



Multi-Material
Stewardship Western



2020
ANNUAL
REPORT

About Multi-Material Stewardship Western

Multi-Material Stewardship Western (MMSW) is a not-for-profit organization established in 2016 to help obligated businesses meet their requirements under Saskatchewan's Household Packaging and Paper Stewardship Program Regulation. MMSW represents the steward members — including brand owners, first importers, franchisors and other organizations — that supply designated Waste Packaging and Paper (WPP) materials to Saskatchewan residents.

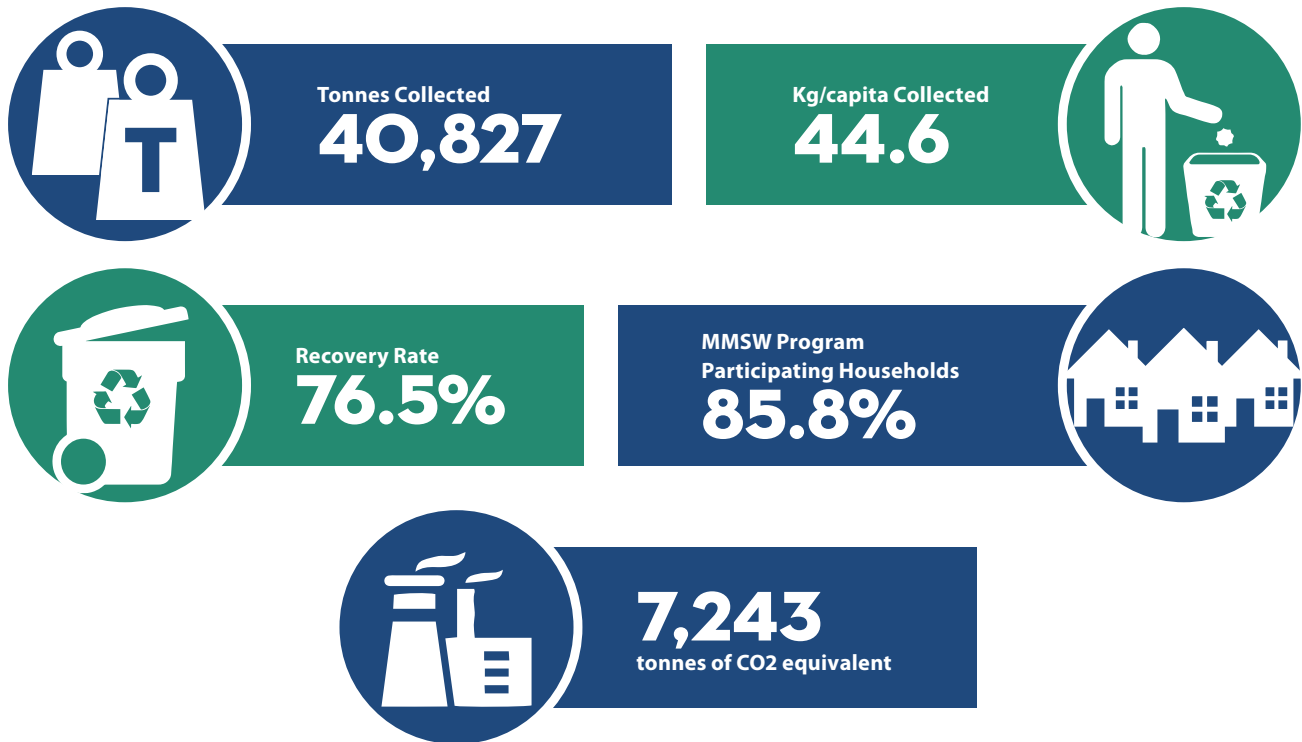
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2020 Highlights

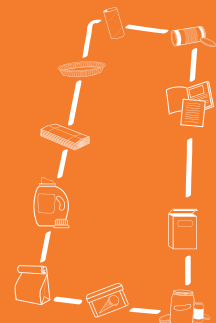
Key performance metrics for 2020 demonstrate that despite the COVID-19 pandemic, the program continued to experience strong performance and an ongoing commitment by Saskatchewan residents to their local recycling programs.

