



Stewardship Ontario

OUR MOSAIC



2016 ANNUAL REPORT

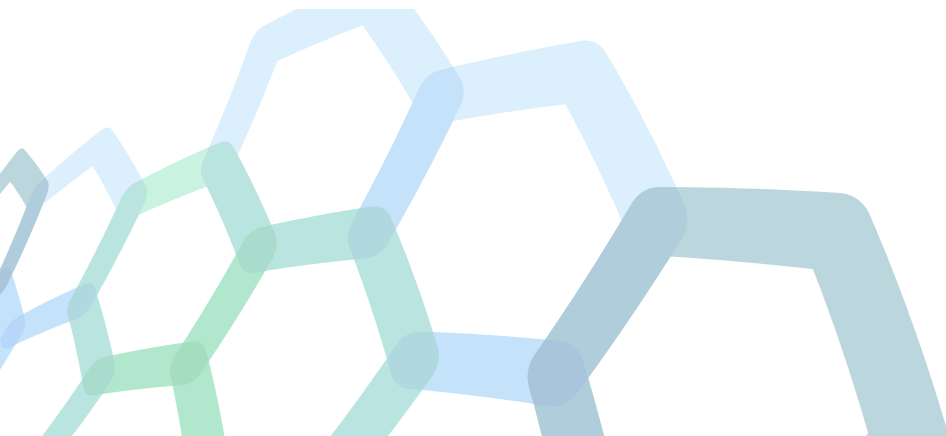
ABOUT STEWARDSHIP ONTARIO

Stewardship Ontario is a not-for-profit, industry-funded organization working to create efficient programs that divert waste from Ontario's landfills and waterways and convert waste into valuable resources.

With our partners, we promote environmental sustainability through recycling, reducing waste and reclaiming valuable materials for reuse. We manage Ontario's recycling programs for packaging and printed paper (Blue Box) and Municipal Hazardous or Special Waste (MHSW, also called Orange Drop). We also invest in market development activities.

CONTENTS

MESSAGE TO STAKEHOLDERS	PAGE 2
BLUE BOX PROGRAM	PAGE 4
MHSW (ORANGE DROP) PROGRAM	PAGE 9
GOVERNANCE	PAGE 15
FINANCIALS	PAGE 18



2016 HIGHLIGHTS

Partnerships continued to be a primary driver of Stewardship Ontario's performance in 2016. Working with stewards, consumers and supply chain participants is essential to closing the loop, reducing waste and keeping materials out of the province's landfills.

BLUE BOX PROGRAM

Recycling data from 2015

98
%

Ontario
households with
access to recycling

64
%

Recycling rate,
above mandated
target of 60%

852,437
tonnes recycled

\$122.9M
2016 steward fees

ORANGE DROP PROGRAM

All data from 2016

\$33
million

Steward
fees

790

New collection
sites added
in Ontario

20,230
tonnes of collected materials

MESSAGE TO STAKEHOLDERS



*Debbie Baxter,
2016 Board Chair and
Independent Director,
Stewardship Ontario
VP, Corporate Real Estate
Financial Advisory,
Deloitte*

The successful diversion of waste from Ontario landfills and recovery of useful materials includes many partners and stakeholders working diligently every day. Stewardship Ontario continued its central role in this mosaic as our programs and regulatory environment saw significant change in 2016.

In the Blue Box Program for packaging and printed paper, the general recycling rate continued to exceed the 60 per cent target mandated by the Ontario government. The recycling rate and the quantity of recycled tonnes in 2015 (the most recent data year) decreased slightly from the prior year.

The decline in tonnes recycled and related increase in program costs is in part due to the ongoing shift in materials from glass and paper to plastics – along with a trend to lighter plastics known as lightweighting – as well as growth in single-serve packaging.

As new types of packaging become popular, processing facilities and equipment are adjusting to address the “evolving tonne,” or the changing mix of materials in the Blue Box. Municipalities continued working at the local level to meet these challenges, and we highlight a few examples in this report. Stewardship Ontario continued to work with industry partners in 2016 to research technology and potential markets for the materials in new packaging options.

EVOLUTION OF ORANGE DROP

In the industry-funded Municipal Hazardous or Special Waste (MHSW) program, known to consumers as Orange Drop, new Industry Stewardship Plans (ISPs) have provided an alternative for stewards to meet their obligations for some materials that were previously managed by Stewardship Ontario.

As Product Care Association and Automotive Materials Stewardship (AMS) assume responsibility for materials such as fertilizer and used oil filters, our program results will reflect the associated changes in volumes, steward fees and expenses.

For consumers, greater accessibility to the Orange Drop program and a targeted awareness campaign about batteries prompted a sharp increase in the collection and diversion of single-use batteries.



LOOKING AHEAD

A number of legislative changes in 2016 will affect Stewardship Ontario and industry stewards in the years to come.

The Waste-Free Ontario Act created two new laws: the *Resource Recovery and Circular Economy Act* and the *Waste Diversion Transition Act*. This legislation moves the province closer toward a circular economy, in which participants will strive to minimize the use of raw materials, maximize the useful life of materials and resources, and minimize waste generated at end of life. We at Stewardship Ontario support the concept of the circular economy.

Waste Diversion Ontario has been replaced by the new Resource Productivity and Recovery Authority (the Authority). The Ontario government will establish requirements for producers, such as reduction, reuse and recycling targets, service standards, and promotion and education requirements. The Authority will be responsible for oversight, compliance, and enforcement of these new producer responsibilities.

At Stewardship Ontario, it is business as usual for the time being. Our objective is to help stewards comply with their obligations and keep them informed about key changes resulting from the transition of programs.

As the board prepares for a dynamic future, I note with sadness the recent death of Don Cousens, an independent director and former politician with an outstanding record of public service.

I offer sincere thanks to my fellow board members for their dedicated efforts on many fronts and welcome John Coyne's election as Board Chair for 2017. I also thank all Stewardship Ontario employees as well as the hundreds of partners who play critical roles in our province's recycling mosaic.



Recycling and the Circular Economy

Transitioning existing waste diversion programs to the full producer responsibility regime will be guided by the following core principles:

- the government will lead the transition process
- each waste diversion program will be directed by the Minister of Environment and Climate Change to transition in a manner that effectively addresses the unique circumstances of each program
- Ontarians' experience with and access to existing services will not be negatively impacted, such as curbside collection of Blue Box materials
- transition will promote competition and a level playing field in the marketplace
- all stakeholders will be extensively consulted and engaged in the process.

Source: [*Ontario Government Strategy for a Waste-Free Ontario: Building the Circular Economy*](#)

BLUE BOX PROGRAM

The Blue Box Program is Ontario's curbside recycling program that diverts packaging and printed paper from the residential waste stream. It collects material from nearly 30 categories in countless formats. Program costs are shared equally between Ontario municipalities and industry stewards (defined as the first importers, brand owners or franchisors of the designated material materials supplied to the residential market).

