RPRA
Resource Productivity
& Recovery Authority

2018 | Annual Report

VISION

A circular economy today for a waste-free tomorrow

MISSION

Enforce producer responsibility and advocate for the circular economy to spur innovation and protect the environment

GLOSSARY

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

This Annual Report has been produced without any graphics or images consistent with the Ontario Government's Agencies and Appointments Directive.

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A YEAR OF FIRSTS

Ontario is changing its approach to producer responsibility. Rather than a collective approach to producer responsibility delivered by industry funding organizations, Ontario is making producers individually responsible for collection and management of the products and packaging they supply to Ontario residents. This approach is expected to spur innovation and investment, preserve Ontario's limited landfill capacity, and shift costs to those who supply and use the products and packaging.

This transition reached an important milestone in 2018. On July 1, the Tires Regulation came into effect, making tires the first material subject to Ontario's individual producer responsibility requirements. Under the Tires Regulation, tire producers are now responsible and accountable for meeting mandatory collection and management targets for used tires. With the regulation in place, the Authority began delivering on its key mandates to register and receive reports from obligated parties through its Registry and enforce individual producer responsibility requirements.

The Authority worked diligently throughout 2018 to ensure the smooth transition of tires to the new regulatory framework. The Authority approved Ontario Tire Stewardship's (OTS) Wind-Up Plan for the Used Tires Program in April. Approval of the plan enabled OTS to begin winding down the program, including eliminating the Tire Stewardship Fee for Passenger and Light Truck tires on October 1. The OTS program ended on December 31, making it the first waste diversion program to wind up. I would like to thank OTS and its staff for their collaborative efforts and their commitment to ensuring a successful transition.

This shift from collective responsibility to individual producer responsibility was further realized in directions we received from the Ontario government in 2018. In February, the then Minister of the Environment and Climate Change directed the wind up of the Waste Electrical and Electronic Equipment (WEEE) Program on June 30, 2020 followed by the wind up of Ontario Electronic Stewardship (OES). In April, the Minister directed the wind up of the Municipal Hazardous or Special Waste (MHSW) Program on December 31, 2020. Later in the year, the Minister of the Environment, Conservation and Parks amended the timelines associated with the wind up of the batteries portion of the MHSW Program and directed Stewardship Ontario to accelerate the wind up for single-use batteries to June 30, 2020.

Our work in 2019 will focus on overseeing the wind up of the WEEE and MHSW programs and transitioning electronics and hazardous or special waste to individual producer responsibility. OES consulted on the development of a wind-up plan for the WEEE Program in the fall and submitted its plan to the Authority for approval in December 2018. Before approving OES's plan, the Authority will consult with affected stakeholders. As part of the WEEE Program wind up, the Authority supported the reduction of the Environmental Handling Fee for electronics to zero as of February 1, 2019. We look forward to receiving Stewardship Ontario's wind-up plan for the MHSW Program by June 2019.

Our accomplishments were only possible through a collaborative and coordinated approach between the Authority's Board and staff. The Authority is governed by a skills-based Board of Directors and 2018 was the first year the Authority operated with its full 11-person Board. I am grateful to each Board member and staff for their expertise, diligence and commitment to effectively carrying out the Authority's mandate.

I would also like to thank our industry partners, municipalities and the environmental advocacy sector for their willingness to collaborate, and the Ministry of the Environment, Conservation and Parks for its continued guidance and support.

I look forward to 2019 as another important year in Ontario's ongoing transition to a waste-free, circular economy.

Glenda Gies
Chair

MOVING TO A WASTE-FREE ONTARIO

Ontario has a long history of innovative approaches to reducing waste. Starting in the 1980s with the introduction of curbside recycling programs, Ontarians have embraced the idea that waste is a resource to be harnessed. In 2018 alone, Ontario diverted over one million tonnes of waste through the diversion programs the Authority oversees.

Ontario is transitioning to a new approach to waste reduction, starting with tires. This approach makes producers directly responsible and accountable for managing their products and packaging at end-of-life.

The goal in making producers individually responsible is to reduce and ultimately eliminate waste. In doing so, Ontario can transition to an economy where products and packaging are recovered, reused, recycled and reintegrated into production in a never-ending loop.

The Authority's role during this transition is to support businesses and municipalities in understanding the new framework and to hold responsible parties accountable for meeting their obligations. The Authority ensures that producers, producer responsibility organizations and service providers are registering with the Authority; producers are reporting on their progress toward meeting mandatory targets; and producers are meeting mandatory collection and management targets for their products and packaging.

A key focus in 2018 was to provide support to businesses in the tires sector to help them prepare for the transition following the wind up of the Used Tires Program on December 31, 2018.

We spent the early part of 2018 developing the Registry to collect information from regulated parties. We worked closely with many people in the tires sector to help design simple processes that align with business practices and minimize regulatory burden wherever possible. Constructive feedback about the Registry's design affirmed the importance of engaging and consulting industry.

We recognized early that effective communication would be key to the success of this first transition to individual producer responsibility and our most important tool to support voluntary compliance. Between the opening of the Registry on July 3, 2018 and the start of the new regulatory framework for tires on January 1, 2019, our team of Compliance and Registry Officers made or received more than 10,000 calls and exchanged more than 5,000 emails with regulated parties. This outreach was key to achieving compliance with the new requirements to register and report to the Authority.

We undertook several consultations in 2018, including on our 2018 and 2019 Registry Fees for Tires and on Ontario Tire Stewardship's Wind-Up Plan. Towards the end of the year, we created the Industry Advisory Group to engage key sector representatives on our work.

We created a strong foundation in 2018 to support the government's ambitious waste and litter reduction strategy. Our experience supporting the wind up the Used Tires Program and transitioning tires to individual producer responsibility provided important lessons to inform our approach going forward. We will use these learnings in future Registry design, compliance activities, and in communications and consultations. Throughout the year we received many suggestions from those affected by our work that helped us develop approaches to fulfilling our mandate. We will apply the lessons we learned to continue to be a modern, responsive and cost-effective regulator.

I am grateful to the Authority's Board for their guidance; the executive management team for their leadership; staff for their hard work and dedication; staff of the Ministry of the Environment, Conservation and Parks for their support during an eventful year; and our stakeholders for their feedback and participation. I look forward to continuing to support progress towards a waste-free Ontario.

Frank Denton
Chief Executive Officer

LAUNCHING THE REGISTRY

In July 2018, the Tires Regulation came into force and the Tires Registry was launched, initiating the Authority's compliance function under the *Resource Recovery and Circular Economy Act, 2016*.

To prepare for the introduction of individual producer responsibility in Ontario's tires sector, we hired the core team of Compliance and Registry Officers and appointed a Deputy Registrar to carry out the Authority's compliance activities. Compliance and Registry Officers completed a rigorous regulatory enforcement training program to prepare for enforcement of the Tires Regulation and launch of the Registry.

The Compliance and Registry Team worked closely through the first part of the year with the Authority's Information and Technology Team to assist in designing and testing the Registry, and with the Communications and Stakeholder Relations Team to develop effective communications materials to support the launch of the Registry.

We began registering tire producers on July 3, ahead of the August 31 deadline. By the end of the year, we had registered close to 100% of stewards registered with Ontario Tire Stewardship who met the definition of producer under the Tires Regulation. Tire service provider registration began on September 4, ahead of the October 31 deadline. We now have approximately 6,500 registrants in total. The success of this initiative was based on effective outreach and engagement with the tires sector by our Compliance and Registry Officers and Communications and Stakeholder Relations Team; a user-friendly Registry designed and delivered by our Information and Technology Team working with our external technology partner PricewaterhouseCoopers; and a responsive tires sector.

Recognizing that a successful and modern compliance program includes providing clear guidance and direction to registrants, we published six compliance bulletins in 2018 and delivered numerous webinars and presentations. The bulletins provided guidance on topics such as setting up a tire collection system, types of tires that need to be reported and charging fees to consumers. At the end of 2018 we began developing an audit procedure to verify the tire collection and management data that producers or their producer responsibility organizations (PROs) will submit annually to the Authority. We consulted extensively on the proposed procedure and look forward to implementing the procedure before producers or PROs submit their first performance report and audit in 2020. Our guidance, policies and procedures recognize the range and diversity of the businesses we regulate, and wherever possible we have sought to minimize regulatory burden.

In 2019, producers will report their 2017 tire supply data to establish their collection targets for 2020. In 2020, producers and PROs will submit their 2019 performance reports to the Authority on their efforts to collect and recycle, retread or reuse tires. The reporting requirement is a key tool the Authority will use to monitor producer compliance with Ontario's new circular economy laws. Our oversight will help ensure that the Ontario Government's objective to reduce the amount of waste sent to landfill is achieved.

I would like to thank the Compliance and Registry Team for their tireless efforts and the tires industry, including Ontario Tire Stewardship, for their cooperation and support in helping create a smooth transition to individual producer responsibility for the tires sector.

As we prepare to transition electronics and hazardous or special waste to individual producer responsibility, I am confident that the Authority is well positioned to support compliance in these sectors and advance Ontario's transition to a circular economy.

Patrick Moran
Registrar

ABOUT THE AUTHORITY

Mandate

The proclamation of the *Waste-Free Ontario Act* in November 2016 brought into law the *Resource Recovery and Circular Economy Act, 2016* (RRCEA) and the *Waste Diversion Transition Act, 2016* (WDTA).

The RRCEA establishes a new regime where producers are accountable for their products and packaging, recovering resources, and reducing waste. The WDTA allows for the ongoing operation of waste diversion programs continued under the WDTA and sets out provisions to wind up those programs as directed by the Minister of the Environment, Conservation and Parks.

The RRCEA established the Authority as the regulatory body responsible for enforcing the requirements of the RRCEA and WDTA. The Authority is playing a key role in Ontario's efforts to reduce waste and litter in our communities and transition to a circular economy.

Under the WDTA the Authority is responsible for:

- Overseeing the operation of Ontario's industry funding organizations (IFOs): Stewardship Ontario, Ontario Tire Stewardship and Ontario Electronic Stewardship
- Monitoring the effectiveness and efficiency of the waste diversion programs operated by the IFOs for: Blue Box waste; used tires; waste electrical and electronic equipment (WEEE); and municipal hazardous or special waste (MHSW)
- Overseeing the orderly wind up of the IFO programs and the IFOs as directed by the Minister of the Environment, Conservation and Parks, starting with the wind up of the Used Tires Program on December 31, 2018 and Ontario Tire Stewardship, followed by the wind up of the WEEE and MHSW programs
- Overseeing the operation of Ontario's industry stewardship organizations (ISOs): Product Care Association, SodaStream Canada and Automotive Materials Stewardship
- Monitoring the effectiveness of the industry stewardship plans operated by these ISOs for: paints and coatings; pesticides, solvents and fertilizers; SodaStream proprietary CO_2 cylinders; and used oil containers, oil filters and antifreeze
- Operating the annual municipal Datacall to determine the Blue Box system cost and performance and for setting the Blue Box Program Steward Obligation
- Undertaking compliance actions that include inspections, issuing orders and monetary penalties, and prosecutions to enforce the requirements set out in the WDTA and its associated regulations
- Developing and operating a registry to house data transferred from IFOs upon wind up

Under the RRCEA the Authority is responsible for:

- Developing and operating a registry for producers responsible for materials under the RRCEA to register with the Authority and report on information required by regulation
- Undertaking compliance actions that include inspections, issuing orders and monetary penalties, and prosecutions to enforce the requirements set out in the RRCEA and its associated regulations
- Providing information to the public about Ontario's progress towards a circular economy
- Providing information to the Minister of the Environment, Conservation and Parks to support policy decisions

The Authority does not receive any government funding. The Authority's operations are financed through fees and charges to regulated parties.

