



2021 Annual Report

Table of Contents



3	Vision, Mission, Mandate
4	Board of Directors
5	Summary Statistics
7	Program Overview
9	Public Outreach & Awareness
12	Collection Network & Accessibility
13	Program Highlights
15	Processing
16	Consolidated Financials
20	Notes to The Financial Statements

Vision

To be the preferred service provider in provinces with a regulation in place for small appliances, striving for optimal cost effectiveness and efficiency for our members.

Mission

To assist manufacturers, brand owners and other legally obligated parties in discharging their obligation to establish end-of-life product collection and recycling programs under applicable provincial extended producer responsibility (EPR) legislation.

Mandate

To design, implement, operate, promote and report out on end-of-life recycling programs for electrical appliances and other electrical products.



Board of Directors

Craig Emerson

Bissell Canada Corporation *Manufacturer*

Kimi Walker

Canadian Tire Corporation *Retailer*

Milena Tolasi

Costco Wholesale Canada Ltd *Retailer*

David Williams

Hamilton Beach *Manufacturer*

Tracey Jones

Home Hardware Stores Limited *Retailer*

Jinie Choi

Hudson's Bay Company *Retailer*

Marie-Anne Champoux-Guimond

Keurig Dr. Pepper Canada *Manufacturer*

Theo Horsdal

London Drugs Limited *Retailer*

Peter Maddock

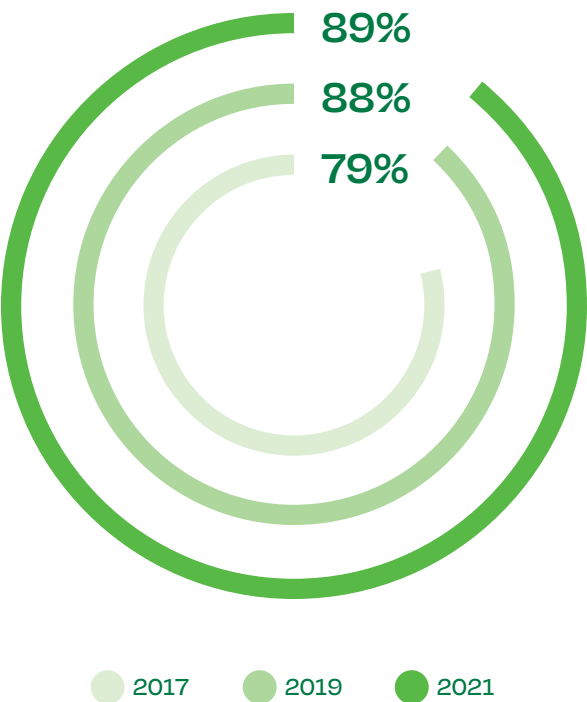
Panasonic Canada Inc *Manufacturer*

Tom Siwek

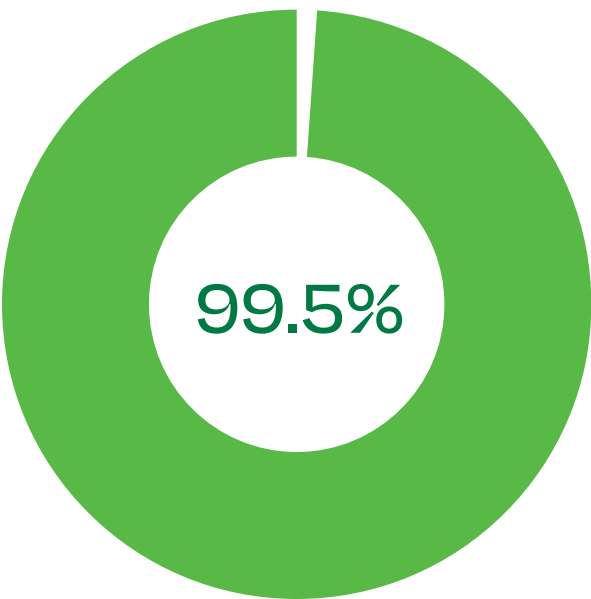
Shark Ninja *Manufacturer*

Summary Statistics

CONSUMER AWARENESS

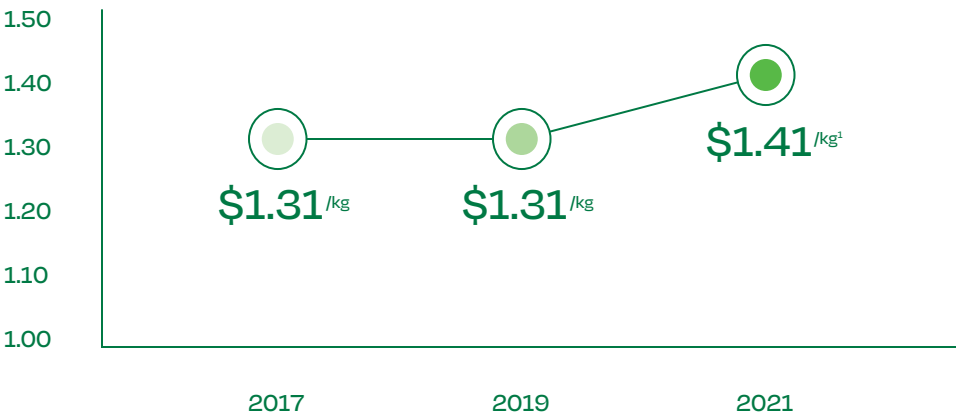


ACCESSIBILITY ACROSS BC



FINANCIALS

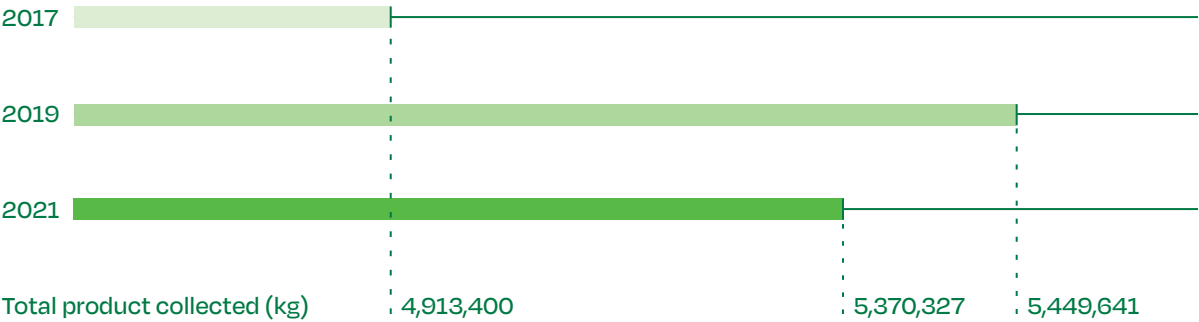
¹The increase in program cost is reflective of an increase in collection, transport and processing expenses resulting from impacts of COVID-19. Please see Financial Statements for further detail.



