



Resource Recovery in Ontario in 2019



Blue Box Program

780,555
tonnes managed

Operated by Stewardship Ontario. Figures are for 2018, the most recent data available.



Waste Electrical and Electronic Equipment Program

48,124
tonnes collected

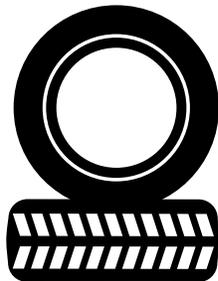
Operated by Ontario Electronic Stewardship.



Municipal Hazardous or Special Waste Program

30,701
tonnes collected

Operated by Stewardship Ontario and industry stewardship organizations.



Tires Regulation

152,000
tonnes collected

Tires are designated under the RRCEA and are regulated by the Authority. 2019 performance figure is unaudited. Audited figures will be available in 2020.

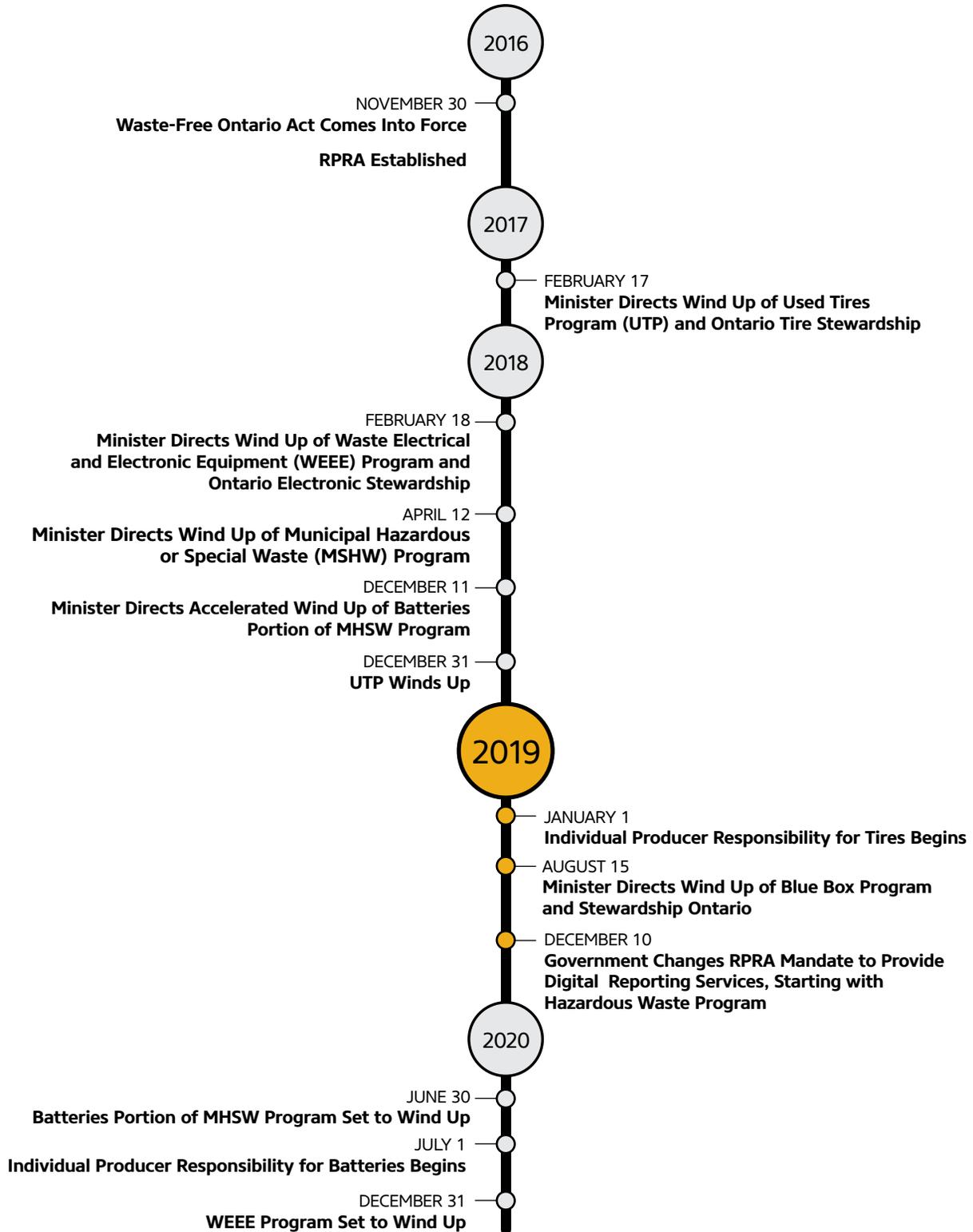


The Beer Store

311,446
tonnes managed

201,822 The Beer Store Program
109,624 Ontario Deposit Return Program
The Beer Store is not overseen by the Authority. Figures reported by The Beer Store have not been verified by the Authority

Towards a Waste-Free Tomorrow



Key Acronyms

C4C	Communicating for Compliance	ODRP	Ontario Deposit Return Program
CRO	Compliance and Registry Officer	OES	Ontario Electronic Stewardship
CSSA	Canadian Stewardship Services Alliance	OTS	Ontario Tire Stewardship
EHF	Environmental Handling Fee (for electronics)	PRO	Producer Responsibility Organization
EPRA	Electronic Products Recycling Association	RPRA	Resource Productivity & Recovery Authority
HWP	Hazardous Waste Program	RRCEA	<i>Resource Recovery and Circular Economy Act, 2016</i>
IFO	Industry Funding Organization	UTP	Used Tires Program
IPR	Individual Producer Responsibility	WDTA	<i>Waste Diversion Transition Act, 2016</i>
ISO	Industry Stewardship Organization	WEEE	Waste Electrical and Electronic Equipment Program
ISP	Industry Stewardship Plan		
MHSW	Municipal Hazardous or Special Waste		

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Accelerating Ontario's Circular Economy

Ontario's transition to a circular economy gained momentum in 2019 with the Authority's approval of wind-up plans for the Waste Electrical and Electronic Equipment (WEEE) Program and the Municipal Hazardous or Special Waste (MHSW) Program, the Minister's direction to wind up the Blue Box Program between 2023 and 2025, and the first year of tire collection and management under Ontario's individual producer responsibility (IPR) regulatory framework.

Approving a wind-up plan initiates the process of terminating an existing waste diversion program and the industry funding organization that delivers it so that individual producers can assume responsibility for collecting and managing the materials under the *Resource Recovery and Circular Economy Act, 2016* (RRCEA). The IPR regulatory framework outlined in the RRCEA requires producers to take operational and financial responsibility and accountability for the products and packaging they sell into Ontario's market when consumers dispose of them.

2019 also saw the Ontario government change the Authority's mandate to deliver digital reporting services for other waste and resource recovery programs. The Hazardous Waste Program for industrial hazardous waste was proposed as the first program with digital reporting services provided by the Authority.

Since the Authority was established in November 2016, it has fulfilled its legislated mandate to establish a Registry, oversee the wind up of existing waste diversion programs under the *Waste Diversion Transition Act, 2016*, and enforce requirements for materials regulated under the RRCEA, beginning with used tires managed under the Tires Regulation starting January 1, 2019.

Compliance with the requirements of the Tires Regulation was high and registrant engagement with the Authority's Compliance and Registry Team was largely collaborative. A competitive market for compliance services emerged with multiple producer responsibility organizations established, and there were early indications of innovation in the tire processing market with new technologies being deployed.

The Authority's accomplishments have been achieved

by a cohesive Board, executive management team and staff working collaboratively with each other and with industry, municipalities, First Nations, the Ontario government, and other stakeholders. As Chair of the Authority's Board, I want to particularly acknowledge the work of the Board and the commitment and dedication of its directors during the second year of operating as a full, eleven-member Board.

The Board experienced its first turnover with the departure of two directors – Nidhi Tandon and Joyce Barretto – in November 2019. Both directors were appointed by the Minister to the Authority's Initial Board and served with distinction. I am deeply indebted to both of them for their contributions to the Authority's accomplishments over its first three years and for their collegiality and friendship.

In 2020, the Authority will be focused on delivering on the Minister's current direction: overseeing the wind up of the Batteries portion of the MHSW Program on June 30, 2020 and the WEEE Program on December 31, 2020; considering the wind-up plan for the Blue Box Program before December 2020; and, developing the Batteries and Electronics Registries and the new digital platform for the Hazardous Waste Program. At the same time, we know that 2020 will be a difficult year for many of the businesses we regulate as they navigate their corporate and financial challenges brought on by the COVID-19 pandemic. We will be actively looking for ways to balance our obligations to deliver our legislated mandate with the need to support those registrants deeply impacted by the pandemic.

Despite the many uncertainties in the year ahead, I am confident that our resilience as a society and economy will allow us to continue collaborating on the necessary work towards advancing Ontario's circular economy and building momentum towards Ontario's aspirational goal of a waste-free future.



GLENDA GIES

Chair

Spurring Innovation and Competition through Individual Producer Responsibility

Ontario enacted the *Waste-Free Ontario Act, 2016* four years ago, with the goal of accelerating progress toward a circular economy in Ontario.

Since transition of the tires sector to individual producer responsibility (IPR) on January 1, 2019, we have seen the effective management of used tires, as well as the introduction of innovative tire processing technologies as companies invest to compete in the new market. Following producer performance reporting for the 2019 operating year in 2020, we will report on the quantity of used tires recycled or reused in Ontario, which will assist in the assessment of IPR's effectiveness in advancing Ontario's circular economy. These early indications in the used tires market bode well for the three remaining legacy waste diversion programs that are set to transition in the coming years.

A smooth transition process is critical to ensuring continuity in the management of materials during the transition to IPR and for establishing the conditions for competitive markets under the new regulatory framework. Much of the Authority's operational focus with respect to transition in 2019 was in working with Stewardship Ontario and Ontario Electronic Stewardship to ensure their wind-up plans for the Municipal Hazardous or Special Waste (MHSW) Program and the Waste Electrical and Electronic Equipment (WEEE) Program were compliant with legislated requirements and consistent with the Minister's directions and the Authority's wind-up guide.

One of the key learnings from our experience winding up the Used Tires Program and transitioning tires to the IPR regulatory framework was the importance of engaging and communicating with stakeholders. We continued to apply those learnings during the transition processes for MHSW and WEEE through our consultations and broad focus on communications to support stakeholders in their efforts to understand and comply with regulatory requirements.

We also engaged stakeholders through two advisory groups: the Industry Advisory Group that was set up in 2018 to provide a forum for producer associations to engage with the Authority; and the Service Provider

Advisory Group established in 2019 to give stakeholders in the waste management sector a similar forum to engage with the Authority. These working groups have provided valuable insight into the issues and concerns of our stakeholders and provided an additional channel for feedback on our initiatives.

As an administrative authority, we are mandated by the Government of Ontario to enforce legislated requirements. In exercising this mandate, we have sought to deliver environmental outcomes, while minimizing regulatory burden and costs on our registrants. As our financial statements show, we continue to operate cost-effectively and maintain tight controls on expenses, even as the Authority's budget increases in order to fulfill its expanding mandate. In 2019, our total expenses were \$7.5M, 11% lower than the \$8.45M projected in the 2019 Business Plan. This was achieved through our ongoing effort to identify efficiencies and savings and by maintaining a disciplined focus on our core mandate.

This year, we engaged a third party to undertake a formal survey to better understand our stakeholders in order to enhance our service delivery. We received both complimentary and constructive feedback, all of which will inform our efforts to fulfill our regulatory mandate. This feedback is essential in holding ourselves accountable and enhancing our operations and we encourage our stakeholders to share their experiences and opinions with us at any time.

2020 has brought many challenges for the businesses we regulate. We recognize the enormity of the impacts of the pandemic on our stakeholders and will continue operating in a way that respects both the financial constraints of the sectors we regulate and our legislated mandate.



FRANK DENTON
Chief Executive Officer

Year One of Individual Producer Responsibility for Tires

In the first performance year under the Tires Regulation, Ontario is on track to recover resources from the equivalent of about 14 million used car tires. We have a robust used tire management system with five PROs, 20 processors, 14 retreaders, 173 haulers and 7,090 collectors who contribute to the Ontario economy, creating and maintaining jobs and providing services to 454 tire producers. And of equal importance, used tires are not discarded or stockpiled, they are retreaded for reuse or processed to recover resources for use in new products.

I give credit for this achievement to the commitment of our tire producers to meet their resource recovery obligations; the PROs, processors, haulers and collectors who delivered the services necessary for producers to meet their obligations; and the Authority's Compliance and Registry Officers and Communications Team for the effective support they provided registrants to comply with the new regulatory requirements.

Because of this, we achieved virtually full compliance without resorting to compliance orders or prosecutions. The numbers behind our interactions with Tires registrants tell the true story of how compliance was achieved. In 2019, we exchanged over 6,000 emails with Tire registrants, most with questions and answers about the Tires Regulation; we received almost 3,000 phone calls from stakeholders with compliance-related questions; and we made more than 2,000 proactive calls to provide registrants support. In total, we recorded more than 12,000 unique interactions with Tires registrants focused on the new regulatory framework and how to comply. These interactions speak to our emphasis on communication to achieve compliance.

In 2019 we continued to invest in what we call Communicating for Compliance (C4C) to provide our stakeholders support in following the regulatory requirements. This strategy uses communications, including email, phone calls, consultations, and presentations, to help our registrants be compliant. This approach is preferred by registrants and by the Compliance and Registry Team because it builds goodwill, costs less than enforcement activities, and generates results.

As part of our C4C strategy, we issued eight compliance bulletins to assist registrants in understanding the Tires Regulation. We also held a series of consultations to develop weight conversion factors and audit procedures for tire supply

and performance reporting. We convened information sessions, both online and in-person, to help tire haulers and municipalities adapt their operations to the new competitive market. We partnered with the Ontario Motor Vehicle Industry Council to engage the province's auto dealers and the Ontario Tire Dealers Association to reach tire retailers about the new requirements for used tires. We established regular meetings with the PROs to work through common issues. And, we launched the Circular Economy Learning Series to explain our approach to enforcing the new requirements.

We also initiated a number of other enforcement campaigns to maintain a level playing field. In 2019, the Authority's inspectors reviewed each of the 454 producer accounts and identified 118 instances of underreporting and 70 instances of overreporting of supply data. We also identified 37 free riders - producers who were required to register and report but had failed to do so - who are now in compliance. These outcomes reinforce the importance of robust enforcement to support our C4C strategy to ensure fair competition.

As we transition to individual producer responsibility (IPR) for batteries on July 1, 2020, followed by electronics on January 1, 2021 and other hazardous or special materials on July 1, 2021, as directed by the Minister of the Environment, Conservation and Parks, we intend to pursue a similar strategy of supporting regulated parties to be compliant, while pursuing an effective enforcement strategy.

As Ontario businesses seek to recover from the devastating effects of COVID-19, I intend to take a flexible approach to give businesses leeway in complying with the regulatory requirements. Our enforcement activities will continue to focus on identifying free riders to maintain a level-playing field for the businesses that are meeting their regulatory obligations. If our experience with tires under IPR is any indication, I am confident that the transition of batteries, electronics and other hazardous or special materials will be similarly smooth with high levels of compliance.



PATRICK MORAN
Registrar

About The Authority

Mandate

The Resource Productivity and Recovery Authority (RPRA) was established by the Government of Ontario in November 2016 as the regulator responsible for enforcing the requirements of the [Waste Diversion Transition Act, 2016 \(WDTA\)](#) and the [Resource Recovery and Circular Economy Act, 2016 \(RRCEA\)](#) and their associated regulations.

Under the WDTA, the Authority is responsible for overseeing the ongoing operations of the waste diversion programs continued under the WDTA and the industry funding organizations (IFOs) and industry stewardship organizations (ISOs) responsible for operating them. The Authority is also responsible for overseeing the eventual wind up of the IFOs and their programs. Under the WDTA, the Authority is responsible for:

- Overseeing IFOs and monitoring the waste diversion programs they operate. This includes Stewardship Ontario (SO), which operates the Blue Box and Municipal Hazardous or Special Waste (MHSW) Programs and Ontario Electronic Stewardship (OES), which operates the Waste Electrical and Electronic Equipment (WEEE) Program. Ontario Tire Stewardship continues to be overseen by the Authority as it winds up as an IFO after winding up the Used Tires Program on December 31, 2018.
- Approving wind-up plans and overseeing the wind up of IFOs and the programs they operate as directed by the Minister of the Environment, Conservation and Parks.
- Overseeing ISOs and monitoring the waste diversion programs they operate. This includes Product Care Association (PCA) for paints and coatings, pesticides, solvents and fertilizers; SodaStream Canada for its proprietary CO₂ cylinders; and Automotive Materials Stewardship (AMS) for used oil containers, oil filters and antifreeze.
- Operating the annual municipal Datacall to compile information to determine the municipal Blue Box system cost and set the Blue Box Steward Obligation.
- Developing and operating a Registry to house data transferred from IFOs following wind up.

Under the WDTA, the Registrar is responsible for:

- Undertaking compliance actions including conducting inspections, issuing monetary penalties and undertaking prosecutions to enforce the requirements of the WDTA and its associated regulations.

The RRCEA outlines the individual producer responsibility (IPR) regulatory framework for the collection and management of designated materials. IPR requires producers to be operationally and financially responsible and accountable for the products and packaging they sell into Ontario's market when consumers are finished using them. Under the RRCEA, the Authority is responsible for:

- Providing information to the public about resource recovery or waste in Ontario.
- Providing information to the Minister of the Environment, Conservation and Parks to support Ministry decision-making.

Under the RRCEA, the Registrar is responsible for:

- Establishing, operating and maintaining a public Registry to register producers of designated materials and other parties obligated by regulation and receive information from these parties as required by regulation.
- Undertaking compliance actions including conducting inspections, issuing compliance orders, levying monetary penalties and undertaking prosecutions to enforce the requirements of the RRCEA and its associated regulations.

Under the WDTA and RRCEA, the Minister of the Environment, Conservation and Parks has legislative oversight of the Authority. An [Operating Agreement](#) between the Minister and the Authority details the roles and responsibilities of the two parties.

Like most administrative authorities, the Authority finances its operations through fees and charges to its regulated parties on a cost-recovery basis and receives no funding from the Government of Ontario.

The Authority's vision is: A circular economy today for a waste-free tomorrow. And, its mission is: Enforce producer responsibility and advocate for the circular economy to spur innovation and protect the environment.

Governance and Executive Management

The Authority is governed by an eleven member, skills-based Board of Directors. The Board is responsible for the Authority’s overall strategic direction and mandate. The Board is accountable to the Minister for the Authority’s delivery of its mandate and responsibilities under the WDTA, RRCEA and operating agreement. Minutes of

board meetings are posted to the Authority’s website as part of its commitment to transparency.

The Minister appoints five members to the Board of Directors and the Board elects an additional six members. The Board elects its officers in the positions of Chair, Vice-Chair, Secretary and Treasurer.

The following table lists the Authority’s Board members in 2019:

Board of Directors

Glenda Gies	Chair	Re-appointed February 2018
Tom Wright	Vice-Chair	Re-appointed November 2017
Ken Kwall	Treasurer	Elected July 2017
Mary Shenstone	Secretary	Elected November 2017
Joyce Barretto	Secretary	Appointment term ended November 2019
David Brezer	Director	Re-appointed November 2017
Saqib Cheema	Director	Re-elected November 2018
Andrea Nemtin	Director	Re-elected November 2019
Robert Poirier	Director	Re-elected November 2018
Rajesh Sharma	Director	Re-elected November 2019
Nidhi Tandon	Director	Appointment term ended November 2019

Board members are remunerated for the performance of their duties at rates aligned with per diems set out in the Ontario Public Service Agencies & Appointments Directive for part-time appointees to

regulatory agencies. One Board member appointed by the Minister is employed by the Ontario Public Service and is not entitled to remuneration. The per diem rates for other members in 2019 are as follows:

- Chair** – \$744
- Vice-Chair** – \$583
- Director** – \$472

Total Board remuneration in 2019 was \$298,903.

Board decision-making is supported by the following committees:

Committees

Audit and Risk	Oversees the Authority’s standards of integrity and behaviour, reporting of financial information, risk management and management control practices.
Finance and Technology	Oversees the Authority’s financial and technological assets and preparation of the annual business plan, operating and capital budgets, and general financial resources management. Responsible for ensuring management has appropriate and effective policies and procedures for financial reporting and for monitoring and reviewing financial performance and internal controls. Oversees procurement and implementation of the Authority’s Registry and other I&IT capital projects.
Governance	Oversees corporate governance processes, Board’s policies and protocols, the Authority’s Code of Conduct and conflict of interest, and Board evaluation. Responsible for oversight of the Authority’s compliance with the RRCEA, WDTA and operating agreement, including the protocol for the delivery of the compliance and enforcement function within the context of the Registrar’s independent decision-making responsibility.
Human Resources	Oversees the Authority’s human resources management and ensures the adequacy and effectiveness of human resources policies and procedures.
WDTA Oversight and Transition	Oversees the Authority’s activities relating to waste diversion programs under the WDTA, including program performance, transition and wind up.

The Authority is managed by an executive team that brings skills and experience 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.

The Board appoints the CEO and the Registrar. The CEO appoints other members of the Executive Management Team.

Executive Management Team

Frank Denton	Chief Executive Officer
Patrick Moran	Registrar
Noah Gitterman	Director of Legal Services
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

04 About The Authority

The Authority has six officers comprised of Board members and executives:

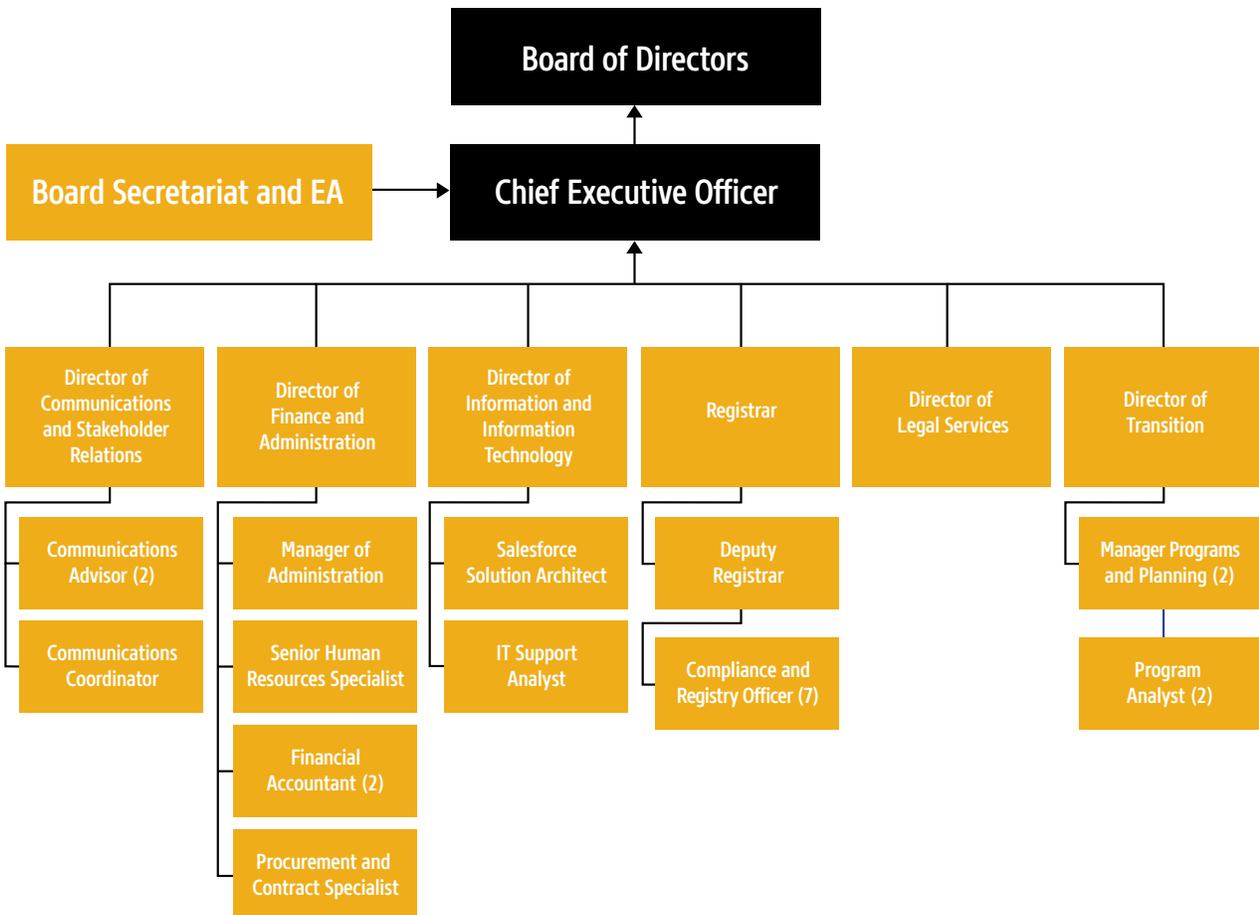
Glenda Gies	Chair
Tom Wright	Vice-Chair
Ken Kawall	Treasurer
Mary Shenstone	Corporate Secretary
Frank Denton	CEO
Patrick Moran	Registrar

Additional information about the [Board of Directors](#) and [Executive Management Team](#), including biographies and contact information, is available on the Authority's website.

Members of the Board and employees of the Authority are subject to the [Code of Conduct](#) and other governance policies, which are available on the Authority's website.

Human Resources

The Authority's organizational structure in 2019 is set out in the chart below:



The Year In Review

2019 was the year in which tires, the first material designated to transition to individual producer responsibility (IPR), was regulated under the *Resource Recovery and Circular Economy Act, 2016* (RRCEA). During the year, progress was also made towards winding up the remaining three waste diversion programs continued under the *Waste Diversion Transition Act, 2016* (WDTA) and transitioning them to the IPR framework under the RRCEA.

After the Used Tires Program ended on December 31, 2018, the Authority has continued to oversee Ontario Tire Stewardship (OTS), the industry funding organization (IFO) that had previously operated the program, as it undertook wind-up activities throughout 2019. This included monitoring OTS's implementation of the wind-up plan approved by the Authority and selection of a liquidator. In March 2020, the liquidator was appointed and will take over responsibility for implementing the remaining provisions of the wind-up plan, including amending the plan to address the Minister's direction on the distribution of remaining funds and dissolving OTS as a corporate entity.

Ontario Electronic Stewardship (OES), the IFO responsible for operating the Waste Electrical and Electronic Equipment (WEEE) Program, submitted its proposed wind-up plan to the Authority in December 2018 as directed by the Minister of the Environment, Conservation and Parks. In early 2019, the Authority consulted on the plan with stewards, municipalities, service providers and other affected stakeholders. As a result of stakeholder feedback, the Minister extended the wind up of the WEEE Program to December 31, 2020 and directed OES to eliminate fees charged for the collection and recycling of WEEE for the duration of the program to reduce surplus funds to benefit Ontario consumers. The Authority approved OES's revised plan in August and began overseeing implementation of the plan.

In 2019, the Authority also consulted stakeholders on Stewardship Ontario's proposed wind-up plan for the Municipal Hazardous or Special Waste (MHSW) Program, submitted to the Authority in June 2019. In July, the Minister extended the wind up of the program to June 30, 2021 from December 31, 2020 for all materials except single-use batteries, for which the wind-up date remained June 30, 2020. The Authority approved the plan in December 2019.

In August 2019, the Minister directed Stewardship

Ontario to wind up the Blue Box Program, the last of the waste diversion programs continued under the WDTA to be directed to wind up, over a three-year period from January 2023 to December 2025. As a first step in developing its wind-up plan, Stewardship Ontario worked with the Authority to create and implement a plan to ensure that any real, potential or apparent conflict of interest concerns were addressed prior to and during the wind-up process. The Authority will continue to support Stewardship Ontario in 2020 in developing and consulting on its proposed Blue Box Program Wind-Up Plan, which is due to the Authority in August 2020.

In 2019, the Authority also responded to a dispute initiated by Stewardship Ontario with respect to the annual steward obligation that is determined by the Authority under the Blue Box Program Plan. Separately, the Association of Municipalities of Ontario (AMO) and the City of Toronto also initiated a dispute on the steward obligation. Stewardship Ontario's dispute is being arbitrated pursuant to the program agreement between Stewardship Ontario and the Authority. The AMO and City of Toronto dispute is subject to judicial review before the Divisional Court. As of the date of this annual report, these disputes have not been resolved and are still ongoing.

The Authority also continued to oversee the three waste diversion programs continued under the WDTA, while planning for their wind up as directed by the Minister. Details on the performance of the WEEE, MHSW and Blue Box Programs are outlined in the WDTA Program Oversight section of this report and in the IFO/ISO annual reports appended to this report. The Authority also published the [2018 Datacall Report](#), which presents the outcomes of residential waste diversion programs operated by municipalities, recycling associations and First Nation communities. Information from the report is used to determine net Blue Box system operating costs and set the steward obligation.

At the end of 2019, the government changed the Authority's statutory mandate to include operating digital reporting services for a wider range of waste and resource recovery programs. On April 21, 2020, the Minister sent a letter directing the Authority to prepare to provide a digital reporting service for Ontario's Hazardous Waste Program for industrial hazardous waste starting January 1, 2022.

Changing the Authority's mandate allows the Authority to leverage its existing Registry platform and expertise to support businesses reporting electronically.

Communications

The Authority employs a communications strategy that strives to provide stakeholders with clear, relevant, and timely information to help them understand the Authority's mandate and regulatory requirements to support compliance.

The Authority regularly surveys stakeholders to solicit feedback in order to enhance customer service.

In 2019, the Registrar enhanced the Registry by adding an integrated communications management system in order to communicate more effectively with registrants and other stakeholders. The system allows the Authority to automate, customize and target communications to support its stakeholder engagement and compliance functions. The system will become increasingly valuable as the number of registrants increases with the designation of additional materials beyond tires under the RRCEA, starting with batteries in July 2020 and electronics and other hazardous or special materials in 2021.

As part of a broader effort to support registrants and stakeholders, the Registrar also developed a "Find a Collector" tool on the Authority's website to assist Ontario residents and businesses in their search for locations to drop off used tires. The tool will be expanded as additional materials are designated under Ontario's new regulatory framework for resource recovery to provide users an easy way to identify locations to drop off materials for reuse and recycling.

In April, the Authority launched a monthly newsletter to communicate more regularly and effectively with stakeholders. The newsletter, which reaches more than 1,400 readers, aggregates news about the Authority's activities and related developments in resource recovery to provide stakeholders with information about resource recovery and waste in Ontario.

The Authority also sought to support stakeholders' understanding of Ontario's new regulatory framework for resource recovery by launching an ongoing learning series to help businesses, municipalities and other stakeholders adapt to Ontario's circular economy initiatives. The first workshop in the Circular Economy Learning Series was IPR 101 held in-person in Toronto in December 2019. A second workshop was held online. The workshops were led by the Registrar and focused on sharing practical information and insights into the new regulatory framework and how to participate in the new emerging markets. The workshops also featured speakers from the Ministry of the Environment, Conservation and Parks, the Competition Bureau of Canada, and representatives of producer associations and producer responsibility organizations.

The Registrar also hosted several in-person events and webinars to provide an opportunity for stakeholders to engage with Authority staff to understand the new regulatory framework and their obligations. In addition to Authority staff speaking at stakeholder meetings and conferences, the Registrar also held several events for obligated parties to address specific compliance issues related to the Tires Regulation. These included a webinar hosted with the Association of Municipalities of Ontario for municipalities to understand how the Tires Regulation impacts them, an in-person session for tire haulers in Brantford to explain requirements for transporting tires and consultation webinars to develop audit procedures to verify the tire supply data and performance reporting data submitted to the Authority.

Engaging Stakeholders

As part of the Authority's ongoing efforts to engage stakeholders, the Service Provider Advisory Group was established to provide a regular opportunity for stakeholders in the waste management sector, municipalities, First Nations and material re-users and processors to engage with Authority staff. This is the second advisory group to be established. In 2018, an Industry Advisory Group for producer associations was established to allow producers to engage with Authority staff.

The Authority regularly surveys stakeholders to solicit feedback in order to enhance customer service. In 2019, the Authority engaged a third party to conduct a more formal survey of stakeholders to obtain deeper insights into stakeholder views, issues, and concerns. The survey

was conducted in two parts: the first part involved in-depth interviews with representative stakeholders in July and August. The second part was a broad-based survey of all tire registrants conducted in November and December.

The research focused on four key topic areas: transition, registration and reporting; stakeholder familiarity with and perception of the Authority; understanding of and support for the Authority's mandate, IPR and the circular economy; and, interactions with Authority staff and the Authority's service delivery and performance.

The survey identified a generally low level of familiarity with the Authority consistent with a new regulatory system still in transition. Many stakeholders appear to be reserving judgement, which is not unusual for a newly established statutory organization. The survey found many stakeholders appeared to be confused between the Authority's role as a regulator and the service-delivery role of producer responsibility organizations.

The survey results also revealed that many stakeholders' experience with the Authority is limited to the registration process. As we embark on Registry projects for batteries, electronics, other hazardous or special materials, and digital reporting for industrial hazardous waste in the coming years, this insight underscores the importance of ensuring the Registry is user friendly.

The survey revealed broad but not universal support for the Authority's mandate, IPR and the circular economy. These findings will help the Authority enhance communications and stakeholder engagement in the years ahead.

Going forward, the Authority intends to conduct periodic surveys of its stakeholders as an engagement tool for insights and constructive feedback with which to refine its communications and customer service.

Consultations

The Authority held five formal consultations in 2019 as part of its commitment to engaging stakeholders on key decisions related to its mandate.

1. Between January and March, the Registrar engaged tire stakeholders on the development of an audit procedure for the verification of tire collection and management data required to be submitted to the Authority under the Tires Regulation. Three webinars were held at different stages of the development process to ensure the procedure was

practical, implementable, and minimized administrative burden.

2. Tire stakeholders were consulted again in June as the Registrar reviewed the weight conversion factors for tires. Two webinars were held, one for producers and one for service providers to assess whether revisions were required and to consider potential options.

The Authority held five formal consultations in 2019 as part of its commitment to engaging stakeholders on key decisions.

3. From October to December, the Registrar engaged tire stakeholders through two webinars on the development of an audit procedure to verify tire supply data required to be submitted by producers to the Authority. In total, more than 300 stakeholders participated in consultations with tires stakeholders.
4. Stakeholders in the electrical and electronic equipment sector were engaged in March and April on Ontario Electronic Stewardship's proposed Wind-Up Plan for the WEEE Program. The Authority held two webinars and four in-person sessions, consulting with more than 300 electrical and electronic equipment stakeholders.
5. Stakeholders in the hazardous or special waste sector were engaged throughout October and November on Stewardship Ontario's proposed Wind-Up Plan for the MHSW Program through two webinars and five in-person meetings, engaging close to 400 stakeholders.