Under the RRCEA and WDTA, the Minister of the Environment, Conservation and Parks has legislative oversight of the Authority. An operating agreement between the Minister and the Authority sets out the respective roles and responsibilities of the two parties.

Governance and Executive Management

The Authority is governed by an 11-person, skills-based Board of Directors. The Board is responsible for the Authority's overall strategic direction and governance. The Board is accountable to the Minister for the Authority's delivery of its mandate and responsibilities under the Acts and operating agreement. Minutes of Board meetings are posted on the Authority's website as part of the Authority's commitment to transparency.

Five directors are appointed to the Board by the Minister and six are elected by the Board. The chair, vice-chair, secretary and treasurer are elected by the Board.

The following table lists the Authority's Board members in 2018.

Board of Directors

Glenda Gies	Chair	Appointed November 2016
Tom Wright	Vice-Chair	Appointed November 2016
Ken Kawall	Treasurer	Elected July 2017
Joyce Barretto	Secretary	Appointed November 2016
David Brezer	Director	Appointed November 2016
Saqib Cheema	Director	Elected November 2017
Andrea Nemtin	Director	Elected November 2017
Robert Poirier	Director	Elected November 2017
Rajesh Sharma	Director	Elected November 2017
Mary Shenstone	Director	Elected November 2017
Nidhi Tandon	Director	Appointed November 2016

Members of the Board are entitled to per diem remuneration, which is set in the spirit of the per diem rates for part-time appointees to regulatory agencies outlined in the Ontario Public Service Agencies and Appointments Directive. One Board member, who was appointed by the Minister and is employed by the Ontario Public Service, is not entitled to per diem remuneration. The per diem rates are as follows[1]:

Chair – $730
Vice-Chair – $572
Director – $463

Total Board remuneration in 2018 was $267,263.

[1] In May 2018, the Ontario Government updated per diem rates in its Ontario Public Service Agencies and Appointments Directive retroactive to January 2018. The rates increased by 1.9% on the following basis: Chair, $744; Vice-Chair, $583; Member, $472. The Authority updated its per diem rates in May 2019 retroactive to January 2018. The additional expense of approximately $5,000 will be reflected in the Authority's 2019 financial statements.

The Board is supported by several committees. The following table lists the committees as of December 2018 and a summary of each committee's purpose.

Committees

Audit and Risk	Oversees the Authority's standards of integrity and behaviour, reporting of financial information, risk management, and management control practices.
Finance	Oversees the Authority's financial assets. The committee oversees the preparation of the annual business plan, operating and capital budgets, and general financial resources management. The committee is responsible for ensuring that management has appropriate and effective policies and procedures for financial reporting and for monitoring and reviewing financial performance and internal controls.
Governance	Oversees corporate governance processes, the Board's policies and protocol, the Authority's Code of Conduct and conflict of interest, and Board and committee evaluations. The committee is also responsible for oversight of the organization'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 resource policies and procedures.
IFO Wind Up Ad Hoc	Oversees the development and implementation of IFO wind-up plans including the assessment of the plans against the legislation, regulations and Minister's directions.

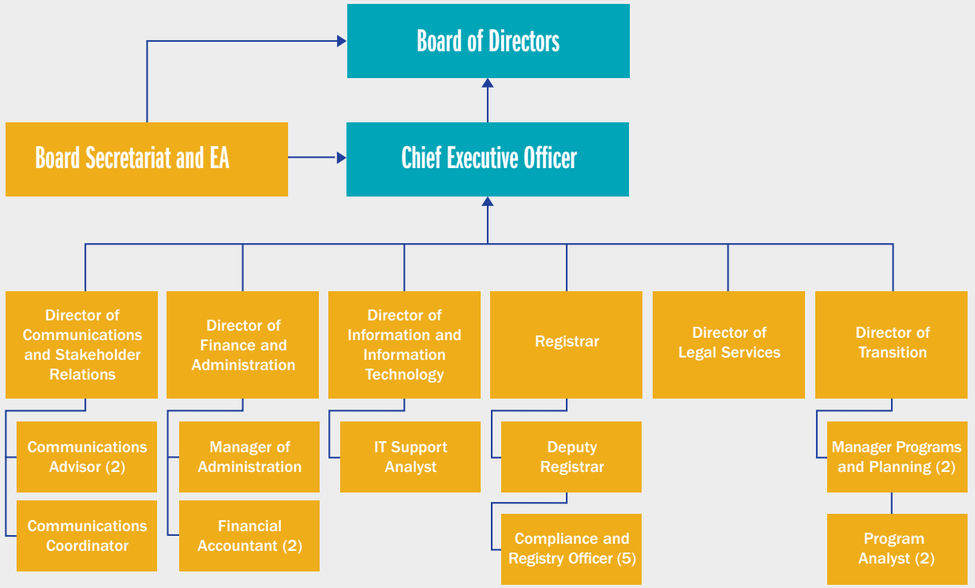
The Board is supported by an executive management team that brings experience and skills from the private and public sectors, including waste management, environmental law, regulatory compliance, regulatory policy making, information technology, financial and human resources management, and change management.

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

Human Resources

The Authority's organizational structure in 2018 is set out in the chart below:



Additional information about the Board of Directors and the 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 a Code of Conduct that is also available on the Authority's website.

THE YEAR IN REVIEW

In 2018 the Authority's work focused on:

- Designing and developing the Tires Registry and the foundational components of the Registry for future designated materials
- Overseeing the wind up of the Used Tires Program, the first of four waste diversion programs to wind up
- The transition of tires to the individual producer responsibility regulatory framework, where producers are responsible for their products and packaging at end-of-life
- Continued oversight of industry funding organizations and industry stewardship organizations

The Authority also began setting the stage for the wind up of the Waste Electrical and Electronic Equipment Program and the Municipal Hazardous or Special Waste Program, the second and third programs scheduled to wind up.

Below are highlights from 2018 and information on how the Authority achieved its mandate.

Used Tires Program Wind Up and Transition

The Authority supported the wind up of the Used Tires Program (UTP) operated by Ontario Tire Stewardship (OTS) by approving OTS's Wind-Up Plan in April. The Authority consulted on the proposed plan from December 2017 to March 2018.

As a condition of approval, the Authority required OTS to eliminate the Tire Stewardship Fee for Passenger and Light Truck tires starting October 1, 2018 through to December 31, 2018. The fee elimination benefited consumers, including those purchasing new winter tires in the fall and winter of 2018, by removing the $3.30 recycling fee on passenger and light truck tires.

The Authority also required OTS to make their TreadMarks IT system, which was used to track the supply, collection and recycling of tires, available at no cost to the tire industry to support competition under the new regulatory framework. Free access to TreadMarks was an important factor in supporting a competitive environment for the entry of multiple producer responsibility organizations (PROs) into the newly established market for tire recycling services under the Tires Regulation.

Authority staff also worked with staff at the then Ministry of the Environment and Climate Change to support the development of the Tires Regulation outlining new mandatory and enforceable requirements for collection and management of used tires. The release of the regulation in April enabled the Authority to complete the build of the Registry with its technology partner, PricewaterhouseCoopers (PwC), to meet the requirements for registration and reporting set out in the regulation. To ensure the Registry was responsive to the needs of future registrants, the Authority engaged stakeholders in the tires sector in user acceptance testing and implemented their feedback in the final design. The Registry opened for tire producers on July 3 and for tire service providers on September 4. The table below shows the number of registrants as of December 31, 2018.

Tire Registrants

Producers	543
Producer Responsibility Organizations	6
Collectors	4076 collectors representing 4392 collection sites
Haulers	121
Retreaders	12
Processors	19

As the UTP entered its final stages of wind up, the Authority responded to stakeholder concerns about the possibility of tires becoming stranded during the transition because of the expiry of OTS financial incentives. The Authority approved further amendments to OTS's Wind-Up Plan to extend the deadline for collectors, haulers and processors to receive incentives to support the smooth transition of the program to the new regulatory framework. The extension of the deadline ensured tires continued to flow through the used tires market during transition and avoid a processing backlog. To further support the wind up of the program, Authority staff worked closely with OTS to secure additional processing capacity through a competitive procurement process.

The Authority conducted extensive consultations and established a Fee Setting Methodology and a General Fee Setting Policy to outline how the Authority sets registrant fees. Based on the consultation feedback, the Authority established fees for tire producers and PROs. Tire collectors, haulers, retreaders and processors were not required to pay Registry fees to minimize regulatory burden for business. Fees for larger producers were based on number of tires supplied into the Ontario market, while fees for smaller producers were set at a low flat rate to minimize costs for business. PROs paid a flat registration fee and a software licence fee for access to the Registry. In November 2018 the Authority consulted on its proposed 2019 fees. The proposal was to keep producer fees at 2018 levels while combining the PRO registration and software licence fees into a single flat fee to minimize administrative burden.

At the end of the year, the Authority began developing an audit procedure to help tire producers and PROs fulfill their requirements to verify and submit to the Authority tire collection and management (reuse, retreading or processing) performance data. Beginning in 2020, producers or PROs will be required to complete an audit of their performance towards meeting their mandatory targets for the collection and management of used tires by October 31 of each year.

On December 31, 2018, the UTP ended and on January 1, 2019, tires became the first material subject to individual producer responsibility in Ontario. This was accomplished through a collaborative effort between OTS and the Authority; producers obligated under the RRCEA and their PROs; and close coordination between the Authority and the Ministry of the Environment, Conservation and Parks.

The wind up of the UTP and the coming into force of the Tires Regulation provided important lessons for the Authority, including the need to work closely with industry to ensure smooth operations during wind up and transition; supporting the Ministry in the development of regulations to ensure alignment with both business and regulatory operations and processes; communicating effectively with future registrants to support voluntary compliance by making sure they understand their obligations; taking a customer service approach to supporting regulated parties in registering and reporting; and actively working to ensure a level playing field for producers, PROs and service providers.

ON JANUARY 1, 2019, TIRES BECAME THE FIRST MATERIAL SUBJECT TO INDIVIDUAL PRODUCER RESPONSIBILITY IN ONTARIO.

These lessons will be critical in ensuring the success of the wind up of the Waste Electrical and Electronic Equipment Program and the Municipal Hazardous or Special Waste Program, the eventual wind up of the Blue Box Program, and the introduction of individual producer responsibility for any new materials the government may designate.

Additional information about the wind up of the UTP, including the Minister's direction letters, is available on the Authority's website.

Waste Electrical and Electronic Equipment Program Wind Up

In February 2018, the then Minister of the Environment and Climate Change directed the wind up of the Waste Electrical and Electronic Equipment (WEEE) Program on June 30, 2020. Since then, the Authority has worked closely with Ontario Electronic Stewardship (OES) to begin planning and preparing for the wind up and transition of the WEEE Program to individual producer responsibility, followed by the wind up of OES.

The Authority initiated the wind-up process by working with OES to develop a proposal to address real, potential or apparent conflicts of interest in the development and implementation of its wind-up plan. OES administers the WEEE Program through a service agreement with the Electronic Products Recycling Association (EPRA), a national electronics recycling service provider. The Authority supported OES's proposal, which included appointing a new board of directors in August to replace the previous board that included members with affiliations to EPRA.

The Authority also supported a change to OES's Environmental Handling Fee (EHF) for electronics that is used to fund the WEEE Program. This fee was charged by OES to producers, who often recovered it from consumers as an EHF on the purchase of new electronics. Beginning February 1, 2019 and for the duration of the WEEE Program, the fee charged to producers was reduced to zero given the size of the anticipated budget surplus at wind up.