The 2020 recovery rate for WPP collected was stable compared to 2019, reflecting small declines in both the tonnage reported by producers and in tonnes collected from households. This Annual Report marks the first year MMSW is providing an accounting of the greenhouse gas (GHG) emissions associated with the delivery of recycling services to Saskatchewan residents as reported by our collection partners. Reporting of GHG metrics fulfills another of MMSW's reporting obligations and provides stakeholders with additional understanding of the overall environmental impact of the program.



Working Together for a Made-in-Saskatchewan Approach

2020 marks the fifth year of operation for MMSW and on-going partnerships with more than 500 municipalities, regional waste authorities and First Nations communities to support the delivery of efficient and effective recycling services to Saskatchewan households. The Advisory Committee continued their important role of providing MMSW with insights and guidance on municipal costs and revenues. The Advisory Committee is a forum through which Saskatchewan stakeholders are kept informed of WPP Stewardship Plan activities and through which they can provide advice and feedback on core program activities for a made-in-Saskatchewan approach to waste packaging and paper recycling.



Message to Stakeholders

2020 was not the year any of us expected or planned for and it tested us both personally and professionally particularly as the months progressed after the initial lockdown in March. While we know the COVID-19 pandemic will have lasting impacts, watching the roll out of vaccines provides growing reason for optimism.

In a difficult year, I want to highlight the contribution of our collection partners -- including municipalities, First Nations and regional waste authorities -- who worked with MMSW to successfully deliver uninterrupted recycling services. While many people stayed at home, our collection partners had their trucks on the roads and staff attending depots and sorting facilities so that Saskatchewan residents could continue to recycle household waste packaging and paper. A sincere thank you to all those who stepped forward to provide this essential service to their communities.

We also acknowledge the work undertaken by our collection partners to track and report on the GHG emissions associated with the collection and processing of recyclables through to their delivery to end markets. Reporting on GHG emissions, a commitment made by MMSW in its 2016 Program Plan to support the Ministry's regulatory requirement, could only be delivered with the assistance and cooperation of our partners. MMSW has also been working with those same partners to develop and implement tracking systems to enable end-of-life (EOL) reporting data for the recyclables collected. As a result of these efforts, this annual report includes the first-time reporting data on collected material recycled and therefore diverted from landfills.

Member businesses, who provide financial support for the delivery of recycling services across the province, have faced extraordinary challenges in the past year. The pandemic has impacted different business sectors in dramatically different ways. As always, MMSW will continue to take great care in deploying members' dollars in support of the Program Plan.

In 2020, MMSW continued its work on phase two of the municipal costs and revenues study aimed at making the payments to our collection partners more closely reflect supply chain costs. The MMSW Advisory Committee, made up of a representative group of municipal and steward stakeholders, continued to support this work and made a recommendation to the MMSW Board at the conclusion

of this process. In recognition of the business disruptions caused by COVID-19, the MMSW Board approved a stepped approach to implementing the increase beginning with a January 1, 2021, increase with the balance expected for 2022.

Despite the pandemic, concern for the state of the environment and the impact of plastic pollution continued to be a concern for government, businesses and many Canadians. The federal government confirmed its intent to add "plastic manufactured items" to Schedule 1 of the Canadian Environmental Protection Act (CEPA) providing it with the authority to regulate plastics.

Businesses also continued to address plastic waste and explore ways to develop a circular economy for plastics in Canada. Initiated by the Circular Economy Leadership Coalition, work began in 2020 to create a Canada Plastics Pact (CPP) launched in early 2021. The CPP is part of the Ellen MacArthur Foundation network of country-based pacts that bring together stakeholders at the national or regional level to implement local solutions for the efficient management of plastics. The CPP includes members from across the plastics value chain committed to exploring the uniquely Canadian opportunities to develop a circular economy for plastics.

