



**Canadian Stewardship  
Services Alliance**

# **What's new for stewards in 2015?**

A webinar for Stewards of packaging and  
printed paper

March 17, 2015



# Information for webcast participants

- Speaker advances slides
- Sound slider ①
- Questions/comments at  
‘Ask a Question’ ②
  - Click ‘submit’
- If you have technical issues also let us know via the “Ask A Question” box





## **Our Objectives**

- Ensure stewards are well positioned to prepare your 2015 reports
- Itemize and explain revisions to the 2015 MMBC and MMSW Membership Agreements
- Review Feedback on Stewardship Ontario's 2015 Rules
- Introduce the Fee Methodology Review Project



# Agenda

1. Important Dates
2. Revisions to the MMBC and MMSW membership agreements
3. Review of Feedback on Stewardship Ontario's 2015 Rules
4. Introduction to the Fee Methodology Review
5. Questions



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# Important Dates to Remember



## Mark these dates

Program/Stewards	Item	Date
MMBC, MMSM, MMSW, Stewardship Ontario	Steward Reports due	May 31, 2015
MMBC, MMSM, MMSW, Stewardship Ontario	Steward Membership Lists available on request	Week of March 23, 2015
Voluntary Stewards	Execute Voluntary Steward Agreements	Closed for the 2015 reporting period
Voluntary Stewards	Termination of Voluntary Steward Agreements	December 31, 2015 (for the next reporting year)



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# Revisions to MMBC & MMSW Membership Agreements



# Guiding Principles For Making Changes

- There were only a few changes made to the Membership Agreements this year
  - Revisions primarily reflect new harmonized Voluntary Steward Policy and Voluntary Steward Agreement
  - Updated the dates: 2014 changed to 2015
- Each change is evaluated against key guiding principles:
  1. Protects interests of **collective** membership
  2. Treat each member fairly and equally – no special deals



# VS Agreement Reflected in Definition

## Nature of Change

Definition of “Voluntary Producer” changed to reflect introduction of Voluntary Steward Agreement as an appendix to the Membership Agreement. See Section 1 of MA.

## Revision to MA

Now reads:

“Voluntary Producer” means producer not resident in BC/SK which supplies PPP to residents of BC/SK who has entered into an agreement with MMBC/MMSW to become a member; (also known as a Voluntary Steward) by completing a Voluntary Steward Agreement (VSA) available on the MMBC/MMSW website and as Appendix A to this agreement and according to the policy and deadlines posted on the MMBC/MMSW website and submitting the VSA for review and approval by MMBC/MMSW”



# Voluntary Steward Agreement Needed

## Nature of Change

Update section 2.4 to reflect that voluntary stewards must execute the Voluntary Steward Agreement

## Revision to MA

**Section 2.4:** Voluntary Producers must complete and submit a Voluntary Steward Agreement (Appendix A) according to the dates and policy as posted on the MMBC/MMSW website and meet all the terms and conditions of the Voluntary Steward Agreement including but not limited to you assuming the reporting and financial responsibilities for all the PPP You supplied in the BC/SK residential marketplace



## Next Steps for Membership Agreements

- Revised Membership Agreement will be distributed to stewards and posted on the MMBC and MMSW websites before March 31<sup>st</sup>.
- Existing stewards that wish to continue their membership are not required to sign and submit the revised MA
- Existing resident stewards' acceptance of the MA will be assumed unless they notify MMBC or MMSW by May 1, 2015 that they wish to terminate the contract
- New MMBC stewards must sign and submit the revised MA



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# Review of Feedback on Stewardship Ontario's 2015 Rules



## **Where are we in the process?**

- 2015 Rules posted for steward consultation December 12, 2014 with comments due on January 23, 2015
- Steward community, including their trade associations took opportunity to provide feedback on various provisions – both new and old
- Today we will review that feedback and provide responses



# Feedback Summary

Feedback and questions from the steward community fell into three primary categories:

1. Administrative Fees
2. Steward Report Reviews and Adjustments
3. Other issues/questions



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# Administrative Fees



# Administrative Fees

## Steward Request

Why does Stewardship Ontario reserve right to apply administrative fees for steward adjustments, audits, use of proxy reports and other work?