Consistent with the Minister's directions, the preliminary work on conflict of interest and fee elimination addressed two key issues ahead of OES's consultations on the development of its wind-up plan. Those consultations engaged OES stakeholders on operational and financial matters, including the disposition of assets, sharing of data, program performance and communications to facilitate wind up of the program and orderly transition to the new regulatory framework.

OES submitted its wind-up plan before the December 31, 2018 deadline and the Authority is consulting on the plan before considering approval by June 30, 2019.

Additional information about the WEEE Program, including the wind-up process and the Minister's direction letters, is available on the Authority's website.

Municipal Hazardous or Special Waste Program Wind Up

In April 2018, the then Minister of the Environment and Climate Change directed the wind up of the Municipal Hazardous or Special Waste (MHSW) Program on December 31, 2020.

In December 2018, the Minister of the Environment, Conservation and Parks provided new direction on the waste diversion program for batteries. The direction accelerated the wind up of the batteries program to June 30, 2020 to coincide with the wind up of the WEEE Program to allow for a coordinated policy approach.

The Authority began engaging Stewardship Ontario to address the Minister's direction to take all necessary steps to ensure there is no real, potential, or apparent conflict of interest when it develops and implements the wind-up plan. Stewardship Ontario administers the MHSW Program through a service agreement with the Canadian Stewardship Services Alliance (CSSA), a national paper products and packaging recycling service provider. The Authority supported Stewardship Ontario's proposal, which included creating an MHSW Executive Wind Up Committee and hiring an independent project manager to manage the wind-up process.

Stewardship Ontario's consultations on the development of its MHSW wind-up plan will occur early in 2019 and the proposed plan is due to the Authority by June 30, 2019. The Authority will consult on the proposed plan before considering approval by December 2019.

Additional information about the MHSW Program, including the wind-up process and the Minister's direction letters, is available on the Authority's website.

Communications

The Authority recognizes that a successful compliance program is built on clear, concise, relevant and timely communications. The Authority has prioritized communications as a primary compliance tool and focuses on providing support to regulated parties to achieve voluntary compliance. Staff strive to ensure regulated parties get simple, clear and consistent messages well in advance of deadlines and timely reminders to ensure compliance. All communications are designed with the user or receiver in mind, including language, format, timing and mode of communication.

As part of this strategy, the Authority re-launched its website and Twitter and LinkedIn pages in July. The website was refreshed to streamline navigation and make information

easy to find and understand. Social media was re-launched as another method to reach key audiences with information about the new regulatory requirements and to increase transparency around the Authority's work.

In August, the Authority launched The Hub, a blog on its website that features articles from Ontario and around the world on innovative approaches to recycling and developments on the circular economy. Interested stakeholders can sign up for The Hub and are emailed a summary of articles that provide a broad context for Ontario's circular economy initiative.

The Authority also continued its outreach to stakeholders through presentations, webinars, meetings and site visits to engage interested stakeholders in the Authority's mandate, activities and approach to regulatory compliance. As a new regulator supporting an important shift from waste management to resource recovery, the Authority remains committed to stakeholder engagement.

Complaints

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

The Authority developed and posted to its website a Public Complaints Policy in 2018 that outlines how a member of the public can submit a complaint to the Authority and how the Authority handles complaints received.

The Authority received no formal complaints in 2018.

Delivery of French Language Services

The *Resource Recovery and Circular Economy Act, 2016* requires the Authority to take all reasonable measures to communicate and provide services in French and its operating agreement with the Minister of the Environment, Conservation and Parks requires the Authority to report on its delivery of French language services.

The Authority's French Language Services Plan, which is available on its website, outlines how it will meet its legislated requirements to provide services in French. Following an annual review, the Authority enhanced its services by offering real-time, on-demand simultaneous French translation services through a third-party service provider.

In 2018, the Authority received two requests for simultaneous French translation services. The Authority was able to provide services in French immediately to both registrants using a combination of phone-based translation services and bilingual Compliance and Registry Officers.

The Authority will continue to review its French Language Services Plan annually and enhance the plan as appropriate.

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, policies and procedures.

In 2018, the Authority continued to strengthen its organizational foundation by updating the following by-laws, policies and procedures:

- Code of Conduct
- Governance Charter
- Perquisites Policy
- Director Remuneration Policy
- IFO Wind-Up Guide (to enhance conflict of interest provisions)
- Financial Management and Controls Policy
- Business Expenses Policy
- Procurement Policy
- Human Resources Policy
- Performance Management Framework
- Whistleblower Policy
- Enterprise Risk Management Plan

The Authority also introduced the following new policies and procedures:

- Board Education Policy
- Compliance Attestation Procedure
- Fee Setting Methodology and General Fee Setting Policy
- Public Complaints Policy
- Records Retention Policy
- Compensation Policy

By-laws, policies or procedures that are subject to the Authority's public disclosure requirements and approved for release are available on the Corporate Documents page of its website.

COMPLIANCE AND ENFORCEMENT

2018 was the first year that the Authority exercised its compliance and enforcement function under the *Resource Recovery and Circular Economy Act, 2016*.

The Authority takes a risk-based approach to compliance. This approach focuses on the risks that arise from non-compliance and then uses an assessment of those risks to guide the selection of compliance tools and resources to minimize risk and maximize compliance. The following compliance tools are available to the Registrar:

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

In 2018, the Registrar did not issue any compliance orders or administrative penalty orders and did not initiate any prosecutions. The Registrar's compliance activities were largely focused on proactive education and awareness and communications to support voluntary compliance.

Proactive Communications, Education and Awareness

To ensure a smooth transition to individual producer responsibility for the tires sector, the Authority used a progressive approach to compliance. Leading up to the Registry opening in July for producers and producer responsibility organizations (PROs) and in September for service providers, the Authority executed a comprehensive communications, consultations and engagement strategy that involved contacting and engaging prospective registrants directly and leveraging existing communication channels through Ontario Tire Stewardship (OTS) and industry associations.

During the registration period for producers, the Authority's Compliance and Registry Officers (CROs) made over 750 calls to OTS stewards who were potentially obligated producers under the Tires Regulation. During the registration period for service providers, CROs contacted all known haulers, retreaders and processors. Recognizing that collectors were a larger and more challenging group to reach via email, the Authority developed an information postcard that processors and haulers could provide to collectors. The Authority also published six compliance bulletins on its website throughout 2018 providing guidance on registration matters. Notice of these compliance bulletins was emailed to all registrants.

The Authority also worked collaboratively with PROs to communicate key messages and reach used tire service providers to ensure they understood their obligation to register with the Authority. Regular meetings with PROs were held to provide updates on the Authority's work and to discuss emerging issues.

CROs made or received more than 10,000 calls and exchanged more than 5,000 emails with regulated parties as part of a customer-service oriented approach to supporting voluntary compliance. The results of this effort were evident in the successful registration of tire producers by the August 31 deadline that exceeded the Authority's target of registering 90% of OTS stewards.

Inspections and Audits

The Compliance and Registry Team conducted an inspection campaign in 2018 focused on monitoring the used tires market leading up to the December 31, 2018 wind up of the Used Tires Program. CROs contacted every hauler, processor and retreader to determine if any backlogs existed in tire collection, hauling and processing. The existence of a backlog was confirmed, and it was determined that OTS's Wind-Up Plan should be revised to extend the deadlines for OTS to pay collection, hauling and processing incentives. This was done to ensure the flow of used tires and reduce the possibility of a market disruption during transition. The Authority approved amendments to OTS's Wind-Up Plan in November that revised deadlines for collectors, haulers and processors to be eligible for incentives under the OTS program. Working with OTS, the Authority communicated these changes to collectors, haulers and processors. As a further outcome of this inspection program, the Authority also worked with OTS to secure additional processing capacity to eliminate the tire backlog.

Registry Support

From July to December 2018, the Authority recorded over 15,000 interactions with regulated parties. These interactions were key to the success of the registration process. Many of these interactions raised various questions related to communications, the registration process, technical issues with the Registry and the impacts of individual producer responsibility on tire collection. The Compliance and Registry Team was able to respond effectively to these questions by clarifying the registration process and new obligations under individual producer responsibility, and continuously improving the website and email communications. The feedback was used to improve the Registry and will also be considered in the design of the Registry for electronics and hazardous or special waste.

PROGRAM OVERSIGHT

In 2018, the Authority oversaw four waste diversion programs under the *Waste Diversion Transition Act, 2016* (WDTA) and the industry funding organizations (IFOs) and industry stewardship organizations (ISOs) that operate the following programs:

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

These programs are slated for wind up to enable the transition of these materials to individual producer responsibility. Program wind ups are directed by the Minister of the Environment, Conservation and Parks. In 2018, the then Minister of the Environment and Climate Change directed the wind ups of the WEEE and MHSW programs. The Used Tires Program ended on December 31, 2018.

In 2018, Ontario diverted over one million tonnes of waste through the programs the Authority oversees. Below are descriptions of the programs and performance highlights. Detailed information on program performance and financials are available in the IFO/ISO annual reports in the appendices.

Brewers Retail, known as The Beer Store, is required to submit an annual report to the Authority as part of its public reporting requirements.

Blue Box Waste

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

In 2017, the most recent year for which data are available, the Blue Box Program achieved a 61.3% recycling rate, marginally exceeding the program's 60% recycling target. A total of 822,979 tonnes were recycled in 2017, a 1.6% decrease from 2016.

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

Municipal Hazardous or Special Waste

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

These materials are collected through:

- Stewardship Ontario's Orange Drop Program for single-use batteries, and non-refillable and refillable pressurized containers
- Product Care Association's ReGeneration Program for paints and coatings, pesticides, solvents, and fertilizers
- Automotive Materials Stewardship's program for antifreeze, oil containers and oil filters
- SodaStream for their branded refillable cylinders

In 2018, the MHSW Program collected 30,539.9 tonnes, compared with 29,634 tonnes in 2017. The table below shows the collection performance of each MHSW program.

Material	Target Collection Tonnes	Actual Tonnes Collected
Antifreeze	2,172	2,946
Fertilizers	N/A	27.3
Oil containers	2,429	4,101
Oil filters	7,789	9,515
Paints and coatings	8,822	9,934
Pesticides	21	18.6
Pressurized containers		
Non-refillable	382	318
Refillable	462	424
Single-use batteries	2,351	2,964
Solvents	645	292

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

Waste Electrical and Electronic Equipment

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

In 2018, a total of 47,711 tonnes of WEEE were collected, compared to 52,712 tonnes in 2017. This decline is consistent with an historical trend of declining tonnage. Since hitting a peak in 2014, collected tonnes have declined over 30%. OES attributes this decline to product miniaturization and light-weighting.

OES reported a significant increase in products reused or refurbished. More than 3,359 tonnes of WEEE were reused or refurbished, an increase of 28% compared to 2017. While desktop computers continue to be the most reused or refurbished, display devices are the fastest growing product to be reused or refurbished.

Complete details on the performance of the WEEE Program can be found in Appendix E of this report.

Used Tires

The Used Tires Program was operated by Ontario Tire Stewardship (OTS) until December 31, 2018 when the program was wound up. OTS worked with tire collectors, haulers, processors and recycled product manufacturers to direct passenger and light truck, medium truck, and off-the-road tires to reuse and recycling.

In 2018, OTS collected 156,515 tonnes of used tires. Of this number, 138,612 tonnes were on-road tires and 17,903 tonnes were off-the-road tires. OTS notes that used tire collection in 2018 was significantly higher compared to previous years and attributes this to more tires being moved from inventories in anticipation of program wind up.