The MMSW program's commitment to continuous improvement is based on working closely and cooperatively with our collection partners and the businesses and residents of Saskatchewan. And we look forward to working with the provincial government as it ensures ongoing excellence in waste management through the implementation of the 2020 Solid Waste Management Strategy and its review of the Household Packaging and Paper Stewardship Program Regulations and the Multi-Material Recycling Program.

In closing, MMSW is grateful to all who supported the program throughout a challenging 2020, and to everyone dedicated to working with MMSW to help build a healthy environment and a vibrant economy for Saskatchewan.



John Coyne
Board Chair



Program Overview

Working with our Members

The MMSW membership is made up of more than 500 organizations that supply materials designated in the Household Packaging and Paper Stewardship Program Regulation to Saskatchewan residents. These organizations report details about their quantities and types of materials each year and pay the associated stewardship fees that support the work of municipalities, regional waste authorities and First Nations communities in delivering recycling services to Saskatchewan households.

Many MMSW members have made commitments to improve the sustainability profile of their packaging and paper products. Collaboration and investment in sustainable packaging options continues at both a local and global level with new innovations launched into the marketplace every year. These innovations help businesses achieve their broader corporate sustainability goals and respond to consumer demands for more sustainable packaging options. Several MMSW members have joined the recently created Canada Plastics Pact, a cross-sector approach to developing a made-in-Canada circular economy for plastics. This important initiative fosters collaboration across all participants in the plastics supply chain to break the take-make-dispose linear approach to how most plastics are currently managed.

Working with Collectors

MMSW works with more than 500 municipalities, First Nations communities and regional waste authorities, providing funding for the delivery of recycling services. The service agreements currently in place reflect residential recycling of waste packaging and paper in over 85% of Saskatchewan households.

MMSW gratefully acknowledges its collection partners for continuing to provide uninterrupted recycling services to Saskatchewan households throughout 2020, despite the impact of the COVID-19 pandemic. During the year, collection partners collaborated with MMSW in the collection of data enabling the GHG emissions associated with the recycling program to be reported for the first time. This effort required collectors to invest time and resources to collect the emissions data associated with the collection, post-collection sorting, processing and shipping of materials to end markets. Collector information, along with the GHG emissions associated with the MMSW office, provide stakeholders with a view on the total GHG impact of the delivery of residential packaging and paper recycling to households across Saskatchewan.

For 2020, MMSW is reporting end-of-life data for collected material for the first time, further expanding available data on the program's environmental performance. This work required MMSW's largest collection partners to develop the necessary processes to collect and provide information about material diverted from landfills, enabling MMSW to report that 27,821 tonnes of material was sent to recycling end markets.



Working with our Advisory Committee

The Advisory Committee is made up of representatives of urban and rural municipalities, regional waste management authorities, the Saskatchewan Waste Reduction Council and stewards of residential packaging and paper. These organizations are all committed to the success of the MMSW program and provide valuable input and advice.

In 2020, the Advisory Committee continued its involvement in phase two of the cost study to understand Saskatchewan-specific municipal costs and revenues for managing the recycling system. Cost studies support the program's commitment to pay collectors based on Saskatchewan costs to deliver efficient and effective municipal residential WPP collection and recycling programs. The first phase of updating the payment model, approved in 2018, was reflected in the 2019 and 2020 service payment rates. Phase two of the cost study in 2019/2020 resulted in a recommendation for a further increase in the rates paid to collectors. The MMSW Board decided to implement the increased payment to collectors in a stepped approach due to business disruptions caused by the COVID-19 pandemic with the first of two payment increases effective January 1, 2021.