COLLECTION

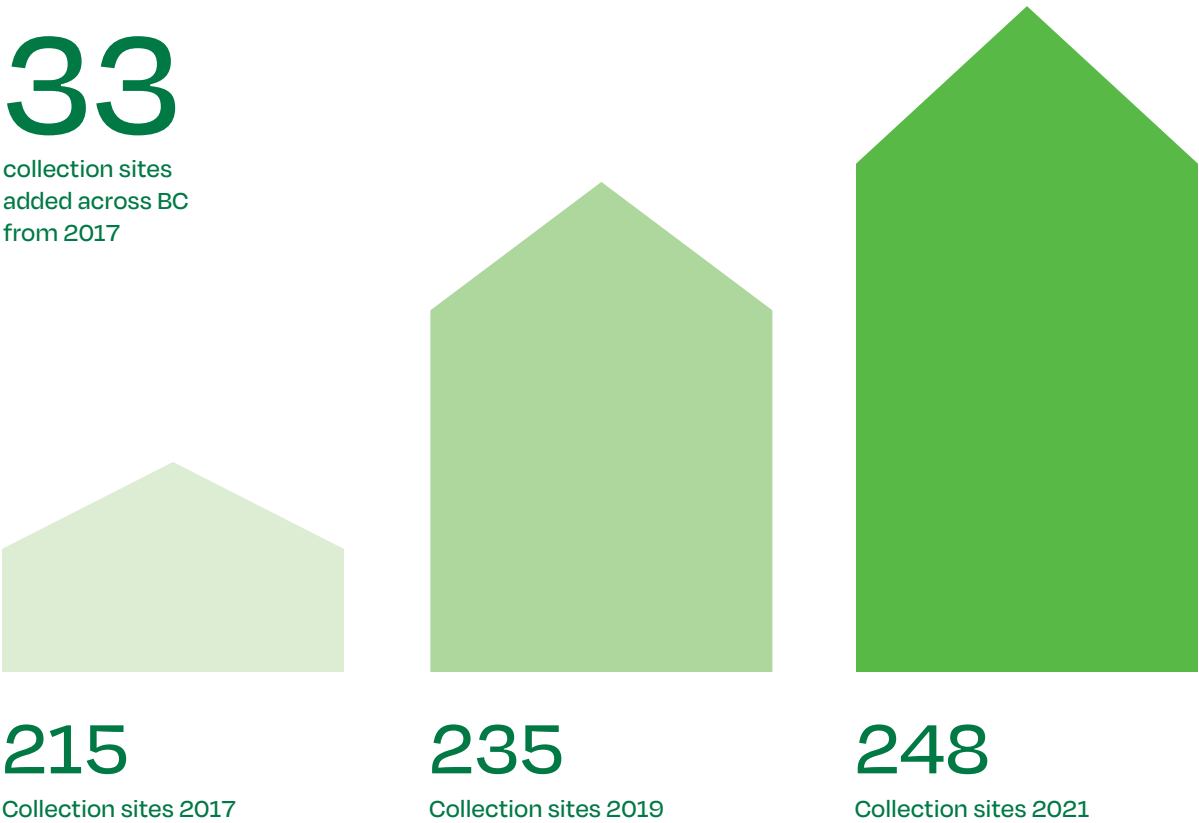
9%

increase in product
collected from 2017



33

collection sites
added across BC
from 2017



Program Overview



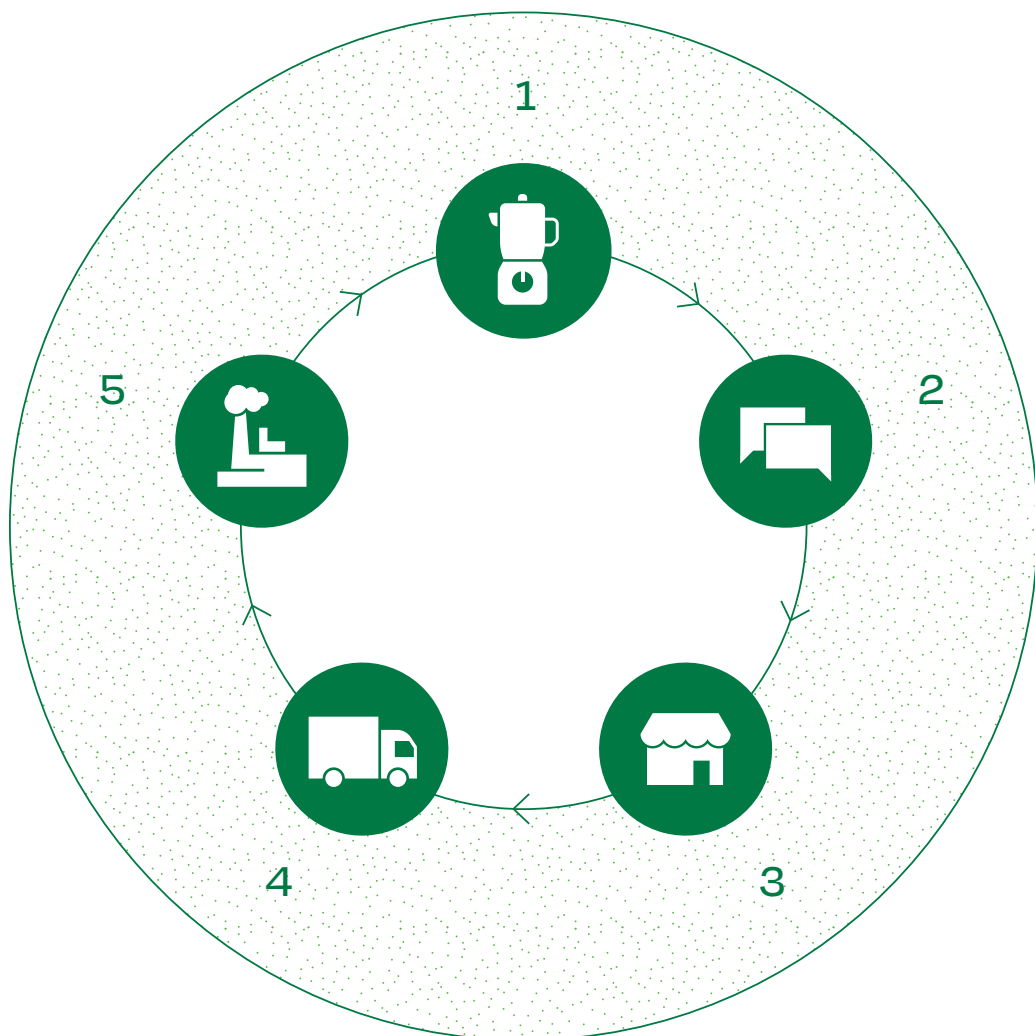
The business of recycling small appliances and power tools is a many-step process, which ensures Program Products are handled in an environmentally responsible manner.

It starts with set up and maintenance of a far-reaching collection network that is accessible to the public, making it convenient to recycle post-consumer products. We then educate consumers about the pollution prevention hierarchy—detailing the importance of repairing as a first resort and recycling items that have reached end-of-life. We educate consumers about the existence of the ElectroRecycle Program, ensuring they know which products we collect, where they are accepted, and why it's important to recycle them.

Once products are dropped off by consumers, the Program proceeds with environmentally responsible handling procedures. We organize a safe and effective transportation system and process the recyclable products we collect so the materials can be reused in various applications, including the manufacture of other products.