OTS exceeded its 2018 diversion targets in all categories:

- The target for passenger and light truck tires was 92%; the actual diversion rate was 107%
- The target for medium truck tires was 90%; the actual diversion rate was 91%
- The target for off-the-road tires was 45%; the actual diversion rate was 73%

Complete details on the performance of the Used Tires Program can be found in Appendix F of this report.

07 | PROGRAM OVERSIGHT

IN 2018, ONTARIO DIVERTED OVER ONE MILLION TONNES OF WASTE THROUGH THE PROGRAMS THE AUTHORITY OVERSEES.

Brewers Retail

Brewers Retail, known as 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. The Beer Store also administers the Ontario Deposit Return Program (ODRP), which collects all alcoholic containers sold outside The Beer Store system, including wine, spirit, beer and coolers.

The ODRP is not a waste diversion program under the WDTA and is not overseen by the Authority. The WDTA, however, 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 2018, the Beer Store maintained its 87% system recovery rate, which ranged from 101% for kegs to 79% for metal cans. Return rates were up 1% compared to 2017 for both ODRP containers and Beer Store containers.

Brewers Retail diverted 336,357 tonnes from landfill, with Beer Store containers representing 66% of the diverted tonnes and ODRP containers the remaining 34%. Glass bottle reuse accounted for 45% of the diversion.

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

THE AUTHORITY'S PERFORMANCE

The Authority submits a business plan to the Ministry of the Environment, Conservation and Parks by October 1 of each year that sets out its strategic priorities, annual goals and performance targets for the coming year. In its annual report and at its annual general meeting, the Authority reports on its progress towards meeting the performance targets set in the previous year. The tables below outline the Authority's strategic objectives and targets from the 2018 Business Plan and the progress made toward achieving those targets.

Strategic Priority One: Transition of Waste Diversion Programs

Objective	Target	2018 Performance	Comments
Continued oversight of waste diversion programs	Approval of Stewardship Ontario's amended Blue Box Program Plan proposal	Not Applicable	In August 2017, the then Minister of the Environment and Climate Change issued direction to Stewardship Ontario and the Authority to work collaboratively with stakeholders on developing a proposal for an amended Blue Box Program Plan. Stewardship Ontario conducted a first phase of consultations in 2017 and a second phase in 2018 on a draft plan. The Authority also held consultations on a draft program agreement between December 2017 and January 2018. Stewardship Ontario did not submit an amended Blue Box Program Plan to the Authority for approval.
Effective wind up	Implementation as set out in approved wind-up plan for the wind up of the Used Tires Program on December 31	Completed	The Used Tires Program ended on December 31, 2018 and responsibility for collection and management of tires began under the Tires Regulation starting January 1, 2019.
	Approval of wind-up plan for second program directed to wind up by the Minister	Ongoing	Minister's direction to wind up the Waste Electrical and Electronic Equipment Program was received in February 2018 with a wind-up date of June 30, 2020.

Strategic Priority Two: Responsible Management of Data

Objective	Target	2018 Performance	Comments
Responsible parties registered	90% of brand holders formerly registered with OTS register with the Authority by deadline	Completed	As of the August 31, 2018 deadline for Tire Producers to register with the Authority, 500 tire producers or 93% of the expected 535 OTS stewards, had registered.
Registrants submit required data	Respond to all substantiated instances of non-compliance within 30 days	Not Applicable	The registration process was completed in the latter half of 2018 and a compliance review of registration data submitted will occur in 2019.
Protection of private and commercially sensitive data	Compliance with Access and Privacy Code and RRCEA and WDTA provisions on confidentiality of information	Completed	There were no breaches of the Authority's Access and Privacy Code and all confidentiality provisions of the RRCEA and WDTA were adhered to.

Strategic Priority Three: Trusted Authority

Objective	Target	2018 Performance	Comments
Establish straightforward registration process for registrants	General satisfaction in level of effort required in registration process among registrants as determined through a survey		Tire producers were surveyed following the August 31, 2018 registration deadline and service providers (haulers, collectors, processors and retreaders) were surveyed following their October 31, 2018 deadline. Both groups of registrants expressed high levels of satisfaction with the overall registration experience.
Foster a level playing field for parties obligated under the RRCEA	Respond to all substantiated instances of non-compliance within 30 days		Every instance of potential non-compliance that was brought to the Authority's attention initiated a review by an inspector to determine non-compliance.

Strategic Priority Four: Accountability

Objective	Target	2018 Performance	Comments
Comply with reporting requirements in the RRCEA, WDTA and the Transitional Operating Agreement	2017 Annual Report submitted by June 1, 2018	Completed	Submitted to Minister on June 1, 2018.
	Public Annual General Meeting held in June 2018	Completed	Public Annual General Meeting held on June 21, 2018.
	2019 Business Plan submitted 90 days before year end	Completed	Submitted to Minister on October 1, 2018.
Engage and consult broadly with stakeholders	Complete consultation on wind up-plan for second program to receive wind up direction with positive stakeholder feedback		The OES Wind-Up Plan for the Waste Electrical and Electronic Equipment Program was submitted to the Authority in December 2018. The Authority is consulting on the plan in 2019.
	Establish one Stakeholder Working Group with positive feedback from members	Completed	The Industry Advisory Group was established in Q4 2018.

Strategic Priority Five: Organizational Sustainability

Objective	Target	2018 Performance	Comments
Ensure fee policy and fee rates that sustain the organization	Cost recovery and contribution to Reserve consistent with Reserve Fund Policy	Completed	2018 Tire fees generated the required revenue to cover the Authority's associated costs. Contributions to the reserve fund met the budgeted amount.
Establish an organizational culture based on professionalism, continuous improvement, integrity, accountability, respect and collaboration	Increase over 2017 baseline results for employee engagement survey results	Completed	Employee engagement surveys are showing positive improvements year-over-year.

FINANCIALS

Management Discussion and Analysis

The Resource Productivity and Recovery Authority is a regulatory authority established by the Government of Ontario and plays a key role in the government's waste and litter reduction strategy.

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.

Revenues

The Authority does not receive government funding and finances its activities through fees charged to regulated parties.

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

- Sections 35 and 41 of the WDTA allow the Authority to recover costs from industry funding organizations (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

In July 2018, the Tires Regulation came into force and the Authority levied fees under Section 41 of the RRCEA on obligated parties in the tires sector for the first time. The Authority received $1.6 M in RRCEA fees charged to tire producers and tire producer responsibility organizations in 2018, of which $1.0 M was used to finance the 2018 Tires Registry development and compliance activities related to the Tires Regulation, and $0.6 M was deferred to reduce 2019 Registry fees for Tires. RRCEA fees represented approximately 15% of the Authority's revenues.

The remainder of the Authority's revenues were derived through charges to IFOs and ISOs under sections 35 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 $5.59 M from IFOs and ISOs.

The Authority had total revenues of $6.6 M in 2018, compared to revenues of $6.0 M in 2017. The increase was due to higher operating costs related to the Authority's new mandate and expanded scope of responsibilities, which are discussed in greater detail 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 current and future registrants obligated under the RRCEA and its associated regulations. In 2018, the Tires Regulation was the only RRCEA regulation in force. Tires will be the only designated material under the RRCEA in 2019.

In 2020, regulations for electronics and hazardous or special waste are anticipated to come into force, bringing new designated materials and new registrants under the RRCEA.

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 each of its programs.

Indirect costs are 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 financial statements:

- The Authority had direct program costs of $0.9 M in 2018, compared to direct program costs of $1.0 M in 2017. The decrease was primarily due to the end of several one-time projects in 2017 related to IFO programs.
- The Authority had recoverable indirect costs of $4.3 M in 2018, compared to recoverable indirect costs of $3.3 M in 2017. The increase was primarily the result of indirect staffing expenses of $2.5 M in 2018 compared to $1.9 M in 2017 due to additional staffing to deliver the Authority's mandate.
- Certain operating expenses increased 85% to $1 M following the Authority's office move in July 2017. The move was required to accommodate the increase in staff necessary to deliver the Authority's mandate and expenses related to rent, amortization of leasehold improvements and depreciation of fixed assets, and other operating expenses.
- Professional fees of $0.8 M decreased from $1.1 M as a result of hiring internal legal counsel and careful attention to the organization's discretionary spending in 2018.

In 2018 the Authority incurred additional costs to develop and implement its Registry. Registry expenses of $0.8 M increased from $0.4 M in 2017. 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 individual producer responsibility requirements outlined in the RRCEA and its related regulations, and to receive data from 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.

The organization is seeking guidance from the Canada Revenue Agency regarding the GST/HST treatment of certain fees set by the Authority. 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 $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.

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 Authority's total operating reserve at year end was $2.4 M. The excess of revenues over expenses added to the operating reserve in 2018 was $0.6 M compared to $1.2 M in 2017.

Cash Flows and Liquidity

At year end, the Authority had a negative working capital position of approximately $2.2 M compared to a negative working capital position of approximately $0.4 M at December 2017 and cash of $2.7 M compared to $0.4 M in 2017.

The decrease in working capital is because of an increase in costs in 2018 related to the Authority's Registry development project, which was financed by a bank loan. This decrease in working capital was partly offset by the $0.6 M revenue received from tire registrants in 2018 that was deferred to reduce 2019 Registry fees for tires.

The Authority has a $1 M revolving operating credit facility with a Canadian bank for ongoing working capital requirements and general corporate purposes and a $7 M supplementary operating credit facility with the same bank to finance the cost of building the Registry. In addition, the Authority has the option of converting its supplementary operating credit facility to a term loan when certain milestones are reached in the Registry project.

The revolving and supplementary operating credit facilities bear interest at a floating rate equal to prime rate. The amount drawn on the revolving operating credit facility at year end was nil and the amount drawn on the supplementary credit facility was $4.95 M. None of the credit facility was converted to a term loan in 2018. 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

THE AUTHORITY WILL CONTINUE FOCUSING ON ITS OVERSIGHT ROLE AND SUPPORTING THE TRANSITION OF MATERIALS TO INDIVIDUAL PRODUCER RESPONSIBILITY.

bills, Canadian Chartered Bank Term notes and top-rated Certificates of Deposits with short term maturities.

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
- Key assumptions about registrants arising from the designation of additional materials under the RRCEA
- Timeline, cost estimates and functional scope of the Registry project 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 will monitor its risks and continually assess its exposure and mitigation plans to ensure its risk mitigation strategies support organizational resilience to achieve its objectives.

Outlook for 2019

In 2019, the Authority will continue to focus on its oversight role under the WDTA and supporting the transition of materials managed by WDTA programs to individual producer responsibility under the RRCEA.

For 2019, revenues are budgeted at $8.5 M compared $6.5 M in 2018 and expenses are budgeted at $7.9 M compared to $5.9 M in 2018. The Authority expects to break even on its expenses but also expects to have an operating surplus of $0.6 M in 2019 resulting from a $0.6 M reserve contribution.

In 2018, the Tires Registry and the foundational components of the Registry were completed at a total cost of $4.75 M on the following basis:

- Tires-specific Registry components-$1.66 M
- Foundational/common platform components that will support future designated materials-$2.89 M
- System assessment for future projects-$0.18 M

In October 2017, at the launch of the project to develop the Registry for four materials groups (tires, electronics, hazardous or special waste, and Blue Box materials) the preliminary cost was estimated at $6 M. The estimate was developed for planning purposes prior to release of the Tires Regulation and was based on limited information since regulations were not available to allow project requirements to be comprehensively defined. The cost of the Registry for future designated materials will be determined as each material is designated and the Registry for that material is developed.