The Authority issues surveys following its consultations in order to solicit feedback to support our continuous improvement efforts. The aggregate results for consultations in 2019 were overall positive and will inform our consultation strategy in 2020.

Complaints

The Authority's operating agreement with the Minister of the Environment, Conservation and Parks requires annual reporting on how complaints related to its activities were addressed.

The Authority is committed to the highest level of professional standards and courtesy in delivering the Authority's regulatory mandate. This includes having an accessible, fair, transparent and straightforward process in place when a complaint is received about the Authority or an individual acting on behalf of the Authority.

The Authority's [Public Complaint Policy](#) is posted on its website and details how a member of the public can submit a complaint to the Authority related to service delivery and staff conduct.

The Authority received no formal complaints under the Public Complaint Policy in 2019.

Delivery of French Language Services

Consistent with its statutory obligations and requirements outlined in its operating agreement with the Minister of the Environment, Conservation and Parks, the Authority is committed to ensuring its services, communications and responses to public inquiries are available in French.

The Authority's [French Language Services Plan](#) details how the Authority is meeting its legislated requirements to provide services in French.

In addition to translating key corporate and compliance

documents into French, the Authority uses a combination of bilingual Compliance and Registry Officers and a third-party service that offers real-time, on-demand simultaneous translation to provide services in French.

In 2019 the Authority received one request for simultaneous French translation services.

The Authority will continue to review and enhance its French Language Services Plan to meet its legislated requirements.

By-Laws, Policies and Procedures

The operating agreement between the Authority and the Minister of the Environment, Conservation and Parks requires the Authority to annually outline any changes to the Authority's by-laws and policies.

In 2019, no new by-laws were introduced. The Board approved a new Oversight of the Compliance Function Policy and revised the following policies and protocols in 2019:

- Director Remuneration Policy was updated to adjust rates to align with those in the updated Ontario Public Service Agencies and Appointments Directive.
- Governance Charter was updated to reflect changes to committee structures and responsibilities.
- Enterprise Risk Management Plan is reviewed and updated annually.

By-laws, policies or procedures that are subject to public disclosure are available on the [Corporate Documents](#) page of the Authority's website.

Compliance and Enforcement

As a regulator, the Authority is required to develop and deliver a compliance function to enforce the requirements of the *Resource Recovery and Circular Economy Act, 2016* and the *Waste Diversion Transition Act, 2016* and their associated regulations.

The Authority takes a risk-based approach to compliance that focuses resources on the areas of greatest risk that arise from non-compliance. The Registrar uses an assessment of those risks to undertake appropriate enforcement activities that maximize compliance while minimizing burden on business. The following compliance tools are available to the Registrar:

1. Proactive education and awareness
2. Inspection and audit
3. Communication to address non-compliance
4. Compliance order
5. Administrative penalty order
6. Prosecution

In 2019, the primary focus for the Authority's Registrar and Compliance and Registry Team was achieving compliance by helping businesses understand the requirements of the Tires Regulation, including the collection and management requirements that came into force on January 1, 2019. On an unaudited basis, the Tires Program successfully collected approximately 14 million tires or approximately 152,000 tonnes for reuse or recycling. Audited figures will be reported in 2020.

The Authority continued to use communication as its primary compliance strategy, including: digital platforms (website, email, social media); in-person and webinar information sessions, consultations and collaboration with industry leaders and key market participants; and, direct outreach by Compliance and Registry Officers.

Under the Tires Regulation, tire producers were required to report their 2017 tire sales data in 2019 which, along with previously reported data for 2015 and 2016, was used to determine each producer's collection and management targets for 2020 and the producer's 2019 Registry fee. The Compliance and Registry Team worked with the Authority's Communications and Stakeholder Relations Team to launch a communications campaign consisting of a series of six notifications and reminders sent to tire producers

throughout the reporting period. The campaign provided clear guidance on how and what to report as well as the consequences of non-compliance. Inspectors followed up with producers that missed the May 31 reporting deadline. The final result was that 96% of registered producers reported their 2017 supply data, received their 2020 collection targets, and paid their registry fees, with a small number of businesses having closed.

While communications support voluntary compliance, additional enforcement tactics, including inspections and audits, are necessary to support a level-playing field. In 2019, the Authority's Compliance and Registry Team implemented three priority initiatives.

The first initiative was to identify tire producers who failed to register and report to the Authority, as required under the Tires Regulation. Inspectors were successful in identifying 37 "free riders" in 2019, and they are now in compliance.

The second initiative was to conduct a review of the tire producer supply data in the Registry for completeness and accuracy. Inspectors reviewed every producer account and found that 188 producers misreported their data, with 118 of those producers underreporting the number of tires supplied to the Ontario market. The inspectors then worked with each of the 188 producers to correct their supply data and the collection obligation and Registry fee based on that data.

The Registrar also implemented a third initiative that was coordinated between the Authority, Ontario Electronic Stewardship (OES) and the Ministry of Government and Consumer Services to ensure compliance with the elimination of Environmental Handling Fees for electronics at point of sale, which were being collected to fund the WEEE Program. Authority inspectors visited both brick and mortar and online retailers and identified several instances of retailers continuing to charge fees to consumers. OES followed up to educate retailers and, where needed, to reimburse consumers who were charged fees after the elimination of Environmental Handling Fees for electronics.

The Registrar initiated five WDTA steward compliance cases in 2019 relating to steward fees with one case resolved in the same year. The remaining four cases are

The Registrar prioritized engagement with stakeholders to inform and educate them of their regulatory obligations.

being addressed in 2020.

The Registrar, after considering an issue raised by an industry stewardship organization about Stewardship Ontario’s (SO) steward charges and use of reserve funds, determined that the common cost methodology that forms part of the Municipal Hazardous or Special Waste (MHSW) Program Plan authorized SO to charge and collect steward fees in situations where this was prohibited under the WDTA. In April, the Authority’s Board approved an amendment to the program plan that resolved the issue.

Every instance of potential non-compliance that was brought to the Registrar’s attention initiated a review by an inspector to determine non-compliance. All substantiated instances of non-compliance were responded to within 30 days.

As a result of the high rate of success using communication to support compliance in 2019, the Registrar and Compliance and Registry Team were able to resolve all instances of material non-compliance without having to resort to compliance orders or prosecutions.

Registry Support

Under its legislated mandate, the Authority is required to develop and operate a public Registry to register obligated parties and to receive reports required in regulations.

As part of the compliance strategy in 2019, the Registrar prioritized engagement with stakeholders to inform and educate them of their regulatory obligations to maximize voluntary compliance in a transition year for tire producers. The Compliance and Registry Team recorded 12,040 unique interactions with regulated parties through the Registry email address, phone line and “contact us” form, as indicated in the following table:

Interactions

Voicemail	276
Contact Forms	607
Emails (Inbound and Outbound)	6,191
Incoming Calls	2,736
Outgoing Calls	2,230
Total Interactions	12,040

Common inquiries received from regulated parties included requests for technical assistance setting up or logging into a Registry account, clarification of obligations under the Tires Regulation, and setting up or participating in tire collection networks. The Registrar used the interactions with regulated parties to develop compliance bulletins and educational materials, as well as to continuously improve the Registry portal, website and email communications.

Oversight of WDTA Programs

In 2019, the Authority oversaw the operations of three waste diversion programs under the *Waste Diversion Transition Act, 2016* (WDTA) and the industry funding organizations and industry stewardship organizations that operate these programs:

- The Blue Box Program operated by Stewardship Ontario
- The Municipal Hazardous or Special Waste (MHSW) Program operated by Stewardship Ontario, Product Care Association, SodaStream and Automotive Materials Stewardship
- The Waste Electrical and Electronic Equipment (WEEE) Program operated by Ontario Electronic Stewardship

The Used Tires Program (UTP) operated by Ontario Tire Stewardship (OTS) under the WDTA terminated on December 31, 2018 as directed by the Minister. Ontario Tire Stewardship continued operating throughout 2019 in order to fulfill outstanding financial and legal obligations and is in the process of winding up.

All three current programs have been directed to wind up by the Minister of the Environment, Conservation and Parks and transition to the individual producer responsibility framework.

All three current programs have been directed to wind up by the Minister of the Environment, Conservation and Parks and transition to the individual producer responsibility framework under the *Resource Recovery and Circular Economy Act, 2016*. The Minister directed

that the Batteries portion of the MHSW Program wind up on June 30, 2020 and that the remaining MHSW materials wind up the following year on June 30, 2021. The WEEE Program has been directed to wind up on December 31, 2020 and the Blue Box Program has been directed to wind up starting January 1, 2023 and ending December 31, 2025.

The organizations that operate the programs are required to submit an annual report to the Authority that provides detailed information on program performance and financials. The Beer Store, which is not overseen by the Authority, is also required to submit an annual report to the Authority as part of its public reporting requirements. These reports are included as appendices to this document. Program performance highlights are summarized here.

Blue Box Program

Paper as well as packaging made of paper, glass, plastic and/or metal are collected from residences in over 240 municipalities and First Nations communities across Ontario. Stewardship Ontario is the industry funding organization that contributes to the funding of these services under the Blue Box Program on behalf of stewards (brand owners, franchisors or first importers) of packaging and printed paper. Municipalities operate and fund the remaining costs of the collection and management services.

Each year, municipalities, recycling associations and First Nations communities in Ontario report their Blue Box activities, including tonnage and financial data, to the Authority as part of the annual Datacall. Based on data from the 2018 Datacall, the most recent year for which data are available, the Blue Box Program achieved a 60.2% recovery rate, meeting the Program's 60% recycling target.

A total of 780,555 tonnes were recycled in 2018, down 5.2% from 2017. Recycling rates have steadily decreased since 2013, with the decline mainly driven by changes in the mix of printed paper and packaging supplied to residents and recycling commodity markets. Market changes also depressed revenue from the sale of Blue Box materials, declining 32.9% over 2017.

Information about Stewardship Ontario's operation of

the Blue Box Program can be found in Appendix A of this report.

Municipal Hazardous or Special Waste Program

The MHSW Program allows Ontario residents to safely dispose of household products that require special handling. There are 10 types of materials collected through the program: 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, 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
- SodaStream for their branded refillable cylinders

In 2019, these organizations reported collecting 30,701 tonnes of hazardous or special waste, compared to 30,540 tonnes in 2018. The table below shows the collection performance of each material in the program.

Material	Actual Tonnes Collected	Target Collection (in tonnes)	% of Target Collected
Antifreeze	3,021	2,196	138%
Fertilizers	28.5	N/A	N/A
Oil containers	4,507	2,614	172%
Oil filters	9,171	8,170	112%
Paints and coatings	9,745	8,811	111%
Pesticides	26.4	15	176%
Pressurized containers			
Non-refillable	327	364	90%
Refillable	415	452	92%
Single-use batteries	3,224	2,380	135%
Solvents	263	646	37%
Total	30,701	25,648	120%

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 WEEE Program operated by OES ensures that end-of-life electronics are handled in a secure and environmentally-sound manner. Materials collected through the 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 through curbside pick-up in some municipalities.

In 2019, the program collected 48,124 tonnes of electronics, a small increase from 47,711 tonnes collected in 2018.

OES continues to see minor growth in the reuse and refurbishment of electronics, with 3,364 tonnes reported in 2019 compared to 3,359 tonnes in 2018. Desktop computers continue to be the most reused or refurbished item, accounting for 45% of the items reused by weight.

Information about OES’s operation of the WEEE Program can be found in Appendix E of this report.

Used Tires

The UTP managed by OTS ceased operation on December 31, 2018. As such, OTS did not report tire collection or diversion data for 2019.

OTS activities in 2019 were focused on finalizing arrangements with program participants and

implementing steps necessary to shut down its operations in accordance with the wind-up plan approved by the Authority.

Information about OTS's activities in 2019 can be found in Appendix F of this report.

The Beer Store

The Beer Store is a privately-owned chain of retailers selling beer and other malt beverages in Ontario. The Beer Store collects beer containers and packaging sold in its stores and administers the Ontario Deposit Return Program, which collects alcoholic containers sold outside its stores, including wine, spirits, beer and coolers. While this is not a waste diversion program overseen by the Authority, the WDTA requires The Beer

Store's annual report to be provided to the Authority and made public to support transparency in The Beer Store's public reporting.

In 2019, The Beer Store reported collecting over 1.8 billion containers, diverting 311,446 tonnes from disposal. Of the total tonnes diverted, 201,822 tonnes were from The Beer Store Program and 109,624 tonnes were from the Ontario Deposit Return Program. According to The Beer Store's annual report, the overall return rate of recyclable material in the Ontario Deposit Return Program was 79%, while the return rate for containers sold at The Beer Store was 85%.

The Beer Store Annual Report can be found in Appendix G of this report.

The Authority's Performance

The Authority submits a Business Plan to the Minister of the Environment, Conservation and Parks in October of each year that sets out its strategic priorities for the following three years and its annual

goals and performance targets. In its Annual Report and at its Annual Public Meeting, the Authority reports on its performance meeting the targets set the previous year.

The tables below outline the Authority's strategic objectives and targets as outlined in the [2019 Business Plan](#) and its performance achieving those targets.

Strategic Priority One: Transition of Waste Diversion Programs

Objective	Target	2019 Performance	Comments
Continued oversight of waste diversion programs	IFOs/ISOs operate in compliance with WDTA requirements	Achieved	IFOs/ISOs operated in compliance with WDTA requirements.
	Complaints responded to within 30 days	Achieved	Every complaint about a non-compliance with regulatory requirements received by the Authority initiated an assessment by an inspector within 30 days.
	Respond within 30 days to all substantiated non-compliances	Achieved	All non-compliances substantiated by an inspector resulted in a compliance action within 30 days.
Effective wind up of IFO programs and IFOs	Authority approval of wind-up plans on the timelines anticipated by the Minister	Achieved	The Authority approved Ontario Electronic Stewardship's Waste Electrical and Electronic Equipment Program Wind-Up Plan in August and approved Stewardship Ontario's Municipal Hazardous or Special Waste Program Wind-Up Plan in December.
	Implementation of approved wind-up plans consistent with approved wind up plans	Achieved	The Authority continued to oversee the implementation of Ontario Tire Stewardship's Used Tires Program Wind-Up Plan and began overseeing the implementation of Ontario Electronic Stewardship's Waste Electrical and Electronic Equipment Program Wind-Up Plan.

Strategic Priority Two: Responsible Management of Data

Objective	Target	2019 Performance	Comments
Develop and maintain Registry to fulfill organizational mandate	Complete Registry development for producer registration in accordance with electrical and electronic equipment regulation	Not Applicable	As the final Electronics Regulation was not available in 2019, the Registry for this regulation was not developed in 2019.
Registrants submit required data	Respond within 30 days to all substantiated non-compliances with registration, reporting and performance requirements outlined in the Tires Regulation	Achieved	All non-compliances substantiated by an inspector resulted in a compliance action within 30 days.
Protection of private and commercially sensitive data	Compliance with Access and Privacy Code and RRCEA and WDTA provisions on confidentiality of information	Achieved	There were no breaches of the Authority's Access and Privacy Code and the Authority adhered to all confidentiality provisions of the RRCEA and WDTA.

Strategic Priority Three: Trusted Authority

Objective	Target	2019 Performance	Comments
Enable and support businesses to comply	Level of registrant satisfaction at or above 2018 baseline	Not Applicable	This target relates to new Registry projects and registration of newly obligated parties. As the final Electronics Regulation was not available in 2019, the Registry for this regulation was not developed and regulated parties did not register in 2019.
Foster a level playing field for parties obligated under RRCEA	Complaints responded to within 30 days	Achieved	Every complaint about a non-compliance with regulatory requirements received by the Authority initiated an assessment by an inspector within 30 days.
	Respond within 30 days to all substantiated non-compliances	Achieved	All non-compliances substantiated by an inspector resulted in a compliance action within 30 days.

Strategic Priority Four: Accountability

Objective	Target	2019 Performance	Comments
Comply with reporting requirements in the RRCEA, WDTA and the Operating Agreement	2018 Annual Report submitted by June 1, 2019	Achieved	Submitted on June 1, 2019.
	Annual Public Meeting held in June 2019	Achieved	Annual Public Meeting held on June 27, 2019
	2020 Business Plan submitted 90 days before year end	Achieved	Submitted on October 2, 2019
Engage and consult broadly and openly with stakeholders	Completion of consultations on WEEE Wind-Up Plan with level of participant satisfaction at or above 2018 baseline	Achieved	Consultations on the WEEE Wind-Up Plan were held in March and April 2019. Participant satisfaction based on survey results was 3.5 out of 5, exceeding the 2018 baseline of 2.8.
	Completion of consultations on MHSW Wind-Up Plan with level of participant satisfaction at or above 2018 baseline	Achieved	Consultations on the MHSW Wind-Up Plan were held in October and November 2019. Participant satisfaction based on survey results was 3.4 out of 5, exceeding the 2018 baseline of 2.8.
	Completion of consultations and approval of 2020 Registry Fees with level of participant satisfaction at or above 2018 baseline	Not Applicable	Consultations on 2020 Registry Fees were not held in 2019 because the Batteries and Electronics Regulations were not finalized.

Strategic Priority Five: Organizational Sustainability

Objective	Target	2019 Performance	Comments
Set fees and other charges that sustain the organization	Recovery of costs without significant deficit or surplus	Achieved	2019 Registry Fees for Tires and charges to IFOs generated the required revenue to cover the Authority's associated costs. Minor surplus from Tire Fees will be applied to reduce future Tire Fees.
	Contribution to Reserve consistent with Reserve Fund Policy	Achieved	Contribution to the reserve fund was consistent with the budgeted amount.
Establish an organizational culture based on professionalism, continuous improvement, integrity, accountability, respect and collaboration	Level of engagement at or above levels established in the 2017 employee engagement survey	Achieved	Employee engagement score in 2019 was 83.8%, exceeding the 2017 score of 75.1%.

Management Discussion and Analysis

The Resource Productivity and Recovery Authority is a regulatory authority established by the Government of Ontario. The Authority is mandated to enforce requirements under the *Waste Diversion Transition Act, 2016* (WDTA) and the *Resource Recovery and Circular Economy Act, 2016* (RRCEA) and their associated regulations.

Section 50 of the RRCEA requires the Authority to establish, maintain and operate a Registry. The purpose of the Registry is to register and receive reports from regulated parties so that the Authority can enforce requirements outlined in the RRCEA and its related regulations and receive data from industry funding organizations (IFOs) prior to wind up. The Registry will also enable the Authority to track and publicly report on Ontario's progress towards a circular economy and waste-free future.

Revenues

The Authority operates on a cost-recovery basis and is authorized through its legislated mandate to set and charge fees:

- Sections 33 and 41 of the WDTA allow the Authority to recover costs from IFOs and industry stewardship organizations (ISOs) associated with the Authority's oversight of waste diversion programs operated by IFOs or ISOs.
- Section 41 of the RRCEA authorizes the Authority to levy fees and charges for the purposes of cost recovery for activities related to the performance of its duties and exercise of its powers under the RRCEA or any other Act.

The Authority recognized \$2.0M in RRCEA fees charged to tire producers and tire producer responsibility organizations in 2019, of which \$1.8M was used to finance the 2019 Tires Registry development and compliance activities related to the Tires Regulation. \$0.2M of deferred fees were also recognized, which will be used to reduce 2020 Registry fees for Tires. RRCEA fees represented approximately 24% of the Authority's revenues.

The remainder of the Authority's revenue was derived through charges to IFOs and ISOs under sections 34 and 41 of the WDTA to finance the Authority's activities

related to oversight of waste diversion programs operated by IFOs and ISOs. The Authority collected \$6.1M from IFOs and ISOs.

The Authority had total revenues of \$8.1M in 2019, compared to revenues of \$6.6M in 2018. The increase was required to offset higher operating costs related to the Authority's mandate and expanded scope of responsibilities, which are discussed below.

As other RRCEA regulations come into force, the Authority anticipates that its costs recovered under sections 35 and 41 of the WDTA will decline while its costs recovered under section 41 of the RRCEA will increase.

Operating Expenses

The Authority allocates and recovers its expenses on the following basis:

- 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 are recovered from registrants obligated under the RRCEA and its associated regulations. In 2019, the Tires Regulation was the only RRCEA regulation in force.

Expenses for WDTA-related activities are recovered from IFOs and ISOs. These costs include payroll and other direct program expenses and indirect costs that are common to the administration of the Authority and the WDTA Programs it oversees.

Indirect costs were allocated based on the following methodology:

- 50% of indirect costs are shared equally among programs.
- The remaining 50% of indirect costs are allocated based on the program's direct costs, excluding Datacall and InKind program administration.
- Industry stewardship plans (ISP) are allocated a portion of the program's share of indirect costs

in proportion to the program's budget for the ISP material.

Below are highlights from the Authority's 2019 audited financial statements:

- The Authority's overall expenses increased 25.8% to \$7.5M in 2019 from \$6.0M in 2018. The increase in overall expenses is due to higher Registry expenses including expenses related to amortization of Registry assets, loan interest related to Registry financing, Registry support activities and additional staffing expenses, including for project management, communications and IT, required to deliver on the Authority's mandate. In addition, overall expenses related to rent and capital asset amortization increased as a result of an office expansion in 2019, which was required to accommodate the increase in project teams required to build the Registry and additional staff, including Compliance and Registry Officers and I&IT personnel, necessary to deliver on the Authority's mandate.
- The Authority had direct program costs under the WDTA of \$0.8M in 2019, compared to direct program costs of \$0.9M in 2018. The decrease was primarily due to the end of several one-time projects in 2018 related to IFO programs.
- The Authority had recoverable indirect costs under the WDTA of \$4.9M in 2019, compared to recoverable indirect costs of \$4.3M in 2018. The increase was primarily the result of indirect staffing expenses of \$2.5M in 2019 compared to \$2.2M in 2018 due to additional staffing to deliver the Authority's mandate.

Operating Reserve

The Authority's Operating Reserve Policy sets the maximum amount of the reserve at 50% of the Authority's annual operating costs. The excess of revenues over expenses in 2019 was \$0.6M, same as \$0.6M in 2018. The Authority's total operating reserve at year end was \$3.0M or 40% of the Authority's 2019 annual operating costs.

Cash Flows and Liquidity

At year end, the Authority had a negative working capital position of approximately \$0.9M compared to a negative working capital position of approximately \$2.2M at December 2018 and cash and short-term investments of

\$3.4M compared to \$2.7M in 2018.

The increase in working capital was primarily due to an increase in cash, short-term investments and accounts receivables in 2019. This increase in working capital was also partly due to a decrease of approximately \$0.3M in deferred revenues received from tire registrants in 2018.

The Authority has a \$3M revolving operating credit facility with a Canadian bank for ongoing working capital requirements and general corporate purposes and supplementary operating credit facilities with the same bank to finance the cost of future Registry builds. The total cost and number of Registry projects is unknown at this time and will be dependent on the number of materials designated under the RRCEA and the number of digital reporting services assigned to the Authority by the Ontario government. In addition, the Authority has committed Term Loans available to replace the supplementary operating credit facilities when certain milestones are reached in each Registry project. None of the credit facilities was converted to a term loan in 2019. All bank debt is secured by a general security agreement.

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 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, top-rated Certificates of Deposits with short term maturities and other low risk securities.

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 under the WDTA and regulations under the RRCEA coming into force.
- Key assumptions about registrants arising from the designation of additional materials under the RRCEA.
- Timeline, cost estimates and functional scope of Registry projects, which are dependent on the

requirements set out in the related regulations.

- Availability, recruitment, and retention of skilled human resources.
- Future financing availability.

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

Outlook for 2020

In response to the COVID-19 pandemic in early 2020, federal, provincial, and municipal governments have enacted emergency measures to contain the spread of the virus and protect the public. These measures have resulted in economic uncertainty for the companies subject to regulations under the RRCEA and WDTA and anticipating the full effect of these measures in 2020 is not practicable at this time.

As a business regulator, the Authority was designated by the Ontario government as an essential service and permitted to continue operations during the pandemic. In order to protect staff and support broader public health initiatives against COVID-19, the Authority adopted a work-from-home program, which has been successful in allowing personnel working remotely to complete day-to-day activities and in allowing the organization to remain

fully operational during this period.

In 2020, the Authority will continue to focus on its oversight role under the WDTA and supporting the transition of responsibility for materials managed by WDTA Programs to individual producer responsibility under RRCEA regulations. Additionally, the Authority will also begin to implement its changed mandate to provide digital reporting services, starting with the Hazardous Waste Program for industrial hazardous waste.

The cost of the Registry for future designated materials will be determined as each material is designated, the final regulation for the material is released and the Registry for that material is developed. Future Registry projects will be procured and financed on a project-by-project basis following the finalization of regulations to ensure accuracy in project budgeting and reporting.

In the 2020 budget prepared prior to the outbreak of COVID-19, revenues were budgeted at \$11.9M compared to \$8.1M in 2019 and expenses were budgeted at \$11.5M compared to \$7.5M in 2019. However, due to changes in the anticipated timing of RRCEA regulations being released, the addition of the Hazardous Waste Program digital reporting service, and the Authority's ongoing review of the potential impacts to the budget from the economic and financial uncertainty caused by the COVID-19 pandemic, the Authority anticipates adjustments to its 2020 budget.

Resource Productivity & Recovery Authority

Financial Statements

December 31, 2019

Financial Statements

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Independent Auditors' Report

May 20, 2020

To the Board of Directors of Resource Productivity and Recovery Authority

Opinion

We have audited the financial statements of Resource Productivity and Recovery Authority, which comprise the balance sheet as at December 31, 2019, and the statements of revenue and expenses and net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial position of Resource Productivity and Recovery Authority as at December 31, 2019, and the results of its operations and its cash flows for the year then ended are in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Resource Productivity and Recovery Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing Resource Productivity and Recovery Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Resource Productivity and Recovery Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Resource Productivity and Recovery Authority's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

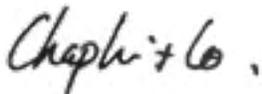
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Resource Productivity and Recovery AuthorityDecember 31, 2019

As part of an audit in accordance with Canadian auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Resource Productivity and Recovery Authority's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Resource Productivity and Recovery Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Resource Productivity and Recovery Authority to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Chaplin & Co.**

Chartered Accountants

Licensed Public Accountants

Toronto, Ontario

Resource Productivity and Recovery Authority

December 31, 2019

Balance Sheet

Year ended December 31

	Notes	2019	2018
Assets			
Current			
Cash		\$ 1,390,533	\$ 2,651,933
Short-term investments	3	2,010,370	-
Accounts receivable	4	2,097,759	1,471,193
Prepaid expenses		158,737	143,693
		5,657,399	4,266,819
Deposits		110,494	31,953
Capital assets	5	694,910	738,467
Intangible assets	5	3,824,049	4,063,608
		\$ 10,286,852	\$ 9,100,847
Liabilities			
Current			
Bank loan	2	\$ 5,380,000	\$ 4,950,000
Accounts payable and accrued liabilities		544,596	628,825
Government remittances payable		425,098	295,148
Deferred revenue	6	252,654	577,696
		6,602,348	6,451,669
Deferred leasehold inducement	7	690,994	255,668
		7,293,342	6,707,337
Net Assets			
	8	2,993,510	2,393,510
		\$ 10,286,852	\$ 9,100,847
Commitments and contingencies	10		
See accompanying notes			

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



Glenda Gies, Chair



Ken Kawall, Treasurer

Resource Productivity and Recovery Authority

December 31, 2019

Statement of Revenue and Expenses and Net Assets

Year ended December 31, 2019

	Total	WDTA (1)	RRCEA
Revenue			
Cost recovery	\$ 7,510,990	\$ 5,680,092	\$ 1,830,898
Reserve contribution	600,000	450,000	150,000
Interest income	15,711	11,783	3,928
	8,126,701	6,141,875	1,984,826
Expenses			
Salaries and benefits	3,506,058	2,840,778	665,280
Registry	1,077,192	807,894	269,298
Professional fees	759,331	642,296	117,035
Amortization	597,240	447,935	149,305
Rent	414,741	311,056	103,685
Board compensation and related expenses	369,699	277,274	92,425
Other operating	294,723	193,433	101,290
Loan Interest	192,340	-	192,340
Communications	229,441	112,916	116,525
Telephone and Internet	85,936	58,293	27,643
	7,526,701	5,691,875	1,834,826
Revenue over expenses	600,000	450,000	150,000
Net Assets, beginning of year	2,393,510	2,786,927	(393,417)
Net Assets, end of year	\$ 2,993,510	\$ 3,236,927	\$ (\$243,417)

(1) Schedule 1 shows breakdown of the WDTA expenses by program.

See accompanying notes

Year ended December 31, 2018

Total	WDTA (1)	RRCEA
\$ 5,981,299	\$ 5,144,739	\$ 836,560
600,000	450,000	150,000
-	-	-
6,581,299	5,594,739	986,560
2,782,967	2,478,297	304,670
837,677	628,258	209,419
835,660	811,140	24,520
364,095	295,604	68,491
290,070	261,063	29,007
330,720	299,066	31,654
237,107	178,803	58,304
87,547	-	87,547
135,272	120,385	14,887
80,184	72,123	8,061
5,981,299	5,144,739	836,560
600,000	450,000	150,000
1,793,510	2,336,927	(543,417)
\$ 2,393,510	\$ 2,786,927	\$ (\$393,417)

Statement of Cash Flows

	Year ended December 31	
	2019	2018
Net cash provided by (used in)		
Operations		
Excess of expenses over revenue for the year	\$ 600,000	\$ 600,000
Amortization	597,240	364,095
Changes in non-cash working capital items		
Accounts receivable	(626,566)	408,928
Prepaid expenses and deposits	(93,585)	(123,600)
Accounts payable and accrued liabilities	351,097	(1,687,247)
Government remittances payable	129,950	188,284
Deferred revenue	(325,042)	577,696
	633,094	328,156
Financing Activity		
Increase in bank loan	430,000	4,950,000
	430,000	4,950,000
Investing Activity		
Purchase of investments	(2,010,370)	
Additions to capital assets	(116,030)	(110,167)
Additions to intangible assets	(198,094)	(2,923,010)
	(2,324,494)	(3,033,177)
Net increase(decrease) in cash during the year	(1,261,400)	2,244,979
Cash, beginning of the year	2,651,933	406,954
Cash, end of year	\$ 1,390,533	\$ 2,651,933

See accompanying notes

Notes to the Financial Statements

December 31, 2019

On November 30, 2016 the Resource Productivity and Recovery Authority (RPRA) was proclaimed as part of 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.

Measurement of Financial Instruments

The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures its financial assets and financial liabilities at amortized cost. 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

The organization follows the deferral method of revenue recognition. Revenues are derived through fees charged to industry funding organizations (IFOs) under section 33 (5) of the WDTA, fees charged to industry stewardship organizations (ISOs) under section 41 of the WDTA and fees charged to registrants under section 41 of the RRCEA. The fees are set to cover the organization's related operating costs and to provide a 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 revenue.

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:

Computer software	3 years
Computer equipment	3 years
Office equipment and furniture	5-7 years
IT infrastructure and networks	5-10 years
Leasehold improvements	Over the 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.

Resource Productivity and Recovery Authority**Notes to the Financial Statements**December 31, 2019

1. Summary of Accounting Policies (continued)

If there is an indication that the capital assets may be impaired, an impairment test is performed that compares carrying amount to net recoverable amount, which is normally determined by estimating the revenue less direct costs on an undiscounted basis over the remaining life of the asset. There were no impairment indicators in 2019.

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.

Deferred Leasehold Inducements

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

Allocation of Direct and Indirect Expenses

The organization oversees many programs under the WDTA. 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 indirect costs that are common to the administration of the organization and each of its programs.

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

- i. 50% of indirect costs are shared equally among programs; and
- ii. the remaining 50% of indirect costs are allocated based on the program's direct costs, excluding Datacall and InKind program administration.
- iii. The WDTA share of the reserve fund contribution is allocated among the WDTA programs based on each program's proportionate share of total WDTA indirect (or shared) expenses.

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.

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.

2. Banking Facility

The organization has a \$3 million revolving operating credit facility with a Canadian bank for ongoing working capital requirements and general corporate purposes and \$37 million in supplementary operating credit facilities, with the same bank, to finance the cost of building the Registry infrastructure required to perform the duties assigned under the RRCEA and WDTA and directed by the Minister. In addition, the organization has available committed Term Loans of up to \$37 million, with the same bank, to replace the supplementary operating credit facilities when certain milestones are reached in conjunction with the infrastructure build.

The revolving and supplementary operating credit facilities bear interest at a floating rate equal to prime rate minus 0.75% per annum. The amounts drawn on these operating credit facilities as at December 31, 2019 are \$5.38 million (2018 – \$4.95 million). The interest rate on the term loans will be determined when the organization draws on these facilities. The amount drawn on term loans at December 31, 2019 is nil (2018 - nil). All bank debt is secured by a general security agreement.

Resource Productivity and Recovery Authority

Notes to the Financial Statements

December 31, 2019

3. Short-term investments

The short-term investments are below (2018 - nil).

	Interest Rate	Maturity Date	Term	Amount
Guaranteed investment certificate (GIC)	1.76%	January 27, 2020	60 days	\$ 1,000,000
Guaranteed investment certificate (GIC)	1.83%	April 15, 2020	180 days	\$ 1,010,370
				\$2,010,370

4. Accounts Receivable

	Year ended December 31	
	2019	2018
Stewardship Ontario - Blue Box	\$ 737,870	\$ 436,562
Leasehold Inducement	504,835	-
Ontario Electronic Stewardship - Waste Electrical and Electronic Equipment	337,092	422,510
Ontario Tire Stewardship - Used Tires	178,405	399,247
Automotive Materials Stewardship - Industry Stewardship Plan - Automotive Materials	130,738	76,313
Product Care Association - Industry Stewardship Plan - Paint and Coatings	87,582	77,018
Stewardship Ontario - Municipal Hazardous or Special Waste	82,382	40,252
Product Care Association - Industry Stewardship Plan - Pesticides, Solvents and Fertilizers	14,811	12,416
RRCEA Registrants	11,352	4,343
Accrued Interest Income	10,622	-
Stewardship Ontario - Continuous Improvement Fund	1,643	405
News Media Canada	427	2,127
	\$ 2,097,759	\$1,471,193

5. Capital and Intangible Assets

	Cost	Accumulated Amortization	2019 Net Book Value	2018 Net Book Value
Capital assets				
Computer software	\$ 3,764	\$ 2,311	\$ 1,453	\$ 2,708
Computer equipment	127,326	69,077	58,249	67,251
Office equipment and furniture	176,262	58,172	118,090	132,491
IT infrastructure and networks	134,685	61,130	73,555	86,062
Leasehold improvements	630,896	187,333	443,563	449,955
	\$ 1,072,933	\$ 378,023	\$ 694,910	\$ 738,467

Resource Productivity and Recovery Authority

Notes to the Financial Statements

December 31, 2019

Capital and Intangible Assets (continued)

	Cost	Accumulated Amortization	2019 Net Book Value	2018 Net Book Value
Intangible assets				
Registry Foundation and Systems	\$ 2,326,933	\$ 329,231	\$ 1,997,702	\$ 2,022,397
Registry Tires	2,148,643	322,296	1,826,347	2,041,211
	\$ 4,475,576	\$ 651,527	\$ 3,824,049	\$ 4,063,608

Included in Leasehold improvements are costs of improvements of \$60,289 at December 31, 2019, that are still in progress. Amortization will commence when work is completed and will be amortized over the remaining term of the lease.

