section 8: Reserves.

12.2 Employee Source Deductions

Stewardship Ontario employees involved in the administration of the MHSW Program (see Section 10: Human Resources) have source deductions remitted through regular payments to CRA. Salaries and benefits for these employees are included in the Section 4: Financial Forecast & Budget.

12.3 Other Tax Considerations

Stewardship Ontario is not-for-profit and will continue to operate the Blue Box program after termination of the MHSW Program. It will not file a final tax return.

Stewardship Ontario is not being wound up so all MHSW records will be retained as CRA requirements until such time as Stewardship Ontario is wound up.

12.4 HST Rulings

See Section 12.1 above.

SECTION 13: MANAGEMENT OF OTHER RISKS

13.1 Public Perception

13.1.1 Public Perception and MHSW Program

During consultation on the MHSW Program wind up, Stewardship Ontario did not receive any feedback from public interest groups or environmental organizations indicating that there are significant public concerns about wind up-related program performance.

As part of the Wind Up Plan, Stewardship Ontario is proposing that it will continue with public awareness activities throughout the wind up period to promote MHSW recycling and also notify consumers and the public about the impending change in the statutory framework related to how these materials will be managed. The Orange Drop website will include specific content about MHSW wind up during transition, and after the program termination dates will be utilized to direct consumers to new sources of information about the continued recycling of MHSW materials.



13.1.2 Disruption to MHSW Recycling

During consultations on program wind up, Stewardship Ontario did receive some stakeholder comments related to current program performance. One steward group indicated that current program costs were too high and incentive rates should be lowered during wind up while some service providers suggested incentives should be increased to adequately compensate for program activities during the wind up period.

Other service providers were primarily concerned with potential changes to MHSW Program after the current program is wound up. For example, some municipalities asked who would sponsor event days in relation to MHSW materials after the program termination date (an issue beyond the scope of this Wind Up Plan).

Taking all stakeholder views into consideration, Stewardship Ontario is of the view that its proposal to maintain various program incentive rates and processes during the wind up period is the best approach to minimizing disruption to MHSW recycling and disposal throughout the duration of the wind up period.

Stewardship Ontario does not anticipate significant changes to program performance associated with operations during wind up, but will monitor program performance throughout the wind up period to determine if any adjustments to program activities and policies are necessary.

13.1.3 Program Financing and the Management of Surplus Funds

Given the evolution of the MHSW Program since its inception and the existence of significant program surpluses heading into the wind up period (in part due to the 2018 CRA HST refund), Stewardship Ontario received extensive feedback on proposals on how to finance MHSW wind up activities and on options related to the potential uses of program reserve surpluses.

13.1.3.1 Financing Wind Up Costs

One of Stewardship Ontario's key wind up proposals was that general wind up costs incurred by the program should not be incorporated into current steward invoices but rather financed by drawing down from existing general reserves. While many stewards supported this proposal a number of stewards objected to this approach.

In particular, several stewards that have joined ISPs, argued that the wind up costs associated with materials managed by ISPs have already been incurred by Stewardship Ontario and therefore it was unfair to finance these costs from general reserves (which would lower potential program surplus amounts available for return to consumers). With respect to this point, Stewardship Ontario does not agree with this argument – namely, that Stewardship Ontario's MHSW Program wind up costs have already been incurred in relation to PSF and automotive materials.

General wind up costs are the costs of developing, consulting on and implementing a MHSW Wind Up Plan. These costs relate to all MHSW materials included in the MHSW Program regardless of whether the supply chain for these materials is being managed directly by Stewardship Ontario.

Under the Stewardship Ontario recommendations, the final program costs for incentives related to single-use batteries and pressurized container incentive payments will be paid by respective battery and pressurized container stewards in those material categories (as they were by paint, PSF and automotive



material stewards when those stewards migrated from the Stewardship Ontario MHSW Program to ISPs.)

However, in Stewardship Ontario's view, the costs of developing, consulting on and implementing the MHSW Wind Up Plan relate to both current and former Stewardship Ontario stewards and all materials managed under the MHSW Program. Stewardship Ontario is obligated under the WDTA to continue to provide services to stewards in all MHSW material categories. It continues to represent stewards in all but one MHSW category. As a result, Stewardship Ontario has never completed the financial and operational steps necessary to fully wind up the MHSW Program in relation to these material categories even though ISPs are managing the related supply chains.

