

**2019
ANNUAL
REPORT**



Thinking
beyond
the box

Stewardship Ontario

TRANSITION

About Stewardship Ontario

Stewardship Ontario is a not-for-profit organization, governed by businesses, that supports waste diversion from Ontario's landfills and waterways by funding a portion of the cost of Ontario's waste diversion program for packaging and printed paper, known to consumers as the Blue Box program. Together with other industry stewardship organizations, we also fund and manage collection, recycling and management of materials that are considered Municipal Hazardous or Special Waste (MHSW), known to consumers as the Orange Drop program.

With our partners, we promote environmental sustainability through reducing waste, reclaiming valuable materials for reuse and recycling. We also invest in market development activities to improve the management of materials captured under the programs.

Stewardship Ontario is funded entirely by businesses who register with the relevant program, report the quantities of designated materials supplied to consumers and pay associated fees. As a regulated entity, Stewardship Ontario has a number of administrative and reporting obligations. These obligations are similarly funded by businesses that are or have been registered with Stewardship Ontario for the Blue Box or Orange Drop programs.

The Ontario government has determined to implement an environmental policy approach in which business bears all responsibility for materials covered by the Blue Box and Orange Drop programs, known as full producer responsibility. Accordingly, Stewardship Ontario will be wound up over the coming years, and the Blue Box and Orange Drop programs that have become well-known to Ontario residents will become both wholly funded and administered by producer responsibility organizations.

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2019 Highlights

The transition of the Blue Box Program to full producer responsibility was initiated by the Minister of Environment, Conservation and Parks on August 15, 2019. Stewardship Ontario immediately started developing a transition plan and expects to deliver its plan for approval in 2020.

After extensive consultation, Stewardship Ontario received approval for its MHSW Wind Up Plan in December 2019. It is expected that the program will be wound up in June of 2021.

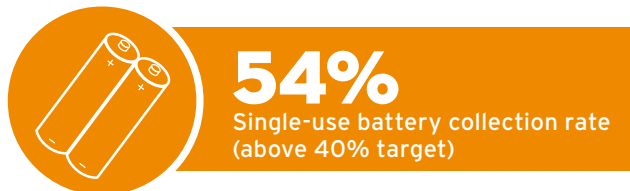
Blue Box Program

RECYCLING DATA FROM 2018



MHSW Program

ALL DATA FROM 2019



Message to Stakeholders

As I write this in spring 2020, Canada and the world are grappling with the COVID-19 pandemic. While communities are coming together and finding ways to protect our health, we are all extraordinarily challenged by this unprecedented situation. So far, there has been little disruption to the Blue Box and MHSW systems and, on behalf of Stewardship Ontario, I want to thank all the people who are making this essential service work in incredibly difficult circumstances.

Many businesses have halted or reduced operations to help protect their colleagues and customers, and others are operating with new constraints. Stewardship Ontario has taken action to provide temporary relief to fee-paying businesses, including easing payment terms and requesting delays in consultations.

As we adapt to our changed circumstances we expect that the momentum to move from a linear economy to a circular one, in which resources are repeatedly used, will continue. Stewardship Ontario's role in this transition is to plan for an orderly wind-up of its operations while continuing to manage the existing system, working with industry stewards to help fund the Blue Box and Orange Drop, and fulfil regulatory requirements.

Developing the Blue Box Program Transition Plan

The transition of the Blue Box Program to a producer-operated system was initiated by a [direction letter](#) from the Minister of Environment, Conservation and Parks on August 15, 2019. Shifting the Blue Box Program from the current shared responsibility model, in which municipalities and industry share costs, to full producer responsibility means that the producers of packaging and paper materials will eventually have both operational and financial responsibility for achieving performance obligations.

Recognizing that many stakeholders were unavailable to engage in meaningful consultations once the COVID-19 pandemic was declared, the Minister provided an extension to the original timeline. Stewardship Ontario is now required to submit a Blue Box Program Transition Plan to the Resource Productivity and Recovery Authority (RPRA) by August 31, 2020. It is anticipated that RPRA will review and approve the plan by December 31, 2020.

Implementing the MHSW Wind Up Plan

We also consulted widely on the wind up of the MHSW Program in 2019, and our revised [MHSW Program Wind Up Plan](#) was approved by RPRA at the end of the year. Subsequent Ministerial direction letters on MHSW have resulted in additional consultations and changes to the MHSW Program Wind Up Plan.

On December 20, 2019, the Minister directed Stewardship Ontario to develop an addendum to the plan to return residual funds to stewards once the program has ceased operation and all financial obligations have been accounted for. After consulting with stakeholders, RPRA approved the [Residual Funds Addendum](#) submitted by Stewardship Ontario in February 2020.

Further direction was provided by the Minister in April 2020, requiring that Stewardship Ontario make amendments to the plan that would return material-specific surplus funds to Industry Funding Organizations in one lump-sum payment. Stewardship Ontario initiated additional consultations with stakeholders to address this new direction. Stewardship Ontario is required to complete this latest consultation and submit its proposals to RPRA by June 5, 2020, and the Minister anticipates RPRA will approve the amendments by June 25, 2020.



There are nine materials that need to be transitioned to new regulations following the wind up of the MHSW Program. Batteries are scheduled to transition on June 30, 2020. The remaining eight materials are scheduled to transition prior to June 30, 2021, after the necessary new regulations are developed and passed. Once this occurs, all MHSW materials will be managed according to an individual producer responsibility framework under the Resource Recovery and Circular Economy Act.

Ensuring Transparency & Accountability

Through both the Blue Box and MHSW transitions, Stewardship Ontario will continue to consult with all stakeholders affected by the transitions and consider all viewpoints, while meeting regulatory obligations and promoting fair treatment within the stakeholder community. While the transitions proceed, our board, management and staff will also continue to work to maintain existing programs and service levels.

As we move toward full producer responsibility, it is important to ensure there are no real, potential or apparent conflicts of interest. To that end, all cross appointments between the boards of Stewardship Ontario and Canadian Stewardship Services Alliance (CSSA) were eliminated in 2019. Management positions were filled with qualified managers who, while under contract to Stewardship Ontario, will not perform duties for CSSA or other entities in the Ontario marketplace for packaging and paper. We appointed a new executive director, Gemma Zecchini, effective November 1, 2019. The Stewardship Ontario board also adopted a robust [Conflict of Interest Mitigation Plan](#).

Fulfilling regulatory obligations during this period is increasing costs. To the extent possible, Stewardship Ontario will continue to minimize these increased costs while continuing to address requirements.

More Change to Come

Our board, stewards, employees and other stakeholders participated in a flurry of changes in 2019. This pace will continue in the short term. The new producer responsibility framework is expected to be fully implemented first for MHSW in 2021 and then for Blue Box in 2025. The Stewardship Ontario organization is expected to be fully wound up in 2026 - marking 22 years since the organization first began.

We are at the centre of a major transformation that is occurring in Ontario to promote a circular economy. I would like to reiterate my thanks to fellow board members and all stakeholder groups for your support as we implement this new direction.

A handwritten signature in black ink, appearing to read 'R. Collver'.

Robyn Collver, 2019 Board Chair
Senior Vice-President,
Canadian Tire Corporation Limited



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 currently shared equally between Ontario municipalities and industry stewards -- the 1,830 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, mostly retailers, that are the first to take ownership, possession or control of products into Ontario) and franchisors (the responsible stewards for all designated materials and that is supplied by the entire Ontario franchise system).

Stewards pay fees based on the quantities of designated materials they supply to residential consumers. In 2019, they contributed \$128.7 million to the Blue Box Program, versus \$127.9 million in 2018.

In 2019, 249 Ontario communities participated in the Blue Box Program. These communities manage, and in some cases directly handle, the collection, sorting and marketing of materials and educate residents about accepted materials.

Blue Box Transition Plan Consultations

Stewardship Ontario is committed to continuing our consultations with stewards, municipalities, First Nations communities, the waste management industry, non-governmental organizations and other stakeholders as we develop the Blue Box Program Transition Plan. These are opportunities to review and comment on how Stewardship Ontario is supporting competition and preventing conflict of interest; demonstrating fairness to stewards and protecting consumers; and maintaining program performance.