6. Deferred Revenue

	2019	2018
Balance, beginning of year	\$ 577,696	\$ -
Revenue received	1,206,547	810,391
Utilized during the year	(1,531,589)	(232,695)
Balance, end of year	\$ 252,654	\$ 577,696

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:

	2019	2018
Leasehold inducement	\$ 325,395	\$ 325,395
Additions	504,835	-
Less: Accumulated amortization	(139,236)	(69,727)
	\$ 690,994	\$ 255,668

8. Net Assets

Net assets consist of the following:

	WDTA	RRCEA	Contingency Reserve	Total
Balance, beginning of year	\$ -	\$ (918,000)	\$ 3,311,510	\$ 2,393,510
Excess of revenue over expenses	-	-	600,000	600,000
Balance, end of year	\$ -	\$ (918,000)	\$ 3,911,510	\$ 2,993,510

9. 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 \$148,577 (2018 - \$117,122) 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.

10. Commitments and contingencies**Commitments**

The organization has entered into a contract amounting to \$55,071 per month for Registry managed services to be provided until September 30, 2021. This contract can be canceled with 90 days notice. This commitment is not provided for in the financial statements.

Resource Productivity and Recovery Authority**Notes to the Financial Statements**

December 31, 2019

Commitments and contingencies (continued)

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

	Amount
2020	\$ 424,559
2021	437,367
2022	503,042
2023	503,042
Thereafter	1,566,518
	\$ 3,434,527

Contingencies

Stewardship Ontario is disputing the Authority's determination of the 2019 and subsequent steward obligations under the Blue Box Program. The Association of Municipalities of Ontario and the City of Toronto are also disputing the Authority's determination of the Blue Box steward obligation. Although the outcome of these disputes or potential disputes cannot be determined, in management's opinion, the resolution of these matters is not expected to have a material impact on these financial statements of the Authority.

The organization is seeking guidance from the Canada Revenue Agency (CRA) on a tax matter relating to specific transactions. While the final outcome of such action cannot be predicted with certainty, the outcome could result in additional liability for the organization in excess of the current estimate owing of \$378,438 (2018 - \$231,687). The remaining impact of this outcome on the financial statements is not determinable based on current information and therefore no provision has been made in the financial statements beyond the estimate.

11. 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, which 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 currently and during the period of transition.

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.

12. Subsequent Events

Subsequent to December 31, 2019, the outbreak of the COVID-19 pandemic has resulted in the federal, provincial and municipal governments enacting emergency measures to contain the spread of the virus and protect the public. These measures, which include the implementation of travel bans, self-imposed quarantine periods, self-isolation, physical and social distancing and the closure of non-essential businesses, have caused material disruption to businesses in Ontario which has resulted in an uncertain and challenging economic environment.

Resource Productivity and Recovery Authority

Notes to the Financial Statements

December 31, 2019

Subsequent Events (continued)

As a result, economic uncertainties have arisen which may, directly or indirectly, materially and adversely affect the Authority. At this time, these developments present uncertainty over any potential impacts on future cash flows, changes to assets or liabilities, or future operations. An estimate of the financial effect that any such impacts may have on the Authority is not practicable at this time.

13. Reclassification of prior year's presentation

Certain prior year's amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations and are consistent with the organization's presentation of its business plans.

Schedule of Program Costs in Accordance with the Waste Diversion Transition Act

December 31, 2019

	Industry Stewardship Plans	Continuous Improvement Fund	Blue Box Waste	Used Tires
Direct expenses				
Salaries and benefits	\$ 11,081	\$ 13,307	\$ 162,887	\$ 47,597
Communications and consultants	-	-	-	-
Office and other	680	3,122	2,029	468
Professional fees	-	-	349,278	7,364
Indirect expenses	781,119	-	1,836,317	884,777
Total	\$ 792,880	\$ 16,429	\$ 2,350,511	\$ 940,206

December 31, 2018

	Industry Stewardship Plans	Continuous Improvement Fund	Blue Box Waste	Used Tires
Direct expenses				
Salaries and benefits	\$ 8,154	\$ 3,595	\$ 136,695	\$ 72,898
Communications and consultants	-	-	-	-
Office and other	1,412	-	16,068	8,151
Professional fees	448	148	300,754	113,004
Indirect expenses	579,586	-	1,330,226	1,188,582
Total	\$ 589,600	\$ 3,743	\$ 1,783,743	\$ 1,382,635

Waste Electrical and Electronic Equipment	News Media Canada	Municipal Hazardous or Special Waste	Total
\$ 87,195	\$ 9,035	\$ 60,213	\$ 391,315
5,486	-	-	5,486
6,839	-	6,961	20,099
28,516	-	1,405	386,563
1,190,919	-	195,280	4,888,412
\$ 1,318,955	\$ 9,035	\$ 263,859	\$ 5,691,875

Waste Electrical and Electronic Equipment	News Media Canada	Municipal Hazardous or Special Waste	Total
\$ 58,264	\$ 13,730	\$ 18,512	\$ 311,848
-	-	-	-
1,560	-	336	27,527
69,283	-	27,804	511,441
1,050,632	-	144,897	4,293,923
\$ 1,179,739	\$ 13,730	\$ 191,549	\$ 5,144,739



Stewardship Ontario

**RPRA Filing on
2019 Program Performance**

April 1, 2020

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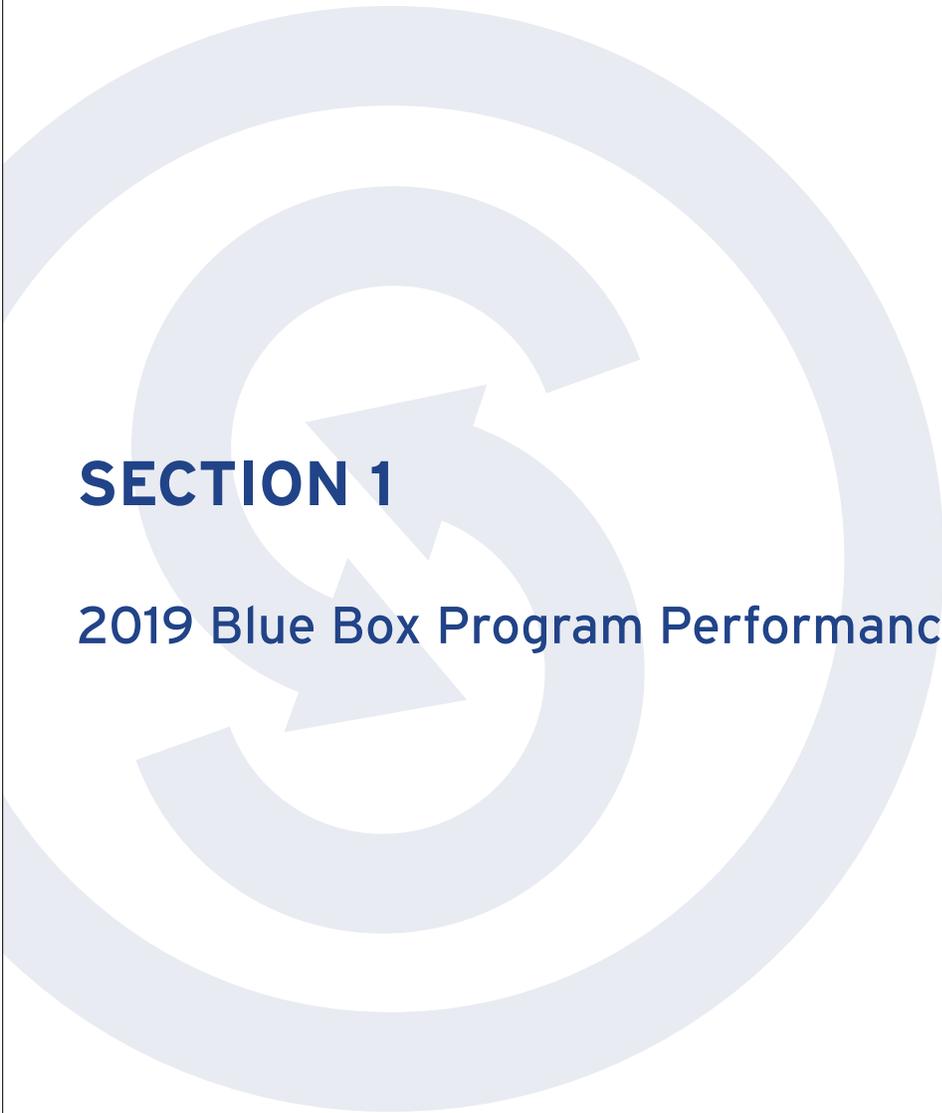
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Signature of the Chair of the Board of Directors

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



Robyn Collver
Chair
Stewardship Ontario Board of Directors



SECTION 1

2019 Blue Box Program Performance

RPRA Filing on 2019 Program Performance | 4

Background

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 and the Resource Productivity and Recovery Authority (RPRRA) website.

www.stewardshipontario.ca
www.rpra.ca

Stewardship Ontario presented the Blue Box Program performance and fee schedule to stewards on October 24, 2019. Relevant documentation, including a discussion paper, presentations and Q&As from the meeting can be found at <https://stewardshipontario.ca/engagement/information-sessions>.

Direction to Wind Up the Blue Box Program

The transition of the Blue Box Program to full producer responsibility was initiated by a direction letter from the Minister of Environment, Conservation and Parks on August 15, 2019, which will make industry responsible for both the funding and operation of residential recycling in the province.

Stewardship Ontario is required to submit a Blue Box Program Wind Up Plan to RPRRA by June 30, 2020. It is expected that RPRRA will approve the plan by December 31, 2020. During this time, the Ontario government will develop and consult on regulations to support the new responsibility framework for the Blue Box Program. According

to the Minister's letter, the first communities are to be transitioned beginning January 1, 2023, with the entire province operating under the new framework by December 31, 2025.

Steward Registration, Reporting & Audit

There were 1,830 stewards registered with Stewardship Ontario's Blue Box Program as of December 31, 2019. In 2019, 1,454 steward reports were submitted (versus 1,424 in 2018).

\$128,700,725 in Blue Box fee revenue was invoiced in 2019, versus \$127,879,724 in 2018, an increase of 0.6%. The 2019 fee revenue was below the budgeted revenue by 1.1%.

Steward reports were analyzed to flag inconsistencies in reporting against prior years. Where inconsistencies are flagged, follow-up activities are initiated to confirm the reported quantities and to make corrections where required. At the end of 2019, steward reports representing more than 90% of reported tonnes had undergone desk verification and review.

Stewardship Ontario utilizes a compliance audit framework designed in cooperation with Deloitte LLP and PwC, that was built upon the best practices from European EPR jurisdictions. The criteria for selecting stewards for comprehensive audits is designed to improve overall confidence in the quality of reporting. Fourteen compliance reviews relating to 2019 packaging and printed paper reports were launched in the fall of 2019. In addition, any steward-initiated adjustment requests involving a significant amount undergo an independent third party audit.

Program Diversion Performance

The Blue Box Program supports the efforts of Ontario municipalities and First Nations communities to collect and market packaging and printed paper. 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 61.3% to 60.2%. Recycled tonnes managed through the Blue Box

in 2019 declined from the previous year due to less paper and newsprint being collected and marketed. Generated tonnes, an estimate of the total quantity of residential packaging and printed paper generated by residential households, also decreased. Recycled kilograms per capita decreased by 6.0% reflecting the reduced tonnes managed.

	2018	2017	2016	2015	YOY Variance %
Recycling Performance					
Recycled Tonnes	780,555	822,979	836,227	852,437	-5.2%
Generated Tonnes	1,296,207	1,342,017	1,340,947	1,332,544	-3.4%
Recycling Rate	60.2%	61.3%	62.4%	64.0%	-1.8%
Provincial Recycling Target	60.0%	60.0%	60.0%	60.0%	0.0%
Population Served by PPP Program	13,078,155	12,962,740	12,814,578	12,830,228	0.9%
Recycling kg per Capita	59.7	63.5	65.3	66.4	-6.0%
Accessibility Performance					
# Households Served	5,278,332	5,237,905	5,174,930	5,165,154	0.8%
% Households with Access to PPP Program	94.0%	94.4%	94.6%	95.3%	-0.4%
Consumer Awareness	97.0%	97.0%	97.0%	97.0%	0.0%

Program Cost

The overall net cost of the Blue Box recycling system increased by 19.8%. This increase is primarily due to reduced commodity revenue, as anticipated from stricter trade restrictions on recyclable material globally. As a result, the net cost per tonne and per capita also increased from 2018.

Province	Ontario 2018	Ontario 2017	Ontario 2016	Ontario 2015	YOY Variance %
Cost Performance					
Recycled Tonnes	780,555	822,979	836,227	852,437	-5.2%
Net Cost*	\$299,307,268	\$249,809,925	\$258,540,366	\$263,726,504	19.8%
Net Cost per Tonne	\$383	\$304	\$309	\$309	26.3%
Net Cost per Capita	\$23	\$19	\$20	\$21	-4.5%
P&E Cost per Capita	\$0.61	\$0.56	\$0.64	\$0.58	8.9%
Recycled kg per Capita	59.7	63.5	65.3	66.4	-6.0%

* Net cost includes total supply chain costs, commodity revenues, P&E, regulatory, market development and program management costs.

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 measurable results. Highlights of the work over the last 12 months are summarized below.

Mixed Broken Glass

One of the responsibilities that Stewardship Ontario has in operating the Ontario Blue Box Program is to undertake research and work to improve the performance of the program as well as investigate options to accommodate problematic materials in the program.

Glass has been deemed a problematic material in the Blue Box Program due to its tendency to comeingle with materials during collection and because it breaks easily and can cause quality issues in the recovery and recyclability of other materials. With this in consideration, Stewardship Ontario began piloting an alternative approach to the handling of residential glass in early



2018, which includes obtaining data to measure the effectiveness and efficiency of a separate collection method.

Stewardship Ontario partnered with the Continuous Improvement Fund (CIF) to undertake the segregated residential glass collection pilot project. The purpose of the project is to determine the financial and operational impact of collecting glass segregated from other curbside recyclable streams. This includes looking at aspects like overall costs, resident participation and acceptance, recovery rates, contamination, potential glass value and the impact on other commodity values.

The pilot project was conducted in cooperation with Northumberland County (a fully comingled collection system) and operated from September 2018 until February 2019. The project involved 200 households (two, 100 household collection routes), where residents were given a separate container to set out glass separate from their other recyclables. During the pilot collection period, observations and measurements were made to determine the participation of residents in the project, and the quantity and quality of glass captured.

The results of the pilot project demonstrated that:

- Residents accepted and participated in the pilot project. Most of the residential glass from the residences in the pilot area was set out in the segregated collection system; and
- The glass that was collected through the pilot project was extremely clean with very little contamination in this stream.

The financial analysis of the project indicated that the increase in the operational cost to collect glass as a segregated stream (capital equipment, regular operations, etc.) would be greater than the savings that would be realized through other aspects of the program. A segregated collection for residential glass would result in improved material capture and diversion rates, but the increased cost to the operations would be a prohibitive factor.

Capturing More Materials from Around the Home

In 2019, Stewardship Ontario continued to partner with the CIF to undertake Curbside and Multi-Family Waste Composition Studies. These studies provide insight for both industry and municipalities on what paper and packaging materials residents are actively sorting for recycling. Ten municipalities participated in the studies, with three providing multi-family waste audits and one depot location. The data from these studies provided very important information on the changing mix of materials in the Blue Box stream. This information will be used by both municipalities and industry to plan 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 six Ontario MRFs over two seasons. The data was used to help

determine the overall tonnes of the various Blue Box materials recovered in Ontario each year. Stewardship Ontario allocates material for reported commingled materials based on waste composition data. While Blue Box performance and cost metrics are primarily expressed as weight-based measures, (i.e. tonnes collected as a proportion of tonnes generated, material cost per tonne managed and fee rates per kilogram), understanding the volume of individual Blue Box waste materials is equally as important.

Flexible Film Plastics Pilot Project

To ensure the Blue Box Program keeps pace with ongoing changes to paper and packaging, and continues to improve performance by recovering clean materials for recycling, there is a need to investigate new strategies for collecting materials from the curb. In 2019, this pilot project was in the initial research stage and potential partners were being engaged to solicit feedback on the concept and assist with the development of a plan that will be operationally practical and feasible and provide data to measure effectiveness. The pilot project is anticipated to launch in mid-2020.

There is always a challenge when changes in packaging materials, like flexible film plastics, continually alter the composition of materials found in the waste stream. Flexible film plastic materials cause quality issues for other material streams. It is a growing segment of materials and there is a need to develop methods for its collection and processing to ensure they are captured effectively, recovered and do not affect the quality of other recyclable materials.

The concept of the pilot project is to collect, recover and recycle residential flexible film plastic within a cart-based Blue Box system. The plan for the pilot project is to utilize a method to segregate the flexible film plastic materials,

thereby isolating these materials in the recycling stream. This will allow the materials to be collected within the cart-based system without any loss of the cart collection efficiency, and be readily sorted out of the other recycled materials without disrupting the current MRF operations. This pilot project will also test if segregated collection can result in significant capture and recovery of these materials.

Promotion and Education

Contamination Reduction Campaign

Stewardship Ontario continued to support municipalities’ efforts of reducing contamination in residential blue boxes with its 2019 advertising campaign. The campaign focused on educating residents to rinse dirty containers, and avoid putting organics and other unaccepted materials, such as toys, in their bins.

Campaign results:

- 24,370,041 total impressions
- 8,004 visits to the campaign landing page
- 1,852 radio spots
- 331 GO transit posters
- 2,549 clicks on digital ads
- Ad recall research indicated that 65% of residents recalled hearing or seeing an ad on household recycling or what goes in the recycling bin

A holiday version of the campaign ran in November and December reminding residents that holiday lights and decorations do not belong in their recycling. This campaign generated over 5.9 million impressions.

Social Media

Stewardship Ontario engages residents on Twitter by providing useful recycling tips and reminders. In 2019, Stewardship Ontario’s Twitter posts generated 97,000 impressions.





SECTION 2

2019 MHSW Program Performance

Background

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 Transition Act, 2016*.

Stakeholder Consultation

On April 12, 2018, the Minister of the Environment and Climate Change issued direction to Stewardship Ontario to wind up the Municipal Hazardous or Special Waste (MHSW) Program by December 31, 2020. Upon wind up, materials collected under the MHSW Program will be managed according to an individual producer responsibility framework under the *Resource Recovery and Circular Economy Act, 2016*.

On December 11, 2018, the Minister of the Environment, Conservation and Parks amended the timelines for the wind up of single-use batteries. The waste diversion program for single-use batteries will now cease operation on June 30, 2020.

On July 2, 2019, Stewardship Ontario received further direction from the Minister regarding the wind up of the MHSW Program. The new direction letter amendments are summarized below:

- The program to manage all designated materials except single-use batteries will now cease operation on June 30, 2021 instead of December 31, 2020;
- The program to manage single-use batteries will continue to cease operation on June 30, 2020;
- Stewardship Ontario is to develop a proposal to return surplus funds to Ontario consumers of Municipal Hazardous or Special Material (MHSM) in its proposed Wind Up Plan;

- For MHSM categories whose recovery is managed by Stewardship Ontario, the plan will set out rules governing a fee elimination during the wind up period;
- For MHSM categories that are managed through industry stewardship plans, the plan will include options to return surplus funds to MHSM consumers.

Stewardship Ontario consulted on these topics with stakeholders and submitted a revised Wind Up Plan to RPRRA by the Minister's September 30, 2019 deadline. RPRRA approved the MHSW Wind Up Plan in December, 2019, which returns surplus funds to consumers through the implementation of fee reductions for all MHSW materials. More information can be found at <https://stewardshipontario.ca/mhsw-windup>.

Steward Registration, Reporting & Audit

There were 443 stewards registered with the MHSW Program as of December 31, 2019. In 2019, 1,573 steward reports were received (versus 1,126 reports in 2018).

\$14,479,758 in fee revenue was invoiced in 2019, versus \$19,595,160 for 2018, a decrease of 26.1% due to stewards exiting the program. The 2019 fee revenue was below budget by 10.0% because of stewards exiting the program.

Each quarter, stewards' filed reports are analyzed via a comparative analysis tool which flags inconsistencies quarter-to-quarter on a season-to-season basis. Members of CSSA's National Stewardship Services Team review reports where inconsistencies are flagged and conduct a follow up program.

Stewardship Ontario utilizes a compliance audit framework designed in cooperation with Deloitte LLP and PwC, that was built upon the best

practices from European EPR jurisdictions. The criteria for selecting stewards for comprehensive audits is designed to improve overall confidence in the quality of reporting.

To facilitate administrative harmonization and cost savings, Stewardship Ontario participates in Used Oil Management Association steward audit process. Ten MHSW review cases were executed by UOMA in 2019.

Program Supply Chain

Stewardship Ontario oversees the reverse supply chain (collection, transportation and recycling) of pressurized containers and single-use dry cell batteries. 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. The most up-to-date list of approved service providers can be found at www.stewardshipontario.ca.

The supply chain activities for the other seven materials have been transitioned to ISP operators. As not all stewards transitioned to these ISP's, Stewardship Ontario still has an obligation to provide recycling services on their behalf. As such, Stewardship Ontario has entered into agreements with the ISP's in order to fulfill their obligation for these materials.

In 2019, Stewardship Ontario entered into a new Agreement with Product Care Association (PCA) to continue the cost sharing of their supply chain until June 30, 2021. This date was chosen as it coincides with the wind up of the MHSW Program. It is expected that Stewardship Ontario will enter into a similar agreement with Automotive Materials Stewardship (AMS) in early 2020. Stewardship Ontario's supply chain-related

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.

Stewardship Ontario monitors performance against its service provider standards. Examples of monitoring activities include:

- Service provider reviews, supported by the 'audit checklist' developed in 2018
- On site/event visits on a priority and/or rotating basis
- Audits of materials, service provider and collection sites
- On-site training of municipalities and commercial service providers on program requirements, standards, and reporting changes
- Ensure field network partner issues, desires and goals are communicated and understood and that strategies and plans are appropriately responsive

In anticipation of the Wind Up Plan being approved on December 31, 2019, changes to the current Municipal Agreement were necessary to enable Stewardship Ontario to make payments to communities for materials that will continue under the MHSW Program after June 30, 2020, namely pressurized containers. In the absence of an amendment to the current municipal agreement, Stewardship Ontario will have no mechanism to continue payments after the wind up date for single-use batteries on June 30, 2020 and would be forced to terminate all agreements effective that date.

To solve this problem, Stewardship Ontario issued Amending Agreements to all municipal and First Nations partners on August 16, 2019.

In Q4, Stewardship Ontario followed up with all partners to ensure that signed agreements were received prior to the termination deadline. At the end of the year, Stewardship Ontario had received responses from approximately 85% of all partners. Outreach to those outstanding Amendments will continue in Q1 2020.

Accessibility

The following chart details consumer accessibility by collector type for MHSW in 2019:

Channel - Activity	2019 Actual
Municipal – Depot	88
Municipal – Events	294
Automotive – Commercial Sites*	-
Automotive – Do It Yourself (DIY) Sites*	-
Return-to-Retail (R2R)	30
Battery Incentive Program (BIP)	5,739

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

Program Performance Against Targets

2019 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	322	50%	161	219	68%	58	497	-278
Fertilizers	N/A	N/A	N/A	2	N/A	N/A	4	-1
Oil Containers	646	52%	336	719	111%	383	769	-50
Oil Filters	874	85%	743	876	100%	133	2,396	-1,520
Paints & Coatings	2	77%	2	6	145%	1	8	-5
Pesticides	-	-	-	-	-	-	-	-
Pressurized Containers (Non-Refillable)	792	46%	364	327	41%	-37	318	9
Pressurized Containers (Refillable)	461	98%	452	415	90%	-37	424	-9
Single-Use Batteries	5,950	40%	2,380	3,224	54%	844	2,964	260
Solvents	173	46%	80	16	9%	-63	44	-27

*Annual Target Tonnes of the automotive materials are refreshed and are based on 2019 Supply. Annual Target Tonnes of Paints & Coatings, Pesticides, Solvents, and Fertilizers are refreshed and use the 2019 year-end market share onto 2017 Supply.

**Actual Collection Tonnes of the automotive materials are the reconciled amounts following the guidelines under the Automotive Materials Supply Chain Sharing Agreement between SO and AMS. Actual Collection Tonnes of Paints & Coatings, Pesticides, Solvents, and Fertilizers are the tonnes SO purchased from PCA.

Program Performance Against Targets

2019 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	322	50%	161	219	68%	58	497	-278
Fertilizers	N/A	N/A	N/A	-	N/A	N/A	-	-
Oil Containers	646	52%	336	719	111%	383	769	-50
Oil Filters	874	85%	743	876	100%	133	2,396	-1,520
Paints & Coatings	2	62%	1	1	53%	0	4	-3
Pesticides	-	-	-	-	-	-	-	-
Pressurized Containers (Non-Refillable)	792	46%	364	327	41%	-37	318	9
Pressurized Containers (Refillable)	461	98%	452	415	90%	-37	424	-9
Single-Use Batteries	5,950	28%	2,380	2,773	33%	393	2,549	223
Solvents	173	6%	10	-	0%	-10	0	-

*Annual Target Tonnes of the automotive materials are refreshed and are based on 2019 Supply. Annual Target Tonnes of Paints & Coatings, Pesticides, Solvents, and Fertilizers are refreshed and use the 2019 year-end market share onto 2017 Supply.

**Actual Collection Tonnes of the automotive materials are the reconciled amounts following the guidelines under the Automotive Materials Supply Chain Sharing Agreement between SO and AMS. Actual Collection Tonnes of Paints & Coatings, Pesticides, Solvents, and Fertilizers are the tonnes SO purchased from PCA.

Promotion and Education

The promotion and education on 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.

Website

The Orange Drop website contains a locator tool for consumers to search drop off locations and events by postal code for their Orange Drop materials. The website saw almost 67,000 visitors in 2019, up 13% from 2018.

Advertising

Stewardship Ontario reused its 2018 ad creative to promote proper disposal of Orange Drop materials, as well as the website’s depot locator tool. The campaign ran as digital ads from mid-June to mid-July. Templates were made available for municipalities to customize and use for their own advertising purposes.

Campaign results:

- 150% increase in website traffic compared to 2018 campaign
- 4,363,248 impressions
- 17,178 ad clicks



Partnership with Ontario Parks

Stewardship Ontario continued its ongoing partnership with Ontario Parks and select private parks for the collection of non-refillable pressurized containers. Ontario Parks featured Orange Drop in a blog post on how to safely dispose of pressurized cylinders in their May e-newsletter and on their social media channels.

Results:

- 9,258 page views of the Orange Drop blog post on the Ontario Parks website
- 375 clicks on Orange Drop’s story in the Ontario Parks e-newsletter

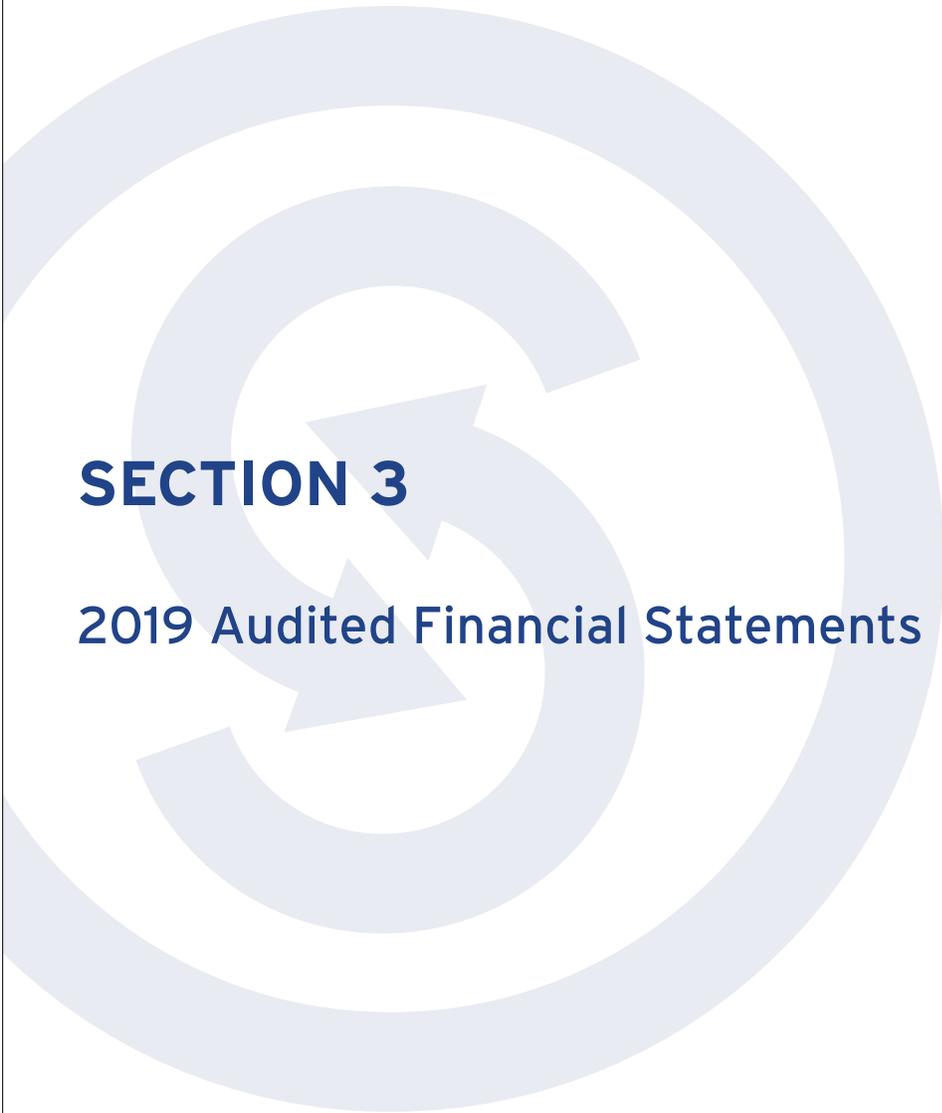
Social Media

Orange Drop’s Twitter and Facebook accounts continued to provide residents with seasonal tips and reminders, as well as promote the depot locator tool and drop off events for AMS and MHSW materials. Twitter and Facebook posts generated nearly 3 million impressions and over 9,600 link clicks. Combined, Orange Drop’s social channels gained 282 followers.

From May to September, Orange Drop focused social media posts to remind residents not to put propane cylinders in their recycling bins.

Throughout the summer months, Orange Drop ran social media contests to encourage engagement, increase following and educate residents on proper disposal of Orange Drop materials. There were 1,386 contest entries.





SECTION 3

2019 Audited Financial Statements

Stewardship Ontario

Financial Statements

For the year ended December 31, 2019

Stewardship Ontario

Financial Statements
For the year ended December 31, 2019

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Independent Auditor's Report

To the Members of Stewardship Ontario

Opinion

We have audited the financial statements of Stewardship Ontario (the "Organization"), which comprise the balance sheet as at December 31, 2019, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 30, 2020

**Stewardship Ontario
Balance Sheet**

December 31 **2019** **2018**

Assets

Current

Cash	\$ 67,890,350	\$ 68,948,190
Investments (Note 2)	23,427,560	18,912,047
Accounts and other receivables (Note 3)	6,200,359	8,286,292
Prepaid expenses and deposits	28,575	26,448

Investments (Note 2)	97,546,844	96,172,977
	40,295,634	42,406,084

\$137,842,478 **\$138,579,061**

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 38,934,147	\$ 39,572,133
Deferred revenue (Note 6)	9,807,566	9,805,560
Continuous Improvement Fund (Note 7)	17,553,275	19,807,154

66,294,988 **69,184,847**

Net Assets

Unrestricted	59,079,476	59,863,684
Internally restricted (Note 8)	12,468,014	9,530,530

71,547,490 **69,394,214**

\$137,842,478 **\$138,579,061**

On behalf of the Board:



_____ Director



_____ Director

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

Stewardship Ontario Statement of Changes in Net Assets

For the year ended December 31, 2019

	Unrestricted	Internally Restricted	2019 Total
Balance, beginning of year	\$ 59,863,684	\$ 9,530,530	\$ 69,394,214
Excess of revenue over expenses for the year	2,153,276	-	2,153,276
Blue Box Program wind-up costs (Note 8)	415,052	(415,052)	-
Blue Box Program net investment income (Note 8)	(3,352,536)	3,352,536	-
Balance, end of year	\$ 59,079,476	\$ 12,468,014	\$ 71,547,490

For the year ended December 31, 2018

	Unrestricted	Internally Restricted	2018 Total
Balance, beginning of year	\$ 23,859,036	\$ 9,530,530	\$ 33,389,566
Excess of revenue over expenses for the year	36,004,648	-	36,004,648
Balance, end of year	\$ 59,863,684	\$ 9,530,530	\$ 69,394,214

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

Stewardship Ontario Statement of Operations

For the year ended December 31	2019	2018
Revenue		
Blue Box program steward fees	\$ 128,700,725	\$ 127,879,724
MHSW program steward fees	14,479,758	19,595,160
Investment income (Note 9)	4,148,345	1,665,818
	147,328,828	149,140,702
Expenses		
Blue Box Program		
Municipal Transfer Payments	121,256,520	118,887,549
Continuous Improvement Fund (Note 12(b))	3,122	23,993
Research and development	146,467	507,437
Promotion and education	412,306	382,925
Program wind-up costs (Note 8)	415,052	-
	122,233,467	119,801,904
MHSW Program		
Direct material costs (Note 4)	11,625,579	12,321,857
Research and development	-	2,387
Promotion and education	52,363	77,929
Program wind-up costs	1,115,583	-
	12,793,525	12,402,173
Common costs		
Program management (Note 4)	7,384,735	7,740,025
Resource Productivity and Recovery Authority (Note 10)	2,763,825	2,566,987
	10,148,560	10,307,012
Total expenses	145,175,552	142,511,089
Excess of revenue over expenses for the year before undernoted item	2,153,276	6,629,613
GST recovery (Note 11)	-	29,375,035
Excess of revenue over expenses for the year	\$ 2,153,276	\$ 36,004,648

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

Stewardship Ontario Statement of Cash Flows

For the year ended December 31	2019	2018
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 2,153,276	\$ 36,004,648
Adjustments to reconcile excess of revenue over expenses for the year to cash provided by operating activities		
Non-cash component of investment income	(903,179)	852,589
Changes in non-cash working capital balances:		
Accounts and other receivables	2,085,933	4,891,497
Prepaid expenses and deposits	(2,127)	4,906
Accounts payable and accrued liabilities	(637,986)	3,140,598
Deferred revenue	2,006	-
Continuous Improvement Fund	(2,253,879)	(3,498,333)
	444,044	41,395,905
Investing activities		
Purchase of investments net of expenses	(1,501,884)	(1,487,130)
Increase (decrease) in cash during the year	(1,057,840)	39,908,775
Cash, beginning of year	68,948,190	29,039,415
Cash, end of year	\$ 67,890,350	\$ 68,948,190

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

Stewardship Ontario Notes to Financial Statements

December 31, 2019

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") 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.