Consequently, Stewardship Ontario is recommending that general wind up costs be financed by drawing from general MHSW reserves. Now that the program is being wound up, it would be unfair in Stewardship Ontario's view, to have battery and pressurized container stewards finance the majority of the general accounting, legal and policy costs associated with winding up the full MHSW Program as these wind up costs distribute more fairly across program categories.

13.1.3.2 Management of Surplus Funds

How best to manage surplus funds related to the MHSW Program was an issue which generated extensive stakeholder feedback during the Phase I and Phase II consultation sessions. The change in Ministerial direction related to this issue was addressed in comments by many program stakeholders. A summary of those views is provided in the consultation report attached to this Wind Up Plan as Appendix B.

Stewardship Ontario's recommended approach to returning surplus funds to consumers through a fee reduction applicable to all MHSW categories is a consistent approach for all MHSW categories and is supported by a large majority of program stakeholders.

In the view of Stewardship Ontario, potentially implementing different approaches to the management of surplus funds for different MHSW categories, would, given the comments received in consultation, be perceived as unfair for program participants and generate ongoing stakeholder objections to the MHSW wind up process.

13.2 Conflict of Interest (Amended November 2019)

At the outset of the MHSW Wind Up Plan development, Stewardship Ontario implemented a number of changes to anticipate and address potential conflict of interest concerns as requested by the Ministerial direction.

After receiving Ministerial direction to wind up the MHSW Program, Stewardship Ontario engaged independent legal counsel to review its existing conflict of interest guidelines and policies and offer suggestions on potential adjustments that could be implemented to enhance those provisions in the context of winding up the MHSW Program. Stewardship Ontario also consulted with RPPRA regarding its approach to managing conflict of interest issues throughout the wind up process.



As a result of this review process, in November 2018, Stewardship Ontario established a new MHSW Executive Committee, chaired by its independent director,²³ to oversee the development and execution of the MHSW Wind Up Plan. The MHSW Executive Committee was comprised of directors whose businesses were not involved in or obligated under the MHSW Program. The MHSW Executive Committee had responsibility to ensure delivery of MHSW operations during program wind up and provide direction on MHSW financial matters.

An MHSW Program Manager was also engaged by Stewardship Ontario who reported directly to the MHSW Executive Committee. The MHSW Program Manager led a team of independent consultants including accounting, legal and policy advisors engaged to work on the wind up project.²⁴ Where necessary and appropriate, the MHSW Program Manager and members of her team sought input from staff responsible for administering day-to-day MHSW operations in the development of the Wind Up Plan.

Stewardship Ontario also made amendments to its Board's Code of Conduct by-law in relation to conflict of interest situations in the context of the MHSW wind up. Board By-law 2017-2 *A by-law relating to the Code of Conduct of Stewardship Ontario* includes a number of provisions designed to address conflict of interest.

By-Law 2017-2 defines potential, apparent, formal and real conflict of interest situations and requires Board members to take steps to avoid conflict of interest situations and declare potential conflicts of interest.²⁵ Under By-law 2017-2, Stewardship Ontario Board members are also prohibited from disclosing or utilizing confidential information and are prevented from communicating with the public on behalf of the Board without the prior approval of the Board.

With respect to MHSW Program wind up, By-law 2017-2 defines overlapping directors as: directors who are also directors of the CSSA; whose company has a director that serves on the AMS Board or whose company has a future expectation of operating as a service provider under the RRCEA with respect to MHSW materials. Regardless of whether a conflict of interest exists, these Stewardship Ontario directors must not participate in decisions regarding the MHSW Program or the wind up of the MHSW Program.

Under the Stewardship Ontario reporting structure, CSSA executives are not responsible for MHSW wind up decisions.

With respect to Stewardship Ontario and CSSA staff involved in program administration, staff are prohibited from engaging in activity, or directly or indirectly benefitting from their position or connections as employees, in situations that constitute or have the appearance of a conflict of interest.

²³ Under WDTA regulations, the Stewardship Ontario Board is comprised of up to nine members elected by stewards (both MHSW and Blue Box) and one independent member appointed by the elected members of the Board. Under WDTA regulations, the independent director cannot be an employee or member of a steward company or trade association with steward members or have a commercial interest in either the Blue Box waste or MHSW waste industries.