The current $7 M credit facility, which has been drawn down by $4.95 M, is insufficient to complete the next phases of the Registry project. In 2019, the Authority will seek an expanded supplementary operating credit facility with its current lender to support Registry projects for future designated materials.

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.

FINANCIAL STATEMENTS

December 31, 2018

Resource Productivity and Recovery Authority

INDEPENDENT AUDITORS' REPORT

May 16, 2019

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, 2018, 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, 2018, 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

Resource Productivity and Recovery Authority

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 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

Balance Sheet

	Notes	Year ended December 31 2018	2017
Assets			
Current			
Cash		$2,651,933	$ 406,954
Accounts receivable	3	1,471,193	1,880,121
Prepaid expenses		175,646	52,047
		4,298,772	2,339,122
Capital assets	4	738,467	778,521
Intangible assets	4	4,063,608	1,354,472
		$ 9,100,847	$ **4,472,115**
Liabilities			
Current			
Bank loan	2	$4,950,000	$
Accounts payable and accrued liabilities		628,825	2,269,587
Government remittances payable		295,148	106,865
Deferred revenue	5	577,696	
		6,451,669	2,376,452
Deferred leasehold inducements	6	255,668	302,153
		6,707,337	2,678,605
Net Assets	7	2,393,510	1,793,510
		$ 9,100,847	$ 4,472,115
Commitments and contingencies	9		

See accompanying notes

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

Glenda Gies, Chair

Ken Kawall, Treasurer

09 | FINANCIAL STATEMENTS

Resource Productivity and Recovery Authority

Statement of Revenue and Expenses and Net Assets

	Year ended December 31, 2018			Year ended December 31, 2017		
	Total	**WDTA (1)**	**RRCEA**	**Total**	**WDTA (1)**	**RRCEA**
Revenue						
Cost recovery	$ 5,981,299	$ 5,144,739	$ 836,560	$ 4,326,867	$ 4,326,867	$
Reserve contribution	600,000	450,000	150,000	1,125,000	1,125,000	
Other				554,326	554,326	
	6,581,299	5,594,739	986,560	6,006,193	6,006,193	
Expenses						
Salaries and benefits	2,782,967	2,478,297	304,670	2,176,259	1,990,226	186,033
Communications	135,272	120,385	14,887	249,036	207,913	41,123
Amortization	364,095	295,604	68,491	68,216	61,208	7,008
Board compensation and related expenses	330,720	299,066	31,654	307,322	272,887	34,435
Rent	290,070	261,063	29,007	245,862	221,276	24,586
Telephone and Internet	80,184	72,123	8,061	43,056	38,471	4,585
Loan Interest	87,547		87,547			
Other operating	304,122	245,818	58,304	205,945	192,041	13,904
Professional fees	768,645	744,125	24,520	1,146,651	1,047,705	98,946
Registry	837,677	628,258	209,419	390,523	296,642	93,881
	5,981,299	5,144,739	836,560	4,832,870	4,328,369	504,501
Revenue over expenses (expenses over revenue)	600,000	450,000	150,000	1,173,323	1,677,824	(504,501)
Net Assets, beginning of year	1,793,510	2,336,927	(543,417)	620,187	659,103	(38,916)
Net Assets, end of year	**$ 2,393,510**	**$ 2,786,927**	**$ ($393,417)**	**$ 1,793,510**	**$ 2,336,927**	**$ ($543,417)**

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

See accompanying notes

Resource Productivity and Recovery Authority

Statement of Cash Flows Page 5

	Year ended December 31	
	2018	2017
Net cash provided by (used in)		
Operations		
Excess of expenses over revenue for the year	$ 600,000	$ 1,173,323
Amortization	364,095	68,216
Changes in non-cash working capital items		
Accounts receivable	408,928	(735,764)
Prepaid expenses	(123,600)	(31,722)
Accounts payable and accrued liabilities	(1,687,247)	1,972,196
Government remittances payable	188,284	41,034
Deferred revenue	577,696	
Deferred funding		(552,825)
Deposits from Industry Stewardship Plans		(50,300)
	328,156	1,884,158
Financing Activity		
Increase in bank loan	4,950,000	
	4,950,000	
Investing Activity		
Additions to capital assets	(110,167)	(846,736)
Additions to intangible assets	(2,923,010)	(1,354,472)
	(3,033,177)	(2,201,208)
Net increase(decrease) in cash during the year	2,244,979	(317,050)
Cash, beginning of the year	406,954	724,004
Cash, end of year	**$ 2,651,933**	**$ 406,954**

See accompanying notes

Resource Productivity and Recovery Authority

Notes to the Financial Statements
December 31, 2018 Page 6

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

Revenue Recognition

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

Amounts received that relate to future fiscal periods are recorded as deferred 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 7 year term of the lease

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

Resource Productivity and Recovery Authority

Notes to the Financial Statements

December 31, 2018 Page 7

1. Summary of Accounting Policies (continued)

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 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 CNA/OCNA program administration.

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

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 $1 million revolving operating credit facility with a Canadian bank for ongoing working capital requirements and general corporate purposes and a $7 million supplementary operating credit facility, with the same bank, to finance the cost of building the Registry infrastructure required to perform the duties assigned under the RRCEA and WDTA. In addition, the organization has an available committed Term Loan of up to $7 million, with the same bank, to replace the supplementary operating credit facility when certain milestones are reached in conjunction with the infrastructure build-out.

The revolving and supplementary operating credit facilities bear interest at a floating rate equal to prime rate. The amounts drawn on these operating credit facilities as at December 31, 2018 are $4.95 million (2017 – nil). The interest rate on the term loan will be determined when the organization draws on this facility. The amount drawn on the term loan at December 31, 2018 is nil. All bank debt is secured by a general security agreement.

Resource Productivity and Recovery Authority

Notes to the Financial Statements

December 31, 2018 Page 8

3. Accounts Receivable

	Year ended December 31	
	2018	2017
Leasehold Inducement	$	$ 367,696
Sales Tax		1,120
Ontario Tire Stewardship - Used Tires	399,247	504,569
Stewardship Ontario - Blue Box	436,562	646,730
Stewardship Ontario - Municipal Hazardous or Special Waste	40,252	30,000
Ontario Electronic Stewardship - Waste Electrical and Electronic Equipment	422,510	208,050
Stewardship Ontario - Continuous Improvement Fund	405	231
News Media Canada	2,127	754
Automotive Materials Stewardship - Industry Stewardship Plan - Automotive Materials	76,313	68,456
Product Care Association - Industry Stewardship Plan - Paint and Coatings	77,018	45,062
Product Care Association - Industry Stewardship Plan - Pesticides, Solvents and Fertilizers	12,416	7,415
SodaStream Canada		38
RRCEA Registrants	4,343	
	$ 1,471,193	$ 1,880,121

4. Capital and Intangible Assets

	Cost	Accumulated Amortization	2018 Net Book Value	2017 Net Book Value
Computer software	$ 3,764	$ 1,056	$ 2,708	$ 1,071
Computer equipment	98,663	31,412	67,251	37,420
Office equipment and furniture	166,202	33,711	132,491	141,955
IT infrastructure and networks	121,567	35,505	86,062	105,068
Leasehold improvements	566,707	116,752	449,955	493,007
	$ 956,903	$ 218,436	$ 738,467	$ 778,521
Intangible assets - Registry	$ 4,277,482	$ 213,874	$ 4,063,608	$ 1,354,472

5. Deferred Revenue

Deferred revenue represents 2018 RRCEA registration fees received in excess of the 2018 RRCEA expenses in the amount of $577,696 to be applied towards 2019 expenses.

Resource Productivity and Recovery Authority

Notes to the Financial Statements Page 9

December 31, 2018

6. 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:

	2018	2017
Leasehold inducement	$ 325,395	$ 325,395
Less: Accumulated amortization	(69,727)	(23,243)
	$ 255,668	**$ 302,153**

7. Net Assets

Net assets consist of the following:

	WDTA	RRCEA	Contingency Reserve	Total
Balance, beginning of year	$	$ (918,000)	$ 2,711,510	$ 1,793,510
Excess of revenue over expenses			600,000	600,000
Balance, end of year	$	$ (918,000)	$ 3,311,510	$ 2,393,510

8. 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 $117,122 (2017 - $56,059) 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.

9. Commitments and contingencies

Commitments

The organization has entered into a contract amounting to $1.8 million 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.

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

	Amount
2019	$ 158,372
2020	166,862
2021	169,894
2022	174,139
Thereafter	275,719
	$ 944,986

Resource Productivity and Recovery Authority

Notes to the Financial Statements

December 31, 2018 Page 10

Contingencies

Stewardship Ontario is disputing the Authority's determination of the 2019 and subsequent steward obligations under the Blue Box Program. Other persons have also expressed an intention to dispute 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 $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.

10. Financial Risks

Credit Risk

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

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.

11. Reclassification of prior year's presentation

Certain prior year's amounts have been reclassified for consistency with the current year presentation. In particular, amounts previously reported in the statement of revenue and expenses and in the schedules of indirect costs have been re-summarized in a more meaningful manner to show, in a columnar format, these amounts as they relate specifically to RRCEA or WDTA. These reclassifications had no effect on the reported results of operations and are consistent with the organization's presentation of its business plans.

Resource Productivity and Recovery Authority

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

Year ended December 31, 2018

	Industry Stewardship Plans	Continuous Improvement Fund	Blue Box Waste	Used Tires	Waste Electrical and Electronic Equipment	News Media Canada	Municipal Hazardous or Special Waste	Total
Direct expenses								
Salaries and benefits	$ 8,154	$ 3,595	$ 136,695	$ 72,898	$ 58,264	$ 13,730	$ 18,512	$ 311,848
Office and other	1,412		16,068	8,151	1,560		336	27,527
Professional fees	448	148	300,754	113,004	69,283		27,804	511,441
Indirect expenses	579,586		1,330,226	1,188,582	1,050,632		144,897	4,293,923
Total	**$ 589,600**	**$ 3,743**	**$ 1,783,743**	**$ 1,382,635**	**$ 1,179,739**	**$ 13,730**	**$ 191,549**	**$ 5,144,739**

Year ended December 31, 2017

	Industry Stewardship Plans	Continuous Improvement Fund	Blue Box Waste	Used Tires	Waste Electrical and Electronic Equipment	News Media Canada	Municipal Hazardous or Special Waste	Total
Direct expenses								
Salaries and benefits	$ 4,491	$ 3,674	$ 179,470	$ 67,608	$ 33,326	$ 18,316	$ 11,618	$ 318,503
Communications and consultants			1,221	11,194		300		12,715
Office and other	1,958	2,231	9,582	1,427	230	12	138	15,578
Professional fees			208,122	398,763	16,955		16,984	640,824
Indirect expenses	347,336		876,550	1,445,883	540,024		129,455	3,339,248
Total	**$ 353,785**	**$ 5,905**	**$ 1,274,945**	**$ 1,924,875**	**$ 590,535**	**$ 18,628**	**$ 158,195**	**$ 4,326,868**

Stewardship Ontario

RPRA Filing on 2018 Program Performance

April 1, 2019

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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 Resource Productivity and Recovery Authority (RPRA) in accordance with the requirements of the Waste Diversion Transition Act, 2016.

John Coyne
Chair
Stewardship Ontario Board of Directors

SECTION 1

2018 Blue Box Program Performance

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 (RPRA) website.

Stewardship Ontario presented the Blue Box Program performance and fee schedule to stewards on October 24, 2018. Relevant documentation, including a discussion paper, presentation and Q&As from the meeting can be found at www.stewardshipontario.ca/engagement.