Consultation information and updates on the development of the Blue Box Transition Plan can be found on the Stewardship Ontario website.

Expansion of Markets

Stewardship Ontario invests in market development activities in partnership, where possible, with the private sector, municipal, provincial and federal entities.

Two key ingredients in the expansion of markets for recyclable materials are investment in emerging technologies and collaboration with partners. To adjust to changing regulatory and market factors, Stewardship Ontario works with various partners including the Continuous Improvement Fund (CIF), individual municipalities, private-sector companies, industry associations and research entities.

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

Through the CIF, Stewardship Ontario supports municipalities that 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 changing packaging stream, including the ongoing problem of contamination. Per the Minister's direction on the Blue Box Transition Plan, recommendations regarding the windup of the CIF will be included in the Stewardship Ontario Transition Plan currently in development.

Stewardship Ontario has invested funds and effort into researching and nurturing markets for materials such as mixed rigid plastics and film plastic, and more recently laminated film packaging, or other flexible film plastic packaging, mixed broken glass and hot beverage cups. We also undertake curbside, multi-family, depot and MRF waste composition studies, which provide insight on what materials residents are actively sorting.

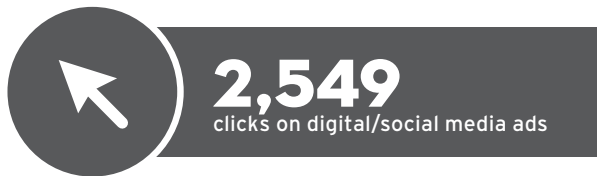
SEGREGATED GLASS COLLECTION

Glass is a problematic material in the Blue Box Program for several reasons: it tends to comingle with materials during collection and it breaks easily, which can cause quality issues in the recovery and recyclability of other materials. Stewardship Ontario and the CIF began piloting an alternative approach to the handling of residential glass in early 2018 to determine the impact of collecting glass segregated from other curbside recyclable streams.

The pilot project was conducted in cooperation with Northumberland County and ran from September 2018 to February 2019. Residents in 200 households (i.e., two 100-household collection routes) were given specific containers in which to set out glass separate from their other recyclables. The results will add to the body of knowledge available to program designers now and in the future.

Blue Box Promotion and Education

2019 QUICK FACTS ON CONTAMINATION REDUCTION CAMPAIGN



Rising levels of contamination have been driving up program costs and reducing the quality of recovered materials sent to recycling end markets. To support municipalities' education efforts, Stewardship Ontario developed and ran an advertising campaign in 2019 focused on educating residents to rinse containers of residual product, and to avoid putting organics and other unaccepted materials in their bins.

The campaign ran throughout the summer on GO transit posters, digital and social media ads and radio ads. The campaign generated a total of 24.4 million impressions.

A holiday version of the campaign ran in November and December, reminding residents that holiday lights and decorations do not belong in their recycling bins. This campaign generated over 5.9 million impressions.

Stewardship Ontario also engages Ontario residents on social media, providing recycling tips and reminders via our Twitter account. In 2019, our Twitter posts generated 97,000 impressions.

One bad apple can ruin your recycling.

Make sure organics and food
scraps stay out of your blue box.



Check with your municipality for
a full list of acceptable items.
[StewardshipOntario.ca/RecycleRight](https://www.stewardshipontario.ca/RecycleRight)