The following individuals served on the Advisory Committee in 2020:

- **Julie Dickson** (Co-Chair), Managing Director, Corporate Services, Save-On-Foods
- **Joanne Fedyk**, Executive Director, Saskatchewan Waste Reduction Council
- **Judy Harwood**, Division 5 Director, Saskatchewan Association of Rural Municipalities
- **Al Heron**, (Co-Chair) Director – West Central Region, Municipalities of Saskatchewan (formerly Saskatchewan Urban Municipalities Association)
- **Keith Matheson**, Chair, Association of Regional Waste Management Authorities of Saskatchewan
- **Anne Mathewson**, Executive Director, Association of Regional Waste Management Authorities of Saskatchewan
- **Karen Morris**, Senior Policy Analyst, Saskatchewan Association of Rural Municipalities
- **Augustina Osaseri**, Advocacy Advisor, Municipalities of Saskatchewan (formerly Saskatchewan Urban Municipalities Association)
- **Kim Tang**, Director, Sustainability, Federated Co-operatives Limited



Working with our Board of Directors

The MMSW Board of Directors is made up of member steward representatives and independent representatives. Board members provide their expertise and oversight to ensure the success of the MMSW program.

The following members served on the MMSW Board of Directors in 2020:

- **John Coyne**, Unilever Canada Inc. (Board Chair)
- **Debbie Baxter**, Independent Director
- **Dale Botting**, Independent Director
- **Bob Chant**, Loblaw Companies Limited (Vice Chair)

Board meeting attendance for 2020 is summarized below:

BOARD MEMBER	MARCH 24	JUNE 24	SEPTEMBER 21	DECEMBER 17
Debbie Baxter	Yes	Yes	Yes	No
Dale Botting	Yes	No	Yes	Yes
Bob Chant	Yes	Yes	Yes	Yes
John Coyne	Yes	Yes	Yes	Yes

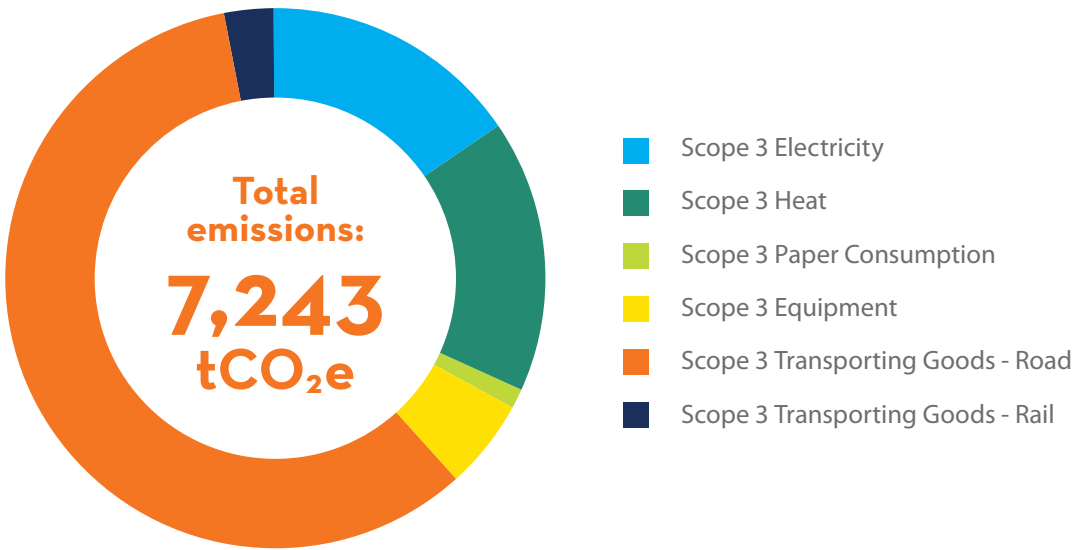
The Finance and Audit Committee members are Debbie Baxter and Dale Botting. The committee met four times in 2020.

BOARD MEMBER	MARCH 5	JUNE 11	SEPTEMBER 10	DECEMBER 11
Debbie Baxter	Yes	Yes	Yes	Yes
Dale Botting	Yes	Yes	Yes	Yes

Program Performance

The Saskatchewan Household Packaging and Paper Stewardship Regulation outlines performance measures that must be reported by MMSW on an annual basis. Tracking and reporting on key performance metrics is important to ensure stakeholders have the information they need to assess the performance of the program and compare performance year over year.

