



Thinking
beyond
the box

Stewardship Ontario

2011 ANNUAL REPORT | THE CIRCLE OF SUSTAINABILITY





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Thinking beyond the box



message from john coyne

*stewardship ontario board chair
vice president, general counsel and corporate secretary
unilever canada inc.*

People sometimes ask me if Stewardship Ontario is a government agency, and I tell them that we're actually a private, non-profit, industry-led product stewardship organization. Two thousand businesses (stewards) operating here in the province of Ontario—all committed to safely managing, recovering and recycling the packaging and products we put into the marketplace. Our mission is simple and straightforward, and it's one we embrace with genuine enthusiasm. We want to make Ontario's recycling programs even better, even more effective, even more efficient. We pursue this goal out of pride in what we're capable of today and out of service to the world we want to see tomorrow.

As I reflect on 2011 and what it has meant to Stewardship Ontario, three words come to mind: Leadership, Innovation and Expansion. We have continued to outperform the provincial targets for the amount of paper, packaging and hazardous waste we divert from Ontario's landfills and waterways. And we have done so by making our recycling programs even more visible, accessible and efficient. We have invested in new recycling technologies and brokered dynamic partnerships between some of Ontario's most ecologically minded businesses. Driving innovation, harnessing creativity and building on our achievements, we are proud to be seen as a leader in sustainability.

blue and orange make green

Embraced by Ontarians as a symbol of environmental responsibility, progress and sustainability, Stewardship Ontario's Blue Box Program is

a success story that is measured by the enormous tonnage of material diverted from landfill and made useful once more. Based on a model of shared responsibility, stewards and municipalities split the cost of recycling products and packaging. As a result, Ontario businesses have paid more than half a billion dollars towards Blue Box recycling since 2004.

Our Orange Drop Program continues to provide safe end-of-life management for nine material categories. 2011 saw the highly successful pilot of a mobile depot and the addition of 150 automotive drop-off locations—significantly increasing accessibility to the program. We also introduced an Ontario Parks collection program and established 1,151 new battery drop-off sites, which proved to be very popular with consumers throughout the province.

closing the loop

In Ontario, and across Canada, there is a growing expectation among consumers that the companies bringing their products to market should play a greater role in managing them when they come to the end of their useful life. We agree with them, so we've been taking materials that were once just considered garbage and exploring new ways to extract value from them—creating alternative products that reduce our dependence on finite resources. Ontario's product stewards are moving beyond being responsible for their products from the cradle to the grave and are now embracing the concept of an afterlife that sees products continually reborn as new and useful versions of their former selves. This approach emphasizes recovery and repurposing. In its purest form, it's known as closing the loop, when, for example, recycled bottles are used as raw materials to make new bottles.

investing in innovation

Because continuous improvement is the foundation of sustainable communities, it is important that we explore, encourage and invest in ever more innovative forms of packaging as well as increasingly



efficient recycling technologies. It's how we'll break through perceived barriers, get more materials into the much loved curbside Blue Box and encourage consumers to visit Orange Drop locations to drop off their hazardous and special waste. It's how we'll continue to exceed diversion targets.

So, when our stewards innovate, we invest—to make their businesses, their packaging and their products more environmentally sustainable and more readily recyclable. Our mission is to create cost-efficient reverse supply chains for all the material that historically was just buried in a hole in the ground.

Through action, effort and investment, the companies that support Stewardship Ontario are demonstrating sustainability leadership and green credentials that resonate with an increasingly concerned and engaged marketplace.

*John Coyne,
Chair, Stewardship Ontario*



message from gemma zecchini

ceo, stewardship ontario

2011 marked our eighth year as guardians of Ontario's Blue Box Program. It was a year in which 75 percent of Ontario residents said they consider the Blue Box their primary pro-environment effort. As many as nine in ten consider it the main driver of recycling in the province. The Blue Box has achieved iconic status in Ontario life—a fixture at the end of the driveway, and a foundation of our green economy. This past year, our Orange Drop Program continued to step beyond the box to broaden the scope of consumer recycling. The program has become increasingly visible and accessible in our communities, responding to the public appetite for eco-initiatives and further driving awareness of the need to consign hazardous and special waste products and packaging so they can be safely and responsibly managed at the end of life.

It's very rewarding to know that people not only like our programs but that they also use them so extensively. Throughout the province, the recycling public is highly engaged, and people feel good about making their contribution to a sustainable environment. In this year's report you'll find a whole section dedicated to the special role that Ontario residents play in protecting our environment. We've also included information about how the recycling process works, what happens to discarded packaging when it leaves the curb and how it makes its way back onto retail shelves.

visible, accessible and efficient

The Blue Box program exists in every Ontario community of 5,000 or more—and in many towns and villages with smaller populations than



that. It reaches 95 percent of the 13 million people who live in this province. It collects among the broadest range of materials anywhere. And, thanks to an ongoing and committed partnership among municipalities, stewards and consumers, we're proud to say that Ontario's printed paper and packaging diversion rate is the highest in North America.

Last year, the Blue Box program kept nearly 68 percent of printed paper and packaging bought by Ontarians out of landfill. That's close to a million tonnes of material, and almost 13 percent above the government target. It's a measure of success that clearly carries over into the Orange Drop Program, where materials collection has exceeded targets for each of the past three years. The BUD message is spreading, with more and more householders knowing that they should Buy only what they need, Use it all up and Drop off any leftovers for us to recycle, reprocess or dispose of safely.

partnering for performance

At Stewardship Ontario, we're responsible for an increasingly sophisticated and dynamic recycling supply chain that is constantly evolving. In this report, you'll find many examples of innovation partnerships, and you'll hear about an investment we've made on behalf of our member companies. Innovations like Ice River Springs, the world's only bottled water manufacturer to produce its bottles in house from 100 percent recycled Polyethylene Terephthalate (PET) plastic. It's a process that requires six times less energy than it takes to produce PET from scratch, and uses recycled plastic bottles and grocery clamshells collected from the curb to generate a carbon offset of over 34 million kilos every year. Innovations like Canadian Tire's Blue Planet® brand, an exclusive line of national products made from recycled material, including plastic tables, storage caddies, even the Blue Box itself—made out of the very material it collects.

In this year's report, we take a retrospective look at what we have achieved together in 2011, along with a forward glimpse at the opportunities that lie

in 2012 and beyond. Opportunities like Switchable Solutions' revolutionary polystyrene extraction process that has the potential to turn this notoriously uncooperative material into a recycler's dream. Developments that include GreenMantra's unique conversion process that's turning plastics into valuable industrial waxes. The information contained in these pages speaks to Stewardship Ontario's many different connections. We invite you to explore the stories of real people who are making a real difference to Ontario's environment. You might be a Blue Box or Orange Drop recycler, one of our many municipalities, a transporter or processor of household and hazardous waste. Maybe you're a member of the media, a government agency, an industry association or one of the province's producers or retailers carrying out your obligation as a product steward. Whatever your motivation for taking a look behind the scenes, on behalf of all of us here at Stewardship Ontario, I would like to thank everyone who plays a part in Ontario's recycling process. Together we can make a real difference to the world we share.



*Gemma Zecchini,
CEO, Stewardship Ontario*





who are we: and what do we do?

stewardship ontario

We are a private, not-for-profit, Industry Funding Organization (IFO). Created to help product producers, importers and brand owners fulfil their environmental responsibilities, Stewardship Ontario operates the province's Blue Box and Orange Drop Programs. Both of these programs stem from the Ministry of the Environment's Waste Diversion Act (WDA) and the concept of Product Stewardship—also known as Extended Producer Responsibility (EPR). Because nobody is better placed to reduce toxicity and waste than producers themselves, the province has made Ontario businesses responsible for the program costs associated with safe disposal of the waste their products generate. As product stewards, these businesses also have the power to reduce their share of the recycling recovery costs and contribute to sustainable communities by rethinking the supply chain and becoming more innovative about product and packaging design.

recycling hq

Stewardship Ontario is not a government organization, and we aren't funded by the taxpayer. Instead, industry producers pay the program cost of financing and operating the reverse supply chain that links the recovery, sorting and recycling of packaging and hazardous waste once products reach the end of their useful lives. In this leadership role, Stewardship Ontario represents over 2,000 producers, and provides funding to over 220 municipalities under the Blue Box Program and some 110 municipalities under the Orange Drop Program. We also deal with both federal and provincial governments and promote recycling responsibility at the curb as well as in the community.

In 2011, acting on behalf of Ontario's product stewards, we collected recycling contributions of over \$130 million and just under a million tonnes of materials—helping create a cleaner, healthier and more prosperous province. Consistently meeting, and often overachieving waste diversion targets, Stewardship Ontario partners with innovative producers and suppliers who are revolutionizing waste diversion and management.

With its origins in a 1981 Kitchener pilot program, Ontario pioneered the Blue Box Program to collect household packaging and paper. This curbside recycling program is internationally recognized, and now adopted by over 95 percent of Ontarians. Thinking beyond the box, we introduced our municipal Orange Drop Program in 2008. This innovative initiative for the diversion of hazardous waste and special materials offers a fast-growing selection of highly accessible recycling facilities. In 2011, as well as having Blue Boxes in all communities with more than 5,000 inhabitants, over 85 percent of Ontarians also had access to Orange Drop locations at municipal recycling depots, annual collection events, automotive locations, provincial parks, return-to-retail and new battery collection sites.

driving innovation

As a recycling company, it is our social responsibility to drive the future of recovery, collection and recycling initiatives in Ontario. It is not enough for us to concentrate our energies exclusively on collecting and sorting scrap paper, plastics and hazardous or special waste. Instead, we must consider the full recycling chain. It is our duty to do everything we can to ensure that the materials we collect and sort are transformed into new products right here in Ontario. By taking this systemic view, we close the loop, the supply chain becomes circular instead of linear, and in the process we create new jobs in the green economy—we develop valuable business opportunities that benefit our province and our country—we lower the cost of recycling for all involved—we conserve resources, reduce Ontario's carbon emissions, cut toxicity and improve the health of our citizens.



THE CIRCLE OF SUSTAINABILITY

Once a product comes to the end of its useful life, and a consumer no longer needs it, groups of people work together in sustainable partnerships to create a reverse supply chain. Together we recycle, or safely dispose of, products, packaging and hazardous waste in an environmentally responsible way—creating new value in the process.

Responsible for the entire lifecycle of their products and packaging, Ontario holds these stewards accountable for diverting and recycling their product waste.

Through the Waste Diversion Act (WDA), the Ministry of the Environment (MOE) designates the materials that are included in a waste diversion program.

Monitors the recycling performance of Ontario's three Industry Funding Organizations (IFOs) and oversees the province's four waste diversion programs (Blue Box, Orange Drop, Ontario Electronic Stewardship, Ontario Tire Stewardship).

The collectors, transporters and processors of both household and hazardous waste from the Blue Box and Orange Drop Programs.

Local government partners with Stewardship Ontario to handle materials that will be diverted from landfill.



The eyes and ears of the consumer, helping ensure that programs are responsive to needs and expectations.

Residential consumers of paper, packaging and hazardous waste are critical to the success of any environmental initiatives.



2011 was a year of extensive activity, which saw Stewardship Ontario matching the increasing menu of consumer recyclables with the growing appetites of manufacturers who are hungry to include recycled materials in their products. And, in turn, many consumers say that they would choose to buy products made from recycled products and packaging, conserving the fossil fuels, the energy and the emissions associated with making virgin materials.



accelerating progress

During the year, we played several different roles, either in bringing innovative ideas and processes to market, or helping propel them towards implementation. Through a mixture of grants, loans, investments, relationship-brokering and mentoring, we have helped drive a number of initiatives that are changing both the face and the pace of recycling in the province. Deeper into this report, you'll find a whole section on innovation, where you can read about:

- the push by Canadian grocers to make clamshells more recyclable
- the water company that's using those clamshells to make new bottles
- the technology we're accessing that's transforming coffee cups

If you fast forward to our section about future opportunities, you can learn about the Queen's University green chemistry lab project that's turned into a new company. You can also find out about GreenMantra, the company that's turning plastic film waste into industrial waxes and other high value commodities. Both are early-stage developments with the potential to feed an exciting range of new products and processes that could add considerable value to Ontario's economy.

increasing accessibility

While Stewardship Ontario's connections to industry stewards, municipalities and government are critical, it is our relationship with the recycling public that most strongly affects how well our initiatives play out. As promoters and educators, we have the ability to influence the degree of environmental responsibility that Ontarians demonstrate in their day-to-day lives. By adding to the list of materials that we can all recycle in our Blue Boxes, and by expanding the number of Orange Drop collection sites where Ontarians can recycle their hazardous waste, we not only increase our physical recycling opportunities but we also make our ambitious diversion goals more accessible.



ONTARIO HOUSEHOLDS





ontario households: the power of the people

you told us what you think

We asked 3,200 Ontarians what they thought about product packaging, the environment and the Blue Box recycling program. The online survey was conducted for us by Ontario public opinion and market research experts, Pollara.

Blue Box recycling plays a vital, environmentally supportive role in our communities, and has become part of daily routine for 90 percent of Ontarians. It's powerful to hear your endorsement of our program, with eight-in-ten of you saying the Blue Box has changed the way your households operate. It's also very encouraging to confirm that the Blue Box is responsible for changing buying habits. Almost half of the people surveyed told us that the Blue Box has made them change the types of packaging they bring into the house.

As consumers, you expect manufacturers and retailers to share your attitude to sustainability, by reducing packaging and making it more environmentally friendly. In fact, Blue Box-friendly packaging has become your measure of a manufacturer's environmental commitment. Although you consider a number of factors when assessing the environmental attitude of products and packaging, acceptance in the Blue Box is your number one requirement.

You also told us that you are attracted by products made from recycled materials, as well as ones with less packaging, and 70 percent of you consciously choose environmentally friendly products. Given the choice, the majority of you would buy products with packaging you can place in your Blue Box. And many of you refuse to buy products from companies who you believe are not environmentally responsible.

