



Stewardship Ontario

**RPRA Filing on
2018 Program Performance**

April 1, 2019

TABLE OF CONTENTS

Signature of the Chair of the Board of Directors.....	3
Section 1	
2018 Blue Box Program Performance.....	4
Background.....	5
Stakeholder Consultation.....	5
Steward Registration, Reporting & Audit.....	5
Program Diversion Performance.....	6
Program Cost.....	7
Market Development.....	8
Piloting Segregated Glass Collection.....	8
Measuring Changes to the Composition of Blue Box Materials.....	8
Promotion and Education.....	9
'Don't Break the Cycle' Contamination Campaign.....	9
Social Media.....	9
Section 2	
2018 MHSW Program Performance.....	10
Background.....	11
Stakeholder Consultation.....	11
Steward Registration, Reporting & Audit.....	11
Vendor Registration and Monitoring.....	12
Accessibility.....	12
Program Performance Against Targets.....	14
2018 Tonnes Collected.....	14
2018 Tonnes Diverted.....	15
Promotion and Education.....	16
Website and Drop-off Locator Tool.....	16
Material Awareness Campaign.....	16
Presurized Container Campaign.....	17
Partnership with Ontario Parks and Private Parks.....	17
Social Media.....	17
Section 3	
2018 Audited Financial Statements.....	18

Signature of the Chair of the Board of Directors

This report has been approved by the Stewardship Ontario Board of Directors for submission to Resource Productivity and Recovery Authority (RPRA) in accordance with the requirements of the Waste Diversion Transition Act, 2016.

A large, light blue circular graphic is positioned in the background, partially behind the signature and name. It features a thick, stylized arrow that curves around itself in a clockwise direction, creating a spiral effect.

John Coyne
Chair
Stewardship Ontario Board of Directors



SECTION 1

2018 Blue Box Program Performance

Background

Stewardship Ontario is the industry funding organization responsible for the Blue Box Program Plan, which was approved by the Minister on December 22, 2003 and commenced on February 1, 2004. For further information, please see the Stewardship Ontario website and the Resource Productivity and Recovery Authority (RPPRA) website.

Stewardship Ontario presented the Blue Box Program performance and fee schedule to stewards on October 24, 2018. Relevant documentation, including a discussion paper, presentation and Q&As from the meeting can be found at www.stewardshipontario.ca/engagement.

Stakeholder Consultation

On August 14, 2017, the Ontario Minister of Environment and Climate Change, Hon. Chris Ballard, issued a letter directing Stewardship Ontario and RPPRA to develop a proposal to amend the Blue Box Program Plan in order to support transition from the current shared responsibility model to full producer responsibility. Stewardship Ontario held many stakeholder consultations throughout 2017 and 2018, and all meeting materials and communications are available on the Stewardship Ontario website at www.stewardshipontario.ca/a-bbpb.

Stakeholders expressed significant support for the transition to full producer responsibility, however, the consultations revealed that additional policy development and conversations must take place before the transition process can begin. As a result, Stewardship Ontario did not submit its proposal for an amended Blue Box Program Plan to RPPRA on February 15, 2018. Instead, Stewardship Ontario remained engaged in discussions with its stakeholders throughout 2018 in order to discuss options for moving forward.

Steward Registration, Reporting & Audit

There were 1,859 stewards registered with Stewardship Ontario's Blue Box Program as of December 31, 2018. 1,353 steward reports were submitted in 2018 (versus 1,407 in 2017).

\$127,879,724 in Blue Box fee revenue was invoiced in 2018, versus \$121,870,640 in 2017, an increase of 4.8%. The 2018 fee revenue exceeded budgeted revenue of \$126,004,683 by 1.4%¹.

Steward reports were analyzed to flag inconsistencies in reporting against prior years. Where inconsistencies are flagged, follow-up activities are initiated to confirm the reported quantities and to make corrections where required. At the end of 2018, steward reports representing more than 90% of reported tonnes had undergone desk verification and review.

Stewardship Ontario utilizes a compliance audit framework designed in cooperation with Deloitte LLP and PwC, that was built upon the best practices from European EPR jurisdictions. The criteria for selecting stewards for comprehensive audits is designed to improve overall confidence in the quality of reporting. 15 compliance reviews relating to 2018 packaging and printed paper reports were launched in the spring of 2018. In addition, any steward-initiated adjustment request involving a significant amount undergoes an independent third party audit.

¹ Steward reports for any prior year's obligations or changes to steward reports for prior years are captured in the year that the reporting or change takes place.

Program Diversion Performance

The Blue Box Program supports the efforts of Ontario municipalities and First Nations communities to collect and market packaging and printed paper. Municipalities are paid 50% of the costs they incur as a result of the Blue Box Program.

Based on municipal reports through RPRA's Datacall, the Blue Box Program continued to exceed the 60% government-mandated target, although there was a slight year-over-year decrease in the general recycling rate from 62.4% to 61.3%. The recycling rate and recycled tonnes

slightly decreased due to a reduction in printed news and other publications caused by a move to digital platforms. Generated tonnes, an estimate of the total quantity of residential packaging and printed paper available, increased slightly. Recycled kilograms per capita decreased in 2017 reflecting reduced tonnes and an increase in the population.

Province	Ontario 2017	Ontario 2016	Ontario 2015	Ontario 2014	YOY Variance %
Recycling Performance					
Recycled Tonnes	822,979	836,227	852,437	884,504	-1.6%
Generated Tonnes	1,342,017	1,340,947	1,332,544	1,361,930	0.1%
Recycling Rate	61.3%	62.4%	64.0%	64.9%	-1.7%
Provincial Recycling Target	60.0%	60.0%	60.0%	60.0%	0.0%
Population Served by PPP Program	12,962,740	12,814,578	12,830,228	13,358,776	1.2%
Recycling kg per Capita	63.49	65.26	66.44	66.21	-2.7%
Accessibility Performance					
# Households Served	5,237,905	5,174,930	5,165,154	5,365,378	1.2%
% Households with Access to PPP Program	94.4%	94.6%	95.3%	97.3%	-0.2%
Consumer Awareness	97.0%	97.0%	97.0%	97.0%	0.0%

Program Cost

The overall net cost of the Blue Box recycling system decreased by 2.0% or \$5.2 million from 2015 to 2016 as a result of strong commodity markets. The net cost per tonne and per capita were steady with 2015 figures.

Province	Ontario 2017	Ontario 2016	Ontario 2015	Ontario 2014	YOY Variance %
Cost Performance					
Recycled Tonnes	822,979	836,227	852,437	884,504	-1.6%
Net Cost*	\$249,809,925	\$258,540,366	\$263,726,504	\$252,936,907	-3.4%
Net Cost per Tonne	\$304	\$309	\$309	\$286	-1.8%
Net Cost per Capita	\$19	\$20	\$21	\$19	-4.5%
P&E Cost per Capita	\$0.56	\$0.64	\$0.58	\$0.52	-12.4%
Recycled kg per capita	63.5	65.3	66.4	66.2	-2.7%

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

Market Development

Stewardship Ontario has an obligation under the Blue Box Program Plan to “undertake investments in market development activities in partnership, where possible, with other parties (e.g. the private sector, municipal, provincial and federal interests)”.

Two key elements that contribute to the successful expansion of markets for recyclable materials are ongoing investment in emerging technologies and collaboration with partners. Stewardship Ontario has put considerable funds and effort into researching, investing and nurturing markets for materials such as mixed rigid plastics and film plastic, and more recently laminated packaging, mixed broken glass and hot beverage cups. Efforts in developing markets and ensuring their sustainability continue as Stewardship Ontario staff work to stay at the forefront of evolving technologies and approaches to ensure market development activities result in tangible and measureable results. Highlights of Stewardship Ontario’s work over the last 12 months are summarized below.

Piloting Segregated Glass Collection

Since its inception, the Ontario Blue Box Program has evolved significantly over the years. One major change has been the shift from multi-stream curbside collection to single and two-stream collection. The impact this change has had on the co-mingling of glass with other materials has caused many unintended issues in the MRF processing system, not the least of which being a negative impact on MRF commodity values. With an eye to the successful segregated glass collection activities by Recycle BC, Stewardship Ontario wishes to learn how such a program can bring benefits to Ontario. This study hopes to show that when glass is collected and source separated, materials can be sold at higher



commodity values with little impact to overall program costs.

Stewardship Ontario continues to work on this study in cooperation with the Continuous Improvement Fund (CIF). Work is scheduled to continue into 2019 with a final report to be completed later next year.

Measuring Changes to the Composition of Blue Box Materials

Stewardship Ontario undertook curbside and multi-family waste composition studies in partnership with the CIF. These studies provided insight for both industry and municipalities on what packaging and printed paper materials residents are setting out for recycling. This information was used by Stewardship Ontario and CIF for the purposes of identifying potential areas for program improvements, measuring program performance, and as inputs to the calculation of Blue Box steward fees. Studies were conducted in eight municipalities to ensure a representative sample. Both municipalities and industry can use the information gathered to plan ahead for program requirements and resident communication to manage this changing mix. To further bolster the data found at the curb, MRF Material Composition and Density Studies were completed at six Ontario material recovery facilities over two seasons.

Promotion and Education

'Don't Break the Cycle' Contamination Campaign *Social Media*

Rising levels of contamination have been driving up program costs and reducing the quality of recovered materials sent to recycling end markets. In support of municipalities' efforts, Stewardship Ontario re-ran its successful 2017 'don't break the cycle' contamination reduction campaign targeting three specific areas of contamination in resident recycling bins: organics, problematic materials and dirty containers. This year's campaign had a heavier focus on multi-family residential buildings, which tend to have higher contamination levels than curbside and depot-based programs. The entire campaign generated over 22.3 million impressions.

Campaign results:

- Billboard ads: 7,238,000 impressions.
- Direct mail drop to multi-residential buildings in London, Peel and York.
- Digital ads: 5,384,330 impressions; 6,849 clicks.
- Radio ads: 1,393 spots; 8,047,500 impressions.
- Visits to campaign landing page: 7,932.
- Ambassador team events led to interaction with 863 residents.
- Stewardship Ontario's ad recall research indicated 38% of Ontario residents recalled hearing or seeing an ad about 'breaking the cycle', mostly from radio ads indicating radio is our most effective advertising channel.

In Q4, Stewardship Ontario ran the holiday version of the campaign via billboards in London, Ottawa, Kingston, Barrie, Peel, York and Durham and as online ads targeting residents across the province. The campaign generated 16,211,266 impressions.

Stewardship Ontario engages residents on Twitter by providing useful recycling tips and reminders throughout the year. In 2018, Stewardship Ontario's Twitter activity generated 110,870 impressions, up 59% from 2017.





SECTION 2

2018 MHSW Program Performance

Background

The MHSW Program is designed to collect consumer household hazardous or special waste material and manage these materials through to their end-of-life (recycled or disposed of safely) in accordance with the Waste Diversion Transition Act, 2016.

Stakeholder Consultation

On April 12, 2018, the Minister of the Environment and Climate Change issued direction to Stewardship Ontario to wind up the MHSW Program by December 31, 2020. Upon wind up, materials collected under the MHSW Program will be managed according to an individual producer responsibility (IPR) framework under the Resource Recovery and Circular Economy Act, 2016.

On December 11, 2018, the Minister of the Environment, Conservation and Parks amended the timelines for the wind up of single-use batteries. The waste diversion program for single-use batteries will now cease operation on June 30, 2020, to allow for coordination with waste electrical and electronic equipment. Programs for other MHSW materials will continue to cease operation on December 31, 2020.

Stewardship Ontario is developing a proposal for the MHSW Wind Up Plan, which must be submitted to RPRA by June 30, 2019. Throughout this process, Stewardship Ontario is committed to transparent communication and meaningful consultations with its stakeholders. The Wind Up Plan will support competition, prevent conflict of interest, demonstrate fairness, maintain and improve program performance, and result in no disruption to consumers.

Steward Registration, Reporting & Audit

320 stewards were registered with the MHSW Program as of December 31, 2018.

1,126 steward reports were received in 2018, versus 1,573 reports in 2017.

\$19,595,160 in fee revenue was invoiced in 2018, versus \$21,287,674 for 2017, a decrease of 7.95%. The 2018 fee revenue was below \$20,392,298 budget by 3.9% as a result of ongoing steward migration to industry stewardship plans².

Stewardship Ontario's utilizes a compliance audit framework designed in cooperation with Deloitte LLP and PwC, that was built upon the best practices from European EPR jurisdictions. The criteria for selecting stewards for comprehensive audits is designed to improve overall confidence in the quality of reporting.

To facilitate administrative harmonization and cost savings, Stewardship Ontario participates in Used Oil Management Association (UOMA) steward audit process. Eight MHSW review cases were executed by UOMA in 2018.

² Steward reports for any prior year's obligations or changes to steward reports for prior years are captured in the year that the reporting or change takes place.

Vendor Registration and Monitoring

Stewardship Ontario operates a reverse supply chain for the collection, transportation and recycling of pressurized containers and single-use dry cell batteries. Each of these activities are outsourced to public and private sector service providers through commercial agreements and incentive-based performance programs. To be eligible to provide services to Stewardship Ontario, service providers must be approved and continuously adhere to vendor standards, policies and procedures established by Stewardship Ontario. The most up-to-date list of approved serviced providers is posted on the Stewardship Ontario website.

Stewardship Ontario is dedicated to continuous improvement of its reverse supply chain. Regular reviews of existing programs, processes and payment rates are undertaken to ensure cost effective program delivery and the achievement of collection and recycling targets. As a result, the actual methods, tactics and programs by which Stewardship Ontario undertakes its material management activities change over time as market conditions evolve. Commercial arrangements may include, but are not limited to, contracting for services following a request for qualifications or a request for proposals, contracting for services as a result of sole source negotiation, incentive programs and/or direct delivery of services.

Stewardship Ontario's responsibilities and duties include fostering a marketplace that maintains and encourages competition, achieves efficiencies and cost-effectiveness and ensures that all industry service providers have a fair and equitable opportunity to participate in the provision of services.

As of December 31, 2018 there were 24 approved transporters and 15 approved processors for

MHSW materials. Material is sourced from nearly 6,000 collection sites across Ontario³.

In 2018, Stewardship Ontario executed new post collection service provider agreements with all transporters and processors that operate under the battery incentive program to improve supply chain governance and program transparency.

Stewardship Ontario monitors performance against its service provider standards. Examples of monitoring activities include:

- Service provider reviews, supported by a new 'audit checklist' developed in 2018
- On site/event visits on a priority and/or rotating basis
- Audits of materials, service provider and collection sites
- On-site training of municipalities and commercial service providers on program requirements, standards, and reporting changes
- Ensure field network partner issues, desires and goals are communicated and understood and that strategies and plans are appropriately responsive

³These figures are lower than in previous years due to the transfer of material supply chains to ISP operators for paint, pesticides, solvents, fertilizers, antifreeze, oil containers and oil filters.

Accessibility

The following chart details consumer accessibility by collector type for MHSW in 2018:

Channel - Activity	2018 Actual
Municipal – Depot	88
Municipal – Events	312
Return-to-Retail (R2R)	30
Battery Incentive Program (BIP)	5,340
Provincial Parks Program	102

Program Performance Against Targets

2018 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	711	50%	356	497	70%	142	1,210	(713)
Fertilizers	2	N/A	N/A	4	N/A	N/A	5	(1)
Oil Containers	758	52%	394	769	102%	375	1,569	(800)
Oil Filters	2,091	85%	1,777	2,396	115%	619	4,622	(2,226)
Paints & Coatings	7	77%	6	8	108%	2	8	-
Pesticides	-	57%	-	-	N/A	0	-	-
Pressurized Containers (Non-Refillable)	830	46%	382	318	38%	-64	336	(18)
Pressurized Containers (Refillable)	472	98%	462	424	90%	-38	447	(22)
Single-Use Batteries	5,877	40%	2,351	2,964	50%	613	3,136	(171)
Solvents	232	46%	107	44	19%	-63	80	(37)

*Based on the quantity supplied by Stewards participating in the MHSW Program

Program Performance Against Targets

2018 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	711	50%	356	497	70%	142	1,210	(713)
Fertilizers	2	N/A	N/A	-	N/A	N/A	-	-
Oil Containers	758	52%	394	769	102%	375	1,569	(800)
Oil Filters	2,091	85%	1,777	2,396	115%	619	4,622	(2,226)
Paints & Coatings	7	62%	5	4	54%	0	6	(3,315)
Pesticides	-	N/A	N/A	-	N/A	N/A	-	-
Pressurized Containers (Non-Refillable)	830	46%	382	318	38%	-64	336	(18)
Pressurized Containers (Refillable)	472	98%	462	424	90%	-38	447	(22)
Single-Use Batteries	5,877	28%	1,669	2,549	43%	880	2,697	(147)
Solvents	232	6%	14	0	0%	-14	17	(17)

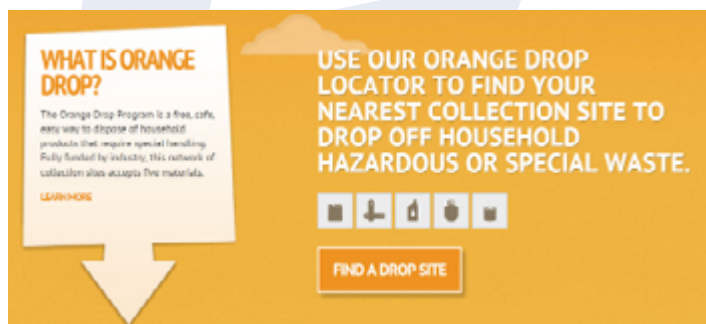
*Based on the quantity supplied by Stewards participating in the MHSW Program

Promotion and Education

The promotion and education activities to support the Orange Drop (MHSW) Program are designed to increase awareness, drive behaviour change, and support collection channels (such as depots, events, return to retail and incentive partners) to achieve collection and diversion targets.

Website and Drop-off Locator Tool

The Orange Drop website continued to provide its locator tool for residents to easily search drop off locations and municipal events by postal code. The website saw over 59,000 unique visitors in 2018, up 19% from 2017.



Material Awareness Campaign

In July, 2018, Stewardship Ontario participated in a campaign to promote the proper disposal of the five Orange Drop materials across Ontario⁴. The creative was featured on 13 billboards located in Durham, Peel, Ottawa, Barrie, Thunder Bay, Sudbury and London, as well as online and social media ads. Templates of the ads are made available on the Stewardship Ontario website for municipalities to download, customize and use for their own promotion and education initiatives.

Results:

- 68% increase in website traffic compared to same time period in 2017.
- 13,292,290 impressions.
- 7,797 digital and social ad clicks linking to the Orange Drop website.



⁴ In collaboration with Automotive Materials Stewardship, which licenses the use of the Orange Drop brand.

Pressurized Container Campaign

Stewardship Ontario re-ran its 2017 pressurized containers campaign, once again targetting picnickers and campers. The campaign reminded residents that pressurized cylinders don't belong in their blue box and should be brought to an Orange Drop drop-off location for safe handling. The campaign ran from June 4 to July 1, 2018 on digital platforms.

Results:

- Website traffic increased 40% compared to the same timeframe in 2017.
- 1,605,131 impressions.



Partnership with Ontario Parks and Private Parks

Stewardship Ontario continued its ongoing partnership with Ontario Parks and select private parks for the collection of non-refillable pressurized containers. New posters highlighting the Orange Drop cages were sent to participating parks. As well, Ontario Parks featured Orange Drop in a blog post on how to safely dispose of pressurized cylinders in a blog post, e-newsletter story and on their social media channels.

Results:

- 873 views of blog post on the Ontario Parks website.
- 5,396 clicks on Orange Drop story in Ontario Parks e-newsletter.
- 108 parks in Ontario received reusable educational posters.

Social Media

Stewardship Ontario continued to develop content for Orange Drop's social media channels in order to increase following and engagement with residents.

Facebook and Twitter posts raised awareness around the resident education campaigns, shared recycling tips and tricks, reminded residents of the locator tool and encouraged proper recycling of Orange Drop materials. Orange Drop's posts generated over 495 million impressions throughout 2018 (up 4,375% from 2017), had 3,066 engagements and over 5,100 link clicks. Combined, Orange Drop's social channels gained 658 followers, up 23% from those gained in 2017.



SECTION 3

2018 Audited Financial Statements

Stewardship Ontario

Financial Statements

For the year ended December 31, 2018

Stewardship Ontario

Financial Statements

For the year ended December 31, 2018

Contents

Independent Auditor's Report	2-3
Financial Statements	
Balance Sheet	4
Statement of Changes in Net Assets	5
Statement of Operations	6
Statement of Cash Flows	7
Notes to Financial Statements	8-15



Independent Auditor's Report

To the Members of Stewardship Ontario

Opinion

We have audited the financial statements of Stewardship Ontario (the Organization), which comprise the balance sheet as at December 31, 2018, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of 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. In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 28, 2019

Stewardship Ontario Balance Sheet

December 31	2018	2017
--------------------	-------------	-------------

Assets

Current

Cash	\$ 68,948,190	\$ 29,039,415
Investments (Note 2)	18,912,047	20,325,867
Accounts and other receivables (Note 3)	8,286,292	13,177,789
Prepaid expenses and deposits	26,448	31,354

	96,172,977	62,574,425
--	------------	------------

Investments (Note 2)	42,406,084	40,357,723
----------------------	------------	------------

	\$138,579,061	\$102,932,148
--	---------------	---------------

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 4)	\$ 39,572,133	\$ 36,431,535
Deferred revenue (Note 6)	9,805,560	9,805,560
Continuous Improvement Fund (Note 7)	19,807,154	23,305,487

	69,184,847	69,542,582
--	------------	------------

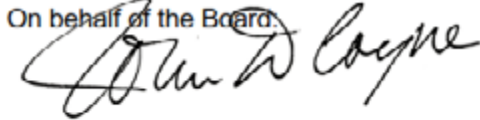
Net Assets

Unrestricted	59,863,684	23,859,036
Internally restricted (Note 8)	9,530,530	9,530,530

	69,394,214	33,389,566
--	------------	------------

	\$138,579,061	\$102,932,148
--	---------------	---------------

On behalf of the Board:



Director



Director

Stewardship Ontario Statement of Changes in Net Assets

For the year ended December 31, 2018

	Unrestricted	Internally Restricted	2018 Total
Balance, beginning of year	\$ 23,859,036	\$ 9,530,530	\$ 33,389,566
Excess of revenue over expenses for the year	36,004,648	-	36,004,648
Balance, end of year	\$ 59,863,684	\$ 9,530,530	\$ 69,394,214

For the year ended December 31, 2017

	Invested in Capital Assets	Unrestricted	Internally Restricted	2017 Total
Balance, beginning of year	\$ 39,689	\$ 25,134,289	\$ 9,911,108	\$ 35,085,086
Deficiency of revenue over expenses for the year	(39,689)	(1,275,253)	(380,578)	(1,695,520)
Balance, end of year	\$ -	\$ 23,859,036	\$ 9,530,530	\$ 33,389,566

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

Stewardship Ontario Statement of Operations

For the year ended December 31	2018	2017
Revenue		
Blue Box program steward fees	\$ 127,879,724	\$ 121,870,641
MHSW program steward fees	19,595,160	21,287,674
Investment income (Note 9)	1,665,818	692,820
	149,140,702	143,851,135
Expenses		
Blue Box Program		
Municipal Transfer Payments	118,887,549	116,715,713
Continuous Improvement Fund (Note 12(b))	23,993	12,951
Research and development	507,437	49,939
Promotion and education	382,925	363,341
	119,801,904	117,141,944
MHSW Program		
Direct material costs (Note 4)	12,321,857	17,831,997
Research and development	2,387	-
Promotion and education	77,929	27,787
	12,402,173	17,859,784
Common costs		
Program management (Note 4)	7,740,025	8,783,950
Resource Productivity and Recovery Authority (Note 10)	2,566,987	1,760,977
	10,307,012	10,544,927
Total expenses	142,511,089	145,546,655
Excess (deficiency) of revenue over expenses for the year before undernoted item	6,629,613	(1,695,520)
GST recovery (Note 11)	29,375,035	-
Excess (deficiency) of revenue over expenses for the year	\$ 36,004,648	\$ (1,695,520)

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

Stewardship Ontario Statement of Cash Flows

For the year ended December 31

2018

2017

Cash provided by (used in)

Operating activities

Excess (deficiency) of revenue over expenses for the year	\$ 36,004,648	\$ (1,695,520)
Adjustments to reconcile excess (deficiency) of revenue over expenses for the year to cash provided by operating activities		
Amortization of capital assets	-	39,689
Non-cash component of investment income	852,589	765,467
Changes in non-cash working capital balances:		
Accounts and other receivables	4,891,497	2,271,511
Prepaid expenses and deposits	4,906	4,413
Accounts payable and accrued liabilities	3,140,598	(1,175,625)
Continuous Improvement Fund	(3,498,333)	(3,978,961)
	41,395,905	(3,769,026)

Investing activities

Purchase of investments net of expenses	(1,487,130)	(1,279,028)
---	--------------------	-------------

Increase (decrease) in cash during the year

39,908,775 (5,048,054)

Cash, beginning of year

29,039,415 34,087,469

Cash, end of year

\$ 68,948,190 \$ 29,039,415

Stewardship Ontario

Notes to Financial Statements

December 31, 2018

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 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, Waste Diversion Ontario ("WDO") was continued under its new name, the Resource Productivity and Recovery Authority ("RPRA").

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.

Management received letters from the Ministry of the Environment and Climate Change ("Ministry") on April 12 and December 11, 2018. Pursuant to Section 14 of the WDTA, the Ministry directs the Organization to wind up the MHSW waste diversion program. The Organization must submit a plan to wind up to the RPRA no later than June 30, 2019. The single-use battery portion of the MHSW program will cease operation on June 30, 2020 and the remainder of the MHSW program will cease operation on December 31, 2020.

(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, 2018

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) 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.

Stewardship Ontario Notes to Financial Statements

December 31, 2018

2. Investments

	2018	2017
Cash held with broker	\$ 75,047	\$ 197,495
Fixed income	61,243,084	60,486,095
Common shares, private company	-	500,000
Impairment on common shares of private company	-	(500,000)
	61,318,131	60,683,590
Less: Current portion	18,912,047	20,325,867
	\$ 42,406,084	\$ 40,357,723

Fixed income investments bear interest at 1.70% to 4.65% (2017 - 1.70% to 4.65%) and mature between March 2019 and January 2026 (2017 - January 2018 and January 2026). The decrease in market value of investments for the year ended December 31, 2018 amounted to \$640,715 (2017 - decrease of \$156,365) which is included in investment income (Note 9).

During 2011, the Organization purchased 544,828 common shares of a privately owned company with no common share prices quoted in an active market. The purchase represented a 12.64% ownership at the time of purchase. The Organization had no management involvement in the company and the investment was held for sale. In 2014, the Organization recognized an impairment loss on the common shares of the private company of \$500,000 as there was uncertainty relating to the recoverability. In the current year, the private company dissolved and the investment was written off.

3. Accounts and Other Receivables

	2018	2017
Blue Box and MHSW program steward fees	\$ 8,397,428	\$ 13,316,772
Other	190,050	70,778
Allowance for doubtful accounts	(301,186)	(209,761)
	\$ 8,286,292	\$ 13,177,789

Stewardship Ontario Notes to Financial Statements

December 31, 2018

4. Significant Contracts

(a) Canadian Stewardship Services Alliance Inc. ("CSSA")

The Organization entered into an agreement with 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 \$5,300,000 (2017 - \$6,191,552) for these services and are included in program management expenses. Included in accounts payable and accrued liabilities is \$501,297 (2017 - \$587,353) 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% (2017 - 20%) of the Organization's board membership.

(b) Automotive Materials Stewardship Inc. ("AMS")

On February 2, 2017, the Organization entered into a Supply Chain Agreement with AMS, a newly established organization whose program was previously under the Organization's MHSW program. AMS focuses on the waste management of anti-freeze, oil filters, and oil containers. Under the Supply Chain Agreement, the Organization shall purchase from AMS, the Organization's Automotive Market Share of tonnes of each Automotive Materials (oil filters, oil containers, and anti-freeze) under the supply chain. During the year, the Organization incurred costs of \$3,507,711 (2017 - \$3,278,974) under this agreement which are included in direct material costs for the MHSW program. Included in accounts payable and accrued liabilities is \$527,368 (2017 - \$612,163 in accounts receivable) relating to these services.

The Organization and AMS do not share any common board members.

All transactions between the Organization, CSSA, and AMS 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, 2018

5. 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 was due in June 2017 and \$50,000 is due annually from June 2018 to June 2020 and is non-interest bearing. As at December 31, 2017, the Organization had yet to receive the 2017 scheduled payments and, as a result, recognized an allowance for the doubtful loan of \$300,000. As at December 31, 2018, the Organization has received a payment of \$200,000 and, as a result, reversed \$200,000 of the allowance for doubtful loan.

6. Deferred Revenue

	<u>2018</u>	<u>2017</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.

Stewardship Ontario

Notes to Financial Statements

December 31, 2018

7. 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 \$nil (2017 - \$1,050,000) and spent \$3,918,862 (2017 - \$5,289,978) on continuous improvement activities. The funds held by the Organization for the CIF are included in cash.

8. Internally Restricted Net Assets

	2018	2017
Sustaining Fund	\$ 3,500,000	\$ 3,500,000
Plastic Market Development Fund	4,964,379	4,964,379
Blue Box Fund	1,066,151	1,066,151
	\$ 9,530,530	\$ 9,530,530

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.

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.

9. Investment Income

	2018	2017
Interest income	\$ 2,362,705	\$ 1,236,889
Dividend income	155,702	221,398
Loss on sale of investments	(13,743)	(431,198)
	2,504,664	1,027,089
Adjustment to fair value	(640,715)	(156,365)
Investment expenses	(198,131)	(177,904)
	\$ 1,665,818	\$ 692,820

Stewardship Ontario Notes to Financial Statements

December 31, 2018

10. Resource Productivity and Recovery Authority

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.

11. GST Recovery

On March 21, 2018, a judgment was received in favour of the Organization whereby it was entitled to claim past input tax credits for periods from 2011 to 2017.

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, 2018, the Organization has spent \$2,235,508 (2017 - \$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. Each year, RPRA determines the amount of the annual municipal obligation funded by the Organization's stewards that is passed along to the CIF and any cumulative unused amounts are reflected in Deferred Revenue (Note 6). As of December 31, 2018, approved project funding and related commitments for the CIF amounted to approximately \$16,264,831 (2017 - \$21,482,541) of the total fund balance of \$19,807,154 (2017 - \$23,305,487).

Stewardship Ontario Notes to Financial Statements

December 31, 2018

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, unless otherwise noted. 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 loan 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 \$401,186 (2017 - \$501,010).

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.

(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)).

These risks have not changed from the prior year.