



Thinking
beyond
the box

Stewardship Ontario

2014 ANNUAL REPORT



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.01 MESSAGE TO STAKEHOLDERS



Debbie Baxter,

Board Chair, Stewardship Ontario
VP, Corporate Real Estate Financial Advisory
Deloitte

It is with great pleasure that I present Stewardship Ontario's 2014 Annual Report.

It has been another busy year for the organization as it continues its efforts to support recycling in the province through the Blue Box Program and the Municipal Hazardous or Special Waste (MHSW) Program, or Orange Drop as Ontario residents know it.

Of particular note is Stewardship Ontario's recycling rate of 65.8 per cent, an increase over the previous year's 62.8 per cent. Stewardship Ontario continues to exceed the 60 per cent government mandated recycling target.

Stewardship Ontario undertook a series of promotion and education activities in 2014 to both encourage wider consumer participation in recycling, and to educate residents about new materials that can be recycled. In 2014, we ran three campaigns: one focused on the recycling of fibres, many of which are found in the bathroom but don't make their way to the blue box; one on the new types of plastics that are now accepted in many blue boxes; and a campaign focused on the recycling of batteries. All campaigns were driven by waste studies which showed much room for improvement in the capture and recycling of these types of materials.

Efforts also continued to find new markets for the materials that come back through the blue box. Stewardship Ontario has an obligation under the Blue Box Program Plan to undertake investments in market development activities. This past year, in partnership with various other organizations, Stewardship Ontario has been active in investigating and developing markets for composite paper packaging and plastic laminates.

We also increased the number of drop-off locations for the MHSW Program, further expanding the comprehensive network of convenient locations where residents can drop-off items like batteries, oil filters, and pressurized containers for safe management and recycling.

You can read more about all this in the pages that follow, as well as review our performance for 2014.



I want to take the opportunity to thank my fellow board members for their dedication and work this past year, especially John Coyne, who after nearly four years of serving as Chair has now stepped down. John will continue to serve as a board director. On behalf of the board, I also want to extend our thanks to all the passionate and committed staff that help manage the Blue Box and MHSW Programs day to day.

The success of these programs would not be possible without the invaluable work of many different players across the province: the 227 municipalities that collect and process residential recycling; the 62 service providers who collect, transport and process MHSW materials; the 1,050 businesses that provide 50 per cent of the cost to finance the Blue Box Program; the 800 businesses that provide 100 per cent of the financing for the MHSW Program; and most importantly, the 13+ million Ontarians that diligently recycle packaging, paper and hazardous or special waste every day.

All of us at Stewardship Ontario look forward to working together with all our partners and Ontarians over the forthcoming year to build on our collective successes of 2014 and continue to keep Ontario at the forefront of recycling innovation and evolution.

.02 YEAR IN REVIEW

Stewardship Ontario operates two diversion programs across the province:

The Blue Box Program for the recycling of packaging and printed paper, and the Municipal Hazardous or Special Waste (MHSW)—or Orange Drop—Program for materials needing careful management at the end-of-life.

Operating since 2003, the Blue Box Program is the oldest, and the first, extended producer responsibility program for packaging and printed paper in Canada, with steward contributions now over \$875 million. Since 2008, when the MHSW Program launched, this industry fully funded program has contributed over \$247 million. In 2014, Stewardship Ontario started to procure services from CSSA for its Blue Box and MHSW Programs, leveraging its harmonized infrastructure across other jurisdictions with similar programs for the benefit of its stewards and Ontarians as a whole.

Stewardship Ontario will continue to seek out more cost effective ways to manage the Blue Box and MHSW programs.

Stewardship Ontario's programs continue to grow, and more materials are diverted from landfill as the organization increases recycling awareness, improves the convenience and accessibility of recycling and develops new markets for recycled commodities. Here are some of the organization's 2014 highlights:

Recycling More

Stewardship Ontario is actively involved in partnerships

with manufacturers, collectors, processors and industry organizations to improve the recyclability of products, to expand the number of recyclable materials and to raise the commodity value of collected materials.

Market Development Initiatives for the Blue Box:

Stewardship Ontario has an obligation under the Blue Box Program Plan to undertake investments in market development activities. The key to market development for recyclable material commodity markets is sustainability. Over the past seven years, Stewardship Ontario has put considerable funds and effort into researching, investing and nurturing markets for materials such as mixed rigid plastics, film plastic, and more recently composite paper packaging and laminated packaging. Efforts in developing markets and ensuring their sustainability are on-going, and Stewardship Ontario staff, together with our valuable partners, work to stay at the forefront of evolving technologies and approaches to ensure our market development activities result in tangible and measureable results. Here are some highlights of market development activities over the last 12 months:

Finding Ways to Recycle Single-Use Coffee Capsules

In 2014, Stewardship Ontario was approached by a coffee manufacturer and chain to assist them in determining the viability of capturing and recycling the EcoCup single-use coffee capsule in the residential recycling system. This project involved a two-pronged approach of first determining if the capsules can be captured within a Material Recovery Facility (MRF), and second, determining whether capsules have a recycling end-market. To undertake this research, Stewardship Ontario undertook a series of studies in four MRFs in Ontario and British Columbia. Subject to a positive outcome of the research, Stewardship Ontario will work with stewards and municipalities to develop ways to successfully manage this relatively new packaging type in the blue box system.





Identifying New Ways to Capture and Manage Composite Paper Packaging (CPP)

By layering high quality fibre with film plastic, and sometimes aluminium, manufacturers can create more compact, stable packaging with transportation and stocking efficiencies. Estimates suggest that composite paper packaging will triple in volume over the next decade, replacing materials such as steel, aluminium and glass. However, it takes more effort to recycle this multi-layered packaging—mostly polycoat containers for liquids like juice, broth, wine and milk, as well as ice cream tubs and beverage cups. Stewardship Ontario has partnered with a number of organizations in a multi-phase project to determine the most efficient way to capture and process these materials and ensure that high grade fibre is not lost to lower value commodity markets.



Investigating Plastic Laminate Recycling

Similarly to the CPP packaging emergence on the market, plastic laminates are also becoming a very popular packaging choice. At this point in time there are very limited diversion solutions in North America. Stewardship Ontario has been working with members of the Packaging Consortium (PAC) on finding additional end-markets for this material type. Much foundation work was undertaken in 2014, and work will continue into 2015.