To find out what goes in your Blue Box in your municipality, visit the consumer pages at www.stewardshipontario.ca

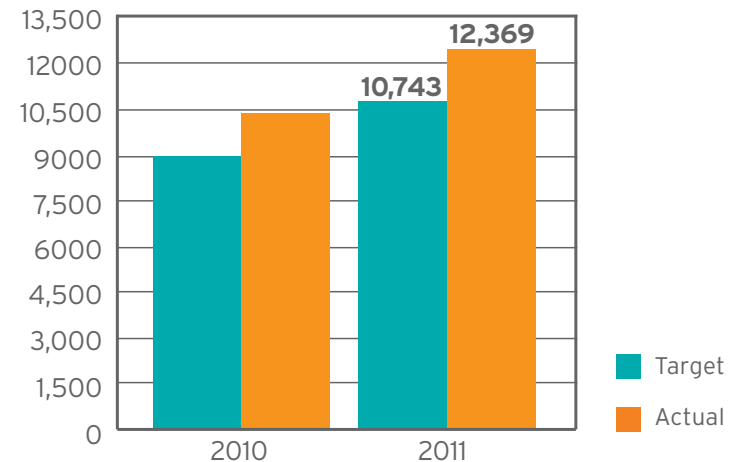
expanding recycling programs

In 2011, we added more locations to the Orange Drop program, making it easier than ever for your household to dispose of hazardous waste safely—diverting it from landfill, away from our waterways and keeping us all healthier. In 2011, you could Make The Drop at:

- 📍 87 municipal recycling depots
- 📍 304 municipal events
- 📍 429 automotive locations
- 📍 307 return-to-retail locations
- 📍 90 provincial parks
- 📍 1,151 battery collection sites

Also, through Stewardship Ontario's special waste program for commercial users, in 2011 over 10,000 automotive businesses were able to recycle oil containers and filters, as well as antifreeze.*

access to Orange Drop outpaced 2011 targets by 1,626 sites



*and its containers



if in doubt, don't throw it out

You can go to an Orange Drop location to recycle special household waste that doesn't belong in your Blue Box:

🔧 Automotive:

- Oil Filters, Oil Containers, Antifreeze*

🏠 Household:

- Paints and Coatings*
- Solvents*, such as thinners for paint, lacquer and contact cement, paint strippers and degreasers
- Single-Use Batteries—like the kind used in hearing aids, watches, toys, electronics, remote controls, calculators, greeting cards, flashlights, smoke detectors, radios, phones and emergency kits

🔧 Pressurized Containers:

- Propane Tanks and other gas cylinders such as Oxygen and Helium tanks
- Spray Paints, Aerosol Pesticides and Spray Solvents

🌱 Garden:

- Lawn Fertilizers*
- Pesticides*

[Enter your postal code at makethedrop.ca](http://makethedrop.ca) to find out where you can recycle your hazardous or special waste

why should I participate?

We know that it's important to you to protect our environment for future generations. That's why the Orange Drop program collects materials like paints, solvents, propane cylinders, batteries and oil filters, which, if put in the garbage, are health and safety risks to humans, animals and the environment. In landfill, chemicals and toxic gases may cause soil contamination and water pollution. And, there can be chemical reactions if these items are mixed with other materials in garbage or recycling boxes. Proper disposal avoids serious and lasting damage.

**and its/their containers*

We make sure that all the materials we collect are safely managed, diverting harmful substances from landfill, waterways and forests. Many of these items also contain materials that we recover, refine and reuse to manufacture new products, reducing the need for virgin resources, consuming less energy and reducing emissions.

promoting recycling programs

Waste management is an ever-evolving process, and each one of us must play our part in recycling responsibly to increase the amount of materials we collect each year. Now, when it comes to careful handling of special waste, not only can you visit your municipal Orange Drop depot or collection event, but you can also recycle propane cylinders in Ontario Parks, return your spent batteries to over a thousand locations, bring back your used paint cans to retail stores or drop off your antifreeze, oil containers and oil filters at a growing number of locations across Ontario.





children educating parents

Our research shows that children and young people really influence the product consumption and recycling behaviours of their parents. So we gear many of our education events towards these age groups.

You'll find lots of educational activities and tools for use in the classroom at makethedrop.ca/education:

- 🕒 [Life Cycle Posters of Orange Drop Materials](#)
- 🕒 [Activity Posters](#)
- 🕒 [In-class Activities](#)
- 🕒 [Virtual House](#)
- 🕒 [Pictures & Video](#)

a family focus

In 2011, we continued to take part in consumer shows and local events with a family focus, such as our Toronto Harbourfront and Science Centre

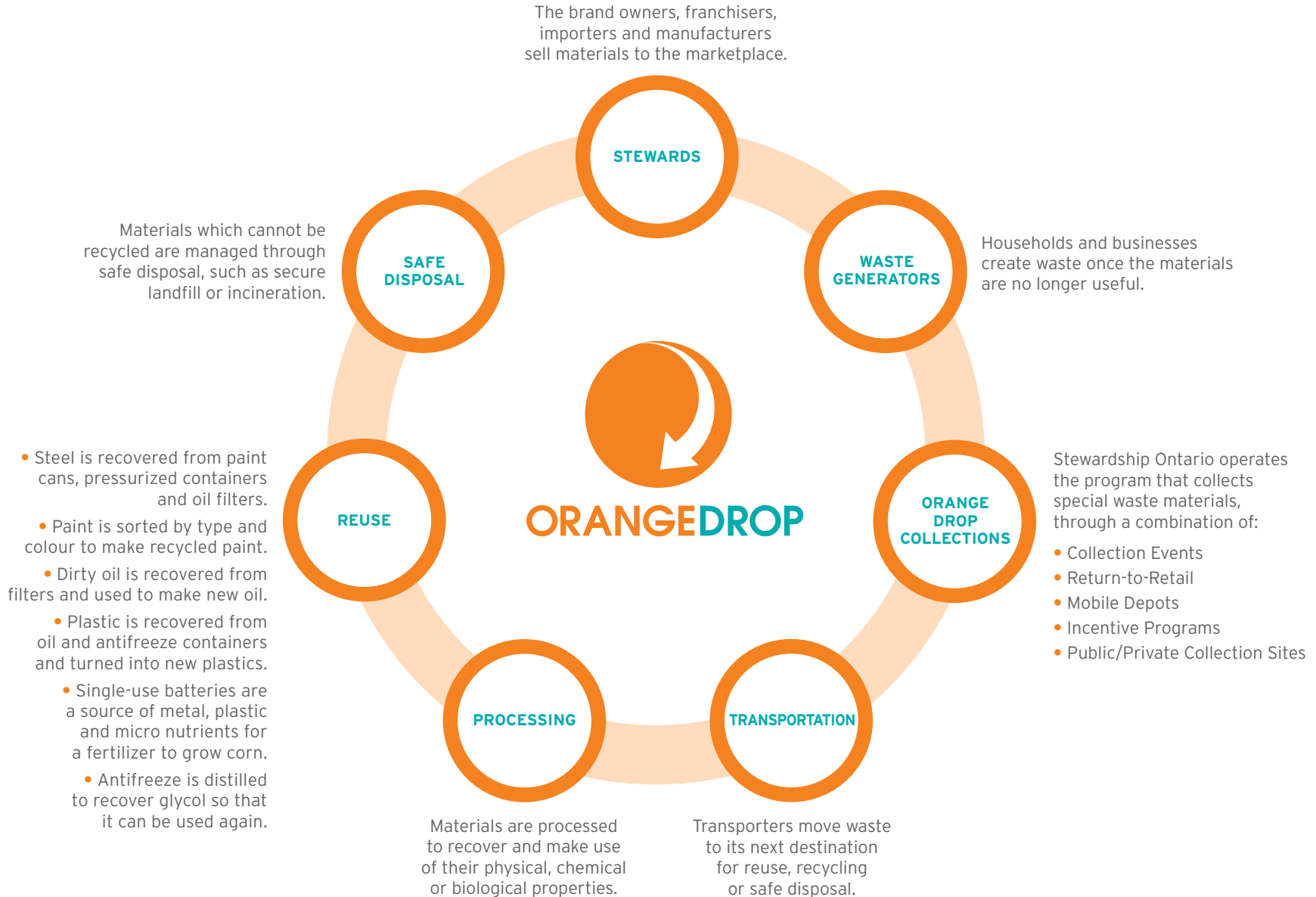
sponsorship, as well as participating in community fairs during the key summer and fall seasons, when most collection activity happens. More than 575,000 people attended these events. Our educational role also involves visiting schools to build awareness of the Orange Drop brand, of everything that the program can do and how every household has a role to play.

- 🕒 Consumer and Trade Shows
- 🕒 Ontario Science Centre March Break
- 🕒 Toronto Harbourfront Summer Sundays
- 🕒 Public School Presentations and Workshops
- 🕒 Ontario Parks Visits
- 🕒 Fall Fairs and Festivals
- 🕒 Family Activities and Events
- 🕒 Municipal Collection Events
- 🕒 Waste Collection Calendar Advertising reaching 1.869 million households

At the Ontario Science Centre, and Toronto Harbourfront Summer Sundays, young orange droppers in the making were able to play Orange Drop skeeball, touch-screen sorting games and get creative with Orange Drop magnets and refillable markers to win prizes. They could also find out how we recycle batteries and paints and what new products are reborn in the process.

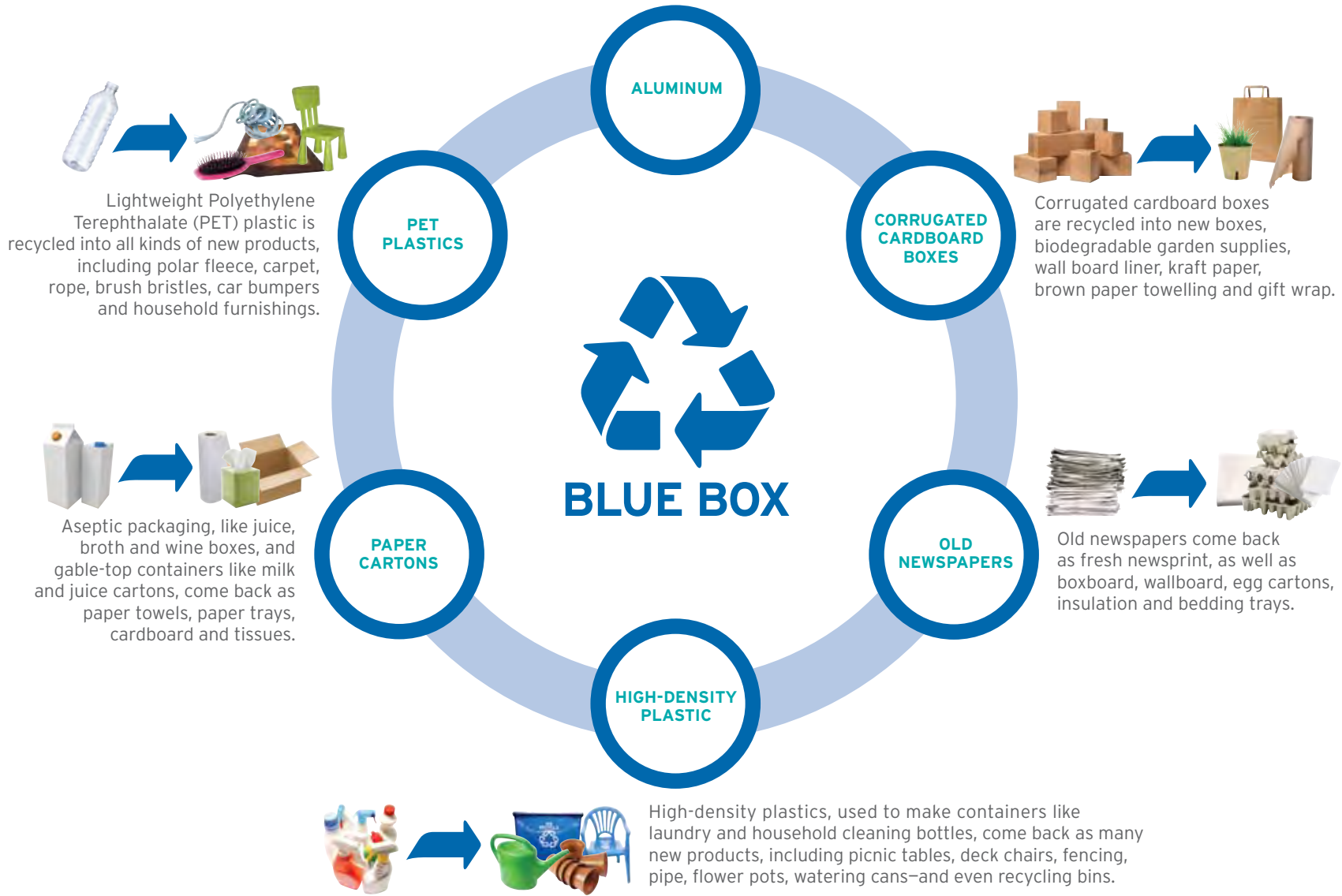


WHAT HAPPENS TO YOUR RECYCLING?



HOW DO RECYCLED PRODUCTS GET BACK ON THE SHELF?

Aluminum can be recycled repeatedly, and most of the empties are typically melted, re-cast and refilled within 60 days. Recycling aluminum uses a tiny fraction of the energy it takes to refine ore from scratch—and aluminum can be used in everything from CDs to passenger jets.