On August 15, 2019, Management received a letter from the Minister of the Environment, Conservation and Parks that directed the Organization to transition the management of the Blue Box Program to producers of plastic and other packaging. The Organization must submit a plan to transition the Blue Box Program no later than June 30, 2020. The Blue Box Program is expected to begin its transition in January 2023 and cease operations by the end of 2025. Corporate wind up is expected to follow the Blue Box Program transition.

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.

Stewardship Ontario Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies - (Continued)

(a) Business Organization and Operations - (Continued)

Management received letters from the Ministry of the Environment, Conservation and Parks ("Ministry") on April 12 and December 11, 2018. Pursuant to Section 14 of the WDTA, the Ministry directed the Organization to wind up the MHSW waste diversion program. The Wind Up Plan was approved by RPRA on January 8, 2020. The single-use battery portion of the MHSW program will cease operation on June 30, 2020 and the remainder of the MHSW program will cease operation on June 30, 2021.

(b) Basis of Accounting

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

(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.

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.

Stewardship Ontario Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies - (Continued)

(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. Significant estimates include estimates of unreported tonnages and collectability of steward fees, accrued post collection costs and the valuation of accounts receivable. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Investments

	<u>2019</u>	<u>2018</u>
Cash held with broker	\$ 471,070	\$ 75,047
Fixed income	63,252,124	61,243,084
	63,723,194	61,318,131
Less: Current portion	23,427,560	18,912,047
	\$ 40,295,634	\$ 42,406,084

Fixed income investments bear interest at 1.70% to 4.65% (2018 - 1.70% to 4.65%) and mature between April 2020 and August 2029 (2018 - March 2019 and January 2026). The increase in market value of investments for the year ended December 31, 2019 amounted to \$1,277,003 (2018 - decrease of \$640,715) which is included in investment income (Note 9).

3. Accounts and Other Receivables

	<u>2019</u>	<u>2018</u>
Blue Box and MHSW program steward fees	\$ 6,535,343	\$ 8,397,428
Other	150,683	190,050
Allowance for doubtful accounts	(485,667)	(301,186)
	\$ 6,200,359	\$ 8,286,292

Stewardship Ontario Notes to Financial Statements

December 31, 2019

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 ended December 31, 2019, the Organization incurred costs of \$5,425,000 (2018 - \$5,300,000) for these services and are included in program management expenses. Included in accounts payable and accrued liabilities as at December 31, 2019 is \$643,519 (2018 - \$501,297) relating to these services.

Certain members of the CSSA board of directors were also members of the Organization's board of directors and accounted for approximately 25% (2018 - 25%) of the Organization's board membership until September 26, 2019. On this date, the Organization introduced a Conflict of Interest Mitigation Plan to ensure independence during the Wind Up of the Organization. There are no longer any shared board members between CSSA and the Organization. Further details are included in Note 1(a).

(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 ended December 31, 2019, the Organization incurred costs of \$1,852,177 (2018 - \$3,507,711) under this agreement which are included in direct material costs for the MHSW program. Included in accounts and other receivables as at December 31, 2019 is \$129,363 (2018 - \$527,368 in accounts payable and accrued liabilities) relating to these services.

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, 2019

5. Loan Receivable

During 2012, the Organization provided a \$1,500,000 convertible five year loan that bears interest at the 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 was 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 had yet to receive the 2017 scheduled payments and, as a result, recognized an allowance for the doubtful loan of \$300,000. As at December 31, 2018, the Organization has received a payment of \$200,000 and, as a result, reversed \$200,000 of the allowance for doubtful loan. As at December 31, 2019, the Organization has received an additional payment of \$50,000 and, as a result, reversed \$50,000 of the allowance for doubtful loan.

6. Deferred Revenue

	<u>2019</u>	<u>2018</u>
Blue Box Program		
Glass Market Development Fund	\$ 666,017	\$ 666,017
MHSW Program		
Deferred revenue	<u>9,141,549</u>	<u>9,139,543</u>
	<u>\$ 9,807,566</u>	<u>\$ 9,805,560</u>

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.

Stewardship Ontario Notes to Financial Statements

December 31, 2019

7. 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 ended December 31, 2019, the CIF spent \$2,623,256 (2018 - \$3,918,862) on continuous improvement activities. The funds held by the Organization for the CIF are included in cash.

8. Internally Restricted Net Assets

	2019	2018
Sustaining Fund	\$ 7,503,635	\$ 3,500,000
Plastic Market Development Fund	4,964,379	4,964,379
Blue Box Fund	-	1,066,151
	\$ 12,468,014	\$ 9,530,530

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.

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.

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, the directors authorized the transfer of the \$1,066,151 balance in the Blue Box Fund to the Sustaining Fund to support the Blue Box Program transition activities and \$415,052 was spent on the Blue Box Program wind-up. In addition, \$3,352,536 of net investment income earned in the Blue Box Program was authorized to be transferred to the Sustaining Fund.

9. Investment Income

	2019	2018
Interest income	\$ 3,138,643	\$ 2,362,705
Dividend income	106,522	155,702
Loss on sale of investments	(171,857)	(13,743)
	3,073,308	2,504,664
Adjustment to fair value	1,277,003	(640,715)
Investment expenses	(201,966)	(198,131)
	\$ 4,148,345	\$ 1,665,818

**Stewardship Ontario
Notes to Financial Statements****December 31, 2019**

10. Resource Productivity and Recovery Authority

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.

11. GST Recovery

In fiscal 2018, a judgment was received in favour of the Organization whereby it was entitled to claim past input tax credits for periods from 2011 to 2017.

12. Commitments**(a) Glass Market Development Fund**

The Blue Box Program Plan is committed to pay \$2,901,525 to a Glass Market Development Fund from contributions from stewards of glass. As of December 31, 2019, the Organization has spent \$2,235,508 (2018 - \$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 6). As of December 31, 2019, approved project funding and related commitments for the CIF amounted to approximately \$15,266,576 (2018 - \$16,264,831) of the total fund balance of \$17,553,275 (2018 - \$19,807,154).

Stewardship Ontario Notes to Financial Statements

December 31, 2019

13. Financial Instrument Risk Exposure and Management

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

(a) Credit Risk:

Financial instruments potentially exposed to credit risk include cash, investments, accounts and other receivables, and loan 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 \$535,667 (2018 - \$401,186).

(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:

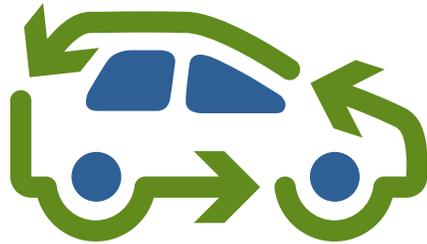
Liquidity risk is the risk that the Organization will not be able to meet its obligations as they come due. The two programs operated by the Organization carry substantially different risks in the ability to forecast and control expenditures. Management has taken steps to ensure that the Blue Box and 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)).

These risks have not changed from the prior year.

**Stewardship Ontario
Notes to Financial Statements****December 31, 2019**

14. Subsequent Events

Subsequent to year-end, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in worldwide emergency measures to combat the spread of the virus. These measures, which include self-quarantine periods, have caused disruption to businesses globally, which are resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time, including measures implemented by governments and central banks. It is not possible to reliably estimate the length or effect of these developments, including the impact on the financial results of the Organization in future periods.



Automotive Materials Stewardship

RPRA Filing on 2019 Program Performance

April 1, 2020





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*.



Dave Fifield
Board Chair
Automotive Materials Stewardship Board of Directors



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Automotive
Materials
Stewardship

SECTION 1

2019 AMS Program Performance



Overview

About AMS

As businesses become increasingly aware of their impact on the environment, so does their desire to take a leading role in producing less waste and ensuring what is produced is recycled and repurposed. Automotive Materials Stewardship was established in early 2016 to represent the interests of Canadian businesses in the automotive sector to create convenient, environmentally sustainable ways for consumers to recycle and repurpose used antifreeze, oil filters and oil containers.

On August 10, 2016, the Waste Diversion Ontario (now the Resource Productivity and Recovery Authority or RPR) Board of Directors approved AMS's Industry Stewardship Plan to manage used antifreeze, oil containers and oil filters in accordance with the *Waste Diversion Act, 2002* (now the *Waste Diversion Transition Act, 2016*). The program officially launched on April 1, 2017. Prior to April 1, 2017, these materials were collected and managed by Stewardship Ontario's Municipal Hazardous or Special Waste program.

AMS is an industry-led and industry-funded non-profit organization, bringing together key players to achieve better recycling performance. Modeled under an Extended Producer Responsibility platform, stewards are responsible for their automotive products sold to Ontarians by paying set fees on the oil filters, empty oil containers, antifreeze and used antifreeze containers they sell in Ontario. AMS then uses these fees to pay for collection, transportation and recycling or repurposing of automotive materials to meet the performance targets included in the ISP.

2019 Highlights

- 165 stewards registered with the AMS program, representing 93% of Antifreeze, 84% Oil Containers, and 90% Oil Filters supplied in Ontario.
- AMS achieved and exceeded all collection and recycling targets third year in a row:
 - Antifreeze – 73%
 - Oil containers – 111%
 - Oil filters – 98%
- 4.3 million impressions resulted from a promotion and education campaign targeting consumers in partnership with Orange Drop.

AMS Guiding Principles

AMS will:

- Act in the best interests of its members, as a collective;
- Use reasonable efforts to carry out obligations diligently and cost-effectively and in compliance with provincial legislation; and
- Exercise skill and expertise in the operation of the AMS program.



Steward Registration, Reporting and Audit

165 stewards were part of the AMS program as of December 31, 2019, and three others had applications in progress.

776 steward reports were received in 2019. \$17,101,879 in fees were invoiced to AMS stewards. These are the fees as stated in AMS's Statement of Operations.

Compliance

Each quarter, reports filed by stewards undergo reviews to flag any inconsistencies quarter-to-quarter on a season-to-season basis. If inconsistencies are flagged then a follow-up program is initiated to confirm or update the reports.

AMS partners with the Used Oil Management Association to execute reviews that address the accuracy of steward reporting. Participation in the national UOMA reviews reduces the expense and administrative burden for the steward community. UOMA hires a third party professional services firm to conduct the reviews. In the event that the reviews reveal errors in steward reporting, AMS works with the steward to ensure corrections to reported quantities and adjustments to fees are made.

Vendor Registration

AMS'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. AMS has entered into services agreements with 23 transporters and 17 processors to provide material management solutions.

Only service providers that are approved by AMS are eligible to perform material management activities. All approved AMS service providers must sign services agreements and adhere to vendor standards, policies and procedures established by AMS. The AMS service provider webpage has 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.



Accessibility

Maintaining convenient and accessible collection sites is critical to achieving consumer participation and maximizing diversion activities. AMS provides financial incentives to its transporters to move material from generation sites to processors for recycling. The transporters are responsible for establishing and maintaining the relationship with the individual collection sites, except in the case of municipalities that AMS contracts with directly. The network is comprised of both public and private collection sites, including quick lubes, automotive dealerships, fleet management companies and industrial sites such as mines and quarries.

Many municipalities and First Nations communities offer collection services to their residents through permanent or seasonal depots or through special one-day collection events. 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 2019:

Channel - Activity	Depots	Events	Return-to-Retail	Automotive Incentive Program
Antifreeze	88	294	900	12,000+
Oil Containers	88	294	903	12,000+
Oil Filters	88	294	960	12,000+



Program Performance Against Targets

Each year AMS must meet certain minimum performance requirements as outlined in the ISP. The performance targets expressed in tonnes for 2019 have been calculated using the quantities supplied to market in 2019 by AMS members. The ISP contains 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.

These factors may be changed from time to time based on market insights and upon approval by RPRA. The factors used for 2019 are listed below the following table. The quantity available for collection is multiplied by the collection target rate (%) to calculate the target expressed in tonnes.

2019 Tonnes Collected

Material Category	Available for Collection*	Collection Target Rate (%)	Target Tonnes**	Actual Collection Tonnes***	Actual Collection Rate (%)	Variance to Target (Tonnes)
Antifreeze	3,840	53%	2,035	2,802	73%	767
Oil Containers	3,400	67%	2,278	3,788	111%	1,510
Oil Filters	8,440	88%	7,427	8,295	98%	869

*Available for Collection is calculated using 2019 Supply

**Annual Collection Target is calculated using 2019 Supply

***Actual YTD Collection Tonnes is net of the sale of performance credits to Stewardship Ontario

2019 Tonnes Diverted

Material Category	Available for Collection*	Recycling Target Rate (%)	Target Tonnes**	Actual Recycled Tonnes***	Actual Recycling Rate (%)	Variance to Target (Tonnes)
Antifreeze	3,840	53%	2,035	2,802	73%	767
Oil Containers	3,400	67%	2,278	3,788	111%	1,510
Oil Filters	8,440	88%	7,427	8,295	98%	869

*Available for Collection is calculated using 2019 Supply

**Annual Recycling Target is calculated using 2019 Supply

***Actual Recycled Tonnes is net of the sale of performance credits to Stewardship Ontario



Promotion and Education

Promotion and education initiatives to support the AMS 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 makes use of the Orange Drop brand and logo under license with Stewardship Ontario. Therefore, Orange Drop is the resident-facing brand when promoting AMS materials.

Website:

The Orange Drop website contains a locator tool for residents to search drop off locations and events by postal code for their automotive materials. The website had almost 67,000 visitors in 2019, up 13% from 2018.

Advertising:

In addition to the collection site locator tool, AMS participated in a joint campaign with Stewardship Ontario to promote the proper disposal of automotive materials. The campaign ran as digital ads in June and July. Templates were made available for municipalities to customize and use for their own advertising purposes.

Measurement:

- 150% increase in website traffic compared to 2018 campaign
- 4,363,248 impressions
- 17,178 ad clicks

Social Media:

Orange Drop's Twitter and Facebook accounts continued to provide residents with seasonal tips and reminders, as well as promote the collection site locator tool and drop off events for automotive materials. Twitter and Facebook posts generated nearly three million impressions and over 9,600 link clicks. Combined, Orange Drop's social channels gained 282 followers.

Throughout the summer months, Orange Drop ran social media contests to encourage engagement, increase following and to educate residents on proper disposal of materials managed under the Orange Drop banner.





Automotive
Materials
Stewardship

SECTION 2

2019 Audited Financial Statements

Automotive Materials Stewardship Inc.

Financial Statements
For the year ended December 31, 2019

**Automotive Materials
Stewardship Inc.**

Financial Statements
For the year ended December 31, 2019

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Statement of Operations	6
Statement of Cash Flows	7
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Independent Auditor's Report

To the Members of Automotive Materials Stewardship Inc.

Opinion

We have audited the financial statements of Automotive Materials Stewardship Inc. (the "Organization"), which comprise the balance sheet as at December 31, 2019, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 25, 2020

**Automotive Materials Stewardship Inc.
Balance Sheet**

December 31	2019	2018
Assets		
Current		
Cash	\$ 3,502,194	\$ 1,791,321
Investments (Note 2)	3,094,505	1,005,830
Accounts receivable (Note 3)	1,166,237	1,225,633
Prepaid expenses	14,791	12,757
	7,777,727	4,035,541
Investments (Note 2)	-	2,011,545
	\$ 7,777,727	\$ 6,047,086
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 3)	\$ 2,210,971	\$ 2,110,944
Net Assets		
Unrestricted	5,566,756	3,936,142
	\$ 7,777,727	\$ 6,047,086

On behalf of the Board:



Director

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

Automotive Materials Stewardship Inc. Statement of Changes in Net Assets

For the year ended December 31, 2019

	Unrestricted	Internally Restricted	Total
Balance, beginning of year	\$ 3,936,142	\$ -	\$ 3,936,142
Excess of revenue over expenses for the year	1,630,614	-	1,630,614
Balance, end of year	\$ 5,566,756	\$ -	\$ 5,566,756

For the year ended December 31, 2018

	Unrestricted	Internally Restricted	Total
Balance, beginning of year	\$ 1,563,557	\$ -	\$ 1,563,557
Excess of revenue over expenses for the year	2,372,585	-	2,372,585
Balance, end of year	\$ 3,936,142	\$ -	\$ 3,936,142

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

Automotive Materials Stewardship Inc. Statement of Operations

For the year ended December 31	2019	2018
Revenue		
Fee revenue	\$ 17,426,508	\$ 16,772,940
Supply chain income (Note 3)	1,852,177	3,507,711
Investment income	163,770	95,956
	<u>19,442,455</u>	<u>20,376,607</u>
Expenses		
Material management costs (Note 4)	15,478,294	15,822,454
Program management (Note 3)	1,816,242	1,805,547
Resource Productivity and Recovery Authority (Note 5)	490,257	365,028
Promotion and education	27,048	10,993
	<u>17,811,841</u>	<u>18,004,022</u>
Excess of revenue over expenses for the year	\$ 1,630,614	\$ 2,372,585

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

Automotive Materials Stewardship Inc. Statement of Cash Flows

For the year ended December 31	2019	2018
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 1,630,614	\$ 2,372,585
Adjustments to reconcile excess of revenue over expenses for the year to cash provided by operating activities		
Non-cash component of investment income	(22,018)	(17,375)
Changes in non-cash working capital balances:		
Accounts receivable	59,396	(670,094)
Prepaid expenses	(2,034)	136
Accounts payable and accrued liabilities	100,027	(653,302)
	<u>1,765,985</u>	<u>1,031,950</u>
Investing activities		
Purchase of investments	(55,112)	(3,000,000)
	<u>1,710,873</u>	<u>(1,968,050)</u>
Increase (decrease) in cash during the year	1,710,873	(1,968,050)
Cash, beginning of year	<u>1,791,321</u>	<u>3,759,371</u>
Cash, end of year	\$ 3,502,194	\$ 1,791,321

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

Automotive Materials Stewardship Inc. Notes to Financial Statements

December 31, 2019

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.

(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

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.

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, 2019

2. Investments

	2019	2018
Fixed income	\$ 3,094,505	\$ 3,017,375
Less: Current portion	3,094,505	1,005,830
	\$ -	\$ 2,011,545

Fixed income investments bear interest at 2.30% to 2.85% (2018 - 2.66% to 2.85%) and mature between April 2020 and October 2020 (2018 - October 2019 and October 2020). Interest income earned on these instruments amounted to \$77,130 (2018 - \$17,375) which is included in investment income in the statement of operations.

3. 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, with automatic one year renewals. During the year, charges totaling \$1,700,000 (2018 - \$1,650,000) were paid to CSSA pursuant to this contract. During the year, CSSA charged \$nil (2018 - \$173,833) for start up costs incurred on behalf of the Organization. These amounts are included in program management expenses in the statement of operations.

Included in accounts payable and accrued liabilities is \$160,444 (2018 - \$155,584) owing to CSSA.

(b) Stewardship Ontario ("SO")

Effective February 2, 2017, the Organization entered into a three year Supply Chain Agreement with SO. The Organization was previously part of the MHSW program in SO. 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 \$1,852,177 (2018 - \$3,507,711) to SO pursuant to this contract. Subsequent to year-end, the agreement was amended to extend the term to June 30, 2021.

Included in accounts payable and accrued liabilities is \$129,363 payable to SO (2018 - \$527,368 in accounts receivable).

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

Automotive Materials Stewardship Inc. Notes to Financial Statements

December 31, 2019

4. Material Management Costs

Material management costs include all costs related to the collection, transportation and processing of materials managed through the program.

5. 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.

6. 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, investments and accounts receivable. Management considers its exposure to credit risk over cash to be remote as the Organization holds cash deposits at a major Canadian bank. Management considers its exposure to credit risk over investments to be remote as the Organization invests in guaranteed investment certificates. 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) 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 in fixed income securities, 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.

(c) 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.

**Automotive Materials Stewardship Inc.
Notes to Financial Statements****December 31, 2019**

7. Subsequent Event

Subsequent to year-end, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in worldwide emergency measures to combat the spread of the virus. These measures, which include self-quarantine periods, have caused disruption to businesses globally, which are resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time, including measures implemented by governments and central banks. It is not possible to reliably estimate the length or effect of these developments, including the impact on the financial results of the Organization in future periods.

Product Care Association Ontario Industry Stewardship Programs 2019 Annual Report

Submitted to:
Resource Productivity & Recovery Authority



productcare.org

Product Care Association of Canada,
180 Attwell Dr., Suite 380, Toronto, ON, M9W 6A9

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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 the Authority includes references to Waste Diversion Ontario 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, 2019 to December 31, 2019.

2 2019 Highlights

There were 15 new steward registrations with Product Care’s Ontario’s Industry Stewardship Plans (the “PCA ISPs”) in 2019. In 2019 PCA held a webinar with PCA members and provided them with program updates as well as updates on the new Ontario waste legislation and ongoing consultations.

By 2019 year end, the collection system for the PCA ISPs consisted of 99 municipal depots, 298 municipal events and 324 non-municipal sites. Excluding program material sold to Stewardship Ontario (SO), the program collected 9,739 tonnes of waste paint, 25.4 tonnes of pesticides, 220 tonnes of solvents and over 26.5 tonnes of fertilizers in 2019. In addition, there were 6,341 tonnes of paint and 1.3 tonnes of solvents recycled in 2019

PCA continued its outreach to non-municipal collection sites (return to retail) soliciting feedback to improve program efficiencies. PCA conducted 3 lab pack studies to inform the 2020 lab pack factors, municipal representatives were invited to observe.

There were 22 municipal depots participating in the Ontario PaintShare (formerly Paint ReUse) program which collected over 22,200 containers (101 tonnes) of paint for reuse.

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

3 Program Performance

2019 target tonnages for paint and for PSF are apportioned between PCA and Stewardship Ontario (SO), therefore the tonnages reflected in table 3.1 are the net quantities retained by PCA (see section 7.2 for further information). SO requested to purchase a fixed number of Paint tonnes for 2019 and PSF tonnes collected were apportioned based on PCA's and SO's respective annual steward market shares.

PCA exceeded the collection target for paint and pesticides in 2019. Solvents did not meet the collection targets which was established in the Final Consolidated MHSW Program Plan. The main factor was the continued reduction of obligated solvents found in the waste stream. There is no collection target for fertilizers.

Almost 1,500 more tonnes of paint was recycled in 2019 vs. 2018, which increased the recycling rate to 68% compared to 53% the previous year.

Product Care continues to search for efficient ways to improve the recycling rate of one gallon hybrid paint cans (plastic cans with metal rims/handles). In 2019 metal paint cans were recycled at the rate of 95% and hybrid paint cans and plastic pails recycled at 51%, and the resulting recycling rate for all paint containers was 82% (by weight). PCA continues to work with several plastics recyclers to improve the recycling rate of hybrid paint cans with paint residues. In 2019 PCA implemented monthly monitoring of paint recycling rates to identify and respond to challenges in a timely fashion.

3.1 2019 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 (2018) Tonnes Collected
Paint	9,272	95%	8,809	9,739	105%	9,926
Pesticides	25	59%	15	26.4	106%	18.6
Solvents	1,180	48%	566	220.3	19%	248
Fertilizers	13	n/a	n/a	26.5	204%	23.3

1. "Actual Tonnes Collected" excludes tonnes sold to SO.

3.2 2019 Program Tonnes Recycled

	F	G	H=G/A	
Materials	Recycling Target Rate	Actual Recycled Tonnes	Actual Recycling Rate	Prior year (2018) Tonnes Recycled
Paint	76%	6,341	68%	4,873
Pesticides	n/a	n/a	n/a	n/a
Solvents	4.8%	1.3	0.11%	2.9
Fertilizers	n/a	n/a	n/a	n/a

2. "Actual Paint Recycled Tonnes" does not include paint collected but not processed in 2019

3.3 PaintShare Program

In 2019 there were 22,204 containers of paint given away to consumers at collection sites participating in the Product Care PaintShare program which represents approximately 101 tonnes of paint and the container in which it is contained. PCA will continue to promote the PaintShare program and monitor its performance.

4 Stakeholder Consultation

4.1 Member Webinar

Throughout 2019, Product Care kept its members updated via the productcare.org website on MHSW transition issues as well as new regulations for Electrical and Electronic Equipment which includes lights. Product Care also held a member webinar on September 11, 2019 providing program updates, as well as information relating to the MHSW transition and new regulations.

4.2 R2R Collection Site Feedback

PCA is in constant contact with all return to retail (R2R) collection sites, to ensure service provider performance and customer service standards are maintained and to identify opportunities for improvement. PCA conducted several on-site R2R visits to confirm R2R service levels and to identify potential improvements to the R2R supply chain. Overall, in 2019, the feedback from R2R sites was positive and constructive. Any issues raised were dealt with immediately. PCA plans to continue communicating with R2R sites and R2R service providers on a regular basis throughout 2020 to ensure the effective performance of the R2R collection system.

5 Supply Chain Update

5.1 Service Provider Set Up

In 2019, 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 2019.

5.2 R2R Transportation and Processing Services

Product Care continued to explore improvements in the R2R supply chain. Product Care worked closely with a major retail chain with regard to the design of a reusable metal collection container for implementation in 2020.

5.3 Audits & Site Visits

In 2019, Product Care conducted activities to monitor supply chain performance, to ensure the accuracy of diversion reports and to verify that program standards and guidelines were followed. Activities included service provider and collection site visits and sampling of metal and plastic can recycling and non-program materials at paint processors.

5.4 Lab Pack Studies

In 2019, Product Care conducted lab pack studies to determine the 2020 Lab Pack Factors following the accepted study methodology. Product Care was provided the sampling data (over 20,000 line items) by the contractor for the study, Immacutec, and analyzed the data to classify obligated and non-obligated materials for each type of lab pack. The lab pack study details and final results, including the calculated 2020 lab pack factors, were reviewed with and accepted by a municipal representative and take effect as of January 1, 2020. The results are listed below:

Lab Pack Type	2020 Municipal Share	2019 Municipal Share	2020 Steward Share	2019 Steward Share
Pesticide	84.84%	89.66%	15.16%	10.34%
Misc. Organics (includes solvents)	94.07%	92.83%	5.93%	7.17%
Fertilizer	91.09%	79.86%	8.91%	20.14%
Aerosols	48.64%	50.80%	51.36%	49.20%

6 Accessibility Update

6.1 PCA ISPs Collection Network

Type	Paint Collection Sites			PSF Collection Sites		
	2019 Annual Target	2019 Actual	2018	2019 Annual Target	2019 Actual	2018
Municipal Depot	145	99	98	175	98	97
Municipal Events	500	298	311	525	298	311
Return to Retail	450	324	320	n/a	n/a	n/a

6.2 Municipal Collection Sites

In 2019 there was one (1) new municipal depot added to the PCA ISP collection system and 13 fewer events compared to the previous year. There were several municipalities with changes (increase or decrease) in the number of events, the most significant being the City of Stratford with 14 less events compared to 2018.

6.3 Non-Municipal Collection Sites

In 2019, Product Care added 11 new Return to Retail (R2R) collection sites to the network, including 7 Home Hardware, 1 Canadian Tire, and 3 Habitat for Humanity stores. Taking into account 7 R2R sites that left the program, there was a net increase of 4 R2R collection sites compared to 2018. PCA continues to discuss R2R expansion with retail chains and individual stores across Ontario.

7 Steward/IFO/ISP Updates

7.1 Steward Transition from IFO to ISPs

There were 15 new PCA members added to the PCA ISPs in 2019. As of the end of 2019 there were 100 paint members, 22 pesticide members, 79 solvent members and 18 fertilizer members registered as participating in the PCA ISPs. Note that some companies are in multiple programs. A list of ISP members is provided in Appendix B.

Throughout 2019, PCA continued to follow up with Ontario paint and PSF stewards who expressed interest in transitioning from SO, the Industry Funded Organization (IFO), to the PCA ISPs as well to recruit stewards that were new to the market.

In addition, PCA regularly 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

For paint, PCA has operated the entire supply chain since July 1, 2015 and for PSF since April 1, 2016.

PCA and SO agreed to extend the cost sharing agreement related to the PSF program operations to the end of 2019. Supply chain costs are apportioned between PCA and SO based on actual PSF steward market share.

PCA does not have a cost sharing agreement with SO for paint. PCA has sold to SO the number of tonnes of paint SO has requested. PCA sold three tonnes of paint to

SO for the 2019 year. In 2019, at the direction of RPRA, SO purchased its market share of paint tonnage collected by Product Care for the period July 1, 2015 to December 31, 2016. At the same time RPRA conducted a reconciliation for subsequent years resulting in minor adjustments.

8 Promotion and Education

In 2018, Product Care Recycling implemented a number of different tactics to raise consumer awareness for Ontario's paint recycling and pesticides, solvents and fertilizers (PSF) recycling programs in accordance with regulatory requirements. The following sections provide details regarding the communication and public education for the program in 2019.

8.1 Program Awareness

In November 2017, Product Care commissioned research firm MarketQuest-OmniFacts (MQO) to conduct an awareness study for the paint and PSF programs in Ontario, polling 1,000 residents, on their knowledge and habits related to recycling these product streams. The survey revealed that 55% of Ontario residents are currently aware of a program in Ontario that recycles paint and 52% are aware of a program that recycles PSF.

8.2 Website

In January 2019, the regeneration.ca website was replaced with the new Product Care website, productcare.org. The new website reflects a refreshed, consolidated brand focused on an improved user experience for consumers, industry and members. Similar to regeneration.ca, the Product Care site includes the following bilingual content for the Ontario paint and PSF recycling programs:

- Recycling locator (a map displaying the recycling locations and drop-off events)
- Recycling locations' hours and operations
- The paint and PSF programs' accepted and not accepted products
- Program member support centre with news and updates
- Consumer videos showing the product management approach for paint
- Other information (e.g. a description of the PaintShare program, frequently asked questions, information about buying and storing paint)

To best identify website activity from Ontario, this section's statistics use three parameters:

- Only traffic from Ontario was considered. All other provinces (and non-Canadian locations) were excluded from data extraction
- Ontario traffic to all sections of the website (news, home page, recycling locator, about, etc.) were included in the analytics
- Traffic between January and December 2019 was considered

2018 Website Traffic Overview:

Metric	Traffic From Ontario Users (includes regeneration.ca [Jan 2019] and productcare.org data [Jan to Dec 2019])
Sessions (Total Visits)	60,494
Returning Visitors (%)	21.4%
New Visitors (%)	78.6%
Average Visit Duration	00:00:50
Average Page Views per Session	2.5

Top Traffic Referral Sources (Q1 – Q4):

Linking Site	Organization	% of ON Referral Traffic
canadiantire.ca	Canadian Tire	37.78%
facebook.com	Facebook	11.76%
ottawa.ca	City of Ottawa	11.26%
london.ca	City of London	6.01%

8.3 Point of Sale (PoS) and Point of Return (PoR) Materials

In 2019, Product Care distributed both PoS and PoR materials as requested by retailers and recycling locations. The following materials are available for reorder through the online order form:

- Rack card
- Poster
- Floor decal

8.4 Digital Advertising and Activities

1. **Google Search Advertising Campaign:** January to December, 2019
 - a. An Ontario-specific search advertising campaign served paint, PaintShare and household hazardous waste ads to provincial residents based on an extensive list of keyword searches relevant to the programs.
 - b. Ontario's ads were the most viewed and clicked out of all Product Care provinces and programs, collectively generating 61,010 impressions and 9,316 clicks.
2. **Facebook Advertising Campaign:** January to December 2019
 - a. Organic Facebook content targeted to Ontarians focused on paint recycling, reuse, special waste and the recycling community in general. In 2019, Ontario had the second largest Facebook audience by province, second only to BC.
3. **Municipal Calendar Advertising:** Paint and PSF recycling ads ran in the largest possible format in all Ontario municipal calendars for municipalities who collaborate with Product Care and have requested support.
4. **CPCA Publication Print Advertising:** An inside cover print ad was featured in CPCA Insight Trade Publication. Seven thousand copies were distributed to industry members.