Stakeholder Consultation

On August 14, 2017, the Ontario Minister of Environment and Climate Change, Hon. Chris Ballard, issued a letter directing Stewardship Ontario and RPRA to develop a proposal to amend the Blue Box Program Plan in order to support transition from the current shared responsibility model to full producer responsibility. Stewardship Ontario held many stakeholder consultations throughout 2017 and 2018, and all meeting materials and communications are available on the Stewardship Ontario website at www.stewardshipontario.ca/a-bbpp.

Stakeholders expressed significant support for the transition to full producer responsibility, however, the consultations revealed that additional policy development and conversations must take place before the transition process can begin. As a result, Stewardship Ontario did not submit its proposal for an amended Blue Box Program Plan to RPRA on February 15, 2018. Instead, Stewardship Ontario remained engaged in discussions with its stakeholders throughout 2018 in order to discuss options for moving forward.

Steward Registration, Reporting & Audit

There were 1,859 stewards registered with Stewardship Ontario's Blue Box Program as of December 31, 2018. 1,353 steward reports were submitted in 2018 (versus 1,407 in 2017).

$127,879,724 in Blue Box fee revenue was invoiced in 2018, versus $121,870,640 in 2017, an increase of 4.8%. The 2018 fee revenue exceeded budgeted revenue of $126,004,683 by 1.4%[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 2018, 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. 15 compliance reviews relating to 2018 packaging and printed paper reports were launched in the spring of 2018. In addition, any steward-initiated adjustment request involving a significant amount undergoes an independent third party audit.

[1] Steward reports for any prior year's obligations or changes to steward reports for prior years are captured in the year that the reporting or change takes place.

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 RPRA's Datacall, the Blue Box Program continued to exceed the 60% government-mandated target, although there was a slight year-over-year decrease in the general recycling rate from 62.4% to 61.3%. The recycling rate and recycled tonnes slightly decreased due to a reduction in printed news and other publications caused by a move to digital platforms. Generated tonnes, an estimate of the total quantity of residential packaging and printed paper available, increased slightly. Recycled kilograms per capita decreased in 2017 reflecting reduced tonnes and an increase in the population.

Province	Ontario 2017	Ontario 2016	Ontario 2015	Ontario 2014	YOY Variance %
Recycling Performance					
Recycled Tonnes	822,979	836,227	852,437	884,504	-1.6%
Generated Tonnes	1,342,017	1,340,947	1,332,544	1,361,930	0.1%
Recycling Rate	61.3%	62.4%	64.0%	64.9%	-1.7%
Provincial Recycling Target	60.0%	60.0%	60.0%	60.0%	0.0%
Population Serviced by PPP Program	12,962,740	12,814,578	12,830,228	13,358,776	1.2%
Recycling kg per Capita	63.49	65.26	66.44	66.21	-2.7%
Accessibility Performance					
# Households Serviced	5,237,905	5,174,930	5,165,154	5,365,378	1.2%
% Households with Access to PPP Program	94.4%	94.6%	95.3%	97.3%	-0.2%
Consumer Awareness	97.0%	97.0%	97.0%	97.0%	0.0%

Program Cost

The overall net cost of the Blue Box recycling system decreased by 2.0% or $5.2 million from 2015 to 2016 as a result of strong commodity markets. The net cost per tonne and per capita were steady with 2015 figures.

Province	Ontario 2017	Ontario 2016	Ontario 2015	Ontario 2014	YOY Variance %
Cost Performance					
Recycled Tonnes	822,979	836,227	852,437	884,504	-1.6%
Net Cost*	$249,809,925	$258,540,366	$263,726,504	$252,936,907	-3.4%
Net Cost per Tonne	$304	$309	$309	$286	-1.8%
Net Cost per Capita	$19	$20	$21	$19	-4.5%
P&E Cost per Capita	$0.56	$0.64	$0.58	$0.52	-12.4%
Recycled kg per capita	63.5	65.3	66.4	66.2	-2.7%

* 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 measureable results. Highlights of Stewardship Ontario's work over the last 12 months are summarized below.

Piloting Segregated Glass Collection

Since its inception, the Ontario Blue Box Program has evolved significantly over the years. One major change has been the shift from multi-stream curbside collection to single and two-stream collection. The impact this change has had on the co-mingling of glass with other materials has caused many unintended issues in the MRF processing system, not the least of which being a negative impact on MRF commodity values. With an eye to the successful segregated glass collection activities by Recycle BC, Stewardship Ontario wishes to learn how such a program can bring benefits to Ontario. This study hopes to show that when glass is collected and source separated, materials can be sold at higher

commodity values with little impact to overall program costs.

Stewardship Ontario continues to work on this study in cooperation with the Continuous Improvement Fund (CIF). Work is scheduled to continue into 2019 with a final report to be completed later next year.

Measuring Changes to the Composition of Blue Box Materials

Stewardship Ontario undertook curbside and multi-family waste composition studies in partnership with the CIF. These studies provided insight for both industry and municipalities on what packaging and printed paper materials residents are setting out for recycling. This information was used by Stewardship Ontario and CIF for the purposes of identifying potential areas for program improvements, measuring program performance, and as inputs to the calculation of Blue Box steward fees. Studies were conducted in eight municipalities to ensure a representative sample. Both municipalities and industry can use the information gathered to plan ahead for program requirements and resident communication to manage this changing mix. To further bolster the data found at the curb, MRF Material Composition and Density Studies were completed at six Ontario material recovery facilities over two seasons.

Promotion and Education

'Don't Break the Cycle' Contamination Campaign

Rising levels of contamination have been driving up program costs and reducing the quality of recovered materials sent to recycling end markets. In support of municipalities' efforts, Stewardship Ontario re-ran its successful 2017 'don't break the cycle' contamination reduction campaign targeting three specific areas of contamination in resident recycling bins: organics, problematic materials and dirty containers. This year's campaign had a heavier focus on multi-family residential buildings, which tend to have higher contamination levels than curbside and depot-based programs. The entire campaign generated over 22.3 million impressions.

Campaign results:

- Billboard ads: 7,238,000 impressions.
- Direct mail drop to multi-residential buildings in London, Peel and York.
- Digital ads: 5,384,330 impressions; 6,849 clicks.
- Radio ads: 1,393 spots; 8,047,500 impressions.
- Visits to campaign landing page: 7,932.
- Ambassador team events led to interaction with 863 residents.
- Stewardship Ontario's ad recall research indicated 38% of Ontario residents recalled hearing or seeing an ad about 'breaking the cycle', mostly from radio ads indicating radio is our most effective advertising channel.

In Q4, Stewardship Ontario ran the holiday version of the campaign via billboards in London, Ottawa, Kingston, Barrie, Peel, York and Durham and as online ads targeting residents across the province. The campaign generated 16,211,266 impressions.

Social Media

Stewardship Ontario engages residents on Twitter by providing useful recycling tips and reminders throughout the year. In 2018, Stewardship Ontario's Twitter activity generated 110,870 impressions, up 59% from 2017.

10 | APPENDIX A – Stewardship Ontario Annual Report (for Blue Box and Municipal Hazardous or Special Waste Programs)

SECTION 2

2018 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 MHSW Program by December 31, 2020. Upon wind up, materials collected under the MHSW Program will be managed according to an individual producer responsibility (IPR) 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, to allow for coordination with waste electrical and electronic equipment. Programs for other MHSW materials will continue to cease operation on December 31, 2020.

Stewardship Ontario is developing a proposal for the MHSW Wind Up Plan, which must be submitted to RPRA by June 30, 2019. Throughout this process, Stewardship Ontario is committed to transparent communication and meaningful consultations with its stakeholders. The Wind Up Plan will support competition, prevent conflict of interest, demonstrate fairness, maintain and improve program performance, and result in no disruption to consumers.

Steward Registration, Reporting & Audit

320 stewards were registered with the MHSW Program as of December 31, 2018.

1,126 steward reports were received in 2018, versus 1,573 reports in 2017.

$19,595,160 in fee revenue was invoiced in 2018, versus $21,287,674 for 2017, a decrease of 7.95%. The 2018 fee revenue was below $20,392,298 budget by 3.9% as a result of ongoing steward migration to industry stewardship plans[2].

Stewardship Ontario's 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 (UOMA) steward audit process. Eight MHSW review cases were executed by UOMA in 2018.

[2] Steward reports for any prior year's obligations or changes to steward reports for prior years are captured in the year that the reporting or change takes place.

10 | APPENDIX A – Stewardship Ontario Annual Report (for Blue Box and Municipal Hazardous or Special Waste Programs)

Vendor Registration and Monitoring

Stewardship Ontario operates a reverse supply chain for the collection, transportation and recycling of pressurized containers and single-use dry cell batteries. Each of these activities are outsourced to public and private sector service providers through commercial agreements and incentive-based performance programs. To be eligible to provide services to Stewardship Ontario, service providers must be approved and continuously adhere to vendor standards, policies and procedures established by Stewardship Ontario. The most up-to-date list of approved serviced providers is posted on the Stewardship Ontario website.

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

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

As of December 31, 2018 there were 24 approved transporters and 15 approved processors for MHSW materials. Material is sourced from nearly 6,000 collection sites across Ontario[3].

In 2018, Stewardship Ontario executed new post collection service provider agreements with all transporters and processors that operate under the battery incentive program to improve supply chain governance and program transparency.

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

- Service provider reviews, supported by a new '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

[3] These figures are lower than in previous years due to the transfer of material supply chains to ISP operators for paint, pesticides, solvents, fertilizers, antifreeze, oil containers and oil filters.

Accessibility

The following chart details consumer accessibility by collector type for MHSW in 2018:

Channel - Activity	2018 Actual
Municipal – Depot	88
Municipal – Events	312
Return-to-Retail (R2R)	30
Battery Incentive Program (BIP)	5,340
Provincial Parks Program	102

Program Performance Against Targets

2018 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	711	50%	356	497	70%	142	1,210	(713)
Fertilizers	2	N/A	N/A	4	N/A	N/A	5	(1)
Oil Containers	758	52%	394	769	102%	375	1,569	(800)
Oil Filters	2,091	85%	1,777	2,396	115%	619	4,622	(2,226)
Paints & Coatings	7	77%	6	8	108%	2	8	-
Pesticides	-	57%	-	-	N/A	0	-	-
Pressurized Containers (Non-Refillable)	830	46%	382	318	38%	-64	336	(18)
Pressurized Containers (Refillable)	472	98%	462	424	90%	-38	447	(22)
Single-Use Batteries	5,877	40%	2,351	2,964	50%	613	3,136	(171)
Solvents	232	46%	107	44	19%	-63	80	(37)

*Based on the quantity supplied by Stewards participating in the MHSW Program

Program Performance Against Targets

2018 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	711	50%	356	497	70%	142	1,210	(713)
Fertilizers	2	N/A	N/A	-	N/A	N/A	-	-
Oil Containers	758	52%	394	769	102%	375	1,569	(800)
Oil Filters	2,091	85%	1,777	2,396	115%	619	4,622	(2,226)
Paints & Coatings	7	62%	5	4	54%	0	6	(3,315)
Pesticides	-	N/A	N/A	-	N/A	N/A	-	-
Pressurized Containers (Non-Refillable)	830	46%	382	318	38%	-64	336	(18)
Pressurized Containers (Refillable)	472	98%	462	424	90%	-38	447	(22)
Single-Use Batteries	5,877	28%	1,669	2,549	43%	880	2,697	(147)
Solvents	232	6%	14	0	0%	-14	17	(17)

*Based on the quantity supplied by Stewards participating in the MHSW Program

Promotion and Education

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

Website and Drop-off Locator Tool

The Orange Drop website continued to provide its locator tool for residents to easily search drop off locations and municipal events by postal code. The website saw over 59,000 unique visitors in 2018, up 19% from 2017.