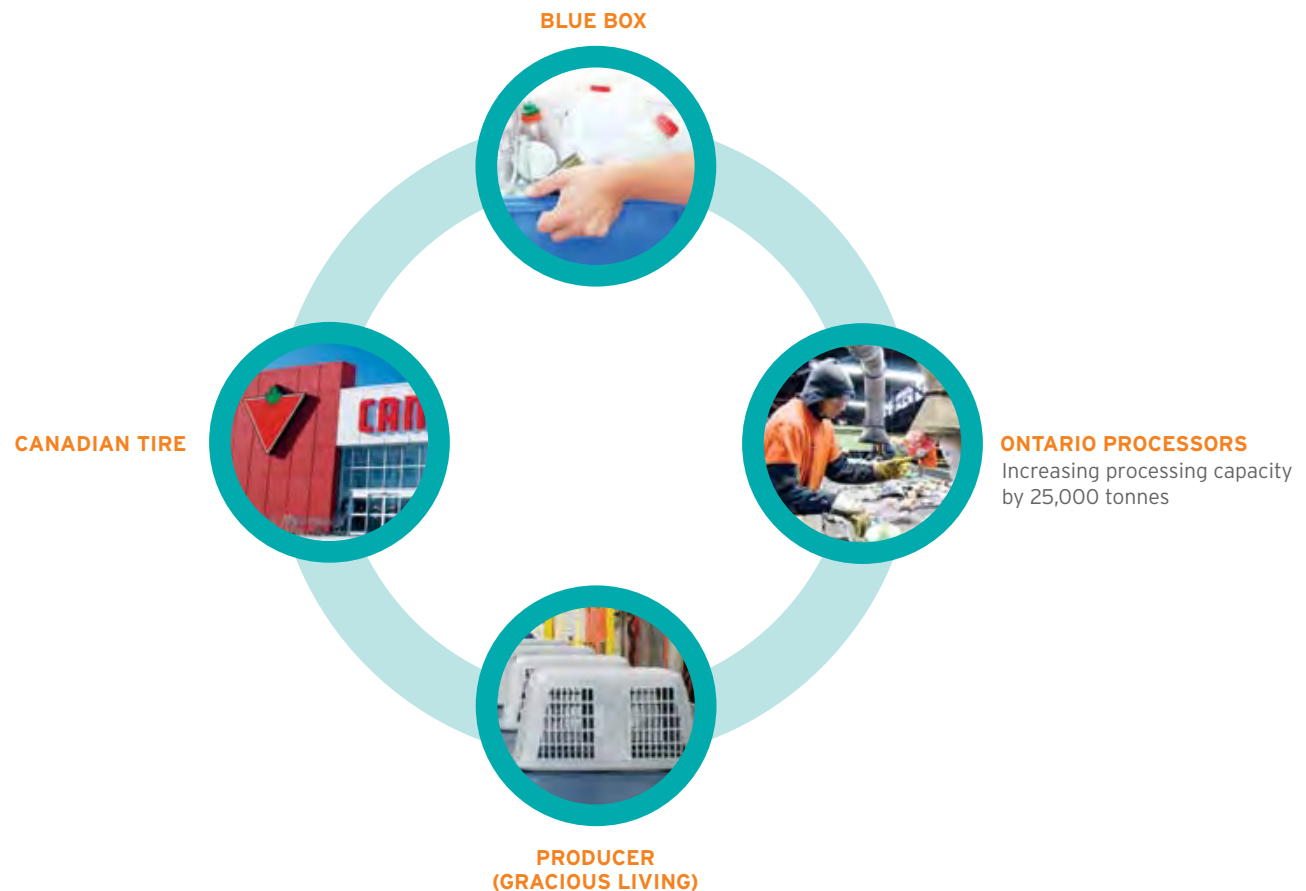


887 thousand tonnes

887,000 tonnes of recycling were collected from the Blue Box. That weighs 17 times more than the Sydney Harbour Bridge.

gracious living makes for a blue planet

When it became clear that the combination of materials in the Blue Box was changing, we took proactive steps to find new markets for mixed plastics. Back in 2006, we put out a call for innovative recycling companies that convert mixed rigid plastics and film so that it could be used to manufacture new consumer products. As a result, we made investments in local companies so that they could install new technology to process plastics here in Ontario. This set in motion a chain of events that would lead to the recycled plastic totes, step stools, drawers and caddies in Canadian Tire's exclusive Blue Planet® line of products, which offers innovative solutions to help customers reduce their impact on the environment while meeting everyday needs. The products are supplied by Canadian vendor Gracious Living™, named the winner of the "Recycled Product Award" by the Canadian Plastics Industry Association.





plastic is in

Not all municipalities are the same when it comes to accepting items into the Blue Box. You only have to get together with friends and family living in different regions to realize that there are variances. This could be due to the age or location of a municipal facility, as well as sorting or handling constraints. However, just because an item isn't part of your community's Blue Box program, doesn't mean it's not recyclable.

At Stewardship Ontario, we are working closely with municipalities across the province to expand the number and types of material that can be universally collected and processed effectively. We're also raising awareness of what can go into the Blue Box in different regions across the province. So, with the support of the Continuous Improvement Fund (resources and tools provided through a partnership between Waste Diversion Ontario (WDO), the Association of Municipalities of Ontario (AMO), the City of

Toronto and Stewardship Ontario, to provide grants and loans to Ontario municipalities to execute projects that improve the effectiveness and efficiency of municipal Blue Box recycling) our 2011 *Plastic Is In* campaign was designed to boost the supply of materials and satisfy the increasing demand for Blue Box plastic.

Between June and August, we ran a pilot campaign to support municipalities in the cities of Kawartha and Peterborough, and the counties of Peterborough and Northumberland. The campaign let householders there know that they can recycle all types of rigid plastic in their Blue Boxes, and demonstrated how their individual recycling efforts combine to breathe new life into old packaging. Based on the success of the campaign, we also helped the cities of North Bay and Kingston, as well as York Region, launch their own campaigns at the end of the year. London is set to come on board in June 2012, and stay tuned for news of other municipalities expanding the materials they welcome in their Blue Boxes.

Plastic Is In!

Into the Blue

Out of the Blue

Clear Plastic Cookie Container

Clear Plastic Fruit and Veggie Container

Clear Plastic Strawberry Container

Plastic Water Bottle

Clear Plastic Muffin Container

BBC Chicken Container

Clear Plastic Egg Carton

2L Plastic Pop Bottle

Reusable Shopping Bag

Baseball Hat

T-Shirt

Polar Fleece

Shorts

Sleeping Bag (stuffing)

Water Bottle

If you live in the City of Kawartha Lakes, City of Peterborough, County of Peterborough or the County of Northumberland you can recycle all of your plastic packaging and containers.

Don't forget, all PET (#1) plastics can go in your blue box.

Waste Diversion Ontario

CIF CONTINUOUS IMPROVEMENT FUND

Thinking beyond the box

City of Peterborough

County of Peterborough

County of Northumberland



recycling for car enthusiasts

Thousands of automotive businesses throughout Ontario—from dealerships to gas stations to oil and lube franchises—collect their used oil containers and filters, as well as antifreeze, for processing through Stewardship Ontario’s special waste program. But what about those do-it-yourself (DIY) car enthusiasts who buy their own materials, and want to do the right thing when it’s time to get rid of their leftovers? Thanks to a new Orange Drop Program, we’ve made it easier to recycle the waste. Instead of hoarding used containers or filters, or disposing of them unsafely, householders will now be able to Make the Drop at an increasing number of locations across the province. Between 10 and 15 percent of all oil changes are done at home on the driveway...but you can’t put your used containers and filters in the Blue Box. So, Orange Drop signed up 150 more DIY drop-off sites in 2011 to bring the total to 429. That’s a whole collection of retail automotive service

locations across the province, from independent garages to brands like Jiffy Lube, Mr. Lube and Just Lubes, as well as Active Tire Green + Ross and Canadian Tire. Our goal is to grow this network to a total of more than 580 sites by the end of 2012.

We’re building a network of automotive drop-offs to include urban, suburban and rural locations. Our coverage currently extends from Windsor to Ottawa to Cornwall, and north to places like Timmins, Sudbury and Thunder Bay. It’s how we’re making automotive recycling even more accessible across Ontario.

To find out where you can drop off the antifreeze, oil filters and oil and antifreeze containers from your household, simply go to makethedrop.ca and key in your postal code.

2.5 million litres

The Orange Drop Program recovered a total of 2.5 million litres of antifreeze from the marketplace in 2011. That’s more than all the of water you’ll find at Great Wolf Lodge’s 100,000 square foot indoor water park near Niagara Falls.



from plastic to pig pens

Have you ever wondered what happens to your automotive products when you no longer need them? DIY drop-off sites collect your antifreeze in giant tanks, while containers and oil filters are stored in drums and totes, waiting for pick-up and delivery to processing plants. It's there that the plastic is cleaned and shredded before being sold to manufacturers, who use the recycled raw materials (or feedstock) to make new items like plastic lumber, railway ties, curbstones, irrigation pipes and even liners for pig pens. If you turn to our innovation section, you'll be able to read all about Switchable Solutions, and their new technology which could revolutionize the way we separate oil from plastic, recovering both materials for resale in the process. Oil filters? They're crushed to extract the residual oil, which can be refined again as lubricants, and then the steel casings are sent to foundries to be reborn as rebar and other recycled steel products. As for your antifreeze? We have it distilled to recover the glycol, so that it can be used again.



ORANGEDROP
Makethedrop.ca



11.1 thousand tonnes

Environment Canada estimates that one litre of oil can contaminate up to two million litres of water. And even one drop of oil can make 25 litres of water unfit for drinking. By collecting 8.5 thousand tonnes of oil filters and 2.6 thousand tonnes of oil containers in 2011, the Orange Drop Program helped protect Ontario's waterways from these contaminants.



✓ OPERATING EFFICIENCIES





operating efficiencies: fiscal and organizational responsibility

cost efficiencies

We best serve the industries that fund us when we contain our costs. Beyond meeting or exceeding our waste diversion targets, the measurement of our success lies in our operating cost per tonne—what it costs us to collect, handle, transport and process waste materials. While we have no control over regulatory costs that are passed to us by the Ministry of the Environment (MOE) and Waste Diversion Ontario (WDO), the government agency overseeing our programs, we can have a significant impact on the costs we recover from stewards, as well as funding of sustainable development initiatives when we successfully reduce our operating cost per tonne.

THE COST OF OPERATING A WASTE DIVERSION PROGRAM ON BEHALF OF BRAND OWNERS	
• operating:	Payments to the service providers who transport and process materials. Payments to the municipalities for handling waste
• managing:	The cost of doing business
• promotion, education & development:	Stimulating public awareness, developing responsible recycling habits and investing in new technologies
• regulatory:	Charges by the Ministry of the Environment and Waste Diversion Ontario

an open marketplace

When operating a stewardship program in keeping with the concept of Extended Producer Responsibility (EPR)—where producers and brand owners finance products through to the afterlife—our most effective (and essential) method of cost management lies in our financial terms with service providers. By striking reasonable commercial terms with municipalities, by conducting material-specific and service audits and by reflecting both cost-efficiency and quality of service in the rates we pay haulers and processors, Stewardship Ontario controls the cost of disposing of each tonne of waste that Ontario households generate.

On January 1, 2012, our Orange Drop program moved from municipal contracts for post-collection services to an open market incentive program, making the recycling marketplace accessible to all service providers with high performance pick-up, transportation and processing capabilities. The Municipal Depot Transportation and Processing Incentive Program (MDT&PIP) has established a material-specific range of standard rates per kilo for each of the material categories managed by Stewardship Ontario. This move to open the market to competition and new entries has generated a large increase in service providers, adding materials and processes and increasing the competitive marketplace for diversion.

8.6 million kg

In 2011, the Orange Drop Program collected 8.6 million kg of steel. That's the weight of about 6,230 Toyota Prius cars. The recovered steel from oil filters and paint cans feeds mills, foundries and smelters, which use the recycled materials to make new products.



production efficiencies

In keeping with the concept of EPR and the model of industry-funding recycling programs, our programs themselves encourage product stewards to reduce the cost of recycling their products by putting less packaging into the marketplace in the first place. It's a simple equation: reduced packaging results in less material and therefore lower costs. Take Nestlé, for example. The company's continuous improvement policy takes an integrated approach to its packaging materials, emphasizing the 4R's of packaging reduction, renewable resources, recycled materials and recycling programs:

1. Reducing the weight and volume of packaging materials
2. Developing and using packaging materials from sustainably managed **R**enewable resources
3. Supporting used packaging **R**ecycling or energy recovery, and promoting recycling programs
4. Using **R**ecycled materials wherever it makes sense

packaging optimization

Nestlé continually evaluates and pursues innovative designs that reduce packaging, use recycled materials and improve recyclability. Since 1998,

Nestlé Canada has reduced packaging by over 1.8 million tonnes. For example, by reducing the size of *Stouffer's Lean Cuisine* packaging, Nestlé Canada eliminated 11 tonnes of corrugate, 129 tonnes of paperboard and seven tonnes of resin. That's the equivalent of saving more than 3,100 trees each year.

The Frozen Meals business recently shaved 166,840 kg worth of corrugated fibreboard (corrugate) per year after removing the disc from *Delissio Thin Crispy Crust Pizza*. Without impacting product quality, they also reduced the thickness of the plastic around the pizza, saving 91,990 kg of film each year. The money saved is reinvested into resources to look for further opportunities that will benefit the consumer.

Nestlé Pure Life Natural Spring Water's recyclable Eco-Shape 500 ml bottle is one of the lightest containers in the Canadian beverage industry. Made of 27 percent less plastic than its predecessor and 60 percent less plastic than the original 500 ml PET bottle, it weighs in at 9.16 grams. Nestlé Waters Canada also produces Montclair natural spring water, one of the first bottled water brand families in the world to use a minimum of 50 percent recycled plastic (rPET) in all of its packaging. In fact, its 500ml bottles are 100 percent recycled plastic. The company uses recycled cardboard in its packaging, and has also saved 528,000 trees over

528,000 trees

Nestlé Waters Canada uses recycled cardboard in its packaging, and has also saved 528,000 trees over the past five years by reducing the total amount of corrugate it uses.



the past five years by reducing the total amount of corrugate it uses. In addition, Nestlé Waters Canada has continuously reduced the size of its paper label, resulting in savings to date of about 20 million kg of paper.

In addition to packaging reductions, Nestlé Canada also endeavours to reduce the environmental impact of transporting and distributing its products. For example, Nestlé Waters manufactures its own bottles at each of its bottling facilities. This avoids the need to truck 20,000 trailer loads of empty plastic bottles, and saves 12 million kg of greenhouse gas emissions annually.

environmental tools

Nestlé's Packaging Impact Quick Evaluation Tool (PIQET) is an online tool that identifies actions to reduce the environmental impact of food and beverage packaging, which helps the company select the most appropriate packaging for many products. 500 packaging specialists around the world use PIQET to compare the environmental impact of different packaging choices across a range of environmental indicators. Nestlé is also partnering with recognized LCA scientists and experts to develop Eco-D, a multi-criteria eco-design tool for both packaging and ingredients. Eco-D takes into account the entire product life cycle, using environmental indicators such as climate change, land use, ecosystem quality, mineral and non-renewable resources and water consumption. Approximately 1,700 Eco Design analyses have already been completed.