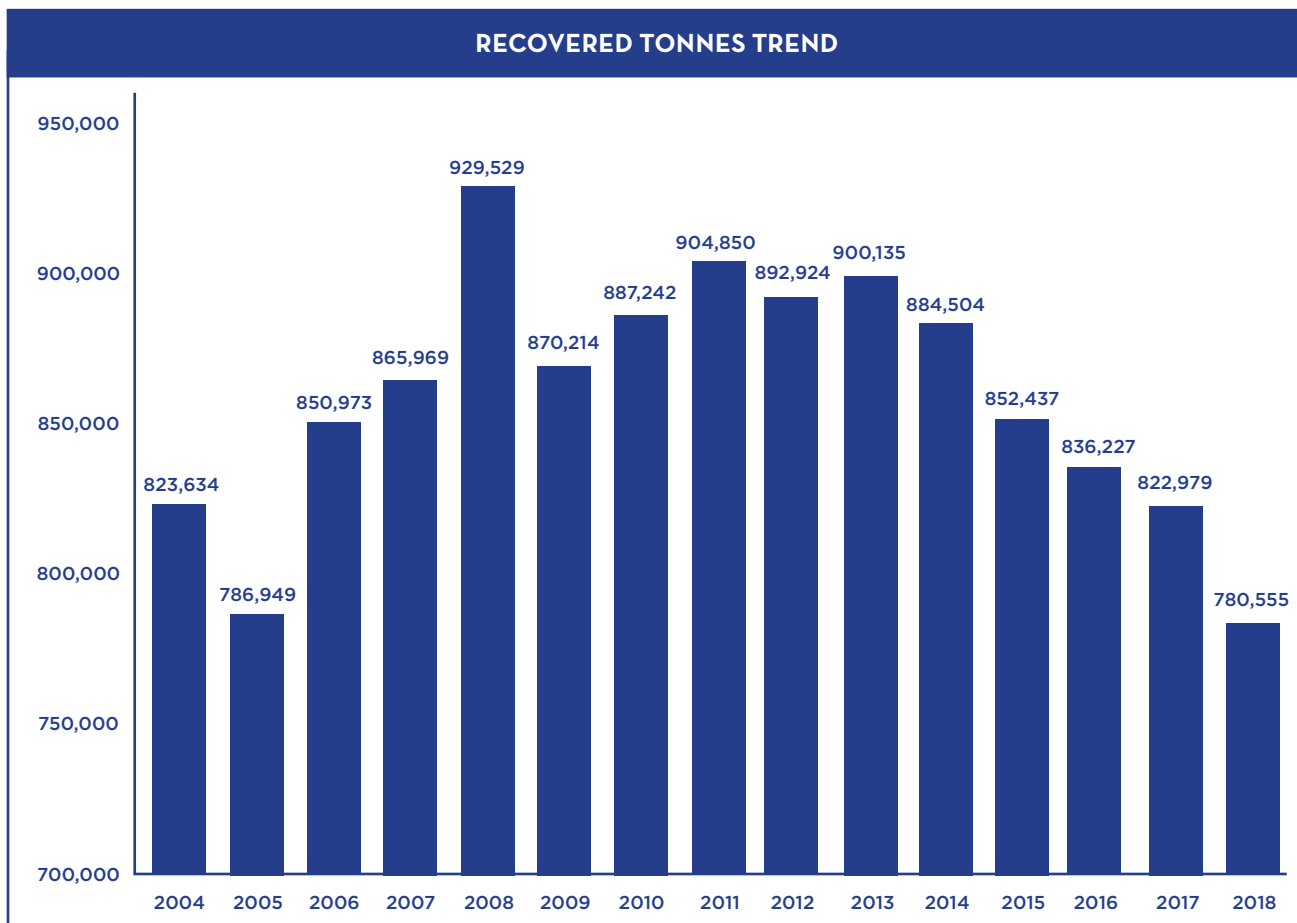


Stewardship Ontario

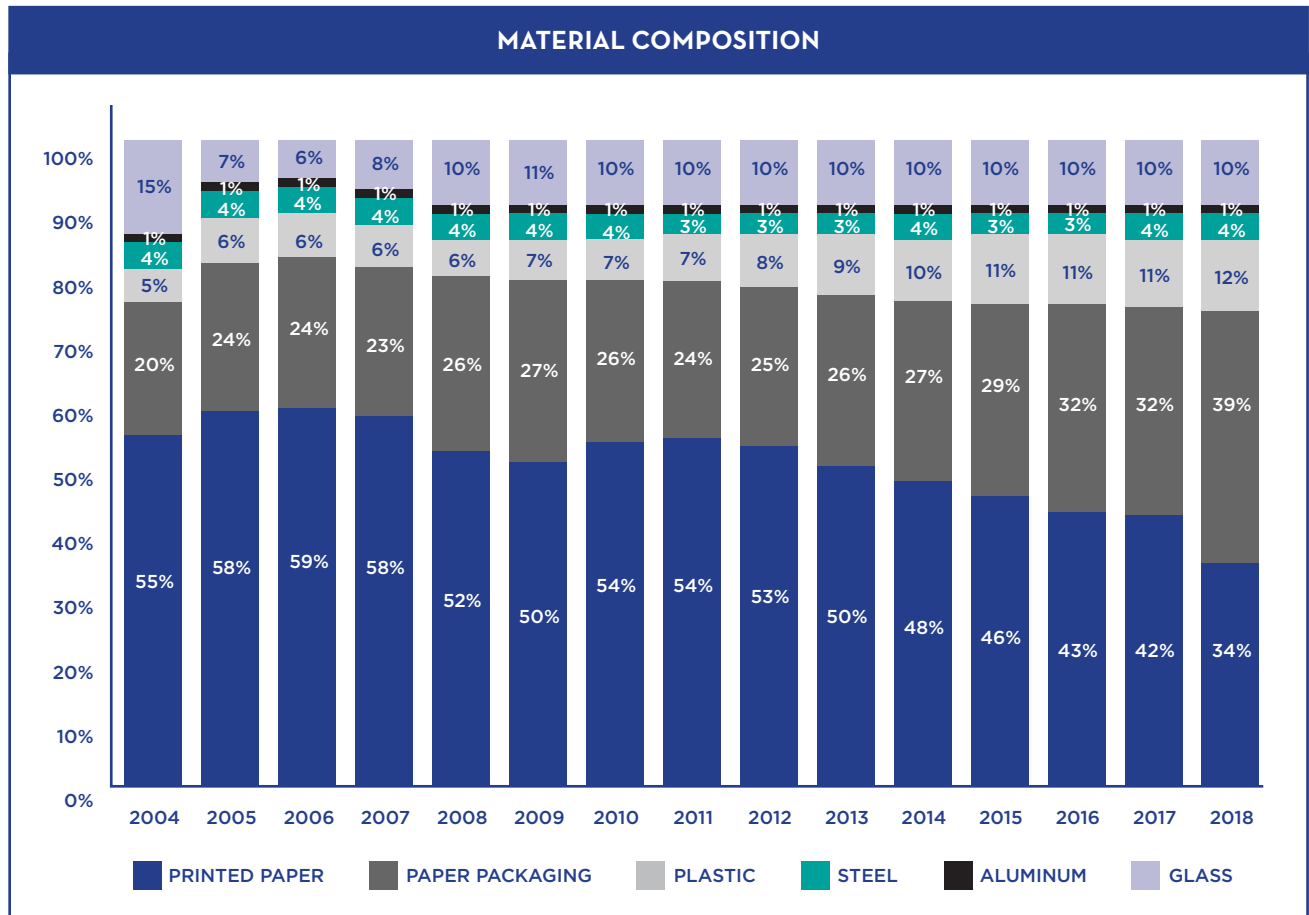
Blue Box Program Performance

The Blue Box Program continues to exceed the 60% government-mandated target recycling rate, although there has been a downward trend in the rate and recycled volumes in recent years. Based on municipal reports through the RPR Datacall, the 2018 recycling rate was 60.2%, down from 61.3% in 2017. This trend is attributed to the reduction of newsprint, magazines and catalogues and other printed paper materials partially offset by increases in boxboard materials. Full producer responsibility is expected to standardize what materials are collected in the province, and stimulate investments in sorting and processing capabilities.

Generated tonnes, an estimate of the total quantity of residential packaging and paper available, declined slightly compared to the previous year. Recycled kilograms per capita decreased in 2018, reflecting an increase in the population and the reduced tonnes managed. Access to recycling programs remained at very high levels in 2018 with 94% of Ontario households having access.



The decrease in tonnes managed by the program reflects a significant decline in newspaper tonnes supplied and available for recycling, along with “lightweighting” of packaging.



RECYCLING AND ACCESSIBILITY IN ONTARIO

RECYCLING PERFORMANCE			
METRIC	2018	2017	YOY VARIANCE %
Recycled Tonnes	780,555	822,979	-5.2%
Generated Tonnes	1,296,207	1,342,017	-3.4%
Recycling Rate	60.2%	61.3%	-1.8%
Provincial Recycling Target	60.0%	60.0%	---
Population Served by Program	13,078,155	12,962,740	0.9%
Recycled kg per Capita	59.7	63.49	-6.0%

ACCESSIBILITY PERFORMANCE			
METRIC	2018	2017	YOY VARIANCE %
# of Households Served	5,278,332	5,237,905	0.8%
% of Households with Access to Program	94.0	94.4%	-0.4%

Blue Box Financial Performance

The overall net cost of the Blue Box recycling system increased by 19.8% or \$49.5 million in 2018, primarily due to reduced commodity revenue, as had been anticipated after stricter trade restrictions were implemented on recyclable material globally.

In 2017, increased gross costs had been more than offset by increased commodity revenue. As the obligation uses a three-year rolling average for commodity revenue, the full effects of significant commodity market declines and resultant revenue decreases caused by the China ban in 2018 have begun to be a factor in the 2020 obligation calculation.

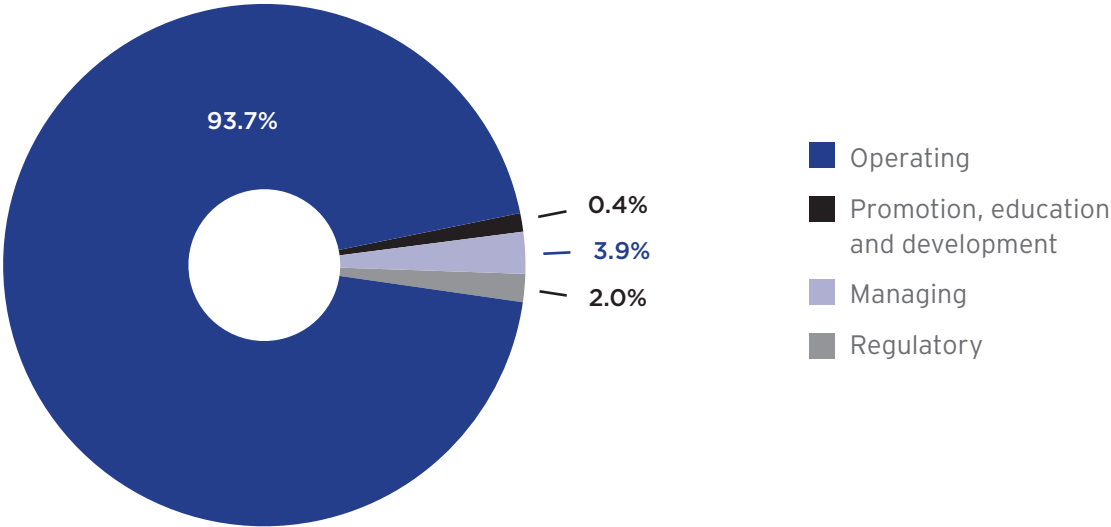
The funding obligation that stewards must pay to municipalities for the Blue Box Program increased by 1% from the previous year. The net cost per tonne and per capita also increased. Net cost includes supply chain costs, commodity revenues, promotion and education costs, regulatory costs, market development and program management costs.

