



ANNUAL REPORT FOR 2003

Presented to
Waste Diversion Ontario
April 1, 2004

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Requirement to Submit Annual Report

On September 24, 2002, Waste Diversion Ontario (WDO) instructed the affected industry members on its board to incorporate an industry funding organization for the purpose of responding to the Minister of the Environment's designation of 'Blue Box Waste' in his correspondence of September 23, 2002.

The Industry Funding Organization (subsequently named 'Stewardship Ontario') first met on October 2, 2002 and was incorporated on February 14, 2003. It retained CSR: Corporations Supporting Recycling as its secretariat.

Under the *Waste Diversion Act* (2002), Stewardship Ontario is required to submit an annual report to the WDO on April 1 of each year.

Section 33 of the Act specifies:

- 33(1) Each industry funding organization that is designated by the regulations as the industry funding organization for a waste diversion program shall, not later than April 1 in each year,
- (a) prepare a report in accordance with this section on its activities during the previous year; and
 - (b) provide a copy of the report to Waste Diversion Ontario and make the report available to the public.

Contents

- (2) The report shall include the following:
- 1. Information about waste diversion programs developed, implemented or operated under this Act during the previous year.
 - 2. Audited financial statements for the industry funding organization and a copy of the auditor's report on the organization under subsection 21(2).

3. A description of the consultation undertaken by the industry funding organization during the previous year under sub-section 29(2) and a summary of the results of the consultation.

Signature

(3) The report shall be signed by the chair of the industry funding organization's board of directors.

This annual report is prepared in compliance with the *Waste Diversion Act* (2002).

Section 1: Waste Diversion Programs

In a letter dated September 23, 2002, the Minister requested the WDO "...to develop a waste diversion program for blue box waste in cooperation with an industry funding organization..." and "...that the program be submitted for my approval by February 28, 2003."

Stewardship Ontario worked in cooperation with the WDO to develop the "Blue Box Program Plan" (BBPP) in accordance with the Minister's request. The plan reflects several months of intensive work and consultation with various stakeholders in "Blue Box" waste.

The BBPP presents details on:

- requirements of a waste diversion program for Blue Box Waste;
- description of Blue Box Waste;
- discharging stewards' obligations under the *Waste Diversion Act*;
- the program development process that took place between September 2002 and February 2003;
- the Blue Box Program delivery model;
- Blue Box Program design;
- annual municipal Blue Box Program cost calculations;
- Stewardship Ontario's program delivery and cost estimates;
- Stewardship Ontario's governance, rules and procedures including stewards' fees for 2003; and
- the program agreement between Stewardship Ontario and Waste Diversion Ontario.

The complete [BBPP](http://www.stewardshipontario.ca) is available at Stewardship Ontario's website¹ www.stewardshipontario.ca. The plan was posted for a 60 day comment period on the Government of Ontario's Environmental Bill of Rights Registry (March 21 to May 20, 2003). In total, 57 companies and associations commented on the plan between February 18 and May 20, 2003. Stewardship Ontario continues to consider these comments in the ongoing development of the "Blue Box" program. A representative sample of comments provided by stakeholders includes:

- the program will negatively impact the economy by causing inflation;
- there is insufficient time;
- the cost is high— it may impact a company's bottom line and it puts stakeholders at a competitive disadvantage;
- the Blue Box levy is a new tax not a fee for service;
- eliminate the "de minimis" and ensure that all stewards share the cost of this program;
- the program should affect brand owners and importers only;
- packaging that is not recyclable should not be included in this plan;
- Stewardship Ontario should develop a material neutral fee (i.e. volume-based levy);
- the 50% payment to municipalities does not seem to encourage them to reduce costs;
- the program encourages stewards and consumers to move towards more valuable recyclable packaging (from both an environmental and economic perspective)—referring to the value of aluminum;
- by strengthening curbside collection programs and instituting a municipal cost-recovery methodology in a fair, transparent manner, recycling rates will improve as Ontarians are encouraged to recycle and use more recyclable packaging;
- Stewardship Ontario's methodology is responsible and will help to bring Ontario's waste diversion and recycling objectives to fruition;
- the funding provided to municipalities as result of the program will assist programs and allow continued investment in additional diversion programs;

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- the inclusion of all plastic containers in the program will serve the interests of Ontario consumers, dairy processors and retailers while at the same time effectively achieving the fundamental goals of the *Waste Diversion Act* of 2002.

The BBPP, which reflected input from the participants in the consultation process was submitted first to the WDO Board for review and approval and subsequently on February 28, 2003 to the Minister of the Environment for approval.

Stewardship Ontario also helped the WDO by drafting follow-up “letters of clarification” on the BBPP sent to the Ministry of the Environment on May 20, 2003 and August 14, 2003. The letters addressed the following key issues and made addendums in the plan.

Key issues:

- rules to identify stewards
- determination of fees

Addendums:

- original response as to how the BBPP seeks to affect Ontario's marketplace in a fair manner
- original response outlining the dispute resolution process for matters related to municipal payments
- rules to be adopted by Stewardship Ontario regarding identifying stewards and for determining fees to be paid by stewards
- revised amendment to the program agreement between the WDO and Stewardship Ontario specifying agreement to the rules as outlined in addendum three
- material specific diversion targets identified in the BBPP (direct response to comments) and
- Stewardship Ontario By-laws (update of by-laws to allow for alternates and ultimately develop an effective board with strong member support).

The Minister of the Environment approved the BBPP on December 22, 2003. In her letters of approval to the WDO, she stated that she wanted “the Blue Box system to play an even larger role in achieving the government’s commitment to divert 60 percent of waste by 2008.”

In addition, she asked the WDO specifically to address the following new measures and enhancements to the plan and to report to her on these items by March 31, 2004. (The submission date for certain requests has subsequently been revised; see below.)

1. Policies and practices to lead to at least 60 per cent diversion of all Blue Box wastes by 2008 through reduction, reuse and recycling.
2. Target percentages for each Blue Box material that will be diverted annually in the program. Policies and practices to ensure that the proposed material diversion targets are met.
3. Benchmark targets for municipal diversion rates.
4. Specific cost containment principles for municipalities and stewards to follow. Policies and practices that will ensure compliance with cost containment principles.
5. Policies and practices to encourage effectiveness and efficiency for municipal Blue Box systems.
6. Policies and practices to ensure that the administrative costs incurred by Waste Diversion Ontario and Stewardship Ontario are no more than 5 per cent of the total program costs.
7. Projected schedule of stewards' fees for the '2004 BBPP.'

Stewardship Ontario is currently working closely with the WDO to comply with the Minister's request including the development of draft discussion papers on the topics and co-hosting public consultation meetings with the WDO (March 2004).

Section 2: Stewardship Ontario Financial Audit

The financial audit of Stewardship Ontario took place in February 2004, covering the period of January 1, 2003 to December 31, 2003. The auditors expressed "a clean audit opinion" on the December 31, 2003 financial statements. The financial statements are included in the appendix of this report.

Section 3: Consultation with Stewards and Stakeholders

Stewardship Ontario has actively consulted with potential stewards and many other stakeholders on the continuing evolution of the program. A combination of specific events and ongoing activities yielded valuable input to the program's development.

Events

► *Public Workshops and Open Houses; Early 2003*

Stewardship Ontario contracted the Recycling Council of Ontario (RCO) to manage and deliver a public consultation program in the development of the Blue Box Program Plan. This consultation was guided by the Public Consultation Steering Committee that comprised representatives of Stewardship Ontario, the Association of Municipalities of Ontario, Waste Diversion Ontario and the Recycling Council of Ontario (RCO).

These public consultations included five sessions in 2003:

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- January 7: workshop and open house, Thunder Bay;
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The sessions focused on four key topics:

1. targets/performance indicators
2. municipal funding allocation model, promoting increased diversion and system efficiency
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4. education and public awareness program for blue box.

Results were captured in a February 19, 2003 report produced by the RCO which is available at the Stewardship Ontario website.

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on January 8, 2003. While the number of callers was not available, following the show there appeared to be an increase in traffic to the website.

► *Industry Workshops and Webcasts*

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January 16, 2003 simultaneous Workshop and Webcast

- Topic: Building the Blue Box Program Plan, including definitions, cost methodology and the first year schedule.
- Participation: 120 participants at the workshop; 302 participants on the webcast; 617 reviewed the archived webcast at Canada NewsWire (www.newswire.ca).

► *Round Tables*

Stewardship Ontario participated in Ministry of the Environment-sponsored round tables on issues raised in submissions responding to the Ministry of the Environment's request for comments on the plan.

The meetings included:

- August 29: Round Table on the "de minimis" and the franchise rule, with representatives from 10 associations.
- September 26: Round Table on cost containment with representatives of more than 15 associations.

► *Focus Testing*

Data Management/Online Reporting System

- The Stewardship Ontario Data Reporting System was beta-tested and comments were solicited on preliminary guidebooks designed to introduce stewards to the registration process. Testing took place in May 2003.
- Twenty-five potential stewards, representing various sectors received passwords with access to the system and guidance on its use.

- Participants provided feedback using a detailed survey form.
- Comments were integrated into the current version of the system and the existing guidebooks.

► *Outreach Program with Associations*

Beginning in March 2003, Stewardship Ontario carried out a focused program to communicate with more than 120 industry associations on the Blue Box Program Plan. The intent was to inform them about the program and to help them prepare for implementation upon program approval.

Staff members made presentations to more than 20 associations, providing information about the BBPP and responding to their enquiries.

Ongoing Activities

► *Website*

The Stewardship Ontario website had been designated as the major source of information for stewards and stakeholders. Launched on November 18, 2002, it would grow to be home not only to the outflow of information about the organization but also the plethora of details concerning who was obligated and how to register and file reports. Throughout 2003, Stewardship Ontario maintained and expanded its web presence. During the year the site averaged approximately 1,600 unique visits per month. The site continues to grow, providing timely information and feedback for stakeholders.

► *Industry Media*

Stewardship Ontario distributed press releases to inform industry associations of consultation activities. Recipients included 80 to 100 industry associations and business media in Ontario and throughout Canada.

The following press releases were published in 2003:

- Stewardship Ontario Hosts January 16 “*Waste Diversion Act---* Industry” Consultation Workshop and Simulcast – and Extends Comment Deadline to January 24 (January 10, 2003);
- Blue Box Program Plan Delivered on Schedule to Ontario Minister of Environment (February 28, 2003);

- Blue Box Program Plan Now Posted on Ontario Ministry of the Environment's Environmental Bill of Rights Registry (March 27, 2003);
- Ontario Election Call Will Likely Delay Blue Box Program Plan Approval (September 11, 2003);
- Industry Applauds Ontario Minister of the Environment's Approval of Blue Box Program Plan (December 23, 2003).

► *Stewards Database*

Stewardship Ontario initiated development of a database identifying key sectors with potential stewards. The database grew to include approximately 20,000 names by end of 2003.

Stewardship Ontario designed and implemented a process to notify potential stewards of developments in the Stewardship Ontario Data Reporting System.

► *Committees*

Stewardship Ontario established the Materials and Packaging Advisory Committee (MPAC) to advise on cost allocation issues. As well, Stewardship Ontario staff members sit on two WDO committees, the Municipal-Industry Programs Committee (MIPC) and the Public Affairs Committee (PAC). Following is an outline of each committee.

Materials and Packaging Advisory Committee (MPAC)

- MPAC convened approximately eight meetings in 2003.
- With membership that represents 21 industry associations and companies, the committee provided input on development of the cost allocation approach including the assignment of costs to materials and other critical details.

Municipal-Industry Programs Committee (MIPC)

- MIPC convened monthly meetings throughout 2003.
- With membership representing municipalities and industry, it provides input to issues related to markets, effectiveness and efficiency, cost containment and other items that pertain to municipalities.

Public Affairs Committee (PAC)

- PAC convened approximately once a month to consider and make recommendations to the WDO on communications issues.
- It has been charged with developing the program plan for the Canadian Newspaper Association/Ontario Community Newspaper Association “in-kind” contribution of advertising space.

Board of Directors of Stewardship Ontario

The Board of Directors met 11 times in person and by telephone. Among the items reviewed by the board were financial statements (quarterly) and the reports from the various committees representing Stewardship Ontario in the WDO process. Significant board time was spent preparing, reviewing and approving the ‘requests for clarification’ received from the ministry subsequent to the Environmental Bill of Rights comment period for the BBPP. Activities are described below.

- Approved a set of by-laws for the company.
- Set the founding member companies and founding directors.
- Approved a loan from CSR.
- Appointed the auditors and the audit committee.
- Approved a motion to redirect excess LCBO financial contribution to start up and transition costs.
- Created definitions for packaging and printed paper.
- Approved the BBPP to go to the WDO on February 19, 2003. The WDO approved the plan and together with Stewardship Ontario delivered it to the Minister of the Environment on February 28, 2003.
- Appointed industry representatives to various WDO committees.
- Approved rules for stewards.
- Provided clarification to the Minister on a number of issues including the development of the rules concerning the governance of the plan.
- Reviewed consultation input.
- Approved sectoral calculator.
- Approved a cost containment strategy.

Waste Diversion Ontario

- Stewardship Ontario provided continuous updates to the WDO on emerging issues.
- Staff members participated on committees and in public consultation activities as needed.
- Stewardship Ontario has responded to questions and shared experiences to assist in the development of other IFOs.

Section 4: Signature

Stewardship Ontario is pleased to submit this Annual Report for 2003.

Signed by:

A handwritten signature in black ink, appearing to read 'Dennis Darby', written in a cursive style.

Dennis Darby, Chair, Stewardship Ontario

Board of Directors

Food & Consumer Products Industries:

Dennis Darby, Procter & Gamble, *Chair*

Bill Hunt, Parmalat Canada*

Grocery Distributors:

Duncan Reith, Sobeys Ontario,

Justin Sherwood, Canadian Council of Grocery Distributors*

Retail Council of Canada (RCC):

Diane J. Brisebois, RCC, *Treasurer*

Doug DeRabbie, RCC*

Refreshments Canada:

Sandra Banks, Coca Cola Bottling Company

Colleen Newell, Pepsi-Cola Canada Ltd.*

Canadian Newspaper Association (CNA):

Anne Kothawala, CNA,

*Alternate (vacant)

Liquor Control Board of Ontario (LCBO):

Gerry Ker, Liquor Control Board of Ontario, LCBO

Lyle Clarke, LCBO*

Canadian Paint & Coatings Association (CPCA) &

Canadian Consumer Specialty Products Association (CCSPA):

Ed Berry, CCSPA

Susan Peterson, CPCA*

Stewardship Ontario

Chief Executive Officer, Damian Bassett

Appendix

Financial Statements
at December 31, 2003

Stewardship Ontario

Financial Statement

For the year ended December 31, 2003

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BDO Dunwoody LLP
Chartered Accountants
and Consultants

Royal Bank Plaza
P.O. Box 32
Toronto Ontario Canada M5J 2J8
Telephone: (416) 865-0200
Telefax: (416) 865-0887

Auditors' Report

**To the Members of
Stewardship Ontario**

We have audited the balance sheet of Stewardship Ontario as at December 31, 2003. This financial statement is the responsibility of the Organization's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the financial position of the Organization as at December 31, 2003 in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Toronto, Ontario
February 13, 2004

Stewardship Ontario
(Incorporated under the Waste Diversion Act, Canada)
Balance Sheet

December 31	2003	2002
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Assets

GST recoverable (Note 3)	\$ 182,446	\$ -
Deferred start-up costs (Note 3)	<u>2,606,374</u>	<u>659,146</u>
	<u>\$ 2,788,820</u>	<u>\$ 659,146</u>

Liabilities and Net Assets

Due to CSR: Corporations Supporting Recycling (Note 3)	\$ 2,788,820	\$ 659,146
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On behalf of the Board:

_____ Director

_____ Director

Stewardship Ontario Notes to Financial Statement

December 31, 2003

1. Business Organization and Operations

The objective of the Organization is to provide financial support to municipally operated waste diversion programs in Ontario for wastes designated under the Waste Diversion Act 2002. The Organization is a not-for-profit organization and as such is not subject to income taxes.

In October 2002, Stewardship Ontario began the process of designing and developing the Blue Box Program as a result of a request of the Minister of the Environment.

On February 14, 2003 Stewardship Ontario was formally incorporated in the province of Ontario as a corporation without share capital.

2. Summary of Significant Accounting Policies

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

(a) Deferred Start-Up Costs

Deferred start-up costs are anticipated to be amortized on a straight line basis over three years from the start of operations.

(b) Cash Flow Statement

A cash flow statement has not been prepared since cash flows are readily apparent from the financial statements.

(c) Financial Instruments

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 and that the carrying value approximates the fair value of its financial instruments.

3. Due to CSR: Corporations Supporting Recycling (CSR)

The Board of Directors approved the borrowing of funds from CSR to finance initial start up costs, and that the amount be repaid from the stewards' levy over a period not to exceed 24 months.

Stewardship Ontario Notes to Financial Statement

December 31, 2003

3. Due to CSR: Corporations Supporting Recycling (CSR) - (Continued)

The start-up costs consist of the following functional categories:

	2003	2002	Total
Committee and board support	\$ 201,097	\$ 42,473	\$ 243,570
Commodity revenue analysis	58,281	21,626	79,907
Communications	151,334	107,153	258,487
Human resources	131,374	41,780	173,154
IT and data management	124,275	159,546	283,821
Market development	76,110	12,815	88,925
Office expenses	331,752	29,329	361,081
Professional fees	78,020	17,486	95,506
Recruitment and registration	159,682	26,373	186,055
Rent	143,115	33,507	176,622
Technical leadership	488,079	166,800	654,879
Travel	4,109	258	4,367
	1,947,228	659,146	2,606,374
GST recoverable	182,446	-	182,446
	\$ 2,129,674	\$ 659,146	\$ 2,788,820

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- Comments were integrated into the current version of the system and the existing guidebooks.

► *Outreach Program with Associations*

Beginning in March 2003, Stewardship Ontario carried out a focused program to communicate with more than 120 industry associations on the Blue Box Program Plan. The intent was to inform them about the program and to help them prepare for implementation upon program approval.

Staff members made presentations to more than 20 associations, providing information about the BBPP and responding to their enquiries.

Ongoing Activities

► *Website*

The Stewardship Ontario website had been designated as the major source of information for stewards and stakeholders. Launched on November 18, 2002, it would grow to be home not only to the outflow of information about the organization but also the plethora of details concerning who was obligated and how to register and file reports. Throughout 2003, Stewardship Ontario maintained and expanded its web presence. During the year the site averaged approximately 1,600 unique visits per month. The site continues to grow, providing timely information and feedback for stakeholders.

► *Industry Media*

Stewardship Ontario distributed press releases to inform industry associations of consultation activities. Recipients included 80 to 100 industry associations and business media in Ontario and throughout Canada.

The following press releases were published in 2003:

- Stewardship Ontario Hosts January 16 “*Waste Diversion Act---* Industry” Consultation Workshop and Simulcast – and Extends Comment Deadline to January 24 (January 10, 2003);
- Blue Box Program Plan Delivered on Schedule to Ontario Minister of Environment (February 28, 2003);

- Blue Box Program Plan Now Posted on Ontario Ministry of the Environment's Environmental Bill of Rights Registry (March 27, 2003);
- Ontario Election Call Will Likely Delay Blue Box Program Plan Approval (September 11, 2003);
- Industry Applauds Ontario Minister of the Environment's Approval of Blue Box Program Plan (December 23, 2003).

► *Stewards Database*

Stewardship Ontario initiated development of a database identifying key sectors with potential stewards. The database grew to include approximately 20,000 names by end of 2003.

Stewardship Ontario designed and implemented a process to notify potential stewards of developments in the Stewardship Ontario Data Reporting System.

► *Committees*

Stewardship Ontario established the Materials and Packaging Advisory Committee (MPAC) to advise on cost allocation issues. As well, Stewardship Ontario staff members sit on two WDO committees, the Municipal-Industry Programs Committee (MIPC) and the Public Affairs Committee (PAC). Following is an outline of each committee.

Materials and Packaging Advisory Committee (MPAC)

- MPAC convened approximately eight meetings in 2003.
- With membership that represents 21 industry associations and companies, the committee provided input on development of the cost allocation approach including the assignment of costs to materials and other critical details.

Municipal-Industry Programs Committee (MIPC)

- MIPC convened monthly meetings throughout 2003.
- With membership representing municipalities and industry, it provides input to issues related to markets, effectiveness and efficiency, cost containment and other items that pertain to municipalities.

Public Affairs Committee (PAC)

- PAC convened approximately once a month to consider and make recommendations to the WDO on communications issues.
- It has been charged with developing the program plan for the Canadian Newspaper Association/Ontario Community Newspaper Association “in-kind” contribution of advertising space.

Board of Directors of Stewardship Ontario

The Board of Directors met 11 times in person and by telephone. Among the items reviewed by the board were financial statements (quarterly) and the reports from the various committees representing Stewardship Ontario in the WDO process. Significant board time was spent preparing, reviewing and approving the ‘requests for clarification’ received from the ministry subsequent to the Environmental Bill of Rights comment period for the BBPP. Activities are described below.

- Approved a set of by-laws for the company.
- Set the founding member companies and founding directors.
- Approved a loan from CSR.
- Appointed the auditors and the audit committee.
- Approved a motion to redirect excess LCBO financial contribution to start up and transition costs.
- Created definitions for packaging and printed paper.
- Approved the BBPP to go to the WDO on February 19, 2003. The WDO approved the plan and together with Stewardship Ontario delivered it to the Minister of the Environment on February 28, 2003.
- Appointed industry representatives to various WDO committees.
- Approved rules for stewards.
- Provided clarification to the Minister on a number of issues including the development of the rules concerning the governance of the plan.
- Reviewed consultation input.
- Approved sectoral calculator.
- Approved a cost containment strategy.

Waste Diversion Ontario

- Stewardship Ontario provided continuous updates to the WDO on emerging issues.
- Staff members participated on committees and in public consultation activities as needed.
- Stewardship Ontario has responded to questions and shared experiences to assist in the development of other IFOs.

Section 4: Signature

Stewardship Ontario is pleased to submit this Annual Report for 2003.

Signed by:

A handwritten signature in black ink, appearing to read 'Dennis Darby', written in a cursive style.

Dennis Darby, Chair, Stewardship Ontario

Board of Directors

Food & Consumer Products Industries:

Dennis Darby, Procter & Gamble, *Chair*

Bill Hunt, Parmalat Canada*

Grocery Distributors:

Duncan Reith, Sobeys Ontario,

Justin Sherwood, Canadian Council of Grocery Distributors*

Retail Council of Canada (RCC):

Diane J. Brisebois, RCC, *Treasurer*

Doug DeRabbie, RCC*

Refreshments Canada:

Sandra Banks, Coca Cola Bottling Company

Colleen Newell, Pepsi-Cola Canada Ltd.*

Canadian Newspaper Association (CNA):

Anne Kothawala, CNA,

*Alternate (vacant)

Liquor Control Board of Ontario (LCBO):

Gerry Ker, Liquor Control Board of Ontario, LCBO

Lyle Clarke, LCBO*

Canadian Paint & Coatings Association (CPCA) &

Canadian Consumer Specialty Products Association (CCSPA):

Ed Berry, CCSPA

Susan Peterson, CPCA*

Stewardship Ontario

Chief Executive Officer, Damian Bassett

Appendix

Financial Statements
at December 31, 2003

Stewardship Ontario

Financial Statement

For the year ended December 31, 2003

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BDO Dunwoody LLP
Chartered Accountants
and Consultants

Royal Bank Plaza
P.O. Box 32
Toronto Ontario Canada M5J 2J8
Telephone: (416) 865-0200
Telefax: (416) 865-0887

Auditors' Report

**To the Members of
Stewardship Ontario**

We have audited the balance sheet of Stewardship Ontario as at December 31, 2003. This financial statement is the responsibility of the Organization's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the financial position of the Organization as at December 31, 2003 in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Toronto, Ontario
February 13, 2004

Stewardship Ontario
(Incorporated under the Waste Diversion Act, Canada)
Balance Sheet

December 31	2003	2002
Assets		
GST recoverable (Note 3)	\$ 182,446	\$ -
Deferred start-up costs (Note 3)	<u>2,606,374</u>	<u>659,146</u>
	\$ 2,788,820	\$ 659,146

Liabilities and Net Assets

Due to CSR: Corporations Supporting Recycling (Note 3)	\$ 2,788,820	\$ 659,146
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On behalf of the Board:

_____ Director

_____ Director

Stewardship Ontario Notes to Financial Statement

December 31, 2003

1. Business Organization and Operations

The objective of the Organization is to provide financial support to municipally operated waste diversion programs in Ontario for wastes designated under the Waste Diversion Act 2002. The Organization is a not-for-profit organization and as such is not subject to income taxes.

In October 2002, Stewardship Ontario began the process of designing and developing the Blue Box Program as a result of a request of the Minister of the Environment.

On February 14, 2003 Stewardship Ontario was formally incorporated in the province of Ontario as a corporation without share capital.

2. Summary of Significant Accounting Policies

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

(a) Deferred Start-Up Costs

Deferred start-up costs are anticipated to be amortized on a straight line basis over three years from the start of operations.

(b) Cash Flow Statement

A cash flow statement has not been prepared since cash flows are readily apparent from the financial statements.

(c) Financial Instruments

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 and that the carrying value approximates the fair value of its financial instruments.

3. Due to CSR: Corporations Supporting Recycling (CSR)

The Board of Directors approved the borrowing of funds from CSR to finance initial start up costs, and that the amount be repaid from the stewards' levy over a period not to exceed 24 months.

Stewardship Ontario Notes to Financial Statement

December 31, 2003

3. Due to CSR: Corporations Supporting Recycling (CSR) - (Continued)

The start-up costs consist of the following functional categories:

	2003	2002	Total
Committee and board support	\$ 201,097	\$ 42,473	\$ 243,570
Commodity revenue analysis	58,281	21,626	79,907
Communications	151,334	107,153	258,487
Human resources	131,374	41,780	173,154
IT and data management	124,275	159,546	283,821
Market development	76,110	12,815	88,925
Office expenses	331,752	29,329	361,081
Professional fees	78,020	17,486	95,506
Recruitment and registration	159,682	26,373	186,055
Rent	143,115	33,507	176,622
Technical leadership	488,079	166,800	654,879
Travel	4,109	258	4,367
	1,947,228	659,146	2,606,374
GST recoverable	182,446	-	182,446
	\$ 2,129,674	\$ 659,146	\$ 2,788,820