



Stewardship Ontario



2017 ANNUAL REPORT



About Stewardship Ontario

Stewardship Ontario is a not-for-profit organization, funded and governed by businesses, working to operate efficient programs that divert more waste from Ontario's landfills and waterways. Obligated businesses meet their regulatory requirements by registering with the program, reporting the quantities of designated materials supplied to consumers and paying fees.

With our partners, we promote environmental sustainability through reducing waste, reclaiming valuable materials for reuse, and recycling. We operate Ontario's waste diversion programs for Packaging and Printed Paper (Blue Box) and Municipal Hazardous or Special Waste (MHSW), known to consumers as Orange Drop. We also invest in market development activities to improve the management of materials captured under the programs.

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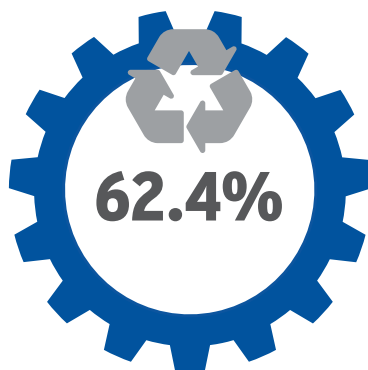
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2017 Highlights

Stewardship Ontario and our partners and stakeholders are actively preparing for a new era under the *Waste Free Ontario Act, 2016*. Within this new legislative framework, we have been asked by the Minister of the Environment and Climate Change to develop a proposal to amend the Blue Box Program Plan and build collaboration amongst stewards, consumers and supply chain participants. This collaboration is critical as we look forward to a changing operating environment and a circular economy. In 2017, the introduction of a new industry stewardship plan for automotive materials further reduced the types and quantities of MHSW materials actively managed by Stewardship Ontario.

BLUE BOX PROGRAM

Recycling data from 2016



RECYCLING RATE



TONNES RECYCLED



2017 STEWARD FEES

MHSW (ORANGE DROP) PROGRAM

All data from 2017



SINGLE-USE BATTERY
collection rate
(above 40% target)

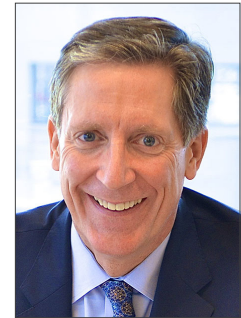


TONNES
of pressurized
containers collected



STEWARD FEES

Message to Stakeholders



John D. Coyne, 2017 Board Chair
Vice President, Legal & External Affairs and General Counsel,
Unilever Canada Inc.

Not surprisingly, 2017 was a year of significant change for Stewardship Ontario. The scope and scale of change included a new provincial strategy that promotes a circular economy; tightening global commodity markets for post-consumer material; and a growing recognition, signified by both the increasing awareness and attention to the challenges of climate change and the ubiquitous presence of plastics throughout the environment, that patterns of consumption must evolve quickly from a linear, disposable framework to an engaged, circular and responsible model of resource use.

Stewardship Ontario and our many stakeholders were impacted by, and will have a role to play, on all these fronts. And so while annual reports are typically the place to review the past year's performance, given the momentum of change underway in Ontario and beyond, we cannot help but consider the future as well.

Towards a Waste-Free Ontario

[The Strategy for a Waste-Free Ontario](#), released by the Minister of the Environment and Climate Change in February 2017, set in motion a transformational shift from a linear economy to one in which resources are to be repeatedly used in closed loops - thereby eliminating waste. Supported by the *Waste-Free Ontario Act, 2016*, a legislative package consisting of the *Waste Diversion Transition Act, 2016* (WDTA) and the *Resource Recovery and Circular Economy Act, 2016* (RRCEA), the Strategy calls for existing waste diversion programs, including Stewardship Ontario's Blue Box and Municipal Hazardous or Special Waste (MHSW) programs, to undergo a transition process consisting of two eventual steps:

1. Wind up existing waste diversion programs and industry funding organizations under the WDTA; and
2. Create regulations under the RRCEA that make producers fully responsible for the materials designated under these programs.

The Strategy notes that the "Blue Box program transition will require careful consideration" to ensure services are maintained while the Blue Box Program undergoes these changes. In response, Stewardship Ontario and key municipal representatives entered into an [Accord](#) to guide discussions and move from the current shared responsibility model to full producer responsibility. The Strategy also notes that while the transition of MHSW, Electronics and Used Tire programs can occur within two to four years, "the Blue Box program may take longer as the province, municipalities and producers will need to have extensive discussions on the transition process".




In August 2017, the Minister directed Stewardship Ontario and the Resource Productivity and Recovery Authority (the Authority) to prepare a proposal to amend the Blue Box Program Plan, triggering the first phase of its transition. Over the following six months extensive consultations were held with the steward community, First Nations, Ontario's municipal representatives, the waste management industry and environmental non-government organizations to develop a program plan designed to transfer responsibility for the collection and management of packaging and paper products from Ontario municipal and First Nations communities to Stewardship Ontario. A draft of the proposed Blue Box Program Plan is [available on our website](#). Discussions with various stakeholders are continuing. Stewardship Ontario's Board members and staff are optimistic that these discussions will result in a transition process that will increase diversion and reutilization of packaging and paper products, improve resident access to and experience with collection services, and enable investments to address hard-to-recycle materials. In keeping with the Minister's direction letter, the draft plan sets ambitious diversion targets, including a 75% general diversion target and material-specific targets for paper, plastic, metal and glass. The 50% target for plastic packaging reflects the latest targets being set by European Union countries as part of their plastics and circular economy strategy.

Transition, however, is not limited to the Blue Box program. The MHSW Program, known to consumers as Orange Drop, continued to undergo significant change as a new industry stewardship plan (ISP) for automotive antifreeze and containers, oil filters and oil containers was launched in 2017. Stewardship Ontario transitioned the recycling supply chain for collection and processing of these materials to the ISP program operator, Automotive Materials Stewardship (AMS), on April 1, 2017.

Further, on April 12, 2018, the Minister issued direction to Stewardship Ontario to wind-up the MHSW Program by December 31, 2020. Upon wind up, MHSW materials will be managed in accordance with an individual producer responsibility framework under the RRCEA – yet another step toward implementing a circular economy in Ontario. Stewardship Ontario looks forward to developing a wind-up plan in consultation with our many stakeholders over the next year. You can learn more about this process [on our website](#).

