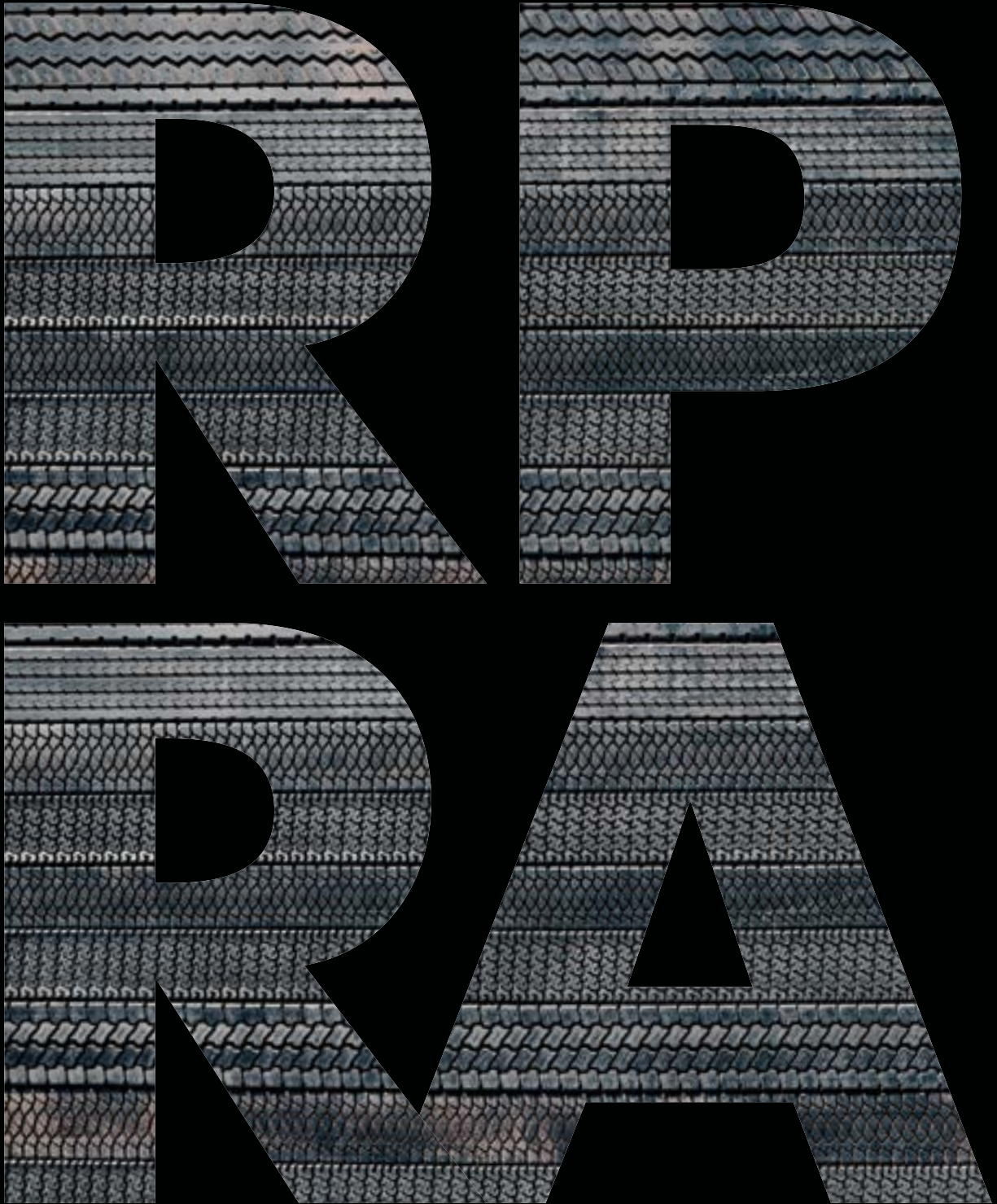




RPRA
Resource Productivity
& Recovery Authority

ANNUAL
REPORT | 2017



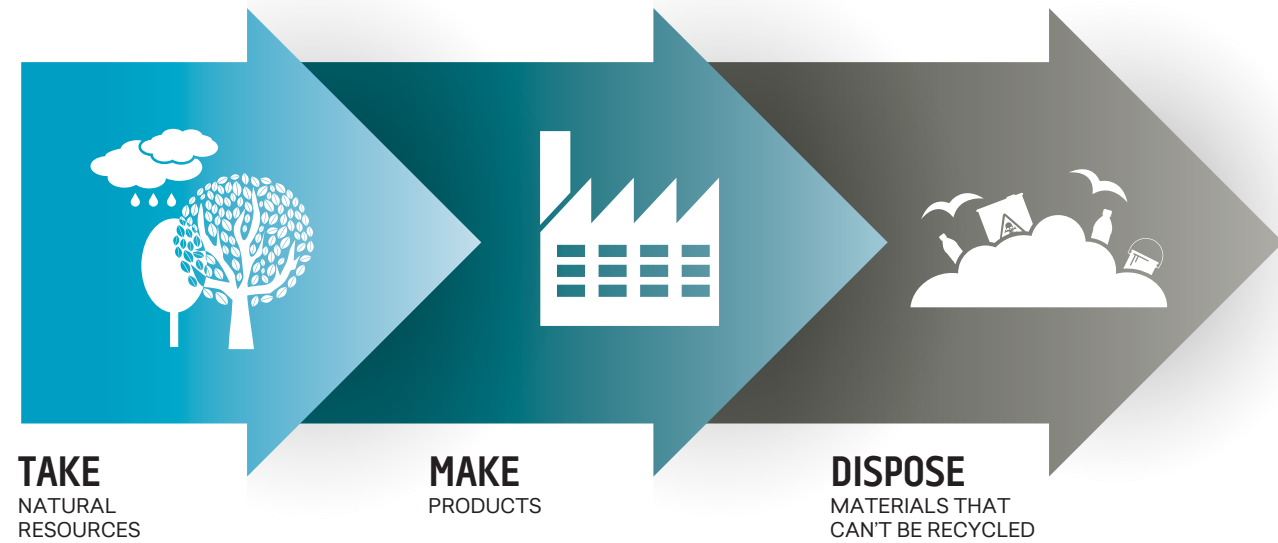
Vision: A Circular Economy Today for a Waste-Free Tomorrow

Mission: Enforce Producer Responsibility and Advocate for the Circular Economy to Spur Innovation and Protect the Environment

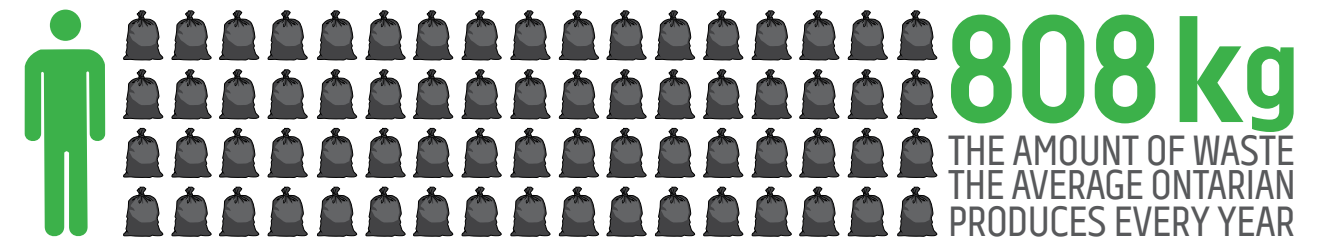
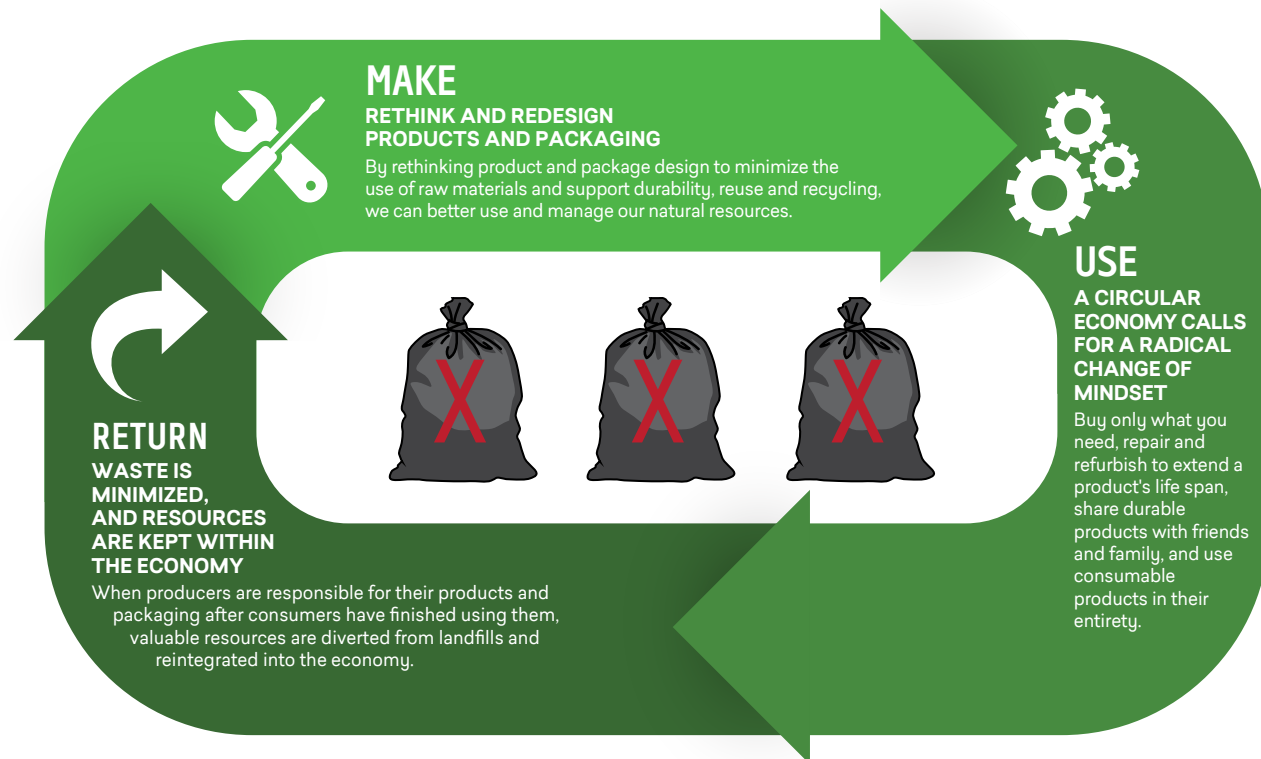
SETTING THE STAGE	2
MESSAGE FROM THE CHAIR	4
MESSAGE FROM THE CEO	5
MESSAGE FROM THE REGISTRAR	6
1 THE AUTHORITY'S ROLE	
Mandate	7
Governance and Executive Management	7
Human Resources	11
2 2017 ACTIVITIES	
Organizational Strengthening	12
Building the Registry	12
Engaging Stakeholders	13
Building Enforcement Capacity	14
Developing a Fee Policy under the <i>Resource Recovery and Circular Economy Act, 2016</i>	14
Transitioning Tires to Individual Producer Responsibility	14
Preparing the Blue Box Program for Transition to Individual Producer Responsibility	15
3 PROGRAM OVERSIGHT	
Blue Box Waste	16
Municipal Hazardous or Special Waste	16
Waste Electrical and Electronic Equipment	17
Used Tires	17
Brewers Retail	18
4 FINANCIALS	
Management Discussion and Analysis	19
Audited Financial Statements and Notes	23
5 CORPORATE SCORECARD	
Governance	39
Human Resources	40
Financial Management	40
Administration	41
Registry Development	41
Compliance and Enforcement	42
Oversight of Programs under the <i>Waste Diversion Transition Act, 2016</i>	42
Stakeholder Engagement	43
6 APPENDICES	
A Ontario Tire Stewardship Annual Report	44
B Ontario Electronic Stewardship Annual Report	76
C Stewardship Ontario Annual Report	119
D Product Care Association Annual Report	154
E SodaStream Annual Report	166
F Automotive Materials Stewardship Annual Report	178
G Brewers Retail Inc. Annual Report	197

MOVING FROM A LINEAR ECONOMY TO A CIRCULAR ECONOMY

Ontario is moving from a linear economy to a circular economy. In a linear economy, resources are taken, made into a product and then disposed. This approach is draining our limited non-renewable natural resources and creating an unsustainable waste problem.



In a circular economy, products and packaging are designed to be reused and recycled. They are made using minimal raw materials and are built to last longer. Consumers buy only what they need and use consumable products in their entirety. Once consumers are done with products and packaging, their components are reused and recycled, and reintegrated into the economy.



Source: RPRA 2016 Residential Waste Diversion Report and Statistics Canada's Waste Management Industry Survey: Business and Government Sectors 2014

THE PROGRAMS WE OVERSEE ARE HELPING TO DIVERT WASTE FROM LANDFILLS... BUT IT'S NOT ENOUGH.

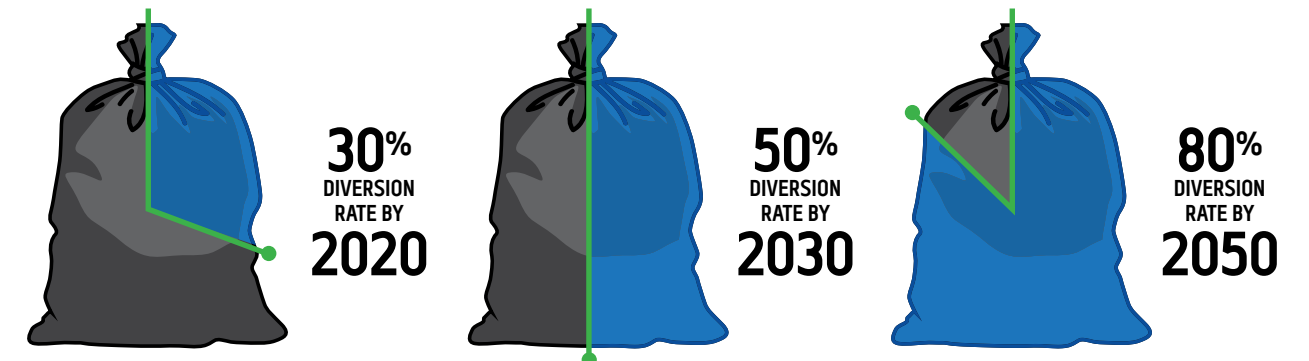


Source: Blue Box: Stewardship Ontario's RPRA Filing on 2017 Program Performance; Hazardous: Stewardship Ontario's filing, Product Care Association and Automotive Materials Stewardship reports; Used Tires: Ontario Tire Stewardship 2017 Annual Report; Electronics: Ontario Electronic Stewardship's 2017 Annual Report



Source: Strategy for a Waste-Free Ontario: Building the Circular Economy

ONTARIO HAS SET AMBITIOUS DIVERSION TARGETS. THE MOVE TO A CIRCULAR ECONOMY WILL HELP REDUCE AND EVENTUALLY ELIMINATE WASTE.



Source: Strategy for a Waste-Free Ontario: Building the Circular Economy

Advancing the Circular Economy

As we go about our daily lives, we create waste – at home, at play and at work. Reducing waste and managing it in a manner that protects our environment and supports our economy is our individual and collective responsibility.

Ontario is undergoing a transformation in how the value of waste is harnessed. The goal is to achieve positive environmental and economic outcomes by providing producers with the flexibility to manage waste in the most cost-efficient and effective manner, while encouraging innovation and greater consumer participation through convenient recycling options. The Resource Productivity and Recovery Authority was established by the Government of Ontario to play a critical role in supporting this transformation.

This is no small task. It involves shifting Ontario from its traditional linear system – take resources, consume, dispose – to a circular economy in which products and materials remain in productive use through sequential cycles. There are many benefits for Ontario in embracing this change. Diverting waste from disposal helps reduce climate change by avoiding the production of greenhouse gases in landfills and associated with extraction of virgin resources. Diverting waste from disposal also helps strengthen our economy. Approximately seven jobs are created for every 1,000 tonnes of products and packaging diverted from disposal to productive use in a circular economy.

While there are many steps before us, the Authority is creating a foundation for this transformation. On behalf of the Board, I am pleased to report that the Authority achieved its 2017 goals in our first full year of operations. The Board's focus was on establishing sound governance and financial management policies and practices, initiating the development of the Registry, overseeing the management of materials designated under the *Waste Diversion Transition Act, 2016*, (WDTA) and responding to directions received from the Minister of the Environment and Climate Change.

In February 2017, the Minister directed the Authority to oversee the process to wind up the Used Tires Program and Ontario Tire Stewardship, the industry funding organization responsible for operating the program. The Authority's work over the past year preparing for the wind up of the program means that tires will be the first material subject to individual producer responsibility under the *Resource Recovery and*



Circular Economy Act, 2016 (RRCEA) starting on January 1, 2019.

In August 2017, the Minister issued directions for the Authority and Stewardship Ontario to work collaboratively with stewards, municipalities and other affected stakeholders to develop a proposal for an amended Blue Box Program Plan. The Minister indicated his expectation that the proposal set the stage for transition to individual producer responsibility under the RRCEA.

While both processes were ongoing at the end of 2017, steps undertaken by the Authority in partnership with industry funding organizations, stewards, municipalities, First Nations and other stakeholders helped build momentum towards Ontario's goal of establishing a circular economy and waste-free future.

The initial Board, appointed by the Minister in 2016, recruited a strong executive management team, including Frank Denton as Chief Executive Officer and Patrick Moran as Registrar. The Board elected six additional directors through an open and robust process resulting in a highly skilled and diverse Board with extensive experience in both the private and public sectors.

I appreciate the Minister's confidence in appointing me Chair of the initial Board in November 2016 and the Board's confidence in electing me Chair in November 2017. I am grateful for the expertise and commitment of the Board and executive team. Each has contributed to establishing a strong foundation for the Authority.

Equally important was the development of collaborative working relationships with all of our partners, including industry, municipalities and the environmental advocacy sector. I am particularly pleased with the support we have received from the Minister of the Environment and Climate Change, and the excellent working relations we have with Ministry staff.

I am confident our accomplishments over the past year have positioned the Authority as a highly effective and efficient organization able to contribute to achieving the vision of a circular economy and a waste-free Ontario.

Glenda Gies
Board Chair

Building the Authority

Ontario's transition to individual producer responsibility began in 2017. It will have environmental and economic impacts for years to come, to the benefit of our children and their children. With the proclamation of the *Waste-Free Ontario Act, 2016*, Ontario joined jurisdictions around the world in an effort to develop a circular economy where resources remain continually in use and are not lost to disposal.

As a non-Crown, not-for-profit corporation, the Authority has been given a mandate to support this transition. In 2017, we took important foundational steps to build the organization to fulfill this opportunity.

We hired the core team that will lead the delivery of our mandate. We met with stakeholders across the province to seek their advice and perspective on the issues we will face together.

We began establishing our compliance capability to enable the Authority to use its statutory compliance and enforcement tools to identify and deter free riders and encourage all producers to meet their obligations. We updated our policies and procedures for financial management and operations. As an organization that operates on a cost recovery basis financed entirely by fees on regulated parties, we seek to always apply best practices and maintain high standards of accountability and efficiency. We put in place policies to govern privacy and access to information and French language services.

Throughout 2017, we worked closely with the Ministry of the Environment and Climate Change under our Operating Agreement to ensure we met the government's expectations for transparency and accountability.

We took important steps to build our capacity to communicate with the broad range of parties who rely on us to keep them informed about changes that are underway, and the steps they need to take to prepare for and participate in decisions that are being made. As part of this process, we rolled out a new website and undertook outreach efforts to engage our many stakeholders.

As a new regulatory authority implementing a new environmental and economic mandate, we were called upon to apply legislative provisions for the first time, including responding to the Minister's directions to wind up the Used Tires Program and Ontario Tire Stewardship (OTS), appointing



an administrator to OTS, and undertaking with Stewardship Ontario the development of a proposal to amend the Blue Box Program Plan.

We undertook our first consultations in 2017 on the amended Blue Box Program Plan and the wind up of the Used Tires Program. We also undertook consultations on our General Fee Setting Policy and the first application of this policy to the tire

sector. We understand that it is critically important to engage those who pay the fees, and to listen carefully to their advice on how to structure those fees.

We began building the Registry to house data related to resource recovery and waste reduction. The Registry will be a cornerstone of the Authority's work for years to come. It will enable the Authority to publish aggregated data to assist businesses and municipalities in planning their resource recovery efforts and to report on Ontario's progress towards achieving circular economy outcomes. It is important that this aggregated data be available to those who will be making investments in innovation and capital to build better resource management systems. It is equally important that commercially sensitive and private data be protected and kept confidential, as set out in our Access and Privacy Code.

Through many conversations with and submissions from our stakeholders, we have benefited from advice, constructive criticism and commentaries. We are working continuously to better enable open communications and consultations. We share our stakeholders' interest in running a cost-effective operation and minimizing regulatory burden, while also working to effectively deliver our mandate.

I am grateful to everyone who has supported the Authority in its first full year of operations. I believe our achievements and learnings over the past year have set us on the path to becoming the effective modern regulator we aspire to be. We are confident that the year ahead will be equally dynamic and productive and look forward to deepening our partnerships to advance our shared goals towards a circular economy.

Frank Denton
Chief Executive Officer

Setting Up the Compliance Team

In 2017, the Authority started to lay the building blocks for an effective enforcement team to ensure compliance by obligated parties with the requirements of the *Waste Diversion Transition Act, 2016* (WDTA) and the *Resource Recovery and Circular Economy Act, 2016* (RRCEA) and their associated regulations.



producer responsibility for tires. These compliance officers represent the frontline in establishing a fair and level playing field in the tires sector.

To ensure the Authority will have a highly effective and trained team in place when the Tires Regulation is proclaimed into law in 2018, we also initiated the process to establish key policies and procedures for

compliance officers and the Registry, including an Access and Privacy Code, a Code of Conduct for all staff and a specially designed training program for compliance officers.

Our accomplishments in 2017 launching the Registry project and setting up the framework for an effective and progressive enforcement and compliance function will ensure the Authority is ready in 2018 to support the government's introduction of its first regulation designating a product under the RRCEA. I am proud to be part of the strong and capable team that is working to implement a circular economy in Ontario.

Patrick Moran
Registrar

Critical to the compliance function is the Authority's Risk-Based Compliance Framework. This framework is being used to focus our resources on marketplace risks to identify non-compliant parties and to deploy progressive compliance tools. Compliance begins with education and awareness strategies to maximize voluntary compliance and progresses to compliance orders, administrative penalties and, for the most non-compliant parties, prosecutions.

The Authority will support the introduction of individual producer responsibility, starting first with the tires sector, by communicating regulatory requirements, delivering consistency in compliance, minimizing administrative burden and applying progressive enforcement strategies.

We initiated recruitment processes to bring on skilled and capable compliance officers who will support Registry users and encourage compliance, starting with the regulatory requirements introducing individual

The Authority's Role

Mandate

Ontario has laid out an ambitious plan to reduce and ultimately eliminate materials going to landfill that could be reintegrated into a circular economy by reducing, reusing or recycling resources.

By transforming the way we approach waste, the government's plan aims to harvest secondary resources to create jobs, spur innovation, drive a circular economy and protect the environment. The Resource Productivity and Recovery Authority has been given a legislative mandate to play a key role in implementing this plan.

The *Waste-Free Ontario Act, 2016* (WFOA) was proclaimed on November 30, 2016. The Act brought into law the *Resource Recovery and Circular Economy Act, 2016* (RRCEA) and the *Waste Diversion Transition Act, 2016* (WDTA). The RRCEA established the Authority to administer the requirements of the RRCEA and WDTA and play a central role in the government's plan to transition to a circular economy. The Authority's mandate includes:

- Overseeing the operation of Ontario's industry funding organizations (IFOs): Stewardship Ontario, Ontario Tire Stewardship and Ontario Electronic Stewardship
- Monitoring the effectiveness and efficiency of the waste diversion programs operated by these IFOs for: Blue Box waste; used tires; waste electrical and electronic equipment; and municipal hazardous or special waste
- Overseeing the operation of Ontario's industry stewardship organizations (ISOs): Product Care Association, SodaStream Canada and Automotive Materials Stewardship
- Monitoring the effectiveness of the industry stewardship plans operated by these ISOs for: paints and coatings; pesticides, solvents and fertilizers; SodaStream proprietary CO₂ cylinders; and used oil containers, oil filters and antifreeze
- Overseeing the orderly wind up of the IFO programs and the IFOs as directed by the Minister of the Environment and Climate Change

- Operating the annual Municipal Datacall to determine the Blue Box system cost and performance and for setting the Blue Box Program Steward Obligation
- Establishing and operating a registry to receive and store information related to resource recovery and waste reduction activities
- Undertaking compliance actions that include inspections, issuing orders and monetary penalties, and prosecutions to enforce the requirements set out in the RRCEA and WDTA and associated regulations
- Providing information to the public about Ontario's progress towards a circular economy
- Providing information to the Minister of the Environment and Climate Change to support policy decisions

The Authority is a non-Crown, not-for-profit corporation that operates on a cost recovery basis through fees charged to regulated parties under the RRCEA and WDTA. The Authority does not receive any government funding.

Under the RRCEA and WDTA, the Minister of the Environment and Climate Change has a legislative oversight role with respect to the Authority and is required to enter into an Operating Agreement with the Authority. The Operating Agreement sets out the respective roles and responsibilities of the two parties.

Governance and Executive Management

The Authority is governed by an eleven-person, skills-based Board of Directors. Five directors are appointed by the Minister and six are elected by the Board.

The Board is responsible for the overall strategic direction and governance of the Authority. The Board is accountable through the chair to the Minister for the Authority's compliance with its mandated objectives and responsibilities under the Acts and the Operating Agreement.



Ontario has laid out an ambitious plan to reduce and ultimately eliminate materials going to landfill that could be integrated into a circular economy by reducing, reusing or recycling resources.

The Authority's Role

Minutes of Board meetings are posted on the Authority's website as part of the Authority's commitment to transparency.

At the beginning of 2017, the initial Board was made up of five members appointed by the Minister. The initial Board elected one member in June 2017 and an additional five members in November 2017 to bring the Board to its full complement of eleven members.

Selection of the six additional members was informed by a robust recruiting process that included:

- Assessing the skills and areas of expertise contributed by initial Board members
- Issuing a public call for applications through the Authority's website and communications to stakeholders
- Posting the call for applications by organizations involved in director training and recruitment
- Working with a recruiting firm to proactively reach out to possible applicants who may not have encountered the call for applications
- Utilizing an assessment matrix designed to:
 - Identify directors with specific skills to address the skills and expertise gaps among initial Board members
 - Yield a Board with a gender balance
 - Yield a Board with a mix of perspectives reflecting cultural and ethnic diversity

The following table lists the five members appointed by the Minister and the six members elected by the Board.

Appointed by the Minister	
Joyce Barretto	Appointed November 2016; Re-appointed November 2017 As of January 1, 2017: Secretary-Treasurer elected by the initial Board November 2017: Elected Secretary
David Brezer	Appointed November 2016; Re-appointed November 2017
Glenda Gies	Appointed November 2016; Re-appointed November 2017 As of January 1, 2017: Chair appointed by the Minister November 2017: Elected Chair
Nidhi Tandon	Appointed November 2016; Re-appointed November 2017
Tom Wright	Appointed November 2016; Re-appointed November 2017 As of January 1, 2017: Vice-Chair elected by initial Board November 2017: Elected Vice-Chair
Elected by the Board of Directors	
Saqib Cheema	Elected November 2017
Ken Kawall	Elected June 2017 November 2017: Elected Treasurer
Andrea Nemtin	Elected November 2017
Robert Poirier	Elected November 2017
Rajesh Sharma	Elected November 2017
Mary Shenstone	Elected November 2017

Updated December 2018 to include the 2017 Board per diem rates: Chair \$676; Vice-Chair \$530; Member \$429. Current per diem rates are posted on the Authority's website.

The Authority's Role

The Board established a number of committees to support its activities. The following table sets out the committees as of December 2017 and a summary of each committee's purpose:

Committee	Purpose
Audit and Risk	To assist the Board in fulfilling its oversight responsibilities with respect to the Authority's standards of integrity and behaviour, reporting of financial information, risk management oversight, and management control practices.
Finance	To ensure effective oversight on behalf of the Board of the financial resources of the Authority including: overseeing preparation of the annual business plan, operating and capital budgets, and general financial resources management; ensuring that management has adequate and effective policies and procedures for financial reporting; and for monitoring and reviewing financial performance and internal controls.
Governance	To address governance issues related to the effective functioning of the Authority, its Board and Board committees including: oversight on behalf of the Board of corporate governance processes, the policies and protocol of the Board, Directors' Code of Conduct and Conflict of Interest, and Board and Board committee evaluations; and oversight of the organization's compliance with the RRCEA, WDTA and Operating Agreement, including delivery of the compliance and enforcement function within the context of the Registrar's independent decision-making responsibility.
Human Resources	To ensure effective oversight on behalf of the Board of the human resources of the Authority including overseeing human resources management and ensuring the adequacy and effectiveness of human resource policies and procedures.
IFO Wind Up Ad Hoc	To oversee on behalf of the Board the development and implementation of IFO wind-up plans including the assessment of the plans against the legislation, regulations and Minister's directions.

In 2017, the Board appointed a Chief Executive Officer and a Registrar. Four additional executive management team members were recruited in 2017. The executive team is accountable to the Board of Directors through the Chief Executive Officer. The Authority's executive management team brings depth of experience and breadth of skills from the private and public sectors, including waste management, environmental law, regulatory compliance, regulatory policymaking, information technology, financial and human resources management, and change management.

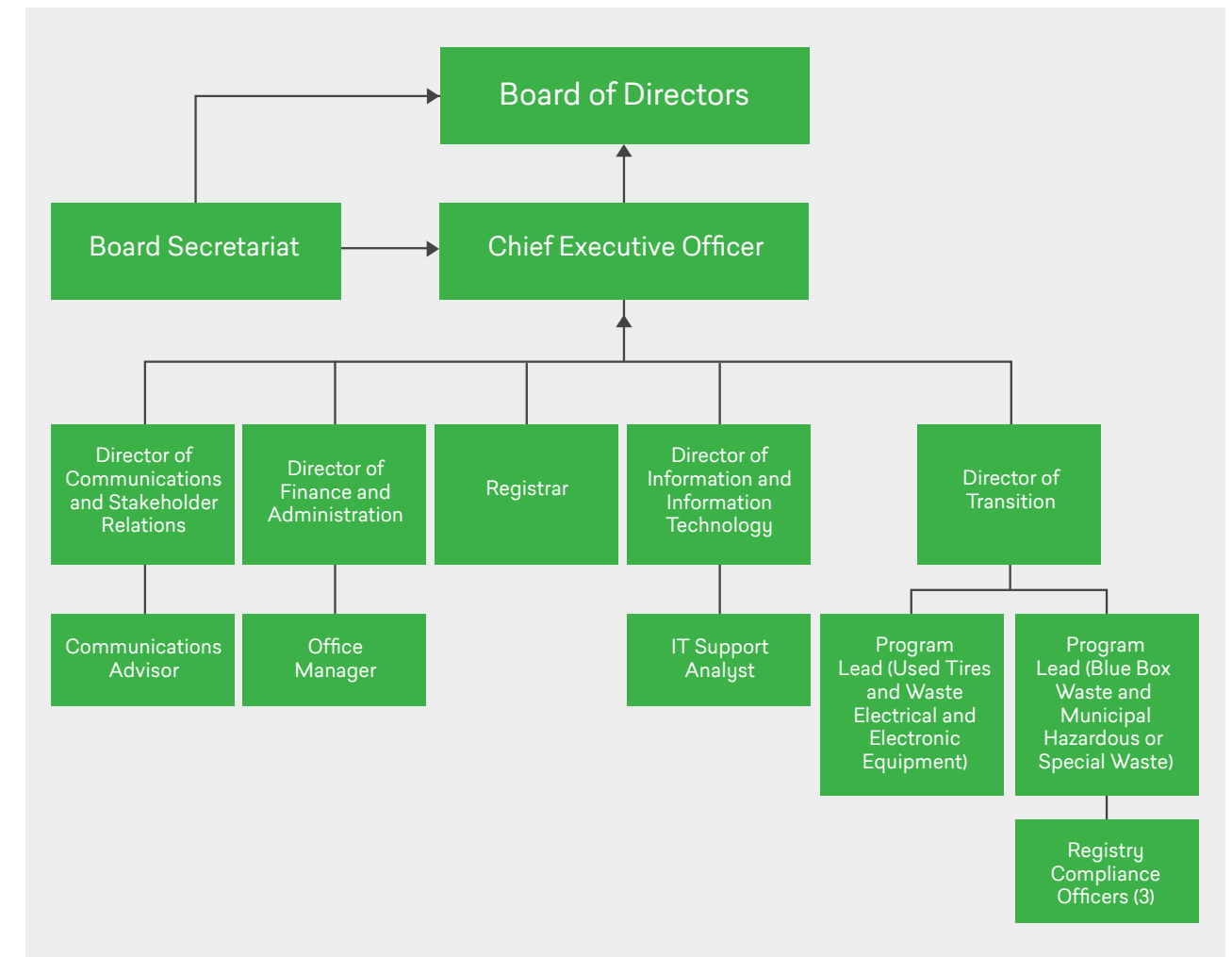
Executive Management Team

Frank Denton	Chief Executive Officer
Patrick Moran	Registrar
Wilson Lee	Director of Communications and Stakeholder Relations
Sandra Montague	Director of Finance and Administration
John Pinard	Director of Information and Information Technology
Geoff Rathbone	Director of Transition

The Authority's Role

Human Resources

The executive team was supported in 2017 as set out in the following organizational structure.



2017 Activities

In its first full year of operation, the Authority was very much in start-up mode. Important activities over the past the year included:

- Strengthening the organization
- Launching the development of the Registry
- Engaging stakeholders
- Building enforcement capacity and competency
- Responding to direction from the Minister by:
 - Overseeing the process to wind up the Used Tires Program and Ontario Tire Stewardship
 - Collaborating with Stewardship Ontario and stakeholders to develop an amended Blue Box Program Plan
- Overseeing industry funding organizations (IFOs) and industry stewardship organizations (ISOs) and monitoring the performance of their waste diversion programs

The accomplishments of the past year have built important momentum in advancing the circular economy in Ontario and set a solid foundation on which to further the Ontario government's objective to divert 80 per cent of the province's waste from landfill by 2050.

Organizational Strengthening

The Authority updated its General By-Law, Code of Conduct By-Law, and various policies to reflect best practices and fulfill governance, transparency and accountability obligations under its legislative framework and the Operating Agreement with the Minister. Updated policies include the Financial Management and Controls Policy, Capital Asset Policy, Governance Charter, Director Remuneration Policy, Business Expense Policy, Human Resources Policy and Records Retention Policy. The Authority also established a Reserve Policy in 2017.

The Authority established an Access and Privacy Code. This Code outlines the Authority's commitment to protecting personal and commercially sensitive information it receives in the course of conducting its business operations and performing its regulatory functions, while allowing access to public information. The Code was drafted to reflect the Authority's

responsibilities under the RRCEA to operate a registry to receive and store information related to resource recovery and waste reduction activities and its responsibilities under the WDTA to oversee the IFO and ISO programs.

The Authority developed a French Language Services Policy to fulfill its statutory obligation and requirements in its Operating Agreement to provide services in French. The Policy requires that key public accountability reports, such as the Annual Report and Business Plan, and core corporate policies, such as the Access and Privacy Code and Risk-Based Compliance Framework, are available in French. The Authority will provide other documents, deliver services and address public inquiries in French on request. The Authority did not receive any inquiries for services or documents in French in 2017. The Authority's French Language Services Policy will be reviewed annually.

The Authority also established a protocol to respond promptly to all complaints related to its activities and mandated role and responsibilities. Upon receiving any expressions of dissatisfaction, staff will first attempt to address these concerns directly, and will escalate to senior staff, the CEO and the Board as appropriate.

The Authority is committed to delivering exceptional customer service and all staff are committed to the highest levels of professional standards and courtesy in delivering on our regulatory mandate. In 2017, the Authority did not receive any formal complaints related to its activities.

Building the Registry

The government of Ontario has identified the need for a registry to receive information and be a source of publicly available aggregated data to support the individual producer responsibility framework and the shift from a linear to a circular economy.

The Authority is required under the RRCEA to establish a registry. The Registry will collect information from producers and other regulated parties and provide a platform for the Authority to report aggregated data on performance to the public, businesses and other stakeholders.

2017 Activities

By establishing the Registry and compiling data on waste reduction and recovery, the Authority will support the Ministry of the Environment and Climate Change's policy decision-making with data and evidence-based insights and analysis. Better data will help the government, the Authority, businesses and the people of Ontario to:

- Assess the current state of resource recovery and waste reduction in Ontario
- Understand where resource recovery and waste reduction efforts need to be focused
- Improve understanding of costs and benefits of resource recovery
- Measure Ontario's performance and progress against targets towards a waste-free future and a circular economy

The Authority initiated the Registry Project in September 2017 following a third-party assessment of the Authority's needs and available information systems, including those currently operated by industry funding organizations in Ontario and by governments and industry organizations in other jurisdictions. The assessment concluded leveraging a cloud-based information management platform used extensively by the private sector would be most cost-effective in providing the Authority with the required functionality to fulfill its mandated responsibilities under the RRCEA.

Following a competitive procurement process overseen by an external fairness monitor, the Authority retained PricewaterhouseCoopers (PwC) to assemble the Registry on the Salesforce.com platform - a best-in-class cloud-based business application providing world-class customer relationship management.

A project team made up of Authority staff and PwC consultants came together to establish a detailed work plan with clear timelines, deliverables and milestones. Since the project was launched in September 2017, significant progress has been made against the work plan, achieving all milestones within the project's 2017 budget and timelines.

The momentum established by activities to develop the Registry in 2017 will ensure the Authority is ready to begin registering, receiving reports and collecting fees from regulated parties under the Tires Regulation.

As additional materials are designated by the Minister under the RRCEA, the Registry will be enhanced to accommodate specific registration and reporting requirements as set out in the designating regulations.

Engaging Stakeholders

The Authority is committed to engaging stakeholders through public consultations as an important way of ensuring transparency, efficiency, and effectiveness of program delivery and policy development.

The Authority adopted the following principles for its public consultations:

- Inclusiveness and Openness: Engage broadly with a wide variety of stakeholders
- Timeliness: Engage stakeholders before key decisions are made
- Accessible and Cost-Effective: Consider a variety of cost-effective tools and methods for consultations
- Balance: Provide opportunities for diverse perspectives and opinions to be heard
- Transparent: Record feedback and report back summary to stakeholders
- Evaluation: Demonstrate impact of consultations on program delivery and policy development

In 2017, the Authority engaged stakeholders formally through public consultations on the development of the Authority's General Fee Setting Policy, Fee Setting Methodology and the 2018 Registry Fees for Tires, and the amended Blue Box Program Plan. Consultations on the Used Tires Wind-Up Plan began in December 2017 and continued until March 2018. In the first two rounds of consultations held in 2017 on the General Fee Setting Policy, Fee Setting Methodology and Tire Fees, approximately 200 stakeholders participated in webinar consultations. The Authority also made efforts to engage stakeholders directly throughout the province by working with Stewardship Ontario to hold in-person consultation meetings on the amended Blue Box Program Plan in Bracebridge, Perth, Hamilton, London, Sudbury and Thunder Bay.

Additionally, the Authority engaged in extensive outreach to stakeholders through meetings, site visits and conference attendance. The Authority also launched a new website in 2017 to promote openness and transparency and to facilitate engagement with stakeholders online.

2017 Activities

Building Enforcement Capacity

In 2017 the Authority took steps to develop its compliance function in anticipation of tires and other materials being designated under the RRCEA, including developing a Risk-Based Compliance Framework.

The Authority's risk-based approach to compliance focuses on the risks that arise from non-compliance and uses an assessment of those risks to develop compliance strategies that will minimize risk and maximize compliance. A risk-based approach allows for appropriate priority setting, efficient allocation of resources, a more efficient recovery of compliance costs from regulated entities, and provides a basis to measure and improve performance.

The Authority uses a progressive approach to achieve compliance that is informed by risk assessment. This approach tailors the choice of compliance tool to the nature of the non-compliance, the risks associated with the non-compliance, the history of non-compliance and the specific facts of a particular case. The following compliance tools are available to the Registrar:

- Proactive education and awareness
- Inspections and audits
- Communications to address non-compliance
- Compliance orders
- Administrative penalty orders
- Prosecution

Developing a Fee Policy Under the RRCEA

The Authority operates on a cost recovery basis and is currently financed through fees collected under the WDTA from IFOs and ISOs and through borrowing against future revenue under the RRCEA. In 2018 the Tires Regulation under the RRCEA will obligate certain parties in the tires sector to register with the Authority. As part of this registration process, the Authority will collect fees directly from obligated parties in the tire sector.

The Authority drafted a General Fee Setting Policy and initiated consultations in October. The draft General Fee Setting Policy outlined the key objectives and principles for the Authority's approach to fee setting, including transparency, cost-recovery, fee predictability and minimizing administrative burden.

Building on the draft General Fee Setting Policy, the Authority also held a consultation in December 2017 on

a proposed approach to setting tire fees under the new individual producer responsibility framework, including allocation of costs by materials and type of registrant and methodologies for calculating fees.

Consultations ended in March 2018. In April, the General Fee Setting Policy, Fee Setting Methodology and 2018 Registry Fees for Tires were finalized and posted to the Authority's website.

Transitioning Tires to Individual Producer Responsibility

On February 17, 2017, the Minister issued directions for the wind up of the Used Tires Program by December 31, 2018 and, subsequently, Ontario Tire Stewardship (OTS). The Minister issued additional direction to OTS on June 30, 2017. On October 30, 2017 following a request from OTS, the Minister granted a one-month extension for OTS to submit its wind-up plan to the Authority.

The Minister directed the Authority to assess the wind-up plan to ensure it is consistent with his directions and in accordance with the WDTA and its regulations, and to oversee the orderly wind up of both the program and the organization.

The Authority retained, through a competitive procurement process, a management consulting firm with expertise in organizational dissolutions to develop guidelines to assist the Authority in evaluating wind-up plans submitted by industry funding organizations. The Interim Wind-Up Guide outlines key aspects required in a wind-up plan, with clear criteria to provide guidance to the Authority when assessing a wind-up plan and industry funding organizations in developing wind-up plans. Aspects include management of financial forecasts and budgets, assets and liabilities, legal and liability concerns, human resources, and data.

The Authority developed a workplan and initiated a series of activities throughout 2017 to ensure the orderly wind up of the Used Tires Program and OTS. The Authority also worked with OTS to ensure its 2017 and 2018 program budget and expenditures supported efficient financial management by limiting expenditures to necessary program costs and providing for sufficient funds for the wind up of the program and the organization.

In September 2017, the OTS Board of Directors resigned, resulting in a loss of quorum for the transaction of business. The Authority appointed an administrator with a background in reorganizations and

2017 Activities

liquidations to replace the OTS Board. The administrator assumed the responsibilities of the Board and is governing the Used Tires Program and the orderly wind up of the program and organization.

OTS submitted a wind-up plan to the Authority on November 30, 2017 as directed by the Minister. The Authority posted the plan in December 2017 as the first step of a consultation process that continued into 2018. The Authority completed consultations and approved the wind-up plan with conditions in April 2018.

Preparing the Blue Box Program for Transition to Individual Producer Responsibility

In 2002, the government of Ontario enacted the *Waste Diversion Act* and subsequently approved the Blue Box Program Plan, which obligated companies that supply packaging or printed paper to Ontario households to pay 50 per cent of the net costs incurred by municipalities as a result of the program.

On August 14, 2017, the Minister issued directions to the Authority and Stewardship Ontario to develop a proposal for an amended Blue Box Program Plan collaboratively with representatives of stewards, municipalities and other affected stakeholders. This direction came after the Minister received a letter from Stewardship Ontario and municipal stakeholders, requesting the Minister's support to begin the transition of paper products and packaging to individual producer responsibility. The Minister directed that the amended program plan outline the first stage of transition from shared to full producer responsibility under the WDTA and set the stage for individual producer responsibility under the RRCEA.

The amended program plan was directed by the Minister to be consistent with the following key principles:

- Ensure a seamless transition of the program without affecting services to Ontarians
- Improve the program's environmental outcomes
- Expand and harmonize the list of materials accepted by the program

The Authority and Stewardship Ontario collaborated in developing an engagement plan to solicit advice and recommendations from interested stakeholders and First Nations communities on how best to respond to the Minister's directions to transition the Blue Box Program from shared to full producer responsibility under the WDTA.

Between October and November 2017, Stewardship

Ontario completed a first round of consultations, including a series of in-person consultations in select communities across the province. A second round of consultations was launched by Stewardship Ontario in December 2017 with the posting of a draft amended program plan and a series of additional in-person consultations planned for early in 2018. Based on the feedback received during consultations in January 2018, the Authority and Stewardship Ontario determined that more time was needed to properly address all comments received and an amended plan would not be submitted by the February 2018 deadline.

The Authority will continue to engage collaboratively with Stewardship Ontario, municipalities, First Nations and other affected stakeholders in 2018 to address the comments on the draft plan posted by Stewardship Ontario in December 2017.

Program Oversight

The Authority currently oversees programs for four designated materials under the *Waste Diversion Transition Act, 2016* (WDTA) and the industry funding organizations (IFOs) and industry stewardship organizations (ISOs) responsible for operating the associated programs:

- Blue Box waste operated by Stewardship Ontario
- Municipal Hazardous or Special Waste operated by Stewardship Ontario, Product Care Association, SodaStream and Automotive Materials Stewardship
- Used Tires operated by Ontario Tire Stewardship
- Waste Electrical and Electronic Equipment operated by Ontario Electronic Stewardship

As outlined in the Strategy for a Waste-Free Ontario: Building the Circular Economy, these programs are slated for wind up under the WDTA. Following wind up, the materials will be designated under the individual producer responsibility framework set out in the *Resource Recovery and Circular Economy Act, 2016* (RRCEA).

Below are descriptions of the programs and performance highlights. Detailed information on program performance and IFO financials are available in the IFO annual reports in the appendices.

Blue Box Waste

Paper, glass, plastic and aluminum packaging, and printed paper are collected from residences in over 240 municipalities and First Nations communities as part of Ontario's Blue Box Program. Stewardship Ontario is the not-for-profit, industry-funded organization that operates the Blue Box Program on behalf of industry stewards (first importers, brand owners or franchisors) of products and packaging that end up in residential Blue Boxes.

In 2016, the most recent year for which data is available, the Blue Box Program achieved a 62.4% recycling rate, marginally exceeding the program's 60% recycling target. A total of 836,227 tonnes were

recycled in 2016, a 1.9% decrease from the 852,437 tonnes recycled in 2015. Stewardship Ontario has attributed the continuing decreasing trend in total tonnes recycled to less paper and newsprint being marketed and the gradual light-weighting of packaging.

Additional information about the performance of the Blue Box Program and Stewardship Ontario can be found in Appendix C of this report.

Municipal Hazardous or Special Waste

The Municipal Hazardous or Special Waste (MHSW) Program allows Ontario residents to safely dispose of household products that require special handling. There are 10 types of MHSW: antifreeze, fertilizers, oil containers, oil filters, paints and coatings, pesticides, non-refillable pressurized containers, refillable pressurized containers, single-use batteries and solvents.

These materials are collected through:

- Stewardship Ontario's Orange Drop Program for single-use batteries, and non-refillable and refillable pressurized containers
- Product Care Association's ReGeneration Program for paints and coatings, pesticides, solvents, and fertilizers
- Automotive Materials Stewardship's program for antifreeze, oil containers and oil filters, which began collecting materials starting in the second quarter of 2017 (previously the materials were collected by Stewardship Ontario)
- SodaStream for their branded refillable cylinders

Program Oversight

In 2017, MHSW programs yielded the following performance:

Material	Target Collection Rate (Tonnes)	Actual Collection Rate (Tonnes)	Notes
Antifreeze	2,153	3,068	
Fertilizers	N/A	26	There were no program targets set for fertilizers.
Oil containers	1,698	3,731	
Oil filters	7,794	8,910	
Paints and coatings	7,399	9,619	
Pesticides	32	30	Product Care Association noted a decline in the availability of pesticides for collection in 2017, which is consistent with the decline in overall volumes of pesticides collected by municipalities since 2015.
Pressurized containers Non-refillable	405	336	Targets increased significantly in 2017 compared to the previous year. This increase is the result of higher quantities of pressurized containers supplied, both refillable and non-refillable. Despite Stewardship Ontario collecting more of each category, the increases were insufficient to meet the higher performance targets.
Refillable	470	447	
Single-use batteries	2,520	3,136	
Solvents	690	331	Historically, solvents have not achieved their targets. Product Care Association is working to better understand the life of solvent material and its availability for collection.

For more information on each material's performance, refer to annual reports from Stewardship Ontario, Automotive Materials Stewardship, Product Care Association and SodaStream in the appendices of this report.

Waste Electrical and Electronic Equipment

The Waste Electrical and Electronic Equipment (WEEE) Program is operated by Ontario Electronic Stewardship (OES). OES ensures that end-of-life electronics are handled in a secure and environmentally-sound manner. Materials collected through the WEEE Program include display devices such as televisions and monitors, desktop and portable computers, cellular and non-cellular devices, and printers. Ontario residents can bring these items to drop-off locations located throughout the province without charge. These items are also collected at curbside pick-up in some municipalities.

In 2017 the WEEE Program:

- Did not meet its collection target of 82,532 tonnes, instead collecting 52,712 tonnes. OES attributes this to product miniaturization and light-weighting
- Recycled 84% of the 48,212 tonnes of WEEE sent to processors. Desktop and portable computers and printers and peripherals were the most recycled products

- Reused or refurbished over 2,600 tonnes of WEEE, with desktop computers being the most reused or refurbished

Additional details on the performance of the WEEE Program and OES can be found in Appendix B of this report.

Used Tires

The Used Tires Program is operated by Ontario Tire Stewardship (OTS). OTS works with tire collectors, haulers, processors and recycled product manufacturers to keep passenger and light truck, medium truck, and off-the-road tires out of landfills so that they can be reused and recycled.

In 2017, OTS collected 141,683 tonnes of tires, a slight decrease from the 142,603 tonnes collected in 2016. This decrease was mainly attributed to service challenges associated with processor capacity issues. Passenger and light truck tires represented the largest number of tires collected at 88,399 tonnes. This represents a recycling rate of 80%, less than the 90% target set for the program.

Program Oversight

For medium truck tires, the program achieved a 70% recycling target by collecting 35,457 tonnes of tires, well below the 90% target. For off-the-road tires, the program collected 17,827 tonnes of tires, achieving a 94% recycling rate, exceeding the 50% target set for the program.

Further details on the Used Tires Program and OTS can be found in Appendix A of this report.

Brewers Retail


Brewers Retail, known as The Beer Store, is a privately-owned chain of retailers selling beer and other malt beverages in Ontario. Brewers Retail is required to submit an annual report to the Authority as part of its public reporting requirements. The Beer Store collects all beer containers and packaging sold in its stores. The Beer Store also administers the Ontario Deposit Return

Program (ODRP), which includes all wine, spirit and cooler containers over 100 ml sold through Liquor Control Board of Ontario (LCBO) stores and Ontario winery retail stores, and beer containers over 100 ml sold exclusively through the LCBO.

In 2017:

- The Beer Store collected over 1.5 billion containers and diverted 245,721 tonnes from disposal. This resulted in an 86.7% recovery rate
- ODRP collected over 370 million containers and diverted over 113,000 tonnes from disposal. This resulted in an 80% recovery rate

A copy of the Brewers Retail Annual Report is available in Appendix G of this report.



By transforming the way we approach waste, the government's plan aims to harvest secondary resources to create jobs, spur innovation, drive a circular economy and protect the environment.

Financials

Management Discussion and Analysis

The Resource Productivity and Recovery Authority is a non-Crown, not-for-profit corporation established on November 30, 2016 with the proclamation of the *Waste-Free Ontario Act, 2016* (WFOA).

Prior to the proclamation of the WFOA, the former Waste Diversion Ontario, established under the *Waste Diversion Act, 2002*, operated with a mandate to develop, implement and operate waste diversion programs for designated materials through cooperation with industry funding organizations.

Revenues

The Authority does not receive any government funding. The Authority derives its revenue through its legislative mandate under two Acts:

- Sections 35 and 41 of the *Waste Diversion Transition Act, 2016* (WDTA) under which the Authority recovers costs from industry funding organizations (IFOs) and industry stewardship organizations (ISOs) associated with the Authority's oversight of the IFO's or ISO's program
- Section 41 of the *Resource Recovery and Circular Economy Act, 2016* (RRCEA) under which the Authority can levy fees and charges for the purposes of cost recovery

In 2017 there were no regulations under the RRCEA and the Authority did not levy fees or charges under Section 41 of the RRCEA. RRCEA regulations will be filed in 2018 and beyond. As these regulations come into force, the Authority anticipates that the proportion of its costs recovered under sections 35 and 41 of the WDTA will decline while the proportion of its costs recovered under Section 41 of the RRCEA will increase.

In 2017 the Authority's revenues were wholly derived through charges to IFOs and ISOs under sections 35 and 41 of the WDTA. The fees charged to IFOs and ISOs were set to cover the Authority's related operating costs and to provide a reasonable reserve for contingencies.

The Authority had revenues of \$6.0 million in 2017, compared to revenues of \$3.8 million in 2016. The 58

percent increase was due to reserve contributions received of approximately \$1.1 million, recognition of deferred funding in 2017 of \$0.6 million, and an increase in the Authority's recoverable operating costs related to its new mandate and expanded scope of responsibilities, which are discussed in greater detail below.

Operating Expenses

The Authority allocates and recovers its expenses through fees which are established under Section 33 (5) (vi) and 34 of the WDTA and Section 41 of the RRCEA. The allocation of costs to each Act is based on the following:

- To the WDTA if the expenses are associated with only the WDTA
- To the RRCEA if the expenses are associated with only the RRCEA
- To both the WDTA and the RRCEA proportionally where functions are required to continue operations under the WDTA and to support activities under the RRCEA

Expenses for RRCEA-related activities will be recovered in the future from those obligated by regulation to register with the Authority in 2018 and beyond.

Expenses for WDTA-related activities are recovered from IFOs and ISOs. These costs include payroll and other direct program expenses and unattributable costs that are common to the administration of the organization and each of its programs.

Unattributable costs are allocated based on the following methodology:

- 50% of unattributable costs are shared equally among programs
- The remaining 50% of unattributable costs are allocated based on the program's direct costs, excluding Datacall and InKind program administration
- Industry stewardship plans are allocated a portion of the program's share of unattributable costs in proportion to the program's budget for the ISP material

Financials

The Authority had direct program costs of \$1.0 million in 2017, compared to direct program costs of \$1.9 million in 2016. The 47 percent decrease in direct program costs was primarily due to a number of one-time projects in 2016 related to overseeing the Blue Box Program and undertaking a review of the IFO programs which was completed in 2016 and not repeated in 2017.

The Authority had recoverable unattributable costs of \$3.3 million in 2017, compared to recoverable unattributable costs of \$1.9 million in 2016. The 74 percent increase in recoverable unattributable costs was primarily due to an increase in staffing expenses to \$1.7 million in 2017, compared to \$0.9 million in 2016 due to additional staffing requirements to address the Authority's broader mandate. Unattributable rent and office expenses also increased following the Authority's office move in July 2017 to accommodate the increase in staff.

In 2017 the Authority updated its Capital Asset Policy to ensure it was appropriately amortizing operational assets over their useful life. This change is reflected in the reduction in office furnishing expenses in 2017 and an increase in the amortization expense. There is no amortization expense associated with the Registry in 2017 as the Registry will not be operational until 2018.

In 2017 the Authority incurred costs to develop a new Registry. Section 50 of the RRCEA requires the Authority to establish, maintain and operate an electronic public registry. The purpose of the registry is to receive information submitted to the Authority as required by regulation and provide public access to information. The Registry will enable the Authority to receive information submitted to the Authority by parties obligated under the RRCEA, will hold data received from IFOs and will allow the Authority to post aggregated information to the public.

Operating Reserve

The excess of revenues over expenses in 2017 was \$1.2 million, compared to excess of expenses over revenues of \$0.04 million in 2016, reflecting the surplus from building the Authority's operating reserve.

The Authority invoiced IFOs and ISOs \$1.1 million in 2017 for operating reserve contributions and recognized \$0.6 million of deferred funding as a contribution to the operating reserve. These amounts increased the

surplus in 2017 but were offset by \$0.5 million in deferred recovery of RRCEA-related expenses, which are expected to be recovered from future registrant fees once materials are designated under the RRCEA.

Cash Flows and Liquidity

Cash used in 2017 was \$0.3 million, compared to cash used of \$0.2 million in 2016. At December 31, 2017 the Authority had a negative working capital position of approximately \$0.04 million, compared to a positive working capital balance of approximately \$0.6 million in 2016, and cash and cash equivalents of \$0.4 million, compared to \$0.7 million in 2016. The decrease in working capital is because of significant payables at year end relating to the Registry work in progress.

The Authority has a bank Credit Facility of \$3.0 million bearing interest at bank prime. Amounts owing under the Credit Facility are payable on demand. No charges are incurred until the facility is drawn down. At December 31, 2017 there were no amounts owing under this facility.

The Authority's investment policy requires that excess cash, held from time to time, be invested in accordance with sound investment management principles. Investments are at all times made based on the requirements of safety, yield and appropriate liquidity. Investments may be made in short-term government of Canada treasury bills, Canadian Chartered Bank Term notes and top-rated Certificates of Deposits, with short-term maturities.

Outlook for 2018

The Authority has made significant progress in performing its duties under the RRCEA and WDTA. The Authority will continue to focus on its oversight role under the WDTA, supporting the transition of WDTA programs, and preparing for registration, compliance and enforcement activities under the RRCEA.

For 2018, revenues are budgeted at \$8.9 million, compared to revenues of \$5.4 million in 2017, and expenses are budgeted at \$8.3 million, compared to expenses of \$4.8 million in 2017. Revenues and expenses are expected to increase as the Authority continues to expand its scope to deliver its responsibilities under the RRCEA and the WDTA. The Authority expects to break even on its expenses but expects to have an operating surplus of \$0.6 million for 2018 resulting from a \$0.6 million reserve contribution.

Financials

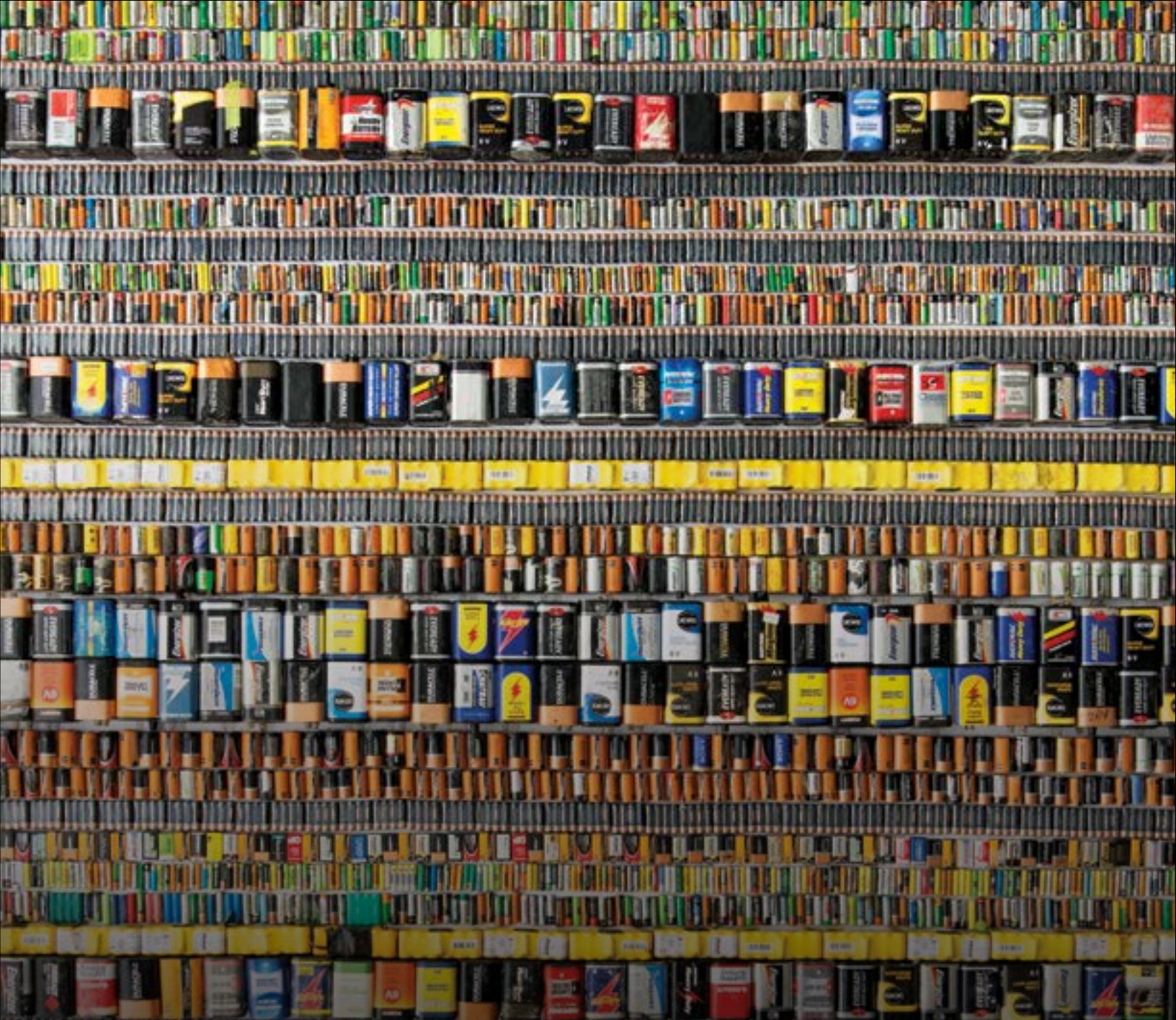
Principal Risks and Uncertainties

The Authority identifies, assesses and evaluates risks and develops mitigation plans to manage risks that have the potential to inhibit the organization's ability to achieve its objectives.

The key risks associated with the Authority's operations include:

- Key assumptions about the timing of government initiatives on wind up of current waste diversion programs and registrants arising from the designations of additional materials
- Timeline, cost estimates and functional scope of the Registry project
- Availability, recruitment and retention of skilled human resources
- Future financing availability

The Authority's robust enterprise risk management framework supports the effective management of risks through the development of risk management plans. The Authority will monitor its risks and continually assess its exposure and mitigation plans to ensure its risk mitigation strategies support organizational resilience to achieve its strategic priorities.



We share our stakeholders' interest in running a cost-effective operation and minimizing regulatory burden, while also working effectively to deliver our mandate.

Financial Statements

May 16, 2018

Independent Auditors' Report

To the Board of Directors of Resource Productivity and Recovery Authority

We have audited the accompanying financial statements of Resource Productivity and Recovery Authority which comprise the balance sheet as at December 31, 2017 and the statements of revenue and expenses and net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Resource Productivity and Recovery Authority, as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chaplin & Co.
Chartered Accountants
Licensed Public Accountants
Toronto, Ontario

Financial Statements

Resource Productivity and Recovery Authority

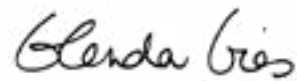
Balance Sheet

Page 2

		Year ended December 31	
Notes		2017	2016
Assets			
Current			
Cash and cash equivalents		\$ 406,954	\$ 724,004
Accounts receivable	3	1,880,121	1,144,357
Prepaid expenses		52,047	20,325
		2,339,122	1,888,686
Capital assets	4	778,521	-
Intangible assets	4	1,354,472	-
		\$4,472,115	\$1,888,686
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 2,269,406	\$ 599,543
Government remittances payable		107,046	65,831
Deposits from Industry Stewardship Plans	5	-	50,300
Deferred funding	6	-	552,825
		2,376,452	1,268,499
Deferred leasehold inducements	7	302,153	-
		2,678,605	1,268,499
Net Assets			
		1,793,510	620,187
		\$ 4,472,115	\$1,888,686

See accompanying notes

Approved on behalf of the Board of Directors
of Resource Productivity and Recovery Authority:



Glenda Gies, Chair



Ken Kawall, Treasurer

Financial Statements

Resource Productivity and Recovery Authority

Statement of Revenue and Expenses and Net Assets in accordance with the Resource Recovery and Circular Economy Act, the Waste Diversion Transition Act and the Waste Diversion Act

Page 3

		Year ended December 31	
		2017	2016
Revenue			
Program costs recovery		\$ 987,618	\$ 1,942,563
Unattributable costs recovery		3,339,249	1,892,735
Reserve contribution		1,125,000	-
Recognition of deferred funding (note 6)		552,825	-
Interest income		1,502	2,196
		\$ 6,006,193	\$ 3,837,494
Expenses			
Recoverable unattributable costs (page 4)		\$ 3,340,750	\$ 1,894,931
RRCEA expenses (page 5)		504,501	38,916
Direct program costs (page 6)		987,618	1,942,563
		4,832,869	3,876,410
Excess of expenses over revenue (expenses over revenue)		1,173,324	(38,916)
Net assets, beginning of year (note 9)		620,187	659,103
Net assets, end of year (note 9)		\$ 1,793,510	\$ 620,187
See accompanying notes			

Financial Statements

Resource Productivity and Recovery Authority

Schedule of Recoverable Unattributable costs in accordance with the Waste Diversion Transition Act and the Waste Diversion Act

Page 4

	Year ended December 31	
	2017	2016
Amortization	\$ 61,208	\$ -
Audit	18,100	23,500
Bank charges and interest	5,954	2,835
Board and committee meetings	55,295	23,000
Board remuneration	216,134	12,744
Compliance and enforcement	83,024	-
Consulting	273,755	284,252
Dues and subscriptions	7,797	3,852
Event registrations	4,116	2,624
Insurance	7,865	7,435
Legal fees	115,026	109,380
Media and communications	112,174	195,305
Municipal datacall	52,982	28,671
Office and general	43,474	51,713
Printing and reproduction	8,503	8,148
Registry	296,642	-
Rent	221,276	150,064
Staffing	1,671,723	946,410
Telephone	37,696	22,031
Travel and meals	48,006	22,949
	\$ 3,340,750	\$ 1,894,931

See accompanying notes

Financial Statements

Resource Productivity and Recovery Authority

Schedule of Recoverable costs in accordance with the Resource Recovery and Circular Economy Act

Page 5

	Year ended December 31	
	2017	2016
Amortization	\$ 7,008	\$ -
Audit	2,000	-
Bank charges and interest	805	-
Board and committee meetings	34,435	1,416
Compliance and enforcement	27,635	-
Consulting	84,485	37,500
Dues and subscriptions	866	-
Event registrations	457	-
Insurance	527	-
Legal fees	12,461	-
Media and communications	13,488	-
Office and general	4,918	-
Printing and reproduction	954	-
Registry	93,881	-
Rent	24,586	-
Staffing	186,033	-
Telephone	4,585	-
Travel and meals	5,377	-
	\$ 504,501	\$ 38,916

See accompanying notes

Resource Productivity and Recovery Authority

Schedule of Direct Program Costs in accordance with the Waste Diversion Transition Act

Year ended December 31, 2017

	Industry Stewardship Plans (Note 8)	Continuous Improvement Fund	Blue Box Waste	Used Tires
Board and committee meetings	\$ -	\$ -	\$ 1,281	\$ 177
Consulting	-	-	18,704	370,826
Event registrations	600	-	-	338
Legal fees	-	-	25,320	27,936
Media and communications	-	-	1,221	11,194
Municipal datacall	-	-	164,098	-
Office and general	-	-	161	-
Printing and reproduction	-	-	37	45
Staffing	4,491	3,674	179,470	67,608
Telephone	22	58	532	138
Travel and meals	1,335	2,173	7,571	729
	\$ 6,448	\$ 5,905	\$ 398,395	\$ 478,991
See accompanying notes				

Waste Electrical and Electronic Equipment	News Media Canada	Municipal Hazardous or Special Waste	Total
\$ -	\$ -	\$ -	\$ 1,458
16,143	-	16,141	421,814
-	-	-	938
812	-	843	54,911
-	300	-	12,715
-	-	-	164,098
-	-	-	161
43	11	60	196
33,326	18,316	11,618	318,503
16	1	7	774
171	-	71	12,050
\$ 50,511	\$ 18,628	\$ 28,740	\$ 987,618

Resource Productivity and Recovery Authority

Schedule of Direct Program Costs in accordance with the Waste Diversion Transition Act and the Waste Diversion Act

Year ended December 31, 2016

	Industry Stewardship Plans	Continuous Improvement Fund	Blue Box Waste	Used Tires
Board and committee meetings	\$ -	\$ 365	\$ 877	\$ -
Consulting	10,521	1,440	333,852	322,626
Event registrations	300	-	-	250
Legal fees	4,847	6,434	59,604	171,281
Media and communications	4,090	-	14,705	35,932
Municipal datacall	-	-	266,693	-
Office and general	-	25	635	8
Printing and reproduction	-	-	66	147
Staffing	13,914	16,365	254,497	110,276
Telephone	16	-	1,366	95
Travel and meals	63	697	563	394
	\$ 33,751	\$ 25,326	\$ 932,858	\$ 641,009
See accompanying notes				

Waste Electrical and Electronic Equipment	News Media Canada	Municipal Hazardous or Special Waste	Total
\$ -	\$ -	\$ -	\$ 1,242
82,949	-	77,728	829,116
-	-	300	850
5,357	-	6,540	254,063
1,200	8,592	-	64,519
-	-	-	266,693
-	-	-	668
77	6	319	615
67,379	22,408	36,527	521,366
19	7	38	1,541
114	-	59	1,890
\$ 157,095	\$ 31,013	\$ 121,511	\$ 1,942,563

Financial Statements

Resource Productivity and Recovery Authority

Statement of Cash Flows

Page 8

	Year ended December 31	
	2017	2016
Net cash provided by (used in)		
Operations		
Excess of expenses over revenue for the year - RRCEA (note 9)	\$ (504,501)	\$ (38,916)
Excess of revenues over expenses for the year - WDTA (note 9)	1,677,825	-
Amortization	68,216	-
Changes in non-cash working capital items		
Accounts receivable	(735,764)	(644,640)
Prepaid expenses	(31,722)	(5,712)
Accounts payable and accrued liabilities	1,949,319	467,896
Government remittances payable	63,911	32,594
Deposits from Industry Stewardship Plans	(50,300)	10,000
	2,436,984	(178,778)
Financing Activity		
Deferred Funding	(552,825)	-
Investing Activity		
Additions to capital assets	(846,736)	-
Additions to intangible assets	(1,354,472)	-
	(2,201,208)	-
Net decrease in cash and cash equivalents during the year	(317,049)	(178,778)
Cash and cash equivalents, beginning of the year	724,004	902,782
Cash and cash equivalents, end of year	\$ 406,955	724,004
Represented by:		
Cash	406,955	224,004
Term deposits	-	500,000
	\$ 406,955	\$ 724,004
See accompanying notes		

Financial Statements

Resource Productivity and Recovery Authority

Notes to the Financial Statements

December 31, 2017

Page 9

On November 30, 2016 the *Resource Productivity and Recovery Authority* (RPRA) was proclaimed as part of the *Waste-Free Ontario Act, 2016*. RPRA operates as a continuance of the former Waste Diversion Ontario and operates under the *Waste-Free Ontario Act, 2016*.

The Authority is responsible for operating a registry to receive and store information, providing information to the public in accordance with an Access and Privacy Code, oversight of industry funding organizations and industry stewardship plans continued under the *Waste Diversion Transition Act, 2016* (WDTA), oversight of the winding up of programs operated by the industry funding organizations and compliance and enforcement of the *Resource Recovery and Circular Economy Act, 2016* (RRCEA) and the WDTA.

The organization is a not-for-profit organization and is not subject to income taxes.

1. Summary of accounting policies

Basis of presentation

The financial statements have been prepared using standards of Part III of the CPA Canada Accounting Handbook, Accounting Standards for Not-for-Profit Organizations.

Fund accounting

These financial statements are prepared on a restricted fund accounting basis.

General fund

The general fund accounts for the organization's administrative activities.

Board restricted operating reserve fund

The Board restricted operating reserve fund was established in accordance with Section 10.4(c) of the Transitional Operating Agreement to provide a reserve for administrative expenses not to exceed 50% of the organization's annual operating costs. With approval from the Board a transfer will be made to or from this fund to reflect the amount required in the fund.

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized costs. Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and government remittances payable. The entity has not designated any financial assets or financial liability to be measured at fair value.

Revenue recognition

Revenues are derived through fees charged to industry funding organizations (IFOs) under section 33 (5) and industry stewardship organizations (ISOs) under section 41 (1) of the WDTA. The fees charged to IFOs and ISOs are set to cover the organization's related operating costs and to provide a reasonable reserve for contingencies. Revenue is recognized when the amount of revenue can be measured reliably, collection is probable, and the costs incurred or to be incurred can be measured reliably.

Amounts received that relate to future fiscal periods are recorded as deferred funding.

Resource Productivity and Recovery Authority

Notes to the Financial Statements

December 31, 2017

Page 10

1. Summary of accounting policies (continued)

Capital assets

Capital assets are recorded at cost. Amortization is provided on a straight line basis over the estimated useful lives of the assets commencing on the date when the assets are placed into service.

The estimated useful lives are as follows:

Office equipment and furniture	5-7 years
IT infrastructure and networks	5-10 years
Computer software	3 years
Computer equipment	3 years
Leasehold improvements	Over the 7 year term of the lease

The organization recognizes a half year's amortization in the year of acquisition, with the exception of the leasehold improvements which are amortized from the date of completion.

Intangible assets

Intangible assets comprise Registry development expenses. Intangible assets are recorded at cost. Amortization is provided on a straight line basis over the estimated useful life of the assets commencing on the date when the assets are placed into service. The assets are expected to be placed into service in 2018.

Deferred leasehold inducements

Deferred leasehold inducements related to the reimbursement by the lessor of landlord restricted expenditures for leasehold improvements are amortized over the term of the lease.

Allocation of direct and unattributable expenses

The organization oversees a number of programs. The costs of each program include personnel costs and other expenses that are directly related to overseeing the program. The organization also incurs a number of unattributable costs that are common to the administration of the organization and each of its programs.

Unattributable costs are allocated in accordance with the following methodology adopted by the Board of Directors of the organization:

- i) 50% of unattributable costs are shared equally among programs; and
- ii) the remaining 50% of unattributable costs are allocated based on the program's direct costs, excluding datacall and News Media Canada program administration.

Further, Industry Stewardship Plans (ISPs) are allocated a portion of the program's share of ii) based on the relative proportion of the program's budget for the ISP material.

Cash and cash equivalents

Cash and cash equivalents includes cash and GICs with original maturities of three months or less or if highly liquid.

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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include allocation of expenditures. Actual results could differ from management's best estimates as additional information becomes available in the future.

Resource Productivity and Recovery Authority

Notes to the Financial Statements

December 31, 2017

Page 11

2. Banking facility

The organization has a demand operating facility of \$3,000,000, which bears interest at prime rate. The organization did not utilize this facility during the year. The credit facility is secured by a general security agreement.

3. Accounts receivable

	2017	2016
Leasehold Inducement	\$ 367,696	\$ -
Sales Tax	1,120	-
Ontario Tire Stewardship - Used Tires	504,569	261,998
Stewardship Ontario - Blue Box	646,730	600,638
Stewardship Ontario - Municipal Hazardous or Special Waste	30,000	44,630
Ontario Electronic Stewardship - Waste Electrical and Electronic Equipment	208,050	201,051
Stewardship Ontario - Continuous Improvement Fund	231	4,954
News Media Canada	754	9,499
Automotive Materials Stewardship - Industry Stewardship Plan - Automotive Materials	68,456	7,450
Product Care Association - Industry Stewardship Plan - Paint and Coatings	45,062	10,419
Product Care Association - Industry Stewardship Plan - Pesticides, Solvents and Fertilizers	7,415	3,718
SodaStream Canada	38	-
	\$ 1,880,121	\$ 1,144,357

4. Capital and intangible assets

	Cost	Accumulated amortization	2017 Net Book Value	2016 Net Book Value
Computer equipment	\$ 44,904	\$ 7,484	\$ 37,420	\$ -
Leasehold improvements	530,930	37,924	493,007	-
Office equipment and furniture	152,874	10,920	141,955	-
Computer software	1,286	214	1,071	-
IT infrastructure and networks	116,742	11,674	105,068	-
	\$ 846,736	\$ 68,216	\$ 778,521	\$ -
Intangible assets - Registry	1,354,472	-	1,354,472	-
	\$ 1,354,472	\$ -	\$ 1,354,472	\$ -

Resource Productivity and Recovery Authority

Notes to the Financial Statements

December 31, 2017

Page 12

5. Deposits from Industry Stewardship Plans

The deposits are from the following Industry Stewardship Plans:

	2017	2016
Canadian Tire Corporation Limited (Fluorescents)	\$ -	\$ 10,300
Product Care Association (Ontario Paint and Coatings)	-	10,000
Canadian Beverage Container Recycling Association (CBCRA) (Beverage Containers)	-	10,000
Product Care Association (Pesticides, Solvents and Fertilizers)	-	5,000
SodaStream Canada Ltd. (CO ₂ Cylinders)	-	5,000
Automotive Materials Stewardship (Automotive Materials)	-	10,000
	\$ -	\$ 50,300

6. Deferred funding

	2017	2016
Development costs and cash flow financing	\$ -	\$ 552,825

During the year, the deferred funding has been recognized in income as no repayment is expected.

7. Deferred leasehold inducement

Deferred leasehold inducement represents the reimbursement by the lessor of landlord restricted expenditures for leasehold improvements made by the organization as inducements to enter into a new long-term lease agreement. The lease inducement is amortized on a straight line basis over the term of the lease and is being recorded as a reduction of rent expense.

	2017	2016
Leasehold inducement	\$ 325,395	\$ -
Less accumulated amortization	(23,243)	-
	\$ 302,153	\$ -

Resource Productivity and Recovery Authority

Notes to the Financial Statements

December 31, 2017

Page 13

8. Industry Stewardship Plans

The direct costs incurred for Industry Stewardship Plans are:

	Automotive Materials Stewardship	Soda Stream	Paint And Coatings	Pesticides, Solvents and Fertilizer	Total
Consulting	\$ -	\$ -	\$ -	\$ -	\$ -
Event registrations	-	-	-	600	600
Legal fees	-	-	-	-	-
Media and communications	-	-	-	-	-
Staffing	712	303	2,199	1,277	4,491
Telephone	-	-	11	11	22
Travel and meals	-	33	42	1,260	1,335
	\$ 712	\$ 336	\$ 2,252	\$ 3,148	\$ 6,448

9. Net assets

Net assets consist of the following:

	Balance Dec. 31 2016	Allocation of revenue (expenses) during the year	Balance Dec. 31 2017
Unrestricted assets	\$ 10,191	\$ -	\$ 10,191
RRCEA net assets	(38,916)	(504,501)	(543,417)
Board restricted operating reserve	648,912	1,677,825	2,326,737
	\$ 620,187	\$ 1,173,324	\$ 1,793,510

10. Post-retirement benefits

The organization has a defined contribution pension plan for its employees. The organization contributes 1.5% of the employee's annual salary to the plan. Employees are not required to make contributions to the plan, however, the plan allows for a voluntary contribution of up to 5% of the employee's annual salary. If a voluntary contribution is made the organization will match it. During the year, the organization charged \$56,059 (2016 - \$34,688) to expenses for contributions and administration of the pension plan. The assets of the plan are held separately from those of the organization in an independently administered fund.

Resource Productivity and Recovery Authority

Notes to the Financial Statements

December 31, 2017

Page 14

11. Commitments

In addition to the \$1,354,472 incurred prior to December 31, 2017 for Registry intangible assets (see note 4), the organization has placed contracts amounting to \$4.7 million for future capital expenditures for the Registry and \$3.0 million for managed services to be provided over a number of years which are not provided in the financial statements. Commitments for 2016 totalled \$21,050.

In addition, the organization is under a lease for office space. The minimum annual payments are as follows:

2018	\$ 152,308
2019	158,372
2020	166,862
2021	169,894
2022	174,139
Thereafter	275,719
	<u>\$ 1,097,294</u>

12. Financial risks

Credit risk

The organization's exposure to credit risk is on cash and cash equivalents and accounts receivable. The organization mitigates its exposure to credit loss by placing its cash and cash equivalents in a major Canadian chartered bank. Accounts receivable consist mainly of amounts due from Industry Funding Organizations, who are obligated to pay under the WDTA. Provisions in the WDTA provide RPRA with the ability to set and collect "a reasonable share of costs that are incurred" from the existing Industry Funding Organizations.

Liquidity risk

The organization considers that it has sufficient credit facilities to ensure that funds are available to meet its current and mid-term financial needs at a reasonable cost.

Interest rate risk

The organization is exposed to interest rate cash flow risk arising from fluctuation in interest rates on its term deposits and on its floating rate credit facility.

Corporate Scorecard

The Authority's first year of operations was focused on building the organization to address the requirements outlined in the legislative framework and its Operating Agreement with the Minister.

The performance measures established in early 2017 provided an opportunity to establish baseline metrics and administrative performance measures, and are informed by the Authority's mandate, responsibilities and its 2017 priorities as outlined in its Business Plan.

These measures were selected to be challenging but also achievable statements of planned results. Many of the performance measures set out below are

activities associated with establishing the organization's foundational structure and processes, and do not lend themselves to quantification or measurement and therefore year-over-year comparisons.

The Authority's performance measures will evolve from activity-based to outcome-based indicators as the focus of the organization shifts from start-up mode to steady state.

In addition to its presentation here, the Authority will report on its performance at its public annual general meeting in 2018 to ensure both transparency and accountability to its stakeholders and the public.

Governance			
Objective	Measure	2017 Performance	Comments
Establish a governance framework that is committed to ethics, professionalism and fiscal prudence	Approve General By-Law and Code of Conduct, including conflict of interest protocol	Completed	
	Approve a policy and supporting business procedures with respect to Board remuneration and reimbursement of business expenses within the spirit of Ontario Public Service (OPS) directives	Completed	
	Approve a governance manual within the spirit of OPS directives	Completed	
	Develop a Financial Management and Controls Policy, a Whistleblower Policy, and a policies and procedures manual for staff positions within the spirit of OPS directives	Completed	
	Execute the Operating Agreement with the Minister	Completed	
	Develop Vision and Mission statements	Completed	
	Develop a comprehensive risk management framework	Completed	
Establish a skills-based Board reflecting the diversity of Ontario	Assess the initial Board's skills profile	Completed	
	Conduct an open search to recruit candidates and subsequently elect six additional members to ensure that the full Board is appropriately representative of the diversity of Ontario and collectively brings the skills and expertise necessary to deliver the Authority's mandate	Completed	
	Establish Board committees in keeping with the General By-Law, including any ad hoc committees that may be required in the start-up period to further support the effectiveness of the Board and the Authority	Completed	

Corporate Scorecard

Human Resources			
Objective	Measure	2017 Performance	Comments
Develop and implement a Human Resources Plan, including recruitment, training and on-boarding of staff in key functions	Create a Human Resources Plan to recruit, support and retain qualified staff to meet the Authority's needs	Completed	
	Recruit and appoint a Registrar, who may then appoint a Deputy Registrar	Completed	
	Recruit staff following the procedures identified in the Human Resources Plan	Ongoing	
	Create on-boarding materials for new employees	Ongoing	
	Implement a human resources performance management program tied to the performance measures in the Business Plan	Completed	
	Build internal staff capacity through the implementation of a skills-based training program to develop expertise in key areas incorporating back-up and succession planning principles	Ongoing	

Financial Management			
Objective	Measure	2017 Performance	Comments
Establish comprehensive financial management processes and procedures with sound internal controls	Establish financial management controls, procurement policies, administrative procedures and manuals consistent with best practices and within the spirit of OPS directives	Completed	
	Establish sources of financing as required to support effective and efficient operations	Completed	
	Develop, consult on, approve and implement a fee setting policy that reflects the Authority's operating costs and supports effective and efficient operations	Ongoing	Initiated in 2017 and completed in 2018

Corporate Scorecard

Administration			
Objective	Measure	2017 Performance	Comments
Operate efficiently and effectively	Review and update internal policies and manuals, including those related to governance, procurement and expenses	Completed	
	Establish Audit and Finance Committees of the initial Board	Completed	
	Develop a consultation and communications framework to facilitate public and stakeholder engagement	Completed	
	Ensure sufficient insurance coverage for the Authority considering its mandate	Completed	
	Develop a records retention and destruction policy which addresses legislative requirements	Completed	

Registry Development			
Objective	Measure	2017 Performance	Comments
Develop and implement a registry to receive and store information from entities obligated to register and report to the Authority	Design the Registry to be flexible, scalable and responsive to anticipated future regulatory requirements	Ongoing	
	Develop security procedures to protect privacy and commercially sensitive information and prevent unauthorized access or tampering with information	Ongoing	
	Develop an Access and Privacy Code which sets out accessibility and management of private and commercially sensitive information	Completed	
	Select a vendor, or combination of vendors, through a competitive procurement process that will deliver a cost-effective technology solution in accordance with the Authority's requirements	Completed	
	Test the proposed Registry's initial capabilities during Q4 2017	Completed	
	Be ready to register obligated parties by the end of 2017	Ongoing	The Authority is ready to begin registering obligated parties by summer 2018 as per the Tires Regulation.
	Establish an organizational website and protocols to enhance transparency and accountability	Completed	

Compliance and Enforcement			
Objective	Measure	2017 Performance	Comments
Establish compliance and enforcement capabilities using a progressive, risk-based framework to fulfill the responsibilities of the Authority	Develop appropriate compliance and enforcement policies and protocols	Ongoing	A Risk-Based Compliance Framework was completed. Additional policies and protocols are under development.
	Execute a memorandum of understanding with the Ministry of the Environment and Climate Change's Investigations and Enforcement Branch which sets out roles and responsibilities for providing enforcement services until the Authority has its own capability	Completed	
	Develop a Code of Conduct for compliance staff	Completed	
	Develop comprehensive training materials and complete appropriate training plans for compliance personnel	Ongoing	Timing of these initiatives has been aligned with the requirements of the Tires Regulation
	Establish a system to track information on compliance and enforcement measures including educational initiatives, inspections, investigations, administrative penalties and prosecutions	Ongoing	
	Develop procedures for litigation proceedings	Ongoing	

Oversight of Programs under the Waste Diversion Transition Act, 2016 (WDTA)			
Objective	Measure	2017 Performance	Comments
Continue to oversee the waste diversion programs under the WDTA until each is wound up	Monitor the effectiveness and efficiency of programs	Ongoing	
	Ensure programs are meeting performance objectives	Ongoing	
	Monitor implementation of program review recommendations	Ongoing	
	Set annual Blue Box steward obligation and payments to municipalities	Completed	
	Administer the Continuous Improvement Fund	Ongoing	
	Administer the In-Kind program	Ongoing	
	Review Ontario Tire Stewardship's (OTS) wind-up plan submitted to the Authority by October 31, 2017 against the Minister's direction, the WDTA and its regulations, and interpretive guidelines developed by the Authority	Completed	The Authority completed consultations and approved the wind-up plan with conditions in April 2018
	Oversee the wind up of the Used Tires Program and OTS pursuant to the approved wind-up plan	Ongoing	
Review any additional wind up plans and oversee the wind up process as directed by the Minister	Not Applicable	No additional directions on wind up were provided by the Minister in 2017	

Stakeholder Engagement			
Objective	Measure	2017 Performance	Comments
Establish a consultation and communications framework in order to effectively engage with the Authority's stakeholders	Develop and implement a stakeholder relations and communications plan and a public consultation framework to support the work of the Authority	Completed	
	Hold a public annual meeting	Completed	
	Consult on the Authority's fee setting policy	Completed	Consultations were completed in 2018 and the Fee Policy, Methodology and the 2018 Registry Fees for Tires were finalized and posted to the Authority's website in April 2018
	Develop and maintain an effective system for responding to public feedback and complaints	Completed	
	Establish an issues resolution process	Completed	
	Develop a French language services plan consistent with the RRCEA, including reviewing plans developed by other administrative authorities	Completed	



Introduction

2017 brought significant change to the direction of OTS and the Used Tires Program (UTP). With the passage of the Waste Free Ontario Act (WFOA) in November 2016 the Government of Ontario signalled its intention to move forward with a new policy approach to waste diversion and the creation of a circular economy in Ontario. This was followed in February of 2017 by a Wind-Up Direction letter (WUPDL) from the Minister, specifying the wind-up of the UTP be completed by December 31, 2018.

While OTS worked to develop the Wind Up Plan (WUP), program operations continued unabated. Overall tire supply grew by just over 3%, delivering revenue results that somewhat offset the May Tire Stewardship Fee (TSF) reduction on Passenger and Light Truck (PLT) tires of approximately 7% (from \$3.55 per tire to \$3.30).

Used tire collection through the year was lower than in 2016, due mainly to service issues in late Q3 and through Q4 2017 associated with Processor capacity issues, however total deliveries to Processors (including volumes delivered to an out-of-province Processor contracted to add capacity and alleviate tire flow backlogs) was up by approximately 1.5% as a result of Q1 2017 deliveries of tires collected in Q4 2016 being higher than seen in previous years. Processors (including out of Province) increased TDP production by just over 8%, with crumb production increasing by 4% vs 2016. Crumb use by Recycled Product Manufacturers was basically flat in 2017 versus 2016.

While reported diversion rates lag historic targets these decreases are a result of a combination of the underreporting of culling of used tires and the assumptions used in calculating the diversion rate. They do not indicate an issue with actual used tire collection and recycling, and there is no evidence to suggest that used tires are not being collected and diverted. Addressing delays experienced in late Q3 and into Q4 of 2017 by Collectors seeking pick-ups of used tires has been prioritized by OTS and initiatives designed to increase Processing capacity and increase the incentives to service problematic areas have been deployed. OTS is monitoring the service levels and used tire movements to assess the effectiveness of these initiatives.

2017 Used Tires Diversion Performance

Tire Type	Target	2017 Performance
Passenger & Light Truck Tires	90%	82%
Medium Truck Tires	90%	71%
Off the Road Tires	50%	91%

Communicating with Stakeholders

One of the keys to delivering a successful program is by frequently and effectively engaging the range of stakeholders that OTS works with to ensure the smooth and efficient diversion of used tires. As an organization we strive to provide our stakeholders with information that is relevant to their roles in as transparent and timely manner as possible. The need for stakeholder engagement through 2017 was increased as a result of the Wind-Up direction issued by the Minister and OTS's work on the WUP. While the WUP development process was supported by a separate Consultation effort, OTS also leveraged existing communication channels and opportunities to communicate updates on these highly relevant areas of work to stakeholders.

As part of its efforts to continually improve the integrity of OTS's proprietary data collection and analysis system, called TreadMarks, and the user experience, OTS deployed a number of enhancements to TreadMarks through 2017. Each deployment was supported by a stakeholder outreach and communication effort to ensure the risk of confusion or business and program disruption was minimized.

OTS undertakes stakeholder outreach and consultation through a variety of mechanisms:

- Regular meetings of the Technical Advisory Committee;
- Targeted Consultations on specific changes or issues identified by OTS;
- Communications and outreach through the OTS Newsletter, website, and social media;
- Direct-to-stakeholder communications and engagement.

The OTS Technical Committee is the primary mechanism through which OTS solicits feedback from the Ontario tire recycling industry on emerging market trends, program operation and proposed operational changes to the program. The Committee serves to collaboratively identify issues and devise solutions proactively. The Technical Committee also provides volunteers for sub-committees for more targeted policy and procedure development, which are then brought back to the larger group for discussion.

Through this inclusive approach OTS has been able to successfully address and implement a range of operational enhancements and changes which have resulted in more efficient program operations, lower program costs and enhanced tire movement traceability and oversight by OTS. Through 2017 OTS undertook more than 100 communication and outreach activities; 4 Technical Committee meetings, 8 stakeholder-specific Consultation session on the Wind-Up Plan development (does not include meetings with individual stakeholder companies or trade associations) and 94 e-mail campaigns on matters including operational reminders, notices of system enhancements and deployments and initiatives to address capacity and service requirements under the UTP.

2017 Tire Supply

2017 On-Road tire supply increased by approximately 1.9% versus 2016, and Off-Road tire supply increased by 14.9%.

2017 Tire Supply in Tonnes			
Tire Type	Weight	Previous Year (2016)	% Change
PLT	118,740	116,230	2.2%
MT	46,080	45,448	1.4%
OTR	20,937	18,225	14.9%

Collection, Transportation & Reuse

At the end of 2017 there were 7,272 Collectors registered with OTS. As reported in past years, this number is less than the program plan target, however, collection rates and the absence of any indications of the collection infrastructure being insufficient to the task of collecting 100% of the available used tires (for example, through the growth of stockpiles or incidence of illegal dumping) indicates that the number of Collector sites is sufficient to ensure province-wide access to collection and is reasonable to achieve program objectives.

2017 Collection Sites*	Year 5 Collection Sites Target	Actual Collection Sites December 31, 2017	Actual Collection Sites December 31, 2016	Actual as a % of Year 5 Target
Garages	3500	3539	3426	101%
Municipal Waste Management Sites	30	404	405	1347%
Tire Retailers	14200	2641	2685	19%
Mass Merchants	357	0	0	0%
Other Private Collection Sites	30	688	684	2293%
Total	18117	7272	7200	40%

*Decreases in quantities of Collectors registered in certain categories are a result of reclassifications of Collector type into another category.

In 2017 used tire collection was 141,683 tonnes with On-road tire collection of 123,856 tonnes and OTR tire collection of 17,827 tonnes.

2017 Used Tires Collection	
	2017 Tonnes
Passenger & Light Truck Tires	88,399
Medium Truck Tires	35,457
Off-The-Road Tires	17,827
Total	141,683

In 2017, OTS also managed 61 Special Tire Collection (STC) events which resulted in the collection of 27,631 tires, or approximately 574 tonnes of tires.

OTS registered Haulers delivered 140,941 tonnes of tires to Processors in 2017 with 99% being delivered to Processors located in Ontario. Processing capacity was negatively impacted in late Q3 and through Q4 due to compliance and operational challenges at two Processors in the Province. Despite these disruptions, total deliveries to Processors (including volumes delivered to an out-of-province-Processor contracted to add capacity and alleviate tire flow backlogs) was up by approximately 1.5% as a result of Q1 2017 deliveries of tires collected in Q4 2016 being higher than seen in previous years.

2017 Deliveries to Processors	Tire Type			Total	% of Total Tonnes Delivered	2016 % of Total Tonnes Delivered
	PLT	MT	OTR			
In Province Deliveries*	89,189	33,995	15,971	139,156	99%	99%
Out of Province Deliveries	1459.97	625.7	497	2,582	2%	0%
Processor Cull (-ve)*	740	48	9	797	1%	1%
Total Deliveries	89,909	34,573	16,459	140,941		

* "In Province Deliveries" is inclusive of "Processor Cull"

Historically used tires have been culled for reuse at all three levels of the whole used tire management chain. Cull for reuse (either for sale as used tires in domestic or export markets) or retreading occurred predominantly at the Collector and Hauler level, while a limited amount of cull for reuse occurred at selected Ontario Processors.

For a number of years OTS has worked with stakeholders to improve tire cull reporting rates. In spite of these efforts reporting of tires culled for reuse significantly lags actual culling activity, resulting in a reported reduction in both actual collection and diversion rates. Based on discussions in past years with stakeholders this does not reflect a decrease in the responsible management of used MT tires, but rather an increased demand for "good" MT casings south of the border coupled with an absence of reporting by stakeholders that masks a robust and vibrant export reuse market. To date OTS has been unable to source data to close this "data gap".

In 2017 stakeholder feedback regarding MT tire reuse trends suggested the market for MT retreading in North America has been adversely impacted by the influx of low-cost new MT tires from offshore. The pricing on these new market entrants, coupled with improvements in their overall quality and reliability, has depressed the demand for retreaded MT tires, and thus casing. This may result in higher scrappage rates in future years.

¹ Throughout this document data presented has been rounded to display only whole numbers for ease of consumption by the reader. In certain instances this may result in rounding errors in the calculations contained in the tables.

Total 2017 Reuse vs Retreading				
	PLT	MT	OTR	% of Reuse in 2017
Reuse	2,244	1,242	119	100%
Retread	0	0	0	0%
Total	2,244	1,242	119	

Reuse volumes include Retreading however stakeholder reporting to OTS does not adequately differentiate these two activities so these are reported as a combined figure.

Scrap Tire Processing and Recycled Product Manufacturing

In 2017 Processors (including out of Province) increased TDP production by just over 8% vs 2016 volumes, with crumb production increasing by 4% vs. 2016.

OTS Tire-Derived Product (TDP) Categories

Product	Description
TDP1	95% minus 20 mesh, free of steel
TDP2	80% minus 8 mesh, free of steel
TDP3	Minus 1/2" sieve, free of steel
TDP4	Fabricated products such as blasting mats etc. must utilize at minimum 75% of the tire by weight
TDP5	Primary Shred used as Tire Derived Aggregate or as a feeder stock for Crumb Rubber production

2017 TDP Production			
Tire Category	TDP Type	Weight (TN)	2016 Weight (TN)
On Road Tires	TDP1	11,808	9,869
	TDP2	60,818	60,445
	TDP3	1,709	172
	TDP4	6,717	4,844
	TDP5	1,281	28
	Total	82,333	75,358
Off Road Tires	TDP1	2,048	3,310
	TDP2	8,330	7,605
	TDP3	0	1,837
	TDP4	0	0
	TDP5	0	0
	Total	10,378	12,752
Total TDP Tonnes		92,711	88,110

Total Tonnes reported may not directly correlate to quantities for Recycled Rubber reported in the overall diversion chart due to late reporting of a actual TDP production by Processors

2017 Out of Province TDP Production			
Tire Category	TDP Type	Weight (TN)	2016 Weight (TN)
On Road Tires	TDP5	2,086	0
Off Road Tires	TDP5	497	0

* TDP Production of out of province was equal to the weight of the transfer to the out of province Processors

2017 Residuals Management					
End Use	Material Type			Total	% of Total Residuals
	Fluff	Steel/Metal	Other		
Recycled/Reused	1,149	32,211		33,360	57%
Disposal	20,944	28	4,068	25,040	43%
Total	22,093	32,239	4,068	58,400	

In 2017 Ontario-produced crumb-rubber use by Recycled Product Manufacturers was basically flat in 2017 versus 2016.

2017 TDP Used in Ontario Recycled Products		
Product Type	2017 Weight (TN)	2016 Weight (TN)
Moulded	52,190	51,868
Extruded	1751	1,320
Calandered	158	820
Total	54,099	54,008

OTS Market Development Activities & Educating the Consumer

2017 Promotion & Education Activities

Diversion. Responsible recycling. Market innovation. Environmental sustainability. These are the hallmark themes central to OTS’ P&E activities. In a year that brought the announced wind-up of the Used Tires Program, 2017 afforded us the opportunity to glimpse into the future while celebrating our history and how far we’ve come as an industry since the Used Tires Program’s inception in September 2009. Efforts focused on P&E programs, tactics and tools to deliver our environmental and economic messages of diversion and market building, including:

- community renewal grants
- community revitalization projects
- community collection events
- consumer rebate programs
- consumer events and trade shows
- media relations
- digital marketing & social media
- strategic partnerships

In April 2017, the Used Tires Program reached a major diversion milestone: the collection of our **100 millionth tire**. This impressive accomplishment was weaved into messaging throughout 2017, celebrating the successes of the Used Tires Program and the tire recycling industry in Ontario, while highlighting the innovation of our industry partners and the commitment Ontarians have shown to recycling and sustainable solutions. Leveraging a variety of tools and tactics, from press releases, e-cards and Audio News Releases, to matte stories, blogs and a video, we shared the great news with almost **993,000** consumers.

Warmer weather ushered in OTS’ 7th **RethinkTires Roadtrip**. With **51 stops** over the course of **133 activation days** from May 5 to October 15, our RoadTrip team participated in community events across the province, spreading the word about the positive environmental, economic and community benefits of tire recycling. Through direct, one-to-one interactions with **125,682** consumers during our 21-week RoadTrip allowed OTS to engage and educate Ontarians about proper tire maintenance, responsible tire disposal, and sustainable products made from recycled tires.

2017 P&E Highlights

As Ontario continues to embrace the concept of a circular economy, OTS’ P&E activities focused on supporting the Used Tires Program’s circular approach to the lifecycle of a tire. Our goal was to educate consumers about: how to prolong tire life, thus keeping them out of the waste stream as long as possible; proper disposal and what happens when old tires are retired; the vast array of products made from recycled tires. Our messages focused on diversion and market development, supporting our commitment to fostering a self-sustaining recycling industry in Ontario while celebrating the commitment Ontarians have shown to safeguarding our environment.

Community Renewal Fund & Revitalization Projects

More communities across Ontario are enjoying the many benefits of materials made from recycled rubber as a direct result of OTS' Community Renewal Fund (CRF) grant program. Sixty-five projects sought funding in 2017 and, in total, OTS provided over **\$500,000** in much-needed funds to support **23 projects** in communities across the province. Grant recipients included municipalities, community groups and non-profit organizations committed to creating inclusive, accessible community spaces and facilities, including parks and playgrounds, arenas, and community centres.

Additionally, OTS supported the installation of rubber matting and rubber cube seating at **The Bentway Skate Trail** in Toronto. The Bentway is a unique and innovative public space that transforms 1.75km underneath Toronto's Gardiner Expressway into a new community gathering place. When complete, in addition to the Skate Trail, The Bentway project will offer year-round activities and events, including gardens, recreational amenities, public markets, public art, special exhibitions, festivals, theatre and musical performances, and more.

Since 2009, OTS has proudly supported over **90 community projects** while **investing over \$1.5 million** to help green Ontario and create an enduring legacy for residents to enjoy today and for years to come.



Retail Rebate Program

OTS has helped Ontario consumers make environmentally sustainable choices through Retail Rebate Programs. By providing direct-to-consumer, at-the-till rebates at leading retailers across Ontario, OTS is focused on building the market for goods made from recycled Ontario tires, while helping consumers make more affordable green choices, supporting a circular tire-recycling industry in Ontario.

The 2017 Rebate program was the most robust and successful program in OTS' history, offering Rebates on over **70** different items at The Home Depot, Lowe's and Canadian Tire stores across Ontario. In total, OTS funded over **\$1 million** in redeemed rebates in 2017 – savings that directly benefited Ontario consumers. Over **243,000 recycled products** were sold through the 2017 Rebate program, including planters, rubber paving stones, garden borders & edging, mats, boot trays and rubber mulch.



The goal of OTS' Retail Rebate Program has been to help build the market for recycled rubber products in Ontario, while laying the foundation for a self-sustaining industry. OTS launched its Retail Rebate Program in 2013, and since that time, has funded **over \$2.47 million in consumer rebates on over 165 different products**, helping establish and grow the circular economy for tires.

OTS Student Design Challenge Comes To Life

In 2016, we fuelled the imaginations of landscape design and industrial design students and challenged them to rethink tires as part of OTS' Design Challenge. In 2017, OTS brought the winning student designs to life.

Landscape design students from University of Toronto re-imagined Toronto's Artscape Youngplace, and by incorporating rubber tiles, rubber paving and cube seats made from recycled tires, have breathed new life into this landmark location. This artistic hub now boasts gathering areas the entire community can enjoy.

Industrial design students were tasked with developing a new product that could be manufactured using recycled rubber components, for use in outdoor/landscape environments. The winning design, a modular, multi-function bench dubbed The Shaw Bench, was conceptualized by students at Sheridan College. Under the guidance of professional industrial designers, The Shaw Bench moved from prototype to small scale manufacturing in one short year. Four Shaw Benches are now installed at Artscape Youngplace and demonstrate the innovation and future possibilities for the tire recycling industry and product manufacturers.



Artscape Youngplace marks the final Design Challenge project OTS will undertake. OTS has been proud to work with students and professionals alike, revitalizing **Evergreen Brick Works** and **Toronto Central YMCA**, hosts of two previous Design Challenge competitions. By educating the designers of tomorrow about the possibilities and benefits of incorporating recycled rubber materials into their designs, we've inspired the next generation of professionals to consider sustainable alternatives that help our environment and economy.

Ensuring a Level Playing Field

In 2017, Ontario Tire Stewardship continued its audit program to ensure the program is keeping a level playing field for all Program Participants. In the Steward Audit program, OTS works to ensure that all Stewards report and remit according to their actual supply into the province to minimize the incidence of free-riders and maintain a level playing field for all tire Stewards in Ontario. The program focused on Stewards not previously audited who had either significant market supply, or who were Stewards of particular tire types that had been identified by stakeholders as having an increasing amount of grey-market activity.

In our audits of operational stakeholders, OTS continued to focus on strengthening our inventory monitoring systems and leveraged these processes to focus audits as needed. OTS sought out instances where inventory variations indicated the potential for inaccurate filings and dug deeply into reports submitted by stakeholders and their customers to ascertain the cause of these variances. These efforts were significantly strengthened by the enhanced data quality offered by OTS' proprietary electronic data gathering system, TreadMarks™ and the field-validated inventory reporting process.

Overall reporting by service providers has improved in 2017, especially among Collectors. Issues remain with reporting of used tire reuse transactions, however the overall rate of compliant reporting has shown improvement as evidenced by lower overall recoveries in 2017. The continued consolidation of Haulers and Processors has prompted OTS to continue to refine its stakeholder audit target identification processes. OTS continues to examine a number of potential risk factors in developing its annual audit plan.

OTS Audit Results

2017 Results			
Type	2017 Target	Completed YTD	\$ Adjustments
Steward	30	24	\$596,708
Hauler	10	6	5,729
Processor & RPM	10	4	156,895
Collector (Individual)	120	125	259,315
Collector (Entity)	40	66	970
Total	210	225	\$1,019,616

In 2017, a risk-based value added model was implemented, focusing on the highest concentration of risk as opposed to quantity of audits.

OTS 2017 Used Tires Diversion Summary

	Plan Target	Actual	Previous Year
	Year 5	2017 YEAR to Date	2016 YEAR
PLT Tonnes			
Supplied into Marketplace	116,230	118,740	116,230
Available for Collection (1)	107,078	104,491	102,282
Collected	89,194	88,399	90,036
Reused (2)	16,062	2,244	2,815
Actual Input to Recycling		89,909	88,220
Processor Inventory Carryover From Previous Year		0	0
Material Available for Recycling	91,016	89,909	88,220
Material losses & Disposal	9,102	16,014	9,906
Recycled (Rubber)		61,563	55,011
Recycled (Steel)		20,601	13,159
Recycled (Fibre)		839	760
Total Tonnes Recycled	81,914	83,002	68,930
Total Tonnes Diverted	97,976	85,246	81,739
		0	0
Reduction Rate	1.5%	0%	0%
Collection Rate	83%	85%	88%
Reuse Rate	18%	2%	3%
Recycling Rate		83%	84%
Recycling Efficiency		92%	89%
Diversion Rate	92%	82%	80%

	Plan Target	Actual	Previous Year
	Year 5	2017 YEAR to Date	2016 YEAR
MT Tonnes			
Supplied into Marketplace	27,358	46,080	45,448
Available for Collection (1)	26,948	45,158	44,539
Collected	26,948	35,457	34,155
Reused (2)	0	1,194	1,083
Inventory at Haulers		0	316
Actual Input to Recycling		34,573	33,088
Processor Inventory Carryover From Previous Year		0	0
Material Available for Recycling	26,948	34,573	33,088
Material losses & Disposal	2,695	6,116	3,676
Recycled (Rubber)		22,856	20,347
Recycled (Steel)		7,868	4,883
Recycled (Fibre)		310	281
Total Tonnes Recycled	24,253	31,034	25,511
Total Tonnes Diverted	24,253	32,228	30,769
Reduction Rate	1.5%	0%	0%
Collection Rate	100%	79%	77%
Reuse Rate	0%	3%	2%
Recycling Rate		75%	73%
Recycling Efficiency		90%	90%
Diversion Rate	90%	71%	69%

	Plan Target	Actual	Previous Year
	Year 5	2017 YEAR to Date	2016 YEAR
OTR Tonnes			
Supplied into Marketplace	85,559	20,937	18,225
Available for Collection (1)	71,014	17,378	15,127
Collected	35,507	17,827	18,412
Reused (2)	0	109	187
Actual Input to Recycling (3)		16,459	15,440
Processor Inventory Carryover From Previous Year		0	0
Material Available for Recycling (4)	33,710	16,459	15,440
Material losses & Disposal	1685.5	2,909	1,715
Recycled (Rubber)		11,930	12,752
Recycled (Steel)		3,742	2,278
Recycled (Fibre)		0	0
Total Tonnes Recycled	32,025	15,672	15,030
Total Tonnes Diverted (5)	32,025	15,781	15,807
Reduction Rate	1.5%	0%	0%
Collection Rate	50%	103%	122%
Reuse Rate	0%	1%	1%
Recycling Rate		91%	107%
Recycling Efficiency		95%	101%
Diversion Rate	45%	91%	104%

NOTES

1. Tonnes of tires available for collection is assumed to be equivalent to Tonnes of Tires Supplied by Stewards
2. Reuse includes sales of used tires and retreading
3. Tonnes of Tires delivered to approved Processors
4. Tonnes of tires in inventory at Processors at the time of reporting
5. Includes % of tonnes of tires in inventory at time of reporting will be diverted. The % is based on 2010 diversion rate of Ontario Processors

Financial Statements of

**ONTARIO TIRE STEWARDSHIP/
SOCIÉTÉ DE GESTION DES
PNEUS USAGÉS DE L'ONTARIO**

Year ended December 31, 2017



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Administrator of Ontario Tire Stewardship/
Société de Gestion des Pneus Usagés de l'Ontario

We have audited the accompanying financial statements of Ontario Tire Stewardship/Société de Gestion des Pneus Usagés de l'Ontario, which comprise the statement of financial position as at December 31, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



Page 2

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Tire Stewardship/Société de Gestion des Pneus Usagés de l'Ontario as at December 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants

March 29, 2018
Vaughan, Canada

**ONTARIO TIRE STEWARDSHIP/
SOCIÉTÉ DE GESTION DES PNEUS
USAGÉS DE L'ONTARIO**

Statement of Financial Position

December 31, 2017, with comparative information for 2016


	2017	2016
Assets		
Current assets:		
Cash	\$ 50,094,250	\$ 70,457,641
Trade accounts receivable	7,930,124	6,600,926
Prepaid expenses	47,673	119,142
	<u>58,072,047</u>	<u>77,177,709</u>
Capital assets (note 2)	2,221,458	2,701,959
	<u>\$ 60,293,505</u>	<u>\$ 79,879,668</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 20,899,129	\$ 30,399,967
Other liabilities (note 3)	296,866	296,594
	<u>21,195,995</u>	<u>30,696,561</u>
Deferred leasehold inducement (note 4)	–	27,897
Net assets:		
Unrestricted	20,058,442	–
Internally restricted (note 6):		
Wind-up expense reserve fund	19,039,068	–
Operational reserve fund	–	26,195,846
Market development fund	–	8,000,000
Stabilization reserve fund	–	14,959,364
	<u>39,097,510</u>	<u>49,155,210</u>
Commitments (note 8)		
	<u>\$ 60,293,505</u>	<u>\$ 79,879,668</u>

See accompanying notes to financial statements.

On behalf of the Board:



Earl Patrick Shea Administrator

**ONTARIO TIRE STEWARDSHIP/
SOCIÉTÉ DE GESTION DES PNEUS
USAGÉS DE L'ONTARIO**

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Steward fees	\$ 62,798,346	\$ 51,262,000
Tire steward fee penalties	124,355	121,133
	<u>62,922,701</u>	<u>51,383,133</u>
Expenses:		
Operational costs:		
Research and development	1,275,000	943,310
Manufacturing incentive	4,350,835	5,481,330
Transportation incentive	24,683,334	22,077,102
Processor incentive	16,833,978	15,137,241
Collection allowance	8,820,857	7,997,009
Promotion and communication	5,748,152	3,006,374
	<u>61,712,156</u>	<u>54,642,366</u>
Administration:		
Program management	5,897,224	4,214,970
Professional fees	293,994	300,739
Office and general	3,808,697	3,817,875
Bad debt	137,680	54,637
Write off of harmonized sales tax input tax credits (note 7)	1,130,650	1,021,534
	<u>11,268,245</u>	<u>9,409,755</u>
	<u>72,980,401</u>	<u>64,052,121</u>
Deficiency of revenue over expenses	\$ (10,057,700)	\$ (12,668,988)

See accompanying notes to financial statements.

**ONTARIO TIRE STEWARDSHIP/
SOCIÉTÉ DE GESTION DES PNEUS
USAGÉS DE L'ONTARIO**

Statement of Changes in Net Assets

Year ended December 31, 2017, with comparative information for 2016

	Internally restricted				2017		2016	
	Wind-up expense reserve fund	Operational reserve fund (note 6)	Market development fund (note 6)	Stabilization reserve fund (note 6)	Unrestricted	Total	Unrestricted	Total
Balance, beginning of year	\$ -	\$ 26,195,846	\$ 8,000,000	\$ 14,959,364	\$ -	\$ 49,155,210	\$ 61,824,198	\$ 61,824,198
Deficiency of revenue over expenses	-	-	-	-	(10,057,700)	(10,057,700)	(12,668,988)	(12,668,988)
Interfund transfer (note 6)	19,039,068	(26,195,846)	(8,000,000)	(14,959,364)	30,116,142	-	-	-
Balance, end of year	\$ 19,039,068	\$ -	\$ -	\$ -	\$ 20,058,442	\$ 39,097,510	\$ 49,155,210	\$ 49,155,210

See accompanying notes to financial statements.

**ONTARIO TIRE STEWARDSHIP/
SOCIÉTÉ DE GESTION DES PNEUS
USAGÉS DE L'ONTARIO**

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (10,057,700)	\$ (12,668,988)
Items not involving cash:		
Amortization	1,941,411	2,113,092
Amortization of deferred lease inducement	(27,897)	(41,846)
Loss on disposal of capital assets	25,205	390
Change in non-cash operating working capital:		
Trade accounts receivable	(1,329,198)	457,081
Prepaid expenses	71,469	(40,083)
Accounts payable and accrued liabilities	(9,500,838)	14,158,444
Other liabilities	272	161,058
	(18,877,276)	4,139,148
Investing activities:		
Purchase of capital assets	(1,486,115)	(2,068,056)
Increase (decrease) in cash	(20,363,391)	2,071,092
Cash, beginning of year	70,457,641	68,386,549
Cash, end of year	\$ 50,094,250	\$ 70,457,641

See accompanying notes to financial statements.

**ONTARIO TIRE STEWARDSHIP/
SOCIÉTÉ DE GESTION DES PNEUS
USAGÉS DE L'ONTARIO**

Notes to Financial Statements

Year ended December 31, 2017

Ontario Tire Stewardship/Societe de Gestion des Pneus Usages de ("Ontario ("OTS" or the "Organization") has been incorporated for the purpose of becoming an industry funding organization created in accordance with Section 23(1) of the Waste Diversion Act (the "WDA"), which was passed in June 2002 by the Province of Ontario legislature. The WDA is designed to promote reduction, reuse and recycling of waste.

OTS was incorporated on September 10, 2003 as a corporation without share capital by letters patent under the laws of Ontario. It qualifies as a not-for-profit organization, as defined in the Income Tax Act (Canada) and, as such, is exempt from income taxes.

OTS aims to develop, promote, implement, operate and monitor a scrap tire diversion program for the Province of Ontario.

In 2016 as part of the Ontario government's Strategy for a Waste-Free Ontario, the Ontario legislature passed both the Resource Recovery and Circular Economy Act, 2016 ("RRCEA") and the Waste Diversion Transition Act, 2016 ("WTDA"). The RRCEA creates a new legislative framework for managing waste in Ontario that will wind up current waste diversion programs and related Industry Funded Organizations ("IFO"), such as Ontario Tire Stewardship. Under the RRCEA producers will be responsible for the implementation of new waste diversion programs that must meet recycling targets and objectives established under that act.

OTS works cooperatively with the Resource Productivity & Recovery Authority ("RPRA") to meet the requirements set out by the WDTA and the Ontario Ministry of the Environment and Climate Change.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(a) Revenue recognition:

OTS follows the deferral method of accounting. Under this method, unrestricted revenue is recognized when received or receivable if the amount receivable can be reasonably estimated and collection is reasonably assured. Restricted revenue is recognized in the year in which the related expenses occur.

**ONTARIO TIRE STEWARDSHIP/
SOCIÉTÉ DE GESTION DES PNEUS
USAGÉS DE L'ONTARIO**

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

Stewards, defined as brand owners, original equipment manufacturers and first importers, must pay OTS a fee on every tire supplied into Ontario. This fee varies by tire type. OTS accrues the steward fee revenue and recognizes it as unrestricted revenue in the month in which it was generated as reported by the stewards.

Tire steward fee penalties are revenue resulting from OTS' compliance and enforcement activities and are recorded as revenue in the year in which they are enforceable and received.

(b) Capital assets:

Purchased capital assets are recorded at cost. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Office furniture	20%
Computer equipment	25% - 33%
Leasehold improvements	Term of lease
Software	33%

(c) Deferred leasehold inducement:

The Organization has a deferred leasehold inducement related to the reimbursement by the lessor of certain expenditures for leasehold improvements that will be amortized over the term of the initial lease agreement.

**ONTARIO TIRE STEWARDSHIP/
SOCIÉTÉ DE GESTION DES PNEUS
USAGÉS DE L'ONTARIO**

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(d) Incentives payable:

Incentives payable to collectors are earned by collectors when tires are picked up by haulers for storage and eventual transport to processors. Incentives payable to haulers are earned by haulers when the tires are delivered to processors. Incentives payable to processors are earned by processors only after the processing is complete and the product is sold for an eligible end use. Incentives payable to manufacturers (with manufacturing operations in Ontario) are earned when manufacturers provide OTS with proof of sale of products using recycled rubber from eligible Ontario tires.

Incentives are paid after OTS receives reports from the stakeholders and is satisfied with the supporting documents provided. OTS accrues the incentives and recognizes them as expense in the period in which the incentives are earned by the stakeholders.

Transportation incentive expense on the statement of operations includes payments to processors for the delivery of tires by haulers.

Incentives payable at year end are included in accounts payable and accrued liabilities.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry non-equity investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the straight-line method.

**ONTARIO TIRE STEWARDSHIP/
SOCIÉTÉ DE GESTION DES PNEUS
USAGÉS DE L'ONTARIO**

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include amortization of capital assets, allowance for doubtful accounts and accrued liabilities. Actual results could differ from those estimates.

2. Capital assets:

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
Office furniture	\$ 85,157	\$ 83,007	\$ 2,150	\$ 3,079
Computer equipment	478,061	446,806	31,255	21,221
Leasehold improvements	281,131	281,131	–	42,967
Mobile and application software	2,498,847	2,339,624	159,223	491,233
Treadmarks software	4,632,089	2,603,259	2,028,830	2,143,459
	<u>\$ 7,975,285</u>	<u>\$ 5,753,827</u>	<u>\$ 2,221,458</u>	<u>\$ 2,701,959</u>

**ONTARIO TIRE STEWARDSHIP/
SOCIÉTÉ DE GESTION DES PNEUS
USAGÉS DE L'ONTARIO**

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Capital assets (continued):

Included in office and general expenses is amortization of \$1,941,411 (2016 - \$2,113,092).

3. Accounts payable and accrued liabilities and other liabilities:

Included in accounts payable and accrued liabilities and other liabilities as at December 31, 2017 are government remittances payable of \$194,777 (2016 - \$234,368) relating to harmonized sales tax ("HST"), payroll taxes, health and workers' safety insurance.

4. Deferred leasehold inducement:

Deferred leasehold inducement represents the reimbursement by the lessor of certain expenditures for leasehold improvements made by the Organization as inducements to enter into a long-term lease agreement.

The lease inducement is amortized on a straight-line basis over the term of the lease and is being recorded as a reduction of rent expense:

	2017	2016
Lease inducement received	\$ 209,230	\$ 209,230
Less accumulated amortization	209,230	181,333
	<u>\$ –</u>	<u>\$ 27,897</u>

5. Credit facility:

On August 19, 2014, OTS executed a credit facility agreement providing a revolving demand facility in the amount of \$250,000. The facility bears interest at the bank's prime rate plus 3% per annum. At December 31, 2017, no amount had been drawn on this facility (2016 - nil).

**ONTARIO TIRE STEWARDSHIP/
SOCIÉTÉ DE GESTION DES PNEUS
USAGÉS DE L'ONTARIO**

Notes to Financial Statements (continued)

Year ended December 31, 2017

6. Internally restricted funds:

The Organization, as approved by the Administrator, internally designates funds to be used for specific purposes. The wind up expense reserve fund was established as a means of mitigating OTS's risks involved in fulfilling its financial and contractual obligations during the wind up of the Used Tire Program. The wind up expense reserve fund also includes funds related to estimated employee exit costs. This internally restricted amount is not available for other purposes without the approval of the Administrator.

7. Write off of harmonized sales tax input tax credits:

During 2013, the Canada Revenue Agency ("CRA") issued a ruling that operating expenses are not considered to be incurred in the course of making taxable supplies and, accordingly, OTS does not qualify for the HST input tax credits. The CRA had previously indicated the ruling would likely be unfavorable and, as a result, OTS has written off the input tax credits. No further provisions or net receivables have been recorded (2016 - nil).

Subsequent to year end, a judgment was issued by the Tax Court of Canada for another IFO on March 21, 2018 entitling the IFO to claim HST input tax credits based on the courts findings of fact relevant to the organization. The CRA has 30 days to file a Notice of Appeal.

8. Commitments:

(a) OTS has future minimum annual commitments under long-term contracts for premises, information technology infrastructure and other services as follows:

2018	\$ 2,049,000
2019	499,000
	<u>\$ 2,548,000</u>

(b) OTS has future minimum commitments under contracts for research and development grants and Community Renewal Fund as follows:

2018	\$ 1,928,000
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**ONTARIO TIRE STEWARDSHIP/
SOCIÉTÉ DE GESTION DES PNEUS
USAGÉS DE L'ONTARIO**

Notes to Financial Statements (continued)

Year ended December 31, 2017

9. Future operations:

In 2017, management received a letter from the Ministry of the Environment and Climate Change (the "Ministry") directing OTS to wind up the waste diversion program for used tires by December 31, 2018. OTS was directed by the Ministry to submit a wind up Plan to RPRA in 2017 with the expectation that RPRA review and approve a plan by March 31, 2018. As at December 31, 2017, OTS submitted the wind up plan to RPRA, pending its approval.

10. Governance:

On September 27, 2017, RPRA appointed an Administrator of OTS pursuant to S. 43 (1) and S. 43 (2) 3 of the WDTA. This had come after the Board of Directors of OTS provided notification of their resignation to RPRA on September 18, 2017, which resulted in a loss of quorum on the OTS Board of Directors.

Appendix B – Ontario Electronic Stewardship Annual Report
(for the Waste Electrical and Electronic Equipment Program)



Appendix B – Ontario Electronic Stewardship Annual Report
(for the Waste Electrical and Electronic Equipment Program)

TABLE OF CONTENTS

THE JOURNEY OF END-OF-LIFE ELECTRONICS	3
WHY RECYCLE?	4
1.0 OVERVIEW	5
1.1 Key Performance Indicators	6
2.0 STEWARD INDICATORS	7
2.1 Steward Overview	8
Table 1.0 a) - Summary of Steward Indicators	
Table 1.0 b) - Supplied for Use in Ontario Actual Units	9
2.2 Steward / Remitters Compliance Overview	9
Table 2.0 - Stewards/Remitters: 2017 Monitoring & Compliance	10
3.0 SERVICE PROVIDERS	11
3.1 Service Providers Overview	12
Table 3.0 - Type of Service Provider	12
3.2 Service Provider Compliance Overview	12
Table 4.0 - Service Providers	13
4.0 PROGRAM ACCESSIBILITY	14
Table 5.0 - Summary of Accessibility	15
Table 6.0 - OES Accessibility Research Report	16
5.0 PROGRAM PERFORMANCE	17
Table 7.0 - Total Collected	19
Graph 1 - WEEE Collected in 2017 vs. 2016	19
Table 8.0 - 2017 Total Recycled	20
5.1 REUSE AND REFURBISHMENT	21
Table 9.0 - Summary of Reuse/Refurbishment Activity in 2017	22
6.0 PROMOTION & EDUCATION	23
6.1 Qualitative Market Research and Program Awareness	24
6.2 Promotion and Education	25
6.3 Digital Marketing	26
6.4 Public Relations Media Partnerships	27
6.5 The EPRA Recycle My Electronics Mobile Classroom	29
6.6 Community Outreach	29
7.0 EMERGING TOPICS REGARDING THE PROGRAM	31
8.0 AUDITED FINANCIAL STATEMENTS	32

RECYCLE MY ELECTRONICS

The future is in your hands. Don't let it go to waste.

- 1. I'M READY TO RECYCLE**
WHAT'S NEXT?
Since the program began, Recycle My Electronics has diverted approximately 100 million devices from landfill and illegal export.
- 2. RECYCLEMYELECTRONICS.CA**
Where Can I Recycle?
POSTAL CODE LOOK UP
To find out what and where to recycle, visit recyclemyelectronics.ca
- 3. DRIVE TO DROP-OFF LOCATION**
Drop-off locations can be dropped off at:
- Recycle My Electronics drop-off locations
- Retail locations
- Special collection events
As a recognized industry-led, not-for-profit organization, Recycle My Electronics programs provide environmental compliance programs for manufacturers, distributors and retailers of electronics.
Recycle My Electronics programs require that all recyclers actively process material and maintain appropriate environmental, health, safety and security controls.
- 4. TRANSPORT TO CONSOLIDATION AND REPACK**
Recycle My Electronics programs only work with vetted recyclers ensuring that end-of-life electronics are managed in a safe and environmentally sound manner.
- 5. CONSOLIDATION AND REPACK**
- 6. RTO CERTIFIED PRIMARY PROCESSORS**
Recyclers are prohibited from exporting electronics or substances of concern to non-OECD nations.
With 40% more Recycle My Electronics drop-off locations across the country, recycling your end-of-life electronics has never been easier.
- 7. MANUAL DISASSEMBLY**
- 8. MECHANICAL DISASSEMBLY**
- 9. DOWNSTREAM**
Materials move through additional points of security controls to recover resources and protect the environment.
RECYCLED METALS: ALUMINUM, COPPER, STEEL, ZINC
OTHER PRODUCTS: POLYESTER FIBRE, POLYURETHANE, POLYPROPYLENE, POLYETHYLENE, POLYETHYLENE TEREPHTHALATE, POLYETHYLENE TEREPHTHALATE, POLYETHYLENE TEREPHTHALATE
RECYCLED METALS: ALUMINUM, COPPER, STEEL, ZINC
OTHER PRODUCTS: POLYESTER FIBRE, POLYURETHANE, POLYPROPYLENE, POLYETHYLENE, POLYETHYLENE TEREPHTHALATE, POLYETHYLENE TEREPHTHALATE

SAVE

RECYCLE MY ELECTRONICS

Why Recycle?

- Keeping e-waste out of Canadian landfills.
- Preventing e-waste from being illegally exported or handled by irresponsible recyclers, decreasing environmental issues for the planet.
- Recovering resources like gold, silver, copper and palladium so they can be recycled to go into new products.
- Protecting workers' health and safety.
- Confirming the safe and secure destruction of personal data stored on hardware.

There are so many good reasons for recycling your end-of-life electronics – here are just a few of them.

The future is in your hands. Don't let it go to waste.

Since the program began, Recycle My Electronics has diverted approximately **100 million devices** from landfill and illegal export.

To find out what and where to recycle, visit recyclemyelectronics.ca

1.0 OVERVIEW

“A milestone was reached in 2017! Since the OES program began, we have now recycled over 500,000 metric tonnes of end-of-life electronics, saving our land and ensuring the materials can be recycled and reused. This is something all Ontarians can celebrate. In itself, 2017 was another strong year for the OES program; increased public awareness of recycling through effective awareness initiatives coupled with decreased costs — great results for which I thank our talented team and engaged public. We are pleased to have delivered safe, secure recycling on behalf of over 900 Stewards and the people of Ontario.”

Lynda Kitamura
Executive Director, Ontario Electronic Stewardship

Increasing Collection and Accessibility:

Since the program began, we have diverted 507,619 metric tonnes of end-of-life electronics (EOLE) from landfill to help the environment. Tonnage comes from extensive coverage provided by 902 collection sites and 377 community collection events. In fact, 99.7% of Ontarians live within approximately 25 km of a drop-off location.

Focus on Recycling Education:

This year OES focused much of its communications on the reusable resources inside of our end-of-life electronics and the importance of recovering and putting them back into the manufacturing stream. This message was taken directly to the public through print and radio campaigns as well as new educational videos featuring science educator Alan Nursall. Special Marquee Collection Events were held for Earth Week and Waste Reduction Week to further spread the message of resource recovery.

Raising Awareness:

Awareness increased by 1% over 2016 to 66%. OES conducted Steward Surveys to better understand ways the program can further support their collection efforts.

Efficient Operations:

In 2017, OES was able to reduce program costs through program efficiencies and effectiveness. OES continued to operate a financially healthy and stable program, with 87% of total program costs going directly towards material management/ collection and a total cost per tonne of \$1,077.

Trend of Light-weighting:

The challenge surrounding light-weighting continues to be prominent in determining effective performance measurements. The evolution of the television is an example of light-weighting in action — as we’ve moved from the CRT console to the thinner and lighter LED and LCD type screens.

In terms of a sustainability model, less tonnage is positive news but must be taken into account as we look to the future and in setting performance benchmarks and metrics.

Regulatory Update:

Recycling changes continue to unfold in Ontario. Beginning in early 2016 with the passage of Bill 151 and the move forward with the Strategy for a Circular Economy, 2017 was a year of further activity towards the Resource Recovery Circular Economy Act. OES will continue to fulfill the very important electronics recycling program under the Waste Diversion Transition Act until OES operations cease on June 30th, 2020. Until then, OES remains dedicated to running an effective, efficient and convenient electronics recycling program.

1.0 OVERVIEW

1.1 KEY PERFORMANCE INDICATORS

January - December 2017 (unaudited)

KEY PERFORMANCE INDICATORS



Collection

Operational Indicators



Total Waste Electronic Equipment collected

52,712
tonnes



Total collected¹
(2016 = 60,139 tonnes)

3.92
kg/capita



Total collected per capita²
(2016 = 4.47 kg/capita)

Measurements related to the weight of regulated electronics collected by the program for recycling.

Access

Accessibility Indicators



Collection site coverage and events

99.7%



99.7% of the Ontario population live within 25 kms of a collection depot.
(2016 = 99.7%)

377

Total collection events
(2015 = 381)

902

Total OES collection sites
(2016 = 877)

Measurements related to the convenience of accessing the program to have regulated electronics recycled.

Awareness

Public Awareness and Industry Participation Indicators



Public Awareness and Industry Participation

66%
(increased by 1%)



Percentage of population aware of the program.
Ipsos-Reid June 2017.
(2016 = 65%)

938

Participating manufacturers, retailers and other industry members (includes Stewards/Remitters and Sub-Remitters).

Measurements related to the public's awareness of the program, and the direct participation of obligated industry in the program for environmental compliance.

Cost

Financial Indicators

\$56,754,747



Total program costs
(2016 = \$60,740,274)

\$1,077



Total program costs per tonne

\$939

Total operation costs per tonne
(2016 = \$895)

\$81

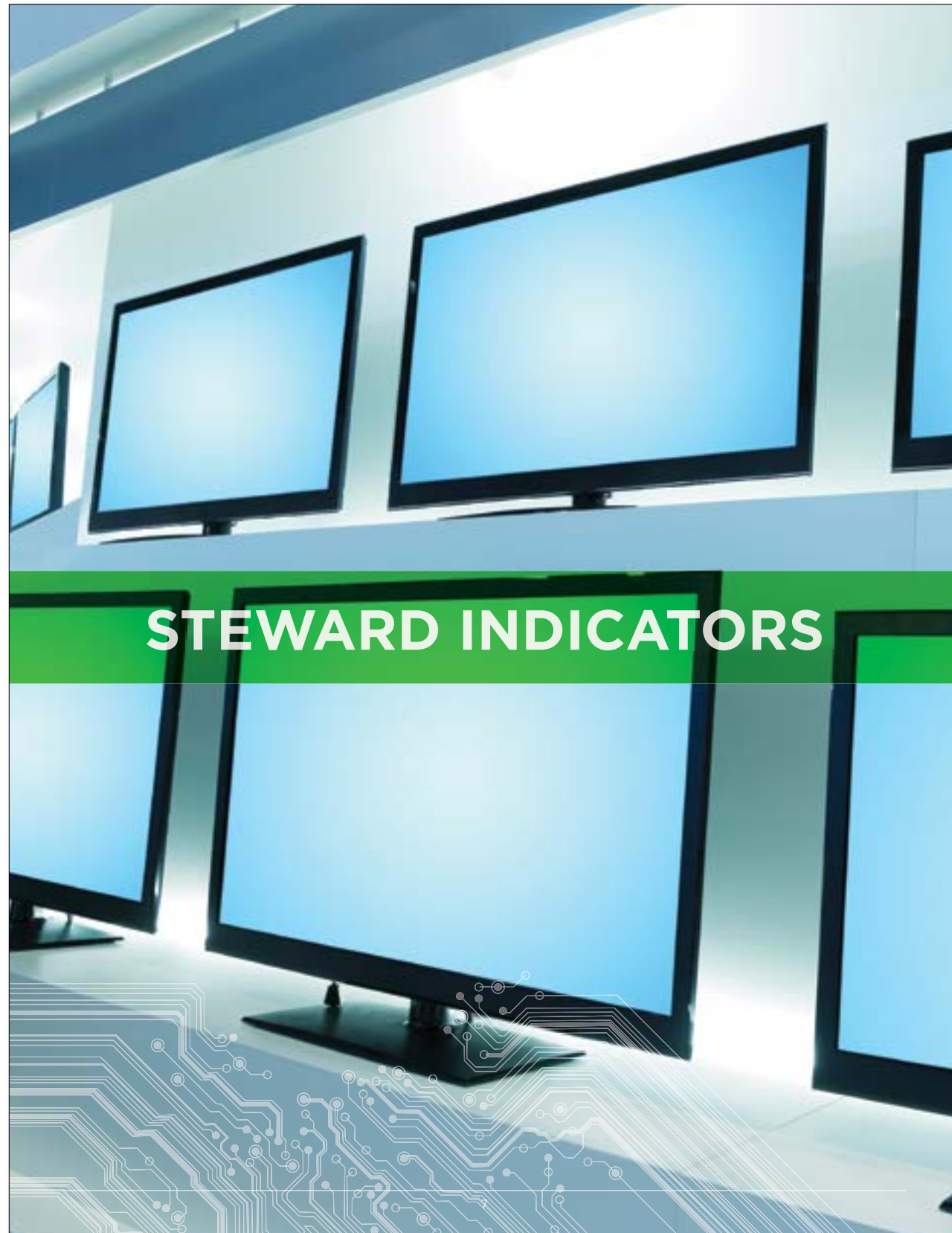
Total administration costs per tonne
(2016 = \$69)

\$57

Total promotion and education cost per tonne
(2016 = \$46)

Measurements related to the overall costs of delivering the program, including collection, consolidation, transportation, audits, processing, administration, communications, management and professional fees.

1. Includes tonnes collected from OES collection sites, OES processor sites through processor incentive and Steward self-managed EOLE streams.
2. Population calculations based on 2016 Statistics Canada Census Data.



STEWARD INDICATORS

2.0 STEWARD INDICATORS

2.1 STEWARD OVERVIEW

All manufacturers, retailers, distributors and other suppliers of regulated electronic products in or into Ontario are obliged to register with OES and pay fees to fund the costs of the OES program.

Stewards (obligated companies) or Remitters (companies who have assumed the reporting responsibilities from Stewards) register, report and pay fees to OES based on units supplied into the Ontario market.

TABLE 1.0 A) - SUMMARY OF STEWARD INDICATORS

2017 STEWARD INDICATORS		
Notified companies since program start	Notified companies	Total Stewards/ Remitters/ Sub-Remitter 938
5,109	43	
Total units reported	Total fees remitted	
27,513,674	\$55,543,686	
Active Remitter/ Sub-Remitter Agreements	Cancelled Remitter/ Sub-Remitter Agreements	Total New Agreements
6,264	93	171 Remitter Agreements 180 Sub-Remitter Agreements
Steward Self-Managed EEE Units	Total Kilograms of WEEE Self-Managed	
920,034	147,144 kg recycled 647,177 kg reused/refurbished	

40 to 50x
greater concentrations of valuable materials, such as **Gold, Silver & Platinum**, than mined ore extraction

Statistic provided by EPSC Design for Environment, 2016

The CO₂ equivalents saved from Canada's WEEE Recycling Activities Equal the Removal of **17,684** Passenger Vehicles Annually

Statistic provided by EPSC Design for Environment, 2016

2.0 STEWARD INDICATORS

TABLE 1.0 B) SUPPLIED FOR USE IN ONTARIO ACTUAL UNITS

2017 Supply to the Market

Product	Actual EEE Reported (Units)
Display Devices	2,021,893
Desktop and Portable Computers	3,158,435
Printers and Peripherals	22,314,913
Floor-Standing Printing/Copying Devices	18,523

2.2 STEWARD/REMITTERS COMPLIANCE OVERVIEW

OES compliance efforts are in place to ensure that designated Stewards and Remitters comply with program requirements and their obligations under the Waste Free Act 2016.

The sections below provide information on risk management approaches to compliance. Our Stewards, Remitters and other stakeholders share a mutual interest in compliance designed to reinforce program fairness and protect program integrity. Wherever required, OES employs a range of approaches to enforce compliance consistent with the terms and conditions of our agreements, the program plan and related rules.

Steward compliance comprises several aspects:

- 1. Identification of Stewards that are obligated to report but are not registered with OES.**
- 2. Ensuring obligated Stewards have filed monthly reports as per OES requirements and the Rules for Stewards with Respect to the Payment of EE Fees under the WDA and the WEEE program plan.**
- 3. Verification of the accuracy of the reports filed.**

All compliance risk management efforts are posted on our website and presented in Table 2 below. These capture activities throughout 2017.

2.0 STEWARD INDICATORS

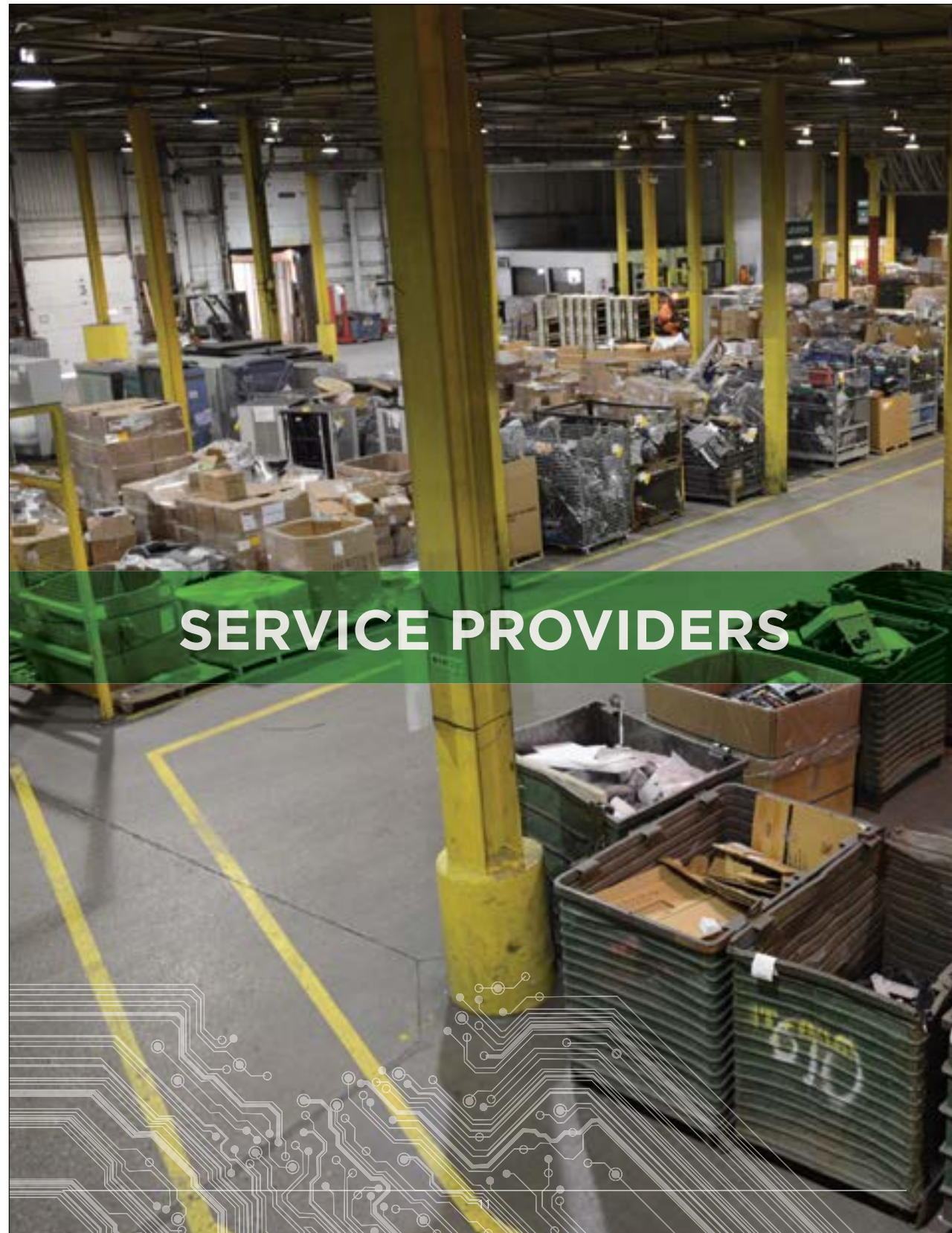
TABLE 2.0 STEWARDS/REMITTERS

2017 MONITORING & COMPLIANCE

Types of Steward monitoring and compliance activity:

1. Identify potential Stewards
2. Ensure OES revenue recovery
3. Verify units reported/fees remitted

2017	Stewards/Remitters
Monitoring & Compliance Actions	
Notification mailers	43
Current quarter status report of notification mailer: declaration - obligated	32
Current quarter status report of notification mailer: declaration - not obligated	11
Outstanding notification mailers issued since program inception	294
Current quarter, notification mailer obligated, late filers	9
Notification mailer, outstanding filers	7
Compliance audits - performed	74
Compliance audits - in progress	14



SERVICE PROVIDERS

3.0 SERVICE PROVIDER INDICATORS

3.1 SERVICE PROVIDERS OVERVIEW

The OES program collects end-of-life electronics through a network of approved collection sites and generators registered by RQO-approved Primary Processors who contract with OES Processors. All Processors have been successfully audited against the Recycler Qualification Program (RQP). The current network of service providers delivered sufficient capacity to effectively process all the collected tonnes.

In order to transport materials between OES collection points through consolidation to Processors, OES utilizes a network of transporters, re-packers and consolidation companies contracted on a RFQ basis. Under the PI program, qualified generators supply used electronics to Processors for end-of-life management. OES pays an incentive to the Processor for documented eligible program material they have received for processing.

TABLE 3.0 TYPE OF SERVICE PROVIDER

Type of Service Provider	Total OES Approved Sites
OES Collectors	902
Transportation Companies	64
OES Primary Processors	11
OES Reuse Refurbishers	29
Consolidation Companies	9
Supplies, Special Services and Re-packers	38

3.2 SERVICE PROVIDER COMPLIANCE OVERVIEW

OES ensures that our service providers comply with program requirements. Both our service providers and our stakeholders have a mutual interest in reinforcing program standards and protecting program integrity through compliance. OES Service Providers enter into contracts with OES and are accountable to meet and fulfill regulated program requirements. Sanctions include repayment of incentives or recovery of fees paid, through to suspension and termination from the program. OES has entered into a range of agreements and contracts with various service providers.

Compliance is a strict requirement for all service providers who must meet OES requirements and standards.

All compliance risk management efforts are posted on our website and presented in Table 4 below, which capture annual activities.

3.0 SERVICE PROVIDER INDICATORS

TABLE 4.0 SERVICE PROVIDERS

MONITORING & COMPLIANCE: SERVICE PROVIDERS QUARTERLY DASHBOARD REPORT

Types of service provider monitoring and compliance activity:

1. Site visits, internal or third-party audits
2. Mass balancing
3. Financial recovery

2017	OES Sites	OES R&R Sites	OES Processors	Generator Sites
Monitoring & Compliance Actions				
Reviews conducted or in progress	202	277	24	216
Downstream reviews conducted or in progress			66	
Default issues	2	27		20
Suspension		1		4



4.0 PROGRAM ACCESSIBILITY

Ontarians wishing to recycle their end-of-life electronics have access to the robust OES collection network of approved and affiliate sites and events.

The table below provides a summary of accessibility in 2017.

TABLE 5.0 - SUMMARY OF ACCESSIBILITY

OES Collector Sites	Actual 2016	Actual 2017
Permanent locations - municipal	371	383
OES collection sites added	37	39
Permanent locations - non-municipal ¹	561	572
OES collection sites added	100	26
Permanent Sites, Net²	877	902
Special Event - Public/municipal	61	61
Special Event - Non-municipal	318	314
OES Round-up	2	2
Total Event Based	381	377
Total Generators³	942	784
Total Sites & Events	2,200	2,063

1. Non-municipal refers to non-municipal sites and does not necessarily mean that these sites are open to the public
2. Includes permanent multi-residential locations serviced and satellite sites
3. Generators not active for 18 months ending 2017 not included in 2017 count

4.0 PROGRAM ACCESSIBILITY

OES commissioned Environmental Design and Management Limited (EDM) in 2017 to measure the program's accessibility. Outlined in the table below is the breakdown of accessibility by OES, generator collection type and overall program accessibility. EDM's report found that there's an OES site or affiliated drop-off location within 25 kilometres of 99.7% of Ontarians.

TABLE 6.0 - OES ACCESSIBILITY RESEARCH REPORT

OES Collection Sites		Generator Collection Sites		Total Accessibility	
Catchment Area	% of Ontario Population Within Catchment Area	Catchment Area	% of Ontario Population Within Catchment Area	Catchment Area	% of Ontario Population Within Catchment Area
Kilometres Radius From Site		Kilometres Radius From Site		Kilometres Radius From Site	
10 km	94.9%	10 km	90.4%	10 km	96.9%
25 km	99.6%	25 km	96.4%	25 km	99.7%
50 km	99.8%	50 km	97.9%	50 km	99.8%

¹EDM – Environmental Design and Management Ltd. OES Collection and Generator sites were geographically located using Google Earth Pro and ArcGIS (version 10.2). This process assigns latitudes and longitudes to the OES sites. Where possible, the street address and postal code were used to locate the sites; where the address and/or postal codes were unmatchable, the city/town was used. The second dataset used in the analysis was population by small area geography ("dissemination blocks") based upon the most recent 2016 Census of Canada, which provided the population distribution across Ontario. For the analysis, an appropriate map projection to preserve distances across the earth's surface was implemented. Algorithms to buffer each OES site by the distances specified and to select and sum the Census populations within those radii by OES Collection and Generator sites were used.

²The OES Collection and Generator sites were geographically located using Google Earth Pro and ArcGIS (version 10.2). This process assigns latitudes and longitudes to the OES sites. Where possible, the street address and postal code were used to locate the sites; where the address and/or postal codes were unmatchable, the city/town was used. The second dataset used in the analysis was population by small area geography ("dissemination blocks") based upon the most recent 2016 Census of Canada, which provided the population distribution across Ontario. For the analysis, an appropriate map projection to preserve distances across the earth's surface was implemented. For Rural areas, algorithms to buffer each OES site by the distance specified and to select and sum the Census populations within those radii by OES Collection and Generator sites were used. For Urban Areas, a street network analysis (using the National Road Network) was completed to determine distance travelled in the specified time, with the resulting polygon being used to select and sum the Census populations.



PROGRAM PERFORMANCE



5.0 PROGRAM PERFORMANCE

In 2017, OES continued its efforts to deliver an accessible, environmentally responsible WEEE diversion program, diverting 52,712 tonnes of end-of-life electronics from landfill.

Tonnage targets were set at the inception of the OES program in 2009, for the initial five-year period of 2009–2014. These targets were set using the best available data at the time (2008) but no actual Ontario program experience was available. Additionally, other provincial programs were new and the electronics industry was on the verge of launching a digital age where technology began to consolidate and get significantly lighter.

In June 2016, OES submitted a proposal on OES targets for 2016 and an update to the Discard Model because the existing model exhibited wide divergences on product lifespan assumptions and sales put on market. Product weights were also updated as the weights of televisions have declined by as much as 57% since program inception.

Light-weighting, miniaturization and consolidation of products are beginning to occur at a rapid pace and need to be taken into consideration when establishing program benchmarks.

For a detailed break out of materials please see Table 7.

The total of 52,712 tonnes collected in 2017 represents 3.92 kg of collected material per Ontario resident. From program commencement (2009) to the end of 2017, the OES program has diverted and processed a total of 507,619 tonnes of end-of-life electronics.

Ontarians expect that WEEE delivered into the OES program will be handled safely, securely and in an environmentally responsible way. OES ensures that its approved processors adhere to high standards to protect not only the health and safety of the environment, but also of workers.

The difference between “collection” and “recycling” is material that is not diverted for recycling purposes. This includes materials that are landfilled because of no or low recoverable value (e.g., treated wood from console televisions), recovered in slag but not used for another purpose and organic materials that are lost in the smelting process (e.g., plastics that are consumed as energy and not recovered) WEEE Program Plan, reporting an overall program recycling rate of 84% of the collected materials sent for end-of-life management through approved OES Processors. This rate represents the total percentage of materials that was diverted from landfill during the recycling process.

For a detailed summary of the total recycled material after efficiency rates have been applied please view Table 8 below.

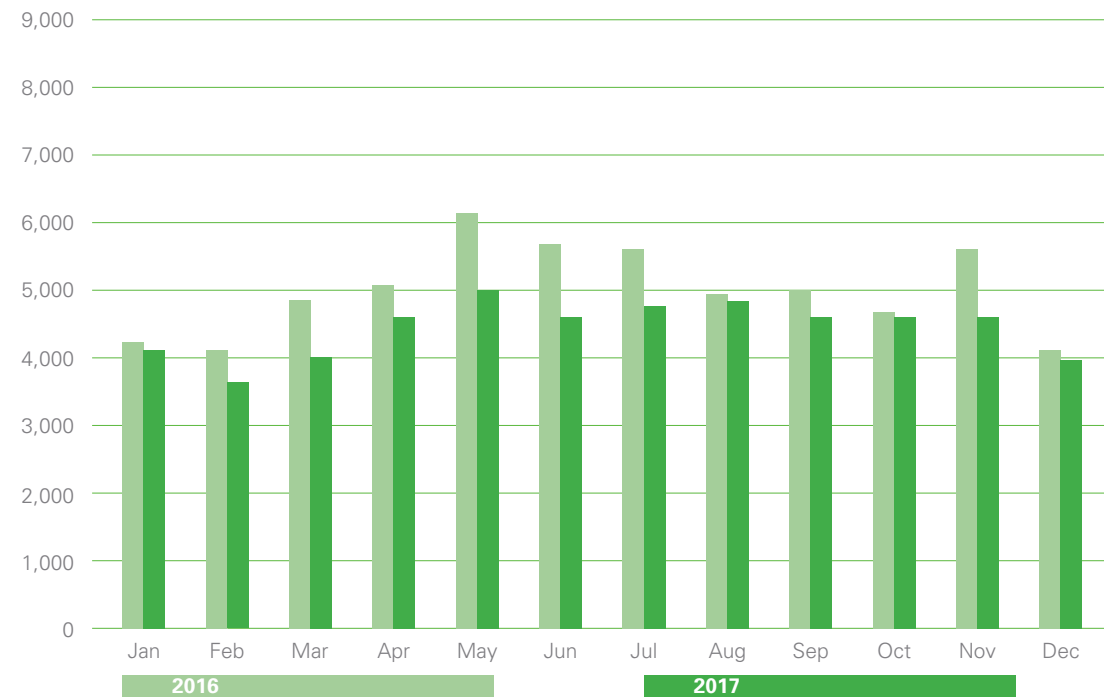
5.0 PROGRAM PERFORMANCE

TABLE 7.0 - TOTAL COLLECTED

Material Category	Actual Tonnes
Display Devices	26,869
Desktop and Portable Computers	6,454
Printers & Peripherals	18,495
Floor-Standing	894
Total	52,712
Collection kg/capita*	3.92

*Population data provided by 2016 Census

WEEE Collected in 2017 vs. 2016



19

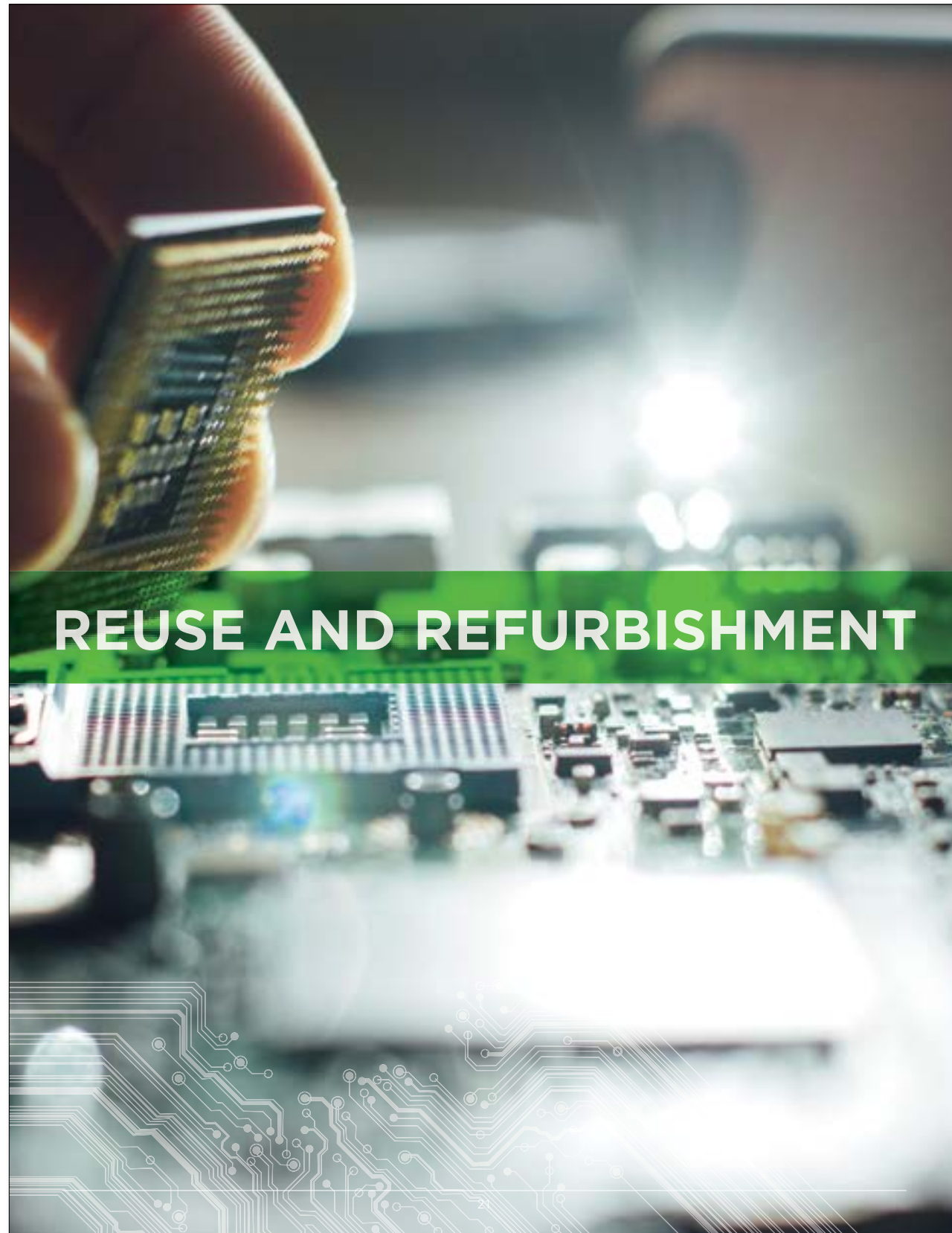
5.0 PROGRAM PERFORMANCE

TABLE 8.0 - 2017 TOTAL RECYCLED

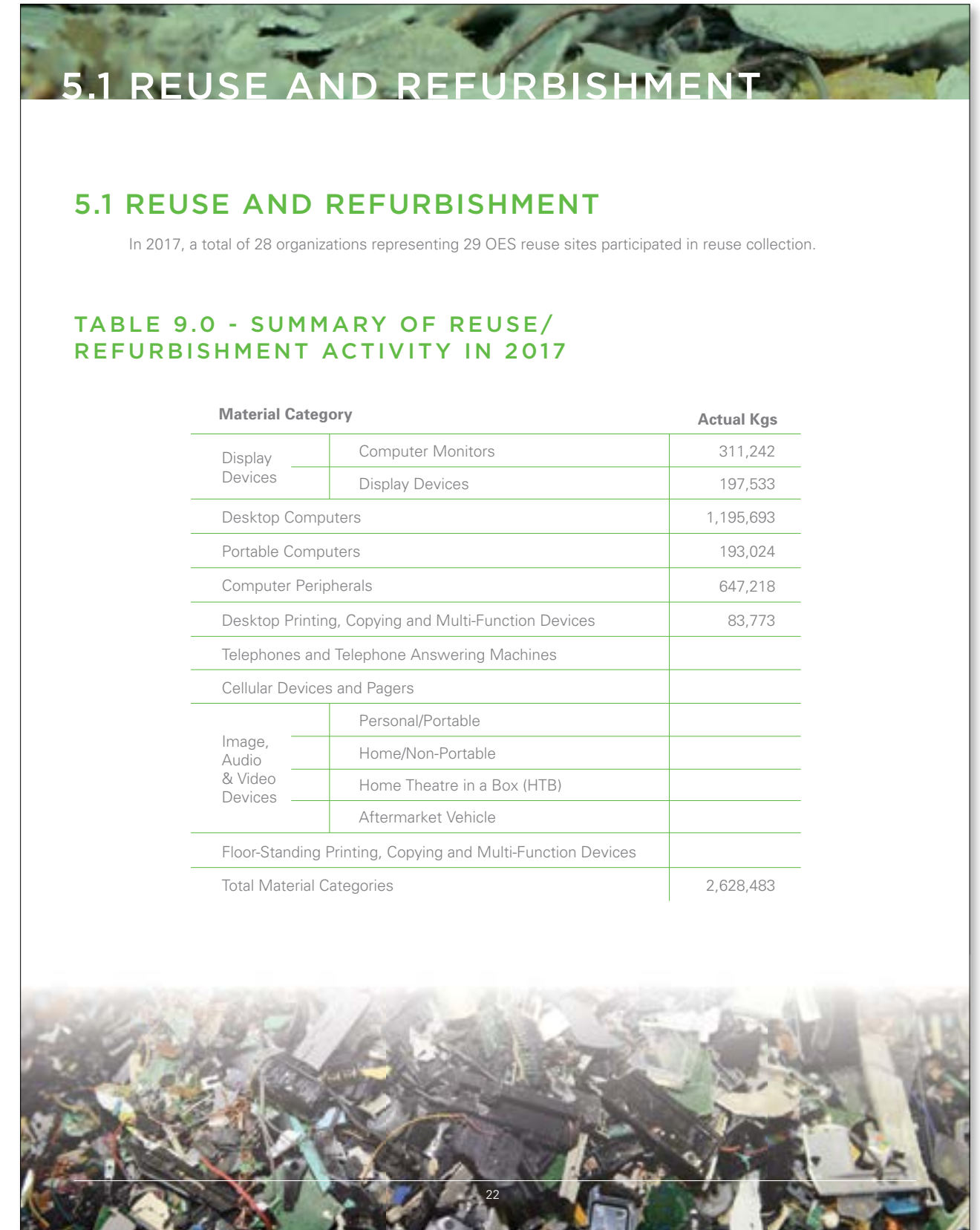
EEE Product	Actual WEEE Sent to Processors (Tonnes)	Recycling Efficiency Rate	Total
Display Devices	25,211	83%	20,925
Desktop and Portable Computers	4,969	86%	4,273
Printers & Peripherals	17,169	86%	14,765
Floor-Standing	863	82%	708
Total	48,212	84%	40,671



20



REUSE AND REFURBISHMENT



5.1 REUSE AND REFURBISHMENT

5.1 REUSE AND REFURBISHMENT

In 2017, a total of 28 organizations representing 29 OES reuse sites participated in reuse collection.

**TABLE 9.0 - SUMMARY OF REUSE/
REFURBISHMENT ACTIVITY IN 2017**

Material Category		Actual Kgs
Display Devices	Computer Monitors	311,242
	Display Devices	197,533
Desktop Computers		1,195,693
Portable Computers		193,024
Computer Peripherals		647,218
Desktop Printing, Copying and Multi-Function Devices		83,773
Telephones and Telephone Answering Machines		
Cellular Devices and Pagers		
Image, Audio & Video Devices	Personal/Portable	
	Home/Non-Portable	
	Home Theatre in a Box (HTB)	
	Aftermarket Vehicle	
Floor-Standing Printing, Copying and Multi-Function Devices		
Total Material Categories		2,628,483

Text from:
TOMORROW

PROMOTION & EDUCATION

The electronics we use every day are filled with reusable resources. By safely and securely recycling your end-of-life electronics you are helping the environment extend natural resources through responsible recovery and reuse.

RECYCLE MY ELECTRONICS
To find out what and where to recycle, visit recycleMYelectronics.ca/ON

Bon Echo Provincial Park, Ontario

23

6.0 PROMOTION & EDUCATION

Promotion and education remain crucial components of the OES WEEE Program. It supports all activities and informs Ontario residents on the importance of safely and securely recycling their end-of-life electronics while also providing information on safe and convenient drop-off locations.

OES expanded on its communications strategy in 2017, by focusing on the recoverable resources inside end-of-life electronics and promoting this message at Earth Week and Waste Reduction Week events, through new media partnerships and with the new interactive Recycle My Electronics Mobile Classroom.

6.1 QUALITATIVE MARKET RESEARCH AND PROGRAM AWARENESS:

OES commissioned Ipsos Reid to measure brand awareness of the program in 2017. Ipsos Reid conducted survey research among adults living in Ontario and data was weighted to reflect the adult population of Ontario by region, age and gender. Awareness increased by 1% over 2016 to 66%.

2017 Brand Awareness Research Results:

2017 Brand Awareness	18-34	35-54	55+
66%	59%	58%	68%

24

6.0 PROMOTION & EDUCATION

6.2 PROMOTION AND EDUCATION

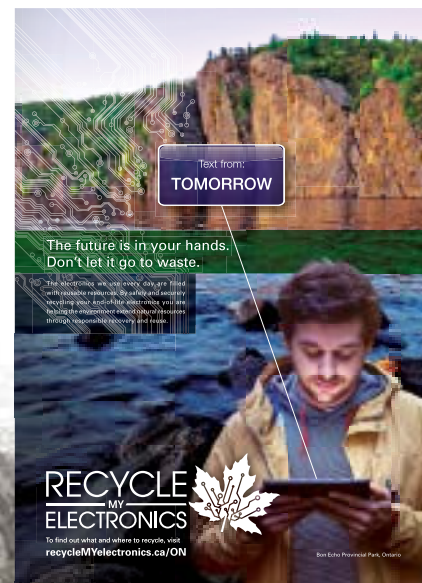
ACTIVITY OVERVIEW

In 2017, program advertising on radio, in print, online and out of home spread the message of responsible end-of-life management of electronics.

Marketing Tactical Breakdown	
Tactic	Impressions
Radio Advertising	24,044,592
Earth Month Print Advertising	1,883,300
Regional Print Advertising	2,610,694
Out of Home (TTC Stations & Go Train)	44,812,857

New Awareness Promotion

GO Train Poster



6.0 PROMOTION & EDUCATION

6.3 DIGITAL MARKETING

Recycle My Electronics (Web traffic breakdown) Recycle My Electronics Website:

- The total visits to the Recycle My Electronics website in 2017 was 364,021; an increase of 8% compared to 2016.
- **The 2017 unique visitors have increased by 10.4% when compared to 2016.**
- We continue to experience more web traffic from mobile devices (171,785) than from desktop (123,217).
- The “Drop-off Locations” page continues to have very high traffic, surpassed only by the homepage.

OES (Web traffic breakdown) Ontario Electronic Stewardship Website:

- The total visits to the Ontario Electronic Stewardship website in 2017 was 63,110—which is down over last year by -10.2%.
- The total unique visitors to the website in 2017 was 50,272, which is down over last year by -8.7%.

recycleMYelectronics.ca

Actual Year	2017	2016
Total Visits (Sessions)	364,021	336,916
Unique Visits (Users)	295,054	267,201
Pageviews	649,551	678,715
Bounce Rate**	61.36%	55.78%
Avg. Time on Site	1:03	1:19
Visits YoY % +/-	↑ 8.05%	
Unique Visits YoY % +/-	↑ 10.42%	

OntarioElectronicStewardship.ca

2017	2016
63,110	70,310
50,399	54,466
187,234	188,083
24.66%	29.42%
1:45	1:45
↓ -10.24%	
↓ -7.47%	

** Bounce Rate is the percentage of single-page sessions



6.0 PROMOTION & EDUCATION

6.4 PUBLIC RELATIONS MEDIA PARTNERSHIPS:

The Toronto Star & Metro News

OES worked with TorStar to deliver targeted media through both TheStar.com and MetroNews.ca. This campaign was featured only in the digital environment and did not include print.

The campaign was a tremendous success accredited to strategic planning, which leveraged learnings from the previous campaign.

A total of four pieces of content (two videos, two articles) were promoted within TheStar.com and MetroNews.ca and, overall, the four pieces received 7,255 page views — 140% of the delivery goal. The Recycle My Electronics Fall Campaign generated over 2.8MM+ impressions.

During Waste Reduction Week, the campaign drove maximum impact with selective mass awareness tactics, using only the ones that performed well during Earth Week on the Spring Campaign. Within just one week, it achieved over 2.4MM impressions and drove over 19K clicks to the site.



Vice Media

OES worked with partners Vice Media through their tech channel Motherboard to produce two articles that were promoted through social activation on Facebook and Twitter. The campaign vastly outperformed internal article benchmarks and hit an appropriate and engaged audience.

The results included:

- 25,819 Article Clicks.**
- 27,198 Social Engagements (total likes, comments, shares).**
- 3.68% Engagement Rate (30% above benchmark).**
- 86% of traffic reached the 18 to 44-year-old target audience.**

The overall digital performance of this campaign was excellent, with impression delivery 39% above goal.



6.0 PROMOTION & EDUCATION

Chat with Experts

Once again in 2017, OES leveraged the EPRA electronics recycling messaging in which industry expert Marc Saltzman and science education expert Alan Nursall team up for the "Chat with Experts" feature discussing end-of-life electronics and highlighting the importance of resource recovery. The "Chat with Experts" interview segment was featured on Newstalk 1010 in both spring and fall campaigns. Together they also did audio news release spots that were featured on 680 News. Both experts were also featured on Indie88.1 in interviews with station hosts.

Marc took the message of electronics recycling in-person to both radio and television. He appeared on CTV, Global and CP24, and could be heard on 680 News and Newstalk 1010. He also continued to promote end-of-life electronics recycling on his syndicated Tech Talk radio program.

Alan gave interviews for the Toronto Star online platform, which also featured a video of Alan discussing the fundamental science behind resource recovery and its environmental impact. Alan was also featured in two new EPRA educational videos that are featured on the Recycle My Electronics website and the new national television commercial.



Indie88

OES worked with Indie88.1 to deliver targeted media through Indie's radio programming, digital and social outreach and street team activations.

Three sponsored posts, sponsored Facebook ads and bonus run of site display ads were created by the Indie team and received 8,269 clicks, with 543,517 impressions. Indie also ran a recycling blitz event at the station with 76 spots in under two weeks for a total of 459,800 impressions and four social posts the day of the event for 80,400 impressions. Response was overwhelming and the station collected electronics on site as part of their blitz.

Indie88.1 street teams visited 278 events between April and November 2017 gaining 19.7MM+ impressions.

On air, Recycle My Electronics was featured in 30-second brand spots, 60-second educational spots featuring Indie on-air talent with Marc Saltzman and Alan Nursall. A radio remote with station talent was delivered for the spring Evergreen Brick Works event. fifteen-second promotional spots were also produced promoting the sponsorship of the street teams. Total impressions for the broadcast campaign were 30.2MM+ impressions.

In total, the Indie88.1 campaign generated 70.9MM+ impressions.

6.0 PROMOTION & EDUCATION

6.5 THE EPRA RECYCLE MY ELECTRONICS MOBILE CLASSROOM

In 2017, the importance of end-of-life electronics recycling was presented to the public in a fun, interactive and immersive way. The successful launch of the EPRA Recycle My Electronics Mobile Classroom was utilized by OES to raise awareness in a self-contained, hands-on environment.

This Mobile Classroom, made from a customized shipping container, features videos and games designed to both educate and entertain visitors about why they should recycle their old, unused electronics. As well as being a mobile information centre, the container also serves as a collection bin for visitors to drop off their end-of-electronics on the spot.

The Mobile Classroom was set up on location at festivals and fall fairs with on-site event staff to interact with the public and spread the word about the importance of recycling end-of-life electronics. The events included the Roncesvalles Polish Festival, the Milton Fall Fair, the Markham Fall Fair, the Norfolk County Fair and the Waterfront Artisan Market.

6.6 COMMUNITY OUTREACH OES conducted 377 Collection Events in 2017.

There were three Marquee Collection Events and one B2B Collection Drive held in 2017, some featuring live-on-location radio remotes. One of the events was a successful return to the Chinese community at Woodside Square and to Evergreen Brick Works. These events were all supported with new event kits, including promotional signs for use on the event day.

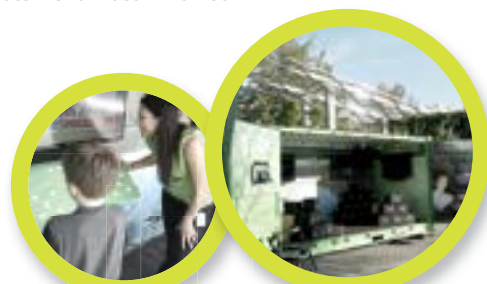
During our campaign timeframes, the Marquee Collection Events collected 90 tonnes of end-of-life electronics and generated 10,387,289 total impressions and an average increase in web traffic of 41.3%.

Summary of Marquee Promotional Events & B2B Collection Drive

Earth Week

Woodside Square:

OES held its annual Earth Week outreach and collection event focusing on the Chinese community. The event, held at Woodside Square, featured signage in traditional Chinese, bilingual event staff and an on-site radio remote with Fairchild Radio. The event resulted in the collection of 63.7 metric tonnes of end-of-life electronics.



29

6.0 PROMOTION & EDUCATION

Evergreen Brick Works:

OES held a large-scale collection event at Evergreen Brick Works that featured a live radio remote with Indie88. The team interacted with roughly 350 visitors, spreading our message of safe and responsible electronics recycling while collecting 2.1 metric tonnes of end-of-life electronics.



IKEA Ottawa:

This pilot project event with IKEA was promoted through print and radio advertising and offered \$15 off their \$150 purchase in store when customers recycled an end-of-life electronic item on the event day. The initiative resulted in 8.15 metric tonnes of end-of-life electronics collected.

Liberty Village Business-to-Business EOLE Collection:

This partnership between OES and the Liberty Village BIA and promoted by our media partners at Indie88 continued to raise awareness through the business community resulting in the collection of 2 metric tonnes of end-of-life electronics.



Waste Reduction Week

Partners in Project Green:

As part of our Waste Reduction Week campaign, OES teamed up with Partners in Project Green to promote our program and collect end-of-life electronics through Recycle My Electronics branded collection bins placed in office lobbies and community centres.

In 2017, 23 organizations registered over 70 locations to participate in this campaign and OES collected a total of 6.33 metric tonnes of end-of-life electronics.

Business-to-Business EOLE Collection:

OES initiated direct outreach to businesses offering organized end-of-life electronics collection. The initiative resulted in the collection of 1,168 kg in the Roncesvalles community, 299 kg in Milton and 214 kg in Markham.

Festivals and Fall Fairs:

Collection events were held at numerous festivals and fall fairs, and included the EPRA Recycle My Electronics Mobile Classroom and support staff on-site to help educate the public and promote the recycling of end-of-life electronics.

Events included the Roncesvalles Polish Festival, the Milton Fall Fair and the Markham Fair, which saw a combined total of 6 tonnes of end-of-life electronics collected.

Point-of-Sale Materials

Brochures are provided free of charge to all retailers to educate consumers as they purchase new electronics. Over 3,030 brochures were distributed in 2017.

To read the 2017 consumer brochure:

www.recyclemyelectronics.ca/wp-content/uploads/2017/12/EPRA_EHF_2017_Brochure_ON_Dec1_v2.pdf

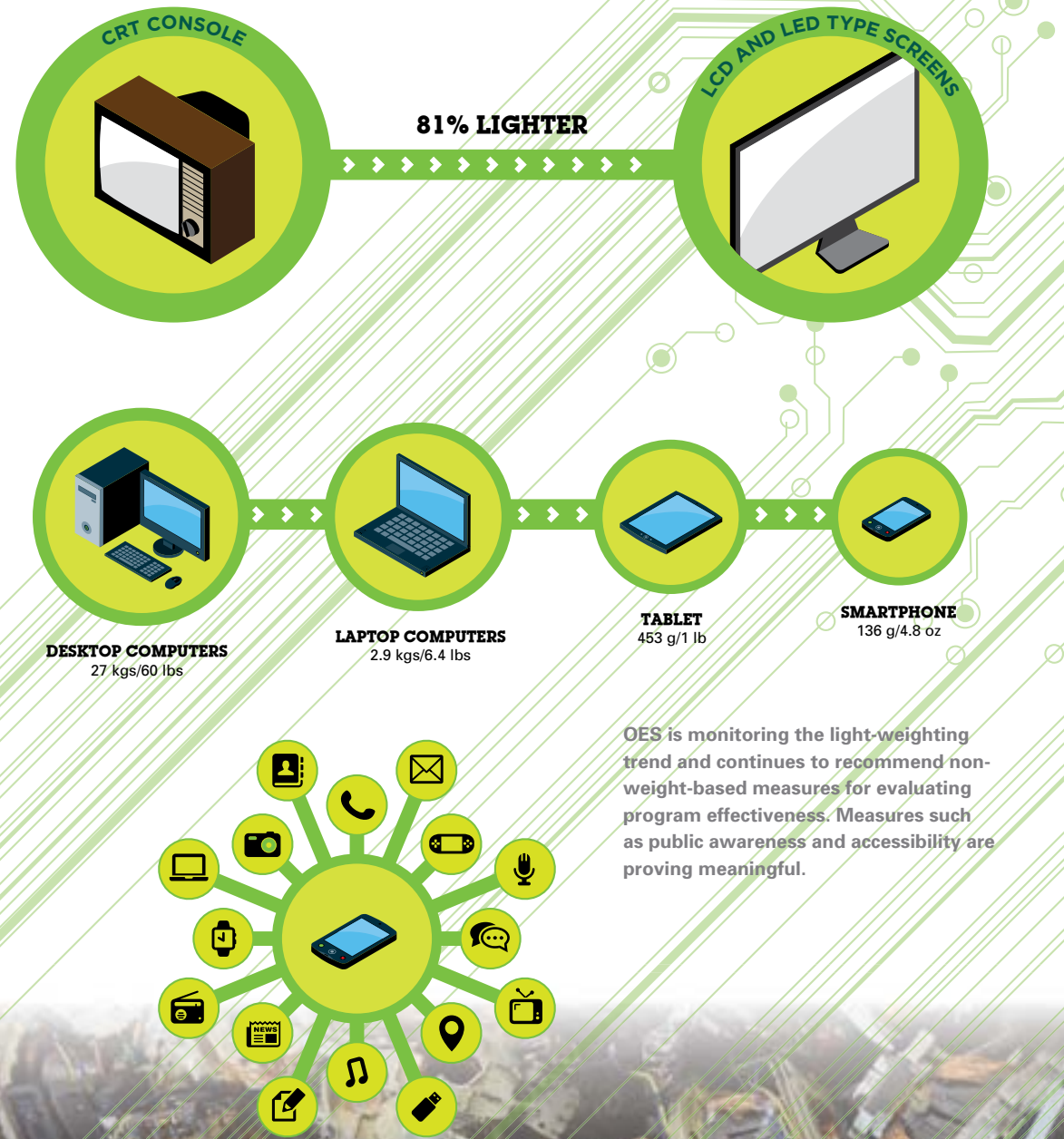
Stakeholder Communications

- Program newsletters were circulated to stakeholders on a quarterly basis.
- A Steward webinar

30

7.0 EMERGING TOPIC REGARDING THE PROGRAM

Light-weighting — the consolidation and miniaturization of products — continues to be a trend in the electronics industry resulting in challenges for accurate program metrics and measures.



8.0 AUDITED FINANCIAL STATEMENTS

Financial Statements of

ONTARIO ELECTRONIC STEWARDSHIP

Year ended December 31, 2017

8.0 AUDITED FINANCIAL STATEMENTS



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INDEPENDENT AUDITORS' REPORT

To the Members of Ontario Electronic Stewardship

We have audited the accompanying financial statements of Ontario Electronic Stewardship, which comprise the balance sheet as at December 31, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

8.0 AUDITED FINANCIAL STATEMENTS



Page 2

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Ontario Electronic Stewardship as at December 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants

March 26, 2018
Vaughan, Canada

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Balance Sheet

December 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 21,211,107	\$ 24,060,912
Investments (note 2)	15,608,108	15,462,321
Accounts receivable	12,478,282	12,569,820
Prepaid expenses	81,377	6,515
	<u>49,378,874</u>	<u>52,099,568</u>
Capital assets (note 3)	3,869	18,103
	<u>\$ 49,382,743</u>	<u>\$ 52,117,671</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 5,779,734	\$ 7,720,134
Net assets:		
Invested in capital assets	3,869	18,103
Contingency reserve (note 5)	43,599,140	44,379,434
	<u>43,603,009</u>	<u>44,397,537</u>
	<u>\$ 49,382,743</u>	<u>\$ 52,117,671</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Steward fees	\$ 55,543,686	\$ 69,199,783
Investment	416,533	305,113
	<u>55,960,219</u>	<u>69,504,896</u>
Direct operating costs:		
Material management	49,482,917	53,854,441
Other expenses:		
Shared promotion and education	2,998,848	2,758,158
Resource Productivity and Recovery Authority administration	878,458	552,907
Program delivery and administration (note 6)	3,394,524	3,574,768
	<u>7,271,830</u>	<u>6,885,833</u>
	<u>56,754,747</u>	<u>60,740,274</u>
Excess (deficiency) of revenue over expenses	\$ (794,528)	\$ 8,764,622

See accompanying notes to financial statements.

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Statement of Changes in Net Assets

Year ended December 31, 2017, with comparative information for 2016

				2017	2016
	Invested in capital assets	Unrestricted	Contingency reserve	Total	Total
Balance, beginning of year	\$ 18,103	\$ –	\$ 44,379,434	\$ 44,397,537	\$ 35,632,915
Excess (deficiency) of revenue over expenses	(14,234)	(780,294)	–	(794,528)	8,764,622
Transfer from contingency reserve (note 5)	–	780,294	(780,294)	–	–
Balance, end of year	\$ 3,869	\$ –	\$ 43,599,140	\$ 43,603,009	\$ 44,397,537

See accompanying notes to financial statements.

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (794,528)	\$ 8,764,622
Items not involving cash:		
Amortization of capital assets	11,053	67,074
Non-cash component of investment income	(115,343)	(130,540)
Loss on disposal of capital assets	3,181	–
Change in non-cash operating working capital:		
Accounts receivable	91,538	339,315
Prepaid expenses	(74,862)	22,424
Accounts payable and accrued liabilities	(1,940,400)	(1,515,045)
	(2,819,361)	7,547,850
Investing activities:		
Purchase of investments	(15,492,765)	(15,331,781)
Proceeds from investments	15,462,321	15,299,954
	(30,444)	(31,827)
Increase (decrease) in cash	(2,849,805)	7,516,023
Cash, beginning of year	24,060,912	16,544,889
Cash, end of year	\$ 21,211,107	\$ 24,060,912

See accompanying notes to financial statements.

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Notes to Financial Statements

Year ended December 31, 2017

The Ontario Electronic Stewardship ("OES" or the "Organization") is set up to act as the Industry Funding Organization for the administration of provincial programs for the reduction, reuse and recycling of waste electrical and electronic equipment ("WEEE") pursuant to the Waste Diversion Act, 2002. The Organization is a not-for-profit organization and, as such, is not subject to income taxes.

On September 20, 2007, the Organization was formally incorporated in the Province of Ontario as a corporation without share capital.

On July 9, 2008, the Organization was designated as the Industry Funding Organization for WEEE by regulation under the Waste Diversion Act, 2002.

The Phase 1 WEEE Program officially commenced April 1, 2009. The Phase 1 WEEE Program was expanded to include the Phase 2 materials and to reflect the Revised (Phase 1 and 2) Program Plan components, which commenced April 1, 2010. The Organization operates the WEEE Program under the terms of a Program Agreement dated July 10, 2009 with Waste Diversion Ontario.

On February 19, 2013, the Minister of the Environment approved an amendment to the WEEE Program Plan giving effect to the new cost recovery principles for steward fee-setting. Effective May 1, 2013, steward fees are based on the principle of full cost recovery, with provision for appropriate operating reserves, material category past deficit recovery over a five-year period and annual reconciliation to actual operating costs.

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

1. Significant accounting policies:

(a) Revenue recognition:

The Organization follows the deferral method of accounting for revenue. Steward fees are received from registered stewards within the province of Ontario which participate in the OES program. The Organization recognizes these fees as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Steward fee revenue is recognized as individual stewards' report and remit them as required by environmental legislation.

Investment revenue is interest revenue and is recognized on an accrual basis.

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Capital assets:

Purchased capital assets are recorded at cost. Amortization is provided on a straight-line basis over the estimated useful lives of the assets. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

Computer equipment	3 years
Computer software	3 years
Office equipment	5 years
Containers	10 years

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2017

5. Contingency reserve:

The Board of Directors established a contingency reserve to accumulate sufficient funds to ensure stable program operations continued through variable economic conditions. All excess revenue over expenses not used for the purchase of capital assets are transferred to the reserve. In a year where an operating deficit occurs, a transfer is made from the contingency reserve to the unrestricted net assets to cover the current year's operating deficit.

6. Significant contracts:

The Organization is entered into a Service Agreement with the Electronic Products Recycling Association ("EPRA"), whereby EPRA is to provide the Organization with management and administrative duties under the Program Agreement. The Organization paid \$2,635,020 (2016 - \$2,920,204) to EPRA during the year. Included in accounts payable and accrued liabilities is \$326,186 (2016 - \$659,944) due to EPRA.

All members of the Organization's Board of Directors are members of the EPRA Board of Directors.

7. Future operations:

Management received a letter from the Ministry of the Environment and Climate Change ("Ministry") on February 8, 2018. Pursuant to Section 14 of the Waste Diversion Transition Act, 2016, the Ministry directs OES to wind up the waste diversion program for WEEE in full. OES must submit a plan to wind up to the Resource Productivity and Recovery Authority no later than December 31, 2018. The waste diversion program will cease operation on June 30, 2020.

8. Financial instrument risk management:

(a) Credit risk:

The Organization is exposed to credit risk that arises from the quality of its stewards. Credit risk arises from the possibility that the registrants of the Organization will be unable to fulfill their obligations. The Organization's stewards are numerous and diverse which reduces the concentration of credit risk. Management closely evaluates the collectability to mitigate this risk. There has been no change to the risk exposure from 2016.

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2017

8. Financial instrument risk management (continued):

(b) Market risk:

The Organization is exposed to financial risk that arises from fluctuations in the sale of consumer electronic products within the provincial regions in which the Organization operates. This risk is minimized by the corresponding decreases in program delivery and recycling process expenses and by regulation through each regional Department of the Environment. There has been no change to the risk exposure from 2016.

(c) Interest rate risk:

The Organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income securities held by the Organization. The Organization manages this risk by holding GICs and staggering the terms of the investments held. There has been no change to the risk exposure from 2016.

Appendix B – Ontario Electronic Stewardship Annual Report
(for the Waste Electrical and Electronic Equipment Program)



Appendix C – Stewardship Ontario Annual Report
(for Blue Box and Municipal Hazardous or Special Waste Programs)





Signature of the Chair of the Board of Directors

This report has been approved by the Stewardship Ontario Board of Directors for submission to Resource Productivity and Recovery Authority (RPRA) in accordance with the requirements of the *Waste Diversion Transition Act, 2016*.

John Coyne
Chair
Stewardship Ontario Board of Directors



Table of Contents

Section 1 2017 Blue Box Program Performance Blue Box Performance Report for 2017 4

Background and Stakeholder Consultation..... 5

Steward Registration, Reporting & Audit 6

Program Diversion Performance 6

Program Cost..... 7

Market Development..... 8

Mixed Broken Glass 8

Capturing More Materials from Around the Home 8

Plastic Laminates 9

Promotion and Education 9

Break the Cycle Campaign 9

Social Media..... 10

Section 2 2017 MHSW Program Performance MHSW Performance Report for 2017 11

Background and Stakeholder Consultation..... 12

Steward Registration, Reporting & Audit 12

Vendor Registration..... 13

Accessibility..... 13

Industry Stewardship Plans..... 14


Program Performance Against Targets 14

Promotion and Education 16

Propane Advertising Campaign 16

Social Media..... 16

Section 3 2017 Audited Financial Statements..... 17



Section 1

2017 Blue Box Program Performance

4



Blue Box Performance Report for 2017

Background and Stakeholder Consultation

Stewardship Ontario is the industry funding organization responsible for the Blue Box Program Plan, which was approved by the Minister on December 22, 2003 and commenced on February 1, 2004. For further information please see the Stewardship Ontario website at www.stewardshipontario.ca and the Resource Productivity and Recovery Authority (RPR) website at <http://www.rpra.ca/Library/WDO-Historical/Programs-Plans/Blue-Box-Program>.

Stewardship Ontario presented the Blue Box Program performance and fee schedule for 2017 to stewards on October 31, 2017. Relevant documentation, including a discussion paper, presentations and Q&As from the meeting can be found at <http://www.stewardshipontario.ca/engagement/information-sessions/>.

On August 14, 2017 the Ontario Minister of Environment and Climate Change, Hon. Chris Ballard issued a letter directing Stewardship Ontario and the Resource Productivity and Recovery Authority (the Authority) to develop a proposal to amend the Blue Box Program Plan to support transition from the current shared responsibility model to full producer responsibility. In addition to setting out the terms of the transition between municipalities and producers in the letter, the Minister also provided further direction under a number of broad categories in an Addendum. This direction relates primarily to:

- Program Performance: The amended Plan will require a 75% recovery rate for PPP as well as a proposal for material-specific targets.
- Waste Reduction: Stewardship Ontario has been directed to develop means to discourage the use of problematic materials and/or to provide for increased diversion at the end-of-life.
- Continuous Improvement: Stewardship Ontario has been asked to provide consideration and recommendations for extending recycling services to multi-family buildings and public spaces.

The Minister requested the Authority and Stewardship Ontario to jointly develop a communications and issues management plan to ensure meaningful consultation, engagement and communication is conducted with affected stakeholders and Indigenous Peoples, including stewards, municipalities, First Nations communities and the waste management industry. A copy of the Stakeholder and Indigenous Peoples Engagement and Communications Plan and all other consultation materials are available on the Stewardship Ontario website at www.stewardshipontario.ca/a-bbpp. On December 19, 2017 the draft proposal for an amended [Blue Box Program Plan](#) was posted for stakeholder consultation.

5



Steward Registration, Reporting & Audit

Steward registration for the Blue Box program totalled 1,842 stewards as of December 31, 2017.

The total number of Blue Box steward reports received in 2017 was 1,407 (versus 1,360 in 2016).

The total fees invoiced to the reporting Blue Box stewards in 2017 were \$121,870,640 (versus \$122,872,314 in 2016). These are the fees reported in Stewardship Ontario's Statement of Operations. The decrease in 2017 is largely due to variations in reporting as fee revenue is 99.3% of budget as a result of steward adjustments. Note that steward reports for any prior year's obligations or changes to steward reports for prior years are captured in the year that the reporting or change takes place.

2017 marked the sixth year of Stewardship Ontario's current compliance review program, the framework of which was designed in cooperation with Deloitte LLP and PwC, and was built upon the best practices from European EPR jurisdictions. The criteria for selecting stewards for review gives higher priority to improving overall confidence in the quality of reporting, rather than simply achieving a defined tonnage target. Fifteen compliance reviews relating to 2016 Printed Paper and Packaging reports were launched in the spring of 2017 representing 14.49% of reported tonnes.

Program Diversion Performance

The Blue Box Program relies on the efforts of Ontario municipalities and First Nations communities to collect and market printed paper and packaging. Municipalities are paid 50% of the costs they incur as a result of the Blue Box Program.

Based on municipal reports through the RPRA Datacall, the Blue Box Program continues to exceed the 60% government-mandated target, and saw a slight year-over-year decrease in the general recycling rate from 64.0% to 62.4%. Stewardship Ontario attributes the decrease in the recycling rate to decreased marketed tonnes and increased generated tonnes. Marketed tonnes managed through the Blue Box saw a year-over-year decline of 1.9% due to less paper and newsprint being marketed. Recycled kilograms per capita decreased by 1.8%, reflecting the reduced tonnes managed. Generated tonnes, an estimate of the total quantity of residential printed paper and packaging available, increased slightly, driven by PET bottles, plastic laminates, and glass materials.



Province	Ontario 2016	Ontario 2015	YoY Variance %
Recycling Performance			
Recycled Tonnes	836,227	852,437	(1.9%)
Generated Tonnes	1,340,947	1,332,544	0.6%
Recycling Rate	62.4%	64.0%	(2.5%)
Provincial Recycling Target	60.0%	60.0%	0.0%
Population Serviced by PPP Program	12,814,578	12,830,228	(0.1%)
Recycling kg per Capita	65.3	66.4	(1.8%)
Accessibility Performance			
# Households Serviced	5,174,930	5,165,154	0.2%
% Households with Access to PPP Program	94.6%	95.3%	(0.7%)
Consumer Awareness	97.0%	97.0%	0.0%

Program Cost

The overall net cost of the Blue Box recycling system decreased by 2.0% or \$5.2M from 2015 to 2016; the net cost per tonne and per capita were steady with 2015 figures.

Province	Ontario 2016	Ontario 2015	YoY Variance %
Cost Performance			
Recycled Tonnes	836,227	852,437	(1.9%)
Net Cost	\$258,540,366	\$263,726,504	(2.0%)
Net Cost per Tonne	\$309	\$309	(0.1%)
Net Cost per Capita	\$20	\$21	(1.8%)
P&E Cost per Capita	\$0.64	\$0.58	9.7%



Market Development

Stewardship Ontario has an obligation under the Blue Box Program Plan to “undertake investments in market development activities in partnership, where possible, with other parties (e.g. the private sector, municipal, provincial and federal interests)”.

Two key elements that contribute to the successful expansion of markets for recyclable materials are ongoing investment in emerging technologies and collaboration with partners. Stewardship Ontario has put considerable funds and effort into researching, investing and nurturing markets for materials such as mixed rigid plastics and film plastic, and more recently laminated packaging, mixed broken glass and hot beverage cups. Efforts in developing markets and ensuring their sustainability continue as Stewardship Ontario staff work to stay at the forefront of evolving technologies and approaches to ensure market development activities result in tangible and measureable results. Highlights of our work over the last 12 months are summarized below.

Mixed Broken Glass

In co-operation with the Continuous Improvement Fund, Stewardship Ontario is contributing funding to a glass collection pilot study. The focus of this project is to understand the financial and operational impact of collecting glass segregated from other curbside streams. This will look at different facets of collection including: overall costs, fleet requirements/costs/efficiency, materials recovery facilities (“MRF”) operations, changes in residue rates & contamination, potential glass value and impact on other commodity values. The project commenced in Q3/Q4 2017 and is broken into two phases. The first phase consists of research into different collection methods, with the second phase consisting of the actual pilot implementation. A report on the first phase of the project is due in early 2018.



Capturing More Materials from Around the Home

In 2017, Stewardship Ontario continued to undertake Curbside and Multi-Family Waste Composition Studies. These studies provide insight for both industry and municipalities on what printed paper and packaging materials residents are actively sorting for recycling. There were eight municipalities participating in these studies, with two locations also providing multi-family waste audits. The data from these studies provides very important information on the changing mix of materials in the Blue Box stream. This information can be used by both municipalities and industry to plan ahead for program requirements and resident communication to manage this changing mix. To further bolster the data found at the curb, MRF Material Composition and Density Studies were completed at five Ontario MRFs over two seasons. In response to these findings, Stewardship Ontario provided municipalities with a series of creative collateral for their use in their promotion and education campaigns. In 2017, a new wave of creative materials was designed focusing on contamination found in the recycling stream. Creative collateral prepared by Stewardship Ontario is made available for use by all municipalities on the Stewardship Ontario website.



Plastic Laminates

Flexible plastic laminate packaging is becoming an increasingly popular packaging choice however, at this time there is no known viable recycling technology for this material type. Stewardship Ontario has been collaborating with the Continuous Improvement Fund, Canadian Plastics Industry Association and PAC Next to research and test end-markets for flexible laminate packaging and continues to work with industry partners on exploring ways to manage flexible film plastic and plastic laminates in both the MRF setting and at end-markets.

Promotion and Education


Break the Cycle Campaign

As mentioned above, Stewardship Ontario continued in 2017 to provide advertising templates to municipalities for their own advertising purposes. Stewardship Ontario reached out to municipalities with a short survey asking them to identify their key recycling challenges for which they would like advertising templates prepared. Feedback received indicated that contamination in Blue Boxes is a key challenge for municipalities.

Stewardship Ontario worked with an advertising agency to create a P&E campaign targeting three specific areas of contamination in resident’s Blue Boxes: organics, unaccepted items and dirty containers (the final print ads can be found below). Titled ‘Break the Cycle’, the campaign ran from August 20 until the end of September in newspapers, on the radio and as digital ads on The Weather Network and Facebook. The campaign generated just under 26 million impressions.

In Q4, Stewardship Ontario leveraged the summer Break the Cycle campaign to create a holiday version. The ad also ran in local newspapers across Ontario between December 26, 2017, and January 12, 2018.





Social Media
Stewardship Ontario engages residents on Twitter by providing useful recycling tips and reminders. In 2017, Stewardship Ontario's twitter posts generated 70,000 impressions.

10



Section 2
2017 MHSW Program Performance

11



MHSW Performance Report for 2017

Background and Stakeholder Consultation

The MHSW Program is designed to collect consumer household hazardous or special waste material and manage these materials through to their end-of-life (recycled or disposed of safely) in accordance with the Waste Diversion Act, 2002.

In 2017, Stewardship Ontario, in partnership with Automotive Material Stewardship (AMS), participated in information sessions for stewards on the Industry Stewardship Plan (ISP) for automotive materials. Information sessions were designed to educate stakeholders on the benefits offered by the AMS program, the differences between the AMS and MHSW programs and the exiting process to leave Stewardship Ontario to join the AMS ISP. Stewardship Ontario worked collaboratively with AMS in order to ensure a smooth transition for those stewards wishing to join the AMS ISP. As well, Stewardship Ontario worked with service providers to ensure they were fully aware of AMS and able to participate as service providers should they choose to do so.

Stewardship Ontario also met with material-specific steward groups to review program performance of those material categories.

Steward Registration, Reporting & Audit

Steward registration for the MHSW program totalled 443 stewards as of December 31, 2017.

The total number of MHSW steward reports received in 2017 was 1,573 (versus 1,704 in 2016).

The total fees invoiced to the reporting MHSW stewards in 2017 were \$21,287,674. In 2016, \$32,955,358 was invoiced to reporting MHSW stewards. These are the fees as stated in Stewardship Ontario's Statement of Operations. The decline is due to a large number of stewards exiting the MHSW Program to participate in ISPs.

Stewardship Ontario continues to perform steward report verification and audit to ensure the accuracy of steward reports.



Vendor Registration

Only service providers that are approved by Stewardship Ontario are eligible to perform material management activities. All approved Stewardship Ontario service providers must adhere to vendor standards, policies and procedures established by Stewardship Ontario. Visit www.stewardshipontario.ca for the most up-to-date list of approved service providers.

Stewardship Ontario is dedicated to continuous improvement of its reverse supply chain. Regular reviews of existing programs, processes and payment rates are undertaken to ensure cost effective program delivery and the achievement of collection and recycling targets. As a result, the actual methods, tactics and programs by which Stewardship Ontario undertakes its material management activities change over time as market conditions evolve. Commercial arrangements may include, but are not limited to, contracting for services following a request for qualifications or a request for proposals, contracting for services as a result of sole source negotiation, incentive programs and/or direct delivery of services.

Stewardship Ontario's responsibilities and duties include fostering a marketplace that maintains and encourages competition, achieves efficiencies and cost-effectiveness and ensures that all industry service providers have a fair and equitable opportunity to participate in the provision of services.

In 2017, Stewardship Ontario had 24 approved transporters and 14 approved processors for MHSW materials. This number has declined over the past three years due to the transfer of supply chains to ISP operators for paint, pesticides, solvents, fertilizers, antifreeze, oil containers and oil filters.

Accessibility

The following chart details consumer accessibility by collector type for MHSW in 2017:

Channel - Activity	2017 Actual
Municipal – Depot	88
Municipal – Events	305
Automotive – Commercial Sites ¹	12,000
Automotive – Do It Yourself (DIY) Sites ¹	985
Return-to-Retail (R2R)	30
Battery Incentive Program (BIP)	5,340
Provincial Parks Program	102

¹ – The collection sites for used antifreeze, oil containers and oil filters was transitioned to Automotive Materials Stewardship on April 1, 2017.



Industry Stewardship Plans

On December 10, 2014, the Waste Diversion Ontario (WDO) Board approved an Industry Stewardship Plan (ISP) for paint and coatings. Product Care Association (PCA) assumed the supply chain management for this material on June 30, 2015.

On October 28, 2015, WDO approved an ISP for pesticides, solvents and fertilizers to be managed by PCA. PCA assumed the supply chain management for these materials on April 1, 2016. As of Q2 2017 all pesticide stewards had transitioned to PCA.

On April 14, 2015, the WDO Board approved Soda Stream's industry Stewardship Plan (ISP) with an effective date of June 30, 2016. Under this ISP, Soda Stream will continue to manage its proprietary carbon dioxide (CO2) cylinders.

On August 10, 2016 the WDO Board approved Automotive Materials Stewardship (AMS) ISP to manage automotive materials (antifreeze/antifreeze containers, oil filters, and oil containers). AMS assumed the supply chain for these materials on April 1, 2017.

Program Performance Against Targets

2017 Tonnes Collected

Material Category	Available for Collection	Collection Target Rate (%)	Target Tonnes	Actual Collection Tonnes	Actual Collection Rate (%)	Variance to Target (Tonnes)	Prior Year (Tonnes)	Variance to Prior Year (Tonnes)
Antifreeze	1,984	50%	992	1,210	61%	219	3,267	(2,057)
Fertilizers	3	N/A	N/A	5	N/A	N/A	5	(0)
Oil Containers	1,390	52%	723	1,569	113%	846	3,921	(2,352)
Oil Filters	4,799	85%	4,079	4,622	96%	543	8,983	(4,361)
Paints & Coatings	10	77%	8	8	77%	0	0	8
Pesticides	0	57%	0	0	0%	0	7	(7)
Pressurized Containers (Non-Refillable)	881	46%	405	336	38%	(69)	312	24
Pressurized Containers (Refillable)	480	98%	470	447	93%	(24)	409	38
Single-Use Batteries	6,301	40%	2,520	3,136	50%	615	3,226	(90)
Solvents	286	46%	132	80	28%	(52)	100	(20)

Available for collection, targets and collected tonnes do not include the performance of industry stewardship plans.



2017 Tonnes Diverted

Material Category	Available for Collection	Diversion Target Rate (%)	Target Tonnes	Actual Diversion Tonnes	Actual Diversion Rate (%)	Variance to Target (Tonnes)	Prior Year (Tonnes)	Variance to Prior Year (Tonnes)
Antifreeze	1,984	50%	992	1,210	61%	219	3,267	(2,057)
Fertilizers	3	N/A	-	-	N/A	0	N/A	N/A
Oil Containers	1,390	52%	723	1,569	113%	846	3,921	(2,352)
Oil Filters	4,799	85%	4,079	4,622	96%	543	8,983	(4,361)
Paints & Coatings	10	62%	6	6	62%	0	N/A	(3,315)
Pesticides	0	N/A	-	-	N/A	0	N/A	N/A
Pressurized Containers (Non-Refillable)	881	46%	405	336	38%	(69)	312	24
Pressurized Containers (Refillable)	480	98%	470	447	93%	(24)	409	38
Single-Use Batteries	6,301	28%	1,790	2,697	43%	907	2,775	(78)
Solvents	286	6%	17	17	6%	0	9	8

Available for collection, targets and diverted tonnes do not include the performance of industry stewardship plans.



Promotion and Education

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

Propane Advertising Campaign

Stewardship Ontario ran a campaign to remind consumers that propane cylinders don't belong in their blue box and should be brought to a depot for safe handling. The below ads were included in the campaign which ran throughout July and August in select *On Route* locations along major cottage/camping highways. The campaign generated just under one million impressions. Templates of Stewardship Ontario's ads are made available on the Stewardship Ontario website for municipalities to download.



Social Media

Stewardship Ontario continues to develop content for Orange Drop's social media channels in order to increase following and engagement with residents. Facebook and Twitter posts raised awareness around our propane campaign, shared recycling tips and tricks, reminded residents of our locator tool on our website and encouraged proper recycling of Orange Drop materials. Orange Drop's posts generated over 110,000 impressions throughout 2017.



Section 3

2017 Audited Financial Statements

Stewardship Ontario
Financial Statements
For the year ended December 31, 2017

Stewardship Ontario
Financial Statements
For the year ended December 31, 2017

	Contents
Independent Auditor's Report	2
Financial Statements	
Balance Sheet	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to Financial Statements	7-16

Appendix C – Stewardship Ontario Annual Report
(for Blue Box and Municipal Hazardous or Special Waste Programs)



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BDO Canada LLP
TD Bank Tower
66 Wellington Street West, Suite 3600
P.O. Box 131
Toronto, ON M5K 1H1 Canada

Independent Auditor's Report

To the Members of Stewardship Ontario

We have audited the accompanying financial statements of Stewardship Ontario, which comprise the balance sheet as at December 31, 2017, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Stewardship Ontario as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

March 28, 2018
Toronto, Ontario

Appendix C – Stewardship Ontario Annual Report
(for Blue Box and Municipal Hazardous or Special Waste Programs)

**Stewardship Ontario
Balance Sheet**

December 31 2017 2016

Assets

Current

Cash	\$ 29,039,415	\$ 34,087,469
Investments (Note 2)	20,325,867	20,278,089
Accounts and other receivables (Note 3)	13,177,789	15,449,300
Prepaid expenses and deposits	31,354	35,768

62,574,425 69,850,626

Capital assets (Note 5)

- 39,689

Investments (Note 2) 40,357,723 39,891,939

\$ 102,932,148 \$ 109,782,254

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 4)	\$ 36,431,535	\$ 37,607,160
Deferred revenue (Note 7)	9,805,560	9,805,560
Continuous Improvement Fund (Note 8)	23,305,487	27,284,448

69,542,582 74,697,168

Net Assets

Invested in capital assets	-	39,689
Unrestricted	23,859,036	25,134,289
Internally restricted (Note 9)	9,530,530	9,911,108

33,389,566 35,085,086

\$ 102,932,148 \$ 109,782,254

On behalf of the Board:

[Signature] Director

[Signature] Director

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

Appendix C – Stewardship Ontario Annual Report
(for Blue Box and Municipal Hazardous or Special Waste Programs)

**Stewardship Ontario
Statement of Changes in Net Assets**

For the year ended December 31, 2017

	Invested in Capital Assets			Internally Restricted	2017 Total
	Unrestricted				
Balance, beginning of year	\$ 39,689	\$ 25,134,289	\$ 9,911,108	\$ 35,085,086	
Deficiency of revenue over expenses for the year	(39,689)	(1,275,253)	(380,578)	(1,695,520)	
Balance, end of year	\$ -	\$ 23,859,036	\$ 9,530,530	\$ 33,389,566	

For the year ended December 31, 2016

	Invested in Capital Assets			Internally Restricted	2016 Total
	Unrestricted				
Balance, beginning of year	\$ 86,920	\$ 21,670,137	\$ 10,650,602	\$ 32,407,659	
Excess (deficiency) of revenue over expenses for the year	(47,231)	3,464,152	(739,494)	2,677,427	
Balance, end of year	\$ 39,689	\$ 25,134,289	\$ 9,911,108	\$ 35,085,086	

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

4

Appendix C – Stewardship Ontario Annual Report
(for Blue Box and Municipal Hazardous or Special Waste Programs)

**Stewardship Ontario
Statement of Operations**

For the year ended December 31

	2017	2016
Revenue		
Blue Box program steward fees	\$ 121,870,641	\$ 122,872,314
MHSW program steward fees	21,287,674	32,955,358
Investment income (Note 10)	692,820	1,000,053
	143,851,135	156,827,725
Expenses		
Blue Box Program		
Municipal Transfer Payments	116,715,713	110,833,044
Continuous Improvement Fund (Note 12(b))	12,951	4,203,473
Research and development	49,939	132,383
Promotion and education	363,341	134,995
	117,141,944	115,303,895
MHSW Program		
Direct material costs	17,831,997	27,596,535
Promotion and education	27,787	487,969
	17,859,784	28,084,504
Common costs		
Program management (Note 4)	8,783,950	8,398,738
Resource Productivity and Recovery Authority (Note 11)	1,760,977	2,363,161
	10,544,927	10,761,899
Total expenses	145,546,655	154,150,298
Excess (deficiency) of revenue over expenses for the year	\$ (1,695,520)	\$ 2,677,427

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

5

Appendix C – Stewardship Ontario Annual Report
(for Blue Box and Municipal Hazardous or Special Waste Programs)

**Stewardship Ontario
Statement of Cash Flows**

For the year ended December 31	2017	2016
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ (1,695,520)	\$ 2,677,427
Adjustments to reconcile excess (deficiency) of revenue over expenses for the year to cash provided by operating activities		
Amortization of capital assets	39,689	47,231
Non-cash component of investment income	765,467	470,543
Changes in non-cash working capital balances:		
Accounts and other receivables	2,271,511	(637,488)
Prepaid expenses and deposits	4,413	(20,324)
Accounts payable and accrued liabilities	(1,175,625)	5,563,641
Continuous Improvement Fund	(3,978,961)	(727,262)
	(3,769,026)	7,373,768
Investing activities		
Purchase of investments net of expenses	(1,279,028)	(1,375,154)
Repayments from loan receivable	-	990,000
	(1,279,028)	(385,154)
Increase (decrease) in cash during the year	(5,048,054)	6,988,614
Cash, beginning of year	34,087,469	27,098,855
Cash, end of year	\$ 29,039,415	\$ 34,087,469

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

6

Appendix C – Stewardship Ontario Annual Report
(for Blue Box and Municipal Hazardous or Special Waste Programs)

**Stewardship Ontario
Notes to Financial Statements**

December 31, 2017

1. Significant Accounting Policies

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

(a) Business Organization and Operations

Stewardship Ontario ("Organization") is an Industry Funding Organization created under Section 24 of the Waste Diversion Act, 2002 ("WDA") to operate waste diversion programs. On February 14, 2003, the Organization was formally incorporated in the Province of Ontario as a corporation without share capital. The Organization is a not-for-profit organization and as such is not subject to income taxes.

On November 30, 2016, The Resource Recovery and Circular Economy Act (2016) ("RRCEA") was proclaimed along with the Waste Diversion Transition Act (2016) ("WDTA") which replaces the WDA. Under the RRCEA, Waste Diversion Ontario ("WDO") was continued under its new name, the Resource Productivity and Recovery Authority ("RPRA").

Blue Box Program

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

MHSW Program

On December 11, 2006, the Minister of the Environment prescribed Municipal Hazardous or Special Waste ("MHSW") as a designated waste under the WDA. The Minister required that WDO develop a waste diversion program for MHSW, and the Organization to be the Industry Funding Organization ("IFO"). The Minister of the Environment approved the Program Plan in November 2007. MHSW officially commenced operations July 1, 2008.

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

(b) Basis of Accounting

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

7

**Stewardship Ontario
Notes to Financial Statements**

December 31, 2017

1. Significant Accounting Policies - (Continued)

(c) Revenue Recognition

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

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

(d) Financial Instruments

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

Common shares and convertible loans receivable in private companies are carried at cost or 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

(f) Impairment of Long-Lived Assets

When a long-lived asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the long-lived asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

**Stewardship Ontario
Notes to Financial Statements**

December 31, 2017

1. Significant Accounting Policies - (Continued)

(g) Use of Estimates

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

2. Investments

	2017	2016
Cash held with broker	\$ 197,495	\$ 775,070
Fixed income	60,486,095	59,394,958
Common shares, private company	500,000	500,000
Impairment on common shares of private company	(500,000)	(500,000)
	60,683,590	60,170,028
Less: Current portion	20,325,867	20,278,089
	\$ 40,357,723	\$ 39,891,939

Fixed income investments bear interest at 1.70% to 4.65% (2016 - 1.70% to 5.68%) and mature between January 2018 and January 2026 (2016 - July 2017 and January 2026). The decrease in market value of investments for the year ended December 31, 2017 amounted to \$156,365 (2016 - decrease of \$61,388) which is included in investment income (Note 10).

Stewardship Ontario
Notes to Financial Statements

December 31, 2017

3. Accounts and Other Receivables

	2017	2016
Blue Box and MHSW program steward fees	\$ 13,316,772	\$ 15,492,142
Other	70,778	33,891
Allowance for doubtful accounts	(209,761)	(76,733)
	<u>\$ 13,177,789</u>	<u>\$ 15,449,300</u>

4. Significant Contracts

(a) Canadian Stewardship Services Alliance Inc. ("CSSA")

The Organization entered into an agreement with CSSA to sublicense its original intellectual property licenses and intellectual property associated therewith, being the Enterprise Information System to CSSA, for consideration of \$1,650,000. This agreement expires in 2023 with the option to renew for an additional five year period.

Effective January 1, 2014, the Organization entered into a Management Services Agreement with CSSA for management, administrative and technical support, other services and facilities for administrative, technical and reporting activities. During the year, the Organization incurred costs of \$6,191,552 (2016 - \$6,191,552) for these services and are included in program management expenses. Included in accounts payable and accrued liabilities is \$587,353 (2016 - \$508,959) relating to these services.

Certain members of the CSSA board of directors are also members of the Organization's board of directors that account for approximately 20% (2016 - 18%) of the Organization's board membership.

(b) Automotive Materials Stewardship Inc. ("AMS")

On February 2, 2017, the Organization entered into a Supply Chain Agreement with AMS, a newly established organization whose program was previously under the Organization's MHSW program. AMS focuses on the waste management of anti-freeze, oil filters, and oil containers. Under the Supply Chain Agreement, the Organization shall purchase from AMS, the Organization's Automotive Market Share of tonnes of each Automotive Materials (oil filters, oil containers, and anti-freeze) under the supply chain. During the year, the Organization incurred costs of \$3,278,974 under this agreement which are included in direct material costs for the MHSW program.

The Organization and AMS do not share any common board members.

All transactions between the Organization, CSSA, and AMS are in the normal course of operations and are recorded at their exchange amount as agreed upon by the parties.

Stewardship Ontario
Notes to Financial Statements

December 31, 2017

5. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 106,688	\$ 106,688	\$ 106,688	\$ 105,925
Furniture and fixtures	459,785	459,785	459,785	420,859
	<u>566,473</u>	<u>566,473</u>	<u>566,473</u>	<u>526,784</u>
	<u>\$ -</u>		<u>\$ 39,689</u>	

6. Loan Receivable

During 2012, the Organization provided a \$1,500,000 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. The Organization recognized an allowance for doubtful loan of \$1,500,000 relating to the convertible loan as there is uncertainty relating to the collectability of the balance owing.

In May 2016, the convertible loan arrangement was terminated. As part of the termination, the company will make a loan payment to the Organization in the aggregated amount of \$300,000 of which \$150,000 is due in June 2017 and \$50,000 is due annually from June 2018 to June 2020 and is non-interest bearing. As at December 31, 2017, the Organization has yet to receive the 2017 scheduled payment. The Organization recognized an allowance for doubtful loan of \$300,000 relating to the loan as there is uncertainty relating to the collectability of the balance owing.

Stewardship Ontario
Notes to Financial Statements

December 31, 2017

7. Deferred Revenue

	2017	2016
Blue Box Program		
Glass Market Development Fund	\$ 666,017	\$ 666,017
MHSW Program		
Deferred revenue	9,139,543	9,139,543
	\$ 9,805,560	\$ 9,805,560

Deferred revenue in the Blue Box Program represents unspent resources that are externally restricted for the Glass Market Development Fund. Commitments related to the Glass Market Development Fund are further explained in Note 12(a).

Deferred revenue for the MHSW program represents fee revenue billed in advance in the first quarter of 2012 and is deferred in accordance with the Organization's revenue recognition policy (Note 1(c)). This deferred revenue is expected to be recognized as revenue at the end of the program.

8. Continuous Improvement Fund ("CIF")

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

During the year, the CIF received net contributions of \$1,050,000 (2016 - \$3,309,805) and spent \$5,289,978 (2016 - \$4,037,067) on continuous improvement activities. The funds held by the Organization for the CIF are included in cash.

Stewardship Ontario
Notes to Financial Statements

December 31, 2017

9. Internally Restricted Net Assets

	2017	2016
Sustaining Fund	\$ 3,500,000	\$ 3,500,000
Plastic Market Development Fund	4,964,379	4,964,379
Blue Box Fund	1,066,151	1,066,151
Battery Surplus Fund	-	380,578
	\$ 9,530,530	\$ 9,911,108

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 and therefore internally restricted \$3,500,000 for this purpose.

The directors authorized the establishment of the Plastic Market Development Fund for investment in infrastructure for plastic markets and activities for their development and therefore internally restricted funds for this purpose. During the year, \$nil (2016 - \$63,616) was spent on plastics market development activities.

The directors authorized the establishment of the Blue Box Fund to support future efficiency in the Blue Box supply chain and therefore internally restricted funds for this purpose. During the year, \$nil (2016 - \$219,258) was spent on these types of Blue Box activities.

The directors authorized the establishment of the Battery Surplus Fund to promote the safe disposition of batteries. In the prior year \$456,620 was spent on battery promotional and educational activities. In the current year, RPRA approved the release of the internally restricted fund and \$380,578 was a reduction of their steward fee obligations.

10. Investment Income

	2017	2016
Interest income	\$ 1,236,889	\$ 1,537,386
Dividend income	221,397	127,237
Loss on sale of investments	(431,197)	(409,155)
	1,027,089	1,255,468
Adjustment to fair value	(156,365)	(61,388)
Investment expenses	(177,904)	(194,027)
	\$ 692,820	\$ 1,000,053

**Stewardship Ontario
Notes to Financial Statements**

December 31, 2017

11. Resource Productivity and Recovery Authority (formerly 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 RPRA that relate to program oversight.

12. Commitments

(a) Glass Market Development Fund

The Blue Box Program Plan committed to pay \$2,901,525 to a Glass Market Development Fund from contributions from stewards of glass. As of December 31, 2017, the Organization has spent \$2,235,508 (2016 - \$2,235,508) and the remaining balance is restricted for glass market development projects.

(b) Continuous Improvement Fund ("CIF")

The CIF provides grants and loans to municipalities to execute projects that will increase the efficiency of municipal Blue Box recycling and help boost system effectiveness. The CIF was created to support projects that will identify and implement best practices, examine and test emerging technologies, employ innovative solutions to increase Blue Box materials marketed, and promote gains in cost-effectiveness that can be implemented province wide. Each year, RPRA determines the amount of the annual municipal obligation funded by the Organization's stewards that is passed along to the CIF and any cumulative unused amounts are reflected in Deferred Revenue (Note 7). As of December 31, 2017, approved project funding and related commitments for the CIF amounted to approximately \$21,482,541 of the total fund balance of \$23,305,487.

**Stewardship Ontario
Notes to Financial Statements**

December 31, 2017

13. Financial Instrument Risk Exposure and Management

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

(a) Credit Risk:

Financial instruments potentially exposed to credit risk include cash, investments, accounts and other receivables, and 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, guaranteed investment certificates or equity and bond pooled funds. Accounts and other receivables, are not significantly concentrated, monitored regularly for collections, and the carrying amount represents the maximum credit risk exposure. The Organization's provision for uncollectable accounts, other receivables and loans receivable is approximately \$501,010 (2016 - \$376,733).

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. Prior to being permitted to join an ISP, a steward is expected to have no outstanding receivables. This is expected to minimize the Organization's credit risk.

(b) Interest Rate Risk:

The Organization is exposed to interest rate risk from fluctuations in interest rates depending on prevailing rates at renewal of fixed income investments. To manage this exposure, the Organization invests mainly in fixed income securities (federal or provincial government securities, securities backed by any chartered bank or equity and bond pooled funds), and cash and/or money market investments as determined by the Organization's portfolio manager and in accordance with the Organization's investment policy. To further manage interest rate risk, the Organization's investment portfolio has been laddered so that investment maturities are staggered over the long term.

(c) Liquidity Risk:

Liquidity risk is the risk that the Organization will not be able to meet its obligations as they come due. The two programs operated by the Organization carry substantially different risks in the ability to forecast and control expenditures. Management has taken steps to ensure that the Blue Box and MHSW programs will have sufficient working capital available to meet obligations which it is unable to cover from program revenues in the short term. Ontario Regulations related to the MHSW Program allow the Organization to charge actual costs to stewards and significantly reduces risks related to timing of receipt and payments for the MHSW Program (Note 1(a)).

Stewardship Ontario
Notes to Financial Statements

December 31, 2017

13. Financial Instrument Risk Exposure and Management - (Continued)

(d) Market Risk:

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

14. Subsequent Events

The Organization had previously been jointly named as a defendant for breach of the Copyright Act in the amount of \$1,650,000. The claim was settled in February 2018 and there was no amount owing by the Organization.



Report Close

Product Care Association Ontario Industry Stewardship Programs 2017 Annual Report

Submitted to:
Resource Productivity & Recovery Authority



ProductCare.org

Product Care Association of Canada, 180 Attwell Dr., Suite 300, Toronto, ON, M9W6A9

Table of Contents

1	Background.....	3
2	2017 Highlights.....	3
3	Program Performance.....	3
3.1	2017 Program Tonnes Collected.....	4
3.2	2017 Program Tonnes Recycled.....	4
3.3	PaintReuse Program Launch.....	4
4	Stakeholder Consultation.....	4
4.1	Member Webinar.....	4
4.1	MHSW Working Group Meeting.....	4
4.2	R2R Collection Site Performance Feedback.....	5
5	Supply Chain Update.....	5
5.1	Service Provider Set Up.....	5
5.1	R2R Transportation and Processing Services.....	5
5.2	Audits & Site Visits.....	5
5.3	Lab Pack Studies.....	5
5.4	Paint Lab Pack Audit.....	6
6	Accessibility Update.....	6
6.1	Municipal Collection Sites.....	6
6.2	Non-Municipal Collection Sites.....	6
6.3	PCA ISPs Collection Network.....	6
7	Steward/IFO/ISP Updates.....	6
7.1	Steward Transition from IFO to ISPs.....	6
7.2	Supply Chain Cost Share between the ISO and IFO.....	7
8	Promotion and Education.....	7
8.1	Advertising and Activities.....	7
8.3	Social Media Performance Measures.....	8
8.4	Promotion and Education Material Requests.....	9
9	Financials.....	9
10	Appendices.....	10
10.1	Appendix A – Service Providers.....	10
10.2	Appendix B – ISP Members.....	11

Appendix D – Product Care Association Annual Report
(for Paints and Coatings, Pesticides, Solvents, and Fertilizers Programs)

1 Background

On November 30, 2016, the Resource Productivity and Recovery Authority (“Authority”) was established under the new Waste-Free Ontario Act, 2016 (WFOA). Any reference to Waste Diversion Ontario in this document was changed to the Authority in accordance with the WFOA, 2016, schedule 1, Part III section 21(2).

On December 10, 2014, the Authority approved the Product Care Association (PCA) Industry Stewardship Plan (ISP) for the management of end-of-life paints and coatings. On March 25, 2015 the Authority announced the effective date of the PCA Paint ISP as June 30, 2015. On October 28, 2015 the Authority approved PCA’s ISP for the end-of-life management of Pesticides, Solvents and Fertilizers (PSF) and on December 17, 2015 announced the effective date for the PSF ISP as April 1, 2016.

This annual report is submitted to the Authority pursuant to s. 6.5 of the Authority-PCA Industry Stewardship Plan agreement and covers the period January 1, 2017 to December 31, 2017.

2 2017 Highlights

In 2017 PCA held two webinars with PCA members and provided them with program updates as well as updates on the new Ontario waste legislation and ongoing consultations. PCA hosted a Municipal Hazardous Working Group session with municipal representatives and also continued its outreach to non-municipal collection sites (return to retail) soliciting feedback to improve program efficiencies.

There were 22 new steward registrations with PCA’s Ontario’s Industry Stewardship Plans (the “PCA ISPs”) in 2017. The new registrations included both stewards transitioning from Stewardship Ontario to PCA, and new stewards to the PCA Ontario programs.

By 2017 year end, the collection system for the PCA ISPs consisted of 96 municipal depots, 307 municipal events (up from 299 in 2016) and 298 non-municipal sites (up from 198 in 2016).

The program collected 9,611 tonnes of waste paint, 30.3 tonnes of pesticides, 251 tonnes of solvents and over 21 tonnes of fertilizers in 2017. In addition, there were 5,369 tonnes of paint and 1.1 ton of solvents recycled in 2017.

PCA launched the PaintReuse program in Ontario with 16 municipalities participating in the new program which collected over 14,800 containers of paint for reuse.

PCA supported promotional and educational activities for program materials through advertising activities such as digital marketing and municipal calendars, PCA’s ReGeneration website and social media through Facebook and Twitter.

3 Program Performance

2017 target tonnages for paint and for PSF are apportioned between PCA and Stewardship Ontario (SO), therefore the tonnages reflected in table 2.1 are the net quantities retained by PCA (see section 5.2 for further information). SO purchased a fixed number of Paint tonnes for 2017 while PSF were apportioned based on PCA’s and SO’s respective annual steward market shares.

PCA exceeded the collection target for paint in 2017. Collection targets for pesticides and solvents were not met. This is due, in part, to the reduction of obligated material in the collection stream which reduced the Lab Pack Factors in the program from 2016 to 2017.

Recycling rates for paint and solvents were not met; however, in 2018, PCA plans to meet with solvent recyclers (that convert waste solvent into new product rather than fuel-blending or incinerating) to discuss opportunities to increase Recycling Efficiency Rates (RER).

Appendix D – Product Care Association Annual Report
(for Paints and Coatings, Pesticides, Solvents, and Fertilizers Programs)

3.1 2017 Program Tonnes Collected

	A	B	C=AxB	D	E=D/A	
Materials	Available to Collect Tonnes	Collection Target Rate	Collection Target Tonnes	Actual Tonnes Collected ¹	Actual Collection Rate	Prior year (2016) Tonnes Collected
Paint	8,212	90%	7,391	9,611	117%	9,643
Pesticides	56	57%	32	30.3	54%	31
Solvents	1,213	46%	558	251	21%	208
Fertilizers	35	n/a	n/a	21.3	61%	11

1. PSF and paint tonnage collected does not include tonnes allocated to SO.

3.2 2017 Program Tonnes Recycled

	F	G	H=G/A	
Materials	Recycling Target Rate	Actual Recycled Tonnes	Actual Recycling Rate	Prior year (2016) Tonnes Recycled
Paint	72%	5,369 ²	65.4%	6,009
Pesticides	n/a	n/a	n/a	0
Solvents	4.6%	1.1	0.09%	2.3
Fertilizers	n/a	n/a	n/a	0

2. Actual Paint Recycled Tonnes does not include paint collected but not processed in 2017

3.3 PaintReuse Program Launch

PCA consulted with the Municipal Hazardous and Special Waste (MHSW) Working Group to finalize the PaintReuse Guidelines and Standards as well as the tracking and reporting sheets. PCA launched the PaintReuse program April 1, 2017 and 16 municipalities joined the program. In 2017 there were 14,869 containers of paint reused in the program which represents approximately 66 tonnes of paint and the container in which it is contained. PCA will continue to promote the PaintReuse program and monitor the reuse program performance.

4 Stakeholder Consultation

4.1 Member Webinar

In 2017, PCA held member webinars on April 21 and December 7 to provide program updates and answer any questions from members about PCA’s programs.

4.1 MHSW Working Group Meeting

PCA hosted an MHSW Working Group Meeting on October 24, 2017 at PCA’s Ontario office. The meeting identified program priorities for discussion and opportunities for improvement in the operation of the PCA ISPs such as PaintReuse expansion and lab pack studies.

Appendix D – Product Care Association Annual Report
(for Paints and Coatings, Pesticides, Solvents, and Fertilizers Programs)

4.2 R2R Collection Site Performance Feedback

PCA conducted calls and an e-mail survey to all Return to Retail (R2R) paint collection sites in 2017 to obtain feedback on service provider performance and customer service, collection site operations, and opportunities for improvement. Overall, the feedback was positive and constructive. Issues raised were dealt with immediately. PCA plans to continue contacting R2R sites in 2018.

PCA also communicates with R2R service providers routinely to ensure the program is running effectively.

5 Supply Chain Update

5.1 Service Provider Set Up

In 2017, the PCA ISPs utilized 17 service providers providing transportation and processing services as summarized in Appendix A. There were no changes in approved transporters and processors in 2017.

5.1 R2R Transportation and Processing Services

In 2017, PCA explored a number of opportunities for improvement in the R2R supply chain. PCA conducted a Request for Proposals (RFP) for R2R transportation services and introduced a new type of reusable collection container, the “tubskid”. Overall, PCA saw improvements in program efficiencies, as well as an increase in customer satisfaction from R2R collection sites.

5.2 Audits & Site Visits

In 2017, PCA completed a number of activities to monitor supply chain performance and verify that program standards and guidelines were followed. These activities included:

- onsite visits at 6 service provider locations,
- weighing verifications at municipal and service provider sites, and
- a composition audit to identify and monitor contamination in the R2R paint collection system.

In 2018, PCA plans to conduct transportation and processing pre-audits with companies who submit proposal to become an approved service provider.

5.3 Lab Pack Studies

In 2017, PCA conducted lab pack studies to determine the 2018 Lab Pack Factors. PCA followed the accepted study methodology. At the request from the MHSW Working Group, PCA incorporated the sampling of miscellaneous organics pails into the study as that container type had not previously been sampled. PCA was provided the recorded data (over 20,000 line items) by the contractor for the study, 2cg Inc. and analyzed the data to distinguish obligated from non-obligated materials. The lab pack study details and final results, including the calculated 2018 lab pack factors, were reviewed with and accepted by a representative of the MHSW Working Group and were implemented January 1, 2018. The results are listed below:

Appendix D – Product Care Association Annual Report
(for Paints and Coatings, Pesticides, Solvents, and Fertilizers Programs)

Lab Pack Type	2018 Municipal Share	2017 Municipal Share	2018 Steward Share	2017 Steward Share
Pesticide	92.17%	87.64%	7.83%	12.36%
Misc. Organics (includes solvents)	90.89%	90.26%	9.11%	9.74%
Fertilizer	79.92%	81.46%	20.08%	18.54%
Aerosols	46.58%	47.74%	53.42%	52.26%

5.4 Paint Lab Pack Audit

In 2017, over a one week period, PCA conducted an audit on paint lab packs (drums and gaylord boxes), collected from municipal depots, events and R2R sites to identify items incorrectly included in paint lab packs, resulting in over 1,700 lines of data. PCA will analyse the information obtained on the amount, types and sources of contamination in the paints and coatings stream and consider ways to make improvements.

6 Accessibility Update

6.1 Municipal Collection Sites

In 2017 there were no new municipal depots added to the PCA ISPs for the collection of paint, pesticides, solvents and fertilizers; however, 8 new events were added to the programs.

6.2 Non-Municipal Collection Sites

In 2017, PCA achieved a significant expansion of the Return to Retail (R2R) collection site network. A net total of 98 R2R sites were added in 2017, including 80 PPG Architectural Coatings/Dulux stores resulting in a net total of 296 R2R collection sites compared to 198 in 2016. PCA also supported collection events at Cloverdale Paint and Home Hardware locations. Due to the success of these events, they will be held again in 2018. PCA continues to discuss R2R expansion with a number of sites across Ontario.

6.3 PCA ISPs Collection Network

Type	Paint Collection Sites			PSF Collection Sites		
	2016	2017	Annual Target	2016 ³	2017	Annual Target
Municipal Depot	96	96	120	95	95	150
Municipal Events	299	307	475	288	307	500
Return to Retail	198	296	425	n/a	n/a	n/a

3. 2016 PSF collection sites counted from the start of the PCA IPS program in Q2 to Q4 inclusive

7 Steward/IFO/ISP Updates

7.1 Steward Transition from IFO to ISPs

As of the end of 2017 there were 84 paint members, 22 pesticide members, 70 solvent members and 17 fertilizer members participating in the PCA ISPs.

Appendix D – Product Care Association Annual Report
(for Paints and Coatings, Pesticides, Solvents, and Fertilizers Programs)

Throughout 2017, PCA continued to follow up with Ontario paint and PSF stewards who expressed interest in transitioning from the Industry Funded Organization (IFO) to the PCA ISPs as well as stewards that were new to the market. There were 15 new PCA members added to the PCA ISPs in 2017. A list of ISP members is provided in Appendix B.

In addition, PCA routinely followed up with members on reporting requirements and performed member audits in accordance with PCA’s Membership Agreement.

7.2 Supply Chain Cost Share between the ISO and IFO

PCA and SO agreed to extend the cost sharing agreement related to the PSF end of life management to 2019. Supply chain costs are apportioned between PCA and SO based on actual PSF steward market share in each of 2016 and 2017.

For paint, PCA operated the entire supply chain from July 1, 2015 to December 31, 2017. Unlike PSF, PCA does not have a cost sharing agreement with SO for paint. SO did purchase 8 tonnes of paint for the 2017 year but did not purchase any paint tonnes from PCA for 2015 or 2016.

8 Promotion and Education

In 2017, PCA continued to implement promotion and education activities according to the PCA ISPs. Major highlights from PCA’s promotion and education initiatives are outlines below.

8.1 Advertising and Activities

PCA employed a variety of advertising techniques including:

- Targeted SEM Campaign – Managed by Yellow Pages Group (YPG)¹: Ads linked to searches for “paint recycling” and “recycle paints” in Ontario were the 5th and 6th most clicked ads out of all PCA provinces and programs, collectively generating over 2,500 click-throughs
- Digital Retargeting Campaign – Managed by YPG
- Gated Facebook Content Strategy – Managed by YPG: Regularly scheduled Ontario-specific content, available only to Ontarians, focused on paint recycling, special waste, and the recycling community in general. In 2017, Ontario had the second largest Facebook audience by province, second only to BC
- Municipal Calendar Advertising: Ontario paint recycling was advertised in municipal calendars and regional waste guides, with a total of 754,000 calendars distributed among 25 municipalities
- Out of Home Advertising – NewAd: Paint recycling was advertised in “restobar” locations throughout Ontario; this included 176 postings of an 8.5x11” advertisement that collectively resulted in 1.59 million impressions over 20 weeks
- Municipal Waste Association (MWA) Advertisement
- Print ad in CPCA Insight Trade Publication: Full page, national advertisement focused on paint and coatings stewardship and member recruitment in all provinces with PCA paint programs, including Ontario

8.1.1 Website Traffic Overview

A website traffic overview and sources are provided below. To best identify ReGeneration website activity from Ontario, this section’s statistics are being reported using three parameters:

- Only traffic from Ontario was considered. All other provinces (and non-Canadian locations) were excluded from data extraction.
- Ontarian traffic to all sections of the website (news, homepage, events, about, etc.) were included in the analytics

Appendix D – Product Care Association Annual Report
(for Paints and Coatings, Pesticides, Solvents, and Fertilizers Programs)

- Traffic between January and December 2017 was considered

Website traffic is summarized below:

Metric	Traffic from Ontario Users
Sessions (Total Visits)	31,762
Returning Visitors (%)	21.46%
New Visitors (%)	78.54%
Average Visit Duration	00:01:36
Average Page Views	2.16

Traffic sources are defined as:

- Referral Traffic – Visitors referred by links on other websites (see next table)
- Organic Traffic – Visitors referred by an unpaid search engine listing (e.g. Google search)
- Direct Traffic – Visitors who typed the URL directly into their browser. 'Direct' can also refer to the visitors who clicked on the links from their bookmarks/favourites, untagged links within emails, or links from documents that don't include tracking variables (such as PDFs or Word documents)
- Paid Search – Paid search includes AdWords traffic, as well as paid traffic from other search engines
- Display Ads – Visitors who got to the site by clicking a display ad on a different website

Traffic sources are provided below:

Metric	Percentage of Traffic Source
Referral Traffic	43.0%
Organic (Search) Traffic	23.1%
Direct Traffic	17.4%
Paid Search	14.7%
Social (e.g. Facebook)	1.0%
Display Ads	0.9%

Top traffic referral sources include:

Linking Site	Organization	% of ON Referral Traffic
makethedrop.ca	Stewardship ON	35.99%
www.ottawa.ca	City of Ottawa	24.22%
toronto.ca	City of Toronto	8.96%
canadiantire.ca	Canadian Tire	8.15%

8.3 Social Media Performance Measures

Parameters:

- Total Facebook activity for 2017 (ReGeneration national page, not regional)
- Data range from January 1st, 2017 – December 31st, 2017

Appendix D – Product Care Association Annual Report
(for Paints and Coatings, Pesticides, Solvents, and Fertilizers Programs)

Total Facebook Likes on December 31 (All Provinces)	New Facebook Page Likes (All Provinces)	Total Reach (All Provinces)
19,026	5,488	1,930,400

Note: Impression data and per-province data is no longer available through Facebook.

8.4 Promotion and Education Material Requests

PCA made point of sale or point of return materials, which include rack cards, posters, and floor decals, available to Ontario paint collection sites by order through PCA’s website, free-of-charge, in both printed and digital formats, in 2017.

9 Financials

Audited financial statements for the PCA ISPs will be provided by March 31, 2018.

Appendix D – Product Care Association Annual Report
(for Paints and Coatings, Pesticides, Solvents, and Fertilizers Programs)

10 Appendices

10.1 Appendix A – Service Providers

PCA Service Provider List					
Company Name	Paint	Aerosols	Pesticides	Solvents	Fertilizers
Aevitas Inc.	T	T	T	T	T
Brendar Environmental Inc.	T	T/P	T/P	T/P	T/P
Buckham Transport Ltd.	T	T/P	T/P	T/P	T/P
Cardinal Couriers Ltd.	T				
Clean Harbors Inc.	T		T/P	T/P	T/P
Drain-All Ltd.	T	T/P	T/P	T/P	T/P
Envirosystems Inc. (formerly Hotz Environmental)	T/P	T/P	T/P	T/P	T/P
GFL Environmental Inc. (formerly Potter Environmental)	T	T/P	T/P	T/P	T/P
Loop Recycled Products Inc.	P				
Miller Environmental Corporation	T	T/P	T/P	T/P	T/P
OWL Environmental Inc.	T			T	
Photech Environmental Solutions	T	T/P	T/P	T/P	T/P
Quantex Technologies Inc.	T	T	T	T	T
Raw Materials Company Inc.	T	T	T	T	T
Safety-Kleen Brampton	T			T	
Safety-Kleen Brantford	T			T	
Safety-Kleen Chelmsford	T			T	
Safety-Kleen London	T			T	
Safety-Kleen Oshawa	T			T	
Safety-Kleen Ottawa	T			T	
Terrapure Environmental (formally Newalta)	T	T	T/P	T/P	T/P
Veolia Environmental - Timmins	T		T	T	T
Veolia ES Canada - Chatham	T		T	T	T
Veolia ES Canada - Ottawa	T		T	T	T
Veolia ES Canada - Pickering	T		T	T	T
Veolia ES Canada - Quebec	T		T	T	T

T=Transporter, P=Processor

Appendix D – Product Care Association Annual Report
(for Paints and Coatings, Pesticides, Solvents, and Fertilizers Programs)

10.2 Appendix B – ISP Members

PCA ISP Members	
2471595 Ontario Inc. o/a Hi! Neighbor Floor Covering Company	Class C Solutions Group, MSC Industrial Supply LLC
3600106 Manitoba Inc o/a Piston Ring	Cloverdale Paint Inc.
3M Canada Company	Commercial Oil Company of Hamilton Inc.
7594828 Canada inc. (o/a Ace Canada)	Costco Wholesale Canada Ltd.
Acklands - Grainger Inc.	Country Chic Paint
AD Fire Protection Systems Inc	CRC Canada Inc.
ALEX MILNE ASSOCIATES LTD.	Custom Building Products Canada Ltd
Alexandria Moulding	Darch Fire Incorporated
ALTROM CANADA CORP.	David L. Stevenson & Son Artists' Colours Manufacturing Co. Ltd.
BASF Canada Inc.	Denalt Paints Ltd.
Bass Pro Canada ULC	Dominion Sure Seal Ltd.
Beauty Systems Group (Canada) Inc.	Dynamic Paint Products Inc. DBA Lancaster Canada
Behr Process Corp.	Empack Spraytech Inc.
Benjamin Moore & Co. Ltd.	Envirosystems Incorporated
Bestbuy Distributors Ltd	EVERGUARD COATINGS INTERNATIONAL LTD. cob NIAGARA PROTECTIVE COATINGS
Bolts Plus Inc.	Farrow & Ball Canada Ltd.
Brett-Young Seeds Limited / Semences Brett-Young Limitee	Fastenal Canada Ltd.
Bridgestone Canada Inc, Firestone Building Products Canada Division	FCA Canada Inc
Brock White Canada ULC	G.F. Thompson Co. Ltd.
Canadian Auto Stores Ltd	General Motors of Canada Company
Canadian Building Restoration Products, Inc	GH INTERNATIONAL SEALANTS ULC
Canadian Tire Corporation, Limited	GS Distribution Inc.
Canpro Decorating products Inc.	Hall-Chem Mfg. Inc.
CANRAD BEAUTY Ltd	Henkel Cda Corp. Consumer Adhesives
Cansel Survey Equipment Inc.	Henry Company Canada, Inc.
CertainTeed Gypsum Canada, Inc.	Home Depot of Canada Inc.

Appendix D – Product Care Association Annual Report
(for Paints and Coatings, Pesticides, Solvents, and Fertilizers Programs)

PCA ISP Members	
Home Hardware Stores Limited	PPG Architectural Coatings Canada Inc.
IKEA Canada Limited Partnership	Prema Canada ULC
ITW Construction Products, A division of ITW Canada	Premier Tech Home & Garden Inc
ITW Permatex Canada	Princess Auto Ltd.
Jaguar Land Rover Canada ULC	Pro Form Products Limited
John Deere Canada ULC	PROTEK PAINT LTD
K-G Spray-Pak Inc.	Quikrete Canada Holdings Limited
King-O-Matic Industries Limited	Radiator Specialty Company of Canada
Kleen-Flo Tumbler Industries Ltd.	Recochem Inc.
Korzite Coatings Inc.	Regional Automotive Warehousing Ltd
Kubota Canada LTD	Rochester Midland Ltd
Lee Valley Tools Ltd.	RONA Inc.
Les Produits Techniseal	Rust-Oleum Consumer Brands Canada
Loblaws Inc.	S.C. Johnson and Son, Limited
Loop Recycled Products Inc.	Saman Corporation (3777472 Canada Inc.)
LOVELAND PRODUCTS CANADA INC.	Schwartz Chemicals
M G Chemicals Ltd.	Scotts Canada Ltd.
Martin & Associates Inc.	Selectone Paints Inc.
Michaels Stores Inc.	Sherwin-Williams Canada Inc
Modern Sales Co-op	Shrader Canada Limited
Nawkaw Corporation	SOLIGNUM INC.
NCH Canada Inc.	Sto Canada Ltd
Nordstrom Canada Inc.	Surekiller Products Limited
Omer DeSerres Inc.	Suzuki Canada Inc.
Orgill Canada Hardlines ULC	The Dow Chemical Company - Dow Building & Construction
Patene Building Supplies Ltd.	The Sansin Corporation
Peintures MF Inc.	The Sherwin-Williams Company
Plasti Kote Co., Inc. (Valspar)	Timber Pro Coatings Ltd.
Popular Garden Centre	Toolway Industries Ltd.

Appendix D – Product Care Association Annual Report
(for Paints and Coatings, Pesticides, Solvents, and Fertilizers Programs)

PCA ISP Members	
Torcan Coatings Inc.	
Toyota Canada Inc.	
Tremco Canada Division, RPM Canada	
UAP INC.	
Uline Canada Inc.	
Valvoline Canada-Div. Ashland Canada	
W.H. Lubricants Ltd.	
Wal-Mart Canada Corp.	
WD-40 Company (Canada) Ltd.	
Wood Essence Distributing	
YHD DISTRIBUTORS INC.	

Appendix E – SodaStream Annual Report (for proprietary CO2 cylinders)

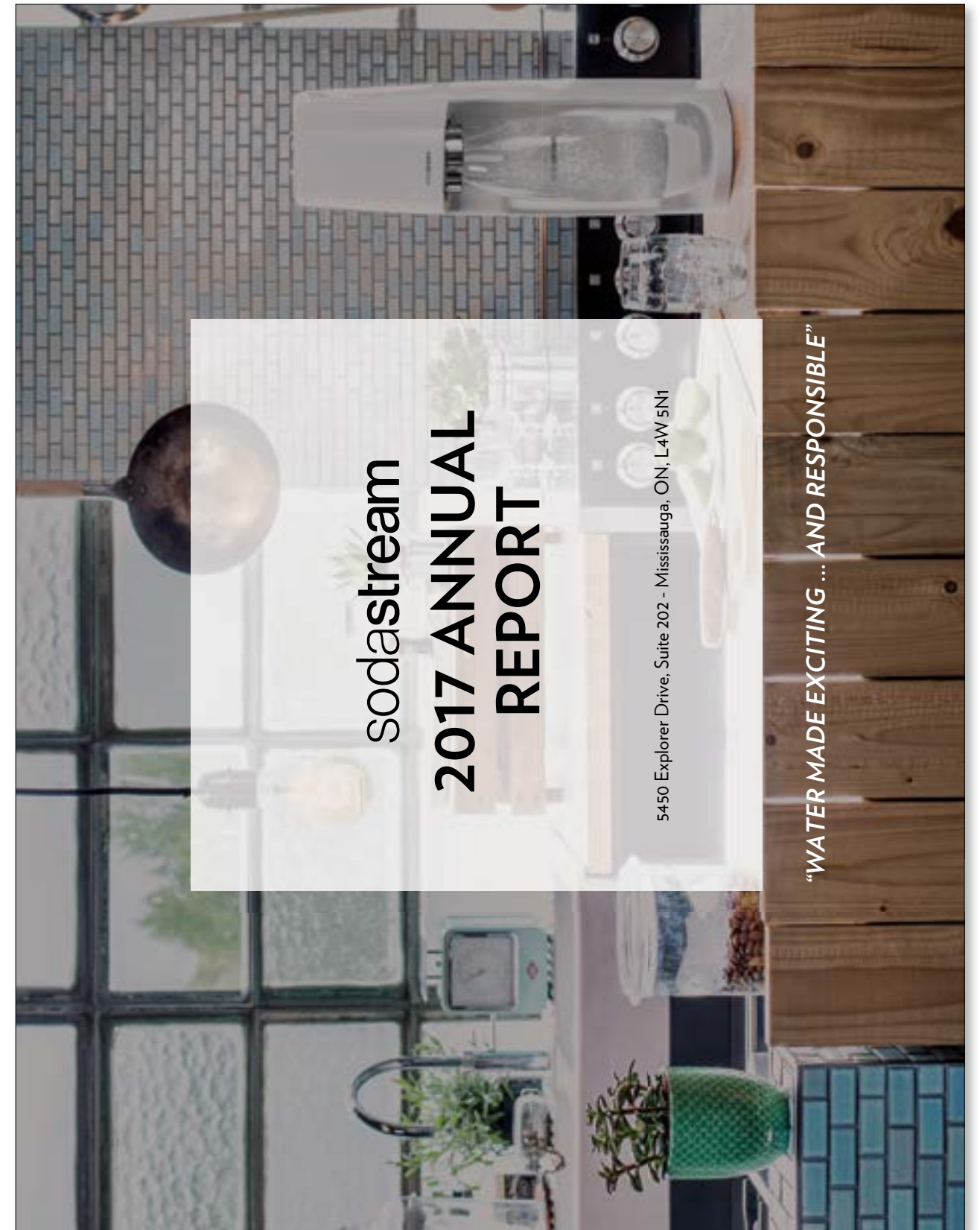


TABLE OF CONTENTS

3	Welcome
4	SodaStream History
5	SodaStream Use
6	SodaStream and the 3Rs
7	Why have our own Industry Stewardship Plan? <ul style="list-style-type: none"> • <i>SodaStream Plan</i> • <i>Accessibility</i> • <i>Promotion and Education</i> • <i>Cylinders that Escape Our Circular Network</i> • <i>2016 Program Performance</i>



WELCOME

SodaStream is pleased to present our second Annual Report to the Resource Productivity and Recovery Authority (RPR) – our first full year of reporting to RPR. As a business, we thrive on the ability to provide innovative solutions to the beverage market that serve as better-for-the-planet beverage alternatives.

SodaStream has a unique business model that is circular rather than linear, creating the ideal business environment that incorporates the 3Rs – reduce the number of cans and bottles, reuse cylinders infinitely, and recycle the cylinders that cannot be refurbished.

Our cylinder exchange program is the hallmark of our business and maximizing the number of reused cylinders is essential. When a consumer's machine runs out of CO₂, the used SodaStream cylinders can be exchanged at over 945 participating retailers in Ontario. These exchanges work in a circular motion for quality testing, refurbishing, and finally refilling or recycling.

Commitment to environmental stewardship is one of our core values and the reason we are leading the revolution against bottled and canned beverages through our reusable system.

Thank you for choosing to learn more about SodaStream's approach to sustainable bubbles.

- SodaStream Canada

“ WE DON'T SHIP THE WATER, WE DON'T SHIP THE CANS, WE JUST SHIP THE BUBBLES. ”



The company has its origins dating back to 1903 with a system that enabled consumers to carbonate water at home. Over the past century, SodaStream has continued to innovate and currently holds 65 patents and 198 trademark registrations worldwide. Today, SodaStream products are sold in over 60,000 retail locations across 45 countries.

SodaStream produces and distributes a range of products that include the carbonation machines, reusable carbonating bottles, flavour mixes and CO₂ which is provided in the form of a proprietary refillable pressurized cylinder that is manufactured, refilled and safety checked by SodaStream. Each SodaStream CO₂ cylinder is supplied to the market under license such that the cylinders remain the property of SodaStream.

The SodaStream program is unique because it was built around enhancing the existing and fully operational process already in place for diverting SodaStream CO₂ cylinders. SodaStream has been operating a comprehensive, self-managed system since starting up in Canada for the SodaStream CO₂ cylinders - a model of true extended producer responsibility.

On April 14, 2016 Waste Diversion Ontario (now RPRA) approved the SodaStream Industry Stewardship Plan (ISP) for management of the pressurized cylinder and announced the effective date of the ISP as June 30, 2016.

This annual report is submitted to RPRA pursuant to s. 40 of the Waste Diversion Transition Act and is based on SodaStream's 2017 calendar year sales and exchange data.

SODASTREAM HISTORY | 4



SODASTREAM USE | 5

RE- DUCE

SodaStream CO₂ cylinders are infinitely reusable and represent a tremendous waste reduction initiative. The SodaStream machine and carbonation system has the added reduction benefit in the form of reduced beverage packaging such as aluminum cans, glass and PET bottles. For example, a SodaStream customer who uses four SodaStream CO₂ cylinders a year may reduce the need for up to 240 one-litre bottles of store bought carbonated beverages per year.

RE- USE

The signature of the SodaStream system is the reuse of the CO₂ cylinder. Maximizing the number of reused cylinders is the core of SodaStream's business.

SodaStream has made significant investments in the collection, handling and refilling of their CO₂ cylinders, including the development and use of the multi-trip boxes (MTB) for transporting cylinders and a first-of-its kind inspections system from retail collection. The SodaStream system is designed to refill one hundred percent of their cylinders.

RE- CYCLE

SodaStream CO₂ cylinders that do not pass quality control are removed from circulation and sent to SodaStream's manufacturing facility. The SodaStream CO₂ cylinders are either refurbished and reintroduced into the market, thereby extending their useful life even longer, or they are recycled. In addition to removing cylinders that do not pass quality control when being refilled, each SodaStream CO₂ cylinder has a date stamped into the brass valve of the cylinder, which ensures that cylinders are regularly removed from inventory every five years for testing. Often the cylinders themselves are fit for reuse but the brass valve requires replacing. If the SodaStream CO₂ cylinders have reached the end of their lifecycle, they are recycled into raw aluminum and brass.

SODASTREAM & THE 3RS | 6



4.1 SODASTREAM PLAN

The SodaStream system is premised on the principle of reuse, and our business is built around creating a system to track and ensure the cylinders are reused, rather than fabricating new CO₂ cylinders. Because our cylinders are pressurized, they are an obligated material under the provincial program that manages other pressurized cylinders, such as propane tanks. However, because SodaStream has been operating an exchange, return, and reuse program since arriving in Canada, we submitted an Industry Stewardship Plan (ISP) to recognize our existing operational process for diverting SodaStream CO₂ cylinders. The cylinder exchange and refill system is designed to handle 100% of SodaStream CO₂ cylinders used by customers. Analysis of sales patterns has shown that regular users often purchase extra cylinders to have spare full cylinders on hand for machines at home and seasonal properties. This reserve of spare cylinders may take considerable time to be used, and as a result, experience a delay in entering the exchange and refill system.

Since submitting our final plan in 2016, and throughout 2017, we have pursued additional measures to improve our system through accessibility, promotion and education, and building relationships with municipalities and service providers across Ontario to mitigate any risks of cylinder movement outside of our circular return network.

4.2 ACCESSIBILITY

The SodaStream system is based on the principle of reuse, and SodaStream has an existing network of retailers that will exchange the SodaStream CO₂ cylinders at any approved location for a reduced price on a full SodaStream CO₂ cylinder, or accept SodaStream CO₂ cylinder returns at over 945 retail locations in Ontario. The SodaStream website (www.sodastream.ca) is designed to inform consumers on what to do with used or unwanted SodaStream CO₂ cylinders as well as the ability to guide consumers to the most convenient approved location using geo-location software.

SodaStream will continue to look for new avenues to add to the significant network of available options for SodaStream consumers to exchange or return the SodaStream CO₂ cylinders.



8

4.3 PROMOTION & EDUCATION

The SodaStream website has and will continue to serve as the primary pillar of support and communication between SodaStream and consumers. This website contains all relevant information related to retail locations that participate in SodaStream CO₂ cylinder exchange and return. Additionally, this website contains a product registration component, which permits SodaStream to communicate with their consumers regarding any concerns related to the management or disposal of the SodaStream CO₂ cylinders.



9

These methods of consumer outreach facilitate direct communication between SodaStream and consumers on any matter related to the SodaStream CO₂ cylinders, including email reminders to return used SodaStream CO₂ cylinders.

SodaStream has worked with our retail partners to develop additional documentation to improve the training material available for retail employees as well as to improve the communication available to customers about how the SodaStream CO₂ cylinder exchange process works. SodaStream has also contracted with a third party to conduct additional consumer research with customers to ask them how the SodaStream CO₂ cylinder exchange program can be improved.

4.4 CYLINDERS THAT ESCAPE OUR CIRCULAR NETWORK

One element that SodaStream initiated in 2016 was to better understand the flow and begin capturing the cylinders from customers who stop using the SodaStream system. The ideal situation is for the customer to donate or give the machine to another user and for any CO₂ cylinders to be returned to a participating retailer. However, in the event that does not happen, this represents potential leakage from our circular network. One area of intervention by SodaStream is to work with municipalities and service providers for cylinders that might enter the municipal hazardous waste depot.

SodaStream has actively engaged municipalities through direct contact with municipal representatives as well as articles in the Municipal Waste Association (MWA) Newsletter. While the opportunity to participate in the SodaStream system was extended to several service providers across Ontario, at this time we continue to work with EnviroSystems (formerly Hotz Environmental) as the only service provider actively intercepting CO₂ cylinders for return to SodaStream. To date, EnviroSystems has reported receiving over 200 cylinders from across Ontario.

The preliminary results from our work with EnviroSystems has led SodaStream to begin that process of engaging with other municipalities and service providers across not only Ontario, but also other urban centres across Canada. SodaStream wants all cylinders back and will continue to explore additional opportunities to reduce leakage of cylinders that are outside of our designated return network – across Canada.

While we have had our exchange system in place since coming to Canada, we continue to look for opportunities to enhance our collection infrastructure and account for any potential leakage points. By continuing to monitor for these possibilities, SodaStream is actively mitigating the risk of cylinders moving outside the designated return network.



10



4.5 2017 PROGRAM PERFORMANCE

While the SodaStream circular network is designed to handle 100% of cylinders in circulation, the rate at which cylinders are used and exchanged by consumers does vary. Some regular users frequently exchange cylinders at a high rate while others use exchange cylinders less frequently. Many customers also purchase spare cylinders for home and seasonal properties keeping them in reserve for extended periods before using and eventually exchanging. Even if a cylinder is purchased, consumed, and exchanged within the same quarter, that cylinder is not likely to return to circulation within that same period. As a result, seasonality and changing consumer behaviour are both contributing factors to metrics listed below. Under the approved plan, SodaStream is monitoring all cylinder movement on a quarterly basis, and on an annual basis reporting on the total percentage of cylinders diverted (cylinders refilled/reused plus cylinders removed from circulation and recycled divided by what was available for collection).



11



Automotive
Materials
Stewardship

RPRA Filing on 2017 Program Performance

March 7, 2018

Signature of the Chair of the Board of Directors

This report has been approved by the Automotive Materials Stewardship Board of Directors for submission to Resource Productivity and Recovery Authority (RPRA) in accordance with the requirements of the *Waste Diversion Transition Act, 2016*.

A handwritten signature in black ink, appearing to read 'Bert Verriet', is written over a thin horizontal line.

Bert Verriet
Board Chair
Automotive Materials Stewardship Board of Directors

Table of Contents

Section 1 - 2017 AMS Program Performance

Background and Stakeholder Consultation

Steward Registration, Reporting & Audit

Vendor Registration

Accessibility

Program Performance against Targets

2017 Tonnes Collected

2017 Tonnes Diverted

Promotion and Education

Section 2 - 2017 Audited Financial Statements

Section 1

2017 AMS Program Performance

AMS Performance Report for 2017

Background and Stakeholder Consultation

Automotive Materials Stewardship (AMS) was established in early 2016 representing the interests of Canadian businesses in the automotive sector to create convenient, environmentally sustainable ways for consumers to recycle used oil containers, oil filters, and antifreeze. In accordance with the *Waste Diversion Act, 2002* (WDA) and Waste Diversion Ontario’s (WDO) Procedures for Industry Stewardship Plans (ISP), AMS submitted an ISP on February 19, 2016.

During the preparation of the ISP, AMS met with:

- Stewards supplying antifreeze, oil containers and oil filters, including both producers and retailers;
- Industry associations including the Automotive Industry Association, the Global Automakers Association, and the Retail Council of Canada;
- Collectors of used antifreeze, oil containers and oil filters including municipalities and their associations, such as the Municipal Waste Association;
- Transporters and processors of used antifreeze, oil containers and oil filters and their associations including the Ontario Waste Management Association; and
- Stewardship Ontario Board Members and staff as the industry funding organization currently responsible for managing used antifreeze, oil containers and oil filters.

WDO hosted consultations on the AMS ISP between February 26 and April 29, 2016 consisting of:

- [two webinars](#) held on April 5 and 7, 2016 for stewards
- an online survey seeking stakeholder input,
- invitation for stakeholders to contact the WDO by phone or in person.

All stakeholder feedback was considered when finalizing the ISP.

Also during the consultation period, stewards were encouraged to submit a Letter of Intent (LOI) to AMS and WDO to signify their intent to join the ISP upon approval by the WDO. By May 31, 2016, stewards representing approximately half the tonnes of automotive materials supplied to the market had submitted or signaled their intent to join AMS’s ISP.

On August 10, 2016 the WDO Board of Directors [approved AMS’s ISP](#) to manage automotive materials. The program officially launched on April 1, 2017.

Steward Registration, Reporting & Audit

Registration for the AMS program totalled 131 stewards as of December 31, 2017, with an additional 20 stewards pending RPRA approval.

Total number of AMS steward reports received in 2017 was 448.

The total fees invoiced to the reporting AMS stewards in 2017 was \$11,192,917. In addition, AMS received \$3,278,975 in revenue from Stewardship Ontario for the sale of collection and recycling credits totalling the revenue stated in Automotive Material Stewardship’s Statement of Operations.

Compliance:

No compliance cases were opened in 2017.

Vendor Registration

Only service providers that are approved by Automotive Materials Stewardship are eligible to perform material management activities. All approved Automotive Materials Stewardship service providers must adhere to vendor standards, policies and procedures established by Automotive Materials Stewardship. Visit <https://www.automotivematerialsstewardship.ca/service-providers/> for the most up-to-date list of approved service providers.

Commercial arrangements may include, but are not limited to, contracting for services following a request for qualifications or a request for proposals, contracting for services as a result of sole source negotiation, incentive programs and/or direct delivery of services.

Automotive Materials Stewardship’s responsibilities and duties include fostering a marketplace that maintains and encourages competition, achieves efficiencies and cost-effectiveness and ensures that all industry service providers have a fair and equitable opportunity to participate in the provision of services. In 2017, 23 transporters and 17 processors were eligible to provide services to AMS.

Accessibility

Maintaining convenient and accessible collection sites is critical to achieving consumer participation and maximizing diversion activities. AMS assumed the pre-existing collection site network from Stewardship Ontario, which includes both public and private collection sites. Many municipalities and First Nations communities offer collection services to their residents through permanent or seasonal depots or through special one-day collection events. In addition, the Automotive Incentive Program provides services to automotive service centres and other commercial locations. Some service centres accept Automotive Materials from do-it-yourself consumers. These locations are listed as Return-to-Retail. The following chart details consumer accessibility by collector type for AMS in 2017:

Channel - Activity	Depots	Events	Return-to-Retail	Automotive Incentive Program
Antifreeze	87	239	893	12,000+
Oil Containers	87	239	896	12,000+
Oil Filters	87	239	953	12,000+

Program Performance Against Targets

Each year AMS must meet certain minimum performance requirements as outlined in the ISP. The performance targets for 2017 are listed in the ISP as Year 2 (2017) and are included in the tables below. The ISP also contains the assumptions for converting supplied tonnes to the quantity available for collection, accounting for changes to quantities and weights such as the dilution of glycol or the weight of residual oil in used oil filters. The quantity available for collection is multiplied by the collection target rate (%) to calculate the target tonnes.

2017 Tonnes Collected

AMS achieved and exceeded all collection targets in 2017, its first year of operations.

Material Category	Available for Collection	Collection Target Rate (%)	Target Tonnes	Actual Collection Tonnes	Actual Collection Rate (%)	Variance to Target (Tonnes)
Antifreeze	2,277	51%	1,161	1,858	82%	697
Oil Containers	1,710	57%	975	2,162	126%	1,188
Oil Filters	4,320	86%	3,715	4,288	99%	573

2017 Tonnes Diverted

AMS achieved and exceeded all recycling targets in 2017, its first year of operations.

Material Category	Available for Collection	Recycling Target Rate (%)	Target Tonnes	Recycling Tonnes	Recycling Rate (%)	Variance to Target (Tonnes)
Antifreeze	2,277	51%	1,161	1,858	82%	697
Oil Containers	1,710	57%	975	2,162	126%	1,188
Oil Filters	4,320	86%	3,715	4,288	99%	573

Promotion and Education

The promotion and education (P&E) activities to support the Automotive Materials Stewardship Program are designed to increase awareness, drive behaviour change, and support collection channels (such as depot, events, return to retail-and incentive partners) to achieve diversion targets.



AMS uses the Orange Drop brand and logo for consumer communication. The Orange Drop website contains a locator tool for consumers to search drop off locations and events by postal code for their automotive materials. In 2017, promotion and education efforts around the AMS program focused on Orange Drop's social media channels. The Orange Drop Twitter and Facebook accounts continued to provide seasonal tips and reminders, as well as promote the depot locator tool and drop off events for automotive materials. Orange Drop social channels generated over 110,200 impressions in 2017.

Section 2

2017 Audited Financial Statements

Automotive Materials Stewardship Inc.
Financial Statements
For the year ended December 31, 2017

**Automotive Materials
Stewardship Inc.**
Financial Statements
For the year ended December 31, 2017

	<u>Contents</u>
Independent Auditor's Report	2
Financial Statements	
Balance Sheet	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to Financial Statements	7-9

Appendix F – Automotive Materials Stewardship Annual Report
(for Antifreeze, Oil Containers and Oil Filters)



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TD Bank Tower
66 Wellington Street West
Suite 3600, PO Box 131
Toronto, ON M5K 1H1 Canada

Independent Auditor's Report

To the Members of Automotive Materials Stewardship Inc.

We have audited the accompanying financial statements of Automotive Materials Stewardship Inc., which comprise the balance sheet as at December 31, 2017, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Automotive Materials Stewardship Inc. as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

March 7, 2018
Toronto, Ontario

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Appendix F – Automotive Materials Stewardship Annual Report
(for Antifreeze, Oil Containers and Oil Filters)

Automotive Materials Stewardship Inc.
Balance Sheet

December 31 **2017**

Assets

Current

Cash	\$ 3,759,371
Accounts receivable	555,539
Prepaid expenses	12,893

\$ 4,327,803

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 2)	\$ 2,764,246
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Net Assets

Unrestricted	1,563,557
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\$ 4,327,803

On behalf of the Board:

[Signature] Director

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

Appendix F – Automotive Materials Stewardship Annual Report
(for Antifreeze, Oil Containers and Oil Filters)

**Automotive Materials Stewardship Inc.
Statement of Changes in Net Assets**

For the year ended December 31, 2017

	Unrestricted	Internally Restricted	Total
Balance, beginning of year	\$ -	\$ -	\$ -
Excess of revenue over expenses for the year	<u>1,563,557</u>	-	<u>1,563,557</u>
Balance, end of year	<u>\$ 1,563,557</u>	<u>\$ -</u>	<u>\$ 1,563,557</u>

The accompanying notes are an integral part of these financial statements.
4

Appendix F – Automotive Materials Stewardship Annual Report
(for Antifreeze, Oil Containers and Oil Filters)

**Automotive Materials Stewardship Inc.
Statement of Operations**

For the year ended December 31

2017

Revenue	
Fee revenue	\$ 11,192,917
Supply chain income (Note 2)	3,278,975
Investment income	<u>24,897</u>
	<u>14,496,789</u>
Expenses	
Material management costs (Note 3)	10,861,157
Program management (Note 2)	1,843,126
Resource Productivity and Recovery Authority (Note 4)	221,448
Promotion and education	<u>7,501</u>
	<u>12,933,232</u>
Excess of revenue over expenses for the year	<u>\$ 1,563,557</u>

The accompanying notes are an integral part of these financial statements.
5

**Automotive Materials Stewardship Inc.
Statement of Cash Flows**

For the year ended December 31	2017
Cash provided by (used in)	
Operating activities	
Excess of revenue over expenses for the year	\$ 1,563,557
Adjustments to reconcile excess of revenue over expenses for the year to cash provided by operating activities	
Changes in non-cash working capital balances:	
Accounts receivable	(555,539)
Prepaid expenses	(12,893)
Accounts payable and accrued liabilities	2,764,246
Increase in cash during the year and cash, end of year	\$ 3,759,371

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

**Automotive Materials Stewardship Inc.
Notes to Financial Statements**

December 31, 2017

1. Significant Accounting Policies

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

(a) Business Organization and Operations

The Automotive Materials Stewardship Inc. (the "Organization") was incorporated on March 15, 2016 under the Canadian not-for-profit Corporations Act. The Organization is a not-for-profit organization and as such is not subject to income taxes.

The purpose of the Organization is to design, implement and operate waste diversion programs for Automotive Materials at their end of useful life. These materials include anti-freeze, oil containers, and oil filters. On April 1, 2017 the Organization began operating a waste diversion program in Ontario for automotive materials in accordance with an Industry Stewardship Plan that was approved by the Resource Productivity and Recovery Authority on August 10, 2016.

As there was no activity prior to April 1, 2017, comparative figures have not been included.

(b) Basis of Accounting

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

(c) Revenue Recognition

Fee revenue is based on reported tonnages for members with signed Membership Agreements with the Organization. Revenue is recognized when tonnage is reported, fees are received or receivable and collection is reasonably assured. Revenue arising from member reported tonnages or adjustments 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.

Supply chain income is recognized on a cost recovery basis when costs are incurred and collection is reasonable assured.

(d) Financial Instruments

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) Use of Estimates

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

**Automotive Materials Stewardship Inc.
Notes to Financial Statements**

December 31, 2017

2. Significant Contracts

(a) Canadian Stewardship Services Alliance ("CSSA")

Effective January 1, 2017, the Organization entered into a three year Management Service Agreement ("MSA") with CSSA for management services including administrative and technical support, other services and facilities for administrative, technical and reporting activities. During the year, charges totaling \$1,650,000 were paid to CSSA pursuant to this contract and CSSA charged \$109,000 for start up costs incurred on behalf of the Organization. These amounts are included in program management expenses in the statement of operations.

During 2017, CSSA provided the Organization access to funds to finance start-up and program development activities. The Organization has agreed to repay these costs by December 2018.

Included in accounts payable and accrued liabilities is \$351,209 owing to CSSA.

(b) Stewardship Ontario Inc ("SO")

Effective February 2, 2017, the Organization entered into a three year Supply Chain Agreement with Stewardship Ontario. The Organization was previously part of the MHSW program in Stewardship Ontario. On April 1, 2017, the Organization established its own supply chain and assumed the entire collection, transportation, and recycling of automotive materials for both members of the Organization and SO. Each year, SO will purchase their respective market share of automotive materials tonnage credits from the Organization. During the year, the Organization charged \$3,278,975 to Stewardship Ontario pursuant to this contract, net of reimbursement of depot fees of \$337,500 paid by SO. Included in accounts payable and accrued liabilities is \$612,163 owing to SO.

All transactions between the Organization, CSSA, and Stewardship Ontario are in the normal course of operations and are recorded at their exchange amount as agreed upon by the parties.

3. Material Management Costs

Material management costs include all costs related to the collection, transportation and processing of materials managed through the program.

4. Resource Productivity and Recovery Authority ("RPRA")

RPRA and the Organization entered into an Industry Stewardship Plan Agreement in August 2016. Under this agreement, the Organization is required to pay fees to RPRA for monitoring and program oversight activities it provides to the Organization.

**Automotive Materials Stewardship Inc.
Notes to Financial Statements**

December 31, 2017

5. Financial Instrument Risk Exposure and Management

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

(a) Credit Risk:

Financial instruments potentially exposed to credit risk include cash and accounts receivable. Management considers its exposure to credit risk over cash to be remote as the Organization holds cash deposits at a major Canadian bank. Accounts receivable are monitored regularly for collections and the carrying amount represents the maximum credit risk exposure. The Organization has no provision for uncollectable accounts receivable.

(b) Liquidity Risk:

Liquidity risk is the risk that the Organization will not be able to meet its obligations as they come due. The program operated by the Organization carries risks in the ability to forecast and control expenditures. Management has taken steps to ensure that the program will have sufficient working capital available to meet obligations.

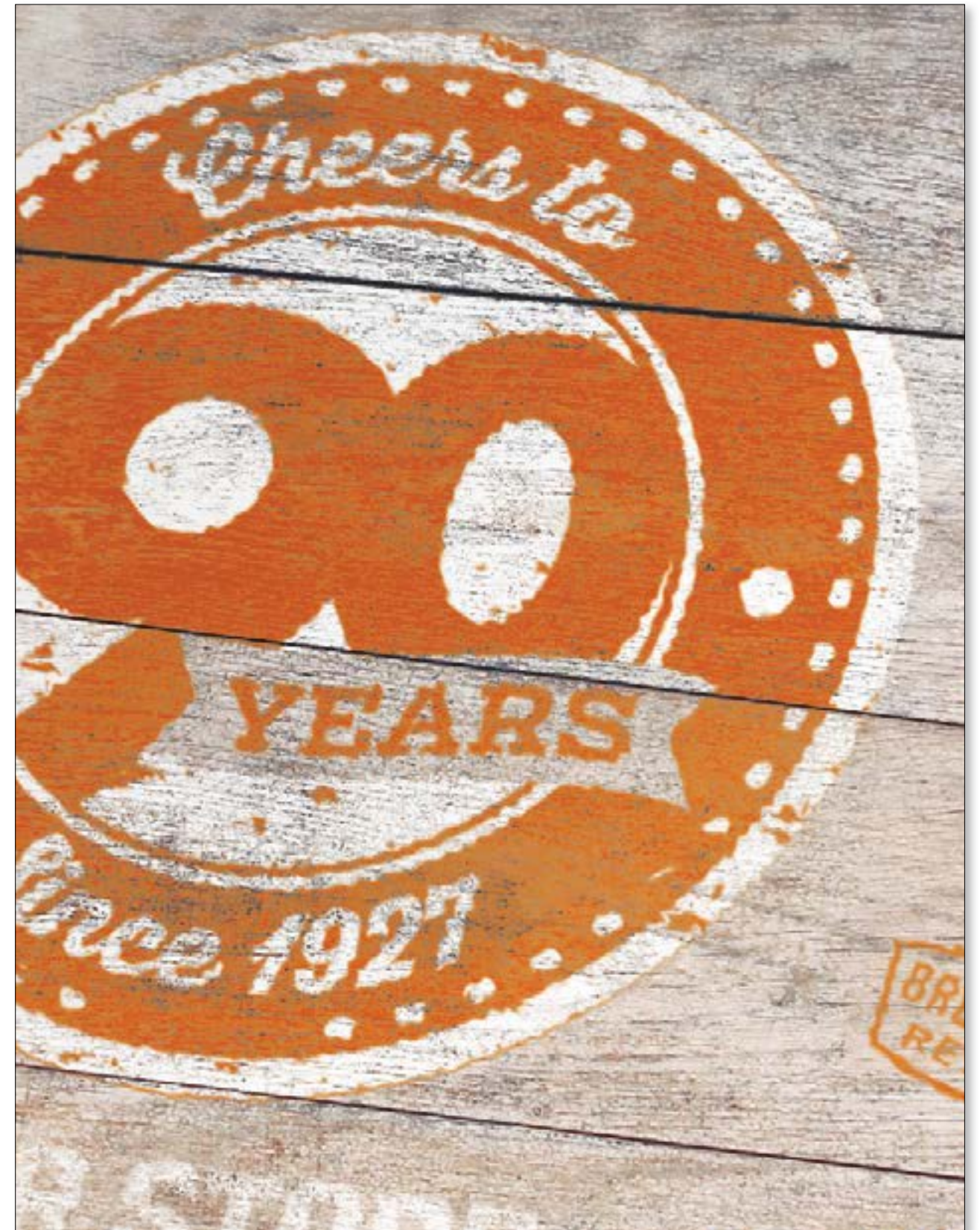


Report Close



CONTENTS

- 3 President's Message
- 6 Summary Results
- 7 Packaging Management
- 9 Refining Our Facilities & Equipment
- 10 Ontario Deposit Return Program Results
- 13 The Beer Store Promotional & Educational Activities
- 13 Community Involvement
- 17 Educational Activities
- 19 Summary of Joint TBS & ODRP Promotional & Educational Activities
- 20 LCBO ODRP Promotional & Educational Activities



MESSAGE FROM THE PRESIDENT



I'd like to welcome you to the Beer Store's 2017 Responsible Stewardship Report.

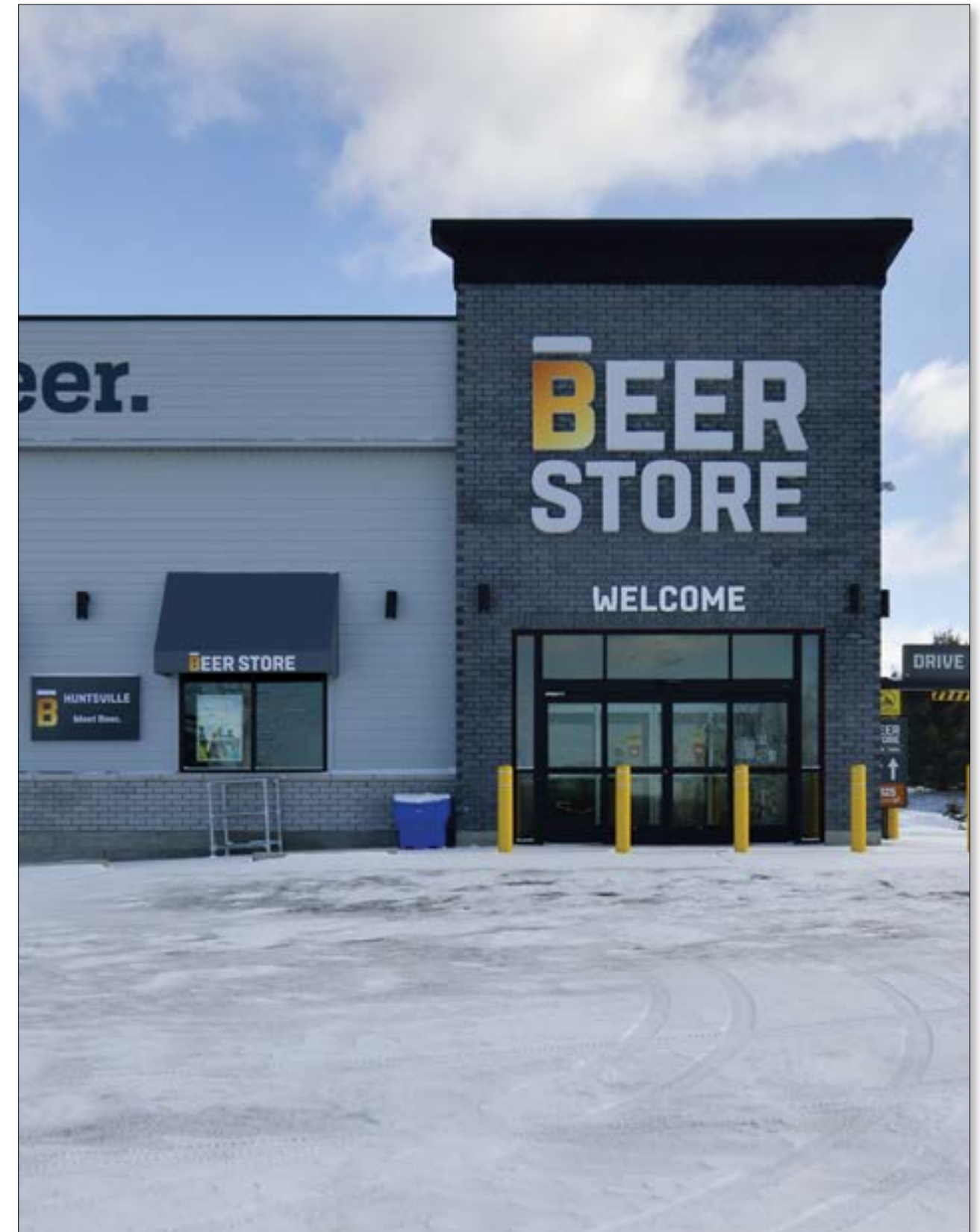
This year we celebrated the 90th anniversary of the Beer Store, which also means we celebrated 90 years of environmental responsibility including reuse and recycling within the brewing industry. We have been committed to environmental leadership since 1927, when we started selling and distributing quality beers with a deposit return system, essentially operating the first widely recognized extended producer program in North America. Although the look of our store and logo has changed over the years, our commitment to the environment, and being at the forefront of environmental efficacy has not. Environmental leadership continues to be one of our core values and is something we are very proud of.

This past year was a big one! In addition to marking the 90th anniversary of the Beer Store, we also celebrated Canada's 150th anniversary as well as the return of the 3 Billionth Ontario Deposit Return Program alcohol container – that's a lot to be proud of! I can't wait to see what this year brings!

I want to take this opportunity to thank all our valued customers and hard-working employees for the continued success the Beer Store's deposit-return system program has seen over the past 9 decades. The program's success is due to all those who have made great choices by returning their empties and associated packaging to their nearest Beer Store location and to our dedicated employees for continually working hard to ensure empty containers and packaging are carefully handled so that they can be reused or recycled all while educating our customers about the benefits of their return choice. These choices, allow the industry to utilize refillable beverage containers and facilitate the recycling of containers that cannot be refilled along with packaging materials to high end use products.

I hope you enjoy reading this year's Responsible Stewardship report and here's to the next 90 years of sustainability in Ontario!

Ted Moroz
PRESIDENT



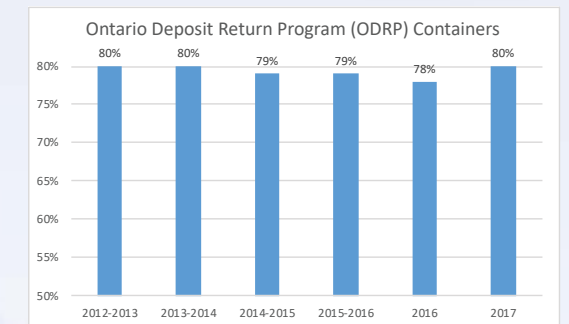
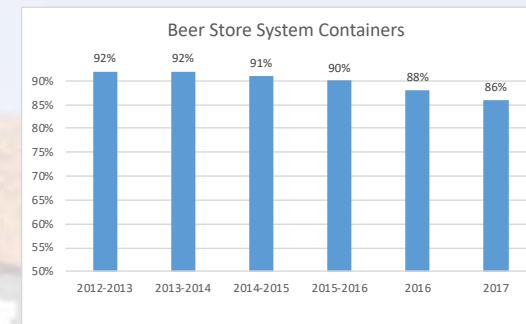
THE BEER STORE RESPONSIBLE STEWARDSHIP 2017

SUMMARY RESULTS



Summary Results	Beer Store Containers	Ontario Deposit Return Program (ODRP) Containers
Containers Collected	1,508,529,833	370,194,869
Tonnes Diverted from Disposal	245,721	113,018
Recovery Rate (%)	86.7%	80.2%
Glass Bottle Re-Use by Brewers (Tonnes)	163,581	
Coloured Glass Recycled Into New Products (Tonnes)	29,068	70,201
Clear Glass Recycled into New Clear Glass Bottles	15,434	40,031
Aluminum Cans Recycled into New Aluminum (Tonnes)	10,913	1,810
Corrugated Cardboard & Boxboard Recycled into New Paper Products (Tonnes)	25,429	
PET Products Recycled into Felted Automotive Products & Other Plastic Products (Tonnes)		976

TRENDING OF RETURN RATES



SALE LOCATIONS as of December 31st, 2017

#	TYPE OF LOCATION
450	Beer Store Locations (includes 5 Beer Store locations that do not accept empty returns)
229	On-site Brewery Stores (beer containers only)*
210	Beer Store Retail Partner Stores & LCBO Northern Agency Stores*
661	LCBO Stores*
262	Grocery Stores*
525	Ontario Winery Retail Stores*
33	Ontario Distillery Retail Stores*
17,512	Licensed Establishments (bars & restaurants)*
19,882	TOTAL BEVERAGE ALCOHOL SALES LOCATIONS

REDEMPTION LOCATIONS as of December 31st, 2017

#	TYPE OF LOCATION
445	Beer Store Locations
229	On-site Brewery Stores (beer containers only)*
210	Beer Store Retail Partner Stores & LCBO Northern Agency Stores*
3	LCBO Stores*
109	Beer Store Contracted Empty Bottle Dealers
996	TOTAL BEVERAGE ALCOHOL CONTAINER REDEMPTION LOCATIONS

*Figures from LCBO and AGCO

90 YEARS OF BEING GREEN

PACKAGING MANAGEMENT:



economic incentive for customers to return their empty containers, in addition to the environmental benefits of having containers and packaging either re-used or recycled.

In 2017, the Beer Store unveiled another way for customers to enjoy beer while making an environmentally friendly choice by introducing refillable growlers. Draught beer is now available for purchase in growlers in our Distillery District and Liberty Village Beer Store locations. The 1.89L glass jugs can be purchased for \$5.00 and be refilled again and again. The \$5.00 fee is then refunded once the consumer is finished with the container.

Ninety years ago, the landscape for the sale of alcohol in Ontario went through a major change as prohibition was repealed paving the way for Ontarians to once again wet their whistles with brewers' delicious offerings of beer. The Beer Store was formed by brewers working together who began running a deposit-return program that is still in place today. There are now 34 Ontario based brewers that own the Beer Store, including numerous small Ontario brewers. In addition, there are 190 brewers that sell their products through the Beer Store. To facilitate the return program, 10 cent deposits are applied to beer bottles 630ml and under and beer cans 1L and under, while 20 cent deposits are applied to beer bottles over 630ml and beer cans over 1L, all of which are refundable when brought back to the Beer Store. The program gives an



7

Brewers that sell their products in the Beer Store use only 100% recyclable containers and packaging, including many containers that are refillable. Refillable glass bottles are sanitized and refilled with beer an average of 15 times. By bringing their empty containers back to the Beer Store to join its streamlined return system, customers ensure they will immediately be separated into commodity streams to avoid comingling with other household products that could downgrade the material quality and/or end up being used for lower end recycling or being sent to landfill. Through the deposit-return program, the Beer Store optimizes resources as empty containers and packaging that are returned are being recycled into higher end use products such as new glass bottles and aluminum cans. Some of the recycled glass also goes into other household products like glass jars for food packaging, which can be recycled again, or used in fiberglass insulation.

The Beer Store's deposit return program is completely funded by the brewing industry as the brewers also take environmental stewardship seriously (for the Ontario Deposit Return Program details, please see the ODRP section of this report). Brewers are always looking for new and innovative packaging designs and factor environmental outcomes into those designs. In addition to taking back empty program containers, the Beer Store is proud to accept back any packaging items that products in the program are sold with including cardboard boxes, boxboard, bottle caps, tabs, and plastic wrapping. We encourage all consumers to bring back all of these packaging materials because the more that are returned, the less will end up in our landfills.



REFINING OUR FACILITIES AND EQUIPMENT

As the Beer Store turned 90 this year, we continued to make improvements, streamline processes and enhance equipment at our stores, offices, and in our logistical operations that benefit the environment. Here are some examples of our environmental initiatives in 2017:

- Refrigeration systems at 16 stores were replaced with more efficient units that are up to 70% more energy efficient
- Piloting 2 Hybrid Electric vans in our Draught Services operations
- Ran an initial test of 5 hydrogen cells in our distribution fleet (to improve efficiencies in fuel mileage and maintenance)
- Reduced the need for disposable cups at corporate office by distributing glass mugs for cold and hot beverages to all employees and providing them for visitors
- Paper paystubs and tax documents are no longer issued to employees in favour of electronic statements through ePost

Table 1 – The Beer Store Container Sales and Recovery by Container Type
January 1, 2017 - December 31, 2017

Container Type	Beer Store Sales (units)	LCBO Sales (units)*	Returns (units)	System Recovery Rate (2017)	System Recovery Rate (2016)
All Glass Bottles (Refillable and Non-Refillable)	747,023,149	116,475,207	812,091,959	94%	95.4%
Refillable Bottles (Industry Standard Bottle (ISB) and Non-Standard)	628,660,512	66,918,598	668,651,149	96.1%	96.8%
Non-Refillable Bottles	118,362,637	49,556,609	143,440,810	85.4%	89.0%
Metal Cans	567,084,200	307,651,487	695,165,925	79.5%	79.6%
Kegs	1,260,895	-	1,271,949	100.9%	102.1%
Total (by Units)	1,315,368,244	424,126,694	1,508,529,833	86.7%	88.1%

Table 2 – Secondary Packaging
January 1, 2017 - December 31, 2017

Packaging Type	Beer Store (Tonnes Sold*)	LCBO (Tonnes Sold*)	Total (Tonnes Sold)	Recovered (Tonnes) 2017	Recovered (Tonnes) 2016
Corrugated/Boxboard	17,140	3,559	20,699	25,429	22,096
Metal	1,618	347	1,965	225	252
Plastic	563	175	739	856	797
Total	19,322	4,081	23,403	26,511	23,145

Note: *Tonnes Sold* reported at both the Beer Store and the LCBO is the packaging associated with the sale of beer only. *Tonnes Recovered* reflects all packaging returned to the Beer Store, including non-beer packaging.

ONTARIO DEPOSIT RETURN PROGRAM RESULTS

Another anniversary reached in 2017 was the 10 year mark of the Ontario Deposit Return Program (ODRP). In its 10th year, we also celebrated the milestone return of the 3 billionth ODR container; an occasion marked with members of the Beer Store, LCBO, Ontario Ministry of Finance, and Ontario Ministry of the Environment and Climate Change in attendance at an event held at one of our Beer Store return locations. The anniversary and milestone are testaments of just how successful the program has been since its inception. As each successive 1 billion container return takes less time to achieve, it also speaks to the increased return rates within that program since its inception.

Since 2007, the Beer Store under contract with the Ontario government, has been accepting back and recycling empty alcohol program containers returned in the province. Wine, spirits, coolers, and beer containers sold in Ontario outside the Beer Store's program are all included in the ODRP which comprises containers made of glass, metal, plastic, Tetra Pak, and bag-in-box.

All empty containers greater than 100ml that are purchased at the LCBO, LCBO Agency stores, authorized grocery stores, wineries, distilleries, and brewery retail stores can be returned to the Beer Store where the applicable refundable deposit can be redeemed. The ODRP established 10 cent deposits for non-metal alcohol containers 630ml and under and metal cans 1L and under, while 20 cent deposits are applied to non-metal alcohol containers over 630ml and metal cans over 1L. Refundable deposits can provide financial motivation to consumers to return their empties to Beer Store locations. In addition to accepting back all ODRP containers, the Beer Store also accepts back all secondary packaging that is sold with those containers so it too can be recycled in the packaging stream of the Beer Store program.

The Government of Ontario had several goals when introducing the program:

ODRP GOALS	PERFORMANCE	
Ensure materials recycled are sent for higher order recycling	No material sent directly to landfill, incineration or for road aggregate use	✓
Ensure at least 90% of recovered glass is diverted to higher end use (such as new bottles or fiberglass manufacturing)	All glass recovered is sent for high end recycling	✓
Increase recovery rates for wine & spirits containers	Overall recovery rate in 2017 (80%) is well over the recovery rate for the first year of the program (63%) and the estimated rate when in Blue Box	✓
Increase glass diversion from landfill	In 2007/08 was just over 79,000 tonnes and in calendar 2017 was just over 110,000 tonnes	✓

Table 3 – ODRP Sales, Deposit Value by Container Type, and Market Share
January 1, 2017 – December 31, 2017

ODRP Containers*	Deposit Value	Sales (Units)	Sales Distribution**	Sales by Material Type***
Glass containers less than or equal to 630ml	\$0.10	67,853,050	14.7%	60.2%
Glass containers greater than 630ml	\$0.20	210,109,675	45.5%	
Aluminum or steel cans less than or equal to 1L***	\$0.10	145,109,972	31.4%	31.4%
Aluminum or steel cans greater than 1L***	\$0.20			
Tetra Pak (Polycoat) and Bag-In-Box less than or equal to 630ml	\$0.10	1,235,501	0.3%	2.6%
Tetra Pak (Polycoat) and Bag-In-Box greater than 630ml	\$0.20	10,665,483	2.3%	
Polyethylene Terephthalate (PET or plastic) containers less than or equal to 630ml	\$0.10	16,635,226	3.6%	57%
Polyethylene Terephthalate (PET or plastic) containers over 630ml	\$0.20	9,898,891	2.1%	
Total		461,507,798	100.0%	100.0%

* Containers larger than 100ml qualify for deposit return refunds under the program.
 ** Figures may not sum to 100% due to rounding.
 *** Sales data for large and small cans are combined

Table 4 – ODRP Containers: Sales & Recovery
January 1, 2017 - December 31, 2017

Container Type	Sales in Units		Returns in Units		Recovery Rate					
	Small Containers	Large Containers	Small Containers	Large Containers	Small Containers 2017	Small Containers (2016)	Large Containers 2017	Large Containers (2016)	Combined 2017	Combined (2016)
GLASS	67,853,050	210,109,675	54,572,850	182,610,308	80%	73%	87%	86%	85%	82%
PET	16,635,226	9,898,891	7,621,251	7,007,487	46%	44%	71%	71%	55%	53%
TETRA/BIB	1,235,501	10,665,483	92,758	2,969,085	8%	7%	28%	28%	26%	25%
SUBTOTAL	85,723,777	230,674,049	62,286,859	192,586,880	73%	66%	83%	83%	81%	78%
CANS	145,109,972		115,321,130						79%	79%
GRAND TOTAL	461,507,798		370,194,869						80.2%	78.0%

*These Figures include Estimated Winery and Distillery sales for December 2017
 **These Figures include Estimated Distillery sales for July to November 2017

Table 5 – Beer Store and ODRP Disposal Diversion Estimated Avoided GHG Emissions & Avoided Energy Consumption (2017) ¹
January 1, 2017 - December 31, 2017

	Glass Reuse	Clear Glass Bottle	Coloured Glass Bottle	Aluminum Recycling	Steel Recycling	PET Recycling	Mixed Plastic Recycling**	Total Diversion
Beer Store Tonnes Diverted	163,581	15,434	29,068	10,913	225	-	1,070	220,291
ODRP Tonnes Diverted	-	40,031	70,201	1,810	-	976	-	113,018
TOTAL Tonnes Diverted	163,581	55,465	99,269	12,723	225	976	1,070	333,309
Avoided GHG Emissions (MTCO₂E)	62,161	6,101	5,460	122,904	268	3,551	3,896	204,341
Avoided Energy Consumption (GJ)	1,112,350	93,182	108,203	1,111,477	2,841	83,225	91,317	2,602,596

* Figures in table may not add to the total due to rounding
 ** "Avoided GHG" and "Avoided Energy" coefficients for PET Recycling used for Mixed Plastic Figures

Source for avoided energy and emissions multipliers: Determination of the Impact of Waste Management activities on Greenhouse Gas Emissions: 2005 Update Final Report, ICF Consulting for Environment Canada & Natural Resources Canada, October 2005 and GHG Calculator for Waste Management, Update Oct 2009, ICF Consulting for Environment Canada. Multipliers for avoided GHG Emissions (eCO₂/tonne) used were 0.38 for glass reuse and 9.66 for aluminum recycling. Avoided GHGs from glass bottle reuse (0.38) is not presented in the Determination of the Impact of Waste Management activities on Greenhouse Gas Emissions: 2005 Update Final Report. This multiplier was provided in the previous version of the report from 2004.
 [1] Pollutant reductions associated with recycled versus virgin aluminum production and glass production from Weitz, Keith A. et al. 2003. Life-Cycle Inventory Data Sets for Materials Production of Aluminum, Glass, Paper, Plastic and Steel in North America. Report prepared by RTI International for the U.S. EPA, Office of Research and Development. EPA-600/Q-03-001. Research Triangle Park, NC.

THE BEER STORE PROMOTIONAL AND EDUCATIONAL ACTIVITIES

IN-STORE ADVERTISING

BE GREEN Earth Day Campaign

April 2017

For the month of April, all stores received and displayed the "Be Green" poster to promote the benefits of returning empties. All staff also received a "Be Green" t-shirt to wear leading up to Earth Day to support the campaign.



COMMUNITY INVOLVEMENT

The Beer Store is proud to support several charitable organizations and environmental events across the province in the communities in which we operate. Some of these organizations and events include:



Returns for Leukemia Bottle Drive

The Returns for Leukemia Bottle Drive is an annual fundraiser organized by the United Food & Commercial Workers Local 12R24 along with the Beer Store to raise funds for The Leukemia & Lymphoma Society of Canada. It is held at every Beer Store location across Ontario and is also supported by the bars and restaurants we service. 2017 was a very successful year for the bottle drive, as together we raised \$1,804,912.24..

Rogers House Bottle Drive

In 2017, the annual Roger Neilson House bottle drive was held on September 9th and 10th. Once again, both the Ottawa and Peterborough Districts were the driving force behind this amazing event which supports the families of sick children. On October 26th, 2017, The Beer Store presented a cheque for \$84,859.54, which made it our most successful year to date!



The Bottle Shed

The Bottle Shed Foundation is a not-for-profit organization that aids local charities. Their main source of funding is provided by empty alcohol container donations. The Beer Store facilitates the returns of empty containers collected by The Bottle Shed Foundation by partnering with them to have the containers returned directly to one of our distribution centres. The Bottle Shed Foundation provides meaningful volunteer work for people with disabilities.



Missing Children Society of Canada

The Missing Children Society of Canada collects empty containers from condominiums whose residents donate empty alcohol containers in order to fund investigations, emergency response, and family support programs related to missing children. The Beer store facilitates the return of the empty containers they have collected.

Donate your empties, bring a child home

Every 12 minutes in Canada, a child goes missing.

Missing Children Society of Canada would like to thank all the tenants for their continued participation and support in our Bottle Program.

In 2016, you helped to collect over 66,923 bottles and cans. That is a total of 38,649 pounds of recyclables that did not enter landfills.

All the bottle donations continue to help fund our investigations, emergency response and family support program.

Together, we are turning hope into home for every missing or abducted child in Ontario.

Thank you.



Habitat for Humanity

On September 9th, 2017, a number of our stores participated in a bottle drive for Habitat for Humanity. It was a great success with a total of \$54,328.75 collected for the cause.



SPONSORSHIPS

Commerce & Engineering Environmental Conference (CEEC)

The Beer Store contributes sponsorship funds to the Commerce & Engineering Environmental Conference (CEEC) at Queen's University in Kingston, Ontario. The conference hosts delegates from 12 Ontario universities and is aimed at undergraduate students in business, engineering, arts, and sciences to expose them to the green industry and explore business opportunities and technology that will lead to renewable energy and other green innovations. The three-day event usually includes a negotiation competition as well as a case study exercise, all of which centre around sustainability.



Recycling Council of Ontario

The Recycling Council of Ontario (RCO) believes in minimizing the impact on our environment by eliminating waste. They aim to inform and educate all members of society about the generation and avoidance of waste, more efficient uses of resources and the benefits and/or consequences of these activities. The Beer Store sponsors the RCO's efforts on an annual basis and contributed to and participated in their Waste Reduction Week activities.



Conference on Canadian Stewardship

The Beer Store sponsored the 2017 Conference on Canadian Stewardship in Montreal held September 27-29. The conference brings together leading stewardship organizations and trade associations from within Canada and further afield to share best practices and highlight environmental trends on on-going stewardship issues, new approaches and concerns around sustainability and recycling, as well as measurement techniques to track our progress in these areas.



Zero Waste Ontario Conference

The Zero Waste Ontario conference pursues educating and activating participants to create a society with zero waste and a circular economy. Members of the Beer Store's Stewardship team attended the conference on June 15 & 16 where our president Ted Moroz participated on a panel to share the Beer Store's efforts that create and maintain a circular economy for beer containers and packaging.



EDUCATIONAL ACTIVITIES

Partners in Project Green

The Beer Store participated in the People Power Challenge in 2017 – a program developed by the Greater Toronto Airports Authority and Toronto and Region Conservation with the goal of creating the biggest eco-business zone in the world. This sustainability initiative involves a friendly competition between leading organizations. Participants were encouraged to share green ideas and pledge to take environmental action through an on-line App, with efforts evaluated based on outcomes as well as employee engagement at member sites. The Beer Store competed against 16 other organizations to show that we are not only a true sustainability leader but we were green before green was cool! Some of the activities we participated in include:

- Corporate Office worked with the Toronto Zoo to collect cell phones for recycling through the Phone Apes program. Recycling cell phones can reduce the demand for coltan, a mineral used in the making of cell phones which is mined in Central Africa and is affecting gorilla and other species habitat.
- The Beer Store Employees attended an Annual Tree Planting event hosted by Credit Valley Conservation and Toronto and Region Conservation. Employees, family and friends were invited to lend a hand to restore the Humber watershed on May 13th.
- Corporate Office employees collected pop can tabs for The Robert Hampson Tabs for Kids Fund. The pop can tabs enable the charity to purchase wheelchairs and other adaptive equipment for children who need it.
- The Beer Store's Stewardship team conducted a lunch and learn session at the GTAA's office outlining how the recycling program works and shared ideas on stewardship. The team also took a tour of the GTAA's Toronto Pearson International Airport storm water management system.

Ontario Craft Brewers Conference

President Ted Moroz spoke at the conference about doing business with the Beer Store and how environmental stewardship plays an integral role in our retail and distribution chains.

Human Resources Student Association's Organizational Behaviour Case Competition

The competition is a gathering of aspiring HR and OB professionals across Canada and held at Ryerson University. President Ted Moroz was the keynote speaker at the event where he talked about the Beer Store's operations including the environmental stewardship program.

Rotary Club of Wellington

Corporate office employees presented a seminar at the Rotary Club describing the Beer Store's recycling program and educating members on the deposit-return system and the resulting positive outcomes for recycling streams.

Open Doors Sessions

Open Door Sessions are held at the Beer Store's DCs for Licensee customers (bars and restaurants that we service). They are provided with information about operating with TBS including how the stewardship program works and the opportunity to view the recycling streams firsthand. In 2017, 9 sessions were held provincewide with positive feedback from participants and generated so much interest that we will be hosting similar events in the future.

SUMMARY OF JOINT TBS & ODRP PROMOTIONAL & EDUCATIONAL ACTIVITIES

3 Billion Brought Back

In the Spring of 2017, the 3 billionth Bag-it-Back container also known as the Ontario Deposit Return Program was celebrated at Store 2452 (Roehampton) in Toronto.



BEER STORE SOCIAL MEDIA

#Earthday2017

#WasteReductionWeek

#BagItBack

The Beer Store's was very active on social media in 2017 promoting various recycling initiatives including Earth Day and Waste Reduction Week. The annual #BagItBack campaign was launched in unison with the Ministry of the Environment, Ministry of Finance and LCBO. Each party contributed and shared content to promote the Ontario Deposit Return Program. The goal was to raise awareness and ultimately increase the ODRP return rate.



LCBO ODRP PROMOTIONAL & EDUCATIONAL ACTIVITIES

RECYCLING ACROSS ONTARIO

LCBO sales of wine, beer and spirits result in sales of over 400 million containers every year. LCBO's funding of the Ontario Deposit Return Program (ODRP) helps ensure that the returns of program containers are kept away from landfill and recycled.

The LCBO's comprehensive waste management program reflects a commitment to helping every community across the province reduce waste and ensure class-leading recycling.



March 26, 2018

Ms. Jennifer Barbazza
 Advisor, Stewardship Operations
 Brewers Retail Inc.
 5900 Explorer Drive
 Mississauga ON L4W 5L2

Dear Ms. Barbazza;

As specifically requested by Brewers Retail Inc. (Brewers), we have performed the following procedures on certain information in the report titled Celebrating 90 years of Stewardship in Ontario: The Beer Store Responsible Stewardship 2017 (the Report). The procedures were performed solely to assist the Beer Store in the preparation of the Report to meet the reporting requirements of the Beer Store under Section 69(3) of *The Waste Diversion Transition Act 2016, S.O. 2016, c.12* (the Act) for the period from January 1, 2017 to December 31, 2017.

A. Information in the Report in Table 1: the Beer Store Container Sales and Recovery by Container Type (Table 1)

The procedures below were completed with respect to the recovery rates for the following container types: All Glass Bottles (Refillable & Non-Refillable), Refillable Bottles (Industry Standard Bottle (ISB) and Non-Standard), Non-Refillable Bottles, Metal Cans, and Kegs (the Container Types). For each Container Type, the amount in Table 1 were compared to the tables contained in the 2017 Calendar Year Audit of Beverage Container Recovery Methodology and Results – Part A report (the MRR) prepared by Brewers and not included in the Report.

1. We compared the units for Beer Store sales, Liquor Control Board of Ontario (LCBO) sales and Returns by Container Type (except All Glass Bottles (Refillable & Non-Refillable)) in Table 1 to the detailed working tables A.2.1 Standard and Non-Standard Refillable Bottles, A.3.1 Non-Refillable Bottles, A.4.1 Metal Cans (aluminium & steel), and A.5.1 Kegs of the MRR and found the units to be in agreement.
2. We re-computed the units for the Beer Store sales, LCBO sales and Returns for All Glass Bottles (Refillable & Non-Refillable) in Table 1 by totalling the units in the detailed working tables A.2.1 Standard and Non-Standard Refillable Bottles, and A.3.1 Non-Refillable Bottles of the MRR and found the units to be arithmetically correct.
3. We re-computed the System Recovery Rate (2017) for each Container Type 1 in Table 1 by dividing the Return units in Table 1 by the sum of the Beer Store sales plus LCBO sales for each Container Type and found the percentages to be arithmetically correct.

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*PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Ms. Jennifer Barbazza
 Brewers Retail Inc.
 March 26, 2018

B. Information in the supporting summary tables

The following procedures were completed with respect to the supporting summary tables contained in Appendix A – Sales by Package Calendar 2017 (Appendix A), Appendix B – LCBO Sales of TBS Products Calendar 2017 (Appendix B), Can Settlement Calendar 2017 (Can Settlement), C17 Package Sales and Volume by Type of Sale schedule (the C17 Schedule by Type), and related supporting tables prepared by the Beer Store, which serve as the source data to the MRR and Table 1 contained in the Report. These supporting summary tables are not contained in the Report.

1. We compared the Beer Store sales, LCBO sales and Returns units in tables A.2.1 Standard and Non-Standard Refillable Bottles, A.3.1 Non-Refillable Bottles, and A.5.1 Kegs of the MRR to Appendix A and found the units to be in agreement.
2. We compared the Beer Store sales, LCBO sales and Returns units in the detailed working table A.4.1: Metal Cans of the MRR to the Can Settlement and found the units to be in agreement.

C. The Beer Store sales units

1. We computed the total sales units for each Container Type (excluding Metal Cans) in Appendix A as the sum of the sales units for the respective size names within each Container Type and found the units to be in arithmetically correct. We re-computed the total sales units (except Metal Cans) in Appendix A of the respective size names by multiplying the number of packages of each size name sold by the number of units in the package and found the units to be arithmetically correct. We compared the sales for the respective size names (except Metal Cans) in Appendix A to the C17 Schedule by Type and found the units to be in agreement.
2. We compared the total Beer Store sales units in hectolitres from the C17 Schedule by Type to Appendix A prepared by Brewers and found the units to be in agreement.
3. We re-computed the total sales units for Metal Cans in the Can Settlement as the sum of the sales units and found the units to be arithmetically correct. We re-computed the total sales units of Metal Cans in the Can Settlement by multiplying the number of packages of each size name sold by the number of units in the package and found the units to be arithmetically correct.
4. We compared the sales for Metal Cans in the Can Settlement to the Report and found the units to be in agreement.

D. LCBO sales units

1. We compared the LCBO sales units in Appendix A (excluding Metal Cans) to Appendix B that sets out the calculation of Beer Store sales (net of the Beer Store sales direct to the LCBO) and LCBO sales and found the units to be in agreement.



Ms. Jennifer Barbazza
Brewers Retail Inc.
March 26, 2018

2. We re-computed the total sales units for each Container Type on the respective Appendix B as the sum of the sales for the respective size names in hectolitres divided by the size of the respective containers within each container type and found the units to be arithmetically correct. We compared the sales for the respective size names in Appendix B to schedules of LCBO sales volume for import and domestic sales by size and name (the LCBO Sales Schedules) and found the units to be in agreement.

E. Return units

1. We re-computed the total number of units returned by container type (excluding Metal Cans) included in Appendix A, by multiplying the number of packages returned by the number of units in the package, and adding an additional three-day data extract prepared by the Beer Store multiplied by the return rate and found the units to be arithmetically correct. We re-computed the total returns by Container Type (excluding Metal Cans) by adding the number of units by individual size names and found the units to be arithmetically correct.
2. We compared the total number of packages returned by Container Type (excluding Metal Cans) to the total number of package returned on the MT Returns 17 schedule prepared by the Beer Store and found the units to be in agreement.

These procedures do not constitute an audit of the Report, Table 1, the MRR or any of the supporting summary tables and schedules, and therefore, we express no opinion on the Report, Table 1, the MRR or any of the supporting summary tables and schedules. Had we performed additional procedures or had we made an examination of the Report, Table 1, the MRR or any of the supporting summary tables and schedules, other matters might have come to our attention that would have been reported to you.

This report is intended solely in connection with the Report provided by the Beer Store to the Resource Productivity And Recovery Authority. Consequently, the letter should not be used by other parties. Any use that a third party makes of this letter, or any reliance or decisions made based on it, are the responsibility of such third party. We accept no responsibility for any loss or damages suffered by any third party as a result of decisions made or actions taken based on this report.

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