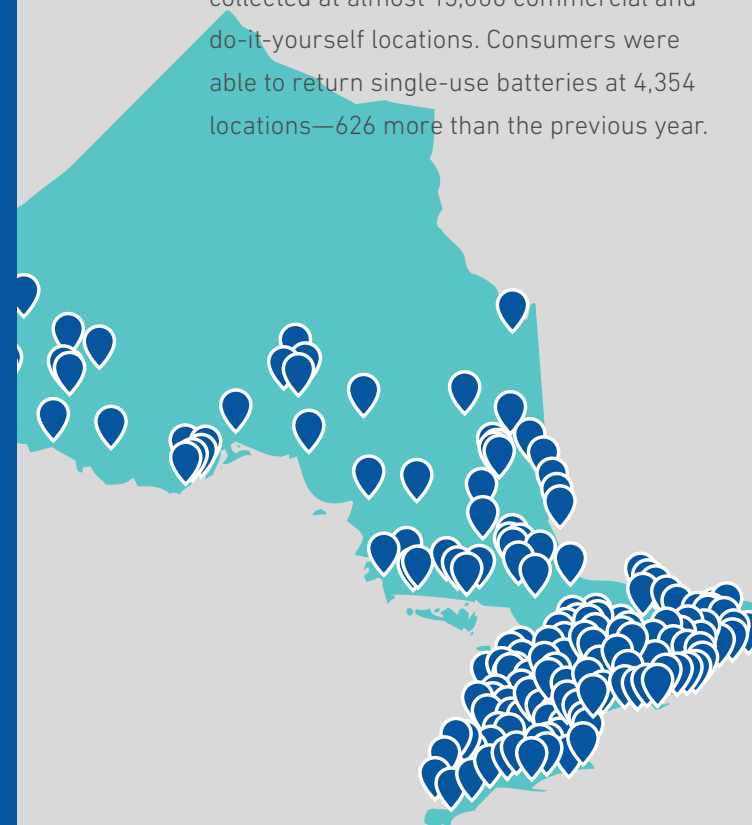
Driving MHSW Recycling Performance

Accessibility

The easier it is to recycle, the more people feel inclined to do it. That's why it's so important to make MHSW recycling as accessible as possible to residents in the province. In 2014, Stewardship Ontario added 732 new drop-off sites for MHSW materials—bringing the total across Ontario to 17,849. Used oil containers and filters were collected at almost 13,000 commercial and do-it-yourself locations. Consumers were able to return single-use batteries at 4,354 locations—626 more than the previous year.

Battery recycling is improving

Eight municipalities participated in curbside battery recycling programs in 2014, with 12 total events run. As a result of this focus, and new collection sites being added to the program, battery collection increased by 38 per cent in 2014 compared to 2013.



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PROMOTION & EDUCATION

Stewardship Ontario strives to increase public awareness of recycling programs and encourage residents to recycle

Stewardship Ontario Encourages Residents to Recycle More Paper from Bathrooms

Following successful campaigns in recent years to increase mixed rigid plastics recycling, Stewardship Ontario turned its attention to capturing paper and packaging from an area of the home where consumers are less likely to think about recycling.

Curbside composition studies in 2012 and 2013 revealed that recyclable materials, such as toothpaste packaging, toilet roll tubes, tissue boxes and toiletry packaging are commonly thrown out with the garbage, as residents tend to leave these in the bathroom garbage instead of putting them in the Blue Box. In partnership with five Central Ontario municipalities, Stewardship Ontario created advertising to encourage residents to recycle more paper products. The 'Paper Is In' campaign ran from August to September and included newspaper and radio ads, as well as bus and billboard signage. With a humorous take on the classic National Geographic style of wildlife shows, a call to action reminded residents to recycle, encouraging them to: "Take your recycling on a journey from the bathroom to the Blue Box."



Making a Positive Change by Recycling Batteries

Stewardship Ontario ran a promotion and education campaign to continue to raise awareness of battery recycling throughout Ontario as part of its MHSW Program. These campaigns have proven effective in helping to increase collection of single-use batteries over the previous two years. The success of the campaign is evident in the increase of tonnes collected from 966 tonnes in 2012 to 1,754 tonnes in 2014.

The 2014 campaign featured advertising on radio stations throughout the province, Go Transit, TTC, online and billboards, and resulted in over 53 million impressions over the ten-week period advertising appeared in September – November.



Awareness

Awareness of recycling options is essential for increasing the amount of waste diverted from landfill. Stewardship Ontario's awareness initiatives also include a number of outreach activities. In 2014, the Orange Drop outreach team attended 37 community events across the province, interacting with and providing information to more than 52,000 Ontario residents.

The MHSW Program also reached nearly 1.8 million households in 31 municipalities through municipal waste calendars and websites, while an increased focus on social media work has resulted in 1,274 Facebook likes and 1,578 Twitter followers, both of which are effective means of driving messaging around the battery campaign, sharing environmental stories and encouraging recycling.

Other News:

Industry Stewardship Plan for Paints and Coatings

On December 10, 2014, Waste Diversion Ontario (WDO) announced that it approved the Industry Stewardship Plan (ISP) from Product Care Association (Product Care) for paints and coatings. WDO stated that the effective date of Product Care's stewardship plan will be June 30, 2015. Stewardship Ontario will seek to minimize the impact of the paints and coatings ISP on remaining MHSW stewards.

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PROGRAM PERFORMANCE



Blue Box Program Performance

1. Recycling Performance:

(2013 DATA ON BB)

TONNES
GENERATED:
1,368,160

TONNES
COLLECTED:
900,135

RECYCLING RATE:
65.8%

RECYCLED KG
PER CAPITA:
68.3

2. Access:

NUMBER OF
HOUSEHOLDS
SERVICED:
5,222,058

PERCENTAGE OF
HOUSEHOLDS WITH
ACCESS TO PPP PROGRAMS:
97%

P&E COST
PER CAPITA:
\$0.59

POPULATION SERVED
BY PROGRAM:
13,178,310

3. Stewards:

NUMBER OF STEWARDS:
1,050

4. Financial Performance:

2014 FINANCIAL ACTUAL

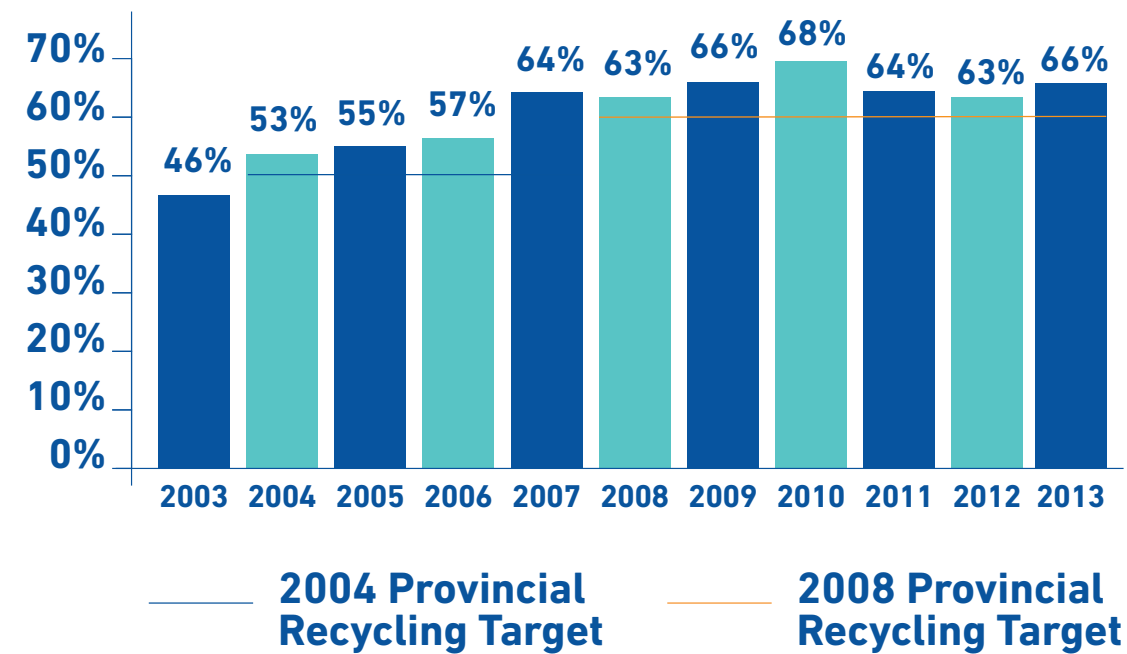
TOTAL FEES:
\$106,264,573

Recycling Target

The Blue Box Program relies on the collection efforts of Ontario municipalities to collect and divert packaging and printed paper from the waste stream. Municipalities are paid 50 per cent of the net costs they incur as a result of the Blue Box Program.