PARTNERSHIPS

Like a mosaic that uses small pieces to build a bigger picture, Stewardship Ontario works with various partners to build on the Blue Box Program's success, including the Continuous Improvement Fund (CIF), individual municipalities, private sector companies, industry associations, and research entities.



The CIF provides funding, technical support and training to aid municipalities and other stakeholders in identifying and developing best practices as well as technological and market-based improvements. It is funded by steward payments to municipalities, with the amount varying each year. Municipalities and their private-sector partners can apply to obtain financial support for projects that benefit a local Blue Box Program or the provincial system overall.

Individual municipalities are making efforts to improve the quantity and quality of Blue Box material captured, while dealing with the processing challenges and rising costs associated with the changing packaging stream. Here are just a few examples:

Maximizing Blue Box Commodity Revenues

Ensuring that municipalities and their contractors have the tools to maximize revenue from the sale of Blue Box commodities is key to defraying program costs. In 2016, the CIF and a group of dedicated municipalities completed a two-year project to overhaul the existing commodities price sheet. It reflects current material mixes and program differences, so that municipalities can more accurately compare peer-to-peer program performance. With better guidance on market prices for materials, municipalities can estimate the potential revenue of a new material and compare it to the cost of program changes, and analyze their programs to see if they are hitting the benchmark price.

Ensuring Accurate Fee-Setting Through Cost-Effective Data Collection

Municipalities and industry stewards rely on curbside waste composition data to monitor individual municipal and province-wide program performance. Analysis of the collected data provides insight into capture rates, contamination levels, the success of new initiatives and other issues. The data also provides important inputs to the calculation of steward material fee rates. In 2016, Stewardship Ontario and the CIF co-funded a series of nine studies across Ontario as part of a three-year initiative to develop an accurate and comprehensive composition database for stakeholders. Building up the database helps to identify and understand behavioural differences in different communities, which will help municipalities monitor program performance and make solid business decisions about where to target education efforts. When completed, a comprehensive set of data will enable stakeholders to see trends, program performance and costs.

Increasing Efficiencies Through Processing Upgrades

Blue Box material processing facilities are constantly challenged by the changing mix of consumer packaging and printed paper products. Successful upgrades were completed in 2016 at material recovery facilities (MRFs) to improve the recovery of aluminum and the marketability of recovered glass, which is an issue throughout North America and provide upgrades of mixed paper clean-up system to improve material capture and marketed commodity quality. In total, the CIF completed 10 projects in 2016, generating an estimated \$693,000 in annualized program savings.

BLUE BOX MARKET DEVELOPMENT

We continued to partner with manufacturers, collectors and industry organizations to develop sustainable markets for Ontario's Blue Box materials.

Composite paper packaging is quickly gaining popularity. By layering high-quality fibre with film plastic, and in some cases aluminium, manufacturers can create a more shelf-stable package that is generally smaller and more efficient. However, recycling these multi-layered packages takes more effort than conventional single-material packages such as boxboard or cardboard. Stewardship Ontario has been working on a multi-phase project to improve capture rates of these materials with equipment supplier Van Dyk Recycling Solutions and waste managers Emterra Group. Plastic laminates are also becoming a very popular packaging choice and Stewardship Ontario has been involved in ongoing research and end-markets tests for flexible laminate packaging



BLUE BOX PROMOTION AND EDUCATION

Multi-Family Recycling Awareness Campaign

In July, Stewardship Ontario launched an eight-week campaign to remind and encourage multi-family residents about recycling aluminum cans, PET bottles and gable top containers. Based on a 2015 waste composition study of multi-family buildings, these three high-value materials had low capture rates throughout Ontario. The objective was to clearly communicate that recycling in multi-family buildings is available and easy, and remind residents that aluminum, PET and gable tops should be recycled. The overall campaign goal was to improve capture rates of

these materials. A mix of strategically placed billboards, transit posters, radio spots, print and digital ads generated over 29 million impressions.

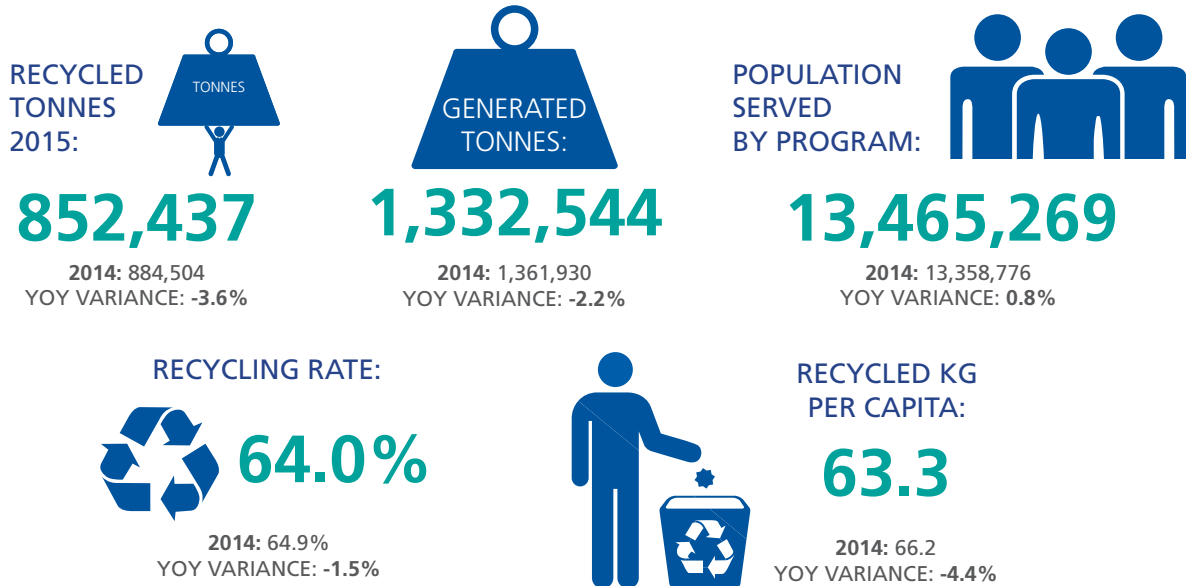


BLUE BOX PROGRAM PERFORMANCE (DATA FROM 2015)