Turning Up the Heat on Plastics

China's recent decision to impose import restrictions on post-consumer material have tightened up commodity markets for dozens of types of solid waste, including various plastics and unsorted mixed papers. The restrictions set contamination levels at only 0.5%, and are a stark reminder that we, in Ontario, can be buffeted by global decisions. We are already seeing significant impacts: the value of material sold to end markets is dropping; there is increased pressure on municipal programs and private sector operators to better sort their material and the attendant cost implications; and residents are being asked to recycle more carefully as some communities consider removing certain types of packaging from their collection programs. Steward fees cannot help but be ultimately impacted by these changing market conditions. Stewardship Ontario remains committed to ensuring that all such impacts are dealt with efficiently and with full transparency.



At the same time, concern about plastics in the environment continues to grow as organizations such as the Ellen MacArthur Foundation and others draw the world's attention to the serious problem that is marine plastic. By now, we've all become familiar with the extent of the issue:

- **Leakage:** At least eight million tonnes of plastics leak into the world's oceans each year. Without significant action, there may be more plastic than fish in the oceans, by weight, by 2050; and even by 2025 the ratio of plastic to fish in the ocean is expected to be one to three, as plastic stocks in the ocean are forecast to grow to 250 million tonnes in 2020.¹
- **Lost Value:** World-wide, 95% of plastic packaging material (\$80 - 120 billion annually), after a short first-use cycle, is lost to the economy. Only 14% of plastic packaging is collected for recycling; and only 5% of material value is retained for subsequent use.
- **Fragmentation:** Today's plastics economy is highly fragmented. A lack of standards and coordination has enabled a proliferation of materials, formats, labelling, collection schemes, and sorting and reprocessing systems which collectively hamper the development of effective markets. Development and introduction of new packaging materials and formats is happening far faster than are the systems and infrastructures deployed to collect and recycle it.

This is unacceptable and, unchanged, foreshadows a completely unsustainable future for all of us. In the months ahead, stewards, including those around the Stewardship Ontario Board table, may be expected to take a leadership role in the search for solutions. Moreover, in June 2018, for example, at the G7 meeting in Quebec our federal government introduced a Plastics Charter calling for near universally reusable, recyclable or compostable plastics packaging in the drive toward packaging standardization and increased recovery.

The Strategy for a Waste-Free Ontario and the transformational change it has initiated here is a critical part of the solution – closing the loops and keeping plastic packaging out of the natural environment. This report outlines how we at Stewardship Ontario, with our municipal, First Nations and steward partners, are preparing for the challenges and changes that lie ahead.

I would like to thank our board members, our stewards, and our many stakeholders for their support and engagement in the past year, and I look forward to continued dialogue as we prepare for the future.



¹ See "The New Plastics Economy" by Ellen MacArthur Foundation, 2016 and "Stemming the Tide" by Ocean Conservancy and McKinsey Centre for Business and Environment, 2015.



Blue Box Program

The Blue Box Program is Ontario's curbside recycling program for diverting packaging and printed paper from the residential waste stream. It collects glass, metal, paper and plastic materials – in various formats and an ever-evolving mix.

Program costs are shared equally between Ontario municipalities and industry stewards. These are the more than 1,800 registered businesses that supply packaging and printed paper to Ontario residents.

Our stewards include brand owners (companies who hold registered trademarks associated with the designated packaging or printed materials), first importers (Ontario companies that are the first to take ownership, possession or control of products into Ontario) and franchisors (the responsible stewards for all designated printed materials and packaging that is supplied by the entire Ontario franchise system).

Stewards contributed \$121.9 million to the Blue Box Program last year. The current shared-cost model is expected to evolve to one of full producer responsibility over the coming years, as explained in the box below.

In 2017, there were 241 communities that participated in the Blue Box Program. These municipalities coordinate, and in some cases deliver, the collection, sorting and marketing of materials and for resident education. Municipalities seek to balance environmental, financial and stakeholder interests, but are generally focused on diverting more materials from landfills and ensuring excellent services to their residents.

GEARING UP FOR A NEW BLUE BOX PROGRAM

The Blue Box Program is preparing to shift from its current shared-cost model to full producer responsibility for collecting and managing packaging and paper product (PPP). In August, 2017, Stewardship Ontario and the Resource Productivity and Recovery Authority (the Authority) were directed by the Ontario Minister of the Environment and Climate Change to develop a proposal for an amended program plan in consultation with all affected stakeholders. Over the ensuing six months Stewardship Ontario and the Authority held extensive consultations across the province, in-person and via webinar. The process culminated in over 200 written submissions that informed development of a draft amended program plan.

The draft program plan contains important features including ambitious diversion targets such as a 75% general diversion target and a 50% target for plastic packaging that will firmly set Ontario on the road to a circular economy.

Central to improving how residents interact with the Blue Box is a standardized list of collected materials across all transitioned communities, which will increase diversion and simplify the recycling experience for Ontarians. In addition, collection services would be extended to 300,000 multi-family households that are not serviced by their municipalities today. Additional collection channels may also be established as necessary to meet the objectives of the program.

Stewardship Ontario greatly appreciates the substantive and thoughtful feedback by stewards, municipalities and First Nations communities, the waste management industry, non-governmental organizations and other parties. The draft plan remains a work in progress as we continue to engage in discussions with municipal representatives, stewards and others.

The draft amended Blue Box Program Plan and related information are available on a dedicated section of the Stewardship Ontario website [here](#).



PARTNERSHIPS

Stewardship Ontario works with various partners to adjust to changing regulatory and market factors, including individual municipalities, the Continuous Improvement Fund (CIF), 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. The CIF is overseen by a committee that reports to the Authority and includes representatives from Stewardship Ontario and municipalities, an independent member and an independent Chair. Municipalities and their private-sector partners can apply for financial support for projects that benefit a local Blue Box Program or the provincial system overall.

Individual municipalities are making efforts to improve both the quantity and quality of Blue Box material captured, while dealing with the processing challenges and rising costs associated with the evolving packaging stream. Municipalities also indicate that contamination in Blue Boxes is an ongoing and increasing problem. It was also a key factor in China's National Sword customs enforcement program, which banned two dozen types of solid waste and set a much tougher standard for contamination levels, resulting in a spike in supply and a plunge in global commodity pricing for some materials. Following are a few examples of projects that included CIF participation:

Region of Waterloo

The Region of Waterloo, which includes the cities of Cambridge, Kitchener and Waterloo, undertook a relaunch of its residential waste collection program to coincide with the start of a new waste collection contract. The March 2017 changes included a one-time distribution of 60,000 large capacity blue boxes to residents. Collection frequency in rural areas increased to every week, instead of every second week. The region's multi-media Blue Box program promotion and education campaign coincided with the changes, and a significant focus of the campaign was residue management. One year after implementation, there was an 8% increase in the amount of blue box material collected.

Region of Peel

The Region of Peel, which includes the cities of Brampton and Mississauga, has a high proportion of multi-resident households that make a significant contribution to the recycling stream. The region was looking to address the issue of contamination in multi-residential blue box recycling. A campaign was developed to educate residents about the two most prevalent contamination problems: Blue Box material inside a tied plastic bag, and unaccepted materials. The promotion and education efforts addressed proper set-out standards and encouraged small changes to improve the success of residents' recycling efforts. The project demonstrated a two percentage point reduction in the contamination rate in the multi-resident stream.

City of Toronto

The City of Toronto has been working to address contamination rates that are among the highest in the province. The city began a project in late 2017 to quantify the extent to which tagging and leaving behind contaminated recycling can reduce contamination and change behaviour for curbside and multi-residential buildings. Inspectors provided residents with letters explaining how contaminated recyclable material harms the sorting process and can result in recyclables being sent to landfill, which adds significant cost to the city's recycling program. Also, a long-term public awareness campaign was launched to educate residents about what can and cannot go into recycling bins. A cost/benefit analysis for the project will be completed by the city to determine the effectiveness of both the letters and education efforts.

BLUE BOX PROMOTION AND EDUCATION

In 2017, Stewardship Ontario initiated a campaign to support municipalities in their efforts to reduce contamination, following a survey of municipalities that indicated contamination in blue boxes is a key challenge for them.

Stewardship Ontario worked with an advertising agency to create a promotion and education campaign targeting three specific areas of contamination in residents' blue boxes: organics, unaccepted or unsolicited items and dirty containers. Ad templates were created and supplied to municipalities for their own advertising purposes. Titled "Break the Cycle", the campaign ran from late August until the end of September in newspapers, on radio and as digital ads on The Weather Network and Facebook. The campaign generated over 2.5 million impressions.

Stewardship Ontario also engages Ontario residents on social media via Twitter, providing useful recycling tips and reminders via our Twitter account. In 2017, our posts generated 70,000 impressions.



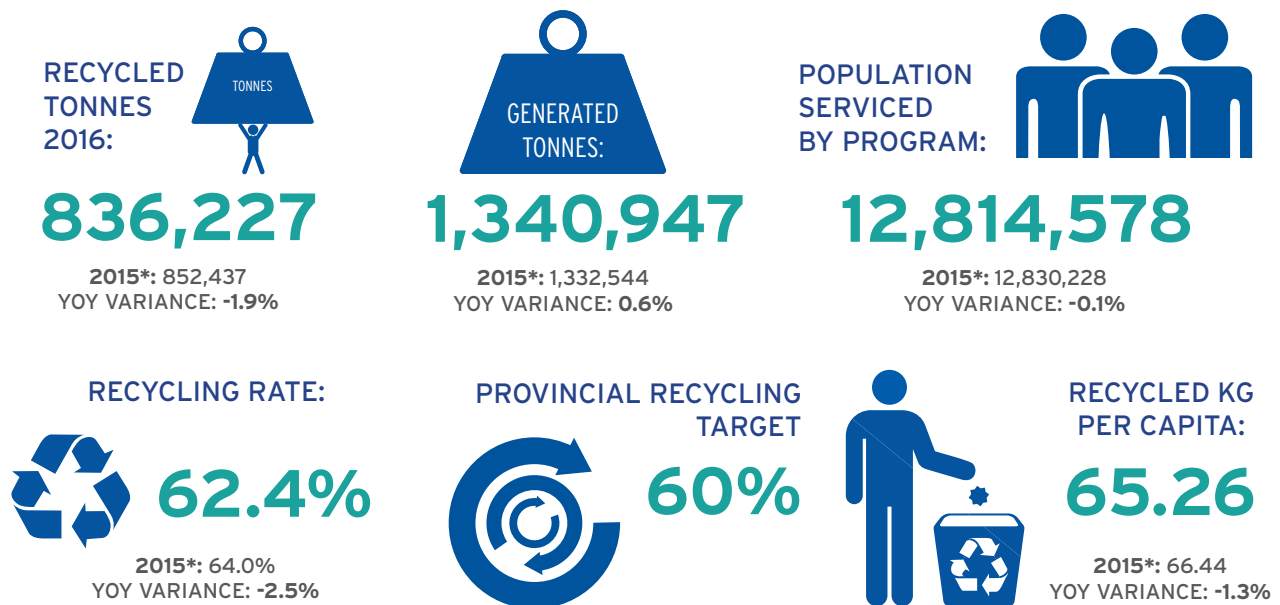
BLUE BOX PROGRAM PERFORMANCE (data from 2016)

The Blue Box Program continues to exceed the 60 per cent government-mandated target, although there was a slight year-over-year decrease in the general recycling rate to 62.4 per cent from 64.0 per cent. We attribute the decline to a decrease of marketed tonnes and an increase of generated tonnes: marketed tonnes managed through the Blue Box – the amount sent to end markets – saw a year-over-year decline of 1.9 per cent, due to less paper and newsprint being collected and marketed. Recycled kilograms per capita decreased by 1.8 per cent, reflecting the reduced quantities managed. On the other hand, generated tonnes – an estimate of the total quantity of residential packaging and printed paper created by households – increased slightly, driven by Polyethylene Terephthalate (PET) bottles, plastic laminates and glass materials.

Access to recycling programs is being maintained at very high levels.

Recycling and Accessibility in Ontario

Recycling Performance



Accessibility Performance



* 2015 figures for population and households serviced restated with updated data from the Authority.

BLUE BOX FINANCIAL PERFORMANCE

The overall net cost of the Blue Box recycling system decreased by 2.0 per cent (\$5.2 million) in 2016, while the net cost per tonne and per capita were steady.

Net cost includes supply chain costs, commodity revenues, promotion and education costs, regulatory costs, market development and program management costs. The slight decrease in costs from 2015 was due to an increase in commodity revenue that more than offset a small increase in gross system costs.

Stewards pay half of the annual net cost incurred by municipalities as a result of the program, plus the cost of managing the program.

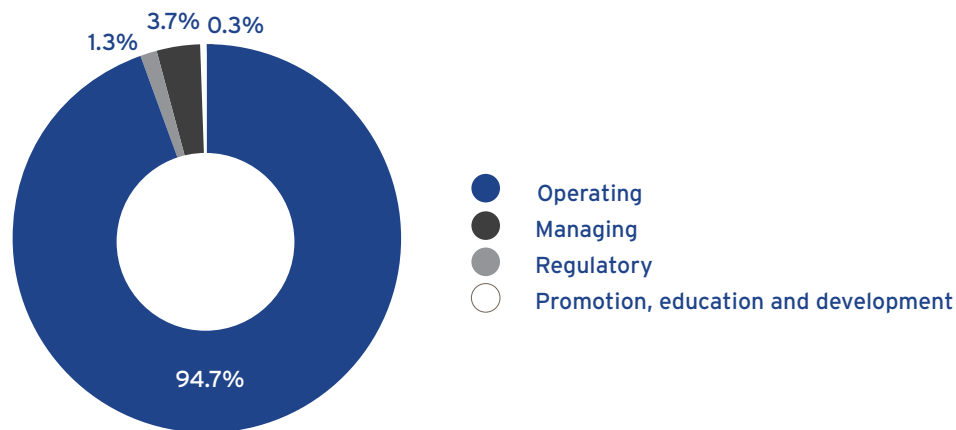
Program Cost Performance

Metric	2016	2015	YoY Variance %
Recycled Tonnes	836,227	852,437	-1.9%
Net Cost	\$258,540,366	\$263,726,504	-2.0%
Net Cost per Tonne	\$309	\$309	-
Net Cost per Capita	\$20	\$21*	-
Promotion & Education Cost per capita	\$0.64	\$0.58	10%

* 2015 figures for population and households serviced restated with updated data from the Authority.

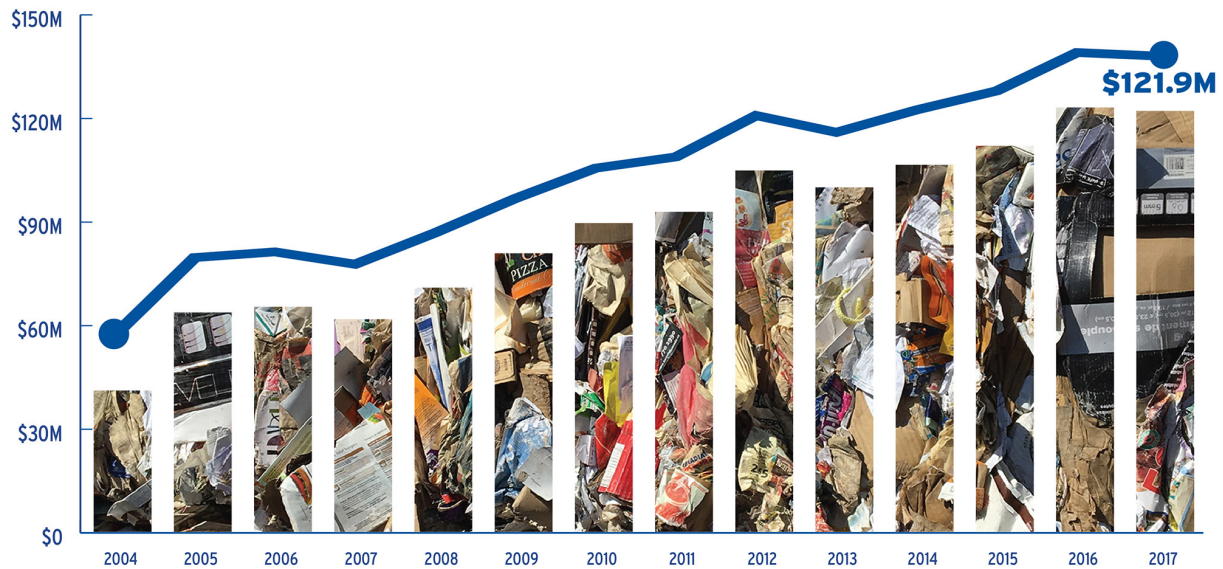
Program Expenses

This graphic shows a breakdown of Stewardship Ontario expenses in 2017, which are largely comprised of payments to municipalities.



REVENUE FROM STEWARD FEES

In 2017, revenue from Blue Box steward fees totalled \$121.9 million, a decrease of 0.8 per cent from 2016.



TOTAL 2017 FEES:

\$121,870,640

SINCE 2004, BUSINESSES HAVE CONTRIBUTED MORE THAN:

\$1.2 billion



MHSW (Orange Drop) Program

The The Municipal Hazardous or Special Waste (MHSW) Program, known to consumers as Orange Drop, is designed to collect hazardous or special waste and manage these materials at their end of life, ensuring they are recycled or disposed of safely. In contrast with the Blue Box Program, industry stewards are fully responsible for both the costs and operations of the MHSW Program.

As stewards launched new industry stewardship plans (ISPs) for management of their MHSW materials in recent years, Stewardship Ontario provided assistance to exiting stewards and transitioned existing supply chains to the industry stewardship organizations (ISOs) operating the ISPs. These transitions account for the notable declines in material volumes, steward fees and expenses reported in this section.

On April 1, 2017, Automotive Material Stewardship (AMS) launched an ISP for antifreeze, antifreeze containers, oil filters and oil containers. No additional ISPs are permitted, following the proclamation of the Waste Diversion Transition Act, 2016.

Summary of Program Performance

Following the launch of the ISP operated by AMS, Stewardship Ontario oversaw supply chain operations for only single-use batteries and pressurized containers. Some stewards of other materials managed by ISPs remain with Stewardship Ontario. As such, Stewardship Ontario has entered into agreements with the ISOs to purchase collection and recycling credits to meet residual performance obligations.

Aggregate collection of all materials in 2017 declined to 11,412 tonnes, from 20,230 tonnes in 2016, as the exit of many stewards to ISPs has shifted the collection and recycling obligation to other organizations and away from Stewardship Ontario.

Year	Aggregate collection target (tonnes)	Actual collection (tonnes)	Actual to target (%)
2017	9,330	11,412	122
2016	16,326	20,230	124
2015	27,972	24,385	87
2014	24,625	28,958	118
2013	21,615	28,280	131



Program Accessibility

Consumers can drop off specific materials at a variety of municipal, retail and other locations in Ontario. Automotive material sites were only active in Stewardship Ontario's supply chain until March 31. Accessibility to Orange Drop locations and MHSW material collection events was comparable to the prior year, at more than 18,000 sites and events.

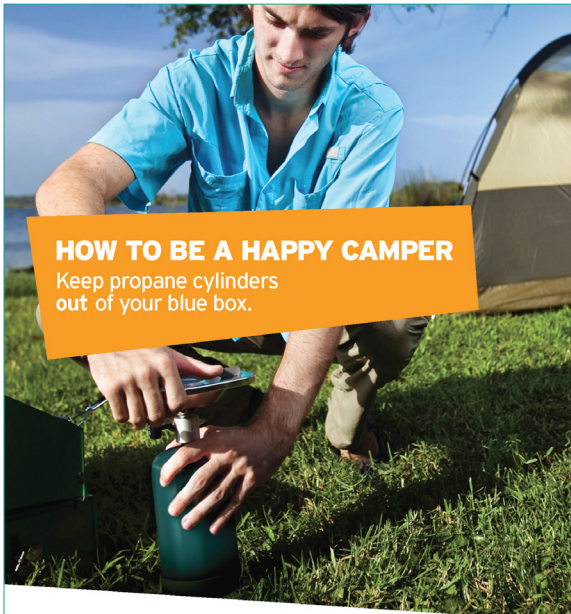
Channel - Activity	2017	2016
Municipal - Depot	88	89
Municipal - Events	305	313
Automotive - Commercial Sites	12,000+	12,000+
Automotive - Do It Yourself (DIY) Sites	985	985
Return-to-Retail	30	30
Battery Incentive Program	5,340	5,340
Provincial Parks Program	102	102
Total	18,850+	18,859+

ORANGE DROP PROMOTION AND EDUCATION

2017 Quick Facts



- More than **56,000** visits to Orange Drop's resident-facing website, makethedrop.ca, up **56 per cent** from 36,000 visits in 2016
- Orange Drop's [Twitter](#) and [Facebook](#) posts generated more than **110,000** impressions in 2017
- Propane recycling ad campaign in ONroute locations along highways generated just under **one million** impressions

In 2017, Stewardship Ontario licenced the use of the Orange Drop brand to the Automotive Materials Stewardship program and included designated automotive materials (antifreeze, antifreeze container, oil filters and oil containers) in campaigns.



HOW TO BE A HAPPY CAMPER
Keep propane cylinders out of your blue box.

FIND SAFE RECYCLING LOCATIONS NEAR YOU AT MAKETHEDROP.CA



THE PERFECT PICNIC HAS ONE MORE STEP
Recycle propane cylinders properly. Not in your blue box.

FIND SAFE RECYCLING LOCATIONS NEAR YOU AT MAKETHEDROP.CA



Stewardship Ontario ran a campaign to remind consumers that propane cylinders don't belong in their blue box and should be brought to a depot for safe handling. The campaign ran through July and August 2017 and included ads in select *ONroute* service locations along major cottage/camping highways. The campaign generated just under one million impressions. Templates of Stewardship Ontario's ads are made available on the Stewardship Ontario website for stakeholders to download.

ONTARIO PARKS

The Orange Drop Program continued its partnership with Ontario Parks in 2017. We placed an ad promoting the use of propane tank drop cages in the Ontario Parks Guide, which has a circulation of 500,000 English copies and 50,000 French copies. The guides are widely available in Ontario at corporate retail, tourist information centres, chambers of commerce and other service sector outlets. The drop cages are available at 102 parks (85 provincial and 17 private parks).

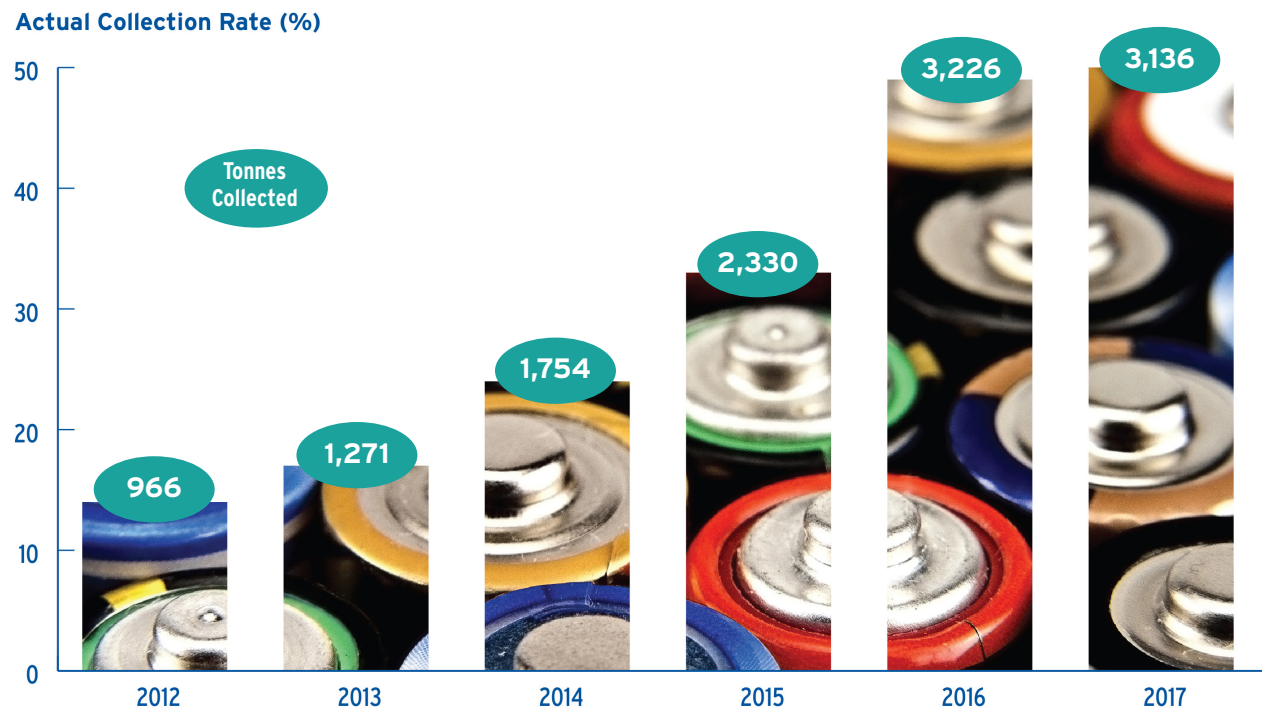


PERFORMANCE BY MATERIAL CATEGORY

The tables in this section summarize 2017 collection and diversion results for each of the MHSW materials managed by Stewardship Ontario. Where an ISP has been approved, the metrics in the tables reflect Stewardship Ontario's obligation and performance only for stewards who remain in the MHSW program.

After years of double-digit percent increases in single-use batteries collected, the actual collection rate for 2017 reached 50 per cent, more than triple the rate of five years ago. The 2.8% decline in battery tonnes managed from the previous year is primarily due to a 3.1% decline in batteries supplied and did not result in a decline of the collection rate.

Single-Use Batteries Collected in Ontario



Pressurized Containers

The tonnage of pressurized cylinders collected in 2017, both refillable and non-refillable, increased from 2016. Target tonnes for both materials increased significantly from 2016 as a result of increased supply.

2017 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)	ISP Year
Antifreeze	1,984	50%	992	1,210	61%	219	3,267	(2,057)	2017
Fertilizers	3	N/A	N/A	5	N/A	N/A	5	(0)	2016
Oil Containers	1,390	52%	723	1,569	113%	846	3,921	(2,352)	2017
Oil Filters	4,799	85%	4,079	4,622	96%	543	8,983	(4,361)	2017
Paints & Coatings	10	77%	8	8	77%	0	0	8	2015
Pesticides	0	57%	0	–	0%	0	7	(7)	2016
Pressurized Containers (Non-Refillable)	881	46%	405	336	38%	-69	312	24	–
Pressurized Containers (Refillable)	480	98%	470	447	93%	-24	409	38	–
Single-Use Batteries	6,301	40%	2,520	3,136	50%	615	3,226	(90)	–
Solvents	286	46%	132	80	28%	-52	100	(20)	2016

2017 Tonnes Diverted

Material Category	Available for Collection ¹	Diversion Target Rate (%)	Target Tonnes ²	Actual Diversion Tonnes ³	Actual Diversion Rate (%)	Variance to Target (Tonnes)	Prior Year (Tonnes)	Variance to Prior Year (Tonnes)	ISP Year
Antifreeze	1,984	50%	992	1,210	61%	219	3,267	(2,057)	2017
Fertilizers	3	N/A	–	–	N/A	0	N/A	N/A	2016
Oil Containers	1,390	52%	723	1,569	113%	846	3,921	(2,352)	2017
Oil Filters	4,799	85%	4,079	4,622	96%	543	8,983	(4,361)	2017
Paints & Coatings	10	62%	6	6	62%	0	N/A	(3,315)	2015
Pesticides	0	N/A	–	–	N/A	0	N/A	N/A	2016
Pressurized Containers (Non-Refillable)	881	46%	405	336	38%	-69	312	24	–
Pressurized Containers (Refillable)	480	98%	470	447	93%	-24	409	38	–
Single-Use Batteries	6,301	28%	1,790	2,697	43%	907	2,775	(78)	–
Solvents	286	6%	17	17	6%	0	9	8	2016

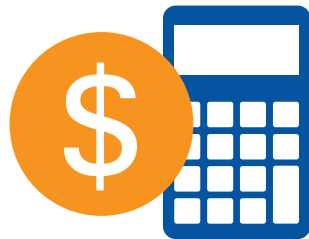
MHSW (ORANGE DROP) FINANCIAL PERFORMANCE

This table shows financial details for each of the MHSW materials managed by Stewardship Ontario as at December 31, 2017.

	Fee Revenue	Total Program Costs	Surplus/ (Deficit)	Accumulated Surplus
Antifreeze	914,244	906,170	8,075	410,880
Fertilizers	95,442	127,640	(32,198)	101,465
Oil Containers	3,919,931	4,053,848	(133,918)	879,121
Oil Filters	4,321,505	4,399,328	(77,823)	1,404,793
Paints/Coatings	287,670	441,593	(153,924)	2,742,678
Pesticides	(15,561)	90,134	(105,695)	8,989
Pressurized Containers (Non-Refillable)	1,190,187	1,147,181	43,005	406,926
Pressurized Containers (Refillable)	275,667	221,839	53,828	200,890
Single-Use Batteries	9,924,609	10,443,187	(518,577)	89,471
Solvents	373,981	465,398	(91,417)	584,747
Total	\$21,287,674	\$22,296,318	\$(1,008,644)	\$6,829,960

REVENUE FROM STEWARD FEES

Fees decreased by \$11.7 million in 2017, to \$21.3 million, reflecting the exit of a number of stewards to participate in ISPs.



TOTAL 2017 FEES:

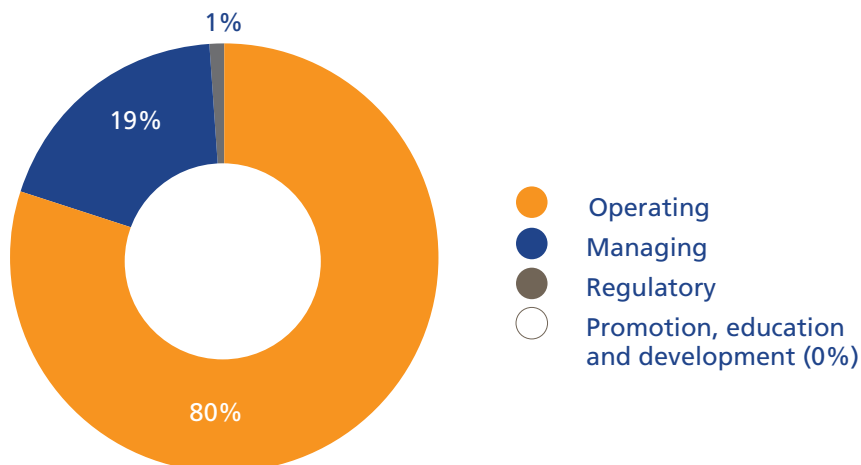
\$21,287,674

SINCE 2008, STEWARDS HAVE CONTRIBUTED MORE THAN:

\$340 million

2017 MHSW Program Expenses

Spending decreased by \$10.2 million in 2017, to \$22.3 million, reflecting the transition of the management of automotive materials to the AMS industry stewardship plan. This graphic shows a breakdown of 2017 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. As part of its duties, the Board approves the annual program budgets and operating plans, Blue Box fee rates and all regulatory filings. 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 2017, Regulation 388/16 under the Waste-Free Ontario Act reduced the number of industry directors from 14 to nine and the number of independent directors from two to one. As of December 31, 2017, the board comprised 10 directors, nine of whom were elected by qualified voting organizations whose members are industry stewards. One independent director was appointed by the elected directors.

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. Directors hold three-year terms.

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

2017 BOARD MEMBERS

John D. Coyne (Board Chair)
Vice-President, General Counsel & Corporate Secretary, *Unilever Canada Inc.*

Tim Faveri
Vice-President, Sustainability and Shared Value, *Maple Leaf Foods Inc.*

Debbie Baxter
Vice-President, Corporate Real Estate, *Deloitte* (Independent Director)

Gulnara Gabidullina
Director, Global Product Stewardship, *Procter & Gamble Inc.*

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

Sylvain Mayrand
Executive Vice-President, Operations, *A. Lassonde Industries Inc.*

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

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

Robyn Collver
Senior Vice-President, Risk and Regulatory Affairs, *Canadian Tire Corporation Ltd.*

Scott Tudor
Director, Sustainability, *Sobeys Inc.*

2017 BOARD MEETINGS AND ATTENDANCE

Board Member.	Feb. 1, 2017	Feb. 24, 2017	March 23, 2017	April 20-21, 2017	June 23, 2017	Sept. 25, 2017	Nov. 24, 2017	Dec. 15, 2017
Debbie Baxter	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Absent
Diane Brisebois	Yes	Yes	Yes	Yes	Absent	Absent	Yes	Yes
Robert Chant	Yes	Absent	Absent	Yes	Yes	Yes	Yes	Absent
Robyn Collver	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
John Coyne	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Tim Faveri	Yes	Yes	Yes	Yes	Yes	Absent	Yes	Yes
Gulnara Gabidullina	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sylvain Mayrand	Yes	Absent	Yes	Yes	Absent	Yes	Yes	Yes
Mark Reed	Yes	Yes	Yes	Yes	Yes	Yes	Ye	Yes
Scott Tudor	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

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.

Debbie Baxter joined as Committee Chair in March 2017, and John Coyne resigned from the committee in March 2017.

Board Member	March 14, 2017	June 8, 2017	Sept. 12, 2017	Nov. 20, 2017
Debbie Baxter	N/A	Absent	Yes	Yes
Diane Brisebois	Yes	Yes	Absent	Yes
Sylvain Mayrand	Yes	Yes	Yes	Yes
John Coyne	Yes	N/A	N/A	N/A
Mark Reed	Yes	Yes	Yes	Yes

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.

Robyn Collver joined the committee in March 2017.

Board Member	Jan. 27, 2017	March 15, 2017	May 24, 2017	Sept. 14, 2017	Nov. 28, 2017
Scott Tudor	Yes	Yes	Yes	Yes	Yes
Tim Faveri	Yes	Yes	Absent	Yes	Yes
Gulnara Gabidullina	Yes	Yes	Yes	Yes	Absent
Robyn Collver	N/A	N/A	Yes	Yes	Yes



Financials

STEWARDSHIP ONTARIO

Financial Statements For the year ended December 31, 2017

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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, 2017, 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, 2017, 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 28, 2018
Toronto, Ontario

Stewardship Ontario Balance Sheet

December 31	2017	2016
Assets		
Current		
Cash	\$ 29,039,415	\$ 34,087,469
Investments (Note 2)	20,325,867	20,278,089
Accounts and other receivables (Note 3)	13,177,789	15,449,300
Prepaid expenses and deposits	31,354	35,768
	62,574,425	69,850,626
Capital assets (Note 5)	-	39,689
Investments (Note 2)	40,357,723	39,891,939
	\$102,932,148	\$109,782,254

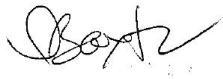
Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 4)	\$ 36,431,535	\$ 37,607,160
Deferred revenue (Note 7)	9,805,560	9,805,560
Continuous Improvement Fund (Note 8)	23,305,487	27,284,448
	69,542,582	74,697,168
Net Assets		
Invested in capital assets	-	39,689
Unrestricted	23,859,036	25,134,289
Internally restricted (Note 9)	9,530,530	9,911,108
	33,389,566	35,085,086
	\$102,932,148	\$109,782,254

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, 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

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

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

Stewardship Ontario Statement of Operations

For the year ended December 31	2017	2016
Revenue		
Blue Box program steward fees	\$121,870,641	\$122,872,314
MHSW program steward fees	21,287,674	32,955,358
Investment income (Note 10)	692,820	1,000,053
	143,851,135	156,827,725
Expenses		
Blue Box Program		
Municipal Transfer Payments	116,715,713	110,833,044
Continuous Improvement Fund (Note 12(b))	12,951	4,203,473
Research and development	49,939	132,383
Promotion and education	363,341	134,995
	117,141,944	115,303,895
MHSW Program		
Direct material costs	17,831,997	27,596,535
Promotion and education	27,787	487,969
	17,859,784	28,084,504
Common costs		
Program management (Note 4)	8,783,950	8,398,738
Resource Productivity and Recovery Authority (Note 11)	1,760,977	2,363,161
	10,544,927	10,761,899
Total expenses	145,546,655	154,150,298
Excess (deficiency) of revenue over expenses for the year	\$ (1,695,520)	\$ 2,677,427

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

Stewardship Ontario Statement of Cash Flows

For the year ended December 31	2017	2016
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ (1,695,520)	\$ 2,677,427
Adjustments to reconcile excess (deficiency) of revenue over expenses for the year to cash provided by operating activities		
Amortization of capital assets	39,689	47,231
Non-cash component of investment income	765,467	470,543
Changes in non-cash working capital balances:		
Accounts and other receivables	2,271,511	(637,488)
Prepaid expenses and deposits	4,413	(20,324)
Accounts payable and accrued liabilities	(1,175,625)	5,563,641
Continuous Improvement Fund	(3,978,961)	(727,262)
	(3,769,026)	7,373,768
Investing activities		
Purchase of investments net of expenses	(1,279,028)	(1,375,154)
Repayments from loan receivable	-	990,000
	(1,279,028)	(385,154)
Increase (decrease) in cash during the year	(5,048,054)	6,988,614
Cash, beginning of year	34,087,469	27,098,855
Cash, end of year	\$ 29,039,415	\$ 34,087,469

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

Stewardship Ontario Notes to Financial Statements

December 31, 2017

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.

(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, 2017

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, 2017

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

	2017	2016
Cash held with broker	\$ 197,495	\$ 775,070
Fixed income	60,486,095	59,394,958
Common shares, private company	500,000	500,000
Impairment on common shares of private company	(500,000)	(500,000)
	60,683,590	60,170,028
Less: Current portion	20,325,867	20,278,089
	\$ 40,357,723	\$ 39,891,939

Fixed income investments bear interest at 1.70% to 4.65% (2016 - 1.70% to 5.68%) and mature between January 2018 and January 2026 (2016 - July 2017 and January 2026). The decrease in market value of investments for the year ended December 31, 2017 amounted to \$156,365 (2016 - decrease of \$61,388) which is included in investment income (Note 10).

Stewardship Ontario Notes to Financial Statements

December 31, 2017

3. Accounts and Other Receivables

	2017	2016
Blue Box and MHSW program steward fees	\$ 13,316,772	\$ 15,492,142
Other	70,778	33,891
Allowance for doubtful accounts	(209,761)	(76,733)
	\$ 13,177,789	\$ 15,449,300

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 \$6,191,552 (2016 - \$6,191,552) for these services and are included in program management expenses. Included in accounts payable and accrued liabilities is \$587,353 (2016 - \$508,959) 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 20% (2016 - 18%) 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 \$3,278,974 under this agreement which are included in direct material costs for the MHSW program.

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, 2017

5. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 106,688	\$ 106,688	\$ 106,688	\$ 105,925
Furniture and fixtures	459,785	459,785	459,785	420,859
	566,473	566,473	566,473	526,784
		\$ -		\$ 39,689

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. As at December 31, 2017, the Organization has yet to receive the 2017 scheduled payment. 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, 2017

7. Deferred Revenue

	<u>2017</u>	<u>2016</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 \$1,050,000 (2016 - \$3,309,805) and spent \$5,289,978 (2016 - \$4,037,067) on continuous improvement activities. The funds held by the Organization for the CIF are included in cash.

Stewardship Ontario Notes to Financial Statements

December 31, 2017

9. Internally Restricted Net Assets

	2017	2016
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
Battery Surplus Fund	-	380,578
	\$ 9,530,530	\$ 9,911,108

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, \$nil (2016 - \$63,616) 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, \$nil (2016 - \$219,258) 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. In the prior year \$456,620 was spent on battery promotional and educational activities. In the current year, RPRA approved the release of the internally restricted fund and \$380,578 was a reduction of their steward fee obligations.

10. Investment Income

	2017	2016
Interest income	\$ 1,236,889	\$ 1,537,386
Dividend income	221,397	127,237
Loss on sale of investments	(431,197)	(409,155)
	1,027,089	1,255,468
Adjustment to fair value	(156,365)	(61,388)
Investment expenses	(177,904)	(194,027)
	\$ 692,820	\$ 1,000,053

Stewardship Ontario Notes to Financial Statements

December 31, 2017

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, 2017, the Organization has spent \$2,235,508 (2016 - \$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 7). As of December 31, 2017, approved project funding and related commitments for the CIF amounted to approximately \$21,482,541 of the total fund balance of \$23,305,487.

Stewardship Ontario Notes to Financial Statements

December 31, 2017

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 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 \$501,010 (2016 - \$376,733).

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 laddered 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)).

Stewardship Ontario Notes to Financial Statements

December 31, 2017

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

(d) Market Risk:

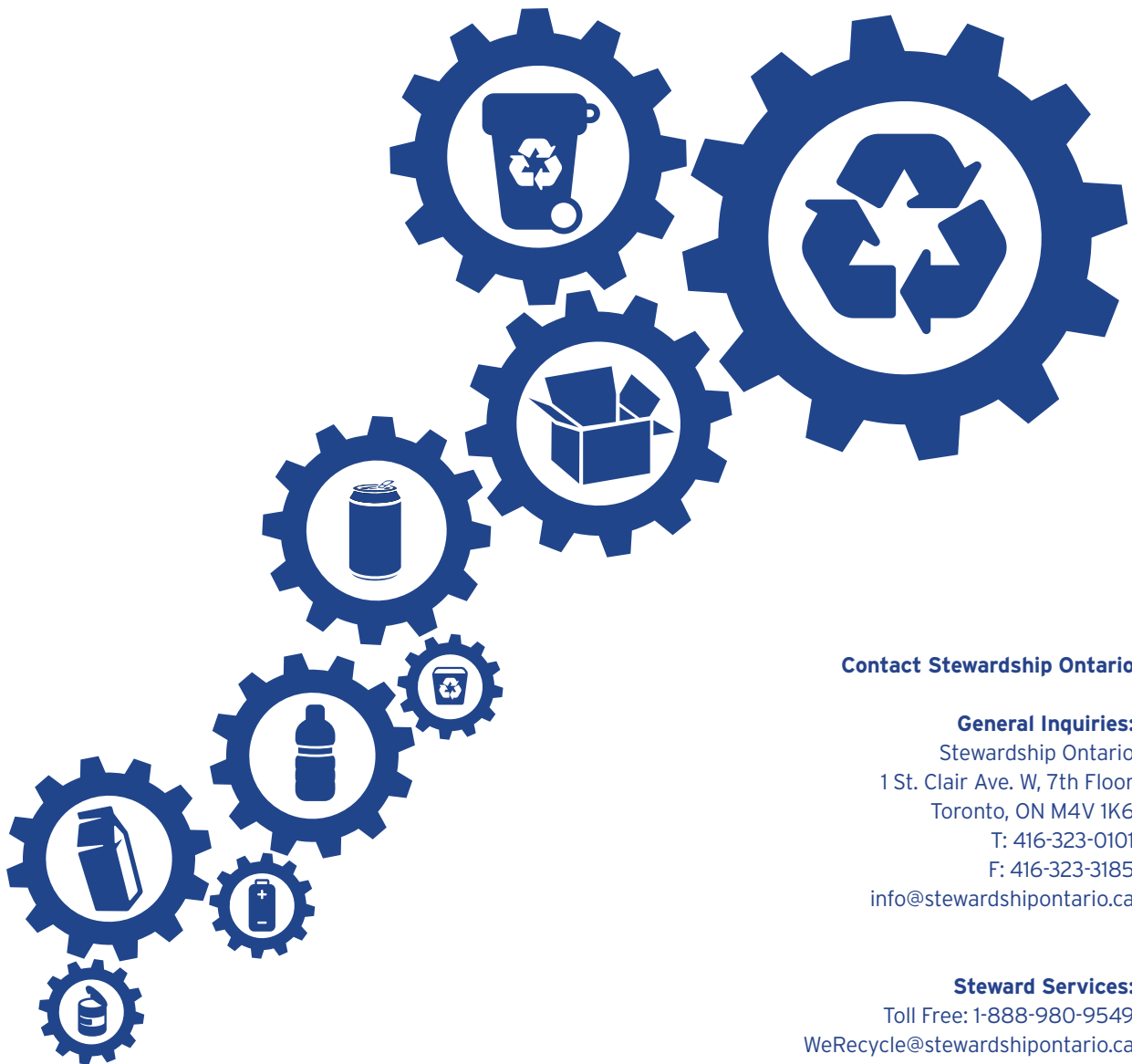
The Organization has invested in common shares which are subject to market value risk. The investments are in private companies with no common share prices quoted in an active market.

14. Subsequent Events

The Organization had previously been jointly named as a defendant for breach of the Copyright Act in the amount of \$1,650,000. The claim was settled in February 2018 and there was no amount owing by the Organization.



Stewardship Ontario



Contact Stewardship Ontario

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