PROGRAM COST PERFORMANCE

METRIC	2018	2017	YOY VARIANCE %
Recycled Tonnes	780,555	822,979	-5.2%
Net Cost	\$299,307,268	\$249,809,925	19.8%
Net Cost per Tonne	\$383	\$304	26.3%
Net Cost per Capita	\$23	\$19	21.1%
Promotion & Education Cost per Capita	\$0.61	\$0.56	8.9%

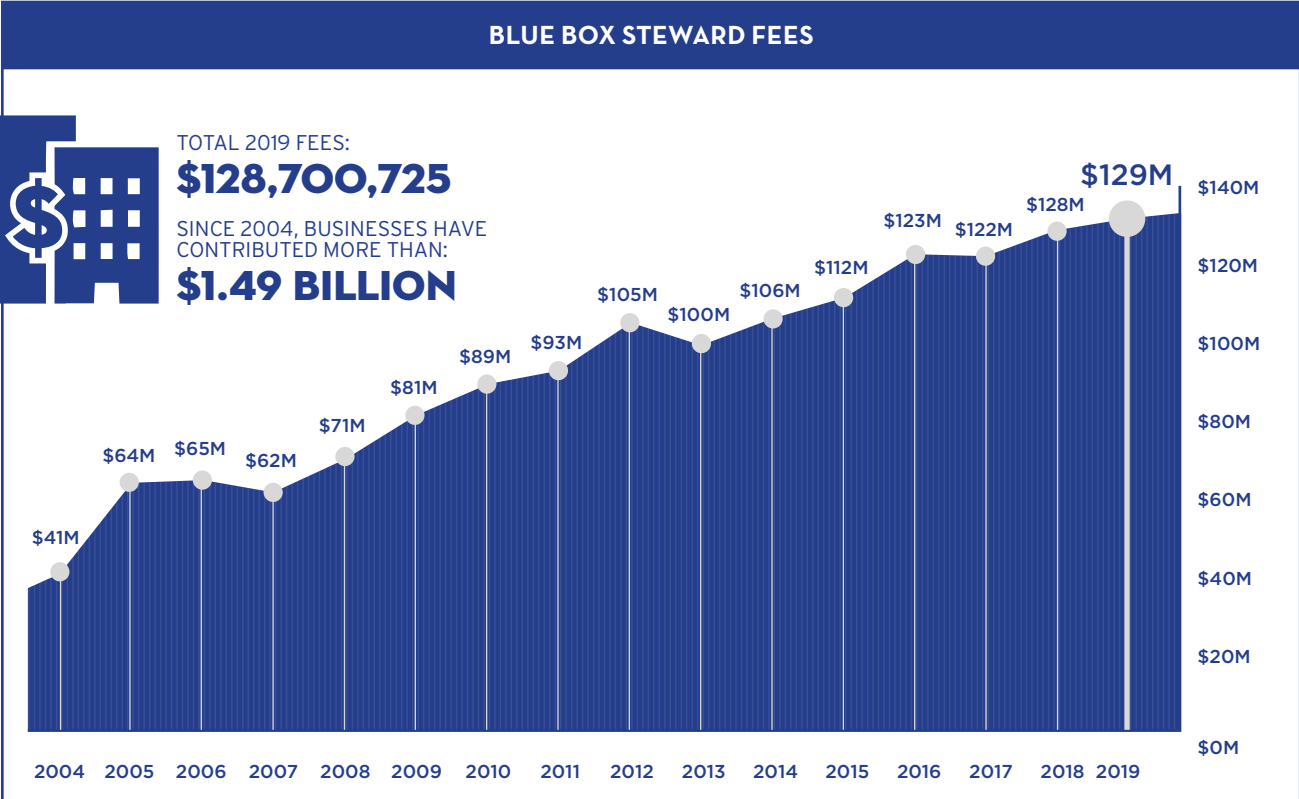
PROGRAM EXPENSES

This graphic shows a breakdown of Stewardship Ontario expenses in 2019, which are based on the payment obligation to municipalities as determined by RPRA plus the cost of managing the program.



REVENUE FROM STEWARD FEES

In 2019, revenue from Blue Box steward fees totalled \$128.7 million, an increase of 0.6% (\$0.8 million) from 2018. The increase reflects the increase in the funding obligation along with higher regulatory expenses.



MHSW (Orange Drop) Program

The MHSW Program, known to consumers as Orange Drop, is designed to collect household hazardous or special waste and manage these materials at their end of life, ensuring they are recycled or disposed of safely. In contrast with the Blue Box Program, the MHSW Program operates under full producer responsibility whereby industry stewards are fully responsible for both the costs and operations of the MHSW Program.

As stewards have launched new ISPs for management of certain types of MHSW materials in recent years, Stewardship Ontario's material volumes, steward fees and expenses associated with the MHSW Program have decreased. Stewardship Ontario oversees end-of-life support for single-use batteries and pressurized containers that previously held propane, oxygen or other gases. Other materials, such as automotive materials, are managed by ISPs that continue to use the Orange Drop brand.

Stewardship Ontario continues to be responsible for the maintenance of books and records for all MHSW stewards and for the wind-up of the overall MHSW Program.

Wind Up Plan

The Ontario government issued direction in April 2018 to wind up the MHSW Program. In 2019, Stewardship Ontario conducted two phases of stakeholder consultations. Recordings, presentations and a detailed question & answer document were posted on the Stewardship Ontario website for stakeholders to access. After the extensive consultation process with stakeholders, Stewardship Ontario submitted its proposed MHSW Program Wind Up Plan to RPRA in September 2019. RPRA approved the plan, with some conditions, in December 2019.

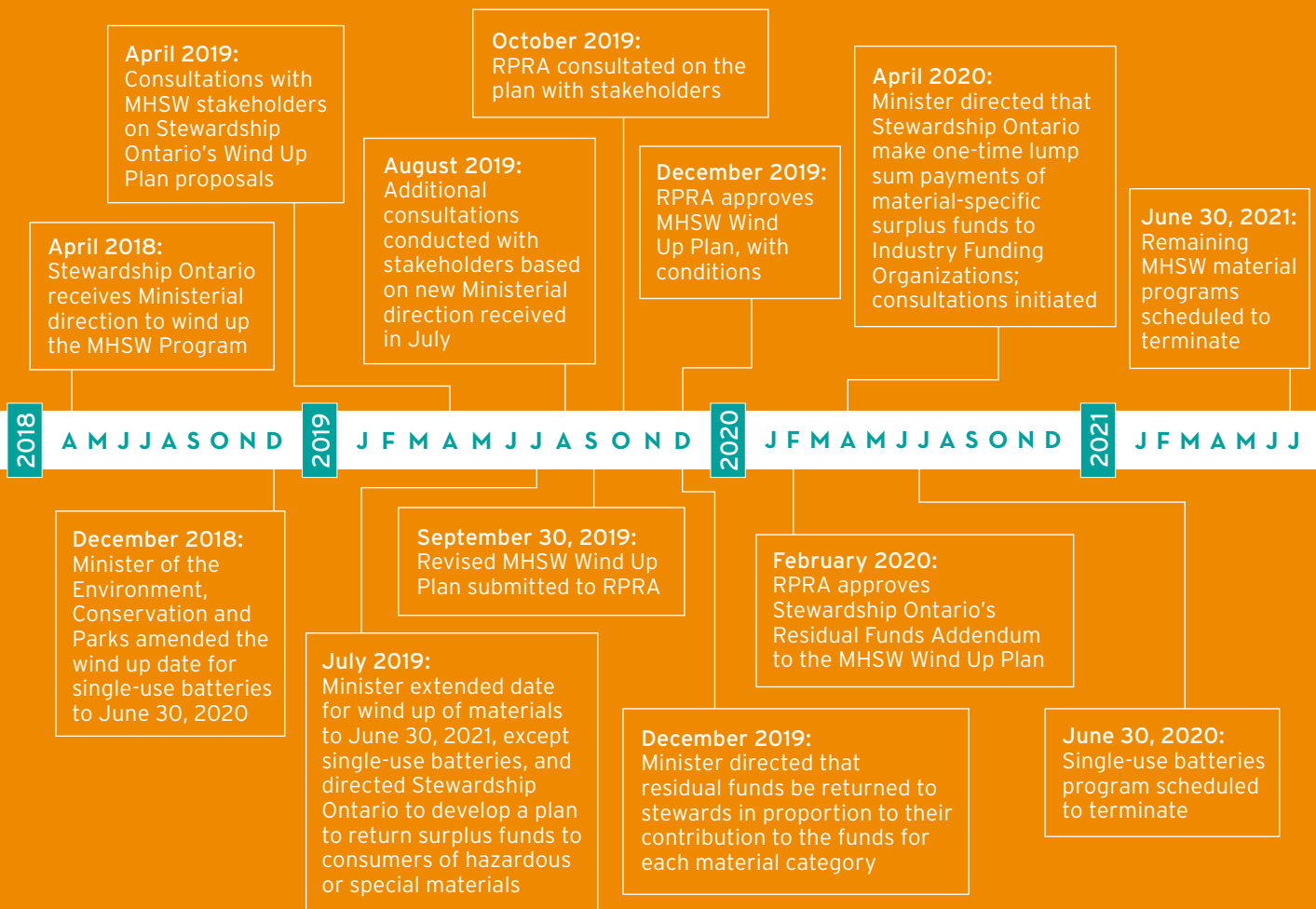
On December 20, 2019, the Minister directed Stewardship Ontario to develop an addendum to the approved plan to return residual funds to stewards once the program has ceased operation and all financial obligations have been accounted for. After consulting with stakeholders, RPRA approved the Residual Funds Addendum in February 2020.