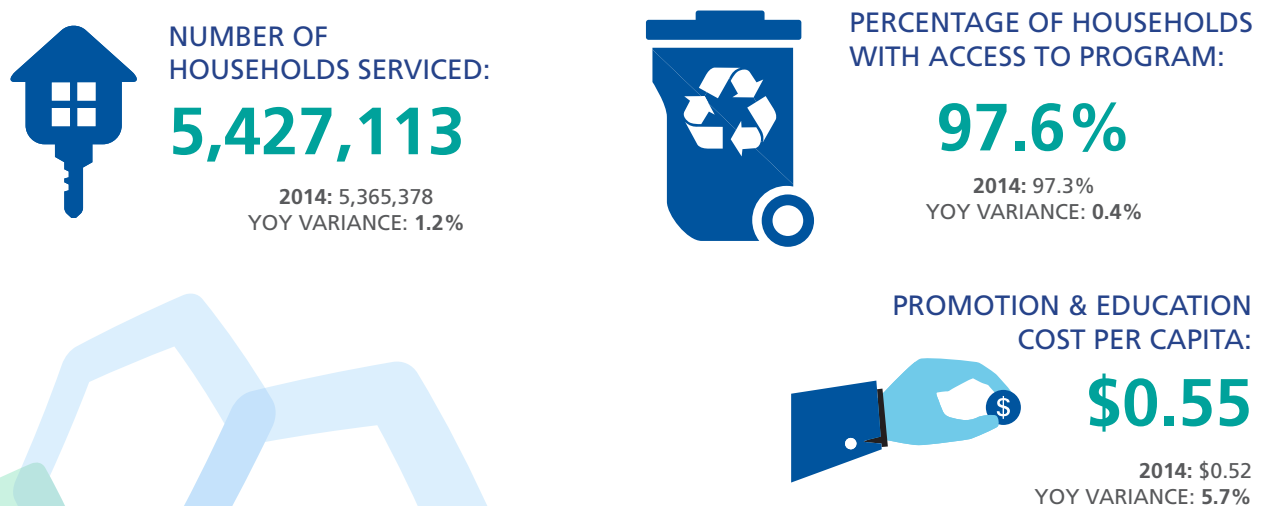
Tonnes managed through the Blue Box in 2015 declined slightly from the previous year. This is primarily due to less printed paper and glass being collected and more polycoats and plastics, which reduces weight but increases volume and some costs. The recycling rate of 64 per cent held steady above the provincial target of 60 per cent.

Recycled kilograms per capita decreased in 2015, reflecting reduced tonnes and an increase in the population served. This continued the trend from prior years, as a result of the evolving tonne (the changing mix of materials in the Blue Box stream) noted above. Access to recycling programs is being maintained at very high levels.

RECYCLING PERFORMANCE:



ACCESSIBILITY PERFORMANCE:



BLUE BOX FINANCIAL PERFORMANCE

The overall net cost of the Blue Box recycling system increased by 4.3 per cent (\$10.8 million) in 2015, while the net cost per capita increased by 3.4 per cent.

Net cost includes supply chain costs, commodity revenues, promotion and education costs, regulatory costs, market development and program management costs. The primary reason for the increase in costs from 2014 was higher collection and processing expenses.

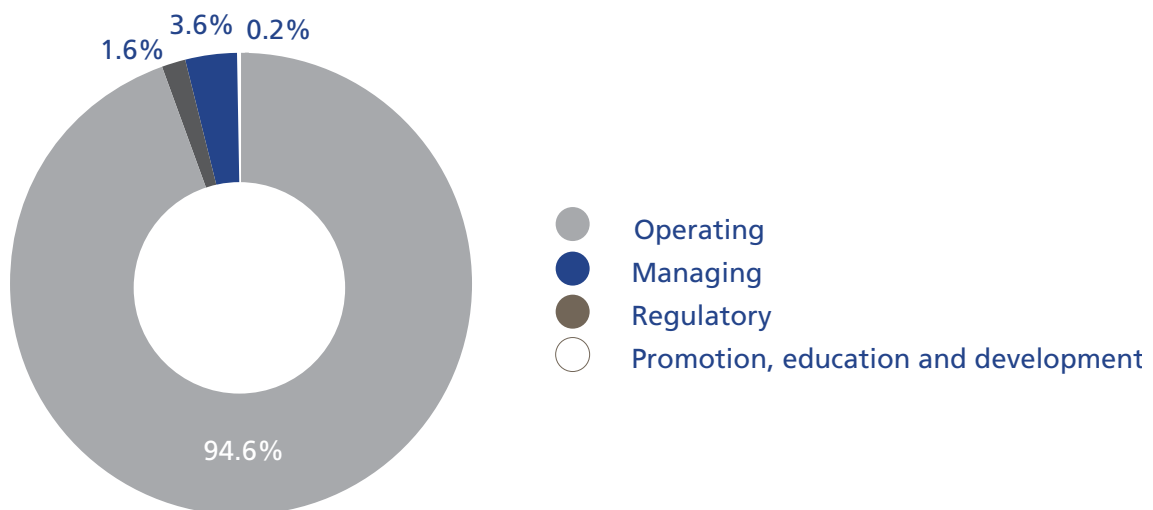
Industry stewards pay half of the annual net cost incurred by municipalities as a result of the Blue Box Program, plus the cost of administering the program.

Program Cost Performance

Metric	2015	2014	YoY Variance %
Recycled Tonnes	852,437	884,504	-3.6
Net Cost	\$263,726,504	\$252,936,907	4.3
Net Cost per Tonne	\$309	\$286	8.2
Net Cost per Capita	\$20	\$19	3.4
Recycled kg per Capita	63.3	66.2	-4.4

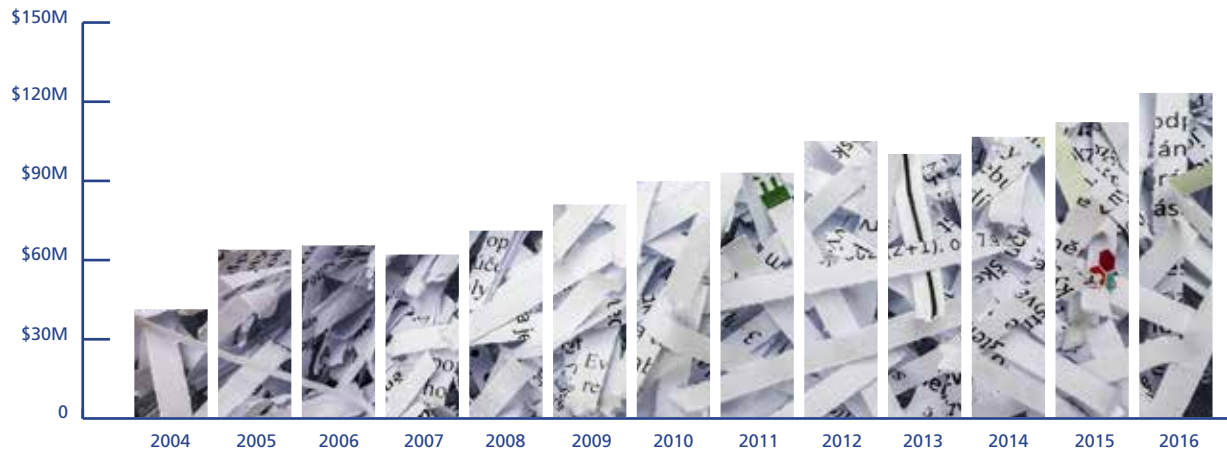
Program Expenses

This graphic shows a breakdown of Stewardship Ontario expenses in 2016, which are based on half of net costs.



Revenue from Steward Fees

In 2016, revenue from Blue Box steward fees totalled \$122.9 million, an increase of 10 per cent (\$11.1 million) from 2015. The increase reflects the higher steward payment obligation to municipalities, as determined by Waste Diversion Ontario.



TOTAL FEES 2016:

\$122,872,314

BUSINESS CONTRIBUTION SINCE 2004,
MORE THAN:

\$1.1 billion



MHSW (ORANGE DROP) PROGRAM

The MHSW Program, known to consumers as Orange Drop, is designed to collect household hazardous or special waste and manage these materials at their end of life, ensuring they are recycled or disposed of safely. Industry stewards are fully responsible for the costs of the Orange Drop Program.

Stewardship Ontario has worked in the last two years to seamlessly transition the supply chain management of certain materials to new organizations operating approved Industry Stewardship Plans (ISPs). This transition accounts for some of the notable changes in material volumes, steward fees and expenses reported in this section.

- Product Care Association (PCA) began managing the paint and coatings supply chain in June 2015.
- Stewardship Ontario staff worked with PCA again in 2016 to transition the supply chain management of pesticides, solvents and fertilizers. PCA assumed the supply chain management of these materials on April 1, 2016. We participated with PCA in an information session to educate stewards about the new ISP and the process for exiting Stewardship Ontario.
- We also began to transition the management of automotive materials (antifreeze, antifreeze containers, used oil filters and oil containers) to the new Automotive Materials Stewardship ISP, effective April 1, 2017. Stewardship Ontario managed those materials throughout 2016.

SUMMARY OF PROGRAM PERFORMANCE

At the end of 2016, the MHSW (Orange Drop) Program provided end-of-life management for single-use batteries and pressurized containers that previously held propane, oxygen or other gases, as well as used antifreeze, oil filters and oil containers. Stewardship Ontario continued to have stewards participating in the following material categories: fertilizers, solvents, and paints and coatings.

Aggregate collection of materials in 2016 declined to 20,230 tonnes, from 24,385 tonnes in 2015.

Year	Aggregate collection target (tonnes)	Actual collection (tonnes)	Actual to target (%)
2016	16,326	20,230	124
2015	27,972	24,385	87
2014	24,625	28,958	118
2013	21,615	28,280	131
2012	20,708	28,480	138

Program Accessibility

Consumers can drop off specific materials at a variety of municipal, automotive, retail and other locations in Ontario. Accessibility to Orange Drop locations and MHSW material collection events grew to more than 18,800 sites and events.

Channel – Activity	2016	2015
Municipal – Depot	89	88
Municipal – Events	313	328
Automotive – Commercial Sites	12,000+	12,000+
Automotive – Do It Yourself (DIY) Sites	985	883
Return-to-Retail	30	30
Battery Incentive Program	5,340	4,763
Provincial Parks Program	102	102
TOTAL	18,859+	18,194+

ORANGE DROP PROMOTION AND EDUCATION

2016 Quick Facts

- More than **36,000** visits to Orange Drop's resident-facing website, makethedrop.ca
- Orange Drop's [Twitter](#) and [Facebook](#) pages had a combined total of **2,917** followers
- Social media posts generated **179,600** impressions
- Single-use batteries achieved performance targets for the first time

2016 Battery Campaign

The primary investment in promotion and education for 2016 was specific to single-use batteries because collection of these materials had been below target for the past few years. The 2016 advertising campaign built upon previous years' campaigns, using the theme **Dead is Just the Beginning**. The campaign generated 56.6 million impressions from:

- **792** radio spots
- **430** Cineplex video screens
- **760** Toronto Transit Commission posters
- **25** billboards (four of which were digital billboards)
- **680** GO Transit posters
- **5,447** clicks from online advertising

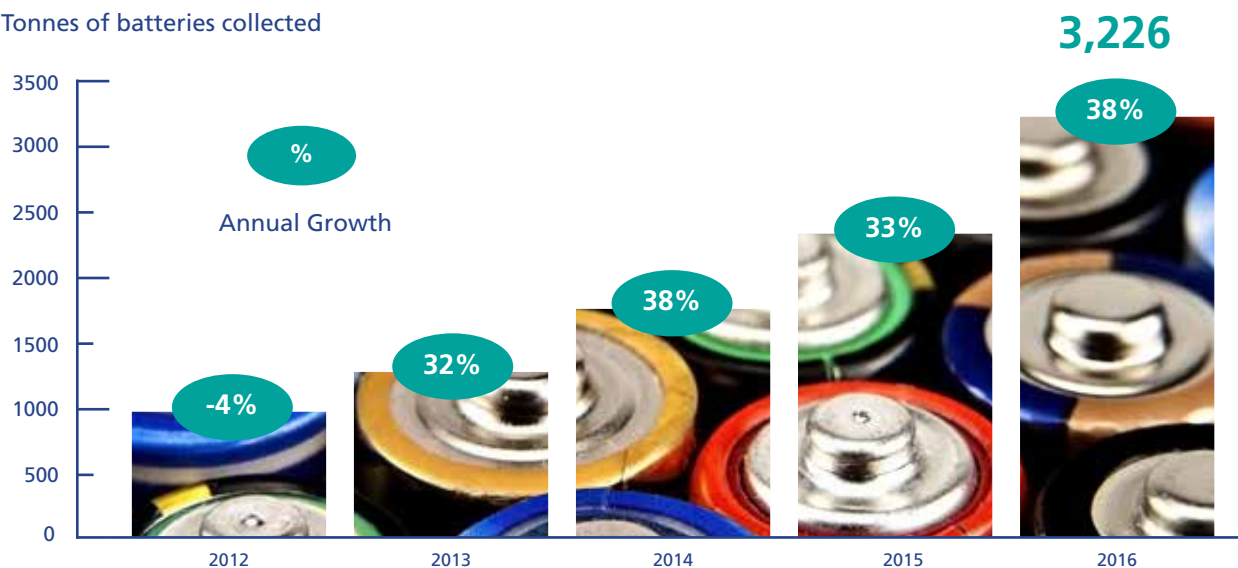


The campaign for Dead is Just the Beginning targeted the following regions of Ontario:

**Greater Toronto Area • Ottawa •
Kingston • Belleville • Barrie •
Peterborough • London • Kitchener/Waterloo •
St. Catharines/Niagara**

Following the campaign, single-use batteries achieved their 2016 targets for both collection (actual rate 49 per cent) and diversion (actual rate 42 per cent).

Tonnes of batteries collected



On the Go Magazine

In March 2016, we developed a full-page ad and editorial for *On the Go Magazine*, reminding residents to bring their hazardous and special waste materials to depots. The ad buy included 102,660 commercials that replicated our magazine ad on screens throughout Toronto's PATH and Gateway/International Newsstands.



Ontario Parks

The Orange Drop Program continued to partner with Ontario Parks in 2016. We placed an ad in the *Ontario Parks Guide* with a circulation of 500,000 English versions and 50,000 French versions. The guides are distributed widely across Ontario through corporate retail, tourist information centres, chambers of commerce, and other service sector outlets. Used propane tank drop-off cages are available at 102 parks (85 provincial and 17 private parks).

PERFORMANCE BY MATERIAL CATEGORY

The following tables summarize collection and diversion results for each of the MHSW materials managed by Stewardship Ontario for all or part of 2016.

2016 Tonnes Collected

Material Category	Tonnes 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	4,539	50%	2,270	3,267	72%	997	3,280	-13
Fertilizers**	41	n/a	n/a	5	12%	n/a	27	-22
Oil Containers	3,101	52%	1,612	3,921	126%	2,308	3,730	191
Oil Filters	9,739	85%	8,278	8,983	92%	705	9,150	-167
Paints & Coatings (incl. Aerosols)*	96	77%	74	0	0%	(74)	4,604	-4,604
Pesticides**	50	57%	28	7	14%	(22)	39	-32
Pressurized Containers (Non-Refillable)	700	46%	322	312	45%	(10)	339	-27
Pressurized Containers (Refillable)	417	98%	409	409	98%	—	458	-49
Single-Use Batteries	6,647	40%	2,659	3,226	49%	568	2,330	896
Solvents**	1,465	46%	674	100	7%	(574)	427	-327

2016 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	4,539	50%	2,270	3,267	72%	997	3,280	-13
Fertilizers**	41	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Oil Containers	3,101	52%	1,612	3,921	126%	2,308	3,730	191
Oil Filters	9,739	85%	8,278	8,983	92%	705	9,150	-167
Paints & Coatings (incl. Aerosols) *	96	62%	59	n/a	0%	-59	3,315	-3,315
Pesticides**	50	n/a	-	n/a	n/a	n/a	n/a	n/a
Pressurized Containers (Non-Refillable)	700	46%	322	312	45%	-10	339	-27
Pressurized Containers (Refillable)	417	98%	409	409	98%	0	458	-49
Single-Use Batteries	6,647	28%	1,888	2,775	42%	887	2,004	771
Solvents**	1,465	6%	88	9	1%	-79	93	-84

* PCA took over the management of paints and coatings in 2015.

** PCA took over the collection of fertilizers, pesticides and solvents in 2016.

MHSW (ORANGE DROP) FINANCIAL PERFORMANCE

This table shows financial details for each of the MHSW materials managed by Stewardship Ontario.

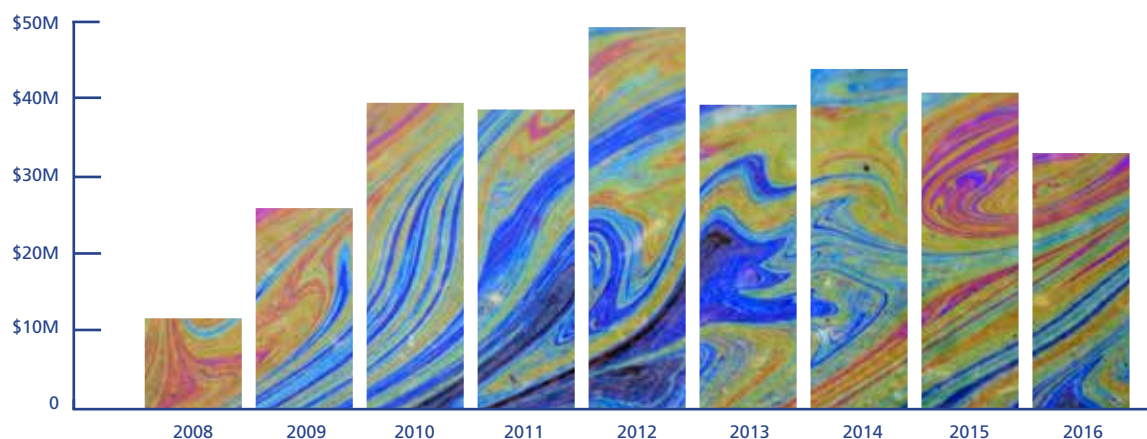
Financial Performance as at Dec. 31, 2016

	Fee Revenue	Total Program Costs	Surplus/ (Deficit)	Accumulated Surplus
Antifreeze	\$2,185,475	\$2,181,529	\$3,946	\$402,806
Fertilizers	202,555	124,755	77,800	133,664
Oil Containers	9,269,150	8,927,588	341,562	1,013,038
Oil Filters	7,921,689	7,769,219	152,470	1,482,617
Paints/Coatings	260,056	320,630	(60,574)	2,896,601
Pesticides	139,316	136,748	2,568	114,684
Pressurized Containers (Non-Refillable)	924,056	924,112	(56)	363,921
Pressurized Containers (Refillable)	376,050	221,018	155,032	147,063
Single-Use Batteries	11,168,755	11,434,702	(265,947)	608,048
Solvents	508,256	476,437	31,819	676,163
Total	\$32,955,358	\$32,516,738	\$438,620	\$7,838,605

Revenue from Steward Fees

Fees decreased by \$7.8 million in 2016, to \$33 million, reflecting the exit of paint stewards for the full year as well as the exit of stewards for pesticides, fertilizers and solvents for three-quarters of the year.

Orange Drop Steward Fees





TOTAL FEES 2016:

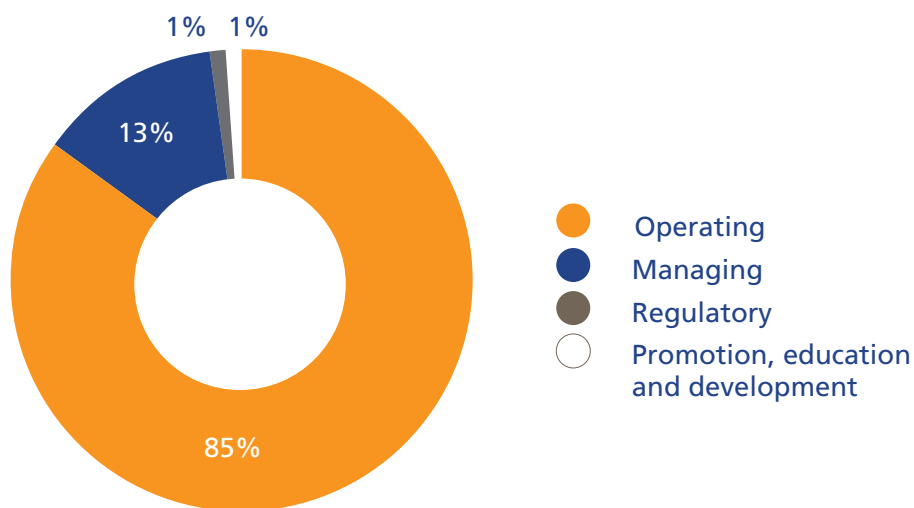
\$32,955,358

STEWARDS' CONTRIBUTION SINCE 2008,
MORE THAN:

\$320 million

2016 MHSW Program Expenses

Spending decreased by \$6.5 million in 2016 to \$32.5 million, reflecting the launch of new ISPs to manage paints and coatings, pesticides, fertilizers and solvents. This graphic shows a breakdown of 2016 expenses.



GOVERNANCE

Board of Directors

The Stewardship Ontario Board of Directors focuses on governance and oversight. The board's duty is to oversee the management of the business activities and affairs of the organization. The board is required to approve the audited financial statements annually, upon recommendation from the Finance, Audit & Performance Committee. The board represents a balance of skills, knowledge and experience, and also reflects appropriate sectoral balance.

In 2016, the board comprised 12 directors, 10 of whom were elected by qualified voting organizations whose members are stewards. Two independent directors were appointed by the elected directors.

Regulations to the *Waste-Free Ontario Act* required Stewardship Ontario hold a board election by the end of March 2017 and reduce the number of industry directors from 14 to nine and the number of independent directors from two to one. After 2017, elections to fill vacancies will be held in any year in which the term of two or more members of the board of directors is scheduled to end and directors hold three-year terms as set by regulation.

For biographies of directors and more details about the Stewardship Ontario governance structure, please visit stewardshipontario.ca.

Debbie Baxter *(Board Chair) Vice-President, Corporate Real Estate Financial Advisory, Deloitte (Independent Director)*

Diane J. Brisebois *President and Chief Executive Officer, Retail Council of Canada*

Robert Chant *Senior Vice-President, Corporate Affairs and Communication, Loblaw Companies Ltd. (Vice-Chair)*

Robyn Collver *Senior Vice-President, Risk and Regulatory Affairs, Canadian Tire Corporation (Appointed in March 2016)*

Don Cousens *Principal, Counsel Public Affairs Inc. (Independent Director)*

John D. Coyne *Vice-President, Legal & External Affairs, Unilever Canada Inc.*

Calla Farn *Vice-President, Government and Public Relations and Corporate Affairs, McCain Foods (Resigned in June 2016)*

Tim Faveri *Vice-President, Sustainability and Shared Value, Maple Leaf Foods Inc. (Appointed in March 2016)*

Gulnara Gabidullina *Director, Global Product Stewardship, Procter & Gamble Inc. (Appointed in March 2016)*

Sylvain Mayrand *Executive Vice-President and General Manager, Operations, A. Lassonde Inc.*

Brian Prendergast *C.Dir., Senior Vice-President, Consumer, Recochem Inc.*

Mark Reed *Director of Sales, National Accounts, Shell Lubricants*

Scott Tudor *Director, Sustainability, Sobeys Inc.*

2016 BOARD MEETINGS AND ATTENDANCE

Board Member	March 24, 2016	June 16, 2016	June 24, 2016	Sept. 23, 2016	Dec. 16, 2016
Debbie Baxter	Yes	Yes	Yes	Yes	Yes
Diane Brisebois	Yes	Yes	Yes	Yes	Yes
Robert Chant	Yes	Yes	Absent	Absent	Yes
Robyn Collver	Yes	Yes	Yes	Absent	Yes
Don Cousens	Yes	Yes	Yes	Yes	Absent
John Coyne	Yes	Yes	Yes	Yes	Yes
Calla Farn*	Yes	Yes	n/a	n/a	n/a
Tim Faveri	Yes	Yes	Yes	Yes	Yes
Gulnara Gabidullina	Yes	Yes	Yes	Yes	Yes
Sylvain Mayrand	Yes	Yes	Absent	Yes	Yes
Brian Prendergast	Yes	Yes	Yes	Absent	Yes
Mark Reed	Yes	Yes	Yes	Yes	Yes
Scott Tudor	Yes	Yes	Yes	Yes	Yes

* Calla Farn resigned from the board in June 2016.

FINANCE, AUDIT & PERFORMANCE COMMITTEE

The Finance, Audit & Performance Committee oversees the quarterly financial and diversion performance of Stewardship Ontario. The committee also instructs and meets the auditors, without the presence of management, at least once per year. Committee meetings and attendance are shown below.

Brian Prendergast, Robyn Collver and Mark Reed joined the Committee in June 2016. Calla Farn resigned from the Committee and board in June 2016.

Board Member	March 9, 2016	June 7, 2016	Sept. 13, 2016	Nov. 28, 2016
Diane Brisebois	Yes	Yes	Yes	Yes
Sylvain Mayrand	Yes	Yes	Yes	Yes
John Coyne	Yes	Yes	Yes	Yes
Brian Prendergast	n/a	n/a	Yes	Yes
Robyn Collver	n/a	n/a	Yes	Yes
Mark Reed	n/a	n/a	Yes	Yes
Calla Farn	Yes	Yes	n/a	n/a

GOVERNANCE & NOMINATING COMMITTEE

The Governance & Nominating 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. It oversees the board, committee and director evaluation process annually and encourages implementation of best governance practices.

Committee meetings and attendance are shown below. Tim Faveri and Gulnara Gabidullina joined the Governance & Nominating Committee in June 2016. Brian Prendergast and Mark Reed moved to the Finance, Audit & Performance Committee in June 2016.

Board Member	March 10, 2016	May 30, 2016	Sept. 9, 2016	Dec. 2, 2016
Brian Prendergast	Yes	Yes	n/a	n/a
Don Cousens	Yes	Yes	Yes	Absent
Mark Reed	Absent	Yes	n/a	n/a
Scott Tudor	Yes	Yes	Yes	Yes
Tim Faveri	n/a	n/a	Yes	Yes
Gulnara Gabidullina	n/a	n/a	Yes	Yes

FINANCIALS

INDEPENDENT AUDITOR'S REPORT

PAGE 19

FINANCIAL STATEMENTS

BALANCE SHEET

PAGE 20

STATEMENT OF CHANGES IN NET ASSETS

PAGE 21

STATEMENT OF OPERATIONS

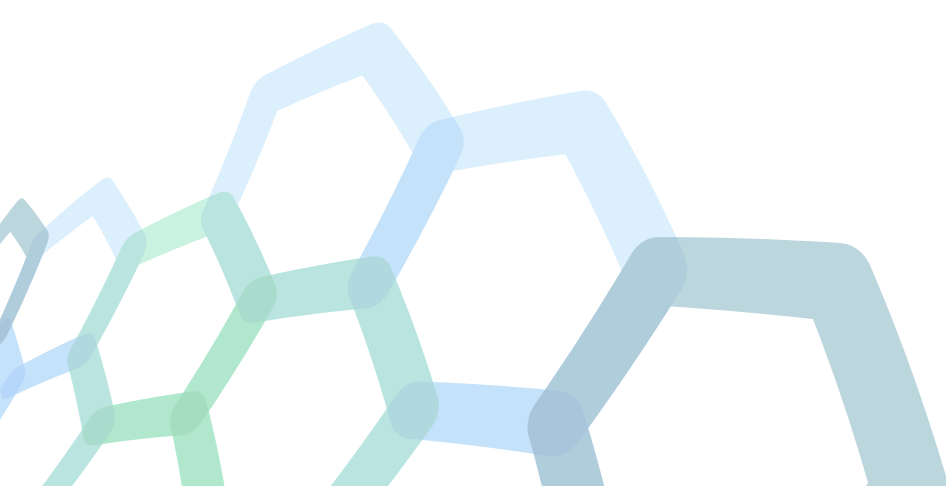
PAGE 22

STATEMENT OF CASH FLOWS

PAGE 23

NOTES TO FINANCIAL STATEMENTS

PAGE 24





Tel: 416 865 0200
Fax: 416 865 0887
www.bdo.ca

BDO Canada LLP
TD Bank Tower
66 Wellington Street West
Suite 3600, P.O. Box 131
Toronto ON M5K 1H1 Canada

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, 2016, 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, the financial statements present fairly, in all material respects, the financial position of Stewardship Ontario as at December 31, 2016, 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 23, 2017
Toronto, Ontario

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Stewardship Ontario Balance Sheet

December 31 **2016** 2015

Assets

Current

Cash	\$ 34,087,469	\$ 27,098,855
Investments (Note 2)	20,278,089	20,086,796
Accounts and other receivables (Note 3)	15,449,300	14,811,812
Loan receivable (Note 4)	-	330,000
Prepaid expenses and deposits	35,768	15,444

69,850,626 62,342,907

Capital assets (Note 5)

39,689 86,920

Investments (Note 2)

39,891,939 39,178,621

Loan receivable (Note 4)

- 660,000

\$ 109,782,254 \$ 102,268,448

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 4)	\$ 37,607,160	\$ 32,043,519
Deferred revenue (Note 7)	9,805,560	9,805,560
CIF fund (Note 8)	27,284,448	28,011,710

74,697,168 69,860,789

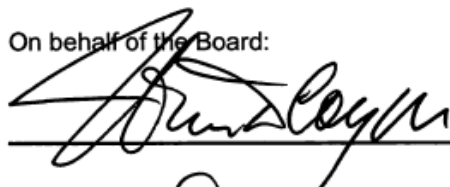
Net Assets


Invested in capital assets	39,689	86,920
Unrestricted	25,134,289	21,670,137
Internally restricted (Note 9)	9,911,108	10,650,602

35,085,086 32,407,659

\$ 109,782,254 \$ 102,268,448

On behalf of the Board:

 _____ Director

 _____ Director

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

Stewardship Ontario Statement of Changes in Net Assets

For the year ended December 31, 2016

		Invested in Capital Assets	Unrestricted	Internally Restricted	2016 Total
Balance, beginning of year	\$	86,920	\$ 21,670,137	\$ 10,650,602	\$ 32,407,659
Excess (deficiency) of revenue over expenses for the year		(47,231)	3,464,152	(739,494)	2,677,427
Balance, end of year	\$	39,689	\$ 25,134,289	\$ 9,911,108	\$ 35,085,086

For the year ended December 31, 2015

		Invested in Capital Assets	Unrestricted	Internally Restricted	2015 Total
Balance, beginning of year	\$	162,039	\$ 20,372,953	\$ 11,754,622	\$ 32,289,614
Excess (deficiency) of revenue over expenses for the year		(75,119)	1,297,184	(1,104,020)	118,045
Balance, end of year	\$	86,920	\$ 21,670,137	\$ 10,650,602	\$ 32,407,659

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

Stewardship Ontario Statement of Operations

For the year ended December 31	2016	2015
Revenue		
Blue Box program steward fees	\$122,872,314	\$111,777,857
MHSW program steward fees	32,955,358	40,739,927
Investment income (Note 10)	1,000,053	1,236,184
	156,827,725	153,753,968
Expenses		
Blue Box Program		
Municipal Transfer Payments	110,833,044	105,641,403
Continuous Improvement Fund (Note 12(b))	4,203,473	1,951,562
Research and development	132,383	264,341
Promotion and education	134,995	3,729
	115,303,895	107,861,035
MHSW Program		
Direct material costs	27,596,535	32,448,085
Promotion and education	487,969	590,591
	28,084,504	33,038,676
Common costs		
Program management (Note 4)	8,398,738	11,374,752
Resource Productivity and Recovery Authority (Note 11)	2,363,161	1,361,460
	10,761,899	12,736,212
Total expenses	154,150,298	153,635,923
Excess of revenue over expenses for the year	\$ 2,677,427	\$ 118,045

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

Stewardship Ontario Statement of Cash Flows

For the year ended December 31	2016	2015
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 2,677,427	\$ 118,045
Adjustments to reconcile excess of revenue over expenses for the year to cash provided by operating activities		
Amortization of capital assets	47,231	75,119
Non-cash component of investment income	470,543	331,743
Changes in non-cash working capital balances:		
Accounts and other receivables	(637,488)	19,082,264
Prepaid expenses and deposits	(20,324)	5,616
Accounts payable and accrued liabilities	5,563,641	(8,720,509)
CIF fund	(727,262)	(2,170,626)
	<u>7,373,768</u>	<u>8,721,652</u>
Investing activities		
Purchase of investments net of expenses	(1,375,154)	-
Proceeds from investments	-	12,336,900
Repayments from loan receivable	990,000	330,000
Repayments from convertible loans receivable	-	1,500,000
	<u>(385,154)</u>	<u>14,166,900</u>
Increase in cash during the year	6,988,614	22,888,552
Cash, beginning of year	27,098,855	4,210,303
Cash, end of year	\$ 34,087,469	\$ 27,098,855

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

Stewardship Ontario

Notes to Financial Statements

December 31, 2016

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.

On November 30, 2016, The Resource Recovery and Circular Economy Act (2016) ("RRCEA") was proclaimed along with the Waste Diversion Transition Act (2016) ("WDTA") which replaces the WDA. Under the RRCEA, WDO was continued under its new name, the Resource Productivity and Recovery Authority ("RPRR").

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. 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.

Stewardship Ontario

Notes to Financial Statements

December 31, 2016

1. Significant Accounting Policies - (Continued)

(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

Fixed income investments 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 cost or 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.

Stewardship Ontario

Notes to Financial Statements

December 31, 2016

1. Significant Accounting Policies - (Continued)

(g) Use of Estimates

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

2. Investments

	2016	2015
Cash held with broker	\$ 775,070	\$ 1,169,102
Fixed income	59,394,958	58,096,315
Common shares, private company	500,000	500,000
Impairment on common shares of private company	(500,000)	(500,000)
	60,170,028	59,265,417
Less: Current portion	20,278,089	20,086,796
	\$ 39,891,939	\$ 39,178,621

Fixed income investments bear interest at 1.70% to 5.68% (2015 - 1.70% to 5.68%) and mature between July 2017 and January 2026 (2015 - June 2016 and August 2020). The decrease in market value of investments for the year ended December 31, 2016 amounted to \$61,388 (2015 - increase of \$33,468) which is included in investment income (Note 10).

Stewardship Ontario

Notes to Financial Statements

December 31, 2016

3. Accounts and Other Receivables

	2016	2015
Blue Box and MHSW program steward fees	\$ 15,492,142	\$ 14,821,974
Other	33,891	28,623
Allowance for doubtful accounts	(76,733)	(38,785)
	\$ 15,449,300	\$ 14,811,812

4. Significant Contracts and Loan Receivable

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.

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 \$6,191,552 (2015 - \$8,224,645) for these services and are included in program management expenses. Included in accounts payable and accrued liabilities is \$508,959 (2015 - \$846,302) 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 18% (2015 - 17%) of the Organization's board membership.

The loan receivable was a loan to CSSA that bore interest at the bank prime rate and was repayable in five annual principal payments of \$330,000. CSSA repaid the loan during 2016. The Organization received interest of \$15,882 (2015 - \$34,926) during the year.

	2016	2015
Loan receivable	\$ -	\$ 990,000
Less: Current portion	-	330,000
	\$ -	\$ 660,000

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

Stewardship Ontario Notes to Financial Statements

December 31, 2016

5. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 106,688	\$ 105,925	\$ 106,688	\$ 102,675
Furniture and fixtures	459,785	420,859	459,785	376,878
	566,473	526,784	566,473	479,553
		\$ 39,689		\$ 86,920

6. Loan Receivable

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. The Organization recognized an allowance for doubtful loan of \$1,500,000 relating to the convertible loan as there is uncertainty relating to the collectability of the balance owing.

In May 2016, the convertible loan arrangement was terminated. As part of the termination, the company will make a loan payment to the Organization in the aggregated amount of \$300,000 of which \$150,000 is due in June 2017 and \$50,000 is due annually from June 2018 to June 2020 and is non-interest bearing. The Organization recognized an allowance for doubtful loan of \$300,000 relating to the loan as there is uncertainty relating to the collectability of the balance owing.

Stewardship Ontario Notes to Financial Statements

December 31, 2016

7. Deferred Revenue

	<u>2016</u>	<u>2015</u>
Blue Box Program		
Glass Market Development Fund	\$ 666,017	\$ 666,017
MHSW Program		
Deferred revenue	<u>9,139,543</u>	<u>9,139,543</u>
	<u>\$ 9,805,560</u>	<u>\$ 9,805,560</u>

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 12(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. Continuous Improvement Fund ("CIF")

Each year, the Organization is directed to hold back a portion of the municipal blue box obligation for the CIF; see Note 12(b) 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 CIF received net contributions of \$3,309,805 (2015 - \$2,991,059) and spent \$4,037,067 (2015 - \$4,196,178) on continuous improvement activities. The funds held by the Organization for the CIF are included in cash (2015 - investments).

Stewardship Ontario Notes to Financial Statements

December 31, 2016

9. Internally Restricted Net Assets

	2016	2015
Sustaining Fund	\$ 3,500,000	\$ 3,500,000
Plastic Market Development Fund	4,964,379	5,027,995
Blue Box Fund	1,066,151	1,285,409
Battery Surplus Fund	380,578	837,198
	\$ 9,911,108	\$ 10,650,602

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 and therefore internally restricted \$3,500,000 for this purpose.

The directors authorized the establishment of the Plastic Market Development Fund for investment in infrastructure for plastic markets and activities for their development and therefore internally restricted funds for this purpose. During the year, \$63,616 (2015 - \$134,967) was spent on plastics market development activities.

The directors authorized the establishment of the Blue Box Fund to support future efficiency in the Blue Box supply chain and therefore internally restricted funds for this purpose. During the year, \$219,258 (2015 – \$364,111) was spent on these types of Blue Box activities.

The directors authorized the establishment of the Battery Surplus Fund to promote the safe disposition of batteries. During the year, \$456,620 (2015 - \$495,787) was spent on battery promotional and educational activities.

Stewardship Ontario Notes to Financial Statements

December 31, 2016

10. Investment Income

	2016	2015
Interest income	\$ 1,664,623	\$ 1,760,069
Loss on sale of investments	(409,155)	(365,211)
	1,255,468	1,394,858
Adjustment to fair value	(61,388)	33,468
Investment expenses	(194,027)	(192,142)
	\$ 1,000,053	\$ 1,236,184

11. Resource Productivity and Recovery Authority (formerly 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 RPRA that relate to program oversight.

12. 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, 2016, the Organization has spent \$2,235,508 (2015 - \$2,235,508) and the remaining balance is restricted for glass market development projects.

(b) 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 was created 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, 2016, approved project funding and related commitments for the CIF amounted to approximately \$22,711,221 of the total fund balance of \$27,284,448.

(c) Realty Lease Agreements

Under the terms of lease agreements, the Organization is committed to pay basic rent plus operating costs of approximately \$120,000 in 2017.

Stewardship Ontario Notes to Financial Statements

December 31, 2016

13. 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. A brief description of management's assessments of these risks is as follows:

(a) Credit Risk:

Financial instruments potentially exposed to credit risk include cash, investments, accounts and other receivables, and 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, are not significantly concentrated, monitored regularly for collections, and the carrying amount represents the maximum credit risk exposure. The Organization's provision for uncollectable accounts, other receivables and loans receivable is approximately \$376,733 (2015 - \$1,538,785).

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. Prior to being permitted to join an ISP, a steward is expected to have no outstanding receivables. This is expected to minimize the Organization's credit risk.

(b) 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, 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 ladderized so that investment maturities are staggered over the long term.

Stewardship Ontario Notes to Financial Statements

December 31, 2016

13. Financial Instrument Risk Exposure and Management - (Continued)

(c) 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)).

(d) Market Risk:

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

14. Contingencies

The Organization has been named as a defendant in a claim arising in the ordinary course of business. At this time, the outcome of the claim is not determinable and therefore an estimate of the Organization's liability, if any, cannot be made. Losses, if any, will be accounted for in the period they are determined.

15. Comparative Figures

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

Contact Stewardship Ontario

General Inquiries:

Stewardship Ontario

1 St. Clair Ave. W, 7th Floor

Toronto, ON M4V 1K6

T: 416-323-0101

F: 416-323-3185

info@stewardshipontario.ca

Steward Services:

Toll Free: 1-888-980-9549

WeRecycle@stewardshipontario.ca

Municipalities and Service Providers:

Toll Free: 1-888-288-3360

serviceprovider@stewardshipontario.ca

stewardshipontario.ca