As was the case in 2020, the ElectroRecycle Program was still impacted by COVID-19 in 2021 and 'business as usual' was not an option. Certain routine operations and costs were impacted, there was a reduced ability to travel, and limited event opportunities available, all of which impacted collection efforts compared to pre-pandemic times.

However, ElectroRecycle was able to take learnings from the previous year and adapt its approach to business to ensure key objectives were met and that British Columbians were able to maintain access to recycling solutions for small appliances and power tools.



Close the Loop

1. Manufacturing & sale of product
2. Consumer awareness about recycling
3. Public accessibility to collection network
4. Transportation system for recyclable products
5. Processing of recyclable products into materials for reuse

Public Outreach & Awareness

In 2021, ElectroRecycle strategically placed a large emphasis on digital marketing based on audience behaviour. Where previously it was a priority to connect with people in the field and at events, post-pandemic it became critical to reach people in their homes and on their most-used devices.

As such, digital marketing became a core tenet of the 2021 public awareness plan, and to great success.

The sum of all of ElectroRecycle's tactics resulted in nearly 38 million impressions across British Columbia. This represents more than double the 16.5 million impressions achieved in 2020. This dramatic increase is the result of the reallocation of resources from event-based tactics to a larger emphasis on digital advertising.

The Program's 2021 communications strategies were developed in accordance with the objectives noted above and contributed to strong results in terms of high reach and engagement across all tactics.

ElectroRecycle produced new video content that places emphasis on a positive recycling story featuring a wide array of appliances in various category groupings (kitchen, bathroom, garage) to illustrate the breadth of the Program as well as the collection process. The videos were distributed through a multi-channel suite of marketing and communications tactics including social media, TV and third-party websites. In addition to video content, ElectroRecycle's tactics included community outreach, radio and print advertising, events and public education activities.

ElectroRecycle delivered on its core communications objectives to:

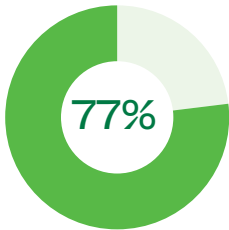
- Continue to be a leader in EPR for small appliances and power tools
- Ensure an extensive geographical reach in the province by using a variety of media platforms to speak to various audiences
- Achieve a consumer awareness rate of at least 79% (current awareness levels exceed this at 89%) and shift marketing messaging away from awareness-building to a call to recycle



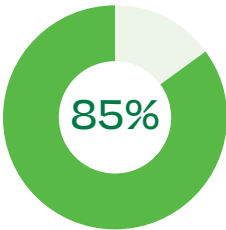
DIGITAL MARKETING HIGHLIGHTS



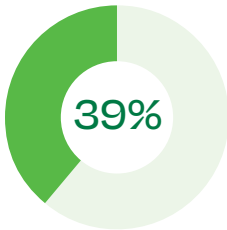
118,502
website visits



increase over 2020



of visits were from new visitors



of website visits included a search for a recycling location



15.7 million
Google Ads impressions



3 million
impressions from new videos



120,000
views from new videos

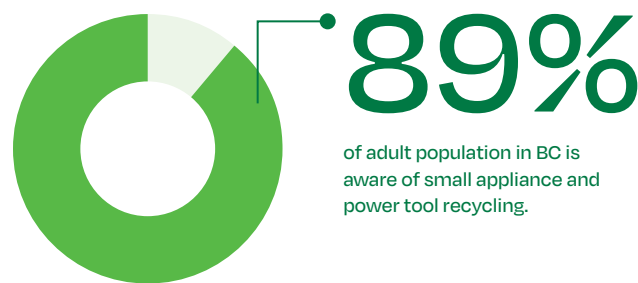


44,000
clicks through to the website from new videos

CONSUMER AWARENESS

Every two years CESA conducts a survey of British Columbia's adult population to determine awareness levels of the Program. The last survey was conducted in 2020 and demonstrated that 89% of the province's adult population is aware that small appliances and power tools can be recycled in B.C.—a significantly higher rate than the target awareness level of 79%.

The next consumer awareness study will be conducted in 2022 to further CESA's knowledge of consumer behaviour and education opportunities.



COMMUNITY COLLECTION EVENTS

ElectroRecycle attended events across the province to the extent possible as per the provincial health and safety guidelines, resulting in a presence at 41 events. The Program collaborated with 18 communities in seven regional districts and collected more than 15 thousand kilograms of Program Products.

In 2021, the majority of Program events (28) took place in Metro Vancouver, while 13 events occurred in other areas of the province on Vancouver Island, in the Central Kootenays, in Northern BC, and on the Sunshine Coast. The Program collaborated with community partners at several events to collect Program Products including Farmers Markets, Repair Cafes, municipal and regional round-ups, retailer events, and elementary schools.