9 Appendices

9.1 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

9.2 Appendix B – ISP Registered Members

PCA ISP Registered Members	
108787944 Canada Inc	Canpro Decorating products Inc.
1439174 Ontario Ltd dba NLS Products	CANRAD BEAUTY Ltd
3600106 Manitoba Inc o/a Piston Ring	Cansel Survey Equipment
3M Canada Company	CBR Products
Acklands-Grainger Inc	CertainTeed Gypsum Canada, Inc.
AD Fire Protection Systems Inc	Class C Solutions Group, MSC Industrial Supply LLC
Alex Milne Associates Ltd.	Cloverdale Paint Inc.
Alexandria Moulding	Comfort & Stuff imports Ltd
Altrom Canada Corp.	Commercial Oil Company of Hamilton Inc.
Amazon.com.ca, Inc.	COSTCO WHOLESALE CANADA LTD
Avanti Sports Group Inc.	Country Chic Paint
BASF - The Chemical Company	CRC Canada Inc.
Bass Pro Canada ULC	Custom Building Products Canada Ltd
Beauty Systems Group (Canada) Inc.	Darch Fire Incorporated
Behr Process Corp.	Denalt Paints Ltd
Benjamin Moore & Co. Ltd.	Diamond Vogel Paints Inc
Bestbuy Distributors Ltd	Dominion Sure Seal Ltd.
Bolts Plus Inc.	Dow Building Solutions
Brett-Young Seeds Limited / Semences Brett-Young Limitee	Dynamic Paint Products Inc.
Bridgestone Canada Inc, Firestone Building Products Canada Division	Empack Spraytech Inc.
Brock White Construction Materials	Essendant Canada Inc
Cabela's Retail Canada Inc	EVERGUARD COATINGS INTERNATIONAL LTD. cob NIAGARA PROTECTIVE COATINGS
Canadian Auto Stores Ltd	Farrow & Ball Canada Ltd
Canadian Tire Corporation, Ltd.	Fastenal Canada Ltd

PCA ISP Registered Members	
FCA Canada Inc.	Loblaw Companies Ltd
FGL Sports Ltd.	Loop Recycled Products Inc.
General Motors Corporation	LOVELAND PRODUCTS CANADA INC.
GH INTERNATIONAL SEALANTS ULC	Lowe's Companies Canada, ULC
GS Distribution Inc	M G Chemicals Ltd.
Henkel Cda Corp. Consumer Adhesives	Martin & Associates Ind
Henry Company Inc	Michaels Stores Inc.
Hi! Neighbor Floor Covering Co. Limited	Modern Sales Co-op-Auto Sense Parts
Home Depot of Canada Inc	Nawkaw Corporation
Home Hardware Stores Limited	NCH Canada Inc.
Hotz Environmental Services Inc.	Nordstrom Canada Inc
IKEA Canada Limited Partnership	Oatey Canada Supply Chain Services
Ikea Supply AG	Omer DeSerres Inc.
Industrial Choice Supply	Orgill Canada Hardlines ULC
ITW construction products a division of ITW Canada Inc.	PartSource Inc.
Jaguar Land Rover Canada ULC	Patene Building Supplies Ltd
John Deere Canada ULC	Peintures MF Inc.
K-G Spray-Pak Inc	Permatex Canada Inc.
King-O-Matic Industries Limited	Popular Garden Centre
Kleen-Flo Tumbler Industries Ltd.	PPG Architectural Coatings Canada Inc.
KLONDIKE Lubricants Corporation	Prema Canada ULC
Korzite Coatings Inc.	Premier Tech Home & Garden
Kubota Canada Ltd	Princess Auto Ltd.
Lawson Products Inc	PROTEK PAINT LTD
Lee Valley Tools Ltd.	PSC-Power Source Canada Ltd
Les Produits Techni-Seal Inc.	Quikrete Canada Holdings Limited

PCA ISP Registered Members	
Radiator Specialty Company of Canada	The Houtshop Inc.
Recochem Inc.	The Sherwin-Williams Co.
Regional Automotive Warehousing Ltd	Timber Pro Coatings Ltd.
Rochester Midland Ltd	Toolway Industries Ltd.
RONA Inc.	Torcan Coatings Inc.
Rust-Oleum Consumer Brands Canada	Toyota Canada Inc.
S.C. Johnson & Son, Limited	Tremco Canada Division, RPM Canada
Saman Corporation (3777472 Canada Inc.)	UAP INC.
Sansin Corporation	Uline Canada Inc.
Schwartz Chemicals	Valvoline Canada-Div. Ashland Canada
Scotts Canada Ltd.	Volkswagen Group Canada Inc.
Selectone Paints Limited	W.H. Lubricants Ltd.
Sherwin-Williams Canada Inc	Wallace & Carey Inc.
Shrader Canada Limited	WalMart Canada Corp
Solignum Inc.	WD-40 Company (Canada) Ltd.
Solstrand Trading Inc	Wood Essence Distributing
Spar Roofing & Metal Supplies Ltd	Wurth Canada
STIHL Limited	YHD DISTRIBUTORS INC.
Sto Canada Ltd	
Surekiller Products Limited	
Suzuki Canada Inc.	
Tenaquip Limited	

**PRODUCT CARE ASSOCIATION OF CANADA
ONTARIO PAINTRECYCLE PROGRAM AND
ONTARIO PESTICIDES, SOLVENTS AND
FERTILIZERS PROGRAM**

STATEMENT OF REVENUES AND EXPENSES

31 DECEMBER 2019

**PRODUCT CARE ASSOCIATION OF CANADA
ONTARIO PAINTRECYCLE PROGRAM AND
ONTARIO PESTICIDES, SOLVENTS AND FERTILIZERS PROGRAM
Statement of Revenues and Expenses**
For the year ended 31 December 2019

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ROLFE, BENSON LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To: Resource Productivity & Recovery Authority,

Report on the Audit of the Statement of Revenues and Expenses

Opinion

As required by the Waste-Free Ontario Act, S.O. 2016, (C.12 - Schedule 2 (s.30(2(3))))), we have audited the Statement of Revenues and Expenses of the Ontario PaintRecycle Program and Ontario Pesticides, Solvents and Fertilizers Program (the "Statement") as reported by Product Care Association of Canada (the "Association") for the year ended 31 December 2019 and a summary of significant accounting policies and other explanatory information.

In our opinion, the Statement presents fairly, in all material respects, the revenue and expenses of the Ontario PaintRecycle Program and Ontario Pesticides, Solvents and Fertilizers Program for the year ended 31 December 2019 in accordance with Canadian Accounting Standards for Not-For-Profit Associations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the Statement in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter - Restriction on Distribution and Use

This report is prepared on the direction of Product Care Association of Canada's management and the Resource Productivity & Recovery Authority. As a result, the report may not be suitable for another purpose. Our report is intended solely for Product Care Association of Canada's management and the Resource Productivity & Recovery Authority, and should not be distributed to other parties.

Responsibilities of Management and Those Charged with Governance for the Statement

Management is responsible for the preparation and fair presentation of the Statement 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 Statement that is free from material misstatement, whether due to fraud or error.



ROLFE, BENSON LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT - Continued

In preparing the Statement, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditors' Responsibilities

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Statement.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



ROLFE, BENSON LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT - Continued

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Statement, including the disclosures, and whether the Statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Rolfe, Benson LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
17 March 2020

**PRODUCT CARE ASSOCIATION OF CANADA
ONTARIO PAINTRECYCLE PROGRAM AND
ONTARIO PESTICIDES, SOLVENTS AND FERTILIZERS PROGRAM
Statement of Revenues and Expenses
For the year ended 31 December 2019**

	2019	2018
Revenues	\$ 16,064,258	\$ 17,847,687
Program expenses		
Collection	6,248,948	6,127,541
Processing	6,037,856	5,802,928
Transportation	1,963,317	1,908,409
Administration (Note 2(b), (c) & (e))	1,510,962	1,585,075
Regulatory	384,406	293,749
Communications	70,225	42,418
	<u>16,215,714</u>	<u>15,760,120</u>
Excess (deficiency) of revenues over expenses for the year	\$ (151,456)	\$ 2,087,567
Commitment (Note 3)		

The accompanying notes are an integral part of this statement of revenues and expenses.

**PRODUCT CARE ASSOCIATION OF CANADA
ONTARIO PAINTRECYCLE PROGRAM AND
ONTARIO PESTICIDES, SOLVENTS AND FERTILIZERS PROGRAM
Notes to the Statement of Revenues and Expenses
For the year ended 31 December 2019**

1. Basis of Presentation

The Statement includes the revenues and expenses (the “Statement”) of the Ontario PaintRecycle Program and Ontario Pesticides, Solvents and Fertilizers Program (the “Programs”), a segment of the operations of Product Care Association of Canada (the “Association”).

2. Summary of Significant Accounting Policies

The Statement is prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

(a) Revenue Recognition

Environmental Handling Fees are received from members of the Association making sales of designated program materials within the province of Ontario. The Association recognizes these fees as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Environmental Handling Fees revenues are recognized as individual members report and remit them as required by the Association’s membership agreement which is at the end of the month following the reporting period that the designated program materials were sold by the member.

Members are obligated to remit Environmental Handling Fees for all products sold from the earlier of the Program’s start date or the date when the member started selling obligated products. If, for any reason, a member omits reporting and remitting Environmental Handling Fees associated with sold Program products, the Association will recognize those Environmental Handling Fees as revenue when the amounts are determinable by the Association.

(b) Tangible Capital Assets

Tangible capital assets are recorded at cost. The Association provides for amortization using the straight-line method at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. The annual amortization rate is as follows:

Depot equipment	3 years
-----------------	---------

Included in administration expense is \$11,351 (2018 - \$13,223) of amortization expense related to tangible capital assets.

**PRODUCT CARE ASSOCIATION OF CANADA
ONTARIO PAINTRECYCLE PROGRAM AND
ONTARIO PESTICIDES, SOLVENTS AND FERTILIZERS PROGRAM**
Notes to the Statement of Revenues and Expenses
For the year ended 31 December 2019

2. Summary of Significant Accounting Policies - continued

(c) Intangible Assets

Intangible assets are recorded at cost. The Association provides for amortization using the straight-line method at rates designed to amortize the cost of the intangible assets over their estimated useful lives. The annual amortization rate is as follows:

ERP System	5 years
------------	---------

Included in administration expense is \$85,947 (2018 - \$85,947) of amortization expense related to intangible capital assets.

(d) 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 revenues and expenses and disclosure of contingencies included in the Statement. Accounts subject to estimates include revenue accruals, expense accruals, amortization, overhead allocation and processing commitments. Actual results could differ from those estimates.

(e) General and Administrative Expenses - Overhead Allocation

A portion of the total general and the administrative expenses of the Association, net of expense recoveries, has been allocated to the Programs. The allocation of general and administrative expenses to the Programs is determined using the percentage of program specific operating expenses as compared to total operating expenses for all the Association's programs. Included in administration expense is \$969,246 (2018 - \$980,544) of overhead expense which has been allocated to the Programs.

3. Processing Commitment

At year end, the Association had unprocessed program material on hand related to the Programs with an estimated cost to process, transport and recycle of \$322,563 (2018 - \$400,052) which will be incurred in 2020.



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- Cylinders that Escape our Circular Network
- 2019 Program Performance

WELCOME

SodaStream is pleased to present our Annual Report to Resource Productivity and Recovery Authority (RPRA).

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.

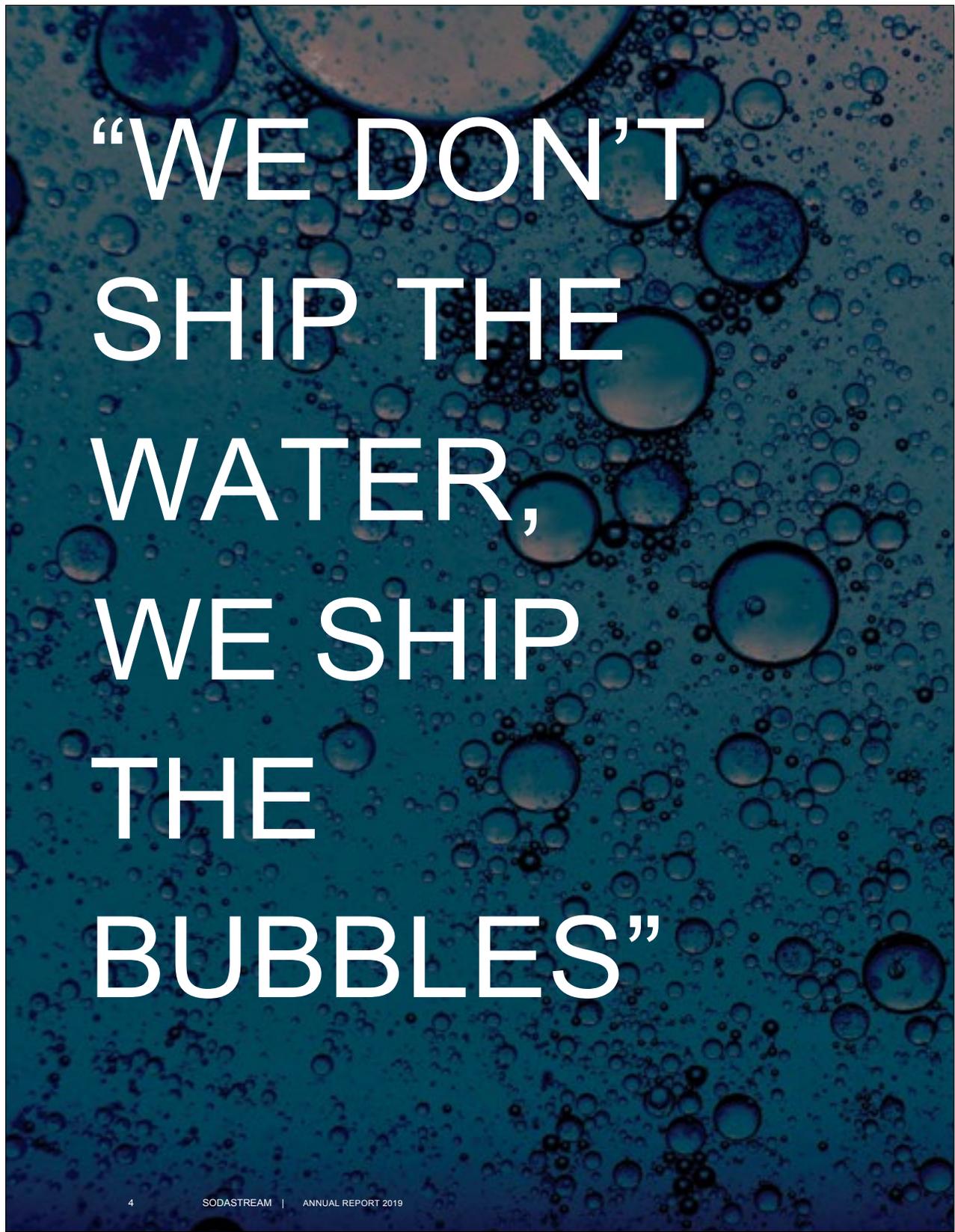
SodaStream has a unique business model that is circular rather than linear, creating the ideal business environment that incorporates the 3R's – reduce the number of cans and bottles, reuse cylinders infinitely, and recycle the cylinders that cannot be refurbished.

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 900 participating retailers in Ontario. These exchanges work in a circular motion for quality testing, refurbishing, and finally refilling or recycling. 2019 also marked a significant milestone for SodaStream Canada with the opening of a new cylinder refilling facility in Mississauga Ontario.

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 SHIP
THE
BUBBLES”

10 APPENDIX D

SodaStream Annual Report (for proprietary CO₂ cylinders)



ANNUAL REPORT 2019 | SODASTREAM 5

SODASTREAM IS THE WORLD'S LARGEST MANUFACTURER, DISTRIBUTOR, AND MARKETER OF HOME CARBONATION SYSTEMS.

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 which 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) and announced the elective 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 2019 calendar year sales and exchange data.

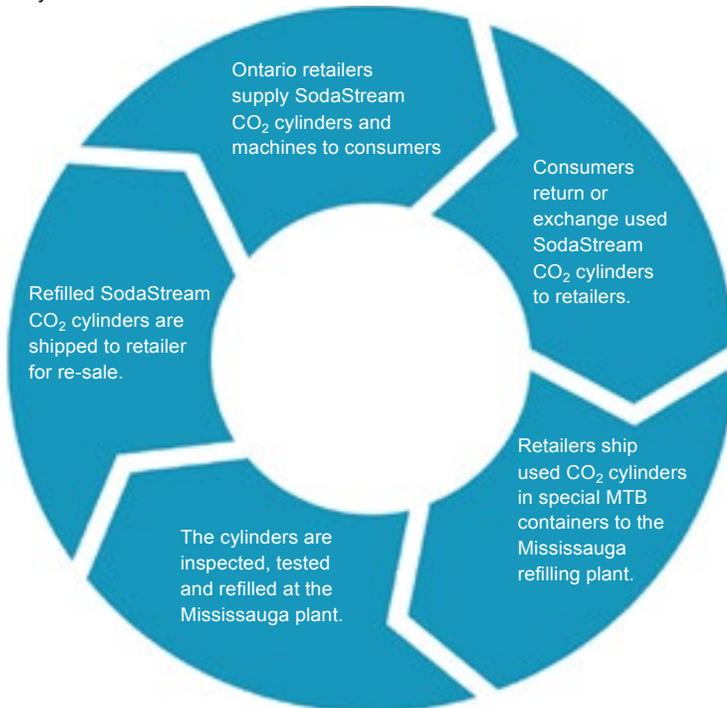
The SodaStream System

The SodaStream system was designed to provide an environmentally conscious alternative beverage. The business model is centered on the premise of a circular return and reuse system, to reduce the number of canned and plastic bottles needed to enjoy sparkling water.

Our circular network is designed to be closed loop, where the usual flow follows the circular flow pictured below.

As illustrated, our cylinders are purchased from our retail partners and our consumers enjoy sparkling bubbles at home. When the cylinder runs out of gas, our consumers can use our user-friendly geo-locator to identify the most convenient location to exchange the used cylinder for a fully charged cylinder with CO₂. The used cylinders are returned by retailers to SodaStream's new refilling plant in Mississauga. The cylinders are tested and refilled with CO₂, then begin their journey again from retailer to customer.

For cylinders that do not pass quality control or are determined to be older than five years, they are sent on the in-house refurbishment process. From this point our cylinders are either refurbished and refilled and returned to the pool or the cylinder cannot be refurbished and it is recycled. The brass and aluminum components are recycled into raw materials. The hallmark of the SodaStream business essentially based on the 3R's – we reduce the number of plastic, glass and canned beverages necessary to enjoy sparkling water and soda at home; our cylinders are virtually infinitely reusable to continue to provide the bubbles; and when the cylinders can no longer be refurbished, they are 100% recycled back into raw materials.



About the New Gas Refilling Centre

- Located in Mississauga at 325B Annagem Blvd., the new SodaStream Gas Filling Centre is 18,500 square feet.
- First day of production in the plant was January 8, 2019
- The facility has created 28 new jobs in Mississauga.
- The refilling centre will eliminate 208 trips between New Jersey and Toronto, reducing travel by 156,000 km.

10 APPENDIX D

SodaStream Annual Report (for proprietary CO₂ cylinders)



REDUCE

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 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.

In early 2019, SodaStream opened its new gas filling plant in Mississauga where the empty cylinders are refilled and sent back out to customers in one consolidated facility. This has the benefit of eliminating over 156,000 km of truck transportation and the reduction in the need of transportation packaging such as shrink wrap and pallets in 2019.



REUSE

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



RECYCLE

SodaStream CO₂ cylinders that do not pass quality control are removed from circulation and are either refurbished and reintroduced into the market, thereby extending their useful life even longer, or the metal components 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.





10 APPENDIX D

SodaStream Annual Report (for proprietary CO₂ cylinders)



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. As our cylinders are pressurized, they are an obligated material under the Ontario 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 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 900 retail locations in Ontario.

The SodaStream website (www.sodastream.ca) is designed to inform consumers on what to do with empty 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 add retail return locations for SodaStream consumers to exchange or return the SodaStream CO₂ cylinders

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, as well as a list of alternative locations, such as service providers, where SodaStream CO₂ cylinders are collected. 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.

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.

4.4

CYLINDERS THAT ESCAPE OUR CIRCULAR NETWORK

One element of the SodaStream Plan 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 or event.

SodaStream continues to work with Terrapure Environmental in Hamilton. Terrapure intercepts CO₂ cylinders that are collected from municipal special waste depot and events from across Ontario and consolidates them for return to SodaStream where they are re-introduced to the cylinder exchange system. To date, Terrapure has intercepted for reuse over 3,500 cylinders from across Ontario since the start of the program.

Our partnership with Terrapure has led SodaStream to renew efforts to engage with other municipalities and service providers across Ontario to capture used cylinders that are not placed into the existing return network. 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.



4.5

2019 PROGRAM PERFORMANCE

While the SodaStream circular network is designed to handle one hundred percent 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 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).



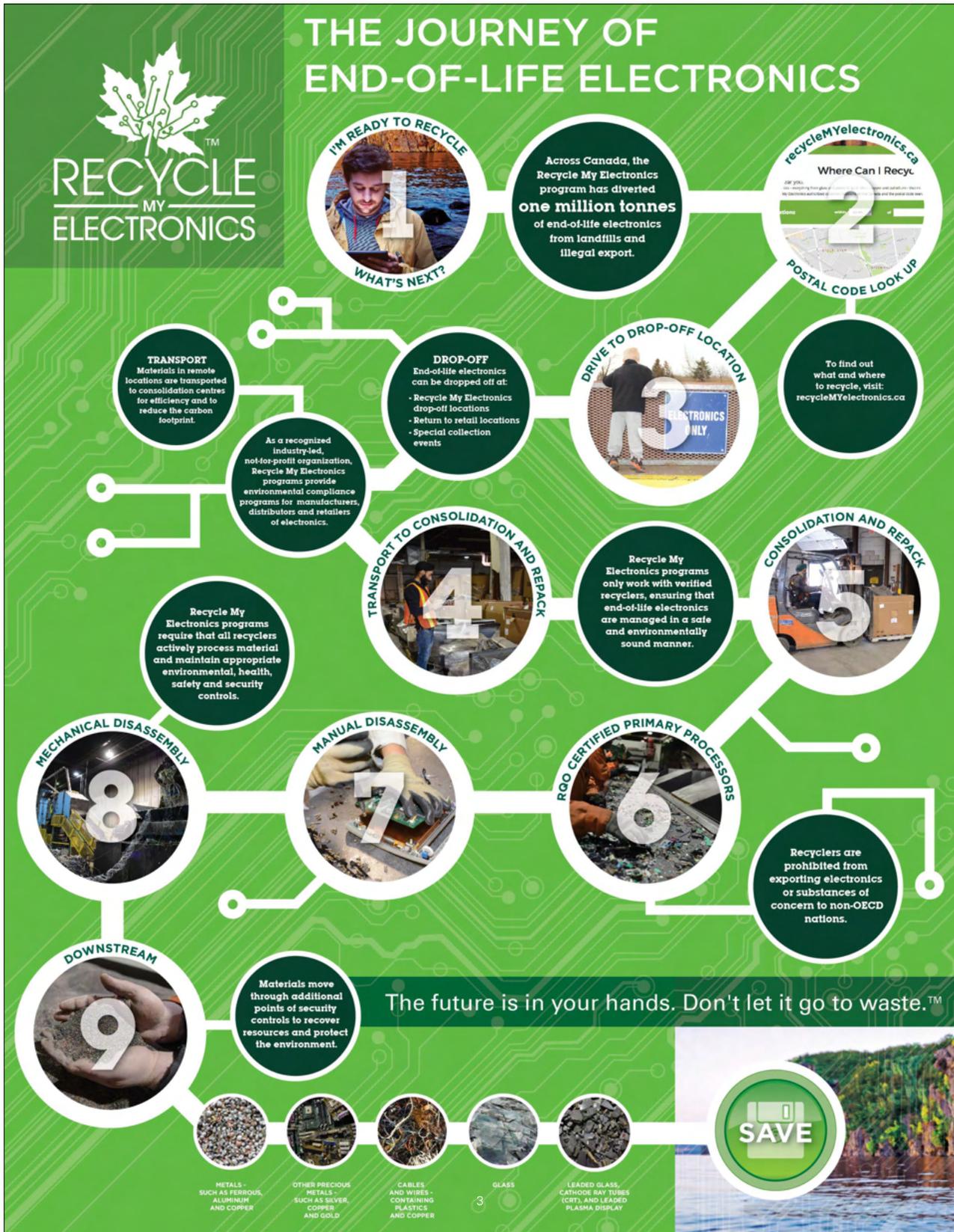






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RECYCLE MY ELECTRONICS

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

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

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

4



1.0 OVERVIEW

Ontarians and Canadians have shown a heightened concern and consciousness for the natural environment and an interest in initiatives that minimize the environmental impact. Since the program's inception, OES has worked diligently in educating the consumer public about the importance of safe and secure recycling of end-of-life electronics and resource recovery.

OES actively works to spread the message about the importance of electronics recycling. Increasing program awareness and accessibility has always been a priority as the program educates residents about the ease and value of properly handling their end-of-life electronics. OES continued to leverage the EPRA/Recycle My Electronics education and awareness materials to successfully increase awareness yet again in 2019 in the OES program. The awareness campaigns and program accessibility continued to translate into the effective return of electronics for safe recycling.

OES has worked hard to responsibly manage the end-of-life electronics recycling program across the province while supporting preparations for a smooth wind up of Ontario Electronic Stewardship operations at the end of 2020.

I would like to acknowledge the hard work of OES, the Stewards, the Service Providers and the continued participation of the public. Together, everyone made 2019 another successful year.

Kyle Hulme
OES Wind Up Program Manager

Increasing Collection & Accessibility:

Accessibility remained a key priority in 2019. OES continues to ensure that people in Ontario can safely and securely recycle their end-of-life electronics, through its growing network of 902 drop-off locations, including community collection events and return-to-retail locations. In fact, 99.5% of the population in Ontario are within 25 km of a drop-off location.

In 2019, 48,124 metric tonnes of end-of-life electronics were collected in Ontario through OES. Approximately 940 metric tonnes were collected this year through community events across Ontario. Since the program's inception in 2009 to the end of 2019, 603,454 tonnes of end-of-life electronics have been safely and securely processed and diverted.

Ongoing Commitment to Recycling Awareness:

OES' communications and outreach strategy continues to focus on communicating the importance of electronic recycling and the ease of doing so. Our messaging around recovery and reuse continues to be shared directly with the public through integrated campaigns and community collection events.

Raising Awareness:

Year over year, OES conducts a Steward Survey to better understand how the program can further support their collection efforts. OES also conducts an annual program awareness survey, which demonstrated a 1% growth in program awareness between 2018 and 2019. Program awareness in 2019 reached 70%.

Increasing Efficiencies:

In 2019, OES was able to further reduce program costs through increased efficiencies. OES continued to operate a stable and financially healthy program, with 84% of total program costs going directly towards material management and collection; and a total cost of \$1,018 per tonne.

Updating Regulations:

The recycling sector in Ontario continues to undergo significant regulatory changes.

In 2016, the Ontario legislature passed the Resource Recovery and Circular Economy Act, 2016 (RRCEA) which creates a new legislative framework for managing waste in Ontario. Current waste diversion programs and related Industry Funding Organizations (IFOs), such as OES, were directed to wind up.

OES Program Wind Up:

As per the direction of the Ministry of Environment and Climate Change, OES will cease operation as of December 31, 2020. The OES Wind Up Plan was approved by the Resource Productivity and Recovery Authority (RPRRA) on August 16, 2019. Until the program ceases operations on December 31, 2020, OES will remain dedicated to running an effective, efficient and convenient electronics recycling program.



1.0 OVERVIEW

The OES Board of Directors as of December 31, 2019 is comprised of the following members:

Nick Aubry, Chair
Sony Canada

Mark Trylinski,
Henry's Camera

Lenore Howarth,
Giant Tiger Stores Ltd.

Ginette Best,
IBM Canada

Steve Long,
Long & McQuade Musical Instruments

Daniel Francisco,
Canon Canada Inc.

OES Management Team as of December 31, 2019:

Kyle Hulme,
OES Wind Up Program Manager



1.0 OVERVIEW

1.1 KEY PERFORMANCE INDICATORS

January - December 2019



KEY PERFORMANCE INDICATORS

Collection

Operational Indicators

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



Total Waste Electronic Equipment collected

48,124

tonnes



Total collected¹
(2018 = 47,711 tonnes)

3.58

kg/capita



Total collected per capita²
(2018 = 3.55 kg/capita)

Access

Accessibility Indicators

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



Collection site coverage and events

99.5%



99.5% of the Ontario population live within 25 kms of a collection depot.
(2018 = 99.5%)



291

Total collection events
(2018 = 318)

902

Total OES collection sites
(2018 = 979)

Awareness

Public Awareness and Industry Participation Indicators

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



Public Awareness and Industry Participation

70%

(increased by 1%)



Percentage of population aware of the program.
June 2019.
(2018 = 69%)

1,026



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

Cost

Financial Indicators

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



Total program costs³

(2018 = \$46,873,833)

\$1,018



Total program costs per tonne
(2018 = \$982)



\$855

Total operation costs per tonne
(2018 = \$828)

\$104

Total administration costs per tonne
(2018 = \$94)

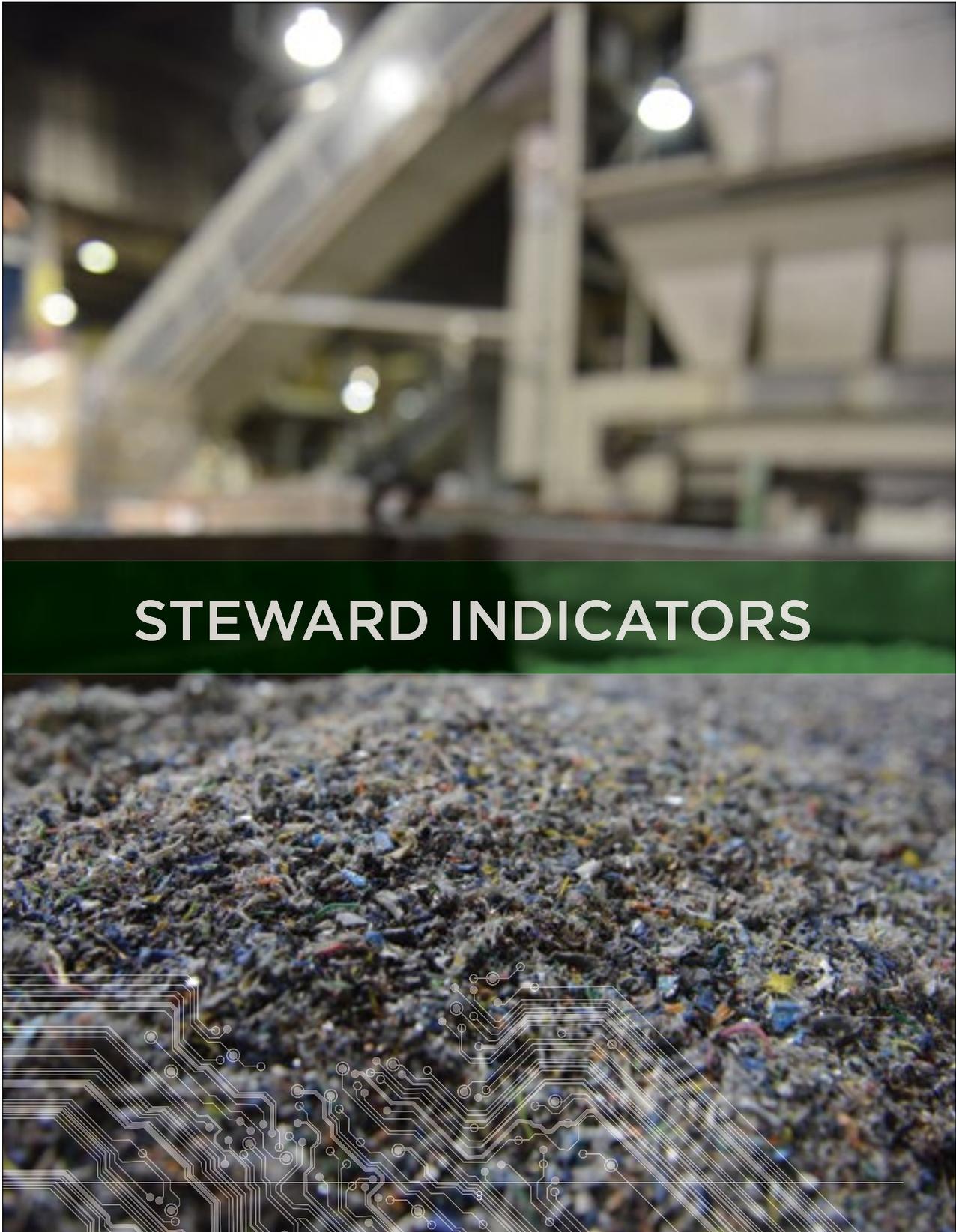
\$60

Total promotion and education cost per tonne
(2018 = \$60)

¹Includes tonnes collected from OES collection sites, OES Processor sites through Processor incentive and Steward self-managed EOLE streams.

²Population calculations based on 2016 Statistics Canada Census Data.

³HST expense, an extraordinary item, is excluded.





2.0 STEWARD INDICATORS

2.1 STEWARD OVERVIEW

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

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.

TABLE 1.0 A - SUMMARY OF STEWARD INDICATORS

2019 STEWARD INDICATORS		
Notified companies since program start	Notified companies during the year	Total Stewards/ Remitters/ Sub-Remitter
5,243	51	
Total units reported	Total fees remitted	1,026
29,141,584	3,490,451	
Active Remitter/ Sub-Remitter Agreements	Cancelled Remitter/ Sub-Remitter Agreements	Total New Agreements
6,302	132	10 Remitter Agreements 10 Sub-Remitter Agreements
Steward Self-Managed Electrical and Electronic Equipment (EEE) Units	Total Kilograms of Waste Electrical and Electronic Equipment (WEEE) Self-Managed	
859,608	190,523 kg recycled 887,161 kg reused/refurbished	





TABLE 1.0 B - SUPPLIED FOR USE IN ONTARIO ACTUAL UNITS

Supply to the Market

Product	2018 Actual EEE Reported (Units)	2019 Actual EEE Reported (Units)
Display Devices	2,207,780	2,283,677
Desktop and Portable Computers	3,489,596	3,710,640
Printers and Peripherals	21,390,756	23,127,562
Floor-Standing Printing/Copying Devices	18,762	19,705

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 Diversion Transition Act 2016.

The section below provides 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 Electrical and Electronic Equipment (EEE) Fees under the Waste Diversion Act (WDA) and the Waste Electrical and Electronic Equipment (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 on the following page. This table captures activities throughout 2019.



2.0 STEWARD INDICATORS

TABLE 2.0 - STEWARDS/REMITTERS

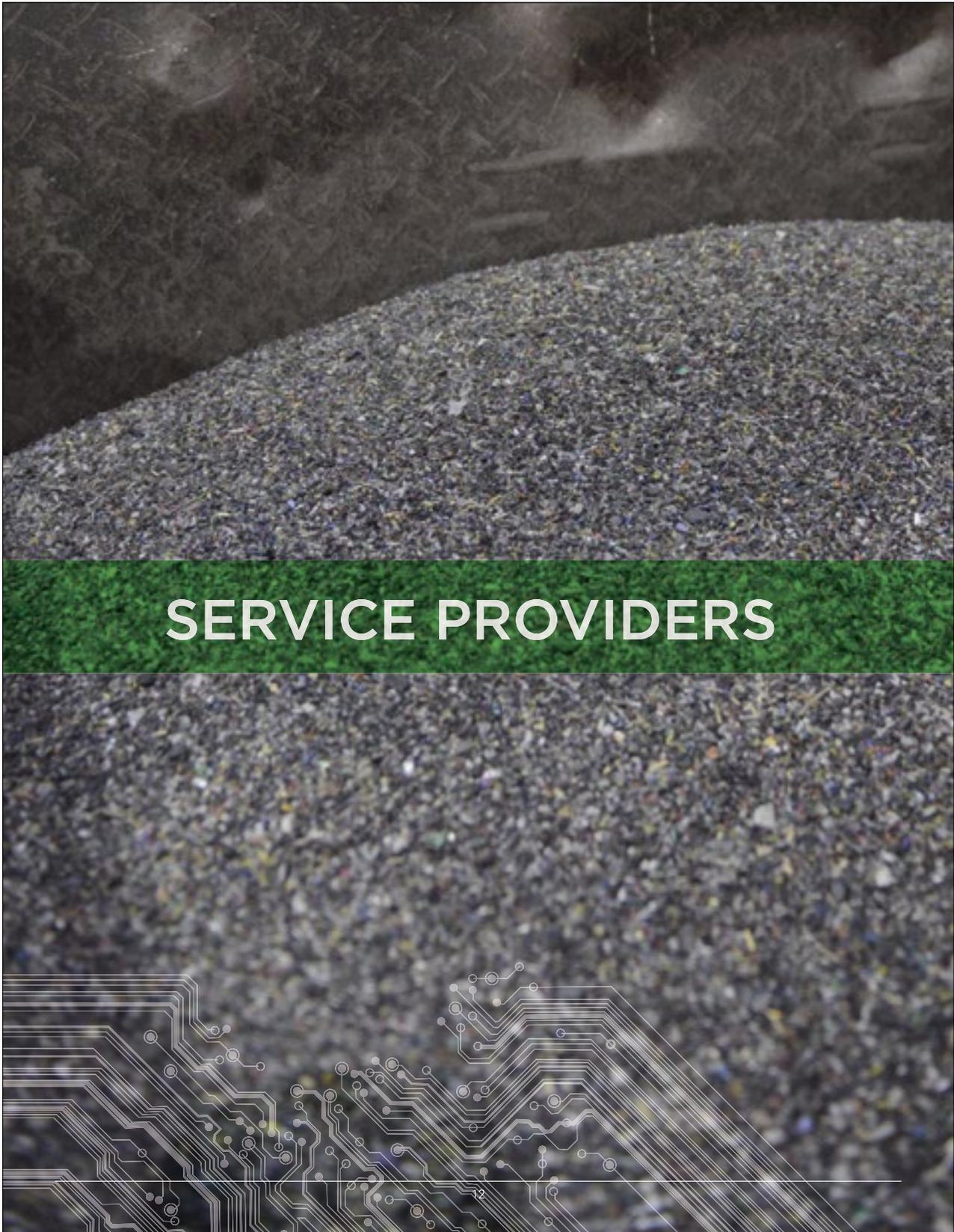
2019 MONITORING & COMPLIANCE

Types of Steward monitoring and compliance activity:

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

2019	Stewards/Remitters
Monitoring & Compliance Actions	
Notification mailers	51
Current quarter status report of notification mailer: declaration - obligated	40
Current quarter status report of notification mailer: declaration - not obligated	11
Outstanding notification mailers issued since program inception	414
Current quarter, notification mailer obligated, late filers	0
Notification mailer, outstanding filers	0
Compliance audits - performed	50
Compliance audits - in progress	11







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 Request For Quotation (RFQ) basis. Under the Processor Incentive Program (PIP), 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	46
OES Primary Processors	10
OES Reuse Refurbishers	23
Consolidation Companies	7
Supplies, Special Services and Re-packers	37

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 on the following page, 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

2019	OES Sites	OES R&R Sites	OES Processors	Generator Sites
Monitoring & Compliance Actions				
Reviews conducted or in progress	306	285	14	278
Downstream reviews conducted or in progress			40	
Default issues		1		16
Suspension				3







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 2019.