Stewardship Ontario continues to exceed the 60 per cent government-mandated recycling target, and saw a year-over-year increase in the general recycling rate from 62.8 per cent to 65.8 per cent.

The below chart shows the quantity of Blue Box materials collected annually in Ontario by the Blue Box Program. Our recovery rates are expressed as a percentage of the quantity of materials generated into the marketplace by industry stewards. Performance is also shown in relation to the 2004 target approved by the provincial government (50 per cent, rising to 60 per cent in 2008).



Annual material diversion rates reflect previous calendar year results.

PROGRAM DIVERSION PERFORMANCE

Province	Ontario 2013	Ontario 2012	YoY Variance %
Recycling Performance			
Recycled Tonnes	900,135	892,294	0.8%
Generated Tonnes	1,368,160	1,421,593	-3.8%
Recycling Rate	65.8%	62.8%	4.8%
Provincial Recycling Target	60.0%	60.0%	
Population Served by PPP Program	13,178,310	13,009,640	1.3%
Recycled kg per Capita	68.3	68.6	-0.4%
Accessibility Performance			
# Households Served	5,222,058	5,194,568	0.5%
% Households with Access to PPP Program	97%	97%	0.0%
P&E Cost per Capita	\$0.59	\$0.58	1.7%
Consumer awareness	97%	97%	0.0%

*Please note that the population and per capita values for 2012 and 2013 have been updated to reflect the most recent Census data.

Blue Box Financial Performance

The overall net cost of the Blue Box recycling system increased by 1.5% or \$3.6M from 2012 to 2013; however, the net cost per capita remained flat. The primary reasons for this slight increase are:

- 1. Municipal costs increased driven by higher processing rates and more quantities of higher cost materials being processed.
- 2. At the same time material revenues received by municipalities decreased by 1.4% or \$1.25M. The municipalities attribute this decrease to unfavourable commodity markets but it may also be due to varying commodity revenue sharing arrangements municipalities negotiate with their processors.

The cost of operating the Blue Box Program is shared between stewards and municipalities.

REVENUE FROM STEWARD FEES	
Year	Blue Box \$
2004	40,923,863
2005	63,504,052
2006	65,147,760
2007	61,564,749
2008	70,695,695
2009	80,635,640
2010	89,397,662
2011	92,661,176
2012	104,638,471
2013	99,757,409
2014	106,264,573
Total	875,191,050

PROGRAM COST

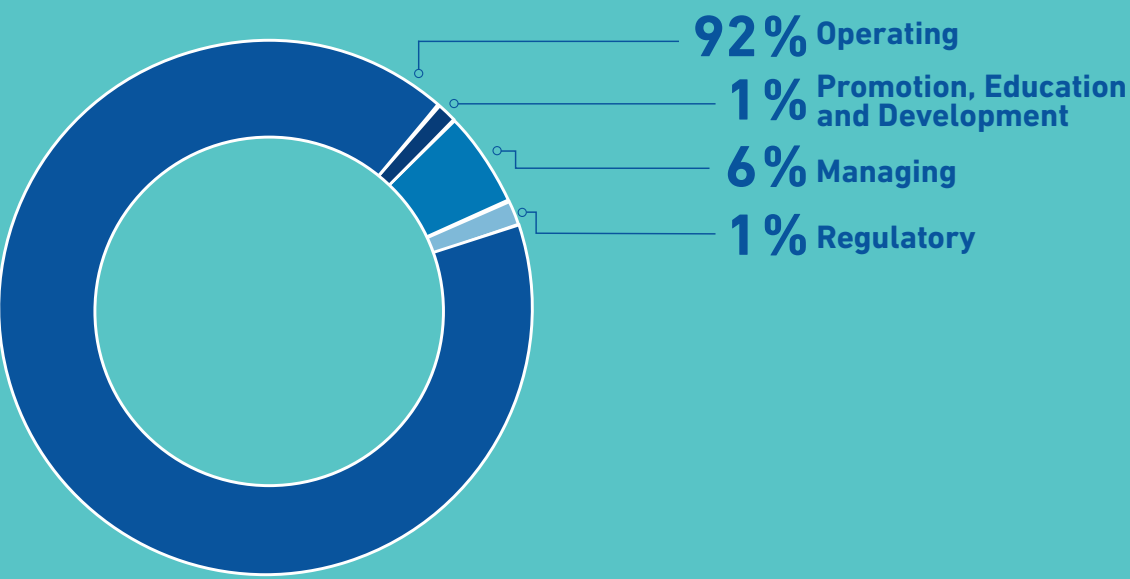
Province	Ontario 2013	Ontario 2012	YoY Variance %
Cost Performance			
Recycled Tonnes	900,135	892,294	0.8%
Net Cost*	\$246,718,476	\$243,149,785	1.5%
Net Cost per Tonne	\$274.10	\$272.30	0.7%
Net Cost per Capita	\$18.70	\$18.70	0.0%
Recycled kg per Capita	68.3	68.6	-0.4%

*Net cost includes supply chain costs, commodity revenues, P&E, regulatory, market development and program management costs

Blue Box Program Expenses: \$117.5M

All but a few cents of every dollar we collect from our stewards is channelled directly to recycling programs. The difference between steward fees of \$106 million and program expenses of \$117 million is the result of the arbitration ruling, which required an addition \$17.4 million to be raised after accounting for program management costs. Stewardship Ontario was able to apply some of its reserves to fill this funding gap. \$9.7 million of reserves was used, leaving \$7.7 million to be raised by stewards.

Stewardship Ontario's program management costs increased significantly compared to previous years. The increase to 6% of total costs from 4% is a direct result of the legal costs incurred associated with the arbitration to determine the 2014 steward obligation.



MHSW Program Performance

The MHSW program collects consumer household hazardous or special waste materials and manages the materials to their end-of-life, either by recycling or safe disposal.

The MHSW Program in 2014 once again performed over target in aggregate, increasing the amount of tonnes collected compared to last year.

AGGREGATE PERFORMANCE			
Year	Aggregate of Material Collection Targets (Tonnes)	Actual Collection (Tonnes)	% of Target
2009	19,600	20,000	102%
2010	22,700	26,482	117%
2011	25,500	26,135	103%
2012	20,708	28,480	138%
2013	21,615	28,280	131%
2014	24,625	28,958	118%

Accessibility

Stewardship Ontario is accountable for providing widespread accessibility to locations where residents can conveniently drop-off any of the nine MHSW materials managed by the program.

A total of 732 new collection sites were added in 2014. Expansion activities focused on channels that collect materials which are not performing to target, such as batteries.

2014 PROGRAM ACCESSIBILITY BY CHANNEL		
Channel - Activity	2014 Actual	2013 Actual
Municipal – Depot	89	88
Municipal – Events	331	339
Automotive – Commercial Sites	12,000+	12,000+
Automotive – Do It Yourself (DIY) Sites	781	678
Return-to-Retail	192	196
Battery Incentive Program (BIP)	4,354	3,728
Provincial Parks Program	102	102
Total Sites	17,849	17,131

Performance by Material Category

The below chart outlines the tonnes collected by MHSW material and tonnes diverted.

2014 TONNES COLLECTED								
Material Category	Available for Collection	Collection Target Rate (%)	Target Tonnes	Actual Collection Tonnes	Actual Collection Rate (%)	Variance to Target (Tonnes)	Prior Year (Tonnes)	Variance to Prior Year (Tonnes)
Antifreeze	12,471	45%	5,612	3,432	28%	-2,180	3,448	-16
Fertilizers	115	n/a	n/a	34	30%	n/a	25	9
Oil Containers	3,401	47%	1,598	3,964	117%	2,366	3,753	211
Oil Filters	9,318	80%	7,454	9,065	97%	1,611	8,726	339
Paints & Coatings (incl. Aerosols)	9,140	67%	6,124	9,422	103%	3,298	9,377	45
Pesticides	100	56%	56	32	32%	-24	36	-4
Pressurized Containers (Non-Refillable)	661	35%	231	354	54%	123	360	-6
Pressurized Containers (Refillable)	59	97%	57	610	1034%	553	653	-43
Single-Use Batteries	7,395	35%	2,588	1,754	24%	-834	1,271	483
Solvents	1,967	46%	905	291	15%	-614	631	-240

2014 TONNES DIVERTED								
Material Category	Available for Collection	Diversion Target Rate (%)	Target Tonnes	Actual Diversion Tonnes	Actual Diversion Rate (%)	Variance to Target (Tonnes)	Prior Year (Tonnes)	Variance to Prior Year (Tonnes)
Antifreeze	12,471	45%	5,612	3,432	28%	-2,180	3,448	-16
Fertilizers	115	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Oil Containers	3,401	47%	1,598	3,964	117%	2,366	3,753	211
Oil Filters	9,318	80%	7,454	9,065	97%	1,611	8,726	339
Paints & Coatings (incl. Aerosols)	9,140	47%	4,296	7,452	82%	3,156	7,574	-122
Pesticides	100	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pressurized Containers (Non-Refillable)	661	35%	231	354	53%	123	360	-6
Pressurized Containers (Refillable)	59	97%	57	610	1030%	553	653	-43
Single-Use Batteries	7,395	27%	1,967	1,508	20%	-459	1,093	415
Solvents	1,967	5%	98	63	3%	-35	142	-79

MHSW Financial Performance

The table below provides an outline of the financial performance for each of the MHSW materials managed by Stewardship Ontario.

2014 MHSW PROGRAM FINANCIAL PERFORMANCE					
	2014			At December 31, 2014	
Channel - Activity	Fee Revenue From Stewards	Total Program Costs	Surplus/ (Deficit)	Accumulated Surplus/ (Deficit) (Including All Deficits To Be Billed) ¹	Remaining Deficit Bills To Be Issued ¹
Antifreeze	\$2,579,577	\$2,443,180	\$136,397	\$155,019	\$41,502
Fertilizers	\$480,354	\$314,188	\$166,166	-\$188,945	\$43,206
Oil Containers	\$10,460,456	\$9,732,061	\$728,395	\$612,919	\$347,372
Oil Filters	\$3,394,127	\$8,558,485	-\$5,164,358	\$134,074	\$-
Paints & Coatings (incl. Aerosols)	\$16,595,601	\$13,678,707	\$2,916,894	\$2,539,660	\$600,773
Pesticides	\$341,531	\$328,659	\$12,872	\$107,619	\$53,750
Pressurized Containers (Non-Refillable)	\$1,125,460	\$861,055	\$264,405	\$310,979	\$28,295
Pressurized Containers (Refillable)	\$1,087,100	\$333,137	\$753,963	-\$347	\$59,993
Single-Use Batteries	\$5,968,333	\$6,326,783	-\$358,450 ²	\$1,473,107	\$-
Solvents	\$1,753,303	\$1,142,416	\$610,887	\$580,767	\$102,906

¹ 2011 accumulated surpluses and deficits:
1. Continued billing (and collection) of invoices for Phase 1 materials in deficit at Dec 31, 2011 (billed in accordance with O. Reg 11/12). At Jan 1, 2014 five billings remain outstanding.
2. Began drawdown of the Oil Filter surplus for Q3, 2013 billings and continued in Q4, drawing down \$4.3 million.
² Battery deficit reflects the use of reserves to fund a P&E campaign to bring batteries to target

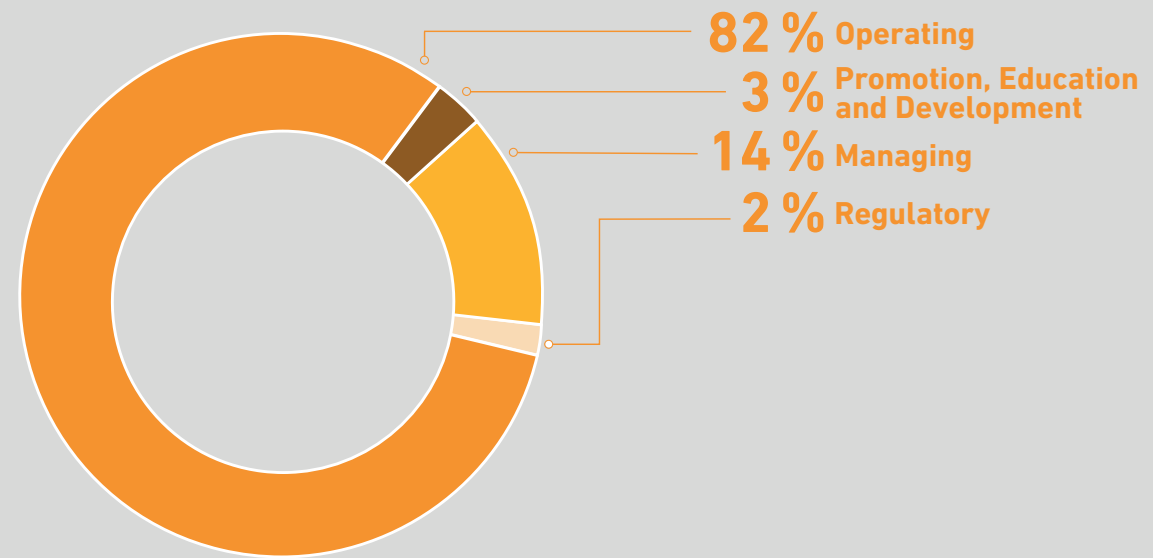
The MHSW Program is fully funded by industry stewards who contribute towards the cost of managing MHSW materials:

REVENUE FROM STEWARD FEES	
Year	Orange Drop \$
2008	11,695,939
2009	25,876,102
2010	39,429,587
2011	38,569,208 ³
2012	49,170,731
2013	39,180,369
2014	43,785,842
Total	247,707,778

³ Nine Phase 1 materials

2014 MHSW Program Expenses: \$43.7M

Here is how the \$43.7 million was spent to operate the MHSW Program:



.05 GOVERNANCE

2014 SO Board of Directors

Stewardship Ontario's governance is established by O.reg.33/08 under the Waste Diversion Act. Stewardship Ontario's Board comprises of 14 directors, 12 elected by qualified voting organizations, whose members are stewards, and two independent directors, appointed by the elected directors.

Stewardship Ontario's Board represents a balance of skills, knowledge and experience, while at the same time reflecting appropriate sectoral representation.

- **Debbie Baxter** (Board Chair), VP, Corporate Real Estate Financial Advisory, Deloitte (Independent Director)
- **Diane J. Brisebois**, President and Chief Executive Officer, Retail Council of Canada (RCC)
- **Robert Chant**, SVP, Corporate Affairs and Communication, Loblaw Companies Ltd.
- **Don Cousens**, Principal, Counsel Public Affairs Inc. (Independent Director)
- **John D. Coyne**, VP, Legal & External Affairs, Unilever Canada Inc.
- **Calla Farn**, VP, Government and Public Relations and Corporate Affairs, McCain Foods
- **Sylvain Mayrand**, Executive Vice President and General Manager, Operations, A. Lassonde Inc.
- **Gordon Meyer**, Director, Brand & Commercial Operations, Procter & Gamble Canada
- **Brian Prendergast**, C.Dir. Senior VP, Consumer, Recochem Inc.
- **Mark Reed**, Director of Sales – National Accounts, Shell Lubricants
- **Anne M. Tennier**, Vice President of Environmental Sustainability, Maple Leaf Foods Inc.
- **Scott Tudor**, Director, Sustainability, Sobeys Inc.

Resigned in 2014: Roberta Jamieson (01/07/14), Debbie Baxter (05/14), Vince Rea (11/24/14), Chris Cyrenne (11/28/14), Scott Bonikowsky (12/31/14)
Appointed as Independent Director in 2014: Debbie Baxter (05/02/14)

For more information about Stewardship Ontario's Board of Directors and Governance Structure, visit: www.stewardshipontario.ca

2014 Stewardship Ontario Board Meeting Attendance

Board Member	02/10/14	03/21/14	04/11/14	06/17/14	09/15/14	11/18/14	12/09/14
Debbie Baxter ¹	Yes	Yes		Yes	Yes		Yes
Scott Bonikowsky ²	Yes	Yes		Yes		Yes	
Diane J. Brisebois	Yes	Yes		Yes	Yes		
Robert Chant			Yes	Yes	Yes		Yes
Don Cousens		Yes		Yes	Yes	Yes	Yes
John D. Coyne (Chair)	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Chris Cyrenne ³	Yes	Yes		Yes			
Calla Farn		Yes		Yes	Yes		Yes
Sylvain Mayrand	Yes	Yes		Yes	Yes	Yes	Yes
Gordon Meyer		Yes	Yes	Yes	Yes		Yes
Brian Prendergast			Yes	Yes	Yes	Yes	Yes
Mark Reed ⁴				Yes	Yes	Yes	Yes
Anne M. Tennier ⁵					Yes	Yes	
Scott Tudor ⁶				Yes	Yes	Yes	Yes
Vince Rea ⁷		Yes	Yes	Yes	Yes	Yes	

 Absent  Not Applicable

¹ Resigned as elected member 05/14 and appointed as Independent Director 05/02/14

² Resigned 12/31/14

³ Resigned 11/28/14

⁴ Voted onto Board 06/17/14

⁵ Voted onto Board 06/17/14

⁶ Voted onto Board 06/17/14

⁷ Resigned 11/24/14

2014 Board Committees and Attendance

Finance, Audit & Performance Committee

The Finance & Audit Committee is charged with overseeing the quarterly financial and diversion performance of Stewardship Ontario, ensuring a risk management plan is developed and monitoring mitigation measures. The committee also instructs and meets the auditors, without the presence of management, at least once per year.

Board Member	03/11/14	06/10/14	09/04/14	11/28/14
Debbie Baxter (Chair)	Yes	Yes	Yes	Yes
Diane J. Brisebois	Yes	Yes		
Gordon Meyer	Yes	Yes	Yes	Yes
Sylvain Mayrand ¹			Yes	Yes
Chris Cyrenne ²				Yes
Vince Rea ³			Yes	

Absent

Not Applicable

¹ Joined Committee 06/17/14
² Joined Committee 06/17/14, Resigned from Board 11/28/14
³ Joined Committee 06/17/14, Resigned from Board 11/24/14

Governance, Nominating & Risk Committee

The Governance, Nominating & Risk Committee is responsible for ensuring the Board and its committees are properly constituted and mandated. The committee recruits Directors in accordance with its skill-based requirements and makes recommendations to the Board regarding vacancies and appointments. Annually, this committee oversees the Board, committee and director evaluation process and brings to the Board’s attention matters that need to be addressed to foster best governance practices.

Board Member	01/15/14	03/12/14	03/14/14	05/16/14	07/10/14	11/27/14
Brian Prendergast (Chair)	Yes	Yes	Yes	Yes	Yes	Yes
Scott Bonikowsky ¹				Yes	Yes	Yes
Don Cousens	Yes	Yes	Yes	Yes		Yes
Calla Farn	Yes	Yes	Yes	Yes	Yes	Yes
Mark Reed ²						Yes
Scott Tudor ³					Yes	Yes

Absent

Not Applicable

¹ Resigned from Board 12/31/14
² Joined Committee 06/17/14
³ Joined Committee 06/17/14

Regulatory Affairs Committee

The Regulatory Affairs Committee provides advice and support to Management in regard to Stewardship Ontario’s stakeholder relations.

Board Member	09/10/14
Don Cousens (Chair)	Yes
Scott Bonikowsky ¹	Yes
Robert Chant	
Calla Farn	
Anne M. Tennier ²	Yes

¹ Resigned from Board 12/31/14
² Voted onto Board 06/17/14

.06 FINANCIALS



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Independent Auditor's Report

To the Members of Stewardship Ontario

We have audited the accompanying financial statements of Stewardship Ontario, which comprise the balance sheet as at December 31, 2014 and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Stewardship Ontario as at December 31, 2014, 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

March 24, 2015

Toronto, Ontario

Balance Sheet

December 31	2014	2013
ASSETS		
Current		
Cash	\$ 4,210,303	\$ 6,965,562
Investments (Note 2)	33,158,157	37,733,193
Accounts and other receivables (Note 3)	32,658,652	26,076,044
Loan receivable (Note 4)	330,000	330,000
Prepaid expenses and deposits	21,060	304,387
	70,378,172	71,409,186
Capital assets (Note 5)	162,039	263,505
Investments (Note 2)	38,775,903	43,389,161
Long term receivables (Note 3)	-	1,551,704
Loan receivable (Note 4)	990,000	1,320,000
Convertible loans receivable (Note 6)	1,500,000	1,500,000
	\$ 111,806,114	\$ 119,433,556
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities (Note 4)	\$ 39,528,604	\$ 34,634,768
Deferred revenue (Note 7)	9,805,560	9,805,560
CIF and E&E funds (Note 8)	30,182,336	32,845,469
	79,516,500	77,285,797
Net Assets		
Invested in capital assets	162,039	263,505
Unrestricted	20,372,953	23,149,311
Internally restricted (Note 9)	11,754,622	18,734,943
	32,289,614	42,147,759
	\$ 111,806,114	\$ 119,433,556

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

On behalf of the board:

Director

Director

Statement of Changes in Net Assets

For the year ended December 31, 2014	Invested in Capital Assets	Unrestricted	Internally Restricted	2014 total
Balance, beginning of year	\$ 263,505	\$ 23,149,311	\$ 18,734,943	\$ 42,147,759
Deficiency of revenue over expenses for the year	(101,466)	(2,776,358)	(6,980,321)	(9,858,145)
Balance, end of year	\$ 162,039	\$ 20,372,953	\$ 11,754,622	\$ 32,289,614
For the year ended December 31, 2013	Invested in Capital Assets	Unrestricted	Internally Restricted	2013 total
Balance, beginning of year	\$ 2,025,971	\$ 30,531,282	\$ 13,424,591	\$ 45,981,844
Deficiency of revenue over expenses for the year	(116,275)	(1,993,727)	(1,724,083)	(3,834,085)
Investment in capital assets	3,809	(3,809)	-	-
Proceeds on disposal of capital assets	(1,650,000)	1,650,000	-	-
Transfer to Oil Filter Fund (Note 9)	-	(5,194,789)	5,194,789	-
Transfer to Battery Fund (Note 9)	-	(1,839,646)	1,839,646	-
Balance, end of year	\$ 263,505	\$ 23,149,311	\$ 18,734,943	\$ 42,147,759

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

Statement of Operations

For the year ended December 31	2014	2013
REVENUE		
Blue Box program steward fees	\$ 106,264,574	\$ 99,789,519
MHSW program steward fees	43,785,799	38,935,265
Investment income (Note 10)	795,627	1,089,062
Gain on sale of intangible asset	-	218,903
	150,846,000	140,032,749
EXPENSES		
Blue Box Program		
Municipal Transfer Payments	104,449,367	91,192,259
Continuous Improvement Fund (Note 13(c))	3,307,279	1,168,014
Research and development	914,471	359,203
Promotion and education	5,500	208,526
	108,676,617	92,928,002
MHSW Program		
Direct material costs	35,678,441	37,171,290
Promotion and education	1,197,078	1,045,826
	36,875,519	38,217,116
Common Costs		
Program management (Notes 4 and 11)	13,498,961	9,234,816
Waste Diversion Ontario and Ministry of Environment charges (Note 12)	1,653,048	1,454,827
Bad debt expense on convertible loans receivable (Note 6)	-	1,500,000
Enterprise Information System	-	532,073
	\$ 15,152,009	12,721,716
Total Expenses	160,704,145	143,866,834
Deficiency of revenue over expenses for the year	\$ (9,858,145)	\$ (3,834,085)

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

Statement of Cash Flows

For the year ended December 31	2014	2013
Cash provided by (used in)		
OPERATING ACTIVITIES		
Deficiency of revenue over expenses for the year	\$ (9,858,145)	\$ (3,834,085)
Adjustments to reconcile deficiency of revenue over expenses for the year to cash provided by operating activities		
Amortization of capital assets	101,466	335,177
Non cash component of investment income	134,824	786,591
Gain on sale of intangible asset	-	(218,903)
Allowance for convertible loans receivable	-	1,500,000
Allowance for investment in common shares	500,000	-
Changes in non-cash working capital balances:		
Accounts and other receivables	(6,582,608)	23,787,966
Prepaid expenses and deposits	283,327	122,843
Long term receivables	1,551,704	5,090,880
Accounts payable and accrued liabilities	4,893,836	(19,648,918)
CIF and E&E funds	(2,663,133)	(4,025,141)
	(11,638,729)	3,896,410
INVESTING ACTIVITIES		
Purchase of investments	(21,500,000)	(23,742,125)
Proceeds from investments	30,053,470	19,279,314
Purchase of capital assets	-	(3,809)
Repayments from loan receivable	330,000	-
	8,883,470	(4,466,620)
Decrease in cash during the year	(2,755,259)	(570,210)
Cash, beginning of year	6,965,562	7,535,772
Cash, end of year	4,210,303	6,965,562
Non cash transactions	-	1,650,000
Sale of intangible asset (Note 4)		

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

Notes to Financial Statements

December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Business Organization and Operations

Stewardship Ontario (“Organization”) is an Industry Funding Organization created under Section 24 of the Waste Diversion Act, 2002 (“WDA”) to operate waste diversion programs on behalf of Waste Diversion Ontario (“WDO”). On February 14, 2003, the Organization was formally incorporated in the Province of Ontario as a corporation without share capital. The Organization is a not for profit organization and as such is not subject to income taxes.

Blue Box Program

The first Blue Box Program Plan was approved by the Minister of the Environment in December 2003 and the program commenced operations in February 2004.

MHSW Program

On December 11, 2006, the Minister of the Environment prescribed Municipal Hazardous or Special Waste (“MHSW”) as a designated waste under the WDA. The Minister required that WDO develop a waste diversion program for MHSW, and the Organization to be the Industry Funding Organization (“IFO”). The Minister of the Environment approved the Program Plan in November 2007. MHSW officially commenced operations July 1, 2008.

Ontario Regulation 11/12 took effect on April 1, 2012 where the Organization is required to apply a market share methodology to recover both ongoing operating costs and to recover past deficits that have accumulated over the course of the program (see Note 3(a)). This cost recovery methodology is designed to result in an economically sustainable program.

(b) Basis of Accounting

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

(c) Revenue Recognition

The Blue Box program steward fees are recognized as revenue based on reported tonnages for stewards registered with the Organization. Steward reported tonnages 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. The MHSW program steward fees are recognized on a cost recovery basis when costs are incurred and collection is reasonably assured. Any revenue resulting from compliance and enforcement activities are recorded as revenue when the amount can be reasonably estimated and collection is reasonably assured.

The Organization follows the deferral method of accounting for revenues, including the Glass Market Development Fund. Amounts received for programs are recognized as revenue when the related expenses are incurred.

(d) Financial Instruments

Money market pooled funds, guaranteed investment certificates and bonds are valued at year end quoted market prices. Realized and unrealized gains (losses) are recorded in the statement of operations. The Organization accounts for these investments on a settlement date basis and transaction costs associated with these investment activities are included in the statement of operations. These investments have been presented according to their contractual maturity dates.

Common shares and convertible loans receivable in private companies are carried at amortized cost (net of any impairments).

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

Property, plant and equipment is recorded at cost less accumulated amortization and is amortized on the following basis:

Computer equipment	3 years straight line
Furniture and fixtures	5 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. Any unamortized deferred contribution amount related to the long lived asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

(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. Significant estimates include estimates of unreported tonnages and collectability of steward fees, accrued post collection costs and the valuation of accounts receivable, investments and convertible loans receivable. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. INVESTMENTS

	2014	2013
Cash held with broker	\$ 638,634	\$ 711,598
Money market pooled funds	5,578,874	5,786,921
Guaranteed investment certificates	13,804,158	23,773,669
Bonds	48,375,866	50,350,166
Equity and bond pooled funds	3,536,528	-
Common shares, private company	500,000	500,000
Impairment on common shares of private company	(500,000)	-
	71,934,060	81,122,354
Less: Current portion	33,158,157	37,733,193
	\$ 38,775,903	\$ 43,389,161

Money market pooled funds, guaranteed investment certificates and bonds bear interest at 1.25% to 5.68% (2013 1.25% to 4.90%) and mature between February 2015 and April 2020 (2013 March 2014 and April 2022). The decrease in market value of investments for the year ended December 31, 2014 amounted to \$624,969 (2013 \$921,971) which is included in investment income (Note 10).