[To read more about how Nestlé applies the life cycle approach, go to nestle.com and select Creating Shared Value > Environmental Sustainability.](http://nestle.com)

process efficiencies

In our Orange Drop program, we have grouped categories of materials to make our collection and transportation processes more efficient. When we collect paint, for example, other materials come along for the ride, so we can pass on the benefits of a single pick-up and share costs. In the northern Ontario Parks, the Ministry of Natural Resources collects propane cylinders in our Orange Drop cages and then processes them locally, reducing the emissions associated with transportation and adding to the local green economy. Even better, the Aviation Forest Fire and Emergency Services propane bottle recycler, which was purchased through the Ontario Innovation Demonstration Fund (IDF), is self-fuelled, because it runs on the propane left in the camping-sized tanks.



A man in a dark suit and white shirt is seen from the back, holding a black briefcase. He is standing in a lush green forest with sunlight filtering through the trees, creating a bright, airy atmosphere. The scene is framed by a white horizontal band across the middle.

ENVIRONMENTAL PERFORMANCE



environmental performance: the eco-impact of continuous improvement

As our product stewardship programs evolve and grow, one of our core drivers is performance. Our business performance levels have been recognized in an independent audit of both our Blue Box and Orange Drop Programs. Going beyond program compliance, our management team “has demonstrated a high level of competence and, in many areas, has implemented leading practices and controls.” The report, which was created by ICF Marbek for Waste Diversion Ontario (WDO), also indicates that we “operate with a strong commitment to continual improvement, implementing a number of operational enhancements to improve efficiency and effectiveness.”

26,000 tonnes

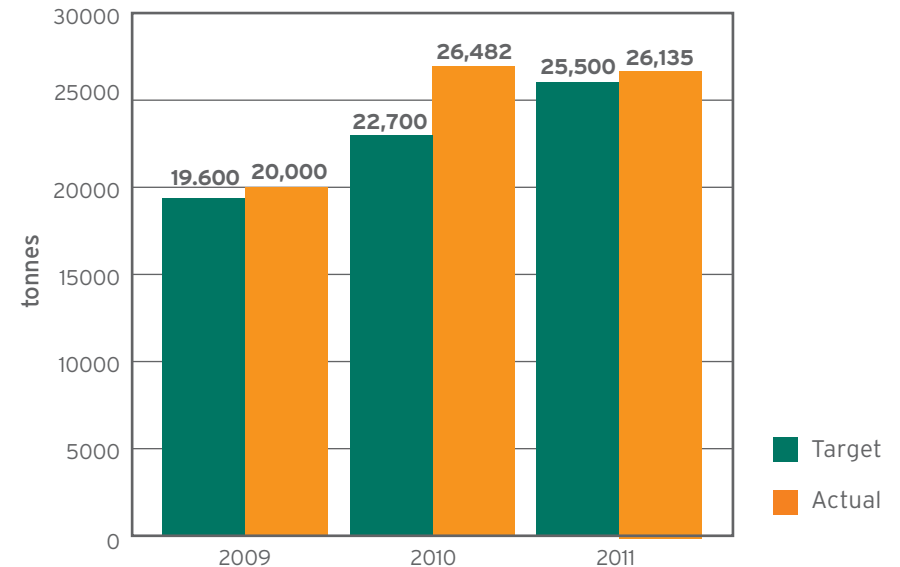
In 2011, Orange Drop collected 26,000 tonnes of municipal hazardous or special waste. That’s the combined fighting weight of over 230,000 sumo wrestlers.



Another measure of performance is the continuous improvement of our recycling tonnage, as well as collection and diversion rates. By meeting and exceeding targets, Stewardship Ontario helps producers and consumers fulfill their social and environmental responsibilities. Plus, as consumers become increasingly eager to participate in recycling programs, and efficiencies grow, we are able to broaden and streamline the recycling ecosystem, enabling consumers to recycle more and manufacturers to reduce their dependence on fossil fuels.

Our combined Orange Drop program collection tonnage has exceeded targets for each full year since it was created. The majority of the nine categories of materials have also achieved or exceeded their targets each year. The small decline in tonnage targets for 2011 (1.3 percent) reflects the lower supply into the market due to difficult economic times. We were, however, able to exceed the collection target, and supply the market with a greater volume of waste materials than anticipated, adding value to each link of the chain.

Orange Drop collection against target





attention campers

When it comes to the environment, we all have a responsibility to help keep the great outdoors great. 2011 saw the expansion of our special waste collections into the far-reaching network of Ontario Parks. We launched Orange Drop collection cages in provincial parks from Pakwash in the north to Wheatley in the south, Rushing River in the west and Voyageur in the east, without forgetting the iconic Algonquin, which was established in 1893, making it Canada's oldest provincial park. The 335 Ontario Parks cover about 10 percent of our province, an area that's roughly the size of Nova Scotia. Together, these parks attract over 9.5 million visits a year—campers and day trippers who love to barbeque.

Cheryl Moore is Assistant Park Superintendent for Bass Lake, Mara and McRae Point Provincial Parks, as well as Ontario Parks' lead for the Orange Drop propane collection. She explains that single-use waste propane cylinders had become a significant problem, and they were struggling to find a solution. "We had signs at our garbage and recycling depots asking visitors to take their cylinders home and recycle them at their local household hazardous waste facility. However, many of them were just left

90 parks

In 2011 we picked up 102,000 kg of propane cylinders from 90 Ontario Parks. That's the weight of about 56,000 barbequed chickens.

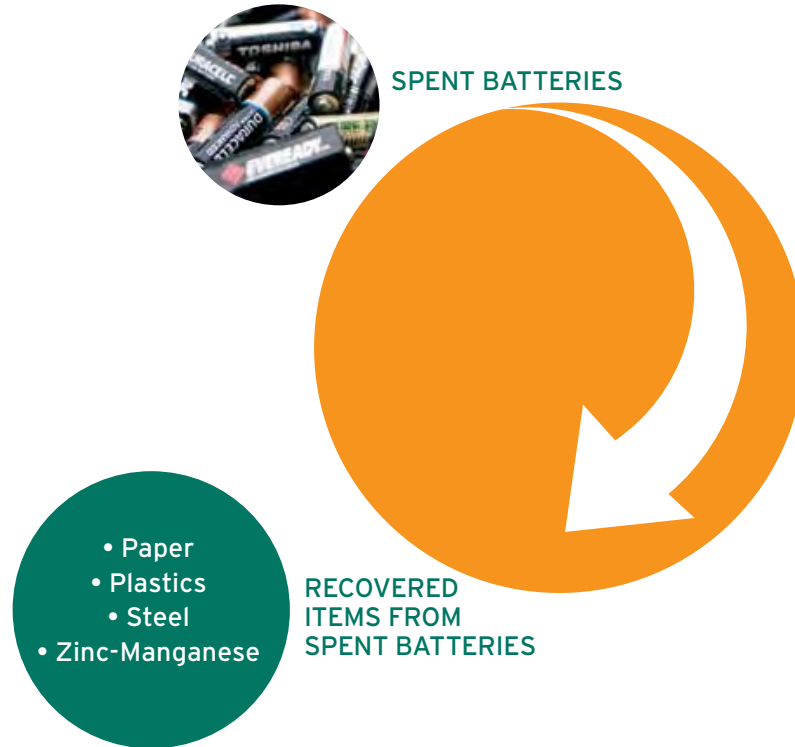
on the ground, thrown in the dumpsters or mixed in with the recycling." Park staff did what they could to sort and divert these little propane tanks, but the parks just ended up with stockpiles, because, despite their best efforts, nobody had come up with a cost-effective way of collecting and recycling the cylinders. "That's where Stewardship Ontario came in," says Cheryl. "Thanks to them, we now have 400 Orange Drop cages in 90 of our most frequently visited parks." Now people have a highly visible, clearly marked, bright orange cage where they can drop off their waste propane cylinders. As a result of the program, Ontario's Provincial Parks accounted for 32 percent of all the non-refillable pressurized containers collected in 2011.

Cheryl tells us, "It's staggering just how many cylinders we're now collecting in these cages. For example, Algonquin collected 123 drums of cylinders in 2011, compared to the two drums that were collected in 2010 before the Orange Drop cages were in place." In July and August 2011, the Orange Drop Education Team visited Sibbald Point, Sandbanks and Earl Rowe Provincial Parks to promote the new single-use propane cylinder cages, and discovered that they had collected approximately double the amount of cylinders compared to the previous year. In fact, in 2011 we picked up 102,000 kg of propane cylinders from the 90 Ontario Parks. That's the weight of about 56,000 barbequed chickens.



more ways to recycle batteries

In 2011, we made it our goal to increase the accessibility and convenience of battery recycling in Ontario. In February, we launched a new program to provide Ontario households with more opportunities to drop off their used batteries. Some people don't think twice about throwing batteries away because they are so small. They think that they're too insignificant to make a difference. Small as they are, single-use batteries can certainly pack a punch when their raw materials are recovered and reused:



We searched for service providers who could collect, transport and process single-use batteries, so that we could increase the amount of materials recovered from the marketplace. We opened up the field to competition and attracted a significant number of new entrants, adding 1,151 battery collection sites by year end. This added significantly to our existing municipal and return-to-retail collections in outlets like Home Depot and Lowe's. Ontarians can now recycle their single-use batteries in libraries, community centres, drugstores and corporations throughout the province, and we ended the year with a total collection of 1,011 tonnes. That's about the same weight as nearly two million Buzz Lightyear Action Figures.

2 million

In 2011, we collected over a million kilos of single-use batteries. That's the weight of nearly two million Buzz Lightyear Action Figures.

13 percent

Blue Box performance outpaced the provincial target by 13 percent (887,242 tonnes).
 $\frac{887,242}{787,409}$



going beyond expectations

At Stewardship Ontario, we track the quantities of paper, packaging and special waste that our stewards sell into the Ontario marketplace. Our recycling performance is then measured in terms of how much material we collect, how much we divert from landfill and how this performance relates to the annual provincial target.†

Blue Box performance

CATEGORY	2010			
	QUANTITY GENERATED BY STEWARDS (TONNES)	SHARE OF TOTAL MATERIALS	QUANTITY COLLECTED BY STEWARDSHIP ONTARIO (TONNES)	PERFORMANCE RATE
PRINTED PAPER	537,653	41.0%	474,969	88.3%
Paper Packaging	359,087	27.4%	226,502	63.1%
Plastics Packaging	232,846	17.7%	58,621	25.2%
Steel Packaging	57,097	4.4%	31,237	54.7%
Aluminum Packaging	24,906	1.9%	10,843	43.5%
Glass Packaging	100,760	7.7%	85,071	84.4%
PACKAGING	774,696	59.0%	412,273	53.2%
TOTAL MATERIALS	1,312,349	100.0%	887,242	67.6%
PROVINCIAL COLLECTION TARGET				60.0%

† Due to a difference in the timing of validated tonnages for Blue Box and Orange Drop programs, figures reflect 2010 performance for Blue Box and 2011 performance for Orange Drop.

Orange Drop performance

YEAR	AGGREGATE OF MATERIAL COLLECTION TARGETS	ACTUAL COLLECTION	% OF TARGET
2009	19,600 tonnes	20,000 tonnes	102%
2010	22,700 tonnes	26,482 tonnes	117%
2011	25,500 tonnes	26,135 tonnes	103%

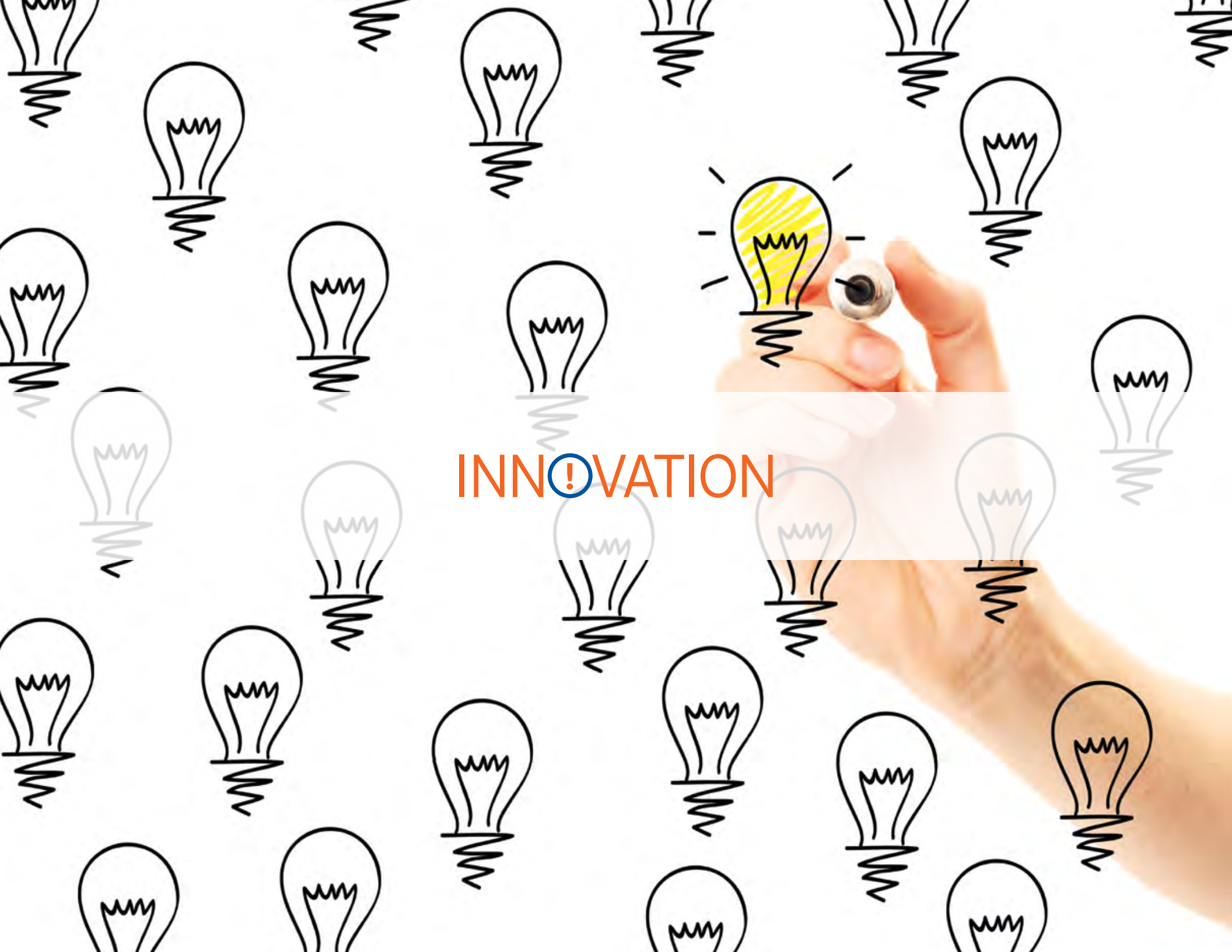
Orange Drop accessibility

CHANNEL - ACTIVITY	2011 TARGET	2011 ACTUAL
Municipal - Depots	110	87
Municipal - Events	412	304
Automotive - Commercial Sites	9,500	10,000+
Automotive - Do It Yourself (DIY) Sites	200	429
Return-to-Retail	400	307
Battery Incentive Program (BIP)	-	1,151
Provincial Parks Program	-	90
TOTAL SITES	10,622	12,368
% OF TARGET		116.4%
% INCREASE OVER 2010		11.0%

For further details about individual material category performance, please refer to the appendices: Orange Drop by the numbers.