MMSW is now tracking and reporting on the greenhouse gas (GHG) emissions associated with the program's collection and recycling of residential waste packaging and paper. Based on the data provided by our collection and post-collection partners, in 2020 the total GHG emissions associated with the MMSW program are 7,243 tonnes of CO₂ equivalent. This represents baseline data against which future years emissions can be assessed.



Most of MMSW's GHG emissions come from indirect sources operated by other entities, mainly municipal service providers and their subcontractors. These are referred to as Scope 3 sources. Scope 1 refers to direct GHG emissions from MMSW and Scope 2 refers to indirect emissions associated with the generation of electricity, heating/cooling, or steam purchased for the organization's consumption. MMSW's Scope 1 and 2 emissions are negligible compared to Scope 3 emissions

The following are highlights of 2020 performance outlined in the table below:

- Due to the unknown impacts of the COVID-19 pandemic, MMSW took a financially conservative approach to promotion and education activities resulting in a decrease in investment in promotion and education in 2020 as compared to 2019 which resulted in a decline in visits to the MMSW website.
- For the first time MMSW is reporting on both the total tonnes of WPP recycled and therefore diverted from landfill and the tonnes of WPP recycled by material category.
- The updated payment model implemented in 2019 is in effect for two years therefore material management costs, fees collected from members and funds spent to operate the program remained relatively flat in 2020 as compared to 2019.

	2020 PERFORMANCE	2019 PERFORMANCE	YOY DIFFERENCE %
Tonnes of WPP supplied by MMSW members	53,350 tonnes	54,209 tonnes	-1.6%
Tonnes of WPP collected by municipalities	40,827 tonnes	41,945 tonnes	-2.7%
Total tonnes of WPP shipped to recycling end markets and therefore diverted from landfills by municipalities participating in the MMSW program	27,821	—	—
Rate of total WPP collected by municipalities participating in the MMSW program as a percentage of total WPP supplied by MMSW members	76.5%	77.4%	-0.9%
Rate of diverted WPP (the total amount diverted from municipal landfills) expressed as a percentage of the total WPP that is residentially generated in Saskatchewan (tonnes of WPP collected by municipalities)	68.1%	Not available	—
For each category of WPP, total tonnes of WPP shipped to recycling end markets and therefore diverted from municipal landfills by municipalities participating in the MMSW program*	Paper Packaging: 12,123 tonnes Plastic Packaging: 1,528 tonnes Glass Packaging: 29 tonnes Steel, Metal & Aluminum: 1,154 tonnes Printed Paper: 12,986 tonnes	Not available	—
Diversion rate for each category of WPP reported by municipalities participating in the MMSW program as a percentage of the total of that category of packaging and paper supplied by MMSW members**	Paper Packaging: 60% Plastic Packaging: 11% Glass Packaging: 1% Steel, Metal & Aluminum: 35% Printed Paper: 98%	Not available	—
Kilograms collected/capita	44.6	46.5	-4.0%
Fees collected from members	\$9,715,048	\$9,296,607	4.5%
Funds spent to operate the program	\$8,924,491	\$8,724,050	2.3%
Funds spent to administer the program (includes both the operation and administrative costs)	\$10,877,957	\$10,617,712	2.5%
Promotion and Education	\$2,836	\$53,000	-94.6%
Resident Feedback	847 visits to the resident section of the MMSW website and 402 unique visitors. MMSW received 645 emails	5,624 visits to the resident section of the MMSW website and 5,062 unique visitors. MMSW received 284 emails and 527 calls	—

* The quantity of recycled tonnes, which reflects shipments to recycling end markets, is estimated based on the reported tonnes of the top 15 collectors in 2020 who represent 80% of the total collected tonnes for MMSW.

** Diversion rate is calculated based on the estimated tonnes by material category (see *above) as percentage of supplied tonnes, as committed to in MMSW's program plan section 4.6.1

2020 Fee Rates

MMSW members pay fees based on the weight of the WPP materials supplied to Saskatchewan consumers. The below table provides rates paid for 2020, which were unchanged from 2019 rates.