The Organization owns 544,818 common shares of a company representing a 8.45% ownership at December 31, 2014. The company is privately owned with no common share prices quoted in an active market. During the year, the Organization recognized an impairment loss on the common shares of the private company of \$500,000 as there is uncertainty relating to the recoverability which is included in investment income (Note 10).

3. ACCOUNTS AND OTHER RECEIVABLES

	2014	2013
Blue Box and MHSW program steward fees	\$ 30,317,801	\$ 21,121,369
MHSW deficit recovery fees (a)	2,273,323	6,822,082
Other	153,974	211,797
Allowance for doubtful accounts	(86,446)	(527,500)
	32,658,652	27,627,748
Less: Current portion	32,658,652	26,076,044
	\$ -	\$ 1,551,704

(a) MHSW deficit recovery fees

The MHSW deficit recovery fees are receivable from stewards in quarterly installments over a three year period which commenced on May 15, 2012.

4. SIGNIFICANT CONTRACTS AND LOAN RECEIVABLE

During 2013, the Organization entered into an agreement with Canadian Stewardship Services Alliance Inc. ("CSSA") to sublicense its original intellectual property licenses and intellectual property associated therewith, being the Enterprise Information System to CSSA, for consideration of \$1,650,000. This agreement expires in 2023 with the option to renew for an additional five year period. Further, in 2013, the Organization entered into an arrangement with CSSA to use the intellectual property until the Management Services Agreement with CSSA began January 1, 2014. During the year, the Organization incurred costs of \$Nil (2013 \$310,376) relating to this arrangement.

Effective January 1, 2014, the Organization entered into a Management Services Agreement with CSSA for management, administrative and technical support, other services and facilities for administrative, technical and reporting activities. During the year, the Organization incurred costs of \$8,554,941 (2013 \$Nil) for these services. Included in accounts payable and accrued liabilities is \$1,336,052 (2013 \$Nil) relating to these services.

Certain members of the CSSA board of directors are also members of the Organization's board of directors that account for approximately 25% (2013 21%) of the Organization's board membership.

The loan receivable is a loan to CSSA that bears interest at the bank prime rate and is repayable in five annual principal payments of \$330,000.

	2014	2013
Loan receivable	\$ 1,320,000	\$ 1,650,000
Less: Current portion	330,000	330,000
	\$ 990,000	\$ 1,320,000

5. CAPITAL ASSETS

	2014		2013	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Property, plant and equipment				
Computer equipment	\$ 106,688	\$ 95,222	\$ 134,071	\$ 110,266
Furniture and fixtures	459,785	309,212	459,785	220,085
	566,473	404,434	593,856	330,351
Net carrying amount	\$ 162,039		\$ 263,505	

6. CONVERTIBLE LOANS RECEIVABLE

	2014	2013
Convertible loan, private company	\$ 1,500,000	\$ 1,500,000
Convertible loan, private company	1,500,000	1,500,000
Allowance for convertible loans	(1,500,000)	(1,500,000)
	\$ 1,500,000	\$ 1,500,000

During 2012, the Organization provided a \$1,500,000 convertible five year loan that bears interest at Bank of Canada prime rate plus 2% which is accrued and compounded monthly and is payable at the maturity date. The loan is convertible into common shares of the company at a discounted rate under certain conditions or at the option of the Organization at the maturity date. The loan is to a private company with no common share prices quoted in an active market.

During 2012, the Organization provided a \$1,500,000 convertible five year loan that bears interest at Bank of Canada prime rate plus 1% which is accrued and compounded monthly and may be converted into shares on the same terms as the principal. The loan is convertible into common shares of the company at a discounted rate under certain conditions or at the option of the Organization at the maturity date. The loan is to a private company with no common share prices quoted in an active market.

During 2013, the Organization recognized an allowance for doubtful loans of \$1,500,000 relating to the convertible loans as there is uncertainty relating to the collectability of the balances owing. In 2014, the Organization reassessed the collectability of the convertible loan and determined the \$1,500,000 allowance is still required.

7. DEFERRED REVENUE

	2014	2013
Blue Box Program		
Glass Market Development Fund	\$ 666,017	\$ 666,017
MHSW Program		
Deferred Revenue	9,139,543	9,139,543
Less: Current portion	\$ 9,805,560	\$ 9,805,560

Deferred revenue in the Blue Box Program represents unspent resources that are externally restricted for the Glass Market Development Fund. Commitments related to the Glass Market Development Fund are further explained in Note 13(a).

Deferred revenue for the MHSW program represents fee revenue billed in advance in the first quarter of 2012 and is deferred in accordance with the Organization's revenue recognition policy (Note 1(c)). This deferred revenue is expected to be recognized as revenue at the end of the program.

8. CIF AND E&E FUNDS

	2014	2013
Continuous Improvement Fund ("CIF")	\$ 29,216,829	\$ 31,879,962
Effectiveness & Efficiency Fund ("E&E Fund")	965,507	965,507
	\$ 30,182,336	\$ 32,845,469

Each year, the Organization is directed to hold back a portion of the municipal blue box obligation for the CIF; see Note 13(c) for further details regarding the fund. The CIF is managed by external parties and directs the Organization to release funds as required.

During the year, the Continuous Improvement Fund ("CIF") received net contributions of \$3,621,306 (2013 \$1,494,478) and spent \$6,284,486 (2013 \$5,520,161) on continuous improvement activities. The funds held by the Organization for the CIF are included in investments.

Details regarding the E&E Fund are explained in Note 13(b).

9. INTERNALLY RESTRICTED NET ASSETS

	2014	2013
Sustaining Fund	\$ 3,500,000	\$ 3,500,000
Plastic Market Development Fund	5,162,962	6,055,548
Blue Box Fund	1,649,520	1,649,520
Fibre Market Development Fund	109,155	495,440
Oil Filter Surplus Fund	-	5,194,789
Battery Surplus Fund	1,332,985	1,839,646
	\$ 11,754,622	\$ 18,734,943

The directors recognized the need for a Sustaining Fund to enable the Organization to carry out its non profit activities and satisfy all of its obligations for a period of one year and therefore internally restricted \$3,500,000 for this purpose.

The directors authorized the establishment of a fund for investment in infrastructure for plastic markets and activities for their development and therefore internally restricted funds for this purpose. During the year, \$892,586 (2013 \$219,043) was spent on plastics market development activities and \$Nil (2013 \$1,500,000) was recognized as a bad debt expense (Note 6).

The directors authorized the establishment of the Blue Box Fund to support future efficiency in the Blue Box supply chain and therefore internally restricted \$1,650,000 in 2012 for this purpose. During the year, \$Nil (2013 – \$480) was spent on Blue Box supply chain activities.