TABLE 5.0 - SUMMARY OF ACCESSIBILITY

OES Collector Sites	Actual 2018	Actual 2019
Permanent locations - municipal	390	373
OES collection sites added - municipal	15	18
Permanent locations - non-municipal ⁴	589	529
OES collection sites added - non-municipal ⁴	43	22
Permanent Sites, Net	979	902
Special Event - public/municipal	64	62
Special Event - non-municipal	250	227
OES Round-up	4	2
Total Event Based	318	291
Total Generators	865	886
Total Sites & Events	2,162	2,079

⁴Non-municipal refers to non-municipal sites and does not necessarily mean that these sites are open to the public



4.0 PROGRAM ACCESSIBILITY

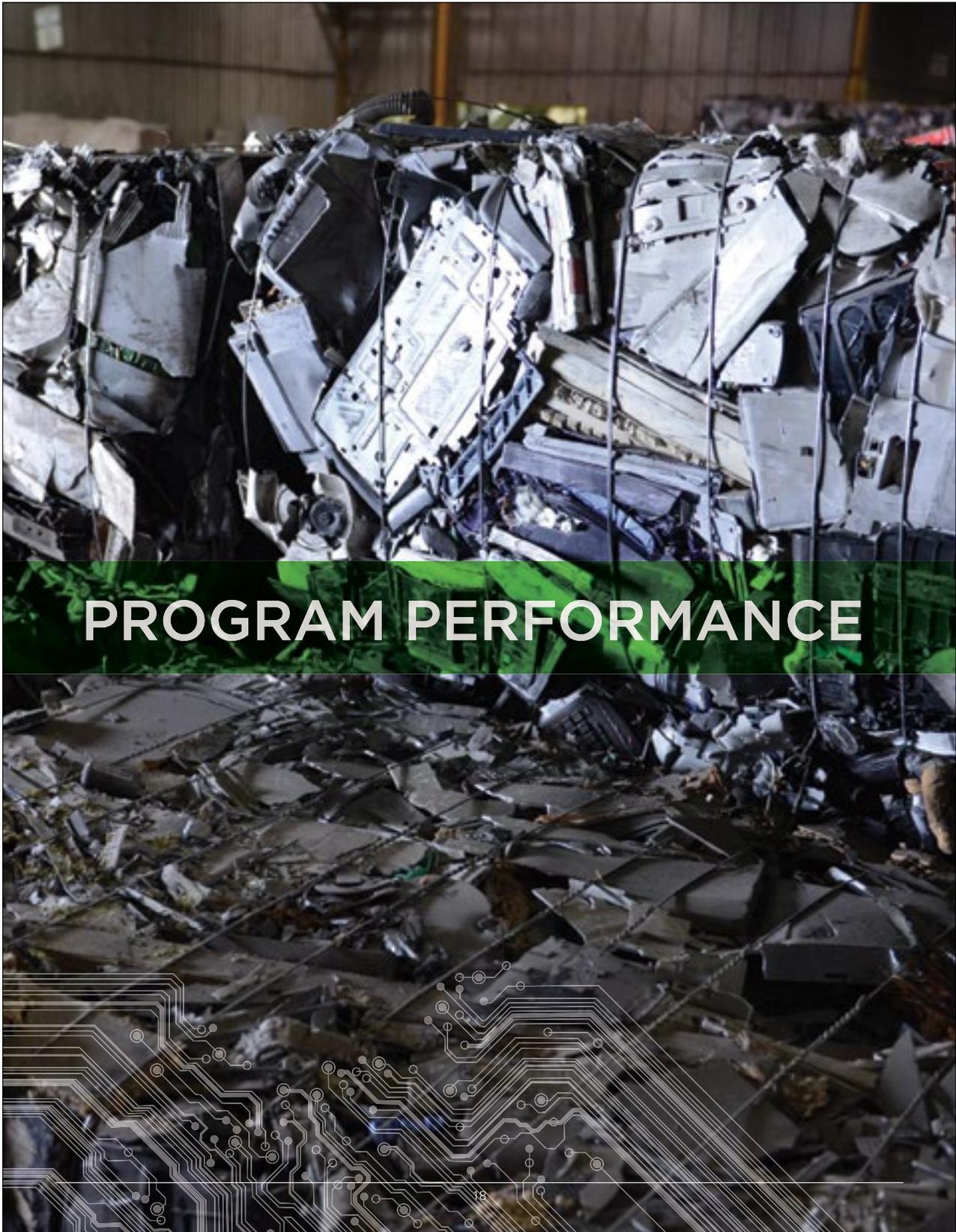
OES commissioned Environmental Design and Management Limited (EDM) in 2019 to measure the program’s accessibility. Outlined in the table below is the breakdown of accessibility by OES, generator collection type and overall program accessibility. EDM’s report found that there is an OES site or affiliated drop-off location within 25 kilometres of 99.5% of Ontarians.

TABLE 6.0 - OES ACCESSIBILITY RESEARCH REPORT

OES Collection Sites ^{5,6}		Generator Collection Sites ^{5,6}		Total Accessibility ^{5,6}	
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	93.8%	10 km	91.2%	10 km	96%
25 km	99.1%	25 km	97.9%	25 km	99.5%
50 km	99.7%	50 km	98.9%	50 km	99.7%

⁵EDM – 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.

⁶The 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.



5.0 PROGRAM PERFORMANCE

OES continued to deliver its accessible and environmentally responsible WEEE diversion program throughout 2019, safely, securely and responsibly diverting 48,124 tonnes of electronics from Canadian landfills in the last year. This represents 3.58 kg collected per Ontario resident in 2019. Since the program's inception in 2009 to the end of 2019, 603,454 tonnes of end-of-life electronics have been processed and diverted through the program.

Effective February 1, 2019, the Ontario Environmental Handling Fee (EHF) was changed to \$0.00. The change to \$0 was a result of tax refunds received by OES following a tax ruling, and, by the virtue of program efficiencies, the surplus is now sufficient to fund the OES operations through to wind up (December 31, 2020).

Throughout 2019, OES has continued to focus on building awareness across the consumer and business sectors by communicating the importance of safe and secure electronic recycling and resource recovery. In 2019, OES continued to utilize Electronic Product Recycling Association's (EPRA) award-winning, consumer facing brand, Recycle My Electronics to elevate the public's awareness about the importance of electronic recycling. From the first year of operations until now, OES has raised the program awareness to 70%, representing an increase of 16% since the first report on awareness in 2009. This is a positive indication that the resources and channels used to promote and educate have worked.

Our WEEE Program Plan reported 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.⁷

For a detailed break out of materials, please see Table 7.0. For a detailed summary of the total recycled material after efficiency rates have been applied. View Table 8.0 on the following pages.

As per the direction of the Ministry of Environment and Climate Change, the Ontario Electronic Stewardship (OES) program will cease operation as of December 31, 2020. Until the program ceases operation, OES is pleased to provide safe, secure recycling for all Ontarians.

⁷The difference between "collection" and "recycling" is material that is not diverted for recycling purposes. This includes materials that are disposed of because of no or low recoverable value (e.g. treated wood from console televisions), recovered in slag but not used for another purpose (i.e. landfilled) and organic materials that are lost in the smelting process (e.g. plastics that are consumed as energy and not recovered).



5.0 PROGRAM PERFORMANCE

TABLE 7.0 - TOTAL COLLECTED

Material Category	2018 Actual Tonnes	2019 Actual Tonnes
Display Devices	22,864	20,765
Desktop and Portable Computers	6,014	6,080
Printer and Peripherals	17,621	19,651
Floor-Standing	1,212	1,628
Total	47,711	48,124
Collection kg/capita ⁸	3.55	3.58

⁸Population calculations based on 2016 Statistics Canada Census Data.

WEEE Collected in 2018 vs. 2019



5.0 PROGRAM PERFORMANCE

TABLE 8.0 - 2019 TOTAL TONNES RECYCLED

EEE Product	Actual WEEE Sent to Processors (Tonnes)	Recycling Efficiency Rate ⁹	Total
Display Devices	18,347	83%	15,228
Desktop and Portable Computers	3,932	86%	3,382
Printer and Peripherals	17,119	86%	14,723
Floor-Standing	1,507	82%	1,235
Total	40,905	84%	34,568

⁹Based on the original model approved in 2009.





REUSE & REFURBISHMENT

5.1 REUSE & REFURBISHMENT

5.1 REUSE & REFURBISHMENT

A total of 23 organizations representing 25 OES reuse sites participated in reuse collection in 2019.

TABLE 9.0 - SUMMARY OF REUSE/REFURBISHMENT ACTIVITY IN 2019

Material Category		2018 Actual Kgs	2019 Actual Kgs
Display Devices	Computer Monitors	529,387	503,505
	Display Devices	506,452	336,186
Desktop Computers		1,210,329	1,506,974
Portable Computers		342,076	292,695
Computer Peripherals		697,854	634,419
Desktop Printing, Copying and Multi-Function Devices		73,787	91,191
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		3,359,885	3,364,970





PROMOTION
& EDUCATION

RECYCLE
MY
ELECTRONICS



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



6.0 PROMOTION & EDUCATION

Promotion and education remain crucial elements of the awareness strategy for the OES WEEE Program. These initiatives support all activities across the program and are essential for informing Ontario residents about the importance of recycling their end-of-life electronics safely and securely. Promotion and education also provide information on safe and convenient drop-off locations.

OES was able to expand on existing media partnerships in 2019. Messaging around resource recovery and ease of recycling electronics remained a primary focus again this year with significant promotion occurring during Earth Week and Waste Reduction Week.

EPRA/Recycle My Electronics brand and materials were again leveraged by OES in 2019 to increase public awareness and engagement in Ontario.

6.1 QUALITATIVE MARKET RESEARCH & PROGRAM AWARENESS

OES commissioned a program awareness survey in 2019. The survey research was conducted among adults living in Ontario. The data is weighted to reflect the adult population of Ontario by region, age and gender. Survey results show that program awareness increased to 70%, representing a 1% growth between 2018 and 2019.

TABLE 10.0 - PROGRAM AWARENESS RESEARCH RESULTS

2019 Program Awareness	18-34	35-54	55+
70%	74%	70%	66%
2018 Program Awareness	18-34	35-54	55+
69%	73%	70%	66%



6.0 PROMOTION & EDUCATION

6.2 PROMOTION & EDUCATION

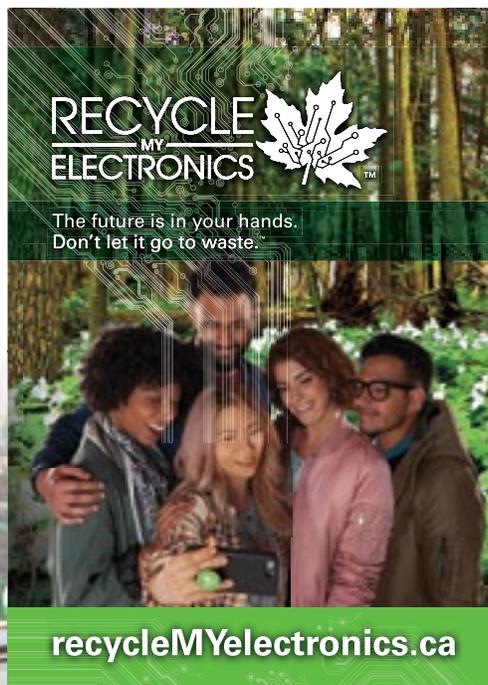
TABLE 11.0 - ACTIVITY OVERVIEW

In 2019, advertising on radio, in print, digital and out-of-home spread the message about the importance of responsible recycling and responsible management of end-of-life electronics (EOLE). Campaign messaging inspired Ontario audiences to find out what and where to recycling their EOLE.

Tactic	Impressions
Radio Advertising	30,198,600
Out of Home (TTC Stations & Go Train)	31,962,800
Digital Advertising	9,111,639
Integrations (Digital)	4,834,411

New Awareness Promotion

GO Train Poster





6.0 PROMOTION & EDUCATION

6.3 DIGITAL MARKETING

EPRA/Recycle My Electronics Website Highlights:

- The total visits to the EPRA/Recycle My Electronics website in 2019 was 416,904; an increase of 42.61% compared to 2018.
- The 2019 percentage of unique visitors has increased by 36.49% when compared to 2018.
- We continue to experience more web traffic from mobile devices (68.75%) than from desktop (31.25%).
- The “Drop-off Locations” page continues to have very high traffic, surpassed only by the homepage.

Ontario Electronic Stewardship Website Highlights:

- The total visits to the Ontario Electronic Stewardship website in 2019 was 44,521; an increase of 12.44% compared to 2018.
- The total unique visitors to the website in 2019 was 35,923; an increase of 8.92% compared to 2018.

TABLE 12.0 - WEBSITE ANALYTICS

recycleMYelectronics.ca/ON			OntarioElectronicStewardship.ca	
Actual Year	2018	2019	2018	2019
Total Visits (Sessions)	292,329	416,904	40,875	44,521
Unique Visits (Users)	224,827	306,874	31,950	35,923
Pageviews	483,119	640,363	87,391	83,729
Bounce Rate ¹⁰	70.49%	60.68%	52.06%	62.69%
Avg. Time on Site	0:59	1:02	1:39	1:29
Visits YoY % +/-	↑ 42.61%		↑ 8.92%	
Unique Visits YoY % +/-	↑ 36.49%		↑ 12.44%	

¹⁰Bounce Rate is the percentage of single-page sessions



6.0 PROMOTION & EDUCATION

6.4 PUBLIC RELATIONS MEDIA PARTNERSHIPS

Overall Media Strategy

For 2019, the media strategy was based on a three-pillar approach:

- Leverage legacy media relationships to further increase awareness of the Recycle My Electronics call to action.
- Maximize a multi-media approach across priority markets to build awareness in places the audience engages in most.
- Employ a digital strategy to reach a targeted audience by leveraging data to increase effectiveness.

Television & Radio

For 2019, additional media partners were added to the TV and radio buy to increase the reach and frequency of the Recycle My Electronics message.

This resulted in increased PR opportunities for Recycle My Electronics, raising brand awareness and understanding of the importance of responsible electronic recycling. Overall there were 13 PR appearances in 2019 – double that of 2018. In 2019, Executive, Lynda Kitamura promoted recycling awareness on the Global TV Morning News and CP24 as well as prominent radio stations in Ontario speaking about the importance of safely and securely recycling electronics.



Integrations

In 2019, OES worked with news outlets to deliver targeted media to an engaged audience. Both the spring and fall campaigns featured articles about electronics recycling that ran in the digital editions of the publication or news outlet. Both campaigns delivered strong metrics. Articles were promoted on the outlet's home page and amplified online and through social media.



6.0 PROMOTION & EDUCATION

6.5 EPRA/RECYCLE MY ELECTRONICS MOBILE CLASSROOM

The EPRA/Recycle My Electronics Mobile Classroom was employed once again as an immersive and interactive way of share the importance of end-of-life electronics recycling with the public. OES used the EPRA/Recycle My Electronics Mobile Classroom as way of taking the end-of-life electronics recycling message directly to the public, raising awareness in a hands-on environment.

Made from a customized shipping container, the EPRA/Recycle My Electronics Mobile Classroom features videos and games, and is specifically designed to educate and entertain visitors about why they should recycle their electronics. As well as being a fully self-contained, mobile information centre, it also serves as a collection bin where visitors can safely and securely drop-off their electronics for recycling.

The Mobile Classroom was set up at a variety of event locations including special partnership events with IKEA, and features on-site event staff to interact with the public and spread the word about the importance of recycling end-of-life electronics.

6.6 COMMUNITY OUTREACH

OES conducted 290 collection events in 2019.

OES facilitated 290 community collection events throughout 2019. Event programming included another successful collection event at Woodside Square and a national expansion of the EPRA/Recycle MY Electronics partnership with IKEA Canada.

Community Collection Events

Woodside Square:

Once again in 2019, OES returned to Woodside Square to hold its Earth Week outreach and collection event. With a focus on the Chinese community, the event featured bilingual signage, bilingual event staff and an on-site radio remote.

It was another successful outreach and collection event, which expanded the messaging on recycling electronics in Ontario.



6.0 PROMOTION & EDUCATION

EPRA/Recycle My Electronics IKEA Tour

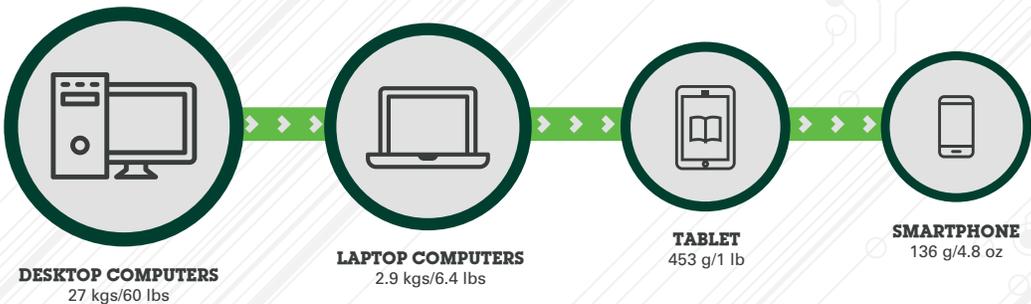
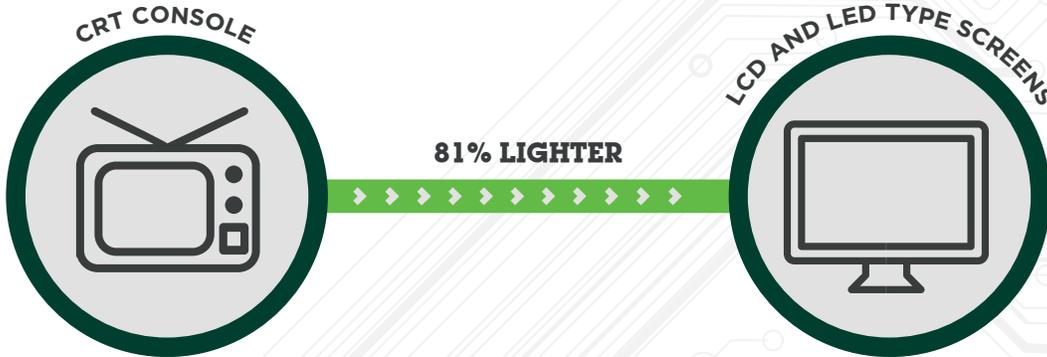
EPRA expanded its national experiential program and partnership with IKEA Canada to host end-of-life electronics collections events across the nation. In 2019, there were five stops in Ontario, including Burlington, Etobicoke, North York, Vaughan and Ottawa.

Event teams were on hand to direct and welcome the public and to assist with the transfer of end-of-life electronics from vehicles into collection bins. The events resulted in increased tonnage as well as raising electronics recycling awareness.



7.0 EMERGING TOPIC REGARDING THE PROGRAM

Light-weighting — the consolidation and miniaturization of products — continues to be a trend in the electronics industry and is proving to be a challenge in terms of accurate program metrics and measures.



OES continues to monitor the light-weighting trend and recommend non-weight-based measures for evaluating program effectiveness. Measures such as public awareness and accessibility are proving meaningful.





Financial Statements of

**ONTARIO ELECTRONIC
STEWARDSHIP**

And Independent Auditors' Report thereon

Year ended December 31, 2019

8.0 AUDITED FINANCIAL STATEMENTS



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 Vaughan Metropolitan Centre
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 Vaughan ON L4K 0J3
 Canada
 Tel 905-265-5900
 Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Members of Ontario Electronic Stewardship

Opinion

We have audited the financial statements of Ontario Electronic Stewardship (the Entity), which comprise:

- the balance sheet as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

8.0 AUDITED FINANCIAL STATEMENTS



Page 3

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

March 24, 2020

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

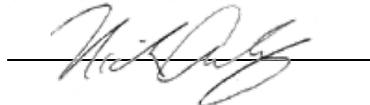
Balance Sheet

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 66,295,166	\$ 73,682,227
Accounts receivable	156,556	41,525,661
Prepaid expenses	109,510	96,139
	<u>66,561,232</u>	<u>115,304,027</u>
Capital assets (note 2)	3,800	10,203
	<u>\$ 66,565,032</u>	<u>\$ 115,314,230</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 5,446,825	\$ 5,500,772
Net assets:		
Invested in capital assets	3,800	10,203
Contingency reserve (note 4)	61,114,407	109,803,255
	<u>61,118,207</u>	<u>109,813,458</u>
Future operations (note 7)		
Commitments (note 8)		
	<u>\$ 66,565,032</u>	<u>\$ 115,314,230</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, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Steward fees	\$ 3,490,451	\$ 51,308,684
Interest	1,930,515	935,756
Input tax credits refund (note 5)	–	60,839,842
	<u>5,420,966</u>	<u>113,084,282</u>
Direct operating costs:		
Material management (note 7)	46,257,304	39,481,503
Other expenses:		
Shared promotion and education (note 6)	2,875,651	2,885,469
Resource Productivity and Recovery Authority administration	1,438,180	1,255,880
Program delivery and administration (note 6)	3,545,082	3,250,981
	<u>7,858,913</u>	<u>7,392,330</u>
	<u>54,116,217</u>	<u>46,873,833</u>
Excess (deficiency) of revenue over expenses	<u>\$ (48,695,251)</u>	<u>\$ 66,210,449</u>

See accompanying notes to financial statements.

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Statement of Changes in Net Assets

Year ended December 31, 2019, with comparative information for 2018

				2019		2018	
	Invested in capital assets	Unrestricted	Contingency reserve	Total	Total		
Balance, beginning of year	\$ 10,203	\$ -	\$ 109,803,255	\$ 109,813,458	\$ 43,603,009		
Excess (deficiency) of revenue over expenses	(6,403)	(48,688,848)	-	(48,695,251)	66,210,449		
Transfer to contingency reserve (note 5)	-	48,688,848	(48,688,848)	-	-		
Balance, end of year	\$ 3,800	\$ -	\$ 61,114,407	\$ 61,118,207	\$ 109,813,458		

See accompanying notes to financial statements.

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (48,695,251)	\$ 66,210,449
Item not involving cash:		
Amortization of capital assets	6,403	5,201
Change in non-cash operating working capital:		
Accounts receivable	41,369,105	(29,047,379)
Prepaid expenses	(13,371)	(14,762)
Accounts payable and accrued liabilities	(53,947)	(278,962)
	<u>(7,387,061)</u>	<u>36,874,547</u>
Investing activities:		
Proceeds from investments	–	15,608,108
Additions to capital assets	–	(11,535)
	<u>–</u>	<u>15,596,573</u>
Increase (decrease) in cash	(7,387,061)	52,471,120
Cash, beginning of year	73,682,227	21,211,107
Cash, end of year	<u>\$ 66,295,166</u>	<u>\$ 73,682,227</u>

See accompanying notes to financial statements.

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Notes to Financial Statements

Year ended December 31, 2019

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.

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

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.

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

Interest revenue is recognized on an accrual basis.

(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.

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(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.

Containers	10 years
Leasehold improvements	Term of lease

(d) 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 revenue and expenses during the year. Significant estimates include accrued material management costs. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Containers	\$ 4,492	\$ 3,669	\$ 823	\$ 1,273
Leasehold improvements	11,535	8,558	2,977	8,930
	\$ 16,027	\$ 12,227	\$ 3,800	\$ 10,203

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$188,294 (2018 - \$684,068), which includes amounts payable for harmonized sales taxes.

4. 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.

5. Input tax credits refund:

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, OES did not qualify for the harmonized sales tax ("HST") input tax credits.

During 2018, a judgment was issued by the Tax Court of Canada entitling OES to claim HST input tax credits. OES submitted claims for HST input tax credits for the period from the inception in 2009 to December 31, 2017 totaling \$60,839,842, including interest on the claimed amounts. Of the claimed amount, \$29,357,388 was received from CRA during 2018. The remaining refund was received during 2019.

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 \$4,632,863 (2018 - \$3,552,535) to EPRA during the year. Included in accounts payable and accrued liabilities is \$1,090,552 (2018 - \$442,072) due to EPRA.

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2019

7. Future operations:

Management received a letter from the 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, which represents substantially all of OES's current operations. On August 16, 2019, RPRA's Board approved the wind up plan. In a letter from the Ministry on April 2, 2019, the wind up date for OES was extended from June 30, 2020 to December 31, 2020.

Included in material management costs, is \$5,125,947 (2018 - nil) of HST on steward fees. As part of the wind up plan, effective February 1, 2019, steward fees were reduced to nil however HST was still calculated and remitted to CRA, based on the steward fee rates in effect immediately prior to February 1, 2019.

8. Commitments:

The Organization has entered into a lease for office premises. Minimum future payments required under the operating lease are as follows:

2020	\$ 82,900
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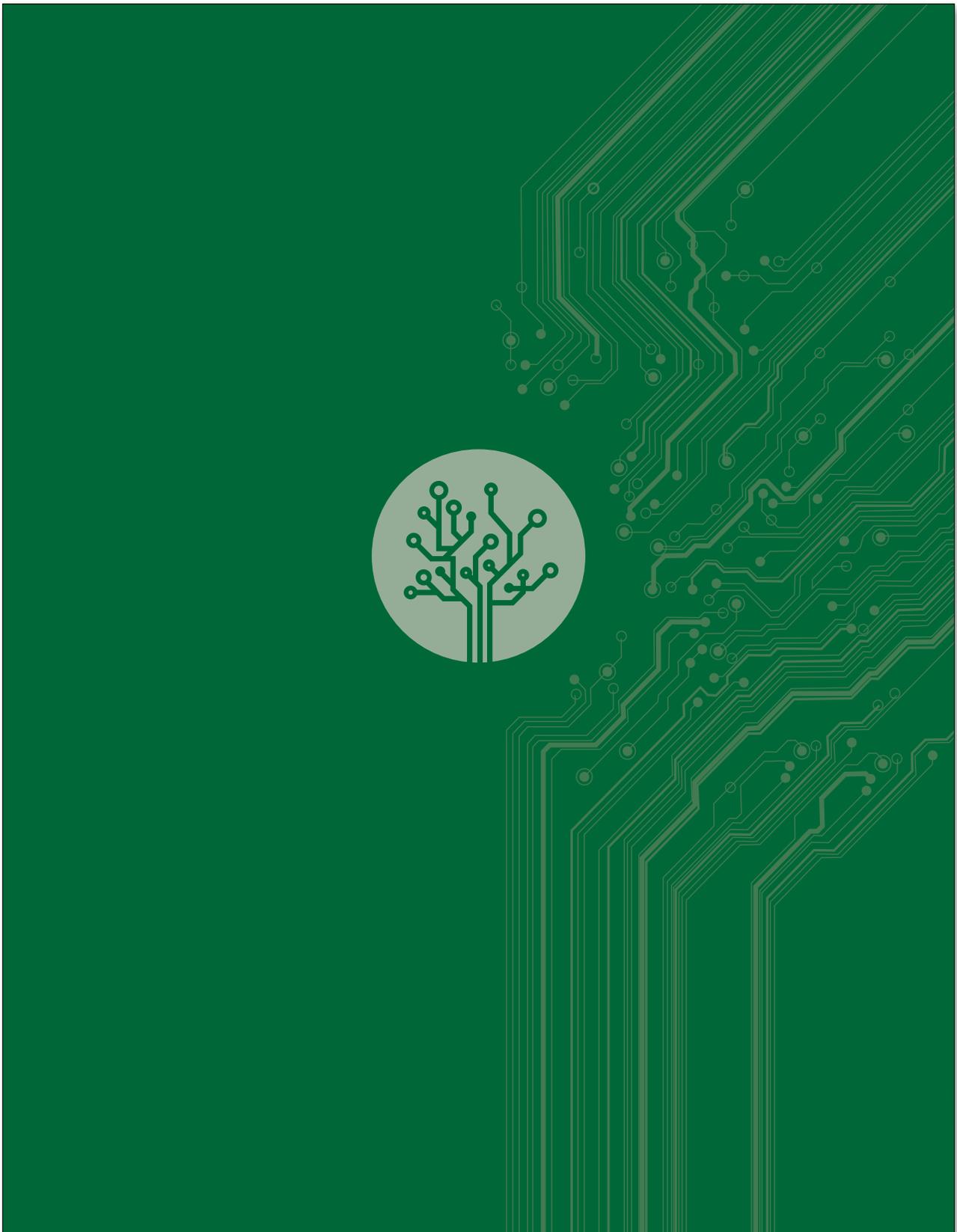
9. Financial instrument risk management:

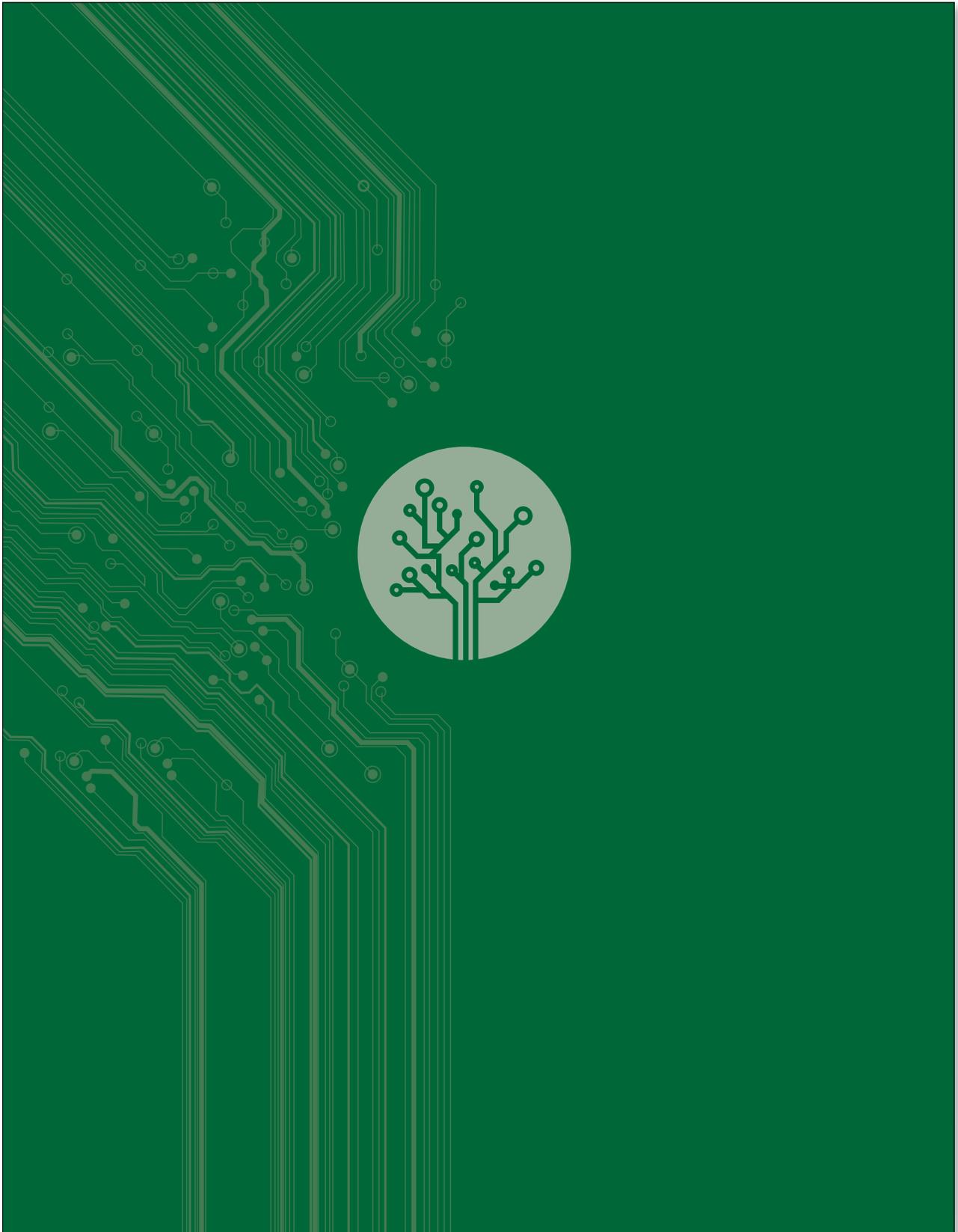
(a) Market risk:

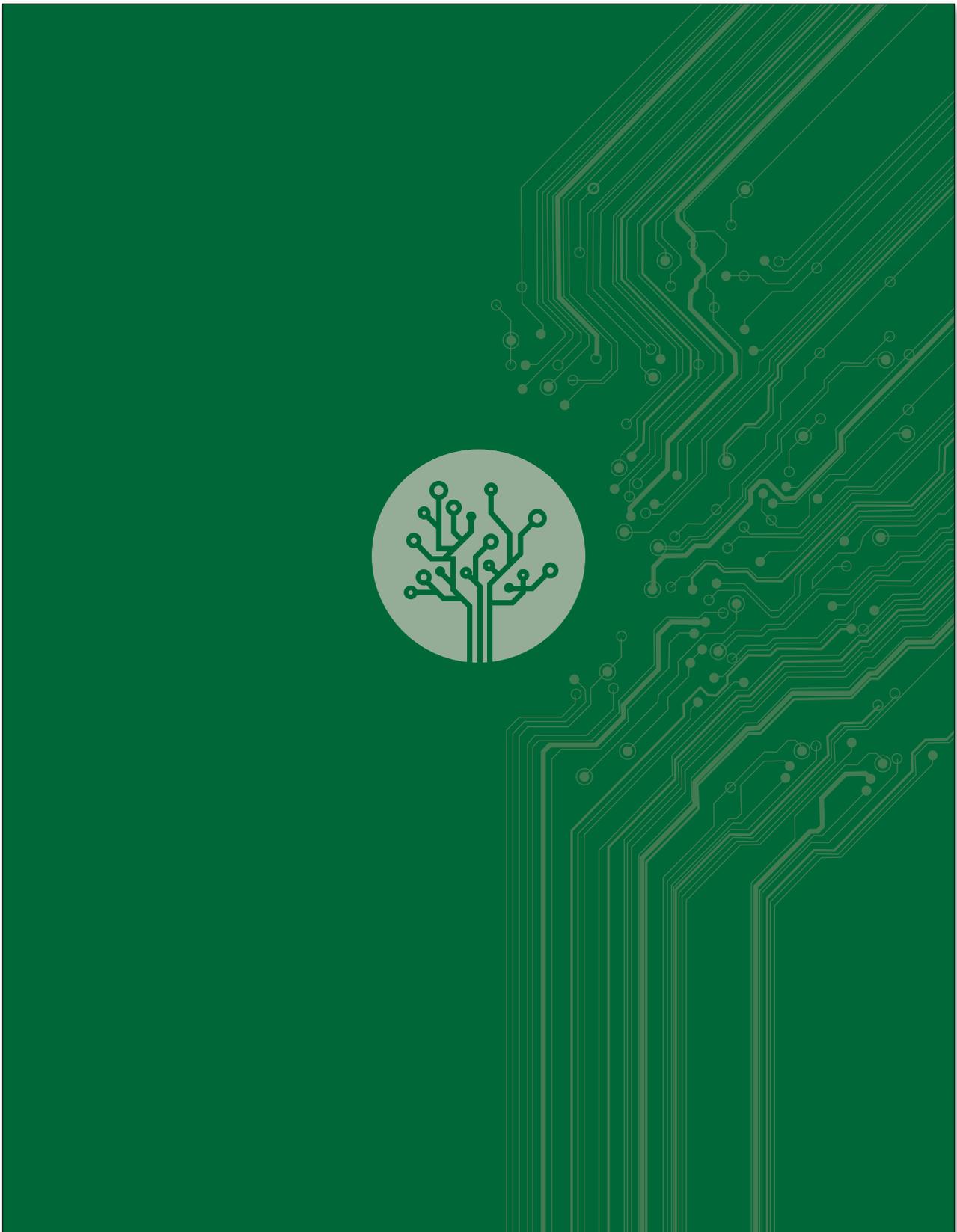
The Organization is exposed to financial risk that arises from fluctuations in the sale of consumer electronic products within the provincial regions in which the Organization operates. This risk is minimized by the corresponding decreases in program delivery and recycling process expenses and by regulation through each regional Department of the Environment. There has been no change to the risk exposure from 2018.

