

CHARTER OF THE BOARD OF DIRECTORS

A. PRIMARY ROLE OF THE BOARD

SO means Stewardship Ontario.

The Board of Directors (the Board) of SO is mandated by Waste Diversion Ontario (WDO), on behalf of the Government of Ontario, with the responsible management of SO and, as such, is the highest decision making authority within the organization. The overarching role of the Board of Directors focuses on ***governance and oversight*** rather than on running the day-to-day operations of SO – the latter of which is the responsibility of management. As such,

- a) The Board has delegated to Canadian Stewardship Services Alliance (CSSA) under the terms of the Management Services Agreement (MSA) the authority to manage the business and affairs of SO; and
- b) The Board, through the Executive Transition Committee (ETC), has assumed the duty to supervise CSSA's management of the business and affairs of SO (the Supervision Duty). The ETC will oversee the process for reviewing the covenants of the MSA between CSSA and SO and providing the Board with an annual assessment of the performance of CSSA against the MSA.

The governance goal of SO is to enhance executive decision making for the purpose of improving the reputation and performance of the organization. Accordingly, every member of the Board (a Director) must, in discharging his or her Supervision Duty and other duties,

- a) Act honestly and in good faith ***with a view to the best interests of SO***; and
- b) Exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

B. THE SUPERVISION DUTY

Without limiting the scope or nature of the Supervision Duty, the Board acknowledges and accepts that the Supervision Duty includes the following obligations and duties of the Board:

a) Financial Reporting and Disclosure

The Board must gain and maintain reasonable assurance that SO meets all financial reporting and disclosure obligations imposed on SO by applicable law and applicable regulations, rules, policies and other requirements relating to financial reporting and disclosure promulgated by governments and regulatory agencies (Financial Reporting Obligations). The Board recognizes that the most significant Financial Reporting Obligations are as follows:

1. SO's annual and interim financial statements must present fairly SO's financial position, the results of its operations and its cash flows in accordance with Canadian generally accepted

accounting principles (Canadian GAAP); SO's annual financial statements must be audited and reported on by a firm of chartered accountants (the external auditor) which is objective and independent as required under the *Waste Diversion Act* and must be submitted to WDO by April 1 of each year in accordance with provisions in the *Waste Diversion Act*;

2. Any material financial information concerning SO must be disseminated to WDO as required and all financial information concerning SO which is disseminated to WDO must be accurate, complete and fairly presented; and
3. Fees and administrative rules for stewards must be submitted to WDO for approval prior to putting them into effect.

The Board must also:

1. Appoint and maintain a Finance, Audit & Performance Committee (FAP) to assist the Board in discharging its duty to gain reasonable assurance that SO meets its financial reporting and performance obligations;
2. Nominate a firm of chartered accountants for appointment as the external auditor by the members of SO; and
3. Fix the compensation of the external auditor.

b) Stewardship Program Oversight & Harmonization

1. The Board will oversee the implementation SO's approved Stewardship Plans (the Blue Box Program Plan and the Municipal Hazardous & Special Waste Program Plan) and monitor SO's progress toward achieving the targets and requirements set out in each plan. The Board will also monitor the effectiveness and efficiency of the programs during the course of their operations, ensuring adherence to and compliance with, all of the relevant provisions of the plans;
2. If at any time the Board is of the opinion that the existing Stewardship Plans are no longer appropriate, the Board, in conjunction with management, must develop a revised Stewardship Plan and submit it to the WDO and the Minister of the Environment & Climate Change for approval;
3. The Board will ensure that SO maintains positive relations with government and is proactive in its outreach on behalf its stewardship programs;
4. The Board will ensure that prior to implementing changes that affect stewards and other stakeholders, SO engages in consultation with those affected by the change and that the views of parties are recorded and considered prior to finalizing recommendations. A summary of those consultations will be publicly available;
5. The Board will also ensure that SO adheres to the administrative practices and provisions in the Rules for Stewards; and
6. The Board will ensure that its decisions facilitate the objective of harmonizing administrative practices and procedures, especially as they affect stewards who must comply with Packaging and Printed Paper (PPP) legislation in several jurisdictions. To this end, the Board will appoint the Chair to represent SO at the National Harmonization Council and will ensure SO facilitates the implementation of Council recommendations insofar as they are consistent with the Board's other fiduciary responsibilities.

c) Risk Management

The Board must gain and maintain reasonable assurance that the risks confronting SO (Risks) are identified, monitored and managed by the Chief Financial Officer (CFO) and the appropriate Officers of the Corporation.

In particular, the Board must gain and maintain reasonable assurance that:

1. The CFO/Officers have identified the most significant risks, through a Risk Management Plan, currently confronting SO (Current Principal Risks);
2. New significant risks which confront SO (New Principal Risks) will be identified in a timely manner and brought to the attention of the Board; and
3. Management directly and effectively monitors and manages SO's Principal Risks.

d) Human Resources

1. The Board must gain and maintain reasonable assurance that SO has access to the appropriate human resources, policies and practices to enable SO to resource the requirements of its Stewardship Plans.
2. The role of the Board is to oversee the performance of its Shared Services Organization (CSSA) as per the terms of the Management Services Agreement (MSA) and to establish a formal process for annually evaluating the performance of CSSA against the terms of the MSA.
3. The Board must approve the appointment of all Officers of SO.

e) Miscellaneous Supervision Duties

The Board must also:

1. Adopt and use reasonable efforts to monitor compliance with the written Code of Conduct (the "Code") *applicable* to Directors, Officers and employees of SO; the Code must include standards designed to deter wrongdoing and must address the following issues:
 - a) Conflicts of interest;
 - b) Protection and proper use and exploitation of SO's assets;
 - c) Fair and ethical dealing with SO's stewards, suppliers, employees and other stakeholders;
 - d) Compliance with applicable laws, rules and regulations; and
 - e) Reporting of any illegal or unethical behavior.
2. Require every Director, Officer, member of management, employee as well as employees of the Shared Services Operator (CSSA) who perform duties under the MSA to annually sign an attestation acknowledging acceptance of the Code of Conduct; and
3. Require waivers of compliance with the Code which shall be granted only by the Board or an appropriately empowered Board Committee.

C. OTHER DUTIES

The Board also acknowledges and accepts the following duties and obligations of the Board:

a) Governance Structures and Practices

1. The Board must gain and maintain reasonable assurance that the Board's composition, structures and practices enable the Board to discharge the Supervision Duty and the Board's other duties in a highly effective manner. In particular, the Board must gain and maintain reasonable assurance that:
 - a) All Directors are independent. For the purposes of this mandate, a Director is independent if the Director has no relationship with SO (other than through their representation of a particular stakeholder group) which, in the view of the Board, could reasonably be expected to interfere with the exercise of the Director's independent judgment; and
 - b) The number of Directors constituting the Board facilitates effective decision-making by the Board.
 - i. The Board must also develop SO's approach to corporate governance, including a set of governance principles and guidelines specifically applicable to SO, and ensure adherence to these principles and guidelines; and
 - ii. The Board must consider delegating to a Board committee (Governance & Nominating Committee or GNC) the responsibility to perform any of the tasks in this section and to make recommendations to the Board concerning them.

b) Governance Culture

The Board must use its best efforts to establish and sustain amongst all Directors a culture which incorporates the following values, and convictions:

1. Acceptance of the Board's accountability for SO's performance;
2. The conviction that Directors owe each other their best efforts in carrying out their duties and exercising their authority;
3. Upholding the confidence of WDO and other stakeholders with due regard to the interests of all stakeholders;
4. Accepting the responsibility for meeting the spirit as well as the letter of applicable laws, program agreements and Program Plans;
5. Contributing views on critical issues and exercising objective and diligent business judgment;
6. Recognizing the importance of solidarity (the Board speaks only with one voice) when decisions are taken;
7. Committing to exercising the Board's fiduciary duties only in the interests of the SO and free of personal objectives;
8. Openly engaging constructive dialogue to diligently expose risks, liabilities and opportunities;
9. Holding each other responsible for fostering a Board environment that:
 - a) Invites and respects differing points of view;
 - b) Deals rigorously with alternatives; and
 - c) Demands compelling rationales for choices.

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10. Practicing personally, and within the Board, the accountabilities that are demanded of executives and employees;
11. Insisting on the highest level of honesty and integrity in all actions of the Board, management and employees of SO; and
12. Encouraging and fostering conditions which build and enhance trust and respect amongst all of the Directors.