Material Awareness Campaign

In July, 2018, Stewardship Ontario participated in a campaign to promote the proper disposal of the five Orange Drop materials across Ontario[4]. The creative was featured on 13 billboards located in Durham, Peel, Ottawa, Barrie, Thunder Bay, Sudbury and London, as well as online and social media ads. Templates of the ads are made available on the Stewardship Ontario website for municipalities to download, customize and use for their own promotion and education initiatives.

Results:

- 68% increase in website traffic compared to same time period in 2017.
- 13,292,290 impressions.
- 7,797 digital and social ad clicks linking to the Orange Drop website.

[4] In collaboration with Automotive Materials Stewardship, which licenses the use of the Orange Drop brand.

Pressurized Container Campaign

Stewardship Ontario re-ran its 2017 pressurized containers campagn, once again targetting picnic-goers and campers. The campaign reminded residents that pressurized cylinders don't belong in their blue box and should be brought to an Orange Drop drop-off location for safe handling. The campaign ran from June 4 to July 1, 2018 on digital platforms.

Results:

- Website traffic increased 40% compared to the same timeframe in 2017.
- 1,605,131 impressions.

Partnership with Ontario Parks and Private Parks

Stewardship Ontario continued its ongoing partnership with Ontario Parks and select private parks for the collection of non-refillable pressurized containers. New posters highlighting the Orange Drop cages were sent to participating parks. As well, Ontario Parks featured Orange Drop in a blog post on how to safely dispose of pressurized cylinders in a blog post, e-newsletter story and on their social media channels.

Results:

- 873 views of blog post on the Ontario Parks website.
- 5,396 clicks on Orange Drop story in Ontario Parks e-newsletter.
- 108 parks in Ontario received reusable educational posters.

Social Media

Stewardship Ontario continued to develop content for Orange Drop's social media channels in order to increase following and engagement with residents.

Facebook and Twitter posts raised awareness around the resident education campaigns, shared recycling tips and tricks, reminded residents of the locator tool and encouraged proper recycling of Orange Drop materials. Orange Drop's posts generated over 495 million impressions throughout 2018 (up 4,375% from 2017), had 3,066 engagements and over 5,100 link clicks. Combined, Orange Drop's social channels gained 658 followers, up 23% from those gained in 2017.

10 | APPENDIX A – Stewardship Ontario Annual Report (for Blue Box and Municipal Hazardous or Special Waste Programs)

SECTION 3

2018 Audited Financial Statements

Stewardship Ontario

Financial Statements
For the year ended December 31, 2018

Stewardship Ontario

Financial Statements
For the year ended December 31, 2018

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BDO

Tel: 416 865 0200
Fax: 416 865 0887
www.bdo.ca

BDO Canada LLP
222 Bay Street
Suite 2200, PO Box 131
Toronto ON M5K 1H1 Canada

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, 2018, 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, 2018, 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.

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

10 | APPENDIX A – Stewardship Ontario Annual Report (for Blue Box and Municipal Hazardous or Special Waste Programs)

BDO

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 28, 2019

Stewardship Ontario
Balance Sheet

December 31	2018	2017
Assets		
Current		
Cash	**$ 68,948,190**	$ 29,039,415
Investments (Note 2)	**18,912,047**	20,325,867
Accounts and other receivables (Note 3)	**8,286,292**	13,177,789
Prepaid expenses and deposits	**26,448**	31,354
	96,172,977	62,574,425
Investments (Note 2)	**42,406,084**	40,357,723
	$138,579,061	$102,932,148
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 4)	**$ 39,572,133**	$ 36,431,535
Deferred revenue (Note 6)	**9,805,560**	9,805,560
Continuous Improvement Fund (Note 7)	**19,807,154**	23,305,487
	69,184,847	69,542,582
Net Assets		
Unrestricted	**59,863,684**	23,859,036
Internally restricted (Note 8)	**9,530,530**	9,530,530
	69,394,214	33,389,566
	$138,579,061	$102,932,148

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, 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**

For the year ended December 31, 2017

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

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

Stewardship Ontario
Statement of Operations

For the year ended December 31	2018	2017
Revenue		
Blue Box program steward fees	**$127,879,724**	$121,870,641
MHSW program steward fees	**19,595,160**	21,287,674
Investment income (Note 9)	**1,665,818**	692,820
	149,140,702	143,851,135
Expenses		
Blue Box Program		
Municipal Transfer Payments	**118,887,549**	116,715,713
Continuous Improvement Fund (Note 12(b))	**23,993**	12,951
Research and development	**507,437**	49,939
Promotion and education	**382,925**	363,341
	119,801,904	117,141,944
MHSW Program		
Direct material costs (Note 4)	**12,321,857**	17,831,997
Research and development	**2,387**	-
Promotion and education	**77,929**	27,787
	12,402,173	17,859,784
Common costs		
Program management (Note 4)	**7,740,025**	8,783,950
Resource Productivity and Recovery Authority (Note 10)	**2,566,987**	1,760,977
	10,307,012	10,544,927
Total expenses	**142,511,089**	145,546,655
Excess (deficiency) of revenue over expenses for the year before undernoted item	**6,629,613**	(1,695,520)
GST recovery (Note 11)	**29,375,035**	-
Excess (deficiency) of revenue over expenses for the year	**$ 36,004,648**	$ (1,695,520)

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

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Stewardship Ontario
Statement of Cash Flows

For the year ended December 31	2018	2017
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	**$ 36,004,648**	$ (1,695,520)
Adjustments to reconcile excess (deficiency) of revenue over expenses for the year to cash provided by operating activities		
Amortization of capital assets	**-**	39,689
Non-cash component of investment income	**852,589**	765,467
Changes in non-cash working capital balances:		
Accounts and other receivables	**4,891,497**	2,271,511
Prepaid expenses and deposits	**4,906**	4,413
Accounts payable and accrued liabilities	**3,140,598**	(1,175,625)
Continuous Improvement Fund	**(3,498,333)**	(3,978,961)
	41,395,905	(3,769,026)
Investing activities		
Purchase of investments net of expenses	**(1,487,130)**	(1,279,028)
Increase (decrease) in cash during the year	**39,908,775**	(5,048,054)
Cash, beginning of year	**29,039,415**	34,087,469
Cash, end of year	**$ 68,948,190**	$ 29,039,415

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

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Stewardship Ontario
Notes to Financial Statements

December 31, 2018

1. Significant Accounting Policies

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

(a) Business Organization and Operations

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

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

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

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

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

Management received letters from the Ministry of the Environment and Climate Change ("Ministry") on April 12 and December 11, 2018. Pursuant to Section 14 of the WDTA, the Ministry directs the Organization to wind up the MHSW waste diversion program. The Organization must submit a plan to wind up to the RPRA no later than June 30, 2019. 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 December 31, 2020.

(b) Basis of Accounting

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

Stewardship Ontario
Notes to Financial Statements

December 31, 2018

1. Significant Accounting Policies - (Continued)

(c) Revenue Recognition

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

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

(d) Financial Instruments

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

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

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

(e) Use of Estimates

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

Stewardship Ontario
Notes to Financial Statements

December 31, 2018

2. Investments

	2018	2017
Cash held with broker	**$ 75,047**	$ 197,495
Fixed income	**61,243,084**	60,486,095
Common shares, private company	**-**	500,000
Impairment on common shares of private company	**-**	(500,000)
	61,318,131	60,683,590
Less: Current portion	**18,912,047**	20,325,867
	$ 42,406,084	$ 40,357,723

Fixed income investments bear interest at 1.70% to 4.65% (2017 - 1.70% to 4.65%) and mature between March 2019 and January 2026 (2017 - January 2018 and January 2026). The decrease in market value of investments for the year ended December 31, 2018 amounted to $640,715 (2017 - decrease of $156,365) which is included in investment income (Note 9).

During 2011, the Organization purchased 544,828 common shares of a privately owned company with no common share prices quoted in an active market. The purchase represented a 12.64% ownership at the time of purchase. The Organization had no management involvement in the company and the investment was held for sale. In 2014, the Organization recognized an impairment loss on the common shares of the private company of $500,000 as there was uncertainty relating to the recoverability. In the current year, the private company dissolved and the investment was written off.

3. Accounts and Other Receivables

	2018	2017
Blue Box and MHSW program steward fees	**$ 8,397,428**	$ 13,316,772
Other	**190,050**	70,778
Allowance for doubtful accounts	**(301,186)**	(209,761)
	$ 8,286,292	$ 13,177,789

Stewardship Ontario
Notes to Financial Statements

December 31, 2018

4. Significant Contracts

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

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

Effective January 1, 2014, the Organization entered into a Management Services Agreement with CSSA for management, administrative and technical support, other services and facilities for administrative, technical and reporting activities. During the year, the Organization incurred costs of $5,300,000 (2017 - $6,191,552) for these services and are included in program management expenses. Included in accounts payable and accrued liabilities is $501,297 (2017 - $587,353) relating to these services.

Certain members of the CSSA board of directors are also members of the Organization's board of directors that account for approximately 25% (2017 - 20%) of the Organization's board membership.

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

On February 2, 2017, the Organization entered into a Supply Chain Agreement with AMS, a newly established organization whose program was previously under the Organization's MHSW program. AMS focuses on the waste management of anti-freeze, oil filters, and oil containers. Under the Supply Chain Agreement, the Organization shall purchase from AMS, the Organization's Automotive Market Share of tonnes of each Automotive Materials (oil filters, oil containers, and anti-freeze) under the supply chain. During the year, the Organization incurred costs of $3,507,711 (2017 - $3,278,974) under this agreement which are included in direct material costs for the MHSW program. Included in accounts payable and accrued liabilities is $527,368 (2017 - $612,163 in accounts receivable) 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, 2018

5. Loan Receivable

During 2012, the Organization provided a $1,500,000 convertible five year loan that bears interest at Bank of Canada prime rate plus 1% which is accrued and compounded monthly and may be converted into shares on the same terms as the principal. The loan is convertible into common shares of the company at a discounted rate under certain conditions or at the option of the Organization at the maturity date. The loan is to a private company with no common share prices quoted in an active market. The Organization recognized an allowance for doubtful loan of $1,500,000 relating to the convertible loan as there is uncertainty relating to the collectability of the balance owing.

In May 2016, the convertible loan arrangement was terminated. As part of the termination, the company will make a loan payment to the Organization in the aggregated amount of $300,000 of which $150,000 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.

6. Deferred Revenue

	2018	2017
Blue Box Program		
Glass Market Development Fund	**$ 666,017**	$ 666,017
MHSW Program		
Deferred revenue	**9,139,543**	9,139,543
	$ 9,805,560	$ 9,805,560

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

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

Stewardship Ontario
Notes to Financial Statements

December 31, 2018

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, the CIF received net contributions of $nil (2017 - $1,050,000) and spent $3,918,862 (2017 - $5,289,978) on continuous improvement activities. The funds held by the Organization for the CIF are included in cash.

8. Internally Restricted Net Assets

	2018	2017
Sustaining Fund	**$ 3,500,000**	$ 3,500,000
Plastic Market Development Fund	**4,964,379**	4,964,379
Blue Box Fund	**1,066,151**	1,066,151
	$ 9,530,530	$ 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 and therefore internally restricted $3,500,000 for this purpose.

