

DEDUCTION AND EXCLUSION POLICY

KEY FEATURES:

- This Policy provides guidance about “exclusions” and “deductions” from the Annual Steward Report

I. Overview

1. This policy:
 - outlines the scope of permitted deductions in Annual Steward Reports; and
 - explains what materials must be excluded from Annual Steward Reports because they are not designated paper or packaging materials.

II. Purpose

2. The Policy:
 - promotes fairness and consistency for all stewards; and
 - supports stewards in their obligation to produce Annual Steward Reports which are auditable by the Program and by provincial regulators.

III. Scope

3. This Policy is effective January 1, 2021 for all stewards meeting their regulatory stewardship obligations with Stewardship Ontario (Blue Box).

IV. Policy

(a) Definitions

4. “**Annual Steward Report**” is the annual report Filed by all stewards and voluntary stewards, which describes the aggregate amount of Obligated Material, expressed in kilograms or units by category, Supplied by the steward and its franchisees or affiliates during the Data Year.
5. “**Consumer**” means an individual (other than a Person in the Industrial, Commercial, or Institutional (IC&I) sector) to whom Obligated Material is Supplied, regardless of whether the Obligated Material is disposed of by the Consumer in the Residential Waste System.
6. “**Deduction Declaration Form**” – an excel or form available via WeRecycle Portal that the steward is required to complete and submit with their Annual Report for validation

7. **“Designated Material”** means paper, packaging, and service packaging which is Supplied to Consumers and is designated pursuant to the Stewardship Ontario Blue Box Program.
8. **“Excluded Material”** has the meaning provided in section [18].
9. **“Gross Weight”** means the total weight of all Obligated Material Supplied to Consumers, without deduction.
10. **“Jurisdiction”** means Ontario.
11. **“Permitted Deductions”** means the deductions that may be claimed by stewards with respect to Obligated Material in accordance with this Policy.
12. **“PPP”** means packaging and paper products Designated by the Stewardship Ontario Blue Box Program..
13. **“Program”** means the Stewardship Ontario Blue Box Program.
14. **“Residential Waste System”** means a system of waste collection which services residential dwellings, including all single family and multi-family dwellings, regardless of whether the service is provided by a municipal government or by private contractors.
15. **“Supplied”** means sold, leased, donated, disposed of, used, transferred the possession of or title of, or otherwise made available to a Consumer in the Jurisdiction or distributed for use by a Consumer in the Jurisdiction. Supply and Supplies have similar meanings.
16. **“Service Packaging”** means packaging which may or may not bear a Brand that is Supplied at the point of sale by the retail, food-service or other service providers to facilitate the delivery of goods, and includes all bags, boxes, and other items for the containment of goods at point of sale
17. **“Validation Data”** means data such as SKU, UPC or other product categorization information, including:
 - (a) descriptions of each product item or group;
 - (b) product sizes;
 - (c) packaging materials and weight;
 - (d) sales volumes
 that may be requested by the Program to:
 - (i) substantiate quantities reported by stewards in their Annual Steward Report; or
 - (ii) assess a steward’s request for a Permitted Deduction.

(b) Overview: “Deductions” versus “Exclusions”

18. “Exclusions” are different from “Deductions”:
 - (a) “Exclusions”:

- (i) relate to material which is not Designated Material by the Program, examples of which are provided in the next section; and
 - (ii) must not be reported in the Annual Steward Report.
- (b) “Deductions” relate to material that is Designated Material by the Program and is Supplied to Consumers, but is managed outside of the Residential Waste System:
- (i) Designated Materials Supplied to a Consumer must be reported in their totality in the Annual Steward Report without deduction insofar as the steward is unable to provide adequate Validation Data in support of its deduction.
 - (ii) Designated Materials sometimes may be disposed of outside of the Residential Waste System and therefore may be deducted from the Annual Steward Report as long as the deductions are substantiated and validated through the completion of a Deduction Declaration Form and supported by appropriate Validation Data.
 - (iii) Deductions based on where the Designated Material is managed within the Residential Waste System i.e., recycling, garbage or organic stream, are not permitted.

(c) Materials that should be Excluded from the Annual Steward Report because they are not Designated under the Programs

- 19. Some PPP is not Designated by the Program because the material is never Supplied to a Consumer or is not considered to be packaging. These are known as Exclusions. Stewards do not need to include material which is “Excluded” (i.e. not Designated) in their Annual Steward Report.
- 20. Examples of Excluded Material include:
 - (i) **Durable Packaging**
 - a. Durable packaging refers to packaging that has a useful life of at least five years, is intended to facilitate longer term storage of the product and remains with the product throughout its useful life.
 - b. Where only a portion of the packaging is considered integral to the long-term use or storage of the product, this portion may be excluded from the steward report because it is not Designated PPP.
 - c. The following are examples of durable packaging that should not be included in the Annual Steward Report:
 - CD/ DVD cases;
 - power tool cases;
 - vinyl record covers; and

- the boxboard used to contain, store and transport pieces of a board game or puzzle.

(ii) **Products and services Supplied to IC&I consumers for the IC&I consumers' consumption**

- a. Where a steward supplies packaging or paper product materials to the industrial, commercial, or institutional (IC&I) sector, and the material is not disposed of in the Residential Waste System, this constitutes Excluded Material.
- b. PPP Supplied to home offices disposed of in the Residential Waste System are not considered Exclusions and cannot be deducted from the Annual Steward Report because it will be managed in the Residential Waste System, rather than in a commercial establishment's waste management system.

(iii) **Other items to exclude from your report**

- a. Do not report items that are not generally considered to be packaging such as accessories to the product that do not serve a packaging function. These items are not Designated Material under the Program. This would include items such as:
 - plastic cutlery,
 - straws, and
 - paper serviettes etc.
- b. Do not report packaging sold as a product (empty) to the end consumer.¹ This would include:
 - garbage bags,
 - organic waste bags,
 - food storage bags, and
 - food storage containers.
- c. Do not report items that constitute an integral part of the product. This would include:
 - toner cartridges, and
 - single use cameras.

(d) Deductions Claimed by a Steward in the Annual Steward Report

(i) Introduction

21. A steward must provide the following information in its Annual Steward Report:

- (a) report on the Net Weight of Designated Material Supplied to Consumers;

¹ Retail carry-out plastic bags are considered designated items and must be reported.

- (b) identify the Gross Weight of the Designated Material, by material type, in the completed Deduction Declaration Form identifying the methodology used to calculate and determine the deduction [insert link];
 - (c) maintain the steward's records in support of the deduction for at least five years and make these records available to the Program upon request.
- 22. The Program may require any steward claiming a deduction to provide additional Validation Data or submit to an audit of the deduction.
- 23. If the deduction substantiation involves a third-party study, waste audit data, or market research; the steward must ensure that:
 - (a) a copy of the study, data or research is included along with the Deduction Declaration Form,
 - (b) the study, data or research must be current, undertaken or refreshed within the three years preceding the submission year,
 - (c) information such as time frame of the study/research/ data, demographics, location, survey questions, and results are clearly stated,
 - (d) the questions asked in the research and study demonstrate the percentage of PPP managed outside the Residential Waste System versus the percentage consumed or delivered etc., and
 - (e) any other relevant information.
- 24. Stewards are not permitted to retroactively claim deductions which they did not claim in a prior Annual Steward Report. The Steward Initiated Adjustment Policy prohibits retroactive methodological changes, and this includes changing the percentage of designated material for which the steward claims a deduction for past years.

(ii) Waste Management Outside of the Residential Waste System

- 25. Designated Materials that are disposed of outside the Residential Waste System may be deducted from the Annual Steward Report, as long as the deduction is supported by adequate Validation Data and a completed Deduction Declaration Form.²

² An Excel Deduction Declaration Form is available on the WeRecycle portal for stewards to provide information on the types of deductions taken. The form lists examples of acceptable supporting documentation for any deductions, including stock keeping unit (SKU)-level data or relevant third-party studies and their application to the SKU level data. Validation data must be submitted alongside the Deduction Declaration Form to support the review process and confirm the legitimacy of the underlying deduction.

(iii) Product returns

26. A steward may deduct Designated Material associated with products that are initially Supplied to Consumers, but are:
 - (a) returned to retail;
 - (b) never re-Supplied to a Consumer, and
 - (c) disposed of outside of the Residential Waste System.
27. Stewards cannot claim a deduction for product returns where:
 - (a) the product is returned without its associated PPP; or
 - (b) the returned product and its associated PPP are subsequently re-Supplied to a Consumer, as it will re-enter the Residential Waste System.
28. Retailers may only claim this deduction for PPP for which they are the brand owner or first importer.
29. A brand owner claiming this deduction must be able to substantiate the quantity of returns to retail.

(iv) Packaging removed from consumer's home

30. Goods delivered to Consumers may have PPP that is delivered with the product, but the associated PPP is sometimes removed from the Consumer's home by the delivery service.³
31. This PPP is Designated Material because it is Supplied to the Consumer at the time of the delivery but may be eligible for a deduction if the PPP is removed from the Consumer's home and disposed of outside of the Residential Waste System.
32. Retailers may only claim this deduction for PPP for which they are the brand owner or first importer.
33. A brand owner claiming this deduction must be able to substantiate the quantity of PPP removed from the homes of Consumers at the time of delivery.
34. The steward must have Validation Data such as auditable documentation from various retailers and their delivery network that supports the deduction of this Designated Material from its report and provide supporting information in the Deduction Declaration Form.

³ Not all Consumers will ask for the Designated Material to be removed at the time of delivery. Further, some delivery companies that do remove PPP at the time of the delivery may use the Residential Waste System for disposal. Some SKUs may have lower rates of delivery than other items (e.g. large appliances).