100 million litres

Orange Drop collected a little over 760,000 litres of solvent in 2011. Just one litre of solvent is enough to contaminate 100 million litres of drinking water, equivalent to 40 Olympic-sized swimming pools.



INN!VATION



innovation: sustainable partnerships expand recycling

a broader scope

In 2011, innovation was our common focus. By encouraging everyone involved in the recycling chain to think beyond the box we broaden the scope of recycling in Ontario. We expand the range of materials that can be efficiently and profitably recycled and we increase the appetite of local markets for recycled commodities. By taking an integrated approach, we can use innovation to:

- enable all Ontarians to recycle a wider range of material
- create an efficient and holistic recycling supply chain
- extract more value from Blue Box materials
- finance better service and lower costs
- better serve consumers and taxpayers
- boost Ontario's green economy



But more than this, we are putting increased emphasis on the importance of sustaining a continuous recycling loop that makes use of the same materials again and again to create new versions of themselves. By developing sustainable partnerships with ground-breaking product stewards, research pioneers, leading greentech players, forward-thinking municipalities and the most progressive processing facilities, we ensure that the best minds are concentrated on advancing the scope and performance of recycling in the province. We've gathered a sample of stories to share some of the year's innovation highlights:

46,000 tonnes

Each year, 46,000 tonnes of PET plastic from beverage bottles alone is generated by Ontario households. That's a pile of plastic that weighs the same as the Titanic.



harvesting clamshells

You see them every time you visit the grocery store. Clear plastic clamshells are a food industry favourite, used by grocers to protect and display a wide variety of supermarket staples such as berries, eggs, cherry tomatoes, salads, chickens and cookies. Whereas a bottle is blown from a tube of pre-formed resin, clamshells start life as a sheet of plastic, which is shaped to a mold using a combination of heat and pressure, or vacuum. This process results in what is called thermoformed packaging, and it's the fastest growing type of packaging in the market.

These rigid plastic containers have also proved to be temperamental when it comes to recycling. That's why Stewardship Ontario has been working with industry associations like the Retail Council of Canada (RCC) and the country's leading grocery chains to remove some of the obstacles to recycling clamshells. Together, we're finding ways to make the process more efficient and match the supply of clamshells to industry demand for uncontaminated bales of plastic.



top five grocers demand PET

Not all clear containers are created the same way, even if they look the same. Most thermoform containers are made from either a clear, crystalline form of polystyrene or Polyethylene Terephthalate (PET), which is used to make plastic soft drink bottles. If they are mixed together, they are of little use in making new products. However, the sorting centres generally cannot tell the difference. So in June 2011, in a move designed to promote recycling, Canada's top grocery chains—Loblaw, Walmart Canada, Safeway Canada, Metro and Sobeys announced that, in future, they would accept only PET clamshells from their suppliers—enabling the thermoform clamshells to be recycled with the soft drink bottles.

the search for a cooperative label

Problem solved? Not quite, because there was still a sticky issue to fix. And that was the glue on clamshell labels, which is often so effective that it can't be fully removed from the plastic. This can slow down the recycling process, as well as contaminate the stock of recycled materials available





for resale. So, Stewardship Ontario, grocery members of the RCC and the National Association for PET Container Resources (NAPCOR) collectively searched for solutions. The result of this collaborative effort is that label manufacturers are now helping source an adhesive that sticks to PET but can also be easily removed during the recycling process.

packaging that suits the entire supply chain

At the same time, we at Stewardship Ontario examined how our Blue Box Program could adapt to the changes introduced by the five grocery stewards. Our *Plastic Is In* campaigns in a number of municipalities is stimulating the supply of rigid plastic containers that make their way

to the curb. And Ontario bottled water manufacturer, Ice River Springs, is now using recycled PET from both bottles and clamshells to create 100 percent recycled bottles at its Recycling Division, Blue Mountain Plastics. The entire supply chain was actively involved in this packaging decision. It has increased the range of materials that make their way into the Blue Box, and stimulated the supply of post-consumer recycled materials that can be used to create new products. Plus, the initiative will result in significant eco-efficiencies, because using post-consumer PET produces only one tenth of the greenhouse gas that's required to create new resin from fossil fuels.





born again bottles

Ice River Springs is a family business with a passion for sustainability. It may be Canada's largest private-label bottled water company but its carbon footprint is continuously shrinking. Since opening its doors in Feversham, Ontario, in 1995, the company has understood the value of protecting the environment. As a member of the Canadian Bottled Water Association, Ice River Springs is committed to practising and promoting the responsible and sustainable use of water. According to the company's CEO, Jamie Gott, "Our vision is to be the leading environmental beverage company in North America."



bottles from 100 percent recycled PET

The company is a private-label supplier for retailers such as Walmart Canada and grocery retail giant, Loblaws. Towards the end of 2010, Ice River Springs became the first bottled water company in North America to manufacture its own bottles from 100 percent recycled PET plastic—the most recyclable of all plastics. The company's 500ml bottle also weighs in as the lightest in the industry at less than 10 grams including the cap—using fewer resources in the manufacturing process and requiring less fuel for transportation. Ice River Springs has also reduced the amount of cardboard that goes into its shipping boxes, and now the team is working on a project to produce shrink film for multi-packs using recycled material. It's no surprise that, in 2011, Ice River won Greener Packaging's awards for Environmental Impact and Innovator of the Year.





564 million

About 28,200 tonnes of PET bottles are collected, baled and sent to market in Ontario. That's the equivalent of 564 million two-litre beverage bottles, or over 2,550 double-decker London buses loaded with passengers.

matching post-consumer supply with producer demand

To produce the resin that it uses for recycled bottles, Ice River Springs' Recycling Division, Blue Mountain Plastics, buys PET—sourced from discarded bottles and clamshells—from the municipalities who have collected it from over 95 percent of curbsides across Ontario. It's a perfect example of how the Blue Box Program is helping build Ontario's green economy, matching an increased supply of uncontaminated clamshell plastic (fuelled by an alliance of grocery chains) with a thirst for an increased supply of raw materials from an eco-efficient water bottler. Says Sandy Gott, co-owner of Ice River Springs, "The vision and support of Stewardship Ontario was instrumental in making self-manufactured bottle-to-bottle recycling happen."

a continuous recycling loop

The beauty of Blue Mountain Plastics is that it will continue to harvest the very packaging that Ice River Springs manufactures, putting it back into the marketplace over and over again. Together, Stewardship Ontario and Ice River Springs have created a closed-loop recycling process that gives new life to plastic bottles after each new consumer has left them at the curb. Ice River Springs has successfully closed a loop in its own production process, extracting ever greater value out of those molecules each time they circle through the loop. The company is also making a significant contribution to the continued development of Ontario's recycling infrastructure.

reducing transportation emissions

In keeping with its environmental enthusiasm and commitment, Ice River Springs does more than just recycle. To save fuel and cut costs, the company picks up bales of recovered plastic from the municipalities, using the empty trucks that have just dropped off bottled water deliveries to customers. As CEO Jamie Gott points out, "Our trucks deliver our great tasting water in 100 percent recycled PET to the store, but then return to our plant with plastic to be recycled, closing the loop." To further offset its carbon footprint, the organization has also reduced its electricity consumption at its largest bottling plant in Feversham by using solar panels and geothermal chilling. As Lyle Clarke, our VP of Innovation and Blue Box says, "With the leadership of companies like Ice River Springs, we're building a world-class recycling infrastructure right here in Ontario."

a collection of coffee cups

In 2011, we made it a priority to capture more coffee cups. Successful recycling depends on our ability to evolve and expand, and we do this best in collaborative partnerships with innovators at every step of the supply chain. We constantly look for ways we can add value, by improving recycling processes, by seeking out leading technologies and by expanding the range of materials we collect. Using creativity to develop recycling markets, we ensure that more and more materials make their way to the curb.

Known by the technical term of laminate paper packaging, coffee cups are a valuable source of paper fibre that's in high demand, but capturing enough cups for recycling to be economical has been a challenge and, until recently, the most effective processing technology lived overseas.

As a result, although coffee cups are recyclable, not all municipalities accept them in the Blue Box. Tim Hortons and other coffee chains have programs in a number of their locations across Canada to capture paper cup packaging for recycling or composting. Our aim is to increase the number of municipalities accepting these laminated paper cups so that they can be recycled close to home.

By engaging processing facilities in North America, and improving capture rates, we increase both the volume and the value of materials we can put to good use. So we set about creating a sustainable partnership that included coffee cup stewards like Tim Hortons, processing companies with the technology to extract value from laminate paper and municipalities who were interested in making the coffee cup recycling chain local. Together, we were motivated to keep the value of the recycled material in North America.

the link between volume, efficiency and value

Our search began for North American facilities with the technology and the capability to turn these laminates—as well as other composite paper packaging like aseptic and gable-top milk and juice cartons—into valuable pulp. The recycling process only succeeds if recovered materials can



be processed cost-effectively as a commodity for resale at a marketable price. The greater the volume of materials that can be recycled together, the greater the chance of commercial success. We're now working with two local North American processors, Fibrek in West Virginia and Green Box in Green Bay, Wisconsin, who convert composite paper bales to pulp. As a result of this collaborative partnership, we are keeping increasing volumes of these recycled commodities in the North American marketplace and encouraging more municipalities to welcome coffee cups of all shapes, sizes and colours in the Blue Box.



moving big orange boxes

There's a big orange box that's set to make recycling more accessible for Ontario communities. It's an innovative alternative to one-day collection events for communities without convenient depot locations. The idea took root in the township of Southgate in Grey County, western Ontario, with a population of just over 7,000. Until recently, the options for recycling paints, coatings and solvents were limited to eight special collection days during summer months in Owen Sound (a round trip of two and a half hours). There was also a restricted collection of oil, batteries, antifreeze and propane tanks at two local depots. This meant that anyone but the most dedicated recycler was inevitably hoarding, or disposing of their paints incorrectly, and potentially unsafely, risking contamination of landfill and waterways. Dave Milliner, Southgate's Chief Administrative Officer explains, "There were maybe 25 or 30 people who travelled to Owen Sound for those collection days. But, with the price of gas, that's a lot to ask. Plus, there are carbon consequences to making that journey."

Southgate Councillor, Glen Irwin, and Dave asked us to help them bring a giant, mobile orange depot to the township. Open year round, the

unmistakeable 24 x 8 orange box moves every three months between two different sites, giving people throughout the community easy access, and a safe way to dispose of their special household waste. When it's time to switch locations, a truck simply shows up, loads the mobile container and hauls it to the other side of the township. As Dave points out, "Now, nobody in the community is more than 20 minutes away from a drop-off location. The mobile depot has been working really, really well for us, and the first container was brim full in less than three months."

It's often simple solutions like this that work the best. Thanks to the mobile Orange Drop depot and increased awareness, Southgate collection grew by 97 percent, from 4.4 tonnes in 2010 to 8.7 tonnes in 2011. And this was achieved without eroding Owen Sound's collection rates, which increased by 11 percent in 2011. With set-up capital provided by industry stewards, the township has run the program to the delight of municipal staff and local residents. Following the success of Southgate's mobile depot pilot, we're now planning the rollout of more mobile depots in other Ontario communities.



A photograph of an industrial refinery at night, illuminated by bright lights. The scene features several tall, dark smokestacks and a complex network of pipes, metal structures, and platforms. The sky is a deep blue, and the overall atmosphere is one of industrial activity.

OPP↑RTUNITIES



opportunities: using blue and orange to define a greener future

targeted technologies

An early adopter and shaper of recycling behaviours, Ontario has influenced environmental technologies around the world. Recycling is the foundation of a green economy, creating significantly more jobs than incineration or landfill. A universal presence at the curb, the success of the Blue Box is increasingly measured by the extent of the materials it devours and the ability to give them new life. As the Blue Box moves into a new era, and waste management continues to develop beyond the box, Ontario is uniquely positioned to nurture advanced, practical and targeted technologies that will take the industry in new directions. At Stewardship Ontario, we are excited to play our part in creating that forward momentum, bringing together all elements of the recycling supply chain in uniquely sustainable partnerships. Here's an example of a company we're watching closely, and another we're partnering with...