INNOVATIVE SCHOOL PARTNERSHIPS

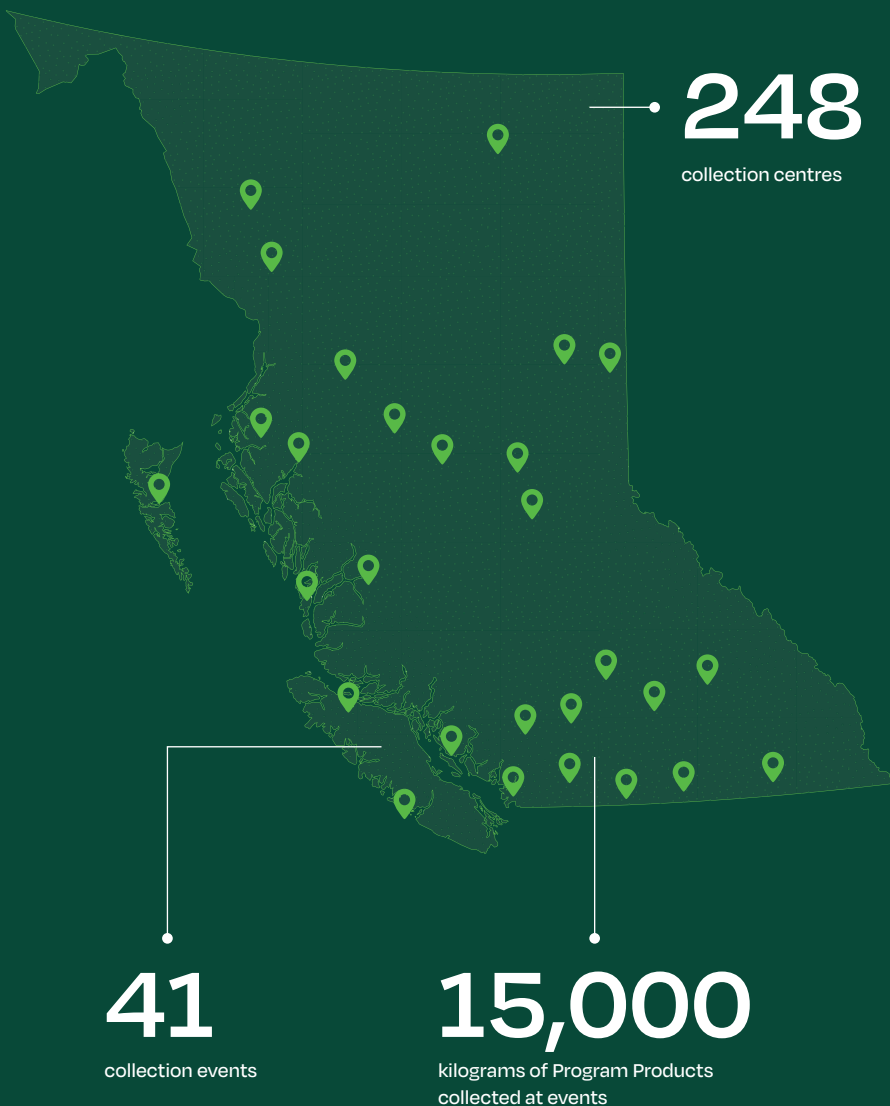
In lieu of visiting schools in person, ElectroRecycle sought out a synergistic partnership with the Planet Protector Academy (PPA)—a local charity that delivers environmental curricula within B.C.'s school system for students in grades 3 to 6. ElectroRecycle's message was incorporated into an educational program about the pollution prevention hierarchy as part of PPA's Zero Heroes program which included the creation of [The Repair Song](#).

Through this strategic collaboration with the PPA, ElectroRecycle reached a total of 10,500 students in 15 different communities and eight regional districts across B.C. In addition to being available to all B.C. students via an at-home virtual program, a condensed virtual school assembly version was delivered to 28 different schools, and an in-class version was delivered in Kamloops and Surrey school districts.



Collection Network & Accessibility

In 2021, CESA's recycling network consisted of 248 ElectroRecycle drop off locations across the province.



The collection network enables British Columbians to drop off unwanted electrical items—for free—throughout BC at depots, private drop-off centres, municipal collection sites, service organizations, and return-to-retail locations. The permanent network is augmented by one-off collection events throughout the province, as well as a direct pick-up program for those who generate large volumes of Program Product.

The Program does not own or manage this collection network, rather, it maintains contracts with organizations that collect recyclables. CESA is reliant upon the collaborative nature of its collection network, working to offer consumers one-stop-drop locations that collect products from multiple stewardship agencies, with CESA being one of many. This model benefits all parties, offering convenience to consumers, enhanced accessibility, and provides revenue to depot operators.