The directors authorized the establishment of the Plastic Market Development Fund for investment in infrastructure for plastic markets and activities for their development and therefore internally restricted funds for this purpose.

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.

9. Investment Income

	2018	2017
Interest income	**$ 2,362,705**	$ 1,236,889
Dividend income	**155,702**	221,398
Loss on sale of investments	**(13,743)**	(431,198)
	2,504,664	1,027,089
Adjustment to fair value	**(640,715)**	(156,365)
Investment expenses	**(198,131)**	(177,904)
	$ 1,665,818	$ 692,820

Stewardship Ontario
Notes to Financial Statements

December 31, 2018

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

On March 21, 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 committed to pay $2,901,525 to a Glass Market Development Fund from contributions from stewards of glass. As of December 31, 2018, the Organization has spent $2,235,508 (2017 - $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, 2018, approved project funding and related commitments for the CIF amounted to approximately $16,264,831 (2017 - $21,482,541) of the total fund balance of $19,807,154 (2017 - $23,305,487).

Stewardship Ontario
Notes to Financial Statements

December 31, 2018

13. Financial Instrument Risk Exposure and Management

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

(a) Credit Risk:

Financial instruments potentially exposed to credit risk include cash, investments, accounts and other receivables, and 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 $401,186 (2017 - $501,010).

From time to time, materials could be the subject of an Industry Stewardship Plan ("ISP"), which is allowable under the Waste Diversion Act, 2002. Successful ISP's may call into question the Organization's ability to collect monies. Prior to being permitted to join an ISP, a steward is expected to have no outstanding receivables. This is expected to minimize the Organization's credit risk.

(b) Interest Rate Risk:

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

(c) Liquidity Risk:

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

These risks have not changed from the prior year.

Automotive Materials Stewardship

RPRA Filing on 2018 Program Performance

March 15, 2019

Automotive Materials Stewardship

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

Automotive Materials Stewardship

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10 | APPENDIX B – Automotive Materials Stewardship Annual Report (for Antifreeze, Oil Containers and Oil Filters)

Automotive Materials Stewardship

SECTION 1

2018 AMS Program Performance

Automotive Materials Stewardship

Overview

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 (AMS) 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) Board of Directors approved AMS's Industry Stewardship Plan (ISP) 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 (MHSW) program.

AMS is an industry-led and industry-funded national, non-profit organization, bringing together key players to achieve better recycling performance. Modeled under an Extended Producer Responsibility (EPR) 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.

2018 highlights included:

- 153 stewards registered with the AMS program, representing 83% of Antifreeze, 81% Oil Containers, and 75% Oil Filters supplied in Ontario.
- AMS achieved and exceeded all collection and recycling targets in 2018:
  - Antifreeze – 70%
  - Oil containers – 102%
  - Oil filters – 103%
- Promotion and education initiatives targeting consumers, and in partnership with Orange Drop, resulted in over 18 million impressions.

Steward Registration, Reporting and Audit

Registration for the AMS program totalled 153 stewards as of December 31, 2018, with an additional 12 applications in progress.

The total number of AMS steward reports received in 2018 was 711.

Total revenue to AMS was $20.7 million, of which $16.7 million was in the form of fees paid by members. An additional $4 million was for the sale of supply chain performance credits to Stewardship Ontario.

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.

10 | APPENDIX B – Automotive Materials Stewardship Annual Report (for Antifreeze, Oil Containers and Oil Filters)

Automotive Materials Stewardship

Compliance

Each quarter, reports filed by stewards undergo reviews to flag any inconsistencies quarter-to-quarter on a season-to-season. 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 (UOMA) 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. Visit the AMS service provider web page for the most up-to-date list of approved service providers.

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 that AMS contracts directly with municipalities. 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 2018:

Channel - Activity	Depots	Events	Return-to-Retail	Automotive Incentive Program
Antifreeze	88	312	900	12,000+
Oil Containers	88	312	903	12,000+
Oil Filters	88	312	960	12,000+

Automotive Materials Stewardship

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 2018 have been calculated using the quantities supplied to market in 2018 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 the Resource Productivity and Recovery Authority. The quantity available for collection is multiplied by the collection target rate (%) to calculate the target expressed in tonnes.

2018 Tonnes Collected

AMS achieved and exceeded all collection targets in 2018, its second year of operations.

Material Category	Available for Collection[1]	Collection Target Rate (%)	Target Tonnes	Actual Collection Tonnes[2]	Actual Collection Rate (%)	Variance to Target (Tonnes)
Antifreeze	3,491	52%	1,816	2,449	70%	633
Oil Containers	3,282	62%	2,035	3,332	102%	1,297
Oil Filters	6,911	87%	6,012	7,119	103%	1,106

[1] Available for Collection is calculated based on the quantity supplied to market by AMS members.

[2] Actual Collection Tonnes excludes performance credits sold to Stewardship Ontario.

10 | APPENDIX B – Automotive Materials Stewardship Annual Report (for Antifreeze, Oil Containers and Oil Filters)

Automotive Materials Stewardship

2018 Tonnes Diverted

AMS achieved and exceeded all recycling targets in 2018, its second year of operations.

Material Category	Available for Collection[1]	Diversion Target Rate (%)	Target Tonnes	Actual Diversion Tonnes[2]	Actual Diversion Rate (%)	Variance to Target (Tonnes)
Antifreeze	3,491	52%	1,816	2,449	70%	633
Oil Containers	3,282	62%	2,035	3,332	102%	1,297
Oil Filters	6,911	87%	6,012	7,119	103%	1,106

[1] Available for Collection is calculated based on the quantity supplied to market by AMS members.

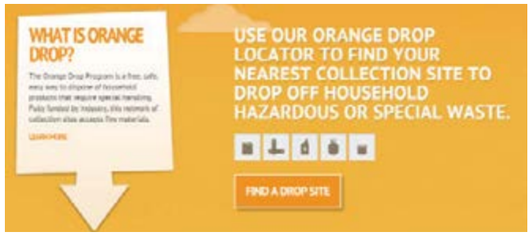
[2] Actual Diversion Tonnes excludes performance credits sold to Stewardship Ontario.

Promotion and Education

Promotion and education initiatives to support the Automotive Materials Stewardship Program are designed to increase awareness, drive behaviour change, and direct consumers to collection locations in an effort to achieve performance targets.

Website:

AMS has licensed the use of the Orange Drop brand and logo from Stewardship Ontario. Therefore, Orange Drop continues to be the resident-facing brand when promoting AMS materials. The Orange Drop website contains a locator tool for consumers to search drop off locations and events by postal code for their automotive materials. The website saw over 59,000 unique visitors in 2018, up 19% from 2017.



Automotive Materials Stewardship

Advertising:
In July, 2018, Orange Drop ran an awareness advertising campaign across Ontario to promote the proper disposal of materials managed under the brand. The creative was featured on billboards in Durham, Peel, Ottawa, Barrie, Thunder Bay, Sudbury and London, as well as online and social media ads. The campaign generated over 13,290,000 impressions.

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 over 4,935,000 impressions (up 4,375% from 2017), had 3,066 engagements and over 5,100 link clicks. Combined, Orange Drop's social channels gained 658 followers, up 23% from those gained in 2017. These impressive stats are largely due to the four social media contests Orange Drop ran in 2018 that asked residents to choose which material listed was not part of the program. There were over 2,400 contest entries.

10 | APPENDIX B – Automotive Materials Stewardship Annual Report (for Antifreeze, Oil Containers and Oil Filters)

Automotive Materials Stewardship

SECTION 2
2018 Audited Financial Statements

Automotive Materials Stewardship Inc.

Financial Statements
For the year ended December 31, 2018

10 | APPENDIX B – Automotive Materials Stewardship Annual Report (for Antifreeze, Oil Containers and Oil Filters)

Automotive Materials Stewardship Inc.

Financial Statements
For the year ended December 31, 2018

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Tel: 416 865 0200
Fax: 416 865 0887
www.bdo.ca

BDO Canada LLP
222 Bay Street
Suite 2200, PO Box 131
Toronto ON M5K 1H1 Canada

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, 2018, 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, 2018, 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.

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

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

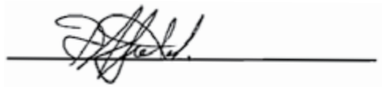
Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 7, 2019

Automotive Materials Stewardship Inc.
Balance Sheet

December 31	2018	2017
Assets		
Current		
Cash	**$ 1,791,321**	$ 3,759,371
Investments (Note 2)	**1,005,830**	-
Accounts receivable (Note 3)	**1,225,633**	555,539
Prepaid expenses	**12,757**	12,893
	4,035,541	4,327,803
Investments (Note 2)	**2,011,545**	-
	$ 6,047,086	$ 4,327,803
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 3)	**$ 2,110,944**	$ 2,764,246
Net Assets		
Unrestricted	**3,936,142**	1,563,557
	$ 6,047,086	$ 4,327,803

On behalf of the Board:



Director

Director

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

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Automotive Materials Stewardship Inc.
Statement of Changes in Net Assets

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**

For the year ended December 31, 2017

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

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

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Automotive Materials Stewardship Inc.
Statement of Operations

For the year ended December 31	2018	2017
Revenue		
Fee revenue	**$ 16,772,940**	$ 11,192,917
Supply chain income (Note 3)	**3,507,711**	3,278,975
Investment income	**95,956**	24,897
	20,376,607	14,496,789
Expenses		
Material management costs (Note 4)	**15,822,454**	10,861,157
Program management (Note 3)	**1,805,547**	1,843,126
Resource Productivity and Recovery Authority (Note 5)	**365,028**	221,448
Promotion and education	**10,993**	7,501
	18,004,022	12,933,232
Excess of revenue over expenses for the year	**$ 2,372,585**	$ 1,563,557

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

6

Automotive Materials Stewardship Inc.
Statement of Cash Flows

For the year ended December 31	2018	2017
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	**$ 2,372,585**	$ 1,563,557
Adjustments to reconcile excess of revenue over expenses for the year to cash provided by operating activities		
Non-cash component of investment income	**(17,375)**	-
Changes in non-cash working capital balances:		
Accounts receivable	**(670,094)**	(555,539)
Prepaid expenses	**136**	(12,893)
Accounts payable and accrued liabilities	**(653,302)**	2,764,246
	1,031,950	3,759,371
Investing activities		
Purchase of investments	**(3,000,000)**	-
Increase (decrease) in cash during the year	**(1,968,050)**	3,759,371
Cash, beginning of year	**3,759,371**	-
Cash, end of year	**$ 1,791,321**	$ 3,759,371

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

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Automotive Materials Stewardship Inc.
Notes to Financial Statements

December 31, 2018

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.

10 | APPENDIX B – Automotive Materials Stewardship Annual Report (for Antifreeze, Oil Containers and Oil Filters)

Automotive Materials Stewardship Inc.
Notes to Financial Statements

December 31, 2018

2. Investments

	2018	2017
Fixed income	$ 3,017,375	$ -
Less: Current portion	1,005,830	-
	$ 2,011,545	$ -

Fixed income investments bear interest at 2.66% to 2.85% and mature between October 2019 and October 2020. Interest income earned on these instruments amounted to $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. During the year, charges totaling $1,650,000 (2017 - $1,650,000) were paid to CSSA pursuant to this contract. During the year, CSSA charged $173,833 (2017 - $109,000) for start up costs incurred on behalf of the Organization. These amounts are included in program management expenses in the statement of operations.

Included in accounts payable and accrued liabilities is $155,584 (2017 - $351,209) 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 Stewardship Ontario. On April 1, 2017, the Organization established its own supply chain and assumed the entire collection, transportation, and recycