



PARTNERSHIP 

Stewardship Ontario

Partnership: (pärt'nər-shĭp)

The relationship between two or more people or organizations that are involved in the same activity.



Stewardship Ontario works with a unique mix of private and public organizations to safely recover, manage and recycle products and packaging when they reach the end of their life. Our shared goal is to find innovative ways to develop, implement and continuously improve recycling programs that are environmentally and economically sustainable.

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A MESSAGE FROM JOHN COYNE

STEWARDSHIP ONTARIO BOARD CHAIR



Product stewardship describes our collective duty to reduce the environmental impact of the products and packaging that brand owners, producers and importers sell into the marketplace. It's a responsibility that spans the entire product management lifecycle – from waste reduction to recovery, recycling and reuse. It's a responsibility we take very seriously. As stewards of Ontario's Blue Box and Orange Drop Programs, our shared goal is to further the sustainable success of recycling. The world's first curbside recycling program started in 1981 in Kitchener, and has since become a global blueprint. It is with great pride, and a deep sense of accountability to the whole community, that we continue to be the catalyst that drives recycling innovation.

As an Industry Funding Organization (IFO), Stewardship Ontario manages the end-of-life programs for the products and packaging our businesses produce. Industry stewards share the cost of the Blue Box Program with municipal government, paying fees close to \$105 million in 2012. The Orange Drop Program, which is fully funded by industry, received steward contributions of just over \$49 million. As a result, industry is paying more than \$150 million annually to drive collection, diversion, recycling and safe disposal across the province.

In 2012, the Blue Box Program collected almost a million tonnes of recyclables, outperforming the provincial target for the fifth year running. The Orange Drop Program continued to strengthen its presence in the Ontario marketplace, increasing collection by 9 per cent, diversion by 17 per cent and accessibility by 34 per cent over 2011.

This is performance to be proud of – achievements made possible by partnerships that bring together stewards, service providers, innovators, municipalities, other governments and consumers who are all passionate about the future of recycling. By sharing ideas and resources, and by encouraging forward-thinking technology, we are seeing developments leading to a new era in recycling. I encourage you to read about our sustainable solutions for recycling paper beverage cups, as well as curbside collection of single-use batteries. Take a look at the example at EFS-plastics Inc., increasing the tonnage of mixed rigid plastics that can be recycled locally. Learn also about Loop, and how a new Stewardship Ontario service provider incentive program helped recycled paint find its way to Walmart shelves across the country.

Stewardship Ontario is also a very strong supporter of ongoing efforts to develop a national approach to printed paper and packaging stewardship across Canada. Despite different approaches by governments across the country, with a strong common effort, we can advance recycling performance, control costs and further our collective interest in national harmonization.

Thank you to our Board of Directors, our Senior Management Team and everyone who works at, and with, Stewardship Ontario for their shared vision, skills and expertise in preparing our future path.

A handwritten signature in blue ink that reads "John D. Coyne".

VP, Legal & External Affairs and General Counsel Unilever Canada Inc.

A MESSAGE FROM LYLE CLARKE

EXECUTIVE VICE PRESIDENT, STEWARDSHIP ONTARIO



Product stewardship and recycling are at a turning point in our province, creating both challenges and opportunities for Stewardship Ontario. The legislative framework for product stewardship is evolving, and there is an unprecedented opportunity to advance the environmental performance and economic sustainability of the recycling programs we manage. We must ensure consumer needs and expectations are met, while improving efficiency and creating new opportunities for Ontario businesses and entrepreneurs. It is our responsibility to anticipate and plan for this future, to form a network of like-minded partners who can help realize this vision, and to secure the talent and resources needed to make it happen.

As a result, 2012 was a year of organizational change at Stewardship Ontario. We took a close look at the operational lessons we have learned since we began managing the Orange Drop Program in 2008. By integrating internal teams, we have been able to leverage our deep knowledge of recycling supply chains to develop more consistent and efficient operational capabilities for both our Blue Box and Orange Drop Programs. At the same time, our new organizational structure has enabled us to prepare for a future that holds the possibility of legislative change and greater accountability in the Blue Box supply chain, and unprecedented cooperation among printed paper and packaging programs across the country.

In 2012, we also extended our outreach to stakeholders. A mixture of round tables, information sessions, updates, informal meetings and formal consultations ensured that we were able to interact with a large number of those interested in, and affected by, what we do. Public opinion and market research experts, Pollara, also conducted extensive market research with key groups to help us understand current perceptions about our programs. Following an incentive program review, commissioned by Waste Diversion Ontario (WDO), we engaged KPMG to help us implement the report's recommendations – with a particular focus on stakeholder engagement. While we are very gratified by the recognition for the effort we have put into our communications, we equally recognize that there is more to be done and we continue to make our stakeholder interactions a priority.

Our work at Stewardship Ontario brings us into contact with many people who share our enthusiasm for recycling. We are proud of the role we have played in the emergence and success of recycling innovations, and I would like to thank everyone who has worked with us during the year to help make Ontario a great place to recycle. I look forward to our future endeavours and the exciting road ahead.

A blue ink handwritten signature, appearing to read 'Lyle Clarke', with a long horizontal line extending to the right.

Executive Vice President, Stewardship Ontario

WHO IS STEWARDSHIP ONTARIO?

We are a private, not-for-profit organization. A dynamic, energetic, resourceful team, working to create smart, innovative programs to divert more waste from Ontario's landfills and waterways. We do this by working with partners to:

- *Reduce the amount of waste produced in Ontario*
- *Recycle Ontario's post-consumer waste*
- *Reuse Ontario's recycling as raw materials to create new products*

Blue Box and Orange Drop

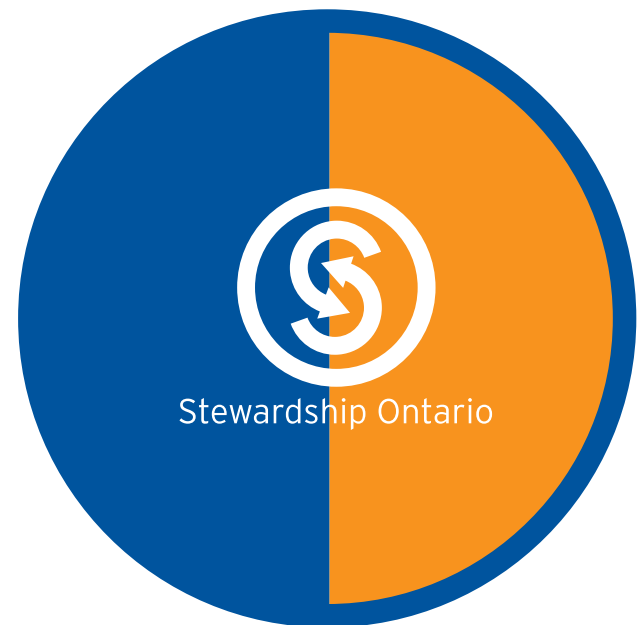
We manage Ontario's highly successful recycling programs for printed paper and packaging (Blue Box) and household hazardous or special waste (Orange Drop). We are always seeking new, progressive solutions to the challenges facing us in recycling, ensuring environmental sustainability, reducing the amount of waste sent to landfill and reclaiming valuable materials for reuse.

Feeding Ontario's Green Economy

We work with a unique mix of private and public organizations to safely recover, manage and recycle packaging and products when they reach the end of their life. With the help of a growing group of companies and government agencies, we turn post-consumer waste into valuable, energy-efficient raw materials, feeding Ontario's green economy and reducing our province's reliance on virgin resources.

Funded by Ontario Business

Extended Producer Responsibility (EPR) describes the responsibility that Ontario businesses have to reduce the environmental impact of their products and packaging. It's the first importers, manufacturers or brand owners of the packaging or products that end up in the curbside Blue Box, or are classified as



household hazardous or special waste and recycled or safely disposed of through Orange Drop, who help fund Ontario's recycling programs.

Constantly Evolving

Using rigorous, innovative management techniques, we develop, implement and continuously improve cost-efficient, environmentally responsible diversion programs that help create sustainable communities.

Responsible-Accessible-Accountable

We aim to become the leading product stewardship program in Canada by:

Questioning:

Always pioneering, always inquisitive, always probing and always looking beyond the horizon.

Collaborating:

Working with our partners to expand the range of Blue Box materials that can be efficiently and profitably recycled, and to increase the appetite of local markets for recycled commodities. Managing more hazardous and special household materials and working with partners to increase the amount of drop-off locations, making recycling hazardous and special household materials even more convenient.

Challenging:

Believing there is always a better way, a more effective process, a more economical answer.

Enabling:

Striving to be at the forefront of what we do, so we can help our stewards, our service providers and Ontario's households be at the top of their recycling game.

Our Principles

- We want to be disciplined, organized and creative in the way we run our programs, and we make it our business to build on success.
- We strive to be transparent by establishing trust, building partnerships and modelling best practices.
- We intend to be the best, so we never stop questioning, exploring or asking "what if?"
- We make it a priority to support innovation by investing in ground-breaking ideas and businesses that support market development.

The Value we Bring

We are passionately and respectfully determined to deliver effective and cost-efficient recycling programs to our province, while supporting and providing the best service to our stewards. We constantly think beyond the box, creating and implementing new programs and developing innovative ways to increase the success of recycling and waste diversion in Ontario.

We touch every stage of the recycling supply chain – from product manufacturing to packaging, distribution, retailing, recovery, reprocessing and remanufacturing – and we are uniquely positioned to connect all of the links needed to create a greener, cleaner environment for generations to come.



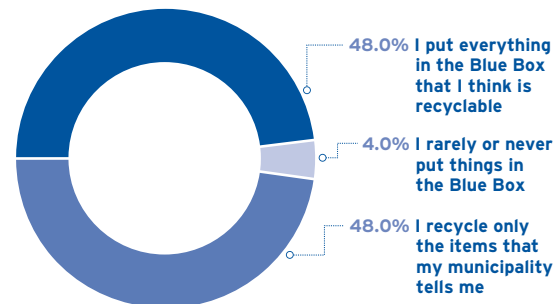
RESEARCHING THE RECYCLING MARKET

When it comes to recycling, Ontarians have always been pioneers. The very first Blue Box appeared in Kitchener in 1981, and has become a recycling blueprint for more than 150 countries around the world. To stay innovative, competitive, responsive and proactive, we constantly look for ways to improve the Blue Box and Orange Drop Programs we manage. So in 2012, we once more engaged Ontario public opinion and market research experts, Pollara, to carry out qualitative and quantitative research with 2,000 consumers across Ontario. We also conducted a mix of qualitative and quantitative research online, by phone and via interview with stewards, municipalities, service providers, regulators and retailers. This is what we discovered...

What Ontarians think about Recycling

- 83 per cent of consumers recognize the impact recycling has on environmental, economic and social factors
- 58 per cent of Ontarians worry about excessive packaging
- 75 per cent of people in the province worry about hazardous waste
- 75 per cent make extra efforts to recycle (and by the way... the older people are, the better they are at recycling)
- 25 per cent only recycle if it's convenient
- 78 per cent of Blue Box recyclers believe there is room for increasing recycling levels

Disposal of Blue Box Waste Typical Behaviour



Recycling with Your Blue Box

Almost everyone in this province uses the Blue Box (96 per cent), and most find recycling a positive, rewarding experience. Nearly half of the people we surveyed say their Blue Box usage has increased over the past 12 months, and almost three quarters of you told us that the Blue Box Program meets or exceeds your expectations. The majority of Ontarians (84 per cent) view their Blue Box as an important factor in helping to reduce the impact consumer waste has on the environment. However, there's clearly room for improvement at the curbside, as half of Ontarians still believe that not enough items are Blue Box-friendly.

Eighty-five per cent of you know exactly what you can and can't recycle – and when it comes to paper, cardboard and newspapers, you are clearly seasoned professionals. However, about 50 per cent of recyclers can be overzealous, using the Blue Box for items that your local municipality is not equipped to recycle. This can negatively impact sorting and processing efficiencies. We also discovered that two thirds of you

still come across packaging you're not sure what to do with, and some of you put materials in your garbage that your municipality could recycle.

The research also confirms that confusion about what is and is not recyclable could be reduced if all municipalities were equipped to recycle the same materials.

Attitudes to Orange Drop

Whether or not the name is familiar, 81 per cent of consumers view the Orange Drop program as an important factor in helping Ontarians reduce the impact consumer waste has on the environment. However, one in four expressed some dissatisfaction with the program, referring to the need for greater brand visibility, more promotional activity and greater convenience and accessibility when it comes to drop-off locations. We recognize the continued efforts that are necessary in all of these areas. Of those aware of the program, one third says their use of the program has increased over the last three years.

- 73 per cent of consumers claim to dispose of hazardous waste properly (with pressurized containers leading the field)
- Understanding what to do with hazardous waste, along with the convenience of drop-off sites, are key drivers for proper disposal

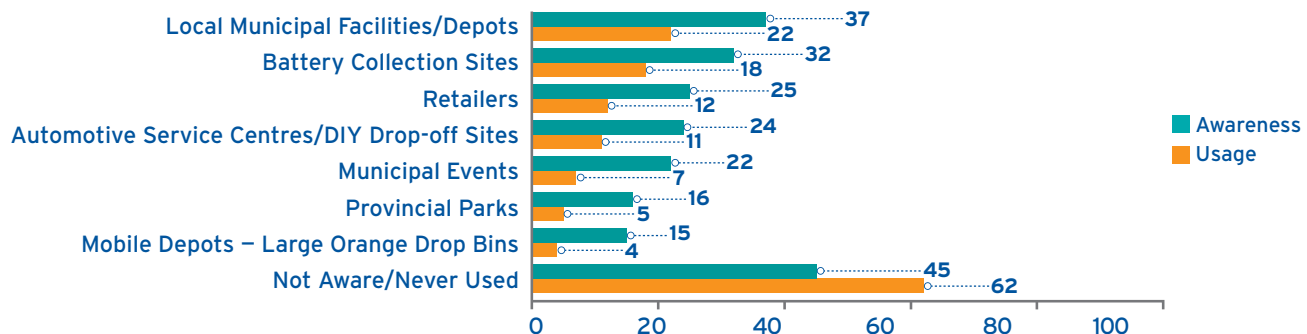
- 88 per cent of those surveyed said it is important for the environment to have programs like Orange Drop in place

Other Stakeholder Interviews

We were gratified to find that many of the people Pollara interviewed recognize that, during challenging times, we have made efforts to enhance our stakeholder outreach. Many stakeholders commented on how we appear more open and communicative, and appreciate the effort that has been made to ensure the organization engages more effectively with stakeholders. We are also pleased that our staff is seen to be knowledgeable, experienced, competent – a significant asset to our organization.

But there is a lot more work to be done. While the effort is evident, it is clear that you do not yet see that the new approach has permeated the culture of the organization. You asked for greater transparency, more listening, more understanding and for us to act more on the feedback you provide. These are our priorities. Satisfying the needs and expectations of all of our stakeholders will always be a challenge, but we are committed to accelerating what we have started, and focusing our energies on developing strong business partnerships.

Awareness and Usage of Orange Drop Sites



STAKEHOLDER ENGAGEMENT

Successful organizations place stakeholder relationships, engagement and collaboration at their core. For us, engaging our stakeholders is key to running solid and successful recycling programs. We are committed to build on the work we've done so far to improve engagement with our diverse range of stakeholders and achieve our common goals of greater and more efficient waste diversion and a more sustainable province for us all.

We have developed a set of principles to govern and guide our interactions with stakeholders. These principles form the foundation of our internal policies and staff training, which guide all staff in their interactions with stakeholders and partners.

What Stakeholder Engagement means to us:

- An opportunity to learn from our stakeholders
- An opportunity to manage change and build positive relationships

- A philosophy that permeates every aspect of our organization
- An opportunity to address concerns and develop win-win solutions
- An opportunity to listen, and to understand our stakeholders' challenges

The Stakeholder Engagement Principles that Guide us

- We care about what our stakeholders think, feel and believe
- We will be as honest and transparent as we can be
- We will engage in two-way conversations
- We will make engagement easy
- We will put what we learn into perspective
- We will act on what we learn

Stewardship Ontario is committed to working effectively and positively with stakeholders to further waste diversion and recycling efforts in Ontario.

RECYCLING PARTNERSHIPS

2012 Updates

GREENMANTRA TECHNOLOGIES RAMPS UP PILOT OPERATIONS

In the fall of 2010, the **Canadian Innovation Exchange** named cleantech company, **GreenMantra Technologies**, one of Canada's 25 most innovative companies. Pushkar Kumar, CEO of GreenMantra, whose clever technology breaks down discarded plastic and turns it into industrial waxes and other high value commodities, had found a way to increase the worth of the waste it uses as raw materials.

When the new company needed to secure a supply of plastic from the **Ontario Blue Box Program** for testing, **Stewardship Ontario** was able to help. Plus, we made \$1.5 million available to keep commercialization

of the technology on course. With the help of an investment from the **Investment Accelerator Fund**, delivered by **MaRS**, GreenMantra ramped up its pilot operations in Brantford.

GreenMantra's wax is used in many applications, such as printer ink and gloss paint, but it was the innovative process this technology start-up has developed to add wax to asphalt that caught the attention of the **City of Vancouver**. The wax additive allows asphalt to flow smoothly at significantly lower temperatures, saving fuel and reducing vapour emissions. The city liked and understood the relationship between the Blue Box Program and the production process, and it eventually plans to use plastic from its own recycling program to make the asphalt.

CAMPAIGNS ACROSS ONTARIO CAPTURE MORE PLASTIC

In 2012, Stewardship Ontario and the **Continuous Improvement Fund (CIF)*** worked with a number of municipalities to conduct Promotion and Education (P&E) campaigns to improve the capture rate of mixed plastics in the residential Blue Box stream.

We partnered with **Northumberland County, City of Kingston, City of Cornwall, City of North Bay, Region of York, Region of Niagara, City and County of Peterborough and City of Kawartha Lakes** either to introduce mixed plastics to their program or to help increase capture. During the campaigns, the public was exposed to billboards, posters on buildings,



Improving the capture rate of mixed plastics in the residential Blue Box stream.

*CIF was created to help Ontario municipalities undertake best practices initiatives to improve the effectiveness and efficiency of Blue Box recycling programs.

ads on eco bins, radio spots, direct mail pieces and social media contests.

The success of the campaigns was determined by the increased collection of targeted products (egg cartons, fruit and veggie trays, strawberry containers, water bottles, muffin containers, bbq chicken domes) received at the collection facility – verified by:

- Pre- and post-campaign audits
- Post-campaign consumer/resident campaign awareness surveys
- The acceptance of plastic in the Blue Box Program

The *Plastics Is In* campaign is one of many ways that Stewardship Ontario continues to work with municipalities to encourage a standard basket of Blue Box materials across the province.

MOBILE APP MAKES EVERY BATTERY COUNT

Our award-winning 2012 *Battery Campaign* ran from August to November, and focused on educating the public about the importance of battery recycling. It drove traffic to makethedrop.ca, where consumers could search drop-off locations and learn that the materials in batteries can be made into new products. It resulted in 5.6 million media impressions from public relations efforts, over 9 million impressions from advertising and a 166 per cent increase in web traffic.

As a kick-off to *Waste Reduction Week*, Stewardship Ontario's new mobile app encouraged Ontarians to make every battery count by finding their nearest drop-off location and recording the number of batteries they recycled. Participants could also nominate one of two environmental charities to receive a donation. As a result of the campaign, Stewardship Ontario donated \$15,000 to **EcoSpark** and the **Kawartha Turtle Trauma Centre**. Our target for the mobile



Mobile app for the Orange Drop Battery Campaign

app was to get 50,000 batteries dropped off and recorded in a two-week period. We exceeded this by 20 per cent.

ADVERTISING REACH

- We placed ads in over 60 communities and major urban centres
- We created blogger partnerships
- We produced syndicated content for newspapers and radio
- We engaged Ontarians on twitter @makethedrop
- We developed broadcast partnerships and prize pack contests
- We achieved 35,100,000 impressions from online advertising

USED
BEVERAGE
CUPS



BOOKS
PRINTED
ON
RECYCLED
PAPER



TIM HORTONS AND RECYCLING TEAM TESTS CURBSIDE COLLECTION OF BEVERAGE CUPS

The Recycling Challenge:

How to Capture More Paper Beverage Cups

Plastic-laminated paper beverage cups – the kind you find in your local coffee shop – are a valuable source of high quality paper fibre. Coated with polyethylene to keep liquids from turning the paper soggy, they're known in the industry as polycoat – the same material that coats juice and milk cartons. It's been a challenge to capture enough of this laminated paper packaging for economical recycling, because not all municipalities accept paper beverage cups in the **Blue Box**. Some are destined for the **Green Bin** – converted into compost – but many are still thrown in the garbage. **Tim Hortons** and other industry stewards have already created store-capture programs across Canada, and now it's time to demonstrate the role curbside collection could play in efficiently, effectively and economically recycling this material from households.

The Search for Sustainable Pulp Processors

Until recently, the most effective processing technology to remove the polycoating, de-ink and extract the fibres from paper laminates lived overseas. We needed to find North American processors with the technology and the capacity to handle the materials sustainably and keep the value of the recycling at home.

The Sustainable Solution:

North American Technology Boosts Beverage Waste Management

Our search revealed a number of North American processors who meet our criteria for turning these

commingled laminated papers into valuable pulp – including **Green Box NA**, located in Green Bay, Wisconsin, **Fox River Fiber**, Wisconsin, and West Virginia processor, **Resolute Forest Products**. In addition to these hydro-pulpers, we collaborated with beverage cup stewards like Tim Hortons, municipalities, collectors and sorters – all interested in expanding Blue Box materials and maximizing their value. The success of the pilot programs in **Burlington** and the **County of Brant** now opens the doors for more municipalities to expand the materials they accept in Blue Boxes across Ontario.

A Recycling Commodity for Resale gives new Life to Harry Potter

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 recycled together, the greater the chance of commercial success. Hogwarts fans will be pleased to know that yesterday's coffee cups can become tomorrow's Harry Potter books, without the help of magic. Fox River Fiber's customer, **New Leaf Paper**, supplied 100 per cent post-consumer recycled, chlorine-free paper to **Raincoast Books** for the pages of the final three issues of the Canadian edition of the Harry Potter series. Raincoast was the first publisher around the world to use "green" papers for Harry Potter, and now many others do too.



Approximately
395 households in the
City of Burlington and
519 homes in the **County
of Brant** have taken part
in a three-month pilot
recycling program to
collect plastic-laminated
paper beverage cups
in their **Blue Boxes**.



The Beverage Cup Collaborators

Stewardship Ontario's Blue Box Program

Tim Hortons Inc.

By 2016, **Tim Hortons** hopes to increase the number of restaurants diverting paper packaging (including polycoated drink cups) and organic waste by 20 per cent.

Ontario Municipalities

The **City of Burlington** in **Halton Region** and the **County of Brant**.

Emterra Environmental

Emterra, a platinum recipient of the **Recycling Council of Ontario's** Waste Minimization Award, collects, processes and markets the full spectrum of packaging and printed paper.

Resolute Forest Products

A global leader in the forest products industry, **Resolute Forest Products** owns or operates over 40 pulp and paper mills and wood products facilities in the United States, Canada and South Korea, and power generation assets in Canada. This includes two recycled pulp mills with the capacity to produce 396,000 air-dried metric tonnes of Recycled Bleached Kraft (RBK) pulp made entirely from urban fibre (wastepaper).

Fox River Fiber, Wisconsin

Fox River Fiber received the *2011 Business Friend of the Environment Award* and has implemented a range of energy-saving strategies and sustainable processes, such as reducing fork truck fuel by 30 per cent and reducing use of energy and water per tonne of pulp produced.

Green Box NA, Green Bay, Wisconsin

The **Green Box** system can reprocess all fast food waste materials with zero landfill, and produces process gas, which is more than enough to operate the facility. The excess is turned into electricity and sold to the grid.

POST-
CONSUMER
PLASTICS



RESIN
PELLETS
FOR NEW
CONSUMER
GOODS

MIXED-PLASTIC RECYCLING TECHNOLOGY DIVERTS 10,000 TONNES FROM LANDFILL

The Recycling Challenge:

Creating a Closed-Loop Process for Mixed Plastics

When **EFS-plastics** owner and president, Martin Vogt, moved to Canada in 2006, he saw a gap in the recycling market. Nobody had found a commercially sustainable solution for processing mixed plastics to create raw materials for new products. So, as soon as **Stewardship Ontario** invited proposals for innovative mixed plastics recycling solutions, Martin's company was among those that stepped forward.

The Sustainable Solution:

Stewardship Ontario Funds Commercial Concept Testing

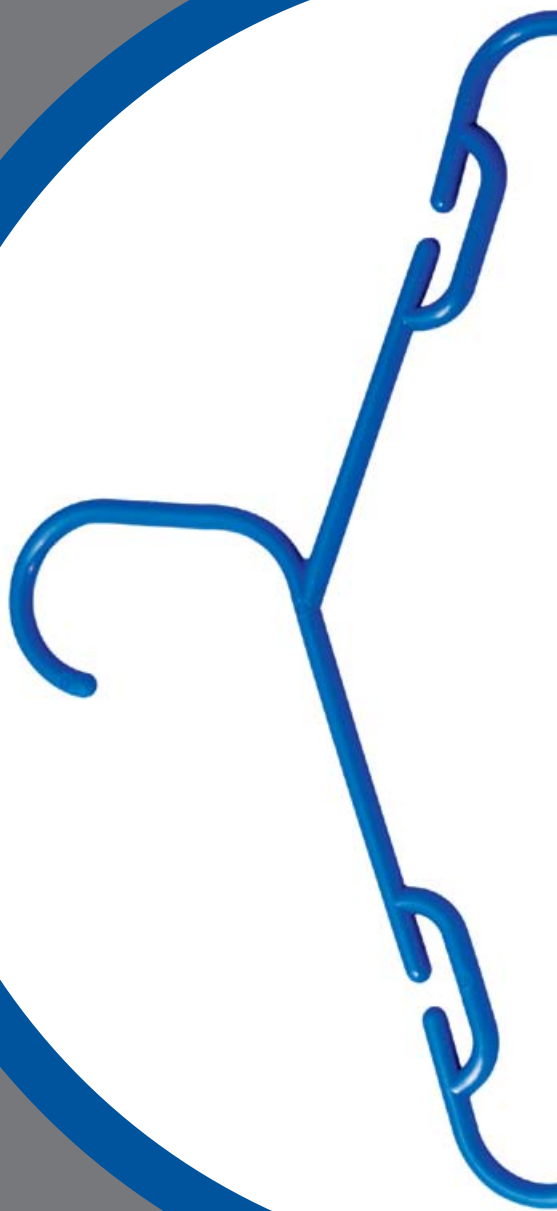
In February 2010, Stewardship Ontario, along with **Waste Diversion Ontario (WDO)**, entered into an agreement with EFS-plastics Inc. to help purchase additional equipment for its mixed rigid plastics processing plant, which was then located in Elmira, Ontario. This meant that more mixed plastics could be recycled in local markets.

\$1.5 Million Loan Enables Facility Expansion and Relocation

Additional investment from Stewardship Ontario enabled EFS-plastics to double its capacity and relocate to nearby Listowel, where the new 39,000-square-foot plant will be able to process up to 12,000 tonnes of mixed plastics a year. It's here that the company produces high quality resin pellets, which can replace virgin plastic up to 100 per cent in the manufacture of new consumer products. The company sources its Blue Box mixed plastics from Waterloo, Hamilton, Niagara Falls and York Region, as well as other municipalities in Ontario, Quebec and the U.S.

Environmental Benefits

EFS-plastic's closed-loop manufacturing process currently diverts over 10,000 tonnes per year of mixed rigid plastics (#1-#7) and plastic films (#2 and #4) from landfills, saving more than 62,000 megawatt hours of energy – the annual consumption of approximately 1,700 4-person households.



EFS-plastics Inc.

makes resin pellets for new consumer products from used margarine containers, yogurt cups, caps, lids and plastic films, including shopping, frozen vegetable and bread bags. With the help of **Stewardship Ontario**, the Listowel company has expanded its recycling and reprocessing operations.



The Mixed-Plastics Collaborators

Stewardship Ontario's Blue Box Program

EFS-plastics Inc.

EFS-plastics Inc. is a post-consumer plastic recycling and reprocessing company, specializing in mixed plastic (#1-#7 mix) and film (shopping bag) recycling. High quality pellets can replace virgin plastic up to 100 per cent in the manufacture of plastic bags, tool boxes, piping and other consumer products. The process diverts over 10,000 tonnes/year of mixed plastics and shopping bags from landfill.



DISCARDED
PAINT



NEW
PREMIUM
PAINTS
FROM
LOOP

DISCARDED ONTARIO PAINT COMES FULL CIRCLE TO WALMART SHELVES ACROSS CANADA

The Recycling Challenge:

Keeping More Paint out of Landfill

Tamara Burns is VP of Operations at **Stewardship Ontario**. She explains, “It’s our job to collect waste paint from consumers and divert it from landfill to meet our diversion targets approved by the Ministry of the Environment.” The **Orange Drop Program** is an extensive and growing network of collection sites – drop-off locations for paint leftovers and other special materials that can’t go in the **Blue Box** or the garbage. She adds, “The more accessible we make Orange Drop’s paint collection programs – through municipal depots, special events and retail stores across the province – the more paint we divert from landfill, and the greater the environmental and economic benefits.”

Creating a Competitive, Compliant Marketplace for Paint-to-Paint Recycling

Stewardship Ontario is accountable to paint industry stewards who pay the full cost of operating the paint portion of the Orange Drop Program. The company has created an open, competitive environment that enables a variety of processors to reuse, recycle, remarket or safely dispose of the materials collected by the program. To create a level and compliant playing field, the Orange Drop team conducts stringent assessments to ensure all processors meet Ontario government regulations, adhere to standards and have the capacity to handle diverted materials.

The Sustainable Solution:

Loop Paint Turns Consumer Waste into a Premium Resource

As an Orange Drop-approved transporter and processor, **Loop Recycled Products** takes leftover paint, collected through Stewardship Ontario, and turns it into 12 shades of premium, affordable and environmentally friendly recycled paint. Reusing top-quality residual paint (on average, the original retail value of a gallon of incoming paint is approximately \$30) enables Loop to create premium products without the raw material costs and energy consumption needed to make paint from scratch.

Sustainability at an Affordable Price

In May 2012, **Loop Paint** hit **Walmart** shelves across Canada. Infinitely recyclable and under \$15 a can, Loop is the consumer choice for smart decorating. Without any national advertising, the brand is growing rapidly and the number of facings is increasing.

100 Per Cent Recycled, Recyclable and Good for the Environment

Paint isn’t the only element of Loop that’s reused or recycled. Cans are made from recycled polymers, and cartons and labels from 100 per cent post-consumer recycled Blue Box materials. Plus, for every gallon of paint sold, Loop plants a tree in Haiti. Josh Wiwcharyk, VP of **Consumer Packaged Goods** (CPG), tells us, “To date we’ve covered over 300 acres.”



Loop Recycled Products

reprocesses leftover paint to create premium recycled Loop Paint. VP of CPG, Josh Wiwcharyk, says "This could not have happened without **Stewardship Ontario's Orange Drop Program.** It created the environment that allowed us to innovate and turn waste into a resource."



The Loop Paint Collaborators

Stewardship Ontario's Orange Drop Program

Loop Recycled Products Inc.

(formerly Photech Environmental Solutions Inc.)

Loop Recycled Products has been in the industrial and residential waste management business since 1997. They work with industry leaders in the automotive, printing, cleaners/solvents and general manufacturing sectors, as well as school boards, municipalities and provinces to provide environmental products and services.

Walmart Canada

Sustainability is an integral part of **Walmart Canada's** culture. The company has three core goals, shared with Walmart globally:

1. Be supplied 100 per cent by renewable energy
2. Create zero waste
3. Sell products that sustain people and the environment



Photo credits, Loop Recycled Products

USED
BATTERIES



FERTILIZER
AND
OTHER
PRODUCTS

DURHAM PILOTS REGION-WIDE CURBSIDE BATTERY RECYCLING PROGRAM

The Recycling Challenge:

Recovering Highly Recyclable Batteries

Although approximately 86 per cent of a non-rechargeable battery is recyclable and recoverable in Ontario, around one-third of consumers admit that they throw their spent batteries in the garbage. It's thought that Ontario residents use up to 1.5 kilograms of single-use batteries per person each year. And, while many Ontario residents recycle their used batteries at over 2,500 drop-off locations that are part of **Stewardship Ontario's Orange Drop Program**, the challenge is to capture more batteries for recycling. It's a much more energy-efficient way to create new manufactured goods, because using materials from discarded batteries, rather than creating metal from ore, yields up to 90 per cent in energy savings.¹

The Sustainable Solution:

Special Collection Service for Household Batteries

The **Regional Municipality of Durham** has piloted an extensive curbside battery recycling program with two dedicated collection periods. The first collection was held in November 2012 and the second in March 2013. Each of these special one-week collections made 190,000 residential curbside stops and was timed with daylight savings time changes, when people usually replace batteries in smoke alarms and carbon monoxide detectors. Each Durham household

received a specially designed sealable bag for storing unwanted batteries – like the kind used in toys, electronics, remote controls, hearing aids, flashlights – before placing them at the curb with their **Blue Box** for collection. After each collection, the used battery bags were returned to the bag manufacturer to be recycled into new bags.

Convenience Increases Battery Collection

The total haul for the first curbside battery collection in November 2012, a week after the clocks went back, was 24,700 kilograms (24.7 metric tonnes). And Durham Region now holds the Guinness World Record for the most batteries collected in a 24-hour period – setting the bar, on November 15, 2012, at 5,090 kilograms (5.09 metric tonnes).

The idea for the Durham program emerged from conversations between Durham Region staff and staff from Raw Materials Company at a waste management conference. Port Colborne's **Raw Materials Company Inc.** (RMC) – an approved processor under Stewardship Ontario's Orange Drop Program for Municipal Hazardous or Special Waste (MHSW) – processes batteries to recover steel, agricultural micro-nutrients for growing corn as a biofuel, and plastic and paper fluff that goes to create energy from waste.

¹ According to a study conducted by Environment Canada, 2009



In partnership with **Stewardship Ontario**, the **Regional Municipality of Durham** has tested a program that gave residents the opportunity to recycle single-use batteries by placing them in specially designed recyclable bags and setting them out for collection with their **Blue Boxes**.



The Curbside Collaborators

Stewardship Ontario's Orange Drop Program

The Regional Municipality of Durham

Located in Southern Ontario, east of Toronto, **Durham Region** includes the cities of **Oshawa** and **Pickering**, the towns of **Ajax** and **Whitby**, the townships of **Uxbridge**, **Brock** and **Scugog** and the municipality of **Clarington**.

Raw Materials Company Inc.

An international leader in the field of waste and resource recycling, the company was formed to reflect a commitment to a safer environment through the proper recycling and conservation of waste material. As pioneers in the field of energy conservation and resource preservation, **RMC** is proud of its contribution to a cleaner global environment.

Miller Waste Systems

Miller Waste Systems specializes in waste and recycling collection, processing and marketing of materials as well as the design, construction and operation of waste diversion facilities.

Green For Life (GFL) Environmental Corp.

This fully integrated solid and liquid waste management company has been involved in the collection and processing of waste from Ontario to British Columbia for over 40 years.

Covanta Energy Corporation

Covanta has provided reliable and sustainable municipal solid waste management to communities since 1986. Covanta operates over 40 state-of-the-art facilities.

Indaco Manufacturing Ltd.

This Pickering-based company has been producing biodegradable film since the late 80s. The majority of Indaco's business has been closely related to municipal mandated collection of organic waste.

STEWARDSHIP ONTARIO RECYCLING PROGRAM PERFORMANCE

The Blue Box Program

Stakeholder Engagement

In 2012, we reviewed Blue Box fee setting methodology to determine if modifications could be made to better reflect consumer and marketplace trends, while continuing to share costs fairly. We held three stakeholder engagement sessions:

- [Blue Box First Principles Consultation on Fee Setting Methodology, May 31, 2012](#)
- [Blue Box Fee Setting Methodology Consultation Meeting/Webinar No. 2, July 24, 2012](#)
- [Blue Box 2013 Fees – Information Session, September 27, 2012](#)

Market Development

We constantly look for new opportunities to improve the recycling supply chain and extract more value from recyclable materials in Ontario. An increasing number of partnerships with innovative organizations, both private and public, have helped us accelerate market development initiatives:

- Our Request for Expressions of Interest, to identify companies with innovative approaches to recycling, has resulted in more than 60 submissions to date. We are in active discussion with over 15 of them.
- We have identified strong, stable end-markets in North America that can reprocess a mixed stream of composite paper packaging, including gable top cartons, aseptic containers and beverage cups.

We initiated a pilot project to demonstrate that these materials can be captured at higher rates at curbside and sorted for sale.

- We have expanded our involvement with rigid plastics processor, [EFS-plastics Inc.](#), making \$1.5 million available to enable the relocation and further expansion of the EFS facility.
- Working with [CIF](#) and the [Canadian Plastics Industry Association](#), we have helped establish a stable processor to accept expanded polystyrene foam, and we have been investigating options for the capture of plastic film.
- We have also helped create demand for recycled plastics by making available \$1.5 million to enable [GreenMantra Technologies](#) to build a production facility that can convert discarded plastics into synthetic wax.

As a result of these initiatives, our ongoing research and discussions with new and existing Ontario recyclers, we believe the province has the potential, under the right conditions, to substantially increase the amount of Blue Box material converted into new manufacturing commodities, rather than being shipped to the United States or overseas.

Industry Funding

It is the responsibility of industry to share the cost of the Blue Box Program with municipal governments,

Due to a difference in the timing of validated tonnages for the Blue Box and Orange Drop (MHSW) Programs, figures reflect 2011 performance for Blue Box and 2012 performance for Orange Drop.

under a modified form of Extended Producer Responsibility (EPR).

In 2012:

- 1,505 stewards reported into the Blue Box Program
- Steward contributions to the Blue Box Program totalled \$104,638,471

Blue Box Program Performance Rates

The Blue Box Program collected 904,850 tonnes of recyclables, compared with 887,242 tonnes in the previous year. Sixty-four per cent of residential paper and packaging generated by Blue Box stewards was diverted from landfill, outperforming the provincial target of 60 per cent for the fifth year in a row.

Category	2011			
	Quantity Generated by Stewards (tonnes)	Share of Total Materials	Quantity Collected By Stewardship Ontario (tonnes)	Performance Rate
Newsprint - CNA/OCNA*	213,800	15.2%	202,416	94.7%
Newsprint - Non-CNA/OCNA	145,965	10.4%	138,193	94.7%
Magazines and Catalogues	78,942	5.6%	74,738	94.7%
Telephone Books	9,002	0.6%	8,523	94.7%
Other Printed Paper	125,434	8.9%	63,890	50.9%
PRINTED PAPER	573,142	40.7%	487,760	85.1%
Paper Packaging	391,630	27.8%	220,922	56.4%
Plastics Packaging	260,002	18.5%	66,720	25.7%
Steel Packaging	55,982	4.0%	30,800	55.0%
Aluminum Packaging	27,263	1.9%	10,314	37.8%
Glass Packaging	101,067	7.2%	88,335	87.4%
PACKAGING	835,944	59.3%	417,090	49.9%
TOTAL MATERIALS	1,409,087	100.0%	904,850	64.2%
PROVINCIAL COLLECTION TARGET	60.0%			

**Canadian Newspaper Association/Ontario Community Newspapers Association*

The Orange Drop Program (MHSW)

Stakeholder Engagement

We presented the revised Orange Drop Program (MHSW) Plan on August 23, 2012, to enable stakeholders to provide feedback before submission to Waste Diversion Ontario (WDO) for approval in 2013.

We held Automotive Incentive Program roundtables on May 30 and November 22, 2012, one-on-one discussions took place in June, and we presented interim reports in July and September. The focus was on transport zones, fuel costs, rate stability and business predictability. As a result of the discussion and feedback, we implemented a number of improvements, including new zone maps and rates, a fuel surcharge policy and performance scorecard enhancements.

Industry Funding

The Orange Drop Program is fully funded by industry, according to the model of Extended Producer Responsibility (EPR). In February 2012, the Ministry

of the Environment issued Ontario Regulation 11/12 that amends Ontario Regulation 542/06 and dictates Stewardship Ontario's fee setting methodology to be a cost recovery mechanism based on stewards' reported supply into market assessed as their share of costs. The regulation came into force on April 1, 2012, when steward reporting for the 2012 second quarter (Q2) obligation also took place, and reflected the new cost allocation methodology. This used market share from steward 2012 Q1 reports against actual costs incurred by Stewardship Ontario in Q1 2012. This new methodology continued for the remainder of 2012, as required by the regulation.

In 2012:

- 588 stewards reported into the Orange Drop Program (MHSW)
- Steward funding for the Orange Drop Program (MHSW) totalled \$49,170,731

Orange Drop Program (MHSW) Performance Rates

Stewardship Ontario continues to promote innovation and job creation in the recycling industry by:

- Building strong markets and keeping production and manufacturing in Ontario
- Ensuring that service providers are treated fairly
- Encouraging vigorous competition among service providers

We continued to strengthen our overall recycling performance for Orange Drop (MHSW) materials in 2012:

- Collection was up nine per cent over 2011 to 28,480 tonnes
- Diversion was up 17 per cent over 2011 to 25,016 tonnes
- Accessibility was up 34 per cent over 2011 to 16,143 sites



Aggregate 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%
2012	20,708 tonnes	28,480 tonnes	138%

Accessibility

In 2012, the total number of Orange Drop drop-off locations grew by 34 per cent over 2011 – 50 per cent above target. We also added 150 new automotive DIY and 1,588 battery sites:

Channel - Activity	2012 Target	2012 Actual
Municipal - Depot	110	87
Municipal - Events	425	347
Automotive - Commercial Sites	9,500	12,000+
Automotive - Do It Yourself (DIY) Sites	200	592
Return-to-Retail	400	288
Battery Incentive Program (BIP)	–	2,739
Provincial Parks Program	108	90
Total Sites	10,743	16,143

2012 Tonnes Collected¹

	Tonnes					%		
	2011	2012						
Material Category	Actual Collection	Available for Collection	Collection Target	Actual Collection	Collection Variance vs. Target	Collection Variance vs. 2011	Collection Target Rate	Actual Collection Rate
Antifreeze	2,644	11,370	3,980	3,151	-829	507	35%	28%
Fertilizers	78	115	n/a	104	n/a	26	n/a	91%
Oil Containers	2,554	3,453	1,278	2,998	1,720	444	37%	87%
Oil Filters	8,483	8,974	6,282	8,833	2,551	350	70%	98%
Paints & Coatings (incl. Aerosols)	10,013	11,217	5,345	10,712	5,367	699	47%/50% ²	96%
Pesticides	33	100	n/a	46	n/a	13	n/a	46%
Pressurized Containers (Non-Refillable)	319	664	106	336	230	17	16%	51%
Pressurized Containers (Refillable)	350	1,202	1,058	538	-520	188	88%	45%
Single-Use Batteries	1,011	6,848	1,712	966	-746	-45	25%	14%
Solvents	646	1,932	947	795	-152	149	49%	41%

¹ Stewardship Ontario and Waste Diversion Ontario (WDO) agreed to align the 2012 calendar year with the performance targets for year 2 of the Consolidated Orange Drop Program Plan (MHSW).

² Paints and Coatings/Aerosols.

2012 Tonnes Diverted¹

	Tonnes						%	
	2011	2011						
Material Category	Actual Diversion	Available for Collection	Diversion Target	Actual Diversion	Diversion Variance vs. Target	Diversion Variance vs. 2011	Diversion Target Rate	Actual Diversion Rate
Antifreeze	2,644	11,370	3,980	3,151	-829	507	35%	28%
Fertilizers	n/a	115	n/a	n/a	n/a	n/a	n/a	n/a
Oil Containers	2,554	3,453	1,278	2,998	1,720	444	37%	87%
Oil Filters	7,889	8,974	6,282	8,833	2,551	944	70%	98%
Paints & Coatings (incl. Aerosols)	6,798	11,217	3,796	8,142	4,346	1,344	31%/44% ²	73%
Pesticides	n/a	100	n/a	n/a	n/a	n/a	n/a	n/a
Pressurized Containers (Non-Refillable)	319	664	106	336	230	17	16%	51%
Pressurized Containers (Refillable)	350	1,202	1,058	538	-520	188	88%	45%
Single-Use Batteries	870	6,848	1,080	845	-235	-25	16%	12%
Solvents	n/a	1,932	n/a	172	n/a	n/a	n/a	9%

¹ Stewardship Ontario and Waste Diversion Ontario (WDO) agreed to align the 2012 calendar year with the performance targets for year 2 of the Consolidated Orange Drop Program Plan (MHSW).

² Paints and Coatings/Aerosols.

Orange Drop Program (MHSW) Financial Performance

	2012			To Date
Orange Drop Material	Fee Rvenue From Stewards	Total Program Costs	Surplus ³ / (Deficit) ^{1,2}	Accumulated Surplus/ (Deficit) as of Dec. 31/11 to Offset Costs ³ / (be Recovered) as of Dec. 31/12 ⁴
Antifreeze	1,767,402	2,159,629	(392,227)	(391,164)
Fertilizers	503,026	592,391	(89,365)	(754,632)
Oil Containers	6,766,698	7,500,421	(733,723)	(3,180,178)
Oil Filters	8,662,543	7,652,094	1,010,449	9,445,251
Paints & Coatings	21,113,510	22,718,975	(1,605,465)	(5,313,145)
Pesticides	307,743	331,553	(23,810)	(505,784)
Pressurized Containers (Non-Refillable)	2,769,108	2,669,627	99,481	(210,599)
Pressurized Containers (Refillable)	530,520	1,005,478	(474,958)	(546,364)
Single-Use Batteries	4,430,874	3,614,785	816,089	2,362,730
Solvents	2,319,307	2,244,195	75,112	(1,054,786)
TOTAL	49,170,731	50,489,148	(1,318,417)	(148,671)

Due to a difference in the timing of validated tonnages for the Blue Box and Orange Drop (MHSW) Programs, figures reflect 2011 performance for Blue Box and 2012 performance for Orange Drop.

¹ 2012 surpluses and deficits are largely the result of per-unit-fee revenue received for Q1.

² Deficits resulting from 2012 operations will be recovered once the balance of the December 31, 2011 accumulated deficits is recovered.

³ Surpluses resulting from 2012 operations or accumulated to date will be used to offset future costs until drawn down.

⁴ Does not include surpluses and deficits resulting from 2012 operations.

Orange Drop Recycling, Reuse and Safe Disposal

● Vehicle Engine Antifreeze/Coolant and its Containers

These products contain toxic ingredients. Improper storage or disposal of ethylene glycol antifreeze has the potential to negatively impact human health and the environment. Ethylene glycol based antifreeze is sweet tasting and may be unintentionally ingested by small children or animals if stored or disposed of improperly. Ethylene glycol is chemically broken down in the body into toxic compounds that affect the central nervous system, heart and kidneys. Although antifreeze based on propylene glycol is much less toxic than that based on ethylene glycol, collection and proper end-of-life management is important for resource conservation.

Antifreeze collected through the Orange Drop Program (MHSW) is sent for processing and refining prior to being resold to the market as vehicle antifreeze, or used for other applications.

● Fertilizers and Pesticides

The Canadian Food Inspection Agency administers the Fertilizer Act, and regulations which are designed to safeguard our food supply, protect the health of animals and plants and enhance the well-being of Canada's people, environment and economy.¹ Some fertilizers and most supplements are subject to registration, and require a comprehensive assessment prior to their import and/or sale in Canada. Proper end-of-life management of unused registered fertilizers is an important component of the strategy to minimize the impact of these products on the environment from improper disposal. While the sale of fertilizer-pesticide combination products has

been significantly restricted in Ontario in recent years, they continue to be in the waste stream as consumers use, or decide to dispose of, their historical products.

When consumers take fertilizer to an Orange Drop-off location, it will either be reused on site, or sent for composting or secure landfilling.

Pesticides, if not managed and disposed of correctly, could potentially cause water pollution. Some pesticides are persistent organic pollutants and may contribute to soil contamination if not disposed of correctly. Pesticides should be handled with care to prevent over-exposure, which may affect the health of some people.

Pesticides can't be recycled, so the Orange Drop Program (MHSW) ensures they are blended for use as fuel or neutralized and sent for safe disposal.

● Empty Lubricating Oil Containers

Oil containers still contain oil residue which can contaminate waterways and soil if disposed of improperly.

Under the Orange Drop Program (MHSW), the containers are shredded, cleaned and recycled. Residual oil is recovered and recycled.

● Oil Filters

Oil filters contain amounts of used oil and must be properly handled to avoid leaching of used oil into the groundwater.

The Orange Drop Program (MHSW) ensures that residual oil is extracted and refined for re-use or recovered as a fuel source. The metal is crushed and recycled.

¹www.inspection.gc.ca/plants/fertilizers/registration-requirements/guide-regulatory-requirements/eng/1353001948730/1353002110263?chap=1#s1c1

- **Paints, Stains, Coatings and their Containers**

Paints, stains and coatings can contaminate soil and groundwater if not disposed of properly. Chemicals used in the production of oil-based paint can pose serious threats to human health and the natural environment if handled or disposed of improperly. In addition, paint made before 1978 can contain lead, and paint made before 1991 can contain mercury.

Under the Orange Drop Program (MHSW), most paint is reused to make new paint. Hardened paint is sent for safe disposal. Metal cans are recycled.

- **Pressurized Cylinders that held Propane, Oxygen, Helium or Other Gasses**

These cylinders can combust, explode or leak when they are exposed to varying temperature, humidity, pressure, etc. or if a chemical reaction occurs due to mixing of contents.

The Orange Drop Program (MHSW) ensures that these cylinders are safely dismantled and that any remaining contents are managed safely. The contents are carefully removed and repackaged for sale, where possible. Non-refillable metal cylinders and valves are recycled. Refillable propane cylinders are either reused or recycled after an initial inspection by authorized processors.

- **Single-Use Batteries**

Batteries contain valuable commodities that can be effectively recycled, reducing demand for virgin metals. Despite changes to manufacturing processes and product design, some batteries may contain heavy metals and other toxic chemicals that could cause soil contamination and water pollution if the batteries are not disposed of properly.

Under the Orange Drop Program (MHSW), all batteries are sorted by type: alkaline, lithium etc. and then recycled for their respective elements, i.e., metal, zinc, manganese, etc.

- **Paint Thinners, Strippers, Degreasers and Other Solvents**

These products can contaminate soil and groundwater if not properly managed. Chemicals used in the production of solvents can pose serious threats to human health and the natural environment if handled or disposed of improperly.

The Orange Drop Program (MHSW) enables solvents to be blended and safely used for fuel in processes like cement kilns, offsetting the need for other energy sources such as coal, oil and fossil fuels. Containers are recycled.



Orange Drop materials that can be dropped off at locations across Ontario

Note that Orange Drop materials that are recovered as a fuel source are not included in diversion performance figures.

KPMG INCENTIVE PROGRAM REVIEW

Following a request from the Minister of the Environment, KPMG was retained by Waste Diversion Ontario (WDO) to conduct an Incentive Program Review related to the development and implementation of financial incentives paid to service delivery partners by Industry Funding Organizations (IFOs). KPMG's review focused on the Municipal Depot Transportation and Processing Incentive Program (MDT&PIP) as part of the Orange Drop Program (MHSW).

We would like to thank those stakeholders who took the time to speak directly with KPMG to share their views and opinions.

WDO submitted the KPMG recommendations to the Minister, and the report (which is available at www.wdo.ca) was released in May 2012. Stewardship Ontario then retained the services of KPMG to help implement the report's recommendations. We developed new guidelines, measures and processes with KPMG to strengthen our operations and stakeholder engagement practices, to improve our knowledge and working methods in these areas and to embed high performance standards in Stewardship Ontario's corporate culture. With our colleagues at WDO, we are pleased with the improvements we have made to the way we work.

◦ Clarifying Extended Producer Responsibility (EPR) Roles and Responsibilities

The KPMG review determined that roles and responsibilities are not clearly defined among EPR players, notably between Stewardship Ontario, WDO, municipalities, the Ministry of the Environment (MOE) and service providers. The review recommended that clarification of governance structure and accountability mechanisms in relation to the operational responsibility of the IFO is critical to successful EPR arrangements.



Following the examination of other EPR programs, KPMG detailed EPR best practices. The report also listed improvements for working with partners to advance Ontario's EPR programs. We have used these insights to inform our discussions with WDO on a new Program Agreement for MHSW, integrated them into our business activities, and we continue to share what we learn with our stakeholders, where appropriate.

◦ Formalizing Stakeholder Engagement Practices

KPMG's review identified the need to increase engagement with our stakeholders. What we heard was that two-way communication between us and our partners is key. We should deploy a variety of strategies to ensure that we communicate effectively, that we fully understand the perspective of our stakeholders, and use that understanding to inform our decisions. Effective engagement, in our business



KPMG reviewed best practices in stakeholder engagement and we have used this information to develop a set of guiding principles that we will integrate into the culture of Stewardship Ontario.

The KPMG review called for a performance measurement framework and risk-tracking practices. In response, we have worked with KPMG to develop a logic model approach to performance measurement. Logic models are frequently used to align the work an organization undertakes with the desired outcomes it wishes to achieve, while also identifying the most appropriate measures for performance.

Formalizing Risk Transfer Methodology

Towards the end of 2012, we introduced a fuel surcharge for the new zones in the Automotive Incentive Program (AIP). The fuel surcharge premium was shared at an AIP roundtable in November, and took effect on January 1, 2013.

The KPMG report recommended that we consider establishing an appeals process to enable companies to dispute our decision regarding their eligibility to participate in the MDT&PIP program.

KPMG has helped us develop principles for dispute resolution, criteria to assess the dispute submission and a dispute resolution decision tree/process map.

● STEWARDSHIP ONTARIO GOVERNANCE



2012 Director Attendance

BOARD MEMBER	COMMENTS	MARCH 22, 2012	JUNE 21, 2012	CONFERENCE CALL AUG. 15, 2012	MEETING/ CONFERENCE CALL SEPT. 21, 2012	OCT. 23, 2012	DEC. 11, 2012
Ian Anderson		Yes	Yes	Yes	Yes	Yes	Yes
Debbie Baxter		Yes	Yes	Yes	Yes		Yes
Scott Bonikowsky	Voted onto Board Dec. 11, 2012						
Diane Brisebois		Yes		Yes	Yes	Yes	Yes
Robert Chant		Yes	Yes	Yes	Yes	Yes	Yes
Don Cousens		Yes	Yes	Yes	Yes	Yes	Yes
John Coyne (Chair)		Yes	Yes	Yes	Yes	Yes	Yes
Christopher Cyrenne	Voted onto Board Dec. 11, 2012						
Calla Farn		Yes	Yes	Yes	Yes	Yes	Yes
Roberta Jamieson		Yes		Yes		Yes	Yes
Mark Malo	Resigned from Board Oct. 5, 2012	Yes	Yes				
Sylvain Mayrand		Yes	Yes	Yes	Yes	Yes	Yes
Reg McLay		Yes	Yes	Yes	Yes	Yes	
Guy McGuffin	Resigned from Board Sept. 21, 2012	Yes	Yes	Yes	Yes		
Gordon Meyer		Yes	Yes	Yes		Yes	Yes
Brian Prendergast		Yes	Yes	Yes	Yes	Yes	
Vince Rea		Yes	Yes	Yes	Yes	Yes	Yes

 Absent

 Not applicable

2012 Board Committees

Investment Committee

Ian Anderson (*Chair*), Sylvain Mayrand,
Guy McGuffin (*resigned September 21, 2012*)

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.

February 29, 2012

Ian Anderson (*Chair*), Sylvain Mayrand, Guy McGuffin

June 12, 2012

Ian Anderson (*Chair*), Sylvain Mayrand, Guy McGuffin

October 12, 2012

Ian Anderson (*Chair*), Sylvain Mayrand

November 29, 2012

Ian Anderson (*Chair*), Sylvain Mayrand

Human Resources & Compensation Committee

Mark Malo (*Chair*)

The Compensation Committee oversees the compensation and performance management process for the senior management team. Informal meetings were held as required between the Chair and the CEO.

Finance, Audit, Risk & Performance Committee (Renamed Finance & Audit Committee in 2013)

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

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 9, 2012

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

May 24, 2012

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

September 6, 2012

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

November 29, 2012

Debbie Baxter (*Acting Chair*), Reg McLay,
Gordon Meyer, Vince Rea

Governance Committee

(Renamed Governance & Risk Committee in 2013)

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

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.

March 1, 2012

Brian Prendergast (*Chair*), Bob Chant, Don Cousens,
Calla Farn

May 24, 2012

Brian Prendergast (*Chair*), Bob Chant, Don Cousens,
Calla Farn

August 17, 2012 (*Conference Call*)

Brian Prendergast (*Chair*), Bob Chant, Don Cousens,
Calla Farn

November 30, 2012

Brian Prendergast (*Chair*), Bob Chant

Regulatory Affairs Committee

Bob Chant (*Chair*), Don Cousens, Calla Farn,
Roberta Jamieson

The Regulatory Affairs Committee was created in 2012 to provide advice and support to Management in regard to Stewardship Ontario's stakeholder relations.

November 26, 2012

Bob Chant (*Chair*), Don Cousens, Calla Farn,
Roberta Jamieson

FINANCIAL COMMENTARY

Consolidated Reporting of Financial Results

Stewardship Ontario is a non-profit organization that operates both the Blue Box and Orange Drop (MHSW) Programs for the Province of Ontario. While there is no cross-subsidization between the programs, or the materials within each of the programs, the financial results are reported on a consolidated basis. This means the assets, liabilities, net assets, revenues and expenses for both programs are combined and presented as a single reporting entity in Stewardship Ontario's annual financial statements. A rigorous system of internal controls ensures that the transactions are kept separately for each program. Management reports revenues and expenses to the Finance, Audit and Performance Committee and the Board of Directors quarterly, on a segmented or program-specific basis.

Stability

Stewardship Ontario has a strong balance sheet with over \$40.3M in net assets of which \$24.9M are unrestricted, \$13.4M are restricted for specific initiatives or reserves and \$2M is invested in capital assets. Our balance sheet has substantial cash, accounts receivable and short- and long-term investments that support the \$40.3M in net assets.

2012 Operating Results

Stewardship Ontario reported a \$20.6M surplus in 2012 compared to \$8.1M surplus in 2011.

Blue Box posted a \$9.3M surplus in 2012 due partially to invoicing and recovery of a \$5.9M deficit incurred in 2011.

Orange Drop fee revenue against program costs resulted in a deficit of \$1.3M. Due to a regulatory change, \$16.1M in deficit recovery revenue that is being invoiced in 2012-2015 was recorded as revenue in

2012. Orange Drop revenue for 2012 also includes \$1.9M in administrative fees from the Services Agreement with the Ministry of the Environment for MHSW Phase 2/3 to transfer funds to municipalities on behalf of the Province of Ontario.

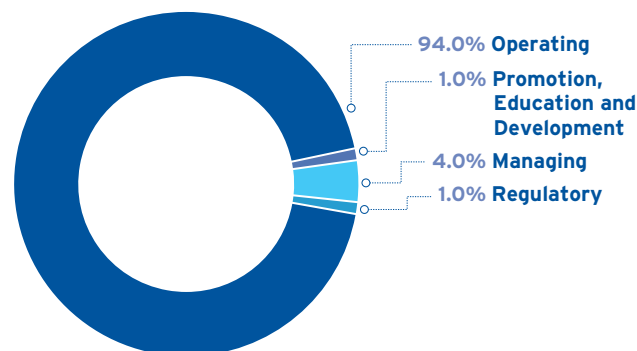
To help understand how each program performed we have summarized the program-specific results below:

Blue Box – 2012 Financial Performance

Total expenses for 2012 were \$96M (2011 – \$95.4M) a less than one per cent increase. Cash transfers to municipalities increased to \$85.4M, which was on budget.

The pie chart below provides details of the expenses incurred. By far the largest expense is operating costs at 94 per cent (2011 – 94 per cent) which is transferred to the 230 Blue Box Programs that service 96 per cent of Ontario communities. Management, promotion and education (P&E), development and regulatory expenses remained consistent year over year at 6 per cent of expenses (2011 – 6 per cent).

Blue Box
Total Expenses: \$95,963,969



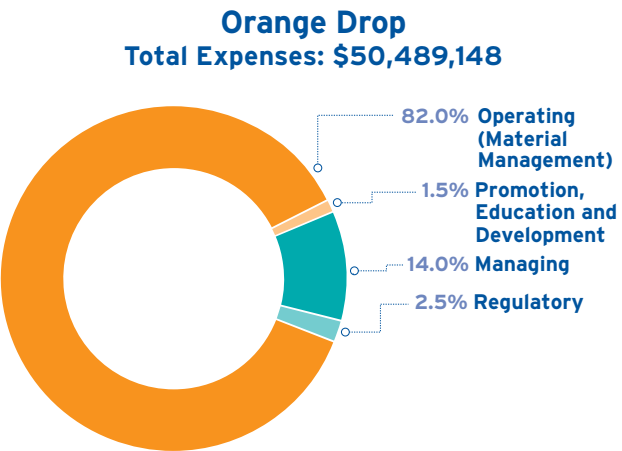
Orange Drop – 2012 Financial Performance

Stewardship Ontario is required to maintain separate accounting records for each of the materials in the program, and stewards in each material are expected to cover their own costs in keeping with the principle of no cross-subsidization between materials.

In February 2012, the Ministry of the Environment (MOE) 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-recovery share allocation methodology. This

regulation now requires Stewardship Ontario to allocate each quarter's costs based on each steward's share of reported supply into the market. The same regulation provided information on how existing material deficits are to be recovered.

Operating costs (material management) for Orange Drop in 2012 were \$41.5M (2011 – \$36.4M) or 82 per cent of total costs (2011 – 87 per cent). For 2012 operations, tonnes collected increased by 9 per cent over 2011; material management cost/tonne decreased 4 per cent over 2011. Management, promotion and education, development and regulatory expenses represented the remaining 18 per cent of expenses (2011 – 13 per cent).



Services Agreement

In June 2012, the MOE informed Stewardship Ontario that the Services Agreement for transferring MHSW Phase 2/3 funds to municipalities was terminated effective September 30, 2012. The final transfer payments on behalf of the Province of Ontario through Stewardship Ontario to municipalities will be made in 2013. Transactions relating to the Services Agreement are noted as MHSW (Phase II/III) in the consolidated financial statements.

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 sheets as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of changes in net assets, operations and cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 in our audits 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, 2012, December 31, 2011 and January 1, 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
March 28, 2013
Toronto, Ontario

Balance Sheet

	December 31, 2012	December 31, 2011	January 1, 2011
ASSETS			
Current			
Cash	\$ 7,535,772	\$ 3,119,759	\$ –
Investments (Note 3)	32,126,192	55,025,249	70,688,326
Accounts and other receivables (Note 4)	35,072,461	21,745,736	4,731,215
Prepaid expenses and deposits	427,230	260,817	287,568
	75,161,655	80,151,561	75,707,109
Capital assets (Note 5)	2,025,971	1,656,525	2,116,166
Long term receivables (Note 4)	6,642,584	–	–
Investments (Note 3)	45,319,941	35,358,521	35,584,101
Convertible loans receivable (Note 6)	3,000,000	–	–
	\$ 132,150,151	\$ 117,166,607	\$ 113,407,376
LIABILITIES AND NET ASSETS			
Current			
Bank overdraft	\$ –	\$ –	\$ 16,399,699
Accounts payable and accrued liabilities	54,283,686	58,766,468	43,340,692
Deferred revenue (Note 7)	37,536,627	38,691,827	42,056,362
	91,820,313	97,458,295	101,796,753
Net Assets			
Invested in capital assets	2,025,971	1,656,525	2,116,166
Unrestricted	24,879,276	8,983,018	2,713,165
Internally restricted (Note 8)	13,424,591	9,068,769	6,781,292
	40,329,838	19,708,312	11,610,623
	\$ 132,150,151	\$ 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, 2012

	Invested in Capital Assets	Unrestricted	Internally Restricted	2012 Total
Balance , beginning of year	\$ 1,656,525	\$ 8,983,018	\$ 9,068,769	\$ 19,708,312
Excess of revenue over expenses for the year	(485,507)	21,901,211	(794,178)	20,621,526
Investment in capital assets	854,953	(854,953)	–	–
Plastic Market Development Fund (Note 8)	–	(3,000,000)	3,000,000	–
Blue Box Fund (Note 8)	–	(1,650,000)	1,650,000	–
Fibre Market Development Fund (Note 8)	–	(500,000)	500,000	–
Balance , end of year	\$ 2,025,971	\$ 24,879,276	\$ 13,424,591	\$ 40,329,838

For the year ended December 31, 2011

	Invested in Capital Assets	Unrestricted	Internally Restricted	2011 Total
Balance, beginning of year	\$ 2,116,166	\$ 2,713,165	\$ 6,781,292	\$ 11,610,623
Excess of revenue over expenses for the year	(478,122)	9,288,334	(712,523)	8,097,689
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

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

Statement of Operations

For the year ended December 31

2012

2011

Revenue

Blue Box program steward fees	\$ 104,638,471	\$ 92,661,176
MHSW program steward fees (Phase I)	49,170,731	38,569,208
MHSW deficit recovery fees (Phase I) (Note 4(b))	16,092,753	–
MHSW program fees (Phase II/III) (Note 4(a))	9,493,700	24,106,134
MHSW administrative fees	1,866,407	2,605,208
Investment income (Note 9)	958,287	1,506,113
	182,220,349	159,447,839

Expenses

Blue Box Program		
Municipal Transfer Payments	85,412,723	81,105,778
Continuous Improvement Fund (Note 11(c))	4,450,752	9,013,449
Research and development	906,311	886,598
Enterprise Information System	403,029	434,984
	91,172,815	91,440,809
MHSW Program		
Direct material costs (Phase I)	41,385,751	36,656,019
Direct material costs (Phase II/III)	9,493,700	13,875,263
Shared promotion and education	791,270	550,359
Bad debt expense (Note 4(a))	5,652,006	–
	57,322,727	51,081,641
Common costs		
Program management	10,927,208	7,594,102
Waste Diversion Ontario and Ministry of Environment charges (Note 10)	2,176,073	1,233,598
	13,103,281	8,827,700
Total expenses	161,598,823	151,350,150
Excess of revenue over expenses for the year	\$ 20,621,526	\$ 8,097,689

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

Statement of Cash Flows

For the year ended December 31

2012

2011

Cash provided by (used in)

Operating activities

Excess of revenue over expenses for the year	\$ 20,621,526	\$ 8,097,689
Adjustments to reconcile excess of revenue over expenses for the year to cash provided by operating activities		
Amortization of capital assets	485,507	478,122
Non-cash component of investment income	445,406	99,070
Changes in non-cash working capital balances		
Accounts and other receivables	(13,326,725)	(17,014,521)
Prepaid expenses and deposits	(166,413)	26,751
Long term receivables	(6,642,584)	-
Accounts payable and accrued liabilities	(4,482,782)	15,425,776
Deferred revenue	(1,155,200)	(3,364,535)
	(4,221,265)	3,748,352

Investing activities

Purchase of investments	(36,771,826)	(35,143,231)
Proceeds from investments	49,264,057	50,932,818
Purchase of capital assets	(854,953)	(18,481)
Convertible loans receivable	(3,000,000)	-
	8,637,278	15,771,106

Increase in cash during the year

4,416,013 19,519,458

Cash (bank overdraft), beginning of year

3,119,759 (16,399,699)

Cash, end of year

\$ 7,535,772 \$ 3,119,759

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

Notes to Financial Statements

December 31, 2012

1. Significant Accounting Policies

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

(a) Business Organization and Operations

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

Blue Box Program

The first Blue Box Program Plan was approved by the Minister of the Environment in December 2003 and the program commenced operations in February 2004.

MHSW Program (Phase I)

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.

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). Ontario Regulation 11/12 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 Ontario Regulation 11/12 took effect on April 1, 2012, the Organization was required to apply a market share methodology to recover both ongoing operating costs and to also recover past deficits that have accumulated over the course of the program (see Note 4(b)). This new cost recovery methodology is designed to result in an economically sustainable program.

MHSW Program (Phase II/III)

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 ("MHSW program (Phase II/III)"). 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 MHSW program (Phase II/III). Material collection and the associated obligation to pay for these costs continued to exist through 2010, 2011 and 2012 for all materials under the MHSW program (Phase II/III). The Minister of the Environment will reimburse the Organization for all costs deemed appropriate for the management of the materials introduced under the MHSW program (Phase II/III) (see Note 4(a)).

(b) Basis of Accounting

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

(c) Revenue Recognition

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

1. Significant Accounting Policies (continued)

The Organization follows the deferral method of accounting for revenues, including those 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 programs are recognized as revenue when the related expenses are incurred.

(d) Financial Instruments

Money market pooled funds, guaranteed investment certificates and bonds are valued at year-end quoted market prices. Realized and unrealized gains (losses) are recorded in the statement of operations. The Organization accounts for these investments on a settlement date basis and transaction costs associated with these investment activities are included in the statement of operations. These investments have been presented according to their contractual maturity dates.

Common shares and convertible loans receivable are carried at amortized cost (net of any impairments).

Unless otherwise noted, the Organization initially measures its financial assets and liabilities at fair value and subsequently measures its financial assets and liabilities at amortized cost.

(e) Capital Assets

Property, plant and equipment is recorded at cost less accumulated amortization and is amortized on the following basis:

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

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.

(f) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Significant estimates include estimates of unreported tonnages and collectability of steward fees and accrued post collection costs. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. First-time Adoption

Effective January 1, 2011, the Organization adopted the requirements of the new accounting framework, Canadian accounting standards for not-for-profit organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting. These are the Organization's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and retrospective exceptions. The accounting policies set out in Note 1 - Significant Accounting Policies have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening ASNPO balance sheet at the date of transition of January 1, 2011.

The Organization issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of ASNPO resulted in no adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenses and cash flows of the Organization.

The following exemption was used at the date of transition to Canadian accounting standards for not-for-profit organizations:

Financial Instruments

The Organization has elected to designate its fixed income investments to be measured at fair value at the date of transition to ASNPO.

3. Investments

	2012	2011
Cash held with broker	\$ 466,181	\$ 278,445
Money market pooled funds	5,722,726	16,006,494
Guaranteed investment certificate	20,922,314	34,809,694
Bonds	49,834,912	38,789,137
Common shares, private company	500,000	500,000
	77,446,133	90,383,770
Less: Current portion	32,126,192	55,025,249
	\$ 45,319,941	\$ 35,358,521

Money market pooled funds, guaranteed investment certificates and bonds bear interest at 1.25% to 5.30% (2011 - 1.05% to 6.00%), and mature between May 2013 and April 2020 (2011 - October 2012 and April 2015). The decrease in market value of investments for the year ended December 31, 2012 amounted to \$1,399,861 (2011 - \$424,018) which is included in investment income (Note 9).

The Organization owns 544,818 common shares of a company representing a 12.64% ownership at December 31, 2012. The company is a privately owned with no common share prices quoted in an active market.

4. Accounts and Other Receivables

	2012	2011
Blue Box and MHSW program steward fees	\$ 18,301,840	\$ 3,777,636
MHSW program fees (Phase II/III) (a)	11,689,327	18,238,725
MHSW deficit recovery fees (Phase I) (b)	11,956,652	-
Other	25,326	-
Allowance for doubtful accounts	(258,100)	(270,625)
	41,715,045	21,745,736
Less: Current portion	35,072,461	21,745,736
	\$ 6,642,584	\$ -

(a) MHSW program fees (Phase II/III)

During 2011, 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.

During the current year, the Organization entered into an agreement with the Minister of the Environment for the reimbursement of costs related to operating the MHSW program (Phase II/III). In addition, the Organization wrote off \$5,652,006 in prior program fees receivable which were determined to not be costs eligible for collection from the Ministry of the Environment as part of the MHSW program fees (Phase II/III) which results in these costs being collected over time from the MHSW deficit recovery (Phase I). Included in revenue is the following amount related to the MHSW program fees (Phase II/III):

	2012	2011
Plan development and start-up costs	\$ -	\$ 3,657,098
2010 program operating costs	-	6,573,773
2011 program operating costs	-	13,875,263
2012 program operating costs	9,493,700	-
	\$ 9,493,700	\$ 24,106,134

(b) MHSW deficit recovery fees (Phase I)

The MHSW deficit recovery fees (Phase I) are receivable from stewards in quarterly installments over a three year period commencing on May 15, 2012.

5. Capital Assets

	2012		2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Property, plant and equipment				
Computer equipment	\$ 130,262	\$ 88,743	\$ 115,159	\$ 59,295
Furniture and fixtures	459,785	128,128	265,158	75,097
	590,047	216,871	380,317	134,392
Intangible asset				
Enterprise Information System	2,660,366	1,007,571	2,015,143	604,543
	3,250,413	1,224,442	2,395,460	738,935
Net carrying amount		\$ 2,025,971		\$ 1,656,525

6. Convertible Loans Receivable

	2012	2011
Convertible loan, private company	\$ 1,500,000	\$ -
Convertible loan, private company	\$ 1,500,000	\$ -
	\$ 3,000,000	\$ -

During 2012, the Organization provided a \$1.5 million convertible five year loan that bears interest at Bank of Canada prime rate plus 2% which is accrued and compounded monthly and is payable at the maturity date. The loan is convertible into common shares of the company at a discounted rate under certain conditions or at the option of the Organization at the maturity date. The loan is to a private company with no common share prices quoted in an active market.

During 2012, the Organization provided a \$1.5 million convertible five year loan that bears interest at Bank of Canada prime rate plus 1% which is accrued and compounded monthly and may be converted into shares on the same terms as the principal. The loan is convertible into common shares of the company at a discounted rate under certain conditions or at the option of the Organization at the maturity date. The loan is to a private company with no common share prices quoted in an active market.

7. Deferred Revenue

	2012	2011
Blue Box Program		
Glass Market Development Fund	\$ 666,017	\$ 666,017
Effectiveness & Efficiency Fund	964,965	983,090
Continuous Improvement Fund	35,905,645	37,042,720
	\$ 37,536,627	\$ 38,691,827

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 11(c) for further details regarding 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 are further explained in Note 11.

8. Internally Restricted Net Assets

	2012	2011
Sustaining Fund	\$ 3,500,000	\$ 3,500,000
Plastic Market Development Fund	7,774,591	5,568,769
Blue Box Fund	1,650,000	-
Fibre Market Development Fund	500,000	-
	\$ 13,424,591	\$ 9,068,769

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.

The directors authorized the establishment of a fund for investment in infrastructure for plastic markets and activities for their development. During the year, the directors internally restricted \$3,000,000 (2011 - \$3,000,000) and \$794,178 (2011 - \$712,523) was spent on plastics market development activities.

During the year, the directors authorized the establishment of the Blue Box Fund to support future efficiency in the Blue Box supply chain and internally restricted \$1,650,000. During the year, the directors authorized the establishment of the Fibre Market Development Fund to develop markets to support additional recycling and efficiency of fibres recycled in the Blue Box Program and internally restricted \$500,000. No funds have been expended from either of these restricted funds in 2012.

9. Investment Income

	2012	2011
Interest income	\$ 3,162,834	\$ 2,280,659
Loss on sale of investments	(644,233)	(191,657)
	2,518,601	2,089,002
Adjustment to fair value	(1,399,861)	(424,018)
Investment expenses	(160,453)	(158,871)
	\$ 958,287	\$ 1,506,113

10. 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 \$2,176,073 (2011 - \$1,233,598).

11. 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, 2012, the Organization has paid \$2,235,508 and the remaining balance is restricted 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

11. Commitments (continued)

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, 2012, the E&E Fund balance is \$964,965, of which it is anticipated that the entire balance will be used in 2013.

(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 unused amounts are reflected in Deferred Revenue (Note 7). As of December 31, 2012, approved project funding and related commitments for the CIF amounted to approximately \$34,800,000 of the total fund balance of \$35,905,645.

(d) Realty Lease Agreements

Under the terms of lease agreements, the Organization is committed to pay basic rent plus operating costs over the next five years approximately as follows:

2013	\$ 407,400
2014	377,900
2015	359,400
2016	360,000
2017	160,700
	<u>\$ 1,665,400</u>

12. 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, accounts receivable, long term receivables, investments and convertible loans receivable. Management considers its exposure to credit risk over cash to be remote as the Organization holds cash deposits at a major Canadian bank. Management considers its exposure to credit risk over investments to be remote as the Organization invests in federal or provincial government securities, corporate bonds, securities backed by any chartered bank, or guaranteed investment certificates. Accounts receivable and long term

receivables are not significantly concentrated, monitored regularly for collections, and the carrying amount represents the maximum credit risk exposure. Convertible loans receivable are due from two companies and 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 fixed income 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 expenditures. Management has taken steps to ensure that the Blue Box and MHSW programs will have sufficient working capital available to meet obligations which it is unable to cover from program revenues in the short term. The introduction of Ontario Regulation 11/12 Amending Ontario Regulation 542/06 that changes the fee setting methodology for the MHSW Phase I 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 1(a)).

(e) Market Risk:

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

13. Comparative Figures

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

14. Subsequent Event

On January 1, 2013, the Organization signed a three year loan agreement to provide funds up to \$1,500,000 to a third party of which \$623,384 has been drawn subsequent to year end.

The loan bears interest at Bank of Canada prime rate plus 2% which is accrued and compounded annually and is payable at maturity. The loan is repayable upon maturity and is secured by a general security agreement over all assets of the borrower.

CONTACT US

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