To ensure consumers are able to easily find one of the hundreds of collection locations, CESA offers a location-based "depot finder" on its consumer-focused website, [ElectroRecycle.ca](https://electrorecycle.ca). In addition to its own website, British Columbians can obtain Program recycling information through Recyclepedia—the recycling information portal maintained by the Recycling Council of BC (RCBC). RCBC is financially supported by the Stewardship Agencies of BC (SABC) which ensures information on a wide variety of products is available online. Consumers can search by city or postal code for their nearest collection facility to drop off their regular and large item CESA products. Hours of operation, directions and contact information are also provided.

Program Highlights

COLLECTION

248

collection sites
across BC

2,828

pieces of large exercise
equipment collected³

&

1,393

pieces of large power
tools collected³



5,370,327 kg

of program product collected

≈

4,600 tonnes

of CO2 saved²



99.5%

of British Columbians
had convenient access
to a collection site for
regular products⁴

²Calculation based on the [EPA Waste Reduction Model \(WARM\)](#).

³Unlike regular products, these very large products are not managed through the Program's recycling process but are managed as scrap metal by a number of contracted collection sites.

⁴Defined as a 30-minute drive or less for urban areas with a population greater than 4,000 and a 45-minute drive or less for those in rural areas of the province with a population greater than 4,000.

EVENTS & AWARENESS



89%

consumer awareness



37.9 million

media impressions



15,165 kg

collected at events



2

repair events attended



41

events across BC



7

regional districts visited



16

media channels to
educate the public



28

school assemblies
facilitated

Processing

CESA ensures that end-of-life products are managed responsibly through an established network of collection, shipping, and processing vendors. From start to finish, this network forms a responsible made-in-Canada solution to the recycling journey of Program Products.

In 2021, more than 94% of materials were recycled and repurposed to create new items, via CESA's three contracted processors.



Once Products reach the processors, they are broken down into their component parts for recycling and/or recovery. To ensure collected products are responsibly managed, CESA's processors must adhere to the Electronics Product Stewardship Canada (EPSC) Electronic Recycling Standard, the industry standard for like-products (e.g., electrical, electronic, and battery-operated).

The EPSC Electronic Recycling Standard defines the minimum requirements for handling end-of-life electronics and contains mandatory environmental, occupational health and safety, as well as material handling requirements. CESA accepts a wide variety of more than 400 products, therefore materials are reported out by commodity only, and not by product type or component.

1

Collect

ElectroRecycle collects broken small appliances and power tools at 248 collection sites in BC.

2

Transportation

The items collected are transported to processing facilities in Canada.

3

Recycle

Small appliances and power tools are broken down into their component parts including glass, metal, plastic and precious metals.

4

Repurpose

Each individual material is sent for recycling and repurposed to create new items



Consolidated Financials

OPINION

We have audited the financial statements of Canadian Electrical Stewardship Association (the "Association"), which comprise the statement of financial position as at 31 December 2021, 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 Association as at 31 December 2021, and the results of its 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association 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 the 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Association's financial reporting process.

AUDITORS' 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 auditors' 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 Association'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 Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Association 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.

ASSETS

	2021 (\$)	2020 (\$)
Current		
Cash	1,313,369	872,893
Accounts receivable (Note 3)	1,655,995	1,649,247
GST/HST receivable	68,660	136,798
Prepaid expenses	72,110	109,771
	3,110,134	2,768,709
Internally restricted investments (Note 5)	14,848,618	14,028,183
Long-term investments (Note 6)	5,814,285	6,035,460
Tangible capital asset (Note 4)	29,969	38,532
	23,803,006	22,870,884

LIABILITY

	2021 (\$)	2020 (\$)
Current		
Accounts payable and accrued liabilities	1,492,349	1,619,301
Commitments (Note 7)		

NET ASSETS

	2021 (\$)	2020 (\$)
Unrestricted	7,462,039	7,223,400
Internally restricted — Reserve Fund (Note 9)	14,848,618	14,028,183
	22,310,657	21,251,583
	23,803,006	22,870,884

STATEMENT OF CHANGES IN NET ASSETS

	Unrestricted (\$)	Internally Restricted Reserve Fund (\$)	2021 (\$)	2020 (\$)
Balance — Beginning of Year	7,223,400	14,028,183	21,251,583	20,371,655
Excess of revenues over expenses for the year	1,059,074	-	1,059,074	879,928
Fund transfer — Reserve Fund (Note 9)	(820,435)	820,435	-	-
Balance — End of Year	7,462,039	14,848,618	22,310,657	21,251,583

STATEMENT OF OPERATIONS

	2021 (\$)	2020 (\$)
Revenues (Note 8)	7,522,728	6,691,481
Expenses		
Collection, transportation, and processing	6,073,160	5,405,504
Administration	1,149,878	1,276,708
Communications	340,620	357,473
Amortization	8,563	6,800
	7,572,221	7,046,485
Deficiency of revenues over expenses from operations	(49,493)	(355,004)
Other income (expense)		
Interest	605,251	520,914
Unrealized gain on market value of investments	574,810	781,143
Management fees	(71,494)	(67,125)
	1,108,567	1,234,932
Excess of revenues over expenses for the year	1,059,074	879,928