The single-use batteries program is scheduled to terminate on June 30, 2020, with all other MHSW material programs terminating on June 30, 2021. The Wind Up Plan also includes fee reductions for various MHSW materials (which will vary by product category). The Stewardship Ontario website includes information and updates related to fee reductions.

Stewardship Ontario will wind up the MHSW Program in a manner designed to minimize potential disruptions for service providers and ensure that program performance is maintained throughout the wind up period.

Upon wind up, materials collected under the MHSW Program will be managed according to an individual producer responsibility framework. The MHSW Wind Up Plan was designed to support competition, prevent conflict of interest, demonstrate fairness, maintain and improve program performance, and result in no disruption for stakeholders.

MHSW Program Wind Up Timeline



RPRA's approval of the Wind Up Plan on December 31, 2019, included the following conditions:

- New deadlines were established for stewards to submit adjustments to prior reports.
- Addendum to be developed to the approved MHSW Wind Up Plan to return residual funds to stewards once the program has ceased operation and all financial obligations have been accounted for.
- Stewardship Ontario to provide any information that is required to assist RPRA in performing its duties under the Waste Diversion Transition Act, 2016.

The approved MHSW Wind Up Plan also included some clarifying amendments to reflect additional conflict of interest provisions and a new management structure implemented at Stewardship Ontario.

Stewardship Ontario is working to implement the approved MHSW Wind Up Plan and the fee reduction process.

During the transition period, Stewardship Ontario will continue to operate the MHSW Program. Information about new programs will be posted on RPRA's website as it becomes available.

2019 Performance Summary

In 2019, the MHSW Program provided end-of-life management for single-use batteries and pressurized containers. The exit of many stewards to ISPs has shifted the collection and recycling obligation to other organizations and away from Stewardship Ontario and as a result the aggregate collection of all materials in 2019 declined to 5,802 tonnes from 7,423 tonnes in 2018.

YEAR	AGGREGATE COLLECTION TARGET (TONNES)	ACTUAL COLLECTION (TONNES)	ACTUAL TO TARGET (%)
2019	4,518	5,802	128
2018	5,835	7,423	127
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, automotive, retail and other locations in Ontario. Accessibility to Orange Drop locations and MHSW material collection events, excluding automotive materials sites (which were transferred to Automotive Materials Stewardship in 2017), increased over the prior year. The increase is primarily due to the Battery Incentive Program, which allows businesses and public spaces to register as collection sites, making it easier and more convenient for Ontarians to recycle their used single-use dry cell batteries.

CHANNEL - ACTIVITY	2019	2018	2017	2016
Municipal - Depot	88	88	88	89
Municipal - Events	294	312	305	313
Automotive - Commercial Sites*	N/A	N/A	12,000+	12,000+
Automotive - Do It Yourself (DIY) Sites*	N/A	N/A	985	985
Return-to-Retail	30	30	30	30
Battery Incentive Program	5,739	5,340	5,340	5,340
Provincial Parks Program	102	102	102	102
Total	6,253	5,872	18,850+	18,859+

* Accessibility to automotive materials sites is reported by Automotive Materials Stewardship.

Orange Drop Promotion and Education

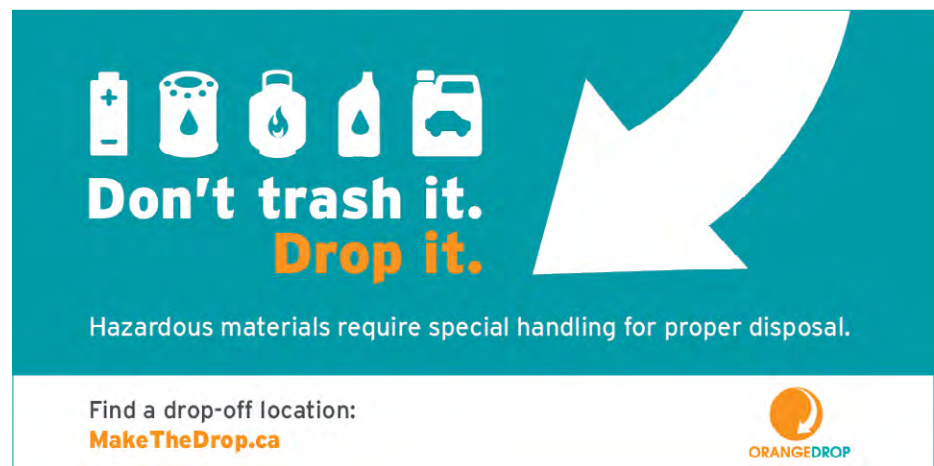
The promotion and education activities to support the Orange Drop Program are designed to increase awareness, drive behavioural change and support collection channels (such as depots, events, return to retail and incentive partners) to achieve collection and diversion targets.

The Orange Drop website continued to provide a locator tool for consumers to easily search for drop off locations and municipal events by postal code.

2019 QUICK FACTS

- More than 67,000 visitors to Orange Drop's resident-facing website, [makethedrop.com](https://www.makethedrop.com)
- Social media posts generated nearly three million impressions and over 9,600 link clicks
- Digital media ads about proper disposal of Orange Drop materials generated 4.4 million impressions and almost 17,200 ad clicks

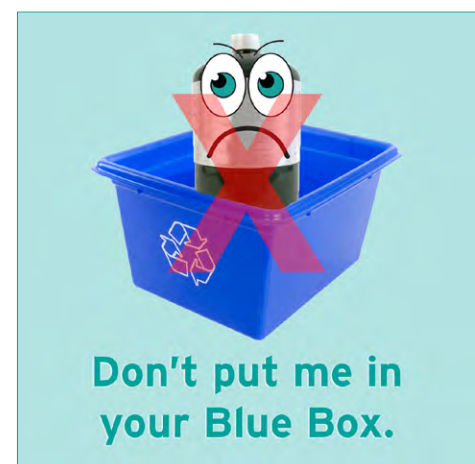
Stewardship Ontario re-purposed the 2018 campaign on digital platforms to remind consumers that hazardous materials don't belong in their recycling bins and instead should be brought to an Orange Drop drop-off location for safe handling. The campaign generated a 150% increase in website traffic compared to the 2018 campaign.



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 continued to provide seasonal tips and reminders, promoted the locator tool and drop-off events, and encouraged proper recycling of Orange Drop materials.

From May to September, Orange Drop focused social media posts to remind residents not to put propane cylinders in their recycling bins. It also ran a series of summer social media contests to encourage engagement, increase following and educate residents on proper disposal of Orange Drop materials. There were 1,386 contest entries.



ONTARIO PARKS

Stewardship Ontario continued its ongoing partnership with Ontario Parks and select private parks for the collection of non-refillable pressurized containers. Ontario Parks promoted consumers on how to safely dispose of pressurized cylinders through Orange Drop via its blog, e-newsletter and social media channels.

Performance by Material Category

The tables in this section summarize collection and diversion results for each of the MHSW materials managed by Stewardship Ontario for 2019.

The volume of batteries collected in 2019 increased from the previous year, and the percentage of batteries collected rose to 54% of those available for collection (up from 50% in 2018). The collection rate exceeded the 40% target and the actual diversion rate (33%) exceeded the 28% target.

BATTERIES COLLECTED IN ONTARIO

YEAR	TONNES OF BATTERIES COLLECTED	ANNUAL GROWTH
2019	3,224	9%
2018	2,964	-6%
2017	3,136	-3%
2016	3,226	38%
2015	2,330	33%
2014	1,754	38%
2013	1,271	32%

The 2019 collection rates for refillable and non-refillable pressurized containers are similar to the previous year. These material categories did not meet their collection targets in 2019 due to the target tonnes for both categories increasing significantly in the past several years as a result of increased supply, while collections were stable.

2019 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	322	50%	161	219	68%	58	497	-278	2017
Fertilizers	N/A	N/A	N/A	2	N/A	N/A	4	-1	2016
Oil Containers	646	52%	336	719	111%	383	769	-50	2017
Oil Filters	874	85%	743	876	100%	113	2,396	-1,520	2017
Paints & Coatings	2	77%	2	3	145%	1	8	-5	2015
Pesticides	-	-	-	-	-	-	-	-	2016
Pressurized Containers (Non-Refillable)	792	46%	364	327	41%	-37	318	9	--
Pressurized Containers (Refillable)	461	98%	452	415	90%	-37	424	-9	--
Single-Use Batteries	5,950	40%	2,380	3,224	54%	844	2,964	260	--
Solvents	173	46%	80	16	9%	-63	44	-27	2016

2019 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)	ISP YEAR
Antifreeze	322	50%	161	219	68%	58	497	-278	2017
Fertilizers	N/A	N/A	N/A	-	N/A	N/A	-	-	2016
Oil Containers	646	52%	336	719	111%	383	769	-50	2017
Oil Filters	874	85%	743	876	100%	113	2,396	-1,520	2017
Paints & Coatings	2	62%	1	1	53%	0	4	-3	2015
Pesticides	-	-	-	-	-	-	-	-	2016
Pressurized Containers (Non-Refillable)	792	46%	364	327	41%	-37	318	9	--
Pressurized Containers (Refillable)	461	98%	452	415	90%	-37	424	-9	--
Single-Use Batteries	5,950	28%	2,380	2,773	33%	393	2,549	223	--
Solvents	173	6%	10	-	0%	-10	0	-	2016

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

MHSW (Orange Drop) Financial Performance

This table shows financial details for each of the MHSW materials managed by Stewardship Ontario for the year ended December 31, 2019.

	FEE REVENUE	TOTAL PROGRAM COSTS	SURPLUS/ (DEFICIT)	ACCUMULATED RESERVE
Antifreeze	\$181,023	\$148,196	\$32,827	\$1,615,689
Fertilizers	26,740	(172,617)	199,358	326,993
Oil Containers	1,834,009	1,978,539	(144,530)	9,634,471
Oil Filters	716,599	920,980	(204,381)	7,479,024
Paints/Coatings	41,415	334,062	(292,647)	11,500,039
Pesticides	(7,309)	(188,816)	181,507	239,026
Pressurized Containers (Non-Refillable)	1,222,839	1,173,018	49,821	455,181
Pressurized Containers (Refillable)	267,181	163,872	103,310	388,599
Single-Use Batteries	10,127,017	10,354,105	(227,088)	5,166,323
Solvents	70,243	98,836	(28,593)	1,381,597
TOTAL	\$14,479,758	\$14,810,174	\$(330,416)	\$38,186,942

UPDATE ON RESERVE FUNDS

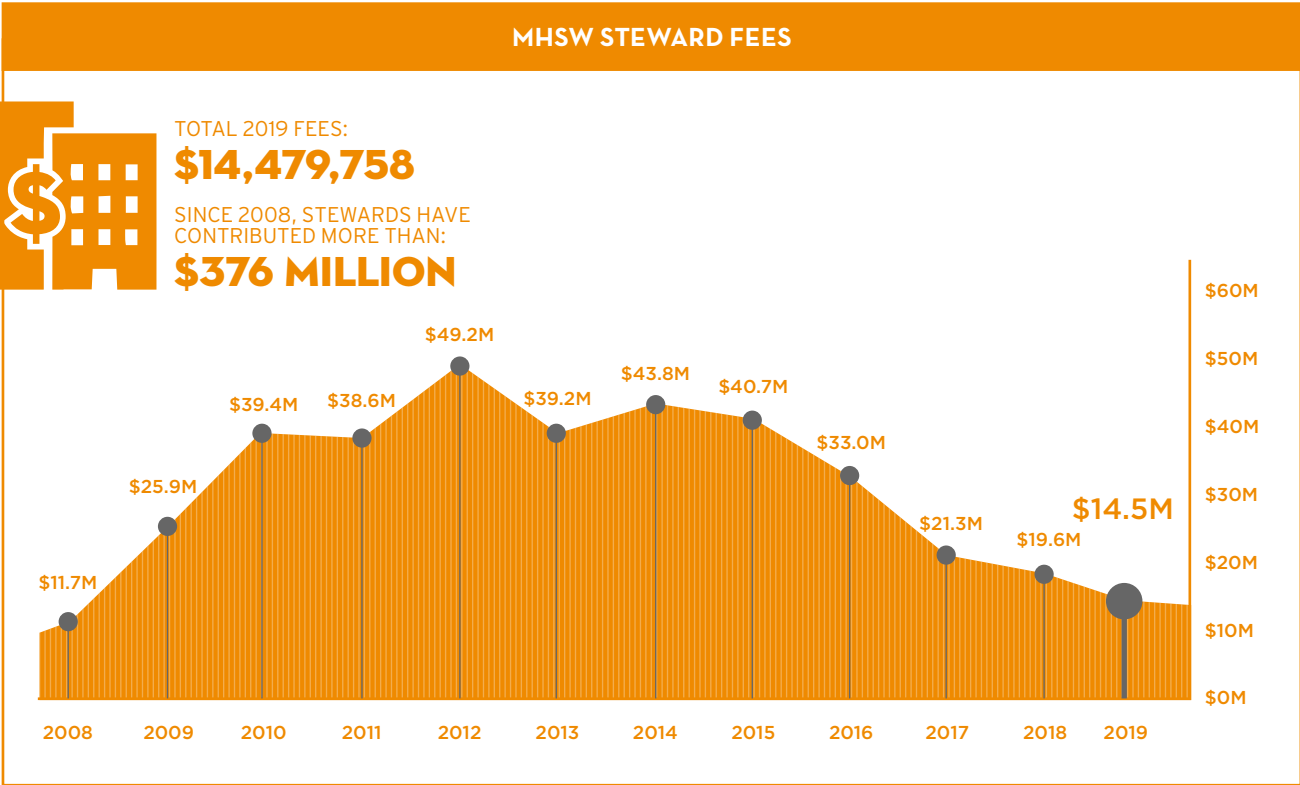
In April 2018, Stewardship Ontario received a favourable decision from the Tax Court of Canada on its claim for GST/HST input tax credits for fees related to the MHSW Program. The court determined that Stewardship Ontario provides a service that entitled it to receive input tax credits. The final amount of \$29.4 million received from Canada Revenue Agency resulted in a significant, positive impact on MHSW reserves in 2018. The distribution of the reserves as well as deferred revenues will be managed as part of the program wind up.

Subsequent to 2019 year-end, as directed, Stewardship Ontario developed an addendum to the approved MHSW Wind Up Plan to return residual funds to stewards once the program is in its final wind up phase in 2022. The draft addendum was shared with RPRA and stakeholders in early 2020. Following the consultation and feedback period, Stewardship Ontario submitted its addendum, which was approved by RPRA on February 19, 2020.

Stewardship Ontario will endeavor to minimize the amount of residual funds left in the program following the settlement of outstanding operational and financial obligations.

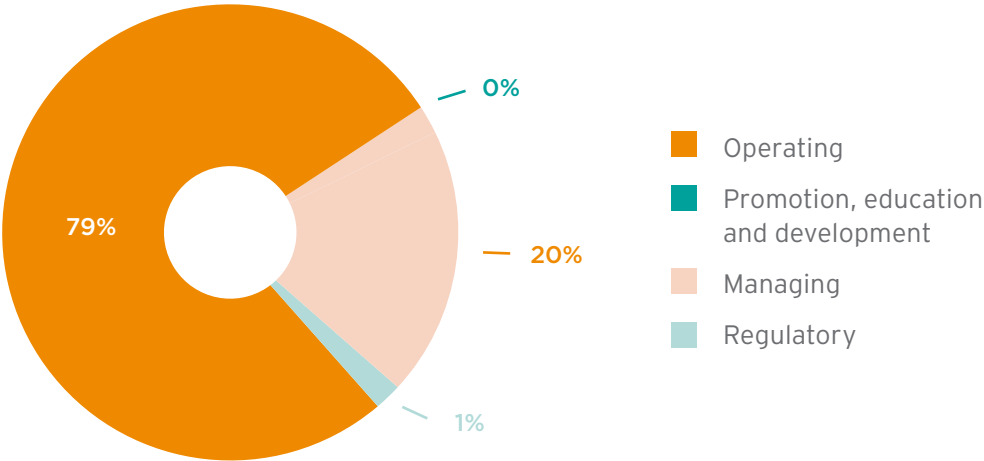
REVENUE FROM STEWARD FEES

Fees decreased by \$5.1 million in 2019, to \$14.5 million. The 26% decline in fee revenue is a result of ongoing steward migration to ISPs. (Steward reports for any prior year's obligations are captured in the year that the reporting takes place.) The 2019 fee revenue was 11% below budget because of stewards exiting the program.



2019 MHSW PROGRAM EXPENSES

This graphic shows a breakdown of 2019 expenses.



Governance

Board of Directors

The Stewardship Ontario Board of Directors focuses on governance and oversight. The board's duty is to supervise the management of the business and affairs of the organization and to ensure that it meets the requirements and obligations of the approved stewardship program plans (Blue Box and MHSW). The board represents a balance of skills, knowledge and experience, and also reflects appropriate sectoral balance.

Two board committees support the board in exercising its responsibilities: the Finance, Audit & Performance Committee, and the Governance & Nominating Committee. The board is required to approve the audited financial statements annually, upon recommendation from the Finance, Audit & Performance Committee.

Stewardship Ontario has a formal [Code of Conduct](#) policy with which all board members must comply regarding personal accountability, conflict of interest and confidentiality.

In addition, Stewardship Ontario implemented a [Conflict of Interest Mitigation Plan](#) in 2019 as part of the development of a multi-year plan to transition the Blue Box Program from a shared responsibility model to a full producer responsibility model. The procedures are designed to ensure there is no real, potential or apparent conflict of interest in respect of the wind up plan's development, contents or implementation. In particular, Stewardship Ontario acted to mitigate any real, potential or apparent conflict of interest arising from the relationship with CSSA, and took steps to ensure that CSSA does not receive preferential treatment over other potential market participants in respect of Blue Box resource recovery markets that may be created.

At the board level, John Coyne resigned as Chair of the Stewardship Ontario board prior to the September 26, 2019, meeting. This eliminated his cross-appointment between the Stewardship Ontario and CSSA boards. Robyn Collver was appointed Chair of the Stewardship Ontario board at the September meeting.

In 2019, Stewardship Ontario disbanded the MHSW Executive Wind Up Committee, which had been created in 2018.

At December 31, 2019, the Stewardship Ontario board comprised nine directors. Elections to fill vacancies are 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 the [Stewardship Ontario website](#).

2019 Board Members

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

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

Robert Chant
Senior Vice-President, Corporate Affairs and
Communication, Loblaw Companies Ltd.
(Resigned from the board in 2019)

Robyn Collver (Board Chair)
Senior Vice-President,
Canadian Tire Corporation Limited
(Appointed Chair of the board in 2019)

John Coyne
Vice President External Affairs and Sustainability,
Unilever Canada Inc.
(Resigned from the board in 2019)

Tim Faveri

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

Gulnara Gabidullina

Director, Global Product Stewardship, Procter &
Gamble Inc.

Faroek Hanif

Vice President of Finance, The Clorox Company of
Canada Limited
(Appointed to the board in 2019)

Joseph Longo

General Counsel & Vice President, Real Estate,
Longo Brothers Fruit Markets Inc.

Sylvain Mayrand

Executive Vice-President, Operations, A. Lassonde
Industries Inc.

Paul Methot

Senior Vice President, Corporate Development and
Administration, Pizza Pizza Limited
(Appointed to the board in 2019)

Ron Soreanu

VP Public Affairs & Communications, Coca-Cola
Limited
(Appointed to the board in 2019)

2019 BOARD MEETINGS AND ATTENDANCE

Robert Chant resigned from the board March 28, 2019.

Ron Soreanu was appointed to the board March 28, 2019.

John Coyne resigned from the board September 26, 2019.

Faroek Hanif and Paul Methot were appointed to the board December 17, 2019.

BOARD MEMBER	MARCH 28	JUNE 19	AUGUST 27	SEPTEMBER 26	DECEMBER 17
Debbie Baxter	Yes	Yes	No	Yes	Yes
Diane Brisebois	No	Yes	Yes	Yes	Yes
Robert Chant	Yes	n/a	n/a	n/a	n/a
Robyn Collver	Yes	Yes	Yes	Yes	Yes
John Coyne	Yes	Yes	Yes	n/a	n/a
Tim Faveri	Yes	Yes	Yes	Yes	Yes
Gulnara Gabidullina	Yes	Yes	Yes	Yes	Yes
Faroek Hanif	n/a	n/a	n/a	n/a	Yes
Joseph Longo	Yes	Yes	Yes	No	Yes
Sylvain Mayrand	Yes	Yes	Yes	Yes	Yes
Paul Methot	n/a	n/a	n/a	n/a	Yes
Ron Soreanu	n/a	Yes	Yes	Yes	Yes

Board Committees

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.

BOARD MEMBER	MARCH 21, 2019	JUNE 6, 2019	SEPT. 12, 2019	NOV. 28, 2019
Debbie Baxter	Yes	Yes	Yes	Yes
Diane Brisebois	Yes	Yes	Yes	Yes
Joseph Longo	No	Yes	Yes	No
Sylvain Mayrand	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 resigned from the committee in September 2019.

Ron Soreanu was appointed to the committee March 28, 2019.

BOARD MEMBER	MARCH 18, 2019	JUNE 5, 2019	SEPT. 11, 2019	NOV. 27, 2019
Tim Faveri	Yes	Yes	Yes	Yes
Gulnara Gabidullina	Yes	Yes	Yes	Yes
Robyn Collver	Yes	Yes	Yes	n/a
Ron Soreanu	n/a	Yes	No	Yes

Financial Performance

**Stewardship Ontario Financial Statements
For the year ended December 31, 2018**

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222 Bay Street
Suite 2200, P.O. Box 131
Toronto, ON M5K 1H1 Canada

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, 2019, 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, 2019, 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 30, 2020

Stewardship Ontario Balance Sheet

December 31 **2019** **2018**

Assets

Current

Cash	\$ 67,890,350	\$ 68,948,190
Investments (Note 2)	23,427,560	18,912,047
Accounts and other receivables (Note 3)	6,200,359	8,286,292
Prepaid expenses and deposits	28,575	26,448

97,546,844 96,172,977

Investments (Note 2) **40,295,634** **42,406,084**

\$137,842,478 **\$138,579,061**

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 38,934,147	\$ 39,572,133
Deferred revenue (Note 6)	9,807,566	9,805,560
Continuous Improvement Fund (Note 7)	17,553,275	19,807,154

66,294,988 69,184,847

Net Assets

Unrestricted	59,079,476	59,863,684
Internally restricted (Note 8)	12,468,014	9,530,530

71,547,490 69,394,214

\$137,842,478 **\$138,579,061**

On behalf of the Board:



Director



Director

Stewardship Ontario Statement of Changes in Net Assets

For the year ended December 31, 2019

	Unrestricted	Internally Restricted	2019 Total
Balance, beginning of year	\$ 59,863,684	\$ 9,530,530	\$ 69,394,214
Excess of revenue over expenses for the year	2,153,276	-	2,153,276
Blue Box Program wind-up costs (Note 8)	415,052	(415,052)	-
Blue Box Program net investment income (Note 8)	(3,352,536)	3,352,536	-
Balance, end of year	\$ 59,079,476	\$ 12,468,014	\$ 71,547,490

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

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

Stewardship Ontario Statement of Operations

For the year ended December 31	2019	2018
Revenue		
Blue Box program steward fees	\$128,700,725	\$127,879,724
MHSW program steward fees	14,479,758	19,595,160
Investment income (Note 9)	4,148,345	1,665,818
	147,328,828	149,140,702
Expenses		
Blue Box Program		
Municipal Transfer Payments	121,256,520	118,887,549
Continuous Improvement Fund (Note 12(b))	3,122	23,993
Research and development	146,467	507,437
Promotion and education	412,306	382,925
Program wind-up costs (Note 8)	415,052	-
	122,233,467	119,801,904
MHSW Program		
Direct material costs (Note 4)	11,625,579	12,321,857
Research and development	-	2,387
Promotion and education	52,363	77,929
Program wind-up costs	1,115,583	-
	12,793,525	12,402,173
Common costs		
Program management (Note 4)	7,384,735	7,740,025
Resource Productivity and Recovery Authority (Note 10)	2,763,825	2,566,987
	10,148,560	10,307,012
Total expenses	145,175,552	142,511,089
Excess of revenue over expenses for the year before undernoted item	2,153,276	6,629,613
GST recovery (Note 11)	-	29,375,035
Excess of revenue over expenses for the year	\$ 2,153,276	\$ 36,004,648

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

Stewardship Ontario Statement of Cash Flows

For the year ended December 31	2019	2018
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 2,153,276	\$ 36,004,648
Adjustments to reconcile excess of revenue over expenses for the year to cash provided by operating activities		
Non-cash component of investment income	(903,179)	852,589
Changes in non-cash working capital balances:		
Accounts and other receivables	2,085,933	4,891,497
Prepaid expenses and deposits	(2,127)	4,906
Accounts payable and accrued liabilities	(637,986)	3,140,598
Deferred revenue	2,006	-
Continuous Improvement Fund	(2,253,879)	(3,498,333)
	444,044	41,395,905
Investing activities		
Purchase of investments net of expenses	(1,501,884)	(1,487,130)
Increase (decrease) in cash during the year	(1,057,840)	39,908,775
Cash, beginning of year	68,948,190	29,039,415
Cash, end of year	\$ 67,890,350	\$ 68,948,190

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

Stewardship Ontario Notes to Financial Statements

December 31, 2019

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") 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.

On August 15, 2019, Management received a letter from the Minister of the Environment, Conservation and Parks that directed the Organization to transition the management of the Blue Box Program to producers of plastic and other packaging. The Organization must submit a plan to transition the Blue Box Program no later than June 30, 2020. The Blue Box Program is expected to begin its transition in January 2023 and cease operations by the end of 2025. Corporate wind up is expected to follow the Blue Box Program transition.

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.

Stewardship Ontario Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies - (Continued)

(a) Business Organization and Operations - (Continued)

Management received letters from the Ministry of the Environment, Conservation and Parks ("Ministry") on April 12 and December 11, 2018. Pursuant to Section 14 of the WDTA, the Ministry directed the Organization to wind up the MHSW waste diversion program. The Wind Up Plan was approved by RPRA on January 8, 2020. 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 June 30, 2021.

(b) Basis of Accounting

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

(c) Revenue Recognition

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

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

(d) Financial Instruments

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.

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.

Stewardship Ontario Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies - (Continued)

(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. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Investments

	2019	2018
Cash held with broker	\$ 471,070	\$ 75,047
Fixed income	63,252,124	61,243,084
	63,723,194	61,318,131
Less: Current portion	23,427,560	18,912,047
	\$ 40,295,634	\$ 42,406,084

Fixed income investments bear interest at 1.70% to 4.65% (2018 - 1.70% to 4.65%) and mature between April 2020 and August 2029 (2018 - March 2019 and January 2026). The increase in market value of investments for the year ended December 31, 2019 amounted to \$1,277,003 (2018 - decrease of \$640,715) which is included in investment income (Note 9).

3. Accounts and Other Receivables

	2019	2018
Blue Box and MHSW program steward fees	\$ 6,535,343	\$ 8,397,428
Other	150,683	190,050
Allowance for doubtful accounts	(485,667)	(301,186)
	\$ 6,200,359	\$ 8,286,292

Stewardship Ontario Notes to Financial Statements

December 31, 2019

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 ended December 31, 2019, the Organization incurred costs of \$5,425,000 (2018 - \$5,300,000) for these services and are included in program management expenses. Included in accounts payable and accrued liabilities as at December 31, 2019 is \$643,519 (2018 - \$501,297) relating to these services.

Certain members of the CSSA board of directors were also members of the Organization's board of directors and accounted for approximately 25% (2018 - 25%) of the Organization's board membership until September 26, 2019. On this date, the Organization introduced a Conflict of Interest Mitigation Plan to ensure independence during the Wind Up of the Organization. There are no longer any shared board members between CSSA and the Organization. Further details are included in Note 1(a).

(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 ended December 31, 2019, the Organization incurred costs of \$1,852,177 (2018 - \$3,507,711) under this agreement which are included in direct material costs for the MHSW program. Included in accounts and other receivables as at December 31, 2019 is \$129,363 (2018 - \$527,368 in accounts payable and accrued liabilities) 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, 2019

5. Loan Receivable

During 2012, the Organization provided a \$1,500,000 convertible five year loan that bears interest at the 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. As at December 31, 2019, the Organization has received an additional payment of \$50,000 and, as a result, reversed \$50,000 of the allowance for doubtful loan.

6. Deferred Revenue

	<u>2019</u>	2018
Blue Box Program		
Glass Market Development Fund	\$ 666,017	\$ 666,017
MHSW Program		
Deferred revenue	<u>9,141,549</u>	9,139,543
	<u>\$ 9,807,566</u>	\$ 9,805,560

Deferred revenue in the Blue Box Program represents unspent resources that are externally restricted for the Glass Market Development Fund. Commitments related to the Glass Market Development Fund are further explained in Note 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, 2019

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 ended December 31, 2019, the CIF spent \$2,623,256 (2018 - \$3,918,862) on continuous improvement activities. The funds held by the Organization for the CIF are included in cash.

8. Internally Restricted Net Assets

	<u>2019</u>	<u>2018</u>
Sustaining Fund	\$ 7,503,635	\$ 3,500,000
Plastic Market Development Fund	4,964,379	4,964,379
Blue Box Fund	-	1,066,151
	<u>\$ 12,468,014</u>	<u>\$ 9,530,530</u>

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.

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.

During the year, the directors authorized the transfer of the \$1,066,151 balance in the Blue Box Fund to the Sustaining Fund to support the Blue Box Program transition activities and \$415,052 was spent on the Blue Box Program wind-up. In addition, \$3,352,536 of net investment income earned in the Blue Box Program was authorized to be transferred to the Sustaining Fund.

9. Investment Income

	<u>2019</u>	<u>2018</u>
Interest income	\$ 3,138,643	\$ 2,362,705
Dividend income	106,522	155,702
Loss on sale of investments	<u>(171,857)</u>	<u>(13,743)</u>
	3,073,308	2,504,664
Adjustment to fair value	1,277,003	(640,715)
Investment expenses	<u>(201,966)</u>	<u>(198,131)</u>
	<u>\$ 4,148,345</u>	<u>\$ 1,665,818</u>

Stewardship Ontario Notes to Financial Statements

December 31, 2019

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

In fiscal 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 is committed to pay \$2,901,525 to a Glass Market Development Fund from contributions from stewards of glass. As of December 31, 2019, the Organization has spent \$2,235,508 (2018 - \$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, 2019, approved project funding and related commitments for the CIF amounted to approximately \$15,266,576 (2018 - \$16,264,831) of the total fund balance of \$17,553,275 (2018 - \$19,807,154).

Stewardship Ontario Notes to Financial Statements

December 31, 2019

13. Financial Instrument Risk Exposure and Management

Management has established policies and procedures to manage risks related to financial instruments, with the objective of minimizing any adverse effects on financial performance. Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant interest rate, currency or credit risks arising from its financial instruments. A brief description of management's assessments of these risks is as follows:

(a) Credit Risk:

Financial instruments potentially exposed to credit risk include cash, investments, accounts and other receivables, and 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 \$535,667 (2018 - \$401,186).

(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)).

These risks have not changed from the prior year.

Stewardship Ontario Notes to Financial Statements

December 31, 2019

14. Subsequent Events

Subsequent to year-end, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in worldwide emergency measures to combat the spread of the virus. These measures, which include self-quarantine periods, have caused disruption to businesses globally, which are resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time, including measures implemented by governments and central banks. It is not possible to reliably estimate the length or effect of these developments, including the impact on the financial results of the Organization in future periods.



Stewardship Ontario

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