²⁴ Independent project management, legal, accounting and policy advisors hired by Stewardship Ontario in relation to the MHSW Wind Up Plan have no other functions or responsibilities other than to develop and implement the MHSW Wind Up Plan.

²⁵ Given that WDTA regulations require Stewardship Ontario Board members to be elected from steward organizations, the fact that a Board member has a relationship with a steward (considered a sectoral interest) does not by itself constitute a conflict of interest.



The Stewardship Ontario CSSA service agreement also prohibits the disclosure of confidential information and restricts its usage to that reasonably required to exercise duties under the agreement.

13.2.1 September 2019 Changes to Stewardship Ontario Management Structure

On August 15, 2019, Stewardship Ontario received direction from the Minister of Environment, Conservation and Parks to develop a plan to transition the Blue Box program to the RRCEA framework by the end of 2025. Stewardship Ontario is to be fully wound up by December 31, 2026 after which it will cease to exist as an entity providing services to stewards.

Following receipt of Ministerial direction regarding the Blue Box program, Stewardship Ontario, in consultation with RPRA, implemented changes to its management structure which augmented conflict of interest provisions in relation to transition of both the Blue Box and MHSW programs.

All cross appointments between the Stewardship Ontario and Canadian Stewardship Service Alliance boards were eliminated. There are now no common directors between the two organizations. A new Stewardship Ontario Board Chair was elected on September 26, 2019 and the Board appointed a new Executive Director and Secretary.

Given that the restructured Stewardship Ontario Board is responsible for managing wind up of both the MHSW and Blue Box programs, the MHSW Executive Committee was no longer required. As a result, the MHSW wind up team for the remainder of the MHSW wind up process will report directly to the Stewardship Ontario Executive Director. The new Stewardship Ontario board also approved an updated Stewardship Ontario Conflict of Interest Mitigation Plan which is attached to this submission and available at <https://stewardshipontario.ca/news/stewardship-ontario-institutes-new-governance-and-staffing-model-to-prepare-for-transition-to-full-producer-responsibility/>

In addition to the conflict of interest provisions noted above, as part of this restructuring, Stewardship Ontario is reviewing further changes to Bylaw 2017-02 (Draft Bylaw attached) for adoption at its December 2019 meeting that would further enhance conflict of interest measures. In particular, Bylaw amendments would explicitly prohibit steward directors (or their employers), officers and senior managerial staff from providing advisory or other services to potential market participants in respect of MHSW or Blue Box recovery markets that may be created under the RRCEA.

A segregated workplace will also be implemented for the Stewardship Ontario Wind Up Team and other Stewardship Ontario staff service providers.

13.2.1 Related Stewardship Ontario Documents

Stewardship Ontario's Board governance structure is created under Ontario Regulation 338/16 under the *Waste Diversion Transition Act, 2016*.

A copy of By-law Number 2017-2 *A by-law relating to the Code of Conduct of Stewardship Ontario* is attached to this Wind Up Plan.

A copy of *General By-law Number 2017-1 Stewardship Ontario* is attached to this Wind Up Plan.

A list of current Stewardship Ontario Board members and sub-committee members and organization structure is available at <https://stewardshipontario.ca/about-us/board-of-directors/>.



Stewardship Ontario

As noted above, an MHSW Executive Committee was created in December 2018 to develop and manage implementation of the MHSW Wind Up Plan. Although the MHSW Executive Committee was disbanded as part of restructuring related to Stewardship Ontario governance implemented on September 26, 2019, the Committee did review and approve the MHSW WUP Plan which was approved by the restructured Stewardship Ontario Board and submitted to RPRA by the September 30, 2019 deadline. A copy of the Committee's mandate is attached to this plan along with a list of MHSW Executive Committee members.

MHSW Executive Committee minutes will be provided to RPRA.

13.3 Board of Directors

Stewardship Ontario Board members are required to disclose any potential conflict of interest at the earliest practical opportunity. Where individual Board members are perceived to have a potential conflict of interest related to the Board's review of MHSW Program decisions, they will be required to recuse themselves from those decisions.

Stewardship Ontario Board minutes dating back to the creation of the MHSW Executive Committee and related to the MHSW Program will be provided to RPRA throughout the wind up process.