(b) 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 2018.







10 APPENDIX E

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



Ontario Electronic Stewardship

5750 Explorer Drive, Suite 302
Mississauga, Ontario L4W 0A9

For more info call toll free:
1.888.646.1820

ontarioelectronicstewardship.ca

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**ONTARIO TIRE STEWARDSHIP
2019 ANNUAL REPORT**

1. Summary of 2019 OTS Activities

With a program termination date of December 31, 2018, OTS activities in 2019 focused on finalizing arrangements with program participants and implementing steps necessary to shut down operations prior to winding up OTS as a corporate entity.

OTS also received new Ministerial direction in 2019 instructing OTS to amend its wind-up plan (WUP) to establish a program to return surplus funds to consumers. Stakeholder consultations on this issue were conducted in the spring of 2019. Following the resolution of outstanding tax issues with the Canada Revenue Agency, OTS will submit an WUP amendment to the Resource Recovery and Productivity Authority (RPRA) recommending an approach to implement the 2019 Ministerial direction.

A new OTS Administrator, Bruce Campbell, was appointed shortly before the start of 2019 and, as per provisions of the Waste Diversion Transition Act, (WDTA), Mr. Campbell exercised the powers of the former OTS Board of Directors overseeing staff activities and program wind up over the course of the year.

Throughout 2019, OTS continued to work closely with the RPRA in managing implementation of the OTS WUP with adjustments as required to support a smooth transition to tire recycling under the Resource Recovery and Circular Economy Act (RRCEA) legislative framework.

OTS has no tire collection or diversion data to report for 2019 as payments made to service providers for tires collected in 2018 relate to 2018 diversion rates which were reported in the 2018 OTS Annual Report.

Key wind up activities undertaken in 2019 included the finalization of steward supply reports, processing and payment of final service provider incentive payments, transition of the TreadMarks system and the implementation of staff reduction arrangements. Following the resolution of outstanding issues with program participants, which, as per WUP timelines, was largely completed by June 30, 2019, OTS implemented steps to select a program liquidator, dispose of remaining assets and terminate various service provider contracts.

OTS continued to communicate with stakeholders throughout 2019 to ensure transparency in its operations and support a seamless transition to tire recycling under the RRCEA framework.

A description of OTS 2019 operational activities is provided below. Details regarding OTS financials in 2019 can be found in the 2019 Financial Statements attached to this report.

2. Finalizing Arrangements with Program Participants

Stewards

Final steward supply reports related to December 2018 and Tire Stewardship Fee (TSF) payments related to Medium Truck and Off-the-road tires were submitted to OTS by January 31, 2019, with final supply adjustment reports related to the 2018 operating year due by March 1, 2019. OTS completed final account adjustments related to steward supply reports and adjustments for the 2018 operating period by March 31, 2019.

In March 2019, OTS with RPRA approval, issued notices to Off-the Road (OTR Stewards) informing them that based on Input Tax Credits (ITCs) received by OTS from the CRA in 2018, OTS would not be invoicing OTR stewards for any amounts related to the historic OTR deficit (see HST Issues: Off-the Road (OTR) Stewards and the Historic OTR Deficit below).

Service Providers

In 2018, RPRA, in consultation with OTS, approved a number of WUP amendments to deadlines and arrangements related to program incentives to ensure the flow of used tires during the wind up of the program and facilitate a smooth transition to the new regulatory framework under the RRCEA. These changes were communicated to OTS stakeholders in early December 2018 and the arrangements described below are consistent with the amended WUP provisions approved by RPRA.

Collectors

Under the amended OTS WUP, tires collected in 2018 had to be picked up from collectors by haulers by January 25, 2019 to be eligible for a collection allowance. January 31, 2019 was the deadline for tire collectors to submit claims to OTS related to tires picked up in the final quarter of 2018. Tire collectors were required to submit a Q4 tire collection report to be eligible to submit a report for tires collected between January 1, 2019 and January 25, 2019 which was due to OTS by February 28, 2019.

Collection claims received by OTS in 2019 were subject to ongoing program review and verification procedures. By April 30, 2019 OTS had issued final collection allowance claims payments and resolved any related issues.

Haulers

As noted above, haulers had to collect tires from collectors by January 25, 2019 for those tires to be eligible for both collection allowances and transportation incentives (TI). Haulers were required to conduct yard counts for tires in their possession as of January 25, 2019 which were verified by OTS site visits.

Haulers were required to submit requests for transportation incentives for deliveries made to processors in December 2018 to OTS by January 31, 2019. For tires collected by haulers between January 1, 2019 and January 25, 2019, OTS required these tires to be delivered to processors by February 28, 2019. Haulers were required to submit TI claims for any tires delivered to processors in January 2019 to OTS by February 28, 2019. TI claims for any tires delivered in February 2019 were required to be submitted to OTS by March 31, 2019.

By May 31, 2019 OTS had finalized final transportation incentives payments and resolved any related issues.

Processors

Under the amended WUP, processors were eligible for processing incentives (PI) on tires in inventory as of December 31, 2018. Processors were also eligible for PI on tires received by collectors by December 31, 2018 provided certain hauling and delivery deadlines were met.

As part of the wind-up process, processors were required to conduct year-end inventory counts by January 4, 2019. These inventory counts were verified by OTS site visits. Processors were required to include year-end inventory counts as part of their December 2018 claims submissions which were required to be submitted to OTS by January 31, 2019.

February 28, 2019 represented the deadline for processors to receive tires from haulers that had been picked up from collectors by January 25, 2019. The end of February was also the deadline for processors to submit PI claims for tires sold in January 2019.

Processors were required to submit processing incentive claims for eligible tire derived product (TDP) sold in February 2019 by March 31, 2019. April 30, 2019 represented the final date for processors to submit processing incentive claims to OTS and processors were eligible for incentives on both TDP sold in March and unsold TDP processed from eligible tires by March 31, 2019. OTS conducted site visits at all processors at the end of March to confirm TDP inventories that were eligible for processing incentive claims.

By June 30, 2019 OTS had finalized processing incentive payments and resolved any related claims issues.

Recycled Product Manufacturers

Under the OTS Wind Up Plan recycled product manufacturers (RPMs) were eligible for manufacturing incentives (MI) on program tire derived product and manufactured product inventory they had on-site as of December 31, 2018. To verify eligible recycled product manufacturer inventories, OTS conducted site visits with recycled product manufacturers which were completed by January 8, 2019.

January 31, 2019 represented the deadline for RPMs to submit MI claims for products sold in December 2018. February 28, 2019 and March 31, 2019 represented the deadline for RPMs to submit MI claims for product sold in January 2019 and February 2019 respectively.

April 30, 2019 represented the final date for RPMs to submit MI claims for product sold in March 2019. OTS staff conducted physical site visits at RPM locations at the end of March 2019 to confirm inventories eligible for MI incentives.

By June 30, 2019 OTS had finalized final manufacturing incentives payments and resolved any related claims issues.

As noted above, in accordance with projected WUP timelines, OTS had finalized arrangements with program participants by June 30, 2019. All incentive payments and related claims reviews and steward supply report adjustments had been completed and processed.

3. Communication with Program Participants

Throughout the post-termination date wind up process, OTS continued to communicate with stakeholders to increase awareness of key wind up deadlines and dates and support an orderly shut-down of program operations.

OTS issued a final program newsletter to over 7,000 program participants via email on January 15, 2019 outlining program accomplishments and reminding participants of key submission deadlines, dates and processes.

Throughout the operation of the used tire program, OTS conducted quarterly Technical Committee meetings open to all stakeholders to review program issues and provide stakeholders with operational and program updates. The final OTS Technical Committee was held January 30, 2019 and focused on a review of final OTS submission dates and the wind-up process with respect to various program participants.

OTS also updated its website to provide various program participants with a walk through of the final WUP reporting schedules and sent out submission date email reminders to program participants.

With the OTS used tire program terminated as of December 31, 2018, communication with the public in 2019 was limited to website updates which referred visitors to the RPRA website for more information about tire recycling under the RRCEA framework.

4. HST Related Issues and OTS Surplus Funds

Since the submission of the OTS WUP in 2017 a number of developments related to HST issues have affected OTS surplus fund levels.

As noted in the WUP, OTS had accrued an amount related to potential HST payable on OTS transportation incentives between October 2014 to March 2019. On October 16, 2018, the Canada Revenue Agency (CRA) provided a GST/HST ruling and confirmed in its March 6, 2019 letter that HST was not owed on transportation incentives paid to processors which resulted in an approximately \$12.6 million increase to the OTS surplus.

OTS also reserved rights with respect to the outcome of the 2018 Tax Court of Canada case between Stewardship Ontario and the CRA. In a decision released in March 2018, the Court ruled that Stewardship Ontario was entitled to claim input tax credits (ITCs) which had historically been ruled ineligible by the CRA pertaining to the Municipal Hazardous and Special Waste program. This Court decision had favourable implications for the OTS surplus. ITCs of \$30.8 million were allowed by the CRA in relation to transactions from January 2009 to December 2018.

As a consequence of these HST issues, OTS surplus fund reserves in 2019 were larger than those anticipated when the WUP was submitted. However, the ongoing HST and related input tax credit issues under review by the CRA continue to create some uncertainty as to the exact level of OTS surplus funds.

Historic Off-the-Road Tire Deficit

The approved Ontario Tire Stewardship (OTS) Used Tires Program (UTP) Wind-Up Plan (WUP), required the reconciliation of any outstanding historic deficit amounts relating to the Off the Road (OTR) Tire program 2009-2012. At the time of approval of the WUP, OTS forecasted that the remaining historic OTR deficit at the wind-up of the corporation would be approximately \$1.5 million.

Through the development and implementation of the WUP, OTS continued existing measures to pay down the historic OTR deficit to the end of 2018. As a result of these measures, the remaining OTR deficit as of December 31, 2018 was reduced from the amount forecast in the WUP to \$1.195 million.

In consultation with RPRA, OTS made a decision to reconcile the historic OTR deficit by reallocating surplus funds related to ITCs received by OTS in 2018 in relation to the OTR tire category to the PLT category. A notice was issued to OTR stewards on March 29, 2019 that they would not be invoiced for amounts outstanding in relation to the historic OTR deficit.

5. New Ministerial Direction and Surplus Funds

Given the increase in program surplus fund levels referenced above, OTS received new Ministerial direction from the Honourable Rod Phillips, then Minister of Environment, Conservation and Parks¹, to develop an amendment to its wind-up plan on April 2, 2019.

In particular, the new Ministerial direction included the following:

- OTS to establish a program for the return of surplus funds to tire consumers²;
- The amount of the surplus to be returned to consumers should align with the amounts OTS previously charged for the collection and management of used tires while the program was operating, for example, approximately \$4.00 per passenger tire;
- When budgeting for the return of surplus funds to consumers, OTS should ensure there is a prudent amount of surplus remaining for contingencies and final organization wind up of OTS; and
- OTS's amendment to the wind-up plan should set out what will happen with any residual funds after the program to return surplus funds is concluded and OTS has finished its financial reconciliations.

Following receipt of the new Ministerial direction, OTS, through correspondence with the Minister, indicated that the amount of the surplus held by OTS was still subject to a CRA review of HST returns extending back to May 2015.

Consequently, the timeframes associated with the April 2, 2019 Ministerial direction for OTS to submit an amendment to its plan were amended by the Minister on June 19, 2019 and OTS was instructed to design an amendment to the approved WUP that would provide flexibility so that it can utilize as much of the surplus funds as possible for the benefit of Ontario consumers.

Following receipt of the new Ministerial direction, OTS reviewed options to return surplus funds to consumers with stakeholders in April and May of 2019. OTS held one on one meetings with a number of associations representing OTS participants and conducted two webinars open to the public and all program participants on May 7 and May 9, 2019. These sessions attracted approximately 100 registrants.

¹ Minister Phillips was appointed as Minister of Finance in July 2019. The Honourable Jeff Yurek was appointed Minister of Environment, Conservation and Parks at the same time.

²The OTS WUP approved by RPRA indicated that any excess funds that remained in the program following the completion of all outstanding financial obligations would be allocated to stewards based on their contributions to those funds over the final three years of the program.

Incorporating feedback from stakeholders and consultation with RPRA, OTS developed a recommended approach for returning surplus funds to consumers, assuming that the surplus amount is material.

OTS has developed a draft amendment to the OTS WUP for submission to RPRA, however, a number of tax issues with CRA remain outstanding and submission of the amendment is pending the outcome of those issues and determination of the exact amount of available surplus funds. It is also important to note that the amendment to the WUP will not be finalized until such time RPRA has engaged with its own consultations with stakeholders and granted approval, with any conditions RPRA determines are appropriate.

6. OTS Intellectual Property and Transition of the TreadMarks

Management of the OTS website, domains, Twitter, YouTube and Mailchimp accounts were transferred to RPRA in the second quarter of 2019. The administration of the Facebook account was transferred to RPRA in the third quarter of 2019.

With respect to the TreadMarks reporting system, OTS continued with steps to facilitate the transition of the TreadMarks system to new users under the RRCEA framework. Interested parties were provided with generic copies of the TreadMarks system in 2018 along with sessions providing technical information on system requirements and customization. OTS executed five different system licensing agreements permitting RRCEA participants to utilize and modify generic versions of the TreadMarks system for their own purposes.

Haulers and processors were also permitted to retain iPads issued by OTS for operation under the new tire recycling system. To facilitate transition of the iPads, OTS shut down TreadMarks briefly in March and facilitated iPad resets to be implemented on May 8, 2019 (after final reporting deadlines for the OTS program had been passed.)

OTS anticipates transferring all Intellectual Property (IP) rights to the TreadMarks systems to RPRA prior to dissolution of OTS as a corporate entity. This includes all rights in the software, database, documentation, website and trademarks.

The Shaw Bench IP has also been assigned to FIG40 Incorporated on June 26, 2019 as outlined in the WUP.

7. Data Destruction and Transfer to RPRA

Under the WUP, OTS is obligated to transfer program data to RPRA and manage and destroy any data not transferred to the RPRA in a manner that protects stakeholder information. OTS worked with RPRA throughout the wind-up process and establishment of tire recycling under the RRCEA to provide RPRA with historic program data necessary to support RPRA functions under the RRCEA.

In 2019, OTS compiled all electronic program data, including employee emails, into Dropbox folders prior to scrubbing computers of such data prior to their disbursement. OTS electronic Dropbox data will be transferred to physical hard drives to be provided to RPRA once the liquidation is completed.

With respect to hard copies of OTS documents, approximately two hundred and twenty banker boxes containing OTS documents were transferred to an offsite storage facility prior to the closure of OTS's physical office space (see Other Wind Up Steps below). The inventory control sheet for this data will be transferred to the liquidator and subsequently transferred to RPRA at the end of the liquidation.

8. Human Resources

OTS entered the wind-up process with 34 full time positions. While some staff attrition occurred, in early 2019 OTS required a full complement of employees to process program transactions and finalization of operational functions.

Many OTS employees were laid off at the end of March 2019 with additional employment terminations implemented over the next three months. By June 30, 2019, OTS retained a three staff team to manage remaining operational functions.

To assist staff in career transition, OTS retained a human resource firm to provide counselling and job search support to all staff that had their employment terminated. In addition, OTS worked in conjunction with other organizations to find new employment for employees where possible with some former-OTS staff joining RPRA and new Producer Responsibility Organizations.

9. Other Wind Up Steps

In the fall of 2019 OTS staff completed a number of other wind-up functions. Termination arrangements were made for OTS support service contracts.

The lease for OTS offices ended as of December 31, 2019 and all remaining physical assets were removed and disposed of.

Existing OTS staff are scheduled to end their employment by March 31, 2020 following the appointment of Grant Thornton Limited.

10. Selection of the OTS Liquidator

As per the WUP, OTS began arrangements to select a liquidator by issuing an RPP on July 29, 2019 for liquidation services to wind up the affairs of the corporation.

The Liquidator is anticipated to perform a number of functions, including:

- To oversee the execution of a return of surplus funds to consumers if approved by RPRA;
- To take possession of and review the books and records of OTS, to ascertain the property, all liabilities and obligations of OTS;
- To file any required HST and other tax returns with the CRA;
- To take any remaining steps necessary to transition source code to the RPRA regarding the TreadMarks system;
- To arrange for the final transfer of any OTS data to the Authority and complete the destruction of any remaining OTS program data as required by the WUP;
- To conduct any further financial arrangements necessary to the operation and wind up of the program;
- Following the liquidation of all OTS assets and fiscal obligations, the Liquidator will:
 - o Distribute any remaining residual funds in accordance with RPRA approvals;
 - o Submit a report to the Authority providing a final accounting of all receipts and disbursements made by the Liquidator;
 - o Prepare and submit a final report pursuant to section 14(20) of the WDTA; and
 - o In consultation with the Authority, initiate steps to wind down and terminate OTS as a corporate entity.

Under WDTA regulations, which modify Corporations Act provisions related to the appointment of a liquidator, the liquidator is appointed by the program Administrator but must also be approved by RPRA. As such a committee comprised of OTS and RPRA representatives reviewed the RFP applicants in September 2019. Based on the advice of the committee the Administrator selected Grant Thornton Limited to act as OTS liquidator and this decision was approved by the RPRA Board in September 2019. Grant Thornton Limited assumed formal legal responsibilities as the OTS liquidator on March 16, 2020.

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP
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Tel 905-265-5900
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Ontario Tire Stewardship/Société de Gestion des Pneus Usagés de l'Ontario (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

February 26, 2020

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

Statement of Financial Position

December 31, 2019, with comparative information for 2018

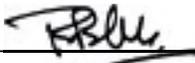
	2019	2018
Assets		
Current assets:		
Cash	\$ 43,025,990	\$ 40,965,955
Accounts receivable	2,165,299	25,104,969
Prepaid expenses	31,382	55,707
	<u>45,222,671</u>	<u>66,126,631</u>
Capital assets (note 2)	–	699,787
	<u>\$ 45,222,671</u>	<u>\$ 66,826,418</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 106,040	\$ 16,250,482
Other liabilities	380,314	1,734,713
	<u>486,354</u>	<u>17,985,195</u>
Net assets:		
Unrestricted	39,169,843	29,934,223
Internally restricted:		
Wind-up expense reserve fund	5,566,474	18,907,000
	<u>44,736,317</u>	<u>48,841,223</u>
Commitments (note 6)		
	<u>\$ 45,222,671</u>	<u>\$ 66,826,418</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Administrator
Bruce B. Campbell

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

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Interest income	\$ 779,346	\$ 703,430
Tire steward fee penalties	24,369	124,008
Steward fees	16,477	53,534,351
	820,192	54,361,789
Expenses (recovery):		
Operational costs:		
Processor incentive	3,874,612	19,487,722
Transportation incentive	2,513,201	17,532,248
Manufacturing incentive	340,737	6,606,513
Promotion and communication	87,880	1,278,878
Collection allowance (recovery)	(76,443)	8,462,725
Research and development	–	1,155,272
	6,739,987	54,523,358
Administration:		
Program management	2,899,402	6,140,425
Office and general	1,961,207	2,656,761
Bad debt	513,891	62,562
Professional fees	282,672	358,008
Recovery of harmonized sales tax input tax credits (note 5)	(7,472,061)	(19,123,038)
	(1,814,889)	(9,905,282)
	4,925,098	44,618,076
Excess (deficiency) of revenue over expenses	\$ (4,104,906)	\$ 9,743,713

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, 2019, with comparative information for 2018

			2019	2018
	<u>Internally restricted</u> Wind-up expense reserve fund (note 4)	Unrestricted	Total	Total
Balance, beginning of year	\$ 18,907,000	\$ 29,934,223	\$ 48,841,223	\$ 39,097,510
Excess (deficiency) of revenue over expenses	(4,104,906)	–	(4,104,906)	9,743,713
Interfund transfer	(9,235,620)	9,235,620	–	–
Balance, end of year	\$ 5,566,474	\$ 39,169,843	\$ 44,736,317	\$ 48,841,223

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, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (4,104,906)	\$ 9,743,713
Items not involving cash:		
Amortization	699,787	2,728,044
Loss on disposal of capital assets	–	16,682
Change in non-cash operating working capital:		
Accounts receivable	22,939,670	(17,174,845)
Prepaid expenses	24,325	(8,034)
Accounts payable and accrued liabilities	(16,144,442)	(4,648,647)
Other liabilities	(1,354,399)	1,437,847
	2,060,035	(7,905,240)
Investing activities:		
Purchase of capital assets	–	(1,223,055)
Increase (decrease) in cash	2,060,035	(9,128,295)
Cash, beginning of year	40,965,955	50,094,250
Cash, end of year	\$ 43,025,990	\$ 40,965,955

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, 2019

Ontario Tire Stewardship/Societe de Gestion des Pneus Usages de l'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 (the "WDTA"). The RRCEA creates a new legislative framework for managing waste in Ontario that will wind up current waste diversion programs and related Industry Funding Organizations, such as OTS. As per the direction from the Minister of the Environment and Climate Change, the OTS terminated its tire recycling program on December 31, 2018. Since that date tire recycling has been managed by producers under the RRCEA.

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 (the "Ministry").

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

Notes to Financial Statements (continued)

Year ended December 31, 2019

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. 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.

The last period for which OTS collected steward fee revenue was December 2018.

(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%
Software	33%

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

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(c) 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.

The last claim period for incentives ranged from January 2019 to March 2019 based on the participant category.

(d) 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, 2019

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.

(e) 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:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Office furniture	\$ -	\$ -	\$ -	\$ 1,222
Computer equipment	13,275	13,275	-	-
Treadmarks software	-	-	-	698,565
	<u>\$ 13,275</u>	<u>\$ 13,275</u>	<u>\$ -</u>	<u>\$ 699,787</u>

Included in office and general expenses is amortization of \$699,787 (2018 - \$2,728,044).

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

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. 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, 2019, no amount had been drawn on this facility (2018 - nil).

4. Wind-up expense reserve fund:

The wind-up expense reserve fund was established, as approved by the Administrator, as a means of mitigating OTS's risks involved in fulfilling its financial and contractual obligations during the wind up of the waste diversion program for used tires (note 7). This amount is internally restricted and is not available for other purposes without the approval of the Administrator.

5. Harmonized sales tax input tax credits:

During the year, OTS submitted monthly claims for HST input tax credits ("ITCs") to the Canada Revenue Agency ("CRA") for the period from January 2019 to December 2019 totaling \$2,152,263, which is recorded in accounts receivable as of December 31, 2019. The claims are under review with the CRA, concurrent with an ongoing CRA audit related to Tire Stewardship Fee revenue.

In addition, OTS has filed a \$1,057,793 ITC appeal regarding ITC amounts for the 2009 to 2013 period.

6. Commitments:

OTS has future minimum commitments under long-term contracts for information technology infrastructure and other services of \$78,383 in 2020.

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

Notes to Financial Statements (continued)

Year ended December 31, 2019

7. Future operations:

In 2017, management received a letter from the Ministry directing OTS to wind up the waste diversion program for used tires by December 31, 2018, which represents substantially all of OTS's current operations. OTS submitted a wind up plan to RPRA in 2017. The OTS Administrator received a notification on April 11, 2018 that RPRA's Board of Directors approved the OTS wind up plan on March 22, 2018.

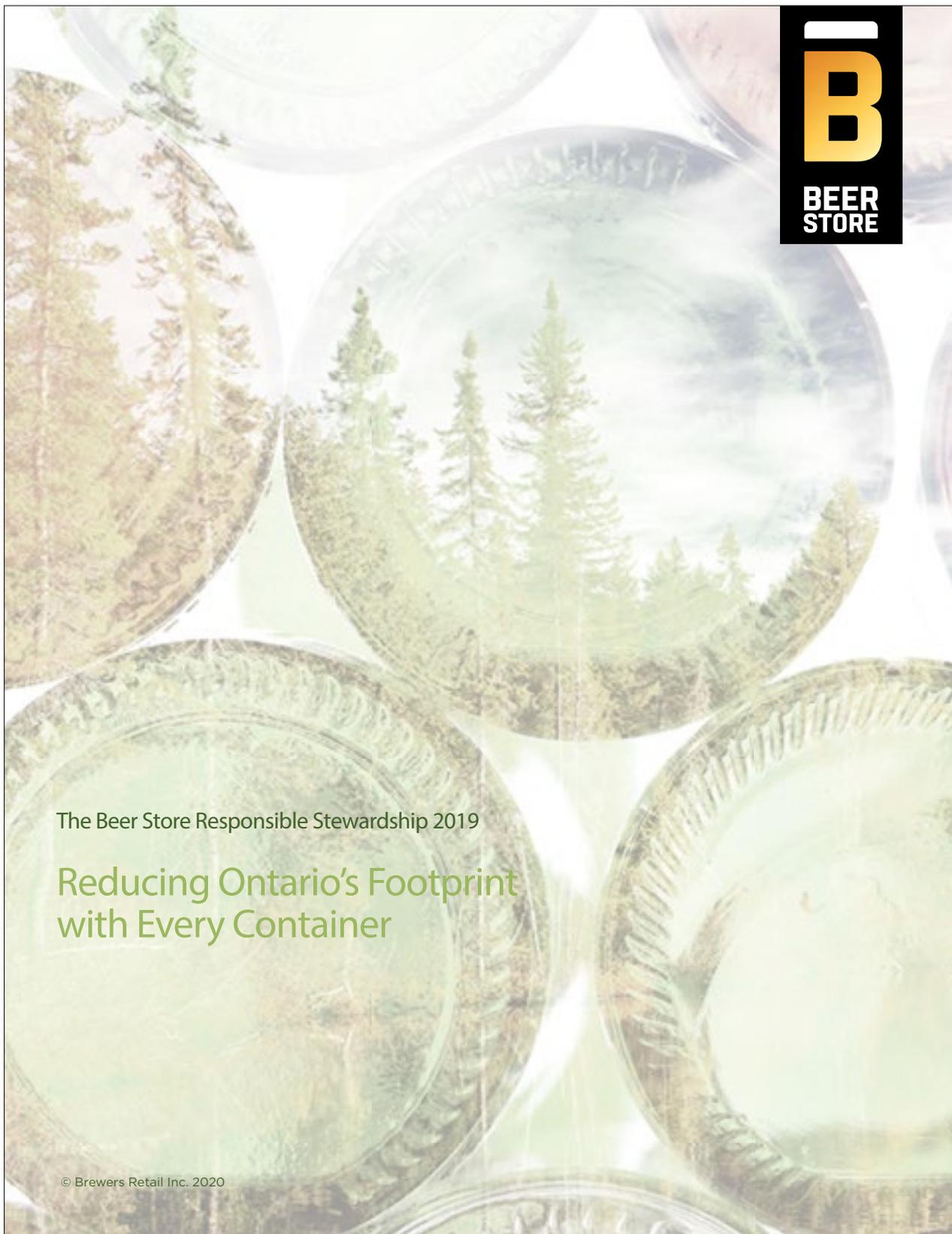
On April 2, 2019, OTS received direction from the Minister of the Environment and Climate Change to develop an amendment to the wind up plan that would return any surplus funds to consumers after OTS's contingencies and final wind up costs have been met. OTS is in the process of finalizing the amendment to the wind up plan for submission and approval by RPRA.

8. 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. Effective November 23, 2018, a new Administrator was appointed by RPRA following the resignation of the Administrator originally appointed on September 27, 2017.

9. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.



The Beer Store Responsible Stewardship 2019

Reducing Ontario's Footprint with Every Container

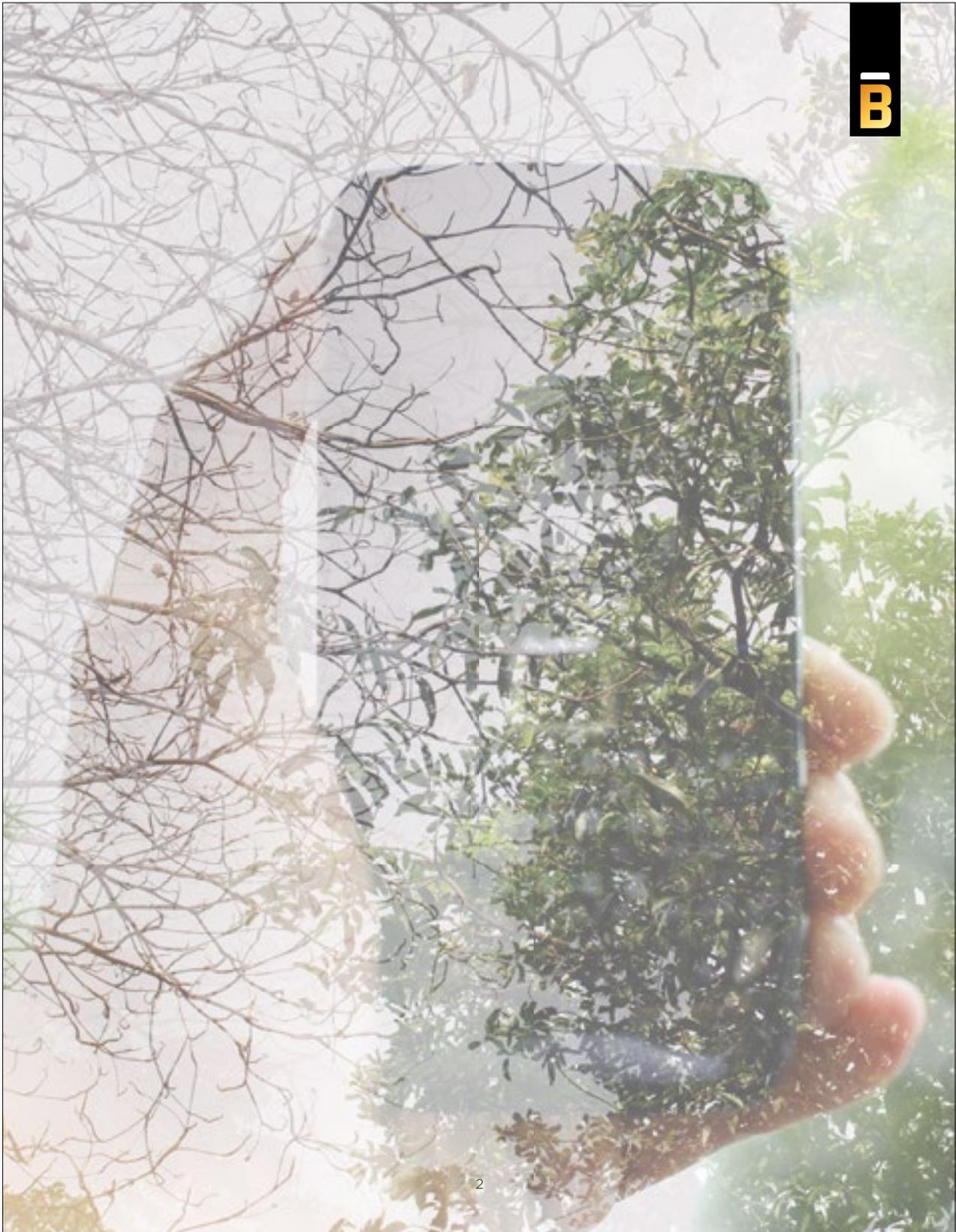
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Responsible Stewardship 2019

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Responsible Stewardship 2019

Message from the President

It is my pleasure to introduce you to The Beer Store's 2019 stewardship report!

This year we've seen an increased awareness of the effects of our changing climate and a necessary urgency for positive change. At The Beer Store, we believe that we can all do our part to reduce our impact on the environment, which is why we've established a system dedicated to sustainable practices and one that has helped to re-use and recycle containers and packaging used by the beer industry in Ontario for the last 92 years.

The chosen title for this year's report is *Reducing Ontario's Footprint With Every Container*. While the impact of reusing or recycling one container might seem small, over 1 billion containers were collected through our system in 2019 alone. The reuse or recycling of these materials, in conjunction with the associated packaging we collect, results in the avoidance of several hundred thousand tonnes of carbon dioxide and other harmful emissions every single year. That's why we really mean it when we say, "every container counts!"

The empty containers we collect not only help to reduce emissions but have also played a role in supporting and enhancing our communities and the lives of fellow Ontarians. Through our



annual Leukemia Bottle Drive, hosted in partnership with UFCW Local 12R24 and the Leukemia & Lymphoma Society of Canada, we have been able to raise over \$18 million over the last 14 years to support those affected with blood cancers. Through initiatives such as this, our staff and local communities have found numerous ways where the donation of empty container deposits can make a huge difference in the lives of those in need.

In the following report, we'll highlight these initiatives as well as some of the other ways we've supported sustainable practices and positive development both in our own business and in the communities we live and operate in. These are some of the core values we've abided by throughout our history and that will continue to shape our business in the future. Cheers!☺



Ted Moroz
PRESIDENT

Responsible Stewardship 2019

Responsible Stewardship 2019 Summary Results



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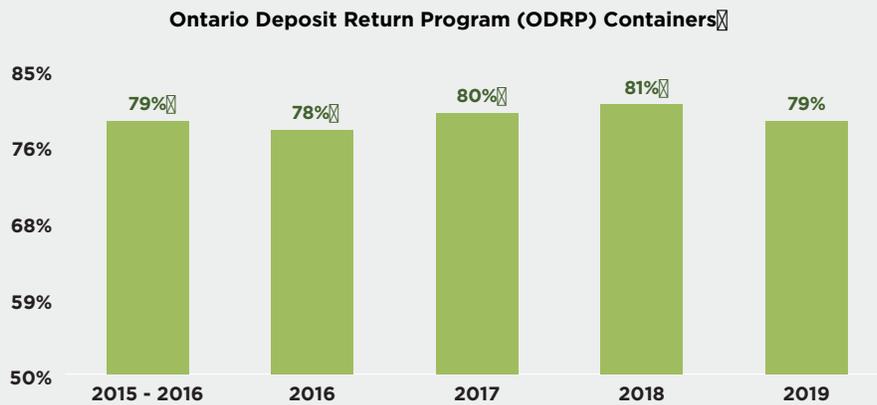
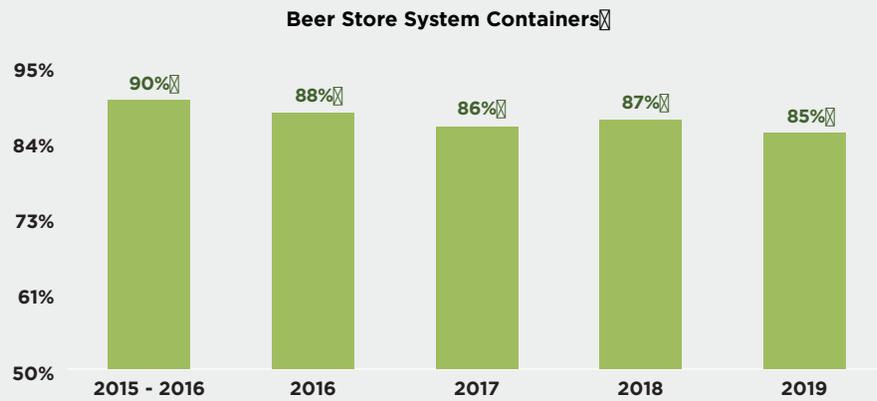
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Summary Results	Beer Store Containers [ⓧ]	Ontario Deposit Return (ODRP) Containers [ⓧ]
Containers Collected	1,415,143,761	406,313,514 [ⓧ]
Tonnes Diverted from Disposal	201,822	109,624 [ⓧ]
Recovery Rate (%)	85%	79% [ⓧ]
Glass Bottle Reuse by Brewers (Tonnes)	129,670	- [ⓧ]
Material Recycled in 2019 (Tonnes) [ⓧ]		
Coloured Glass	27,084	66,205 [ⓧ]
Clear Glass	12,036	39,944 [ⓧ]
Aluminum Cans	11,921	2,503 [ⓧ]
Corrugated Cardboard & Boxboard	19,835	- [ⓧ]
PET Products	-	972

Responsible Stewardship 2019

Trending Of Return Rates





Sale Locations
as of December 31st, 2019

#	Type Of Location
440	Beer Store Locations (includes 5 Beer Store locations that do not accept empty returns)
320	On-site Brewery Stores (beer containers only)*
327	Beer Store Retail Partner Stores & LCBO Convenience Outlets
671	LCBO Stores*
446	Grocery Stores
549	Ontario Winery Retail Stores*
50	Ontario Distillery Retail Stores*
17,807	Licensed Establishments (bars, restaurants, etc.)*
20,610	Total Beverage Alcohol Sales Locations

Redemption Locations
as of December 31st, 2019

#	Type Of Location
435	Beer Store Locations
320	On-site Brewery Stores (beer containers only)*
327	Beer Store Retail Partner Stores & LCBO Convenience Outlets
3	LCBO Stores
80	Beer Store Contracted Empty Bottle Dealers
1,165	Total Beverage Alcohol Container Redemption Locations

*Figures from LCBO and AGCO

Responsible Stewardship 2019

Packaging Management

2019 Highlights

- Collected more containers and associated packaging for reuse or recycling than was sold within our system
- Expanded the network of authorized returns locations resulting in improved accessibility, particularly in more rural communities

Every day, Ontarians are becoming increasingly aware of the pressures placed on the environment and are more conscious of how waste is managed. At The Beer Store, these are concerns we've looked to address for a long time. After the end of Prohibition in 1927, Brewers Warehousing Company Limited (now The Beer Store) was established as a brewer co-operative to warehouse, deliver, and sell beer. The concept of waste reduction was also involved at the forefront of our establishment, and since then TBS has continued to be responsible for the collection of empty beer containers and packaging sold within the system and maximizing their value either through reuse or recycling.

The co-operative nature of The Beer Store was, and still is, highly conducive to our focus on environmental conservation. Today, The Beer Store is privately owned by 30 Ontario-based brewers. By consolidating the resources required to transport, sell, and collect containers from this co-operative of brewers, we are able to save on costs, use resources more efficiently, and reduce emissions. Similarly, many of these brewers commit to sharing the use of a standardized bottle, called the industry standard bottle (ISB). The ISB is a specially designed bottle structured to be reused 15 times on average, making it one of the most environmentally efficient forms of packaging in



Ontario. Sharing a container with a standard size and packaging requirements also makes warehousing and transportation more efficient, meaning that the bottle will get collected, washed, sanitized, refilled, and shipped back to a store near you even sooner! Along the same lines, The Beer Store also manages a standardized keg float that is shared amongst several brewers in Ontario. This allows brewers consistent access to sturdy, steel kegs that can be repaired inhouse and reused for many years.

In addition to the ISB, some brewers elect to use their own proprietary refillable bottles and/or kegs, which The Beer Store sorts by brewer to be returned for refilling. Other containers sold in our system include one-way bottles, aluminum cans, and one-way kegs. The brewers within our system commit to selling in our stores only containers that can be easily reused or recycled. The Beer Store works with brewers to identify materials that are problematic in recycling streams and

continues to work with them to explore and implement alternatives. For example, we do not permit the sale of ceramic bottles in our stores, that in addition to not being recyclable to high-end use, also cause contamination issues when mixed with recyclable glass.

By doing so, we are then able to accept back any containers used in the sale of beer at our retail locations and either coordinate its return to a brewer to be reused or ensure it is sent for high-end recycling. When beer containers and their associated packaging are returned to one of our authorized return locations, the different materials are carefully sorted before being shipped to their destination. Our comprehensive process of sorting and processing these materials before shipping prevents cross-contamination, which retains their recyclability and helps unlock their full value as part of the circular economy. For example, many of the used glass bottles and aluminum cans we collect are able to retain their full value by being used as input for the creation of more bottles and cans.

Responsible Stewardship 2019

A deposit system has been integral to the success of our returns program by pairing environmental savings with financial incentives. A 10-cent deposit is applied to the purchase of any beer bottle under 630 ml and beer can under 1L, and a 20-cent deposit to containers above those content levels.

Not only does the TBS system boast immense environmental savings, it has also created numerous jobs and economic opportunities in Ontario in order to handle and process the vast amounts of materials that flow through our system. Thanks to the hard work of our 7,000+ employees and the customers who participate in our returns program, we were able to send nearly all the refillable bottles and kegs sold in 2019 back to brewers for reuse and collected the vast majority of non-refillable containers for recycling. The following tables detail the amount of TBS system containers and packaging purchased and returned in 2019.

Table 1

The Beer Store Container Sales and Recovery by Container Type

January 1st, 2019 – December 31st, 2019

Container Type	Beer Store Sales (units)	LCBO Sales (units)	Returns (units)	System Recovery Rate (2019)	System Recovery Rate (2018)
All Glass Bottles (Refillable and Non-Refillable)	587,366,611	106,627,156	653,945,626	94%	94%
Refillable Bottles (Industry Standard Bottle (ISB) and Non-Standard)	489,806,685	57,478,002	531,593,605	97%	96%
Non-Refillable Bottles	97,559,926	49,149,154	122,352,021	83%	83%
Metal Cans	588,798,083	382,678,257	759,989,097	78%	81%
Kegs	1,167,686	-	1,209,038	104%	103%
Total (by Units)	1,177,332,380	489,305,413	1,415,143,761	84.9%	86.7%



Secondary Packaging

Table 2

January 1st, 2019 – December 31st, 2019

Packaging Type	Beer Store (Tonnes Sold)	LCBO (Tonnes Sold)	Total (Tonnes Sold)	Recovered Tonnes (2019)	Recovered Tonnes (2018)
Corrugated/ Boxboard*	14,896	4,256	19,152	19,835	18,946
Metal	1,239	224	1,463	158	182
Plastic	519	264	782	894	814
Total	16,654	4,744	21,398	20,887	19,942

Note:
 Tonnes Sold reported at both The Beer Store and the LCBO is the packaging associated with the sale of beer products only.
 **Tonnes Recovered* reflects all packaging returned to The Beer Store, including non-beer packaging.

Responsible Stewardship 2019

Taking Action

While we commit to reusing or recycling the containers and packaging associated with our business, our efforts don't stop there. With environmental leadership as one of our core values, we are always looking for ways to continuously improve as an environmental steward in every aspect of our business. Here's some of the steps we took this year to reduce our environmental footprint:



Elimination of Single Use Plastic Bags

In 2019, we proudly announced that as of January 2020 we would no longer be providing single-use plastic shopping bags in any of our stores. While we currently accept back any of our existing used plastic bags to ensure they are recycled, we also strongly support the other 2 R's: reducing and reusing. Our goal is to reduce the environmental footprint of every sale in our stores. Instead of using new plastic bags for purchases, we will be encouraging our customers to bring their own reusable bags and will also provide a reusable bag option for purchase at our stores.

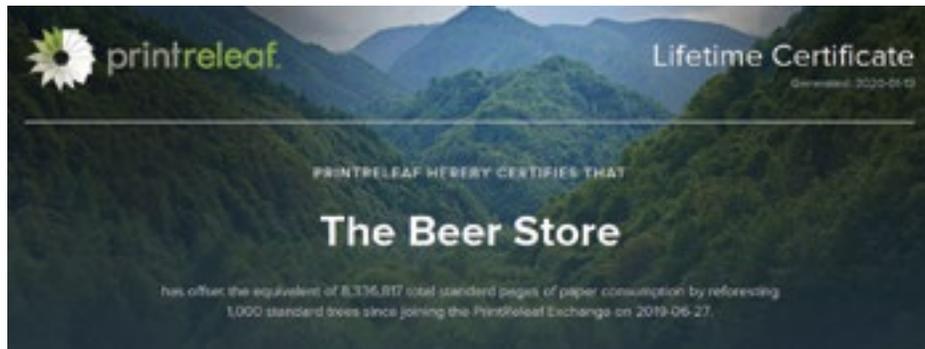


IMAGE: Certification from PrintReleaf stating the total pages of paper consumed since TBS joined the program on June 27, 2019, and the equivalent number of trees reforested to offset the paper used.

Lexmark Sustainability Program

While we may be the beer experts, we rely on partnerships with other businesses to ensure we're adhering to the highest environmental standards in other areas of our business.

This is why we've partnered with Lexmark, our printer/copier/scanner provider, in their sustainability program. Through the Lexmark Cartridge Collection Program, we collect the used toners from our retail, distribution, and corporate locations and return to them to Lexmark, where they can be recycled into new toners and other products. In addition, we joined Lexmark's PrintReleaf program in 2019. With this program, we are able to keep track of our paper consumption to demonstrate our use and potentially highlight areas where we can reduce our consumption. For the paper that we do use, we have enlisted replantation experts to replant the amount of trees equivalent to our consumption. Since joining the program in June 2019, we've reforested 1,000 trees in areas that need it most.

Responsible Stewardship 2019



IMAGE: TBS truck wrap graphic stating that 1.8 billion empties are diverted from landfill each year.

Transportation Efficiency

In 2018, we entered into a pilot with the LCBO to deliver wine, spirits, and coolers along with our own beer deliveries on our existing service routes. The pilot, which began in the London and Whitby areas, reduced the total amount of trucks on the road previously required to deliver beverage alcohol products, maximized the content of each load to reduce the overall environmental impact of beverage alcohol deliveries in Ontario, and allowed for efficiencies on the receiving end as customers now are able to receive more of their stock in a single delivery.

Given the success and clear benefits of this strategy, this program was expanded in 2019 to include more delivery points. With the expansion of beverage alcohol sales points in communities across Ontario in 2019, the need for improved consolidation of loads was greater than ever, to accommodate both additional delivery points and additional products. The Beer Store will continue to work with the LCBO in 2020 to identify more service routes where co-delivery of beverage alcohol products might prove beneficial.



Upgrading Our Stores

The Beer Store continuously practices measures to reduce energy consumption in our stores by proactively maintaining systems to ensure they are operating efficiently, and by replacing old methods with more effective models. For example, refrigeration systems were fully replaced in 18 stores in 2019, and another 37 stores had their refrigeration systems further upgraded for improved efficiency. The new systems are 70% more efficient than prior models, meaning less electricity is required to keep our beer cold.



E-Waste Collection Event

In the spring of 2019, we held an event at our corporate office to collect electronic waste for recycling. In addition to material from our office, we encouraged employees to bring any unused electronics from their own homes as well. We managed to fill an entire bin of recyclable electronics, ensuring that they avoided landfills.

Responsible Stewardship 2019

Ontario Deposit Return Program Results

Since 2007, The Beer Store, under contract with the Ontario Government, has run the Ontario Deposit Return Program (ODRP). Under the ODRP, any alcohol container sold in Ontario (greater than 100 ml) is purchased with a deposit applied of 10 or 20-cents that is fully refundable when that empty container is returned to any TBS return location.

The ODRP helps divert recyclable materials from landfills and redirects this material for high-end recycling. Through the ODRP, the overall return rate of recyclable material has risen from 63% in the first year of the program to 79% in 2019. The Beer Store also accepts back any cardboard, plastic, or other packaging associated with the sale of ODRP containers to ensure they are recycled.

Table 3

ODRP Sales, Deposit Value by Container Type, & Market Share January 1st, 2019 – December 31st, 2019

ODRP Containers*	Deposit Value	Sales (Units)	Sales Distribution**	Sales by Material Type
Glass containers less than or equal to 630ml	\$0.10	58,873,361	11.4%	52.4%
Glass containers greater than 630ml	\$0.20	210,772,343	41.0%	
Aluminum or steel cans less than or equal to 1L	\$0.10	203,997,123	39.7%	39.7%
Aluminum or steel cans greater than 1L	\$0.20			
Tetra Pak and Bag-In-Box containers less than or equal to 630ml	\$0.10	1,257,962	0.2%	2.6%
Tetra Pak and Bag-In-Box containers greater than 630ml	\$0.20	11,977,691	2.3%	
Polyethylene Terephthalate (PET) or plastic containers less than or equal to 630ml	\$0.10	17,996,319	3.5%	5.4%
Polyethylene Terephthalate (PET) or plastic containers greater than 630ml	\$0.20	9,595,377	1.9%	
Total		514,470,178	100.0%	100.0%

* Containers larger than 100 ml qualify for deposit return refunds under the program.

** Figures may not sum to 100% due to rounding.



The success of the ODRP is further demonstrated by the increasing number of containers returned year after year. In October 2019, we reached the return of the 4 billionth ODRP container! All of these containers avoided landfills and were instead recirculated into the economy to be recycled into high-end products.

Table 4

ODRP Containers: Sales & Recovery
January 1st, 2019 – December 31st, 2019

Container Type	Sales in Units*		Returns in Units		Recovery Rate					
	Small Containers	Large Containers	Small Containers	Large Containers	Small Containers (2019)	Small Containers (2018)	Large Containers (2019)	Large Containers (2018)	Combined (2019)	Combined (2018)
Glass	58,873,361	210,772,343	45,696,056	182,680,534	78%	81%	87%	88%	85%	86%
PET	17,996,319	9,595,377	7,858,740	6,874,367	44%	44%	72%	72%	53%	54%
Tetra/BIB	1,257,962	11,977,691	208,038	3,408,166	17%	8%	28%	27%	27%	25%
Subtotal	78,127,643	232,345,411	53,762,834	192,963,067	69%	72%	83%	84%	79%	81%
Cans	203,997,123		159,587,612						78%	81%
Grand Total	514,470,178		406,313,514						79%	81%

*Domestic distillery container sales reporting no longer submitted to LCBO.

Responsible Stewardship 2019

Combined Environmental Performance Results

The following table demonstrates the avoided GHG emissions and energy consumption as a result of the containers reused or recycled through The Beer Store's collection program and the Ontario Deposit Return Program.

Table 5

The Beer Store & ODRP Disposal Diversion Estimated Avoided GHG Emissions & Avoided Energy Consumption (2019)
January 1st, 2019 – December 31st, 2019

	Glass Reuse	Clear Glass Bottle Recycling	Coloured Glass Bottle Recycling	Aluminum Recycling	Steel Recycling	PET Recycling	Mixed Plastic Recycling*	Total Diversion
Beer Store Tonnes Diverted	129,670	12,036	27,084	11,921	158	0	1,117	181,987
ODRP Tonnes Diverted	-	39,944	66,205	2,503	-	972	-	109,624
TOTAL Tonnes Diverted	129,670	51,980	93,289	14,425	158	972	1,117	291,611
Avoided GHG Emissions (MTCO ₂ E)	49,275	5,718	5,131	139,342	188	3,538	4,068	207,260
Avoided Energy Consumption (GJ)	881,755	87,326	101,685	1,260,139	1,989	82,931	95,332	2,511,158

Figures in table may not add to the total due to rounding.

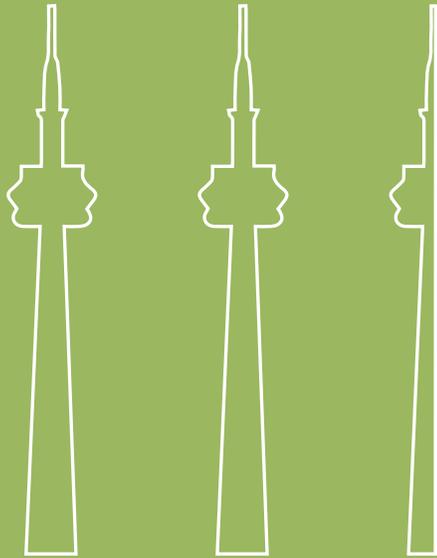
* "Avoided GHG" and "Avoided Energy" coefficients for PET Recycling used for Mixed Plastic figures.

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. 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/O-03-001. Research Triangle Park, NC.



If we were able to stack all
1.8 BILLION
containers recovered in 2019 from
end to end, they would almost reach
the moon!*

The weight of all the containers and associated
packaging recovered for reuse or recycling in 2019 is over
290,000 TONNES!



That's
about
2.5 X
as
HEAVY
as
the
**CN
TOWER!***

* "306,351 km". The Measure of Things. Bluebulb Projects' The Measure of Things. Web. 02-20-2020.
**"290,000 tonnes". The Measure of Things. Bluebulb Projects' The Measure of Things. Web. 02-20-2020.

Responsible Stewardship 2019

Community Involvement

Fall Bottle Drive

Given the success of our first ever Fall Bottle Drive in 2018, we wanted to make the event a tradition. Held this year on Saturday, October 19th, our Fall Bottle Drive was dedicated to giving back to local communities more directly and in the ways they needed it most. Prior to the event, every MPP in the province was asked to tell us what charity their community would most value directing donations to. Every dollar raised from the bottle drive in each community was directed to their chosen charity, and where one was not chosen, was directed towards local women's shelters.

Roger's House Bottle Drive

Roger Neilson House is one of the few pediatric palliative care facilities in the province. It provides support, care, and refuge for children undergoing treatment at The Children's Hospital of Eastern Ontario and their families. For over 10 years, TBS stores in the Ottawa and Peterborough areas have run a bottle drive for one weekend in September to collect donations for Roger's House, raising hundreds of thousands of dollars over the years in support of the organization.

Fire Safety Day

On June 15th, 175 Beer Stores across the province welcomed their local fire departments to the store to promote fire safety. Over 100 fire departments participated and found the event to be extremely successful in spreading valuable, live-saving information to our communities. By partnering with The Beer Store, the fire departments found they were able to reach a broader audience and considered the event to be a great success.



Returns for Leukemia Bottle Drive

For 14 years, The Beer Store, along with the UFCW Local 12R24, has partnered with the Leukemia and Lymphoma Society of Canada to help raise funds for the more than 138,000 Canadians affected by blood cancers. Every year, we hold a Returns for Leukemia bottle drive, where all of our stores as well as community volunteers across the province participate in collecting container and monetary donations for a full weekend. Our dedicated staff and volunteers amaze us with their creativity and dedication every year, planning bake sales, barbecues, prizes, and more to drive more donations. Their efforts haven't gone unnoticed, as we raised over \$1.6 million dollars at our event this year! These donations are extremely invaluable to the LLSC and go towards supporting numerous causes, such as funding important research, developing new treatments, or by directly providing support for patients and their families.

Since 2006, we've raised over \$18 million dollars through the generous donations of our customers and the hard work of our staff and volunteers. In recognition of these efforts, in 2019 TBS received a special award of recognition from the Leukemia and Lymphoma Society. A special research grant was created in the name of The Beer Store, that will be used to support a highly esteemed team here in Canada to research promising new treatment methods.

Responsible Stewardship 2019

Habitat for Humanity

In 2019, 218 TBS stores in the GTA and surrounding areas participated in the 5th annual bottle drive to raise donations for Habitat for Humanity. Not only has Habitat for Humanity built hundreds of homes, providing families in need a safe and affordable space, their work has also built stronger communities and invested in the future of numerous children. At this year's event, participating stores raised over \$54,000 due to the generous donations of our customers.

Terry Fox Bottle Drive

Beer Stores in the Ontario north-east continued to run their annual bottle drive for The Terry Fox Foundation in 2019. The money raised from the bottle drive has gone to numerous research initiatives dedicated to Terry's goal of finding a cure for cancer.

Juravinski Bottle Drive

For the last 5 years, TBS locations across Hamilton have participated in an annual bottle drive to raise money for the Juravinski Cancer Centre. This year, \$32,964 was raised, which was directed to investing in new equipment at the hospital.





The Bottle Shed

Operating in Stouffville, The Bottle Shed Foundation accepts empty container returns at a dedicated return location. The depot employs a number of staff with intellectual disabilities, providing social employment opportunities for those in need. The money raised from the donated deposits goes towards their wages and to various charities in the area. The Beer Store supports The Bottle Shed by helping to cover operating costs and through the provision of necessary supplies.

Motorsport Park Bottle Drive

For the past several years, TBS volunteers have organized bottle drives during races at the Canadian Tire Motorsport Park in Bowmanville. For 3 race weekends in 2019, the volunteers collected empty alcohol containers to both ensure the material is recycled and to direct the value of the deposits for donations.

Empties for Paws

Empties for Paws is an organization dedicated to raising funds for much needed food, supplies, and support for animal shelters across the province. They help to organize bottle drives and container drop off locations, supported by The Beer Store through the provision of these vital supplies. Check out www.emptiesforpaws.com to find a collection location near you!



Responsible Stewardship 2019

Sponsorships

Recycling Council of Ontario

The Recycling Council of Ontario is an organization dedicated to the promotion of recycling and waste reduction in Ontario, through both public educational promotions and by providing support to businesses to better adhere to the principals of a circular economy. With a shared core value of environmental sustainability, The Beer Store is a proud sponsor of the RCO year after year.

Association of Municipalities of Ontario

The Beer Store was a sponsor of the annual Association of Municipalities of Ontario conference in Ottawa this summer. TBS president Ted Moroz hosted a seminar that was attended by dozens of municipalities, where he emphasized the positive role that the TBS returns system plays across all municipalities in Ontario. By successfully maintaining high return rates for beverage alcohol containers, significant material is diverted from municipal streams and instead largely managed privately through The Beer Store. Through the success of our collection program, we are also able to supply additional material to the glass and packaging manufacturing market in Ontario to increase the amount recycled content in new glass containers.

Commerce & Engineering Environmental Conference (CEEC)

Held annually at Queen's University in Kingston, the Commerce & Engineering Environmental Conference is open to students with a passion for environmental sustainability. The conference offers opportunities for learning about emerging trends, showcasing businesses, and networking. The Beer Store helps to bring attendees together to network and socialize through sponsoring a Beer and Cheese event.



Waste Reduction Week

Waste Reduction Week is an annual event led by the Recycling Council of Ontario that promotes environmental efforts and sustainable solutions across Canada. Each day of the week hosts a different theme, and this year The Beer Store was the sponsor for the kick-off to Waste Reduction Week, where the day was devoted to promoting the Circular Economy. The Beer Store is no stranger to the concept of a Circular Economy, having a system designed to manage the full life cycle of our products since 1927.

To highlight The Beer Store’s success and promote Waste Reduction Week, TBS and RCO teamed up for a live feature on CTV News, where TBS president Ted Moroz and RCO Executive Director Jo-Anne St. Godard discussed the importance of a circular economy and how the beer industry in Ontario exemplifies this concept through key factors like the use of the reusable containers and supply chain efficiencies, all made possible through The Beer Store system.

At the TBS corporate office, we hosted a Zero Waste lunch during the live segment on CTV. Staff were provided reusable lunch containers and were encouraged to bring a waste-less lunch while tuning in to CTV news to watch the segment.



Responsible Stewardship 2019

Canadian Stewardship Conference

In November 2019, TBS helped sponsor and attended the Conference on Canadian Stewardship, which was held in Vancouver. Attendees had the chance to collaborate with other stewardship groups from around the world and learn more about current trends around sustainability and environmental leadership. In addition to sponsoring the event, TBS set up an informational booth where the team was able to promote our returns programs and invite questions and discussions from both Canadian and international stewardship representatives.





IMAGE: Signage demonstrating the total number of empty beer containers refilled in 2018.

Responsible Stewardship 2019

Promotional & Educational Activities



Ontario Craft Brewers Conference

The Ontario Craft Brewers Conference is an annual event dedicated to education, trends, and networking within the craft beer market in Ontario. With the theme of this year's conference being "Collaborating Through Community," a discussion around The Beer Store system was fitting. TBS president Ted Moroz highlighted how the collaborative nature of our system can benefit both brewers and the environment through increased efficiencies, reduced emissions, and by keeping operational costs low. Ted's presentation reminded attendees of the value of applying deposits to containers to incentivize returns to The Beer Store, so more material can be sent for re-use or high-end recycling.

Restaurants Canada Trade Show

In 2019, The Beer Store participated in the Restaurants Canada Trade Show, held in Toronto at the beginning of the year. The TBS booth provided information catered to restaurants and bars, with displays for draught services, information on the Beer for Business application, and beer and food pairings sessions. The Beer Store team was also able to address questions on empty alcohol container returns, and how restaurants and bars can effectively use The Beer Store's return system, merging well with the Sustainability theme of the 2019 show.



Earth Day 2019

The TBS corporate office celebrated Earth Day this year by actively exploring the concept of upcycling. In 2019, TBS discontinued the use of growler containers, which were previously used at select stores to allow customers to refill the container with beer on site. Rather than immediately recycling the remaining containers at the end of this pilot, employees were challenged to upcycle them into a new life. Participants found numerous uses for the containers, such as lamp stands, storage containers, and even a water fountain. The team also learned about the value of instilling new life into common products and how we can use creative solutions to break the mold of the linear economy by viewing our “waste” as a valuable resource that can be repurposed or recycled in order to help conserve our natural resources.

TBS also partnered with local businesses to give a new life to the unused growlers and support their low-waste business models. The two retail stores now use the growlers as containers to allow customers to dispense bulk product into their own reusable containers, removing the need for single-use packaging.

Responsible Stewardship 2019

Summary of Joint TBS & ODRP Promotional & Educational Activities



IMAGE:
Sample of a Twitter
post by The Beer
Store promoting
the returns of all
beverage alcohol
containers sold
in Ontario during
spring cleaning.

Social Media

The Beer Store was consistent with providing messaging around empty beverage alcohol container returns throughout 2019.



Every Container Counts

This year, we updated and shared our “Every Container Counts” infographic, that highlights some of the environmental benefits of The Beer Store’s return system and the ODR program.

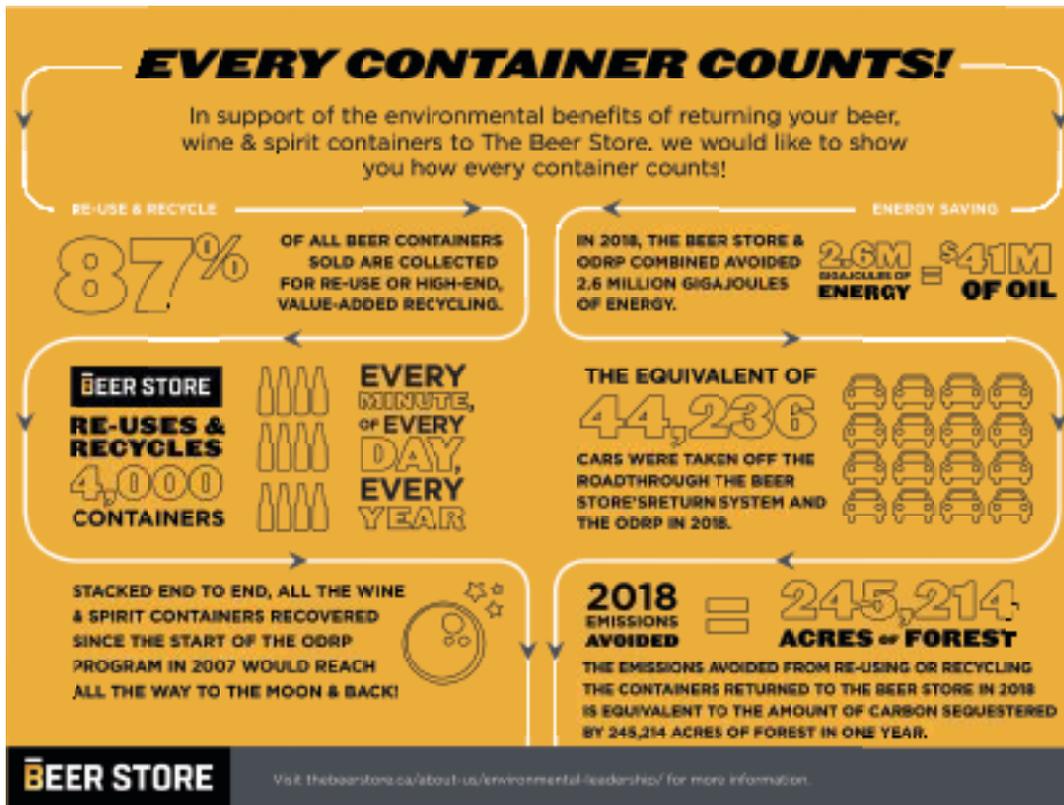


IMAGE: “Every Container Counts!” infographic detailing return rates and counts of containers returned to The Beer Store in 2018, and the equivalency of re-using and recycling these containers in terms of avoided energy and GHG emissions.

Responsible Stewardship 2019



March 27, 2020

Ms. Rachel Morier
 Director, Sustainability
 Brewers Retail Inc.
 5000 Explorer Drive
 Mississauga ON L4W 5L2

Dear Ms. Morier:

Re: Report in connection with Section 69 (3) of The Waste Diversion Transition Act 2016, S.O. 2016, c.12 (the Act)

As specifically requested by Brewers Retail Inc. (Brewers), we have performed the following procedures on certain information in The Beer Store Responsible Stewardship 2019 (the Report). The procedures were performed solely to assist Brewers in the preparation of the Report to meet the reporting requirements of Brewers under Section 69 (3) of The Waste Diversion Transition Act 2016, S.O. 2016, c.12 (the Act) for the period from January 1, 2019 to December 31, 2019.

The following procedure was completed with respect to the recovery rates for the following container types: All Glass Bottles (Refillable & Non-Refillable), Refillable Bottles (Industry Standard Bottles (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 2019 Calendar Year Audit of Beverage Container Recovery Methodology and Results - Part A report (the MRR) prepared by Brewers and not included in the Report.

A. Information in the Report in Table 1: The Beer Store Container Sales and Recovery by Container Type (Table 1)

1. We compared the units for The 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 (aluminum & 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 totaling 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 (2019) for each Container Type 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.

PricewaterhouseCoopers LLP
 PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
 T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Ms. Rachel Morier
Brewers Retail Inc.
March 27, 2020

The following procedures were completed with respect to the supporting summary tables contained in Appendix A – Sales by Package Calendar 2019 (Appendix A), Appendix B – LCBO Sales of TBS Products Calendar 2019 (Appendix B), Can Settlement Calendar 2019 (Can Settlement), C19 Package Sales and Volume by Type of Sale schedule (the C19 Schedule by Type), and related supporting tables prepared by the Beer Store, which serve as the source data to the MRR and Table contained in the Report. These supporting summary tables are not contained in the Report.

B. Information in the supporting summary tables

1. We compared the Beer Store sales, LCBO sales and Return 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 Return 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 re-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 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 C19 Schedule by Type and found the units to be in agreement.
2. We compared the total Beer Store sales units in hectolitres from the C19 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.

Responsible Stewardship 2019



Ms. Rachel Morier
Brewers Retail Inc.
March 27, 2020

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 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 packages returned on the TBS Returns CY19 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 as at and for the year ended December 31, 2019 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.

It is understood that this report is intended solely for the information of this audit committee, management and the other users, including Waste Diversion Ontario. Consequently, the report should not be distributed to other parties. Any use that a third party makes of this report, 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.

(signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Toronto, Ontario



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