## Stewardship Ontario Response

- Administrative fees are tools to deter certain practices by individual stewards that create costs for the rest of the steward community.
- Stewards that have invested significant resources to ensure they are compliant should not be burdened with the costs associated with the mistakes or non-compliance of other stewards.
- Admin fees ensure that the costs associated with processing an adjustment (due to report inaccuracies) or applying a proxy report (due to late reporting), for example, are assigned to individual stewards, rather than the entire steward community.



# Administrative Fee for Report Errors

## Steward Request

Section 3.2.11 in the 2013 Rules says that if a steward finds an error before SO conducts a review, we do not apply an admin fee. However, the 2015 Rules state that an administrative fee may be applied. Why the change?

## Response

- It is unfair that stewards who report accurately must pay for the actions of stewards who make mistakes which can in some cases impose significant costs to rectify.
- If a reporting error is caught by the steward after the fees are set and that cause SO to have to recalculate its fee schedule then that represents a cost to all SO stewards. Similarly, the work to validate an error and correct it represents a cost.
- Point of clarification: If a steward needs to make a revision to their report prior to the reporting deadline (May 31<sup>st</sup>) that is not a problem and does not incur a cost.



# Steward Report Reviews: Who Pays?

## Request

What is Stewardship Ontario's policy on using third party auditors and who pays for these reviews?

## Response

- The governing principle is that costs incurred by the program because of the actions of an individual steward should be paid for by that steward and not be passed on to the rest of the steward community.
- Steward-initiated adjustments that require validation are paid for by the steward if their request is for a significant adjustment.
- In the case where SO initiates a review, the review is paid for by the steward. However if the net credit is less than cost of review then the steward pays only the equivalent of the credit value.
- If the SO-initiated review results in a debit that is disputed by steward, then the steward must pay for review that is initiated to settle the dispute



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# Steward Report Reviews and Adjustments



# Steward Report Adjustments

## Steward Request

Did the two-year steward report adjustment provision change from the 2013 to the 2015 Rules?

## Response

- This provision has been in the Rules since 2012.
- There was no change to the two-year adjustment process as set out in Section 3.2.15, only additional clarification.
- Tables 3 and 4 in Appendix D were added to the 2015 Rules to clarify the reports for which adjustments would be allowed in any given calendar year and to provide the due dates associated with the resulting debits and credits.



# Steward Report Adjustments con't

## Steward Request

Would you consider changing the two-year adjustment policy? Why do the Rules limit adjustments back two years?

## Response

- Our objective is to limit the negative impact of credit adjustments on the steward community by capping the allowable retroactive adjustment period to 2 years.
- Credit adjustments to individual stewards impact the rest of the community because funds must be collected from the community in order to pay back those stewards claiming credits due to errors in their reporting.
- The practice of limiting retroactive credit adjustments is a normal commercial practice in most businesses designed to limit unfunded liabilities.



# SO Review of Adjustment Request

## Request

A new sentence was added to Section 3.2.7 which states as follows: “SO reserves the right to review the adjustment request for accuracy and issue an invoice or credit note as is applicable.” On what grounds does SO reserve this right? Should it not be added to the Rules?

## Response

Just as a retailer requires proof of purchase from its customer for a return before giving the customer a refund, SO must ensure the adjustment request is valid before issuing a credit or debit to a steward, particularly since each adjustment impacts the entire steward community which must absorb the impact of the decision.



# Timing for applications of credits

## Steward Request

Why must stewards wait one or two years before receiving a credit from a report adjustment?

## Response

- As a not-for-profit, Stewardship Ontario has limited reserves and must recoup funds from the steward community in order to apply credits, particularly if they are substantive. Once a steward's credit is approved, the amount is registered as an expense in following year's fees. Once those fees are paid, Stewardship Ontario is then in a position to issue the credit to the steward.
- Historically, SO has not held reserves in sufficient amounts to accommodate requests for significant credit adjustments. The practice has been to limit pressure on fees especially as it relates to accumulating funds on the balance sheets for unidentified purposes.



# Five-year Record Retention vs two-year adjustments

## Request

Section 4.11 and Section 4.2 require stewards to maintain records for five years and enable Stewardship Ontario to review up to five years of data. Why does Stewardship Ontario need to review up to five years of data?