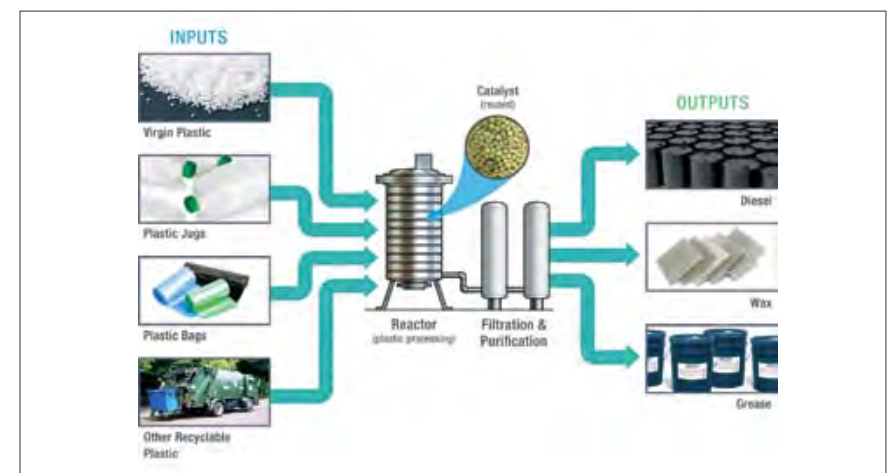
turning plastics into valuable industrial waxes

In the fall of 2010, the Canadian Innovation Exchange named cleantech company, [GreenMantra Technologies](#), one of Canada's 25 most innovative companies. Its owner has found a way to convert recycled household packaging into valuable commodities, nearly tripling the worth of the waste it uses as raw materials. As Lyle Clarke, VP Innovation and Blue Box here at Stewardship Ontario explains, "The challenge with plastics is efficiently recovering and realizing value from the many different types consumers put out for recycling. GreenMantra is tackling that challenge head-on." GreenMantra's process can handle a range of plastics, including bags

and bottles as well as mixed plastics, potentially avoiding the need for time-hungry sorting.

For over three years, Pushkar Kumar, the developer of the technology and CEO of GreenMantra, has been operating a pilot unit, which has been producing commercial quality waxes and fuels from recovered plastic. His company combines a unique and cost-effective catalytic process with off-the-shelf processing equipment to break down discarded plastic into synthetic products—elevating everyday, unloved materials into higher value industrial waxes, lubricants and fuel oils. Recycling existing petroleum-based sources and reusing its processing chemicals, GreenMantra is emerging as a low-cost producer of environmentally responsible alternative products. In fact, the company's plastic conversion process is so efficient that over 95 percent of the plastics that enter the system are successfully turned into new materials.

By making polymers from polymers, GreenMantra is successfully keeping the molecules in play. And, because GreenMantra makes waxes, oils and lubricants to the exact specifications of its clients, the company is always guaranteed a market for everything it produces. With the help of Toronto technology incubator MaRS, GreenMantra is poised to ramp up its pilot operations to full production in Brantford, with the new facility scheduled to open in 2012.





80 million kg

The energy saved by just one Switchable Solutions commercial scale plastics recycling plant has the potential to power 10,000 homes a year. That's 80 million kg of CO₂ greenhouse gases saved—offsetting the carbon footprint created by over 14,000 cars.

sustainable chemistry

Before Stewardship Ontario launched the Orange Drop Program in 2008, we conducted extensive research to find the best methods of managing hazardous and special waste. As a result of our investigation, we heard about the passion for green chemistry at Queen's University. [GreenCentre Canada](#), at [Innovation Park](#) in Kingston, brings together academic researchers and industry partners to develop and market clean, less energy-intensive alternatives to traditional chemical products and manufacturing processes. They design their solutions to waste less and use renewable materials.

one discovery leads to another

The researchers at Queen's attracted our attention because they had found a way to remove automotive oil from plastic bottles. They needed help to prove that their solution was viable, so we initially gave them a grant for lab testing and investigation. The tests were encouraging, and came with an added bonus. The green chemists discovered that their Switchable Hydrophilicity Solvent (SHS) system also had the potential to process both clear and expanded polystyrene—especially those hard-to-handle soiled food trays that can be covered in meat contaminants. When GreenCentre was looking for help commercializing the technology, we recognized the potential to revolutionize recycling capabilities in North America and, along with leading greentech players, made an investment in the venture as a founding partner.





switchable solutions starts to build

The spin-off benefits of the research and testing in Kingston reached the marketplace in April 2011, when Switchable Solutions was formed. By June, the company had announced the intention to build a plastics recycling demonstration facility in Mississauga. Switchable Solutions' solvent system shows the potential to remove contaminants like oil or food waste from plastics, and extract the base polystyrene for reuse as a valuable raw material. These green chemists have found a highly efficient way of keeping the molecules in play right here in Ontario—saving time, money and emissions.

a process that reuses ingredients and saves energy

It turns out that this solvent is even cleverer than we thought because it can also recycle itself! Instead of using energy-hungry and expensive distillation to separate from the solution after the cleaning or extraction process, SHS can be returned to its pure form without energy-intensive distillation. It can be harvested for reuse again and again.

According to Switchable Solutions CEO, Mark Badger, the energy saved by just one commercial scale plastics recycling plant has the potential to power 10,000 homes a year. That's 80 million kg of CO₂ greenhouse gases saved—offsetting the carbon footprint created by over 14,000 cars.

This smart solvent also has the potential to extract bitumen from oil sands, with minimal energy and water consumption. As a founding partner of Switchable Solutions, Stewardship Ontario is joined by leading greentech players Fielding Chemical, NexCycle, Plastics Canada Inc., Pressure Chemicals, Fallingbrook Management, GreenCentre Canada and company management, who will help bring this breakthrough green technology to market, delivering significant economic and environmental benefits.





FINANCIAL MMENTARY



financial commentary: understanding the numbers

consolidated reporting of financial results

Stewardship Ontario, as a non-profit incorporated entity, has been legally designated to operate both the Blue Box and Orange Drop programs. While there is no cross-subsidization between the two programs, or between the materials within each program, the financial results are presented on a consolidated basis. This means that the assets, liabilities, revenue and expenses of both programs are combined and shown as belonging to a single reporting entity for the purposes of the annual audited financial statements. However, a system of rigorous internal controls ensures these transactions are kept separate for each program. Management reports revenues and expenses to the Finance & Audit Committee and the Board of Directors quarterly, on a segmented or program-specific basis.

the bottom line in 2011

For 2011, the Statement of Operations in our Audited Financial Statements shows an overall surplus of \$8.1 million. This surplus reflects the sum of activity from three distinct parts of our business. The obligations relating to our Blue Box and Orange Drop programs netted deficits in each. Our obligation to transfer funds to municipalities on behalf of the Province of Ontario—for operating the Phase 2/3 portion of the Orange Drop (MHSW) business—generated a surplus of some \$12.8M. These funds, when received, will be used to reimburse municipalities for accrued expenses related to the collection and diversion of Phase 2/3 materials. This is summarized below:

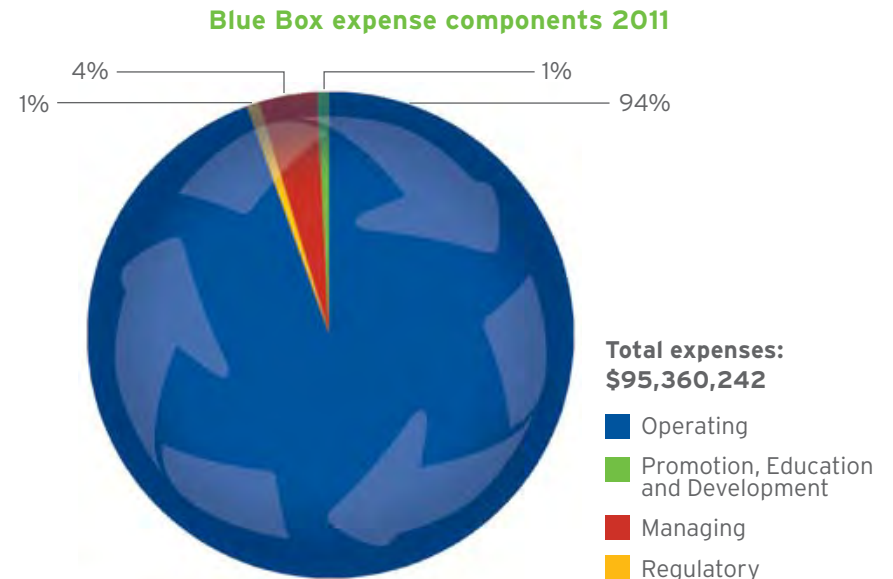
DIVISION	(\$ MILLIONS)
Blue Box	(1.4)
MHSW - Phase 1	(3.3)
MHSW - Phase 2/3	12.8
Net Surplus	8.1

To help readers understand how each program performed, we have summarized the program-specific results below:

Blue Box—financial performance

The Blue Box division posted an overall deficit in 2011 due to a \$4.8 M shortfall in steward fee revenue for corrugated paper and boxboard. This shortfall will be recovered through increases in 2012 fees for those materials. Stewardship Ontario will eliminate the risk of future shortfalls by matching the year in which materials were sold into the marketplace with the costs associated with recycling those materials in that same year. This decision was made following several consultations with stewards in 2011. Despite the revenue shortfall, the overall deficit for the program was kept to \$1.4 M due to decreased spending in other areas.

The pie chart below provides details of our spending. By far, the largest amount of steward fees (94 percent) is transferred to municipalities to operate Blue Box programs in over 400 communities, reaching 95 percent of Ontario residents.





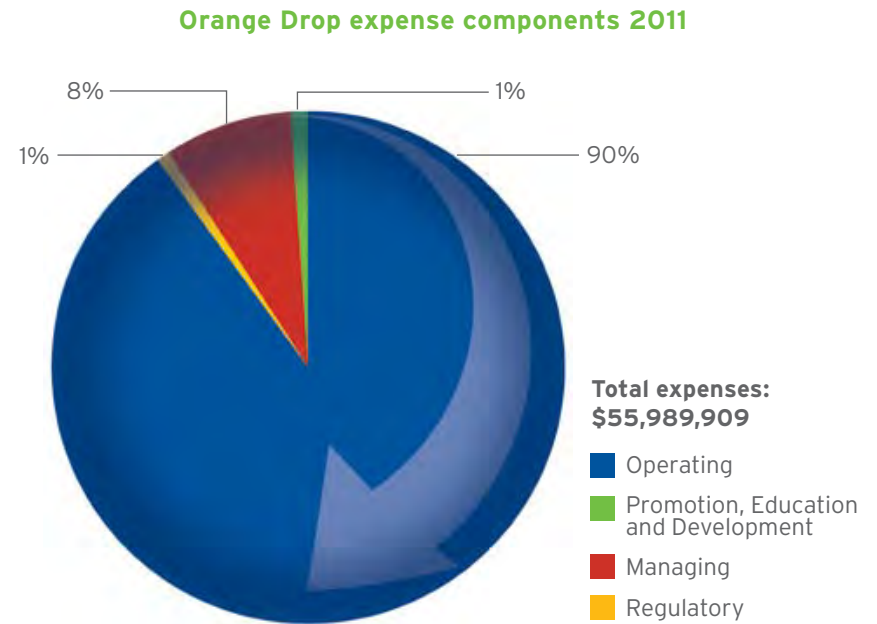
Orange Drop (MHSW)–financial results

The Phase 1 MHSW program (operated by Stewardship Ontario and funded by its stewards) experienced a deficit of \$3.3 million overall in 2011, due to a shortfall in fee revenue. Stewardship Ontario has been unable to adjust fee rates for Phase 1 materials since July 2010, resulting in significant revenue shortfalls across seven of the nine materials in the program. Revenues throughout the period July 1, 2010 - December 30, 2011 did not keep pace with the rising costs associated with higher collection and recycling rates and loss of synergies caused by the removal of Phase 2/3 materials from our reverse supply chain. In an effort to mitigate deficits, and because steward fee revenue could not be adjusted, Stewardship Ontario implemented cost control measures, by reducing expenditures for certain program management functions, including consumer promotion and education.

Stewardship Ontario is required to maintain separate financial results for each of the materials in the Phase 1 program, and stewards in each material are expected to cover their own costs—in keeping with the principles of no cross-subsidization between materials. You can find these results, along with material-specific collection and diversion performance information on pages 50 and 51.

In February 2012, the Ministry of the Environment issued a Regulation that fundamentally changed the way Stewardship Ontario is required to recover its costs, migrating from a unit or volume-based fee to a cost share allocation methodology. This requires Stewardship Ontario to use steward reporting as a way of allocating incurred costs, apportioning costs quarterly on the basis of each steward’s share of reported sales for the prior quarter. This same Regulation also provided direction on how the existing material-specific deficits are to be recovered.