STATEMENT OF CASH FLOWS

	2021 (\$)	2020 (\$)
CASH PROVIDED BY (USED IN):		
Operating activities		
Excess of revenues over expenses for the year	1,059,074	879,928
Items not involving cash		
Amortization	8,563	6,800
Unrealized gain on market value of investments	(574,810)	(781,143)
	492,827	105,585
Changes in non-cash working capital balances		
Accounts receivable	(6,748)	(568,567)
GST / HST receivable	68,138	68,067
Prepaid expenses	37,661	(83,995)
Accounts payable and accrued liabilities	(126,953)	357,205
	464,925	(121,705)
Investing activities		
Purchase of tangible capital asset	-	(45,331)
Proceeds on disposal (purchase) of long-term investments - net	350,730	(139,356)
Transfer to Reverse Fund	(375,179)	(305,614)
	(24,449)	(490,301)
Net Increase (decrease) in cash	440,476	(612,006)
Cash — beginning of year	872,893	1,484,899
Cash — end of year	1,313,369	872,893

Notes to The Financial Statements

1. INCORPORATION

Canadian Electrical Stewardship Association (the "Association") was incorporated under the Canada Corporations Act on 8 March 2010 and commenced operations on 1 October 2011. The Association was issued a certificate of continuance under the Canada Not-for-Profit Corporations Act on 2 August 2012. The Association is a not-for-profit organization and it is not subject to income taxes providing certain requirements are met.

The Association is a Product Stewardship Agency of manufacturers, brand owners and retailers of electrical small appliances, power tools, sewing machines, exercise, sports and leisure equipment, and arts, crafts and hobby devices. The Association's purpose is to assist manufacturers, brand owners and other legally obligated parties (e.g. retailers, importers or distributors) in meeting regulatory requirements to establish end-of-life product collection and recycling programs under the British Columbia Recycling Regulation (Reg. 449/2004, O.C. 995/2004) (the "Regulation").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(A) REVENUE RECOGNITION

Revenue from environmental handling fees ("EHF") is recognized at the time a EHF applicable product is sold by a member of the Association, and the EHF becomes due and payable. EHF are received from registered members which participate in the Association's program. The Association recognizes these fees as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. EHF revenues are recognized as members report and remit them as required by applicable provincial environmental legislation.

Members who join the program after the program's start date are obligated to remit EHF back fees for all products sold from the earlier of the program's start date or the date on which the member started selling designated products. The back fees are recognized as revenue when the amounts are determinable by the Association.

Investment income includes dividend and interest income, and realized and unrealized investment gains and losses. Investment income is recognized as revenue when earned. Unrealized gains and losses on investments are recognized in the statement of operations.

(B) CASH AND CASH EQUIVALENTS

The Association's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition.

(C) TANGIBLE CAPITAL ASSET

The tangible capital asset is recorded at cost. The Association provides for amortization using the straight-line method at rates designed to amortize the cost of the tangible capital asset over its estimated useful life. The annual amortization rate is as follows: Vehicle, 5 years (2020 - 3 years). During the year, the Association increased the estimated useful life of the vehicle from 3 years to 5 years. The related change in amortization expense has been accounted for prospectively in these financial statements.

(D) FINANCIAL INSTRUMENTS

(i) Measurement of financial instruments

The Association initially measures its financial assets and liabilities at fair value and subsequently measures all of its financial assets and financial liabilities at amortized cost except for investments in equity investments that are quoted in an active market and investments in other securities, which are measured at fair value. Changes in fair value are recognized in the statements of operations.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. Financial assets measured at fair value include long-term investments and internally restricted investments.

(ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided

it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

(iii) Transaction costs

The Association recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(E) USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Key areas where management has made estimates and assumptions include recognition of accrued liabilities, revenue recognition of EHF and provisions for allowance for doubtful accounts related to accounts receivable. Actual results could differ from these estimates.

3. ACCOUNTS RECEIVABLE

	2021 (\$)	2020 (\$)
Accounts receivable	1,700,532	1,685,668
Allowance for doubtful accounts	(44,537)	(36,421)
	1,655,995	1,649,247

During the year, the Association recorded bad debt expense of \$7,517 (2020 - \$6,617) that has been included in administration expense.