## Response

- Typically this provision would only be used in cases where a steward is suspected of consistently under-reporting and therefore not paying their fair share.
- It enables SO to conduct a review as far back as five years and collect on the resulting debit -- to the benefit of the rest of the steward community.



# Five-year Reviews vs two-year adjustments

## Request

Shouldn't the timeframe for reviews and adjustments be the same whether initiated by stewards (2 years) or by Stewardship Ontario (5 years)?

## Response

- In both cases SO's policy is designed to protect the steward community from costs incurred by individual stewards.
- The five-year policy enables SO to recoup funds from a steward that has been consistently under-reporting and therefore not paying their fair share.
- The two-year steward adjustment policy protects SO's stewards from unrestricted liabilities.



# Reviews vs Audits

## Steward Request

What is difference between a review and an audit?

## Response

- The terms “review” and “audit” are often used interchangeably.
- A review is defined in the Rules as “an investigation into the accuracy and completeness of all or part of the information as set out in Section 3.1.2. A Review can be conducted both onsite and/or remotely by either Stewardship Ontario or its authorized representative.”
- We will ensure that going forward we will use “review” in all published documents.



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# Other Requests



# “Promptly Provide”

## Steward Request

Please remove “promptly” from the sentence in Section 4.2 Record Provision and Retention which states: “Upon request from Stewardship Ontario, stewards shall **promptly** provide documentation in support of the completeness of their steward reports.”

## Response

- We understand stewards’ concern and will remove it from the Rules.
- When records are needed as part of a review, we will consult with the steward on timing that works for everyone.



# Notification of businesses exits/entrances

## Steward Request

Can Stewardship Ontario immediately notify the steward community when a business exits Stewardship Ontario's Blue Box program?

## Response

- Stewards are not required to revise their reports in-year
- At the beginning of each calendar year, CSSA will make available to stewards a complete list of resident and voluntary stewards for each CSSA program.
- Any newly exiting or entering stewards will be highlighted at that time.



# Proxy Reports

## Request

Can SO notify a steward that it will be applying a proxy in cases where the steward has not submitted their report by the due date?

## Response

- We conduct outreach to the steward community in the months prior to a reporting deadline.
- Once the deadline has passed multiple outreach efforts via email and phone are made to stewards who have not completed their reports to ensure that proxies are not applied without prior notification.



# Use of “reasonable”

## Steward Request

In section 4.1.2. SO inserted the term “reasonable” in the following statement: “Stewards shall comply with reasonable written requests from Stewardship Ontario, or its authorized representative, for information set out in Section 4.2 within reasonable timelines as specified by Stewardship Ontario, or its authorized representative, at the time of the request.” Define “reasonable” and provide definition in the Rules.

## Stewardship Ontario Response

In common law “reasonable” is defined as “a rational inference from the evidence of established truths and reasonable in the circumstances.”

A reasonable time period is “a period determined in trade practice, custom or circumstances, as the time required to complete a transaction or contract without a specific maturity date.”

SO added it to the Rules to limit the scope of our actions for the benefit of our stewards, and to ensure that requests for information do not unnecessarily inconvenience our stewards.



## New ISP Provision

### Request

Why has Section 3.3 Relief from Requirements to Report and Pay Fees been added to the 2015 Blue Box Rules?

### Response

WDO requested that this section be added to the Blue Box Rules because ISPs are allowed under the Waste Diversion Act for both Blue Box as well as MHSW. Since ISPs are permitted under both programs, WDO wanted the Blue Box Rules and the MHSW Rules to be consistent with respect to the obligations of stewards if they join an approved ISP.



## New ISP Provision (con't)

### Request

Is it true that the WDO must approve each individual steward before they can join an ISP?

### Response

Yes, it is true that each steward must be approved by the WDO before they can formally join an ISP. A “Steward Exit Procedure” is being developed by Stewardship Ontario and WDO to ensure this review and subsequent approval is completed in a timely manner. Prior to joining the ISP, a steward must be in good standing with Stewardship Ontario, i.e., stewards that have completed all their reports and paid any outstanding invoices.



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# Questions



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# Introduction of Fee Setting Methodology Project



# The Case for Change

- **Steward Feedback:** Stewards tell us that the current fee setting methodology is complex, difficult to understand and difficult to explain to company colleagues
- **Three Factor Formula** not functioning as intended:
  - In Ontario we've had to partially disaggregate the fees to ensure that magazine stewards are not paying more than it costs to manage their material
  - In MB last year high recovery rates for all printed paper categories in conjunction with the cost transfer barrier between printed paper and packaging compromised the formula and demonstrated that it does not work well when materials achieve over 60%
- **Expected new legislation** in Ontario and provinces such as Nova Scotia



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## **Preliminary Objectives of the Fee Setting Methodology Project**

- Produce a harmonized fee setting methodology across all programs (as legislation permits)
- Fairly share program costs amongst participating stewards
- Make the methodology simpler to apply and easier for stakeholders to understand



# Stakeholder Engagement will be critical

## Stakeholder Engagement Forums

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graph TD; A[Stakeholder Engagement Forums] --- B[Steward Consultation Committee]; A --- C[Industry Advisory Committee]; A --- D[Consultations with Stakeholder Community];
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**Steward Consultation  
Committee**

**Industry Advisory  
Committee**

**Consultations with  
Stakeholder Community**



# Stakeholder Engagement Plan – Step 1

## Establish Steward Consultation Committee (Underway)

- Will consist of stewards representing key sectors with substantial tonnage, for example:
  - Retailers (grocery and mass merchandise)
  - Consumer product brand owners (e.g. food, household, and personal care)
  - Magazine publishers
  - Food service
  - Financial services
- Members of national industry associations
- Limit Consultation Committee to approx. 20 members to facilitate constructive discussion
- Committee will be co-chaired by a brandowner and a retailer
- Invitations are being sent to candidates this week



## **Introducing Committee Co-chairs**

**Neil Antymis, Director, Government Affairs, PepsiCo  
Beverages Canada**



- A Certified General Accountant , Neil has worked in the beverage industry since 1990
- Leads PepsiCo's beverage container stewardship
- Chair of Multi-Material Stewardship Manitoba
- Serves on several recycling stewardship boards including Encorp Pacific, ABCRC & BCMB in Alberta and Refreshments Canada.
- Co-chaired the Stewardship Ontario Blue Box Funding Formula Review in 2005 and 2006



## **Introducing Project Co-chairs**



**Scott Tudor, National Director,  
Sustainability, Sobeys**

- Packaging stewardship is a central pillar of his role as Sobeys National Director, Sustainability
- Related roles have included Director Private Label and Director Business Process Optimization
- Director of Stewardship Ontario
- Licensed Professional Engineer (Ontario)
- Significant work experience in the transportation and steel manufacturing industries



## **Stakeholder Engagement Plan – Step 2**

- Invite Stakeholder Community to submit comments as initial inputs into the project (today).
  - More details on how to immediately participate will be provided at the end of this presentation
- Stakeholders are welcome and encouraged to present their views to the Steward Consultation Committee
- All submissions will be carefully considered by the Committee



# Stakeholder Engagement Plan Step 3

## Steward Consultation Committee Workshops

### Timing: Q2-Q3

- Steward Consultation Committee will develop options via a series of facilitated workshops
  - Initial submissions from stakeholder community (Step 2) and consultation feedback from prior years will serve as inputs to these workshops
  - Subject matter experts (e.g., waste management partners, packaging manufacturers etc.) will be invited to provide information to committee members as needed
- Following the completion of each workshop, committee co-chairs will meet with the Industry Advisory Committee to report out on progress and solicit feedback
- Regular communiques will update larger stakeholder community



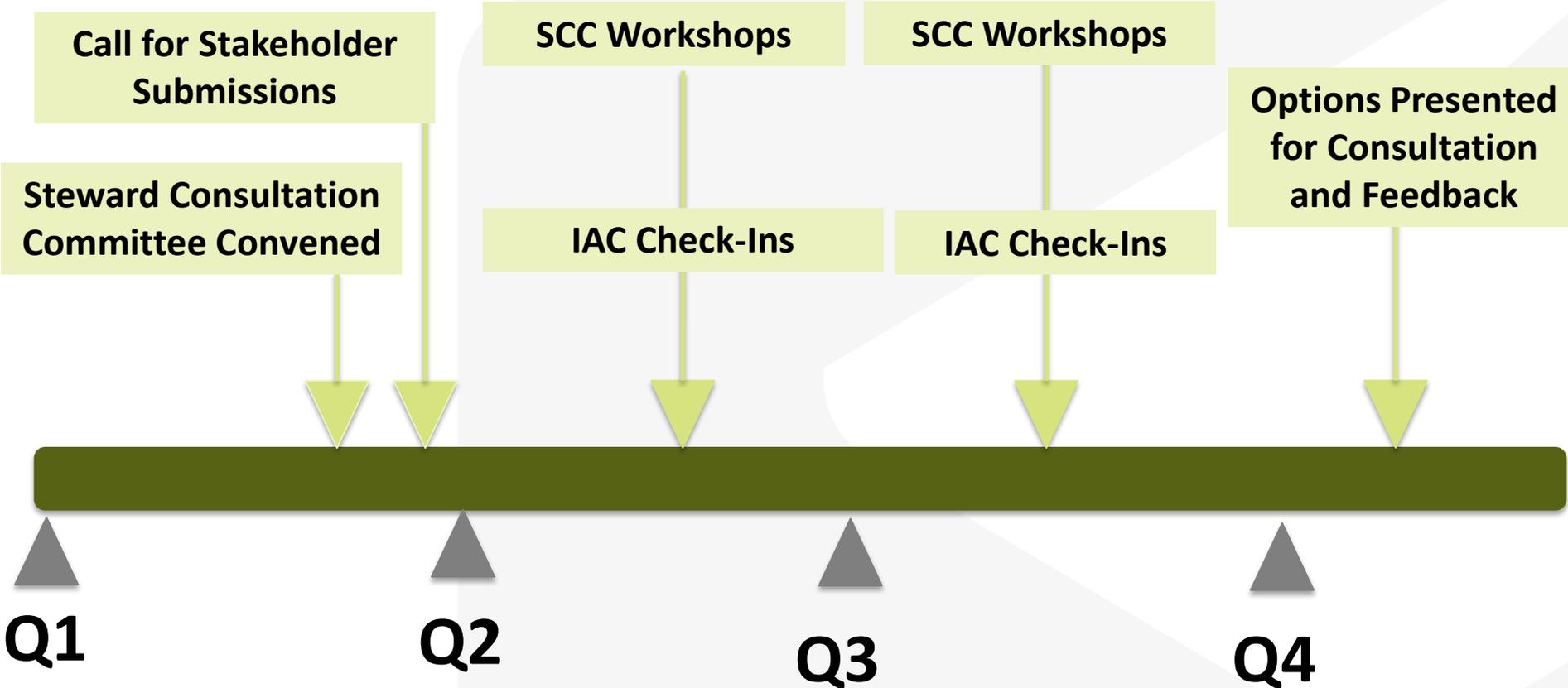
# Stakeholder Engagement Plan Step 4

## Timing: Q4

- Options will be presented to stakeholder community for discussion and comment
- Expectation is that a new fee setting methodology will be in place for the 2017 fee setting cycle
  - Scope of work required for project, and ensuring as wide a range of views and inputs are gathered, means timing is not likely to allow a new methodology to be in place for 2016 fee setting
- 2016 fee setting cycle will begin in June, 2015 with the close of the steward reporting process



# 2015 Stakeholder Engagement Schedule





## **Call for Submissions**

- What are the key principles you would like the fee setting methodology to reflect?
- What are the key issues that you think need to be addressed during the review, based on your experience with the fee methodology over the last few years?
- What aspects of the methodology strike you as being most robust and useful? Why?
- What aspects of the methodology do you consider need improvement, or that should be removed altogether? Why?



## What's Next?

- Please send us any comments and thoughts by **Thursday April 30, 2015** to [feemethodologyreview@cssalliance.ca](mailto:feemethodologyreview@cssalliance.ca)
- If you have any specific questions while preparing your submissions, please email [aharris-cartwright@cssalliance.ca](mailto:aharris-cartwright@cssalliance.ca)



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# Questions



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