The directors authorized the establishment of the Fibre Market Development Fund to develop markets to support additional recycling and efficiency of fibres recycled in the Blue Box Program and internally restricted \$500,000 in 2012 for this purpose. During the year, \$386,285 (2013 – \$4,560) was spent on fibre market development activities.

The directors authorized the establishment of the Oil Filter Surplus Fund to reflect over contributions in this category totaling \$9,445,251 and on December 31, 2014 internally restricted \$5,194,789. The Oil Surplus Fund is used to provide a fee holiday to offset costs that support the safe disposition of oil filters. During the year, \$5,194,789 (2013 \$Nil) was utilized for the fee holiday from the Oil Filter Surplus Fund and \$Nil (2013 \$4,250,462) from unrestricted net assets.

The directors authorized the establishment of the Battery Surplus Fund to reflect over contributions in this category totaling \$2,362,730 and on December 31, 2014 internally restricted \$1,839,646. The Battery Surplus Fund is used to promote the safe disposition of batteries. During the year, \$506,661 (2013 \$Nil) was spent on battery supply chain activities from the Battery Surplus Fund and \$Nil (2013 \$523,084) was spent from unrestricted net assets.

10. INVESTMENT INCOME

	2014	2013
Interest income	\$ 2,451,258	\$ 2,370,380
Loss on sale of investments	(391,888)	(196,382)
Impairment on common shares in private company	(500,000)	-
	1,559,370	2,173,998
Adjustment to fair value	(624,969)	(921,971)
Investment expenses	(138,774)	(162,965)
	\$ 795,627	\$ 1,089,062

11. ARBITRATION COSTS

Included in Program Management are legal and other costs relating to legal disputes that were subject to arbitration of \$2,791,507 (2013 - \$Nil). These costs are unusual in nature and non recurring.

12. WASTE DIVERSION ONTARIO

The WDO caused the Organization to be created under the WDA to act as an IFO for waste diversion programs (Note 1). Under the Blue Box and MHSW program agreements, the Organization is required to collect fees to cover both program operations and the program specific and common costs of WDO that relate to program oversight.

13. COMMITMENTS

(a) Glass Market Development Fund

The Blue Box Program Plan committed to pay \$2,901,525 to a Glass Market Development Fund from contributions from stewards of glass. As of December 31, 2014, the Organization has spent \$2,235,508 and the remaining balance is restricted for glass market development projects.

(b) Effectiveness & Efficiency Fund (“E&E Fund”)

The intent of the E&E Fund was to provide support to Ontario municipalities to help reduce the cost of their Blue Box recycling programs and increase the tonnes recovered. This initiative was part of the Blue Box Program Plan that was created as a result of Ontario’s Waste Diversion Act, 2002, and an integral part of the plan to help Ontario achieve the Minister’s recycling target of 60% diversion of Blue Box waste by 2008 and to maximize efficiency of individual Blue Box municipal recycling programs and of the system as a whole. As of January 1, 2008, the fund was collapsed and there still remains funds that are unspent. The E&E Fund contributions were fully committed by the end of 2008, and through 2009, approved E&E Fund projects continued to be implemented. In 2009, the Municipal Industry Program Committee (“MIPC”) agreed that unspent E&E Fund Contributions would be transferred to the Continuous Improvement Fund (“CIF”) as projects were completed. At December 31, 2014, the E&E Fund balance is \$965,507. During the year, no funds were transferred to the CIF.

(c) Continuous Improvement Fund (“CIF”)

The CIF provides grants and loans to municipalities to execute projects that will increase the efficiency of municipal Blue Box recycling and help boost system effectiveness. The CIF started in 2008 with a three year mandate to direct 20% of the Organization’s municipal funding obligation to support projects that will identify and implement best practices, examine and test emerging technologies, employ innovative solutions to increase Blue Box materials marketed, and promote gains in cost effectiveness that can be implemented province wide. Currently, 5% of the annual municipal obligation funded by the Organization’s stewards is passed along to the CIF each year and any unused amounts are reflected in Deferred Revenue (Note 7). As of December 31, 2014, approved project funding and related commitments for the CIF amounted to approximately \$21,100,863 of the total fund balance of \$29,216,829.

(d) Realty Lease Agreements

Under the terms of lease agreements, the Organization is committed to pay basic rent plus operating costs approximately as follows:

2015	\$ 359,400
2016	360,000
2017	160,700
	\$ 880,100

14. 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) General Objectives, Policies and Processes:

The Board and management are responsible for the determination of the Organization's risk management objectives and policies and designing operating processes that ensure the effective implementation of the objectives and policies. In general, the Organization measures and monitors risk through preparation and review of monthly reports by management.

(b) Credit Risk:

Financial instruments potentially exposed to credit risk include cash, investments, accounts and other receivables, long term receivables, loan receivable and convertible loans receivable. Management considers its exposure to credit risk over cash to be remote as the Organization holds cash deposits at a major Canadian bank. Management considers its exposure to credit risk over investments to be remote as the Organization invests in federal or provincial government securities, corporate bonds, securities backed by any chartered bank, guaranteed investment certificates or equity and bond pooled funds. Accounts and other receivables, loans receivable and long term receivables are not significantly concentrated, monitored regularly for collections, and the carrying amount represents the maximum credit risk exposure. The Organization's provision for uncollectable convertible receivables, accounts receivables and loans receivable is approximately \$1,586,446 (2013 \$2,027,500).

From time to time, materials could be the subject of an Industry Stewardship Plan ("ISP"), which is allowable under the Waste Diversion Act, 2002. Successful ISP's may call into question the Organization's ability to collect monies related to accumulated material deficits or those spent on plan development, shared promotion and education and other common costs.

(c) Interest Rate Risk:

The Organization is exposed to interest rate risk from fluctuations in interest rates depending on prevailing rates at renewal of fixed income investments. To manage this exposure, the Organization invests mainly in fixed income securities (federal or provincial government securities, guaranteed investment certificates, securities backed by any chartered bank or equity and bond pooled funds), and cash and/or money market investments as determined by the Organization's portfolio manager and in accordance with the Organization's investment policy. To further manage interest rate risk, the Organization's investment portfolio has been laddered so that investment maturities are staggered over the long term. Although the overall philosophy of the investment fund is to hold securities until maturity, trading of the portfolio is allowed should the potential for a significant capital gain arise through the movement of interest rates. This investment approach ensures that the portfolio achieves stable and reliable rates of return with minimal interest rate reinvestment risk, and minimal transaction costs.

(d) Liquidity Risk:

Liquidity risk is the risk that the Organization will not be able to meet its obligations as they come due. The two programs operated by the Organization carry substantially different risks in the ability to forecast and control expenditures. Management has taken steps to ensure that the Blue Box and MHSW programs will have sufficient working capital available to meet obligations which it is unable to cover from program revenues in the short term. Ontario Regulations related to the MHSW Program allow the Organization to charge actual costs to stewards and significantly reduces risks related to timing of receipt and payments for the MHSW Program (Note 1(a)).

(e) Market Risk:

The Organization has invested in common shares and convertible loans receivable which are subject to market value risk. The investments are in private companies with no common share prices quoted in an active market.

15. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current year presentation.



Thinking
beyond
the box

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