CATEGORY	MATERIAL	FEE RATES (CENTS/KG)
PRINTED PAPER	Newsprint	5.00
	Magazines and Catalogues	5.00
	Telephone Books	5.00
	Other Printed Paper	5.00
PAPER PACKAGING	Corrugated Cardboard	11.00
	Boxboard	11.00
	Gable Top Cartons	27.00
	Paper Laminates	27.00
	Aseptic Containers	27.00
PLASTICS	PET Containers	26.00
	HDPE Containers	26.00
	Plastic Film	45.00
	Plastic Laminates	61.00
	Polystyrene	45.00
	Other Plastics	45.00
STEEL	Other Steel Packaging	15.00
	Steel Aerosols	15.00
	Steel Paint Cans	15.00
ALUMINUM	Aluminum Food & Other Containers	15.00
	Other Aluminum Packaging	15.00
GLASS	Clear Glass	5.00
	Coloured Glass	5.00

Exemptions and Low-Volume Steward Fees

Organizations supplying less than 1,000 kg of WPP annually continue to be exempt from MMSW registration and reporting requirements. Exemptions also continue for businesses with less than \$2 million in revenue or that operate a single point of retail.

For 2020, the following flat fees were available to low-volume stewards:

- A fee of \$310 for businesses that supply between 1,000 and 2,500 kg.
- A fee of \$650 for businesses that supply between 2,500 and 5,000 kg.



Promotion & Education

MMSW communicates with residents to educate them about recycling in Saskatchewan and to ensure they understand the importance of correct sorting and reducing contamination. The following summarizes promotion and education activities in 2020.

Website

The MMSW website (MMSK.ca) is a primary resource for residents about the benefits of recycling and what can be recycled in their area. The site includes a municipality listing page, where residents can access local recycling information for their community. The website is also a resource for MMSW collection partners, providing advertising templates and resources. For materials not included in the MMSW program, a link is provided to the Saskatchewan Waste Reduction Council website for more information about proper disposal. The number of visits to the resident section of website in 2020 declined significantly from 2019 largely because promotion efforts were reduced due to the COVID-19 pandemic.

Social Media

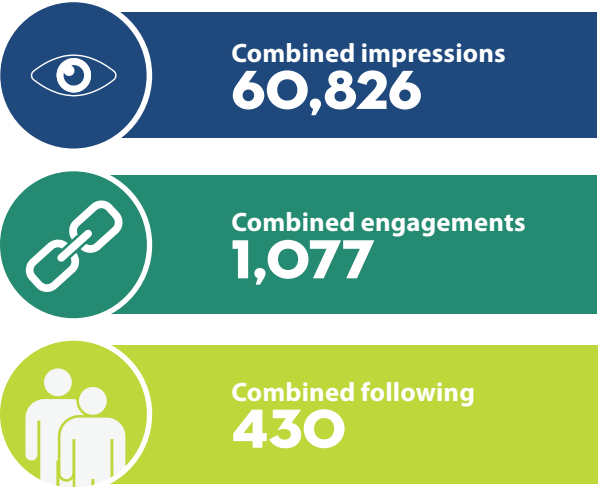
In addition to responding to residents through phone and email, MMSW continues to promote contamination reduction and proper recycling of packaging and paper through its Facebook and Twitter channels. In 2020, MMSW's overall social media audience grew by 3% from 2019:

MMSW also ran paid social media posts in 2020, featuring items that are not accepted and encouraging proper recycling.



Additional Outreach

To help prevent the spread of COVID-19, for the safety of collection and processing teams, our communities, and to reduce overall contamination, MMSW collectors were provided with resources to help educate residents on the importance of reducing contamination, particularly PPE and several other non-recyclables increasingly found in recycling bins.



Financial Performance

Financial Statements

For the year ended December 31, 2020

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Independent Auditor's Report

To the Members of Multi-Material Stewardship Western Inc.