The costs of the Phase 1 program are broken down in the pie chart below:



The Phase 2/3 portion of the Orange Drop program is funded through an agreement with the Province of Ontario. A contract between Stewardship Ontario and the Ministry of the Environment was signed in early 2012, whereby Stewardship Ontario provides data and financial management services for Phase 2/3 materials, and the Ministry flows funds to reimburse municipalities that provide collection and diversion services to their residents. Receivables recorded for 2011 amounted to \$12.8 M—leading to a significant accounting surplus for 2011. These funds are earmarked for distribution to municipalities.



financial statements

independent auditor's report



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BDO Canada LLP
Royal Bank Plaza, South Tower
200 Bay Street, 33rd Floor, PO Box 32
Toronto ON M5J 2J8 Canada

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, 2011, 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Stewardship Ontario as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
March 19, 2012
Toronto, Ontario

balance sheet

December 31 2011 2010

ASSETS

Current

Cash (Note 6)	\$ 3,119,759	\$ -
Investments (Note 3)	89,883,770	106,272,427
Accounts receivable (Note 9)	21,745,736	4,731,215
Prepaid expenses and deposits	260,817	287,568

115,010,082 111,291,210

Capital and intangible assets (Note 4)

1,656,525 2,116,166

Long term investment (Note 5)

500,000 -

\$ 117,166,607 \$ 113,407,376

LIABILITIES AND NET ASSETS

Current

Bank overdraft (Note 6)	\$ -	\$ 16,399,699
Accounts payable and accrued liabilities	58,766,468	43,340,692
Deferred revenue (Note 7)	38,691,827	42,056,362

97,458,295 101,796,753

Net Assets

Invested in capital and intangible assets	1,656,525	2,116,166
Unrestricted	8,983,018	2,713,165
Internally restricted (Note 8)	9,068,769	6,781,292

19,708,312 11,610,623

\$ 117,166,607 \$ 113,407,376

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

On behalf of the Board:

Director

Director

statement of changes in net assets

For the year ended December 31, 2011

	Invested in Capital and Intangible Assets	Unrestricted	Internally Restricted	2011 Total	2010 Total
Balance, beginning of year	\$ 2,116,166	\$ 2,713,165	\$ 6,781,292	\$ 11,610,623	\$ 18,161,735
Excess (deficiency) of revenue over expenses for the year	(478,122)	9,288,334	(712,523)	8,097,689	(6,551,112)
Investment in capital assets	18,481	(18,481)	–	–	–
Plastic Market Development Fund (Note 8)	–	(3,000,000)	3,000,000	–	–
Balance, end of year	\$ 1,656,525	\$ 8,983,018	\$ 9,068,769	\$ 19,708,312	\$ 11,610,623

statement of operations

For the year ended December 31

	Actual	Budget	2011 Variance	2010 Actual
Revenue				
Blue Box program steward fees	\$ 92,661,176	\$ 97,509,525	\$ (4,848,349)	\$ 89,397,622
MHSW program steward fees (Phase I)	38,569,208	42,698,087	(4,128,879)	39,426,587
MHSW program steward fees (Phase II/III) (Note 9)	26,711,342	20,862,716	5,848,626	–
Investment income (Note 10)	1,506,113	1,320,000	186,113	916,490
	159,447,839	162,390,328	(2,942,489)	129,740,699
Expenses				
Blue Box Program				
Municipal Transfer Payments	81,105,778	81,121,037	(15,259)	65,639,117
Continuous Improvement Fund (Note 12(c))	9,013,449	9,013,488	(39)	16,410,098
Research and development	886,598	3,620,358	(2,733,760)	1,936,989
Enterprise Information System	434,984	250,000	184,984	1,124,283
	91,440,809	94,004,883	(2,564,074)	85,110,487
MHSW Program				
Direct material costs (Phase I)	36,656,019	33,264,054	3,391,965	30,806,807
Direct material costs (Phase II/III)	13,875,263	16,344,940	(2,469,677)	6,573,773
Shared promotion and education	384,421	2,606,741	(2,222,320)	3,637,916
Program development and start up	165,938	1,200,000	(1,034,062)	1,709,381
	51,081,641	53,415,735	(2,334,094)	42,727,877
Common costs				
Program management	7,594,102	9,214,118	(1,620,016)	6,999,055
Waste Diversion Ontario and Ministry of Environment charges (Note 11)	1,233,598	1,125,000	108,598	1,454,392
	8,827,700	10,339,118	(1,511,418)	8,453,447
Total expenses	151,350,150	157,759,736	(6,409,586)	136,291,811
Excess (deficiency) of revenue over expenses for the year	\$ 8,097,689	\$ 4,630,592	\$ 3,467,097	\$ (6,551,112)

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



statement of cash flows

For the year ended December 31	2011	2010
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ 8,097,689	\$ (6,551,112)
Adjustments to reconcile excess (deficiency) of revenue over expenses for the year to cash provided by operating activities		
Amortization of capital and intangible assets	478,122	249,622
Non-cash component of investment income	99,070	141,881
Changes in non-cash working capital balances		
Accounts receivable	(17,014,521)	2,981,418
Prepaid expenses and deposits	26,751	53,544
Accounts payable and accrued liabilities	15,425,776	13,174,269
Deferred revenue	(3,364,535)	11,480,174
	3,748,352	21,529,796
Investing activities		
Purchase of investments	(34,643,231)	(64,000,000)
Proceeds from investments	50,932,818	33,871,813
Purchase of capital and intangible assets	(18,481)	(1,393,071)
Purchase of long term investment	(500,000)	-
	15,771,106	(31,521,258)
Increase (decrease) in cash during the year	19,519,458	(9,991,462)
Bank overdraft, beginning of year	(16,399,699)	(6,408,237)
Cash (bank overdraft), end of year	\$ 3,119,759	\$ (16,399,699)

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

notes to financial statements

December 31, 2011

1. Business Organization and Operations

Stewardship Ontario ("Organization") is an Industry Funding Organization created under Section 24 of the Waste Diversion Act, 2002 ("WDA") to operate waste diversion programs on behalf of Waste Diversion Ontario ("WDO").

On February 14, 2003, the Organization was formally incorporated in the Province of Ontario as a corporation without share capital. The 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 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 Phase 1 Program Plan in November 2007. The MHSW officially commenced operations July 1, 2008.

In a letter dated September 22, 2009, the Minister of the Environment approved the commencement of the Consolidated MHSW plan, which added 14 new material categories to the program, to commence July 1, 2010. On July 20, 2010, the Minister of the Environment, through Ontario Regulation 298/10, halted and under Ontario Regulation 396/10, put an end to the Organization's ability to collect steward fees against the new materials and definitions under the Consolidated MHSW plan. Material collection and the associated obligation to pay for these costs continued to exist through 2010 and 2011 for all materials under the Consolidated MHSW program. The Minister of the Environment will reimburse the Organization for all costs deemed appropriate for the management of the materials introduced in the expanded Consolidated MHSW program.

2. Significant Accounting Policies

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

(a) Revenue Recognition

Steward fees for stewards registered with the Organization are recognized as revenue based on reported tonnages. 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. MHSW program fees (Phase II/III) are recognized when costs are incurred and collection is reasonably assured.

The Organization follows the deferral method of accounting for revenues collected and administered on behalf of the Effectiveness & Efficiency Fund ("E&E"), the Continuous Improvement Fund ("CIF") and the Glass Market Development Fund. Amounts received for these programs are recognized as revenue when the related expenses are incurred.

2. Significant Accounting Policies (continued)

(b) Investments

The Organization designates its investments as held-for-trading and they are stated at their fair value. Realized and unrealized gains (losses) are recorded in the statement of operations. The Organization accounts for its investments on a settlement date basis and transaction costs associated with investment activities are included in the statement of operations.

Fair value of investments are determined as follows:

Bonds, fixed income securities and short term deposit receipts are valued at year-end quoted market prices.

(c) Capital Assets

Capital assets are recorded at cost less accumulated amortization and are amortized on the following basis:

- Computer equipment - 3 years straight line
- Furniture and fixtures - 5 years straight line

(d) Intangible Assets

Intangible assets with finite lives are recorded at cost and are amortized over their useful life, beginning once the asset is ready for use. The Enterprise Information System is being amortized on a straight line basis over 5 years.

(e) Long-term Investment

The Organization classifies its long-term investment as available-for-sale. The long-term investment is carried at cost (net of any impairments), as fair value cannot be reliably measured due to the lack of an active trading market.

(f) Financial Instruments

The Organization accounts for cash and bank overdraft as held-for-trading and are carried at fair value. Accounts receivable is classified as loans and receivables and are initially measured at fair value and carried at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities and are initially measured at fair value and carried at amortized cost.

The carrying values of cash, bank overdraft, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relative short periods to maturity of these items or because they are receivable or payable on demand.

(g) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Significant estimates include estimates of unreported tonnages and collectability of the related steward fees and accrued post collection costs. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. Investments

Investments consist of money market pooled funds, guaranteed investment certificates and bonds that bear interest at 1.05% to 6.00% (2010 - 1.10% to 6.00%), and mature between October 2012 and April 2015. Included in investments is \$278,445 (2010 - \$542,050) of cash held with broker. The decrease in market value of investments for the year ended December 31, 2011 amounted to \$424,018 (2010 - \$400,940) which is included in investment income (Note 10).

4. Capital and Intangible Assets

	Cost	Accumulated Amortization	2011 Net Book Value	2010 Net Book Value
Capital assets				
Computer equipment	\$ 115,159	\$ 59,295	\$ 55,864	\$ 78,086
Furniture and fixtures	265,158	75,097	190,061	187,476
	380,317	134,392	245,925	265,562
Intangible asset				
Enterprise Information System	2,015,143	604,543	1,410,600	1,850,604
	\$2,395,460	\$738,935	\$1,656,525	\$2,116,166

5. Longterm Investment

During the year, the Organization purchased 544,818 common shares of Switchable Solutions Inc. ("SSI"), representing a 12.64% ownership of SSI at December 31, 2011. SSI is in the process of commercializing a breakthrough Green solvent-based platform technology that enables efficient, effective and environmentally-friendly applications, including recycling of difficult to recycle post-consumer plastics.

6. Cash (Bank Overdraft)

	2011	2010
Cash in bank	\$ 24,024,578	\$ 571,354
Outstanding cheques	(20,904,819)	(16,971,053)
	\$ 3,119,759	\$(16,399,699)



7. Deferred Revenue

	2011	2010
Blue Box Program		
Glass Market Development Fund	\$ 666,017	\$ 666,017
Effectiveness & Efficiency Fund	983,090	2,278,877
Continuous Improvement Fund	37,042,720	39,111,468
	\$38,691,827	\$42,056,362

Deferred revenue in the Blue Box Program represents unspent resources that are externally restricted for various programs.

Each year, the Organization is directed to hold back a portion of the municipal blue box obligation for the Continuous Improvement Fund ("CIF"); see Note 12(c) for further details around the fund. The CIF is managed by external parties and directs the Organization to release funds as required.

Commitments related to the above deferred revenues have been explained in Note 12.

8. Internally Restricted Net Assets

	2011	2010
Sustaining Fund	\$3,500,000	\$3,500,000
Plastic Market Development Fund	5,568,769	3,281,292
	\$ 9,068,769	\$ 6,781,292

During 2006, the directors recognized the need for a Sustaining Fund to enable the Organization to carry out its non-profit activities and satisfy all of its obligations for a period of one year and therefore internally restricted \$3,500,000 for this purpose.

During 2007, the directors authorized the establishment of a fund in 2008 for investment in infrastructure for plastic markets and activities for their development. An initial investment of \$2,400,000 was funded by Blue Box stewards of plastic packaging. During 2009 and 2011, the directors internally restricted an additional \$3,000,000 in each of these years. A commitment was approved by the directors of \$3,000,000 for 2012 to be allocated to plastic market development. During the year, \$712,523 (2010 - \$1,787,197) was spent on plastics market development activities. Commitments related to the fund are explained in Note 12(d).

9. MHSW Program Fees (Phase II/III)

	2011	2010
Plan development and start-up costs	\$ 3,657,098	\$ -
2010 program operating costs	7,411,272	-
2011 program operating costs	15,642,972	-
	\$ 26,711,342	\$ -

During the year, the Minister of the Environment partially reimbursed costs incurred by the Organization in relation to plan development and start-up for the Consolidated MHSW Program of approximately \$3,657,000 and for a portion of the 2010 operating costs related to the materials covered by the expansion of the Consolidated MHSW Program of approximately \$4,816,000. Subsequent to year end, the Organization entered into an agreement with the Minister of the Environment for the reimbursement of costs related to operating Phase II and III of the Consolidated MHSW program. Included in accounts receivable is \$18,238,725 relating to this agreement.

10. Investment Income

	2011	2010
Interest income	\$ 2,280,659	\$ 1,505,048
Loss on sale of investments	(191,657)	(13,072)
	2,089,002	1,491,976
Adjustment to fair value	(424,018)	(400,940)
Investment expenses	(158,871)	(174,546)
	\$ 1,506,113	\$ 916,490

11. Waste Diversion Ontario

The WDO caused the Organization to be created under the WDA to act as an IFO for waste diversion programs (Note 1). Under the Blue Box and MHSW program agreements, the Organization is required to collect fees to cover both program operations and the program specific and common costs of WDO that relate to program oversight. The total payments for WDO expenses during the year were approximately \$1,234,000 (2010 - \$1,344,000). In 2011, no amounts were included in MHSW Program development and start-up from the WDO (2010 - \$161,037).



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, 2011, the Organization has paid \$2,235,508 and intends to fully commit the remaining balance for glass market development projects.

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

The intent of the E&E Fund was to provide support to Ontario municipalities to help reduce the cost of their Blue Box recycling programs and increase the tonnes recovered. This initiative was part of the Blue Box Program Plan that was created as a result of Ontario’s Waste Diversion Act, 2002, and an integral part of the plan to help Ontario achieve the Minister’s recycling target of 60% diversion of Blue Box waste by 2008 and to maximize efficiency of individual Blue Box municipal recycling programs and of the system as a whole. As of January 1, 2008, the fund was collapsed and there still remains funds that are unspent. The E&E Fund contributions were fully committed by the end of 2008 and through 2009 approved E&E Fund projects continued to be implemented. In 2009, the Municipal Industry Program Committee (“MIPC”) agreed that unspent E&E Fund Contributions would be transferred to the Continuous Improvement Fund as projects were completed. At December 31, 2011, the E&E Fund balance is \$983,090, of which it is anticipated that approximately \$21,926 will be unspent and transferred once all approved projects are completed.

(c) Continuous Improvement Fund (“CIF”)

The CIF provides grants and loans to municipalities to execute projects that will increase the efficiency of municipal Blue Box recycling and help boost system effectiveness. The CIF started in 2008 with a three year mandate to direct 20% of the Organization’s municipal funding obligation to support projects that will identify and implement best practices, examine and test emerging technologies, employ innovative solutions to increase Blue Box materials marketed, and promote gains in cost-effectiveness that can be implemented province wide. Ten percent (twenty percent prior to 2011) of the annual municipal obligation funded by the Organization’s stewards is passed along to the CIF each year and any unpaid amounts are reflected in Deferred Revenue (Note 7). As of December 31, 2011, approved project funding and related commitments for the CIF totaled approximately \$31,300,000 of the total fund balance of \$37,042,720.

(d) Plastic Market Development Fund

In February 2010, the Organization along with WDO, entered into an agreement with EFS-Plastics Inc. (“EFS”) to assist EFS to purchase additional equipment for its Elmira film and mixed rigid plastics processing plant

to increase annual processed throughput. The combined commitment by WDO and the Organization was \$1,118,750. To date, approximately \$292,000 has been paid.

In October 2011, the Organization approved a \$1.5 million convertible loan to enable the expansion and relocation of the EFS facility, upon satisfaction of specific conditions within the agreement. As of December 31, 2011, these conditions had not yet been met, but it is expected that these conditions will be met in 2012 resulting in the Organization providing the agreed funding to EFS.

(e) Realty Lease Agreements

In December 2008, the Organization entered into a lease agreement commencing March 2009. In November 2009, the Organization entered into an additional lease agreement commencing March 2010. Under the terms of the agreements, the Organization is committed to pay basic rent plus operating costs over the next five years approximately as follows:

2012	\$ 280,700
2013	283,700
2014	254,200
2015	235,700
2016	236,300

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) General Objectives, Policies and Processes:

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

(b) Credit Risk:

Financial instruments potentially exposed to credit risk include cash, investments and accounts 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



13. Financial Instrument Risk Exposure and Management (continued)

provincial government securities, securities backed by any chartered bank, or guaranteed investment certificates. Accounts receivable are not significantly concentrated, monitored regularly for collections, and the carrying amount of accounts receivable represents the maximum credit risk exposure.

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

(c) Interest Rate Risk:

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

(d) Liquidity Risk:

Liquidity risk is the risk that the Organization will not be able to meet its obligations as they come due. The two programs operated by the Organization carry substantially different risks in the ability to forecast and control expenses. 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. The introduction of Ontario Regulation 11/12 Amending Ontario Regulation 542/06 that changes the fee setting methodology for the MHSW Program allows the Organization to charge actual costs to stewards and significantly reduces risks related to timing of receipt and payments for the MHSW Program (Note 17).

(e) Market Risk:

The Organization has a long-term investment which is subject to market value risk. The Organization records the long-term investment at cost (net of any impairments), as fair value cannot be reliably measured due to the lack of an active trading market.

14. Capital Management

The Organization defines its capital as the amounts included in its net assets balances.

When managing its net assets, the Organization's objective is to safeguard its ability to continue as a going concern to fulfil its mandate as set out in Note 1.

Capital includes capital invested in capital and intangible assets, internally restricted net assets, and unrestricted net assets. The Organization is not subject to externally imposed capital requirements, but the Board has certain imposed restrictions on the use of its net assets as indicated in Note 8.

The Organization's capital management of the internally restricted reserve funds is described in Note 8.

15. Comparative Figures

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

16. Contingent Liability

The Organization has been named as a defendant in a legal action. The outcome of the claim is not determinable and therefore an estimate of the Organization's liability, if any, cannot be made. However, management believes, on the basis of its examination and consideration of this matter, that the action will not result in the payment of an amount which would have a material effect on the financial statements and therefore no provision for the claim has been made in these financial statements. Losses, if any, will be accounted for in the period they are determined.

17. Subsequent Event

On February 9, 2012, the Minister of the Environment exercised his powers under section 42(4) of the Waste Diversion Act to issue a regulation prescribing how the Organization is to finance the MHSW program (Phase I). The Regulation effectively amends the fee-setting methodology in the Consolidated MHSW Program Plan (Phase I) which allows the Organization to set fees on a per unit/volume basis. When this Regulation takes effect on April 1, 2012, the Organization will be required to apply a market share methodology to recover both ongoing operating costs and deficits that have accumulated over the course of the program. The Organization will no longer be able to invoice stewards on the basis of unit/volume-based fees and will no longer be able to publish a fee schedule. The new cost recovery methodology is designed to result in an economically sustainable program.



appendices: Orange Drop by the numbers

a: financial performance

	2011			ACCUMULATED
	REVENUE	COSTS	NET SURPLUS/ (DEFICIT)	NET SURPLUS/ (DEFICIT)
Antifreeze	1,494,391	1,557,831	(63,439)	(509,385)
Fertilizers	105,389	371,296	(265,907)	(1,005,762)
Oil Containers	3,325,975	6,494,362	(3,168,387)	(4,250,732)
Oil Filters	10,323,807	7,687,457	2,636,350	9,445,251
Paint & Coatings	16,701,412	19,470,220	(2,768,808)	(7,212,457)
Pesticides	81,242	244,497	(163,254)	(671,305)
Non-refillable Pressurized Containers	753,802	1,230,065	(476,263)	(343,883)
Refillable Pressurized Containers	57,483	555,162	(497,678)	(719,946)
Single Use Batteries	5,528,993	2,895,094	2,633,899	2,823,018
Solvents	196,724	1,608,664	(1,411,940)	(1,379,283)
TOTAL	38,569,218.13	42,114,646.22	(3,545,428.09)	(3,824,485.09)



b: collection and diversion

MATERIAL CATEGORY	2011 PERIOD	AVAILABLE FOR COLLECTION	COLLECTION TARGET RATE	TARGET AMOUNT	ACTUAL COLLECTION AMOUNT	ACTUAL COLLECTION RATE	VARIANCE (TONNES)	DIVERSION TARGET RATE	TARGET AMOUNT	ACTUAL DIVERSION AMOUNT	ACTUAL DIVERSION RATE	VARIANCE (TONNES)
Antifreeze	Q1/Q2	7,405	25%	1,851	1,277	17%	-574	25%	1,851	1,277	17%	-574
	Q3/Q4	5,571	35%	1,950	1,367	25%	-583	35%	1,950	1,367	25%	-583
Fertilizers	Q1/Q2	35	n/a	n/a	34	97%	n/a	n/a	n/a	n/a	n/a	n/a
	Q3/Q4	68	n/a	n/a	44	65%	n/a	n/a	n/a	n/a	n/a	n/a
Oil Containers	Q1/Q2	1,732	32%	554	1,210	70%	656	32%	554	1,210	70%	656
	Q3/Q4	1,793	37%	663	1,345	75%	682	37%	663	1,345	75%	682
Oil Filters	Q1/Q2	6,847	65%	4,451	4,145	61%	-306	65%	4,451	3,855	56%	-596
	Q3/Q4	6,767	70%	4,737	4,337	64%	-400	70%	4,737	4,034	60%	-703
Paints & Coatings												
Paints & Coatings	Q1/Q2	4,096	37%	1,515	4,264	95%	2,547	22%	901	2,712	60%	1,638
Aerosols	Q1/Q2	412	49%	202				42%	173			
Paints & Coatings	Q3/Q4	5,037	47%	2,367	5,749	101%	3,044	31%	1,562	4,086	72%	2,227
Aerosols	Q3/Q4	676	50%	338				44%	297			
Pesticides	Q1/Q2	40	n/a	n/a	12	30%	n/a	n/a	n/a	n/a	n/a	n/a
	Q3/Q4	38	n/a	n/a	21	55%	n/a	n/a	n/a	n/a	n/a	n/a
Pressurized Containers												
Non-Refillable	Q1/Q2	270	14%	38	96	36%	58	14%	38	96	36%	58
	Q3/Q4	456	16%	73	224	49%	151	16%	73	224	49%	151
Refillable	Q1/Q2	740	83%	614	160	22%	-454	83%	614	160	22%	-454
	Q3/Q4	467	88%	411	191	41%	-220	88%	411	191	41%	-220
Single-Use Batteries	Q1/Q2	3,676	20%	735	417	11%	-318	13%	467	358	10%	-109
	Q3/Q4	3,441	25%	860	595	17%	-265	16%	543	512	15%	-31
Solvents	Q1/Q2	1,032	46%	475	285	28%	-190	n/a	n/a	n/a	n/a	n/a
	Q3/Q4	1,295	49%	635	362	28%	-273	n/a	n/a	n/a	n/a	n/a



Stewardship Ontario: our commitment to good governance

Our Board of Directors is committed to good governance and transparency. The Board is focused on providing strategic and fiduciary oversight to the important work of product stewardship, in order to protect Ontario's environment and provide accessible waste diversion services to its citizens.

In 2011, our Board and the senior management team developed a three-year strategic plan based on surveys and consultations with Board members, stewards, industry associations, municipalities, regulators and employees. In addition to brainstorming sessions with Board and senior management, we examined the sustainability practices of leading steward organizations. Our priorities include pursuing excellence in program delivery and engaging the many stakeholders that touch our business and on whom we depend for funding, services and support.

vision

To become a Canadian leader in responsible product stewardship.

mission

To lead the way through rigorous and innovative management to develop, implement and continuously improve recycling programs that are environmentally and economically sustainable.

values

- Accountability
- Efficiency
- Environmental Sustainability
- Trust



board of directors

The Board comprises 16 directors, 14 elected by qualified voting organizations, whose members are stewards, and two independent directors, appointed by the elected directors. There is currently one vacancy. Given the growing importance of environmental stewardship as a public policy objective, Stewardship Ontario is aware of the need for independent representation, free of commercial ties to either Blue Box or Orange Drop materials. Our independent directors provide us with an important external perspective.



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



Ian Anderson
President
CKF Inc.



Debbie Baxter
Chief Sustainability
Officer
LoyaltyOne Inc.



Diane J. Brisebois
President and CEO
Retail Council
of Canada (RCC)



Robert Chant
Vice President
Corporate Affairs
Loblaw Companies Ltd.



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



Calla Farn
VP, Government
Public Affairs and
Corporate Affairs
McCain Foods



Roberta L. Jamieson
CEO and President
NAAF (Independent
Director)



Mark Malo
President
Clorox Company
of Canada Ltd.



Sylvain Mayrand
Executive
Vice President and
General Manager
Operations
A. Lassonde
Industries Inc



Guy McGuffin
Vice President
Sustainable
Packaging
Wal-Mart
Canada Corp.



Reg McLay
Senior Vice President
Merchandise Sourcing
& Innovation
Canadian Tire Retail



Gordon Meyer
Business Unit
Director
Procter & Gamble



Brian Prendergast
Senior Vice President
Consumer
Recochem Inc.



Vince Rea
Vice President
Stores Division
North America
AkzoNobel
Decorative Paints



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2011 board meetings

In keeping with our Board of Directors' commitment to accountability and transparency, we have listed the dates and attendees of our 2011 Board, Strategic Planning and Committee meetings.

director attendance

BOARD MEMBER	COMMENTS	MARCH 22, 2011	STRATEGIC PLANNING MARCH 23, 2011	MAY 3, 2011	JUNE 21, 2011	OCTOBER 13, 2011	DECEMBER 5, 2011
Ian Anderson		Yes	Yes	Yes	Yes	Yes	Yes
Debbie Baxter		Yes	Yes	Yes	Absent	Yes	Yes
Diane Brisebois		Absent	Absent	Yes	Yes	Yes	Yes
Robert Chant		Yes	Yes	Yes	Absent	Yes	Yes
Don Cousens		Yes	Yes	Yes	Yes	Yes	Yes
John Coyne	Voted in as Chair June 8/11	Yes	Yes	Yes	Yes	Yes	Yes
Calla Farn		Yes	Yes	Yes	Yes	Yes	Yes
Roberta Jamieson	Voted onto Board March 22/11	Absent	Absent	Absent	Yes	Yes	Yes
Mark Malo		Yes	Yes	Yes	Yes	Yes	Yes
Sylvain Mayrand		Yes	Yes	Yes	Absent	Yes	Yes
Reg McLay		Yes	Yes	Yes	Yes	Yes	Yes
Guy McGuffin	Voted onto Board June 21/11	Not applicable	Not applicable	Not applicable	Not applicable	Yes	Yes
Gordon Meyer		Yes	Yes	Yes	Yes	Yes	Yes
Brian Prendergast		Yes	Yes	Yes	Absent	Yes	Yes
Jim Quick	Chair: Resigned May 31/11	Yes	Yes	Yes	Not applicable	Not applicable	Not applicable
Ron Davidson	Resigned from Board July 11/11	Yes	Absent	Yes	Yes	Not applicable	Not applicable
Vince Rea	Voted onto Board December 5/11	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Yes

■ Absent ■ Not applicable



board committees

Investment Committee (new in 2011)

Ian Anderson, Sylvain Mayrand, Guy McGuffin

The Investment Committee was created in 2011 to develop an Investment Policy aligned with Stewardship Ontario's mandate to foster and develop healthy supply chains for Blue Box recyclables. The role of the Committee is to consider and approve investments that demonstrate the highest potential to advance Ontario's recycling infrastructure.

July 15, 2011

Ian Anderson (Chair), Sylvain Mayrand, Guy McGuffin

November 24, 2011

Ian Anderson (Chair), Sylvain Mayrand, Guy McGuffin

Compensation Committee

Roberta Jamieson (replaces Ron Davidson), Ian Anderson (until June 21, 2011), Mark Malo

The Compensation Committee oversees the compensation and performance management process for the senior management team.

January 27, 2011

Ron Davidson (Chair), Mark Malo

May 26, 2011

Ron Davidson (Chair), Ian Anderson, Mark Malo

Finance, Audit, Risk & Performance Committee

Diane Brisebois, Debbie Baxter, Reg McLay, Gordon Meyer, Vince Rea (as of December 5, 2011)

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

March 3, 2011

Debbie Baxter (Acting Chair), Gordon Meyer, Reg McLay

June 10, 2011

Diane Brisebois (Chair), Debbie Baxter, Reg McLay

September 21, 2011

Diane Brisebois (Chair), Debbie Baxter, Gordon Meyer, Reg McLay

November 28, 2011

Diane Brisebois (Chair), Debbie Baxter, Gordon Meyer

Governance Committee

Brian Prendergast, John Coyne (until June, 2011), Robert Chant, Don Cousens, Calla Farn, Sylvain Mayrand

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

February 9, 2011

John Coyne (Chair), Don Cousens, Calla Farn, Sylvain Mayrand, Brian Prendergast

May 17, 2011

John Coyne (Chair), Don Cousens, Calla Farn, Sylvain Mayrand

August 30, 2011

Brian Prendergast (Chair), Robert Chant, Don Cousens, Calla Farn

November 7, 2011

Brian Prendergast (Chair), Don Cousens, Calla Farn



contacts:

Steward Services

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Email: wecycle@stewardshipontario.ca

Service Providers

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OR call 1-888-288-3360

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Ontario Tire Stewardship: www.ontariots.ca

Ontario Electronic Stewardship: www.ontarioelectronicstewardship.ca

Waste Diversion Ontario: www.wdo.ca

Ministry of the Environment: www.ontario.ca/environment

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