4. TANGIBLE CAPITAL ASSET

	Cost (\$)	Accumulated Amortization (\$)	2021 Net (\$)	2020 Net (\$)
Vehicle	45,331	15,362	29,969	38,532

5. INTERNALLY RESTRICTED INVESTMENTS

Internally restricted investments are comprised of assets which have been internally restricted by the Association's board of directors related to the Reserve Fund (Note 9):

	2021 Market (\$)	2021 Cost (\$)	2020 Market (\$)	2020 Cost (\$)
Cash equivalents	901,683	901,683	793,890	793,890
Fixed income	9,162,333	9,123,317	9,392,480	9,188,958
Equity	4,784,602	3,125,661	3,841,813	2,782,016
	14,848,618	13,150,661	14,028,183	12,764,864

6. LONG-TERM INVESTMENTS

	2021 Market (\$)	2021 Cost (\$)	2020 Market (\$)	2020 Cost (\$)
Cash equivalents	283,397	283,397	323,135	323,135
Fixed income	3,851,927	3,865,109	4,366,706	4,283,529
Equity	1,678,961	1,104,342	1,345,619	994,200
	5,814,285	5,252,848	6,035,460	5,600,864

7. COMMITMENTS

The Association has a lease agreement for its office premises that will expire on 31 March 2023. The minimum annual payments required by the lease are as follows:

2022 (\$)	2,400
2023 (\$)	600
	3,000

8. REVENUES

Revenues from EHF are comprised of the following amounts:

	2021 (\$)	2020 (\$)
EHF revenue — current year	7,429,444	6,604,813
EHF revenue — back fees	93,284	86,668
	7,522,728	6,691,481

9. RESERVE FUND

The Reserve Fund has the following purposes:

(a) To manage the year to year cost of fluctuations in volumes and costs and thereby stabilize recycling fees;

(b) To cover the costs of winding up the Association by the decision of the members or as a consequence of regulatory change;

(c) To cover any claims against the Association, its staff or Board of Directors in excess of the Association's insurance coverage;

(d) To enable the Association to reduce its insurance costs for the management of environmental risk, or any other risk;

(e) To cover any unusual or extraordinary costs not accounted for in the operating budget;

(f) To be used in the event that unexpected expenses or drive program collection, awareness or expansion are determined necessary to maintain operations; and

(g) To meet recovery targets in British Columbia or any other province in which the Association may operate in the future.

The Reserve Fund is internally restricted and transfers to the Reserve Fund are at the discretion of the Board of Directors up to a maximum amount, which is the greater of the cumulative forecasted expenses for the following fiscal year and the cumulative prior year expenses, plus other amounts deemed necessary by the Board of Directors. The Reserve Fund is funded by investments which have been internally restricted by the Association's Board of Directors (Note 5).

The assets in the Reserve Fund consist of investments in cash equivalents, fixed income investments, mutual funds, and equity securities and is independently managed (Note 5). All income earned and expenses paid on those investments are initially reported in the unrestricted fund and then transferred to the Reserve Fund. During the year, \$820,435 (2020 - \$888,589) was transferred from the unrestricted fund to the Reserve Fund.

10. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure and concentrations at the statement of financial position date, 31 December 2021.

(A) CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association's main credit risks relate to its cash and accounts receivable. Cash is in place with major financial institutions. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of members. The Association has evaluation and monitoring processes in place and writes off accounts when they are determined to be uncollectible. There has been no change to this risk exposure from the prior year.

(B) LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Association is not exposed to this risk due to its strong working capital position. There has been no change to this risk exposure from the prior year.

(C) MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(D) CURRENCY RISK

Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in

foreign exchange rates. Approximately 9% (2020 - 8%) of the Association's investments are denominated in foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. There has been no change to this risk exposure from the prior year.

(E) INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Association to a fair value risk while the floating-rate instruments subject it to a cash flow risk. The Association does not use financial instruments to reduce its risk exposure. There has been no change to this risk exposure from the prior year.

(F) OTHER PRICE RISK

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in market. The Association is exposed to other price risk through its long-term and internally restricted investments, which are held in professionally administered funds. These funds are subject to fluctuating returns based on the market and exposed to the risk of market volatility. Risk has been assessed by management and an investment policy adopted to mitigate such market risk. There has been no change to this risk exposure from the prior year.

11. IMPACT OF COVID-19

In March 2020, the World Health Organization declared the COVID-19 outbreak to be a public health emergency. This pandemic has caused an increase in economic uncertainty that has led to volatility in international markets and disrupted business operations around the world. The Association's primary source of revenue is derived from Environmental Handling Fees charged to its members on the sale of approved program products which are dependent on the members' ongoing business operations. Additionally, the Association's operating expenses are largely comprised of the costs of collection, transportation and processing of program products as these are returned to the Association for recycling and proper disposal. During the year, the Association continued to receive revenue from Environmental Handling Fees as charged to its members. The Association did experience disruption in its collection and processing activities at various points during the year due to regional COVID-19 restrictions. The Association's management has completed an independent third party study to estimate the impact of the COVID-19 pandemic on 2020-21 revenues and associated future expenses.