Opinion

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

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 24, 2021

Multi-Material Stewardship Western Inc. Balance Sheet

December 31	2020	2019
Assets		
Current		
Cash	\$ 7,726,993	\$ 9,243,854
Accounts receivable	329,711	314,880
Prepaid expenses	20,912	21,848
	8,077,616	9,580,582
Capital assets (Note 2)	7,730	9,662
	\$ 8,085,346	\$ 9,590,244
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 3,558,076	\$ 3,966,166
Due to related parties (Note 3)	117,682	171,895
	3,675,758	4,138,061
Net Assets		
Invested in capital assets	7,730	9,662
Unrestricted	1,401,858	2,442,521
Internally restricted (Note 4)	3,000,000	3,000,000
	4,409,588	5,452,183
	\$ 8,085,346	\$ 9,590,244

On behalf of the Board:



Director



Director

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

Multi-Material Stewardship Western Inc. Statement of Changes in Net Assets

For the year ended December 31, 2020

	Invested in Capital Assets	Unrestricted	Internally Restricted	Total
Balance, beginning of year	\$ 9,662	\$ 2,442,521	\$ 3,000,000	\$ 5,452,183
Deficiency of revenue over expenses for the year	(1,932)	(1,040,663)	-	(1,042,595)
Balance, end of year	\$ 7,730	\$ 1,401,858	\$ 3,000,000	\$ 4,409,588

For the year ended December 31, 2019

	Invested in Capital Assets	Unrestricted	Internally Restricted	Total
Balance, beginning of year	\$ 1,826	\$ 3,531,962	\$ 3,000,000	\$ 6,533,788
Deficiency of revenue over expenses for the year	(1,826)	(1,079,779)	-	(1,081,605)
Investment in capital assets	9,662	(9,662)	-	-
Balance, end of year	\$ 9,662	\$ 2,442,521	\$ 3,000,000	\$ 5,452,183

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

Multi-Material Stewardship Western Inc. Statement of Operations

For the year ended December 31	2020	2019
Revenue		
Fee revenue	\$ 9,715,048	\$ 9,296,607
Investment income	120,314	239,500
	<u>9,835,362</u>	<u>9,536,107</u>
Expenses		
Material management costs (Note 5)	8,924,491	8,724,050
Program management (Note 3)	1,950,630	1,840,662
Promotion and education	2,836	53,000
	<u>10,877,957</u>	<u>10,617,712</u>
Deficiency of revenue over expenses for the year	\$ (1,042,595)	\$ (1,081,605)

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

Multi-Material Stewardship Western Inc. Statement of Cash Flows

For the year ended December 31	2020	2019
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	\$ (1,042,595)	\$ (1,081,605)
Adjustments to reconcile deficiency of revenue over expenses for the year to cash provided by operating activities		
Amortization of capital assets	1,932	1,826
Changes in non-cash working capital balances:		
Accounts receivable	(14,831)	(107,753)
Prepaid expenses	936	(5,966)
Accounts payable and accrued liabilities	(408,090)	2,483,932
Due to related parties	(54,213)	49,394
	(1,516,861)	1,339,828
Investing activities		
Purchase of capital assets	-	(9,662)
Increase (decrease) in cash during the year	(1,516,861)	1,330,166
Cash, beginning of year	9,243,854	7,913,688
Cash, end of year	\$ 7,726,993	\$ 9,243,854

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

Multi-Material Stewardship Western Inc. Notes to Financial Statements

December 31, 2020

1. Significant Accounting Policies

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

(a) Business Organization and Operations

Multi-Material Stewardship Western Inc. (the "Organization") was incorporated under The Saskatchewan Non-Profit Corporations Act, 1995 on March 5, 2010 to undertake responsibility for the stewardship of the packaging and printed paper environmental management program under provincial legislation. The Organization is a not-for-profit organization and as such is not subject to income taxes.

The Waste Packaging and Paper Stewardship Plan (the "Program Plan") was approved by the Saskatchewan Ministry of Environment in October 2015 and the program was launched January 2016.

(b) Basis of Accounting

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

(c) Revenue Recognition

Fee revenue is based on reported tonnages for members with signed Membership Agreements with the Organization. Revenue is recognized when tonnage is reported, fees are received or receivable and collection is reasonably assured. Revenue arising from member reported tonnages or adjustments for prior years' obligations and revenues resulting from compliance and enforcement activities are recognized when the amount can be reasonably estimated and collection is reasonably assured.

(d) Financial Instruments

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

(e) Capital Assets

Capital assets are recorded at cost less accumulated amortization and are amortized on the following basis:

Furniture and fixtures - 10 years straight line

(f) Impairment of Long-Lived Assets

When a long-lived asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

Multi-Material Stewardship Western Inc. Notes to Financial Statements

December 31, 2020

1. Significant Accounting Policies - (Continued)

(g) Use of Estimates

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

2. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 18,796	\$ 11,066	\$ 18,796	\$ 9,134
		<u>\$ 7,730</u>		<u>\$ 9,662</u>

3. Due to Related Parties and Related Party Transactions

	2020	2019
Due to Canadian Stewardship Services Alliance Inc. ("CSSA") (i)	\$ 107,182	\$ 166,062
Due to MMBC Recycling Inc. ("Recycle BC") (ii)	10,500	5,833
	<u>\$ 117,682</u>	<u>\$ 171,895</u>

Multi-Material Stewardship Western Inc. Notes to Financial Statements

December 31, 2020

3. Due to Related Parties and Related Party Transactions - (Continued)

- (i) The Organization entered into a 5 year Management Service Agreement (“MSA”) with CSSA, ending December 31, 2023, for management services including administrative and technical support, other services and facilities for administrative, technical and reporting activities. During the year, charges totaling \$1,215,400 (2019 - \$1,180,000) were paid to CSSA pursuant to this contract and are included in program management expenses.

The Organization's board of directors consists of 25% (2019 - 50%) who are also members of the CSSA board of directors and CSSA has the ability to elect board members; therefore, the CSSA board of directors has control over the Organization.

- (ii) Recycle BC is a not-for-profit organization established under the Canada Not-For-Profit Corporations Act to undertake responsibility for the stewardship of the packaging and printed paper environmental management program under provincial legislation. During the year, the Organization was charged \$120,000 (2019 - \$80,000) for common management costs and is included in program management expenses.

The Organization and Recycle BC are under the common control of CSSA.

Amounts due to CSSA and Recycle BC are non-interest bearing and due on demand.

All transactions between the Organization, CSSA and Recycle BC are in the normal course of operations and are recorded at their exchange amount as agreed upon by the parties.

4. Internally Restricted Net Assets

The directors have authorized the establishment of the Operating Reserve to provide for an appropriate level of working capital and to satisfy all of its obligations for a reasonable period of time.

5. Material Management Costs

Material management costs include all costs related to the collection, transportation and processing of materials managed through the program.

Multi-Material Stewardship Western Inc. Notes to Financial Statements

December 31, 2020

6. Commitments

Under the terms of an operating lease agreement, the Organization is committed to pay basic rent approximately as follows:

2021	\$	30,750
2022		30,750
2023		30,750
2024		<u>15,375</u>
	\$	<u>107,625</u>

7. Financial Instrument Risk Exposure and Management

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

(a) Credit Risk:

Financial instruments potentially exposed to credit risk include cash and accounts receivable. Management considers its exposure to credit risk over cash to be remote as the Organization holds cash deposits at a major Canadian bank. Accounts receivable are monitored regularly for collections and the carrying amount represents the maximum credit risk exposure. The Organization's provision for uncollectable accounts receivable is \$18,761 (2019 - \$8,800).

(b) Liquidity Risk:

Liquidity risk is the risk that the Organization will not be able to meet its obligations as they come due. The program operated by the Organization carries risks in the ability to forecast and control expenditures. Management has taken steps to ensure that the program will have sufficient working capital available to meet obligations.

8. COVID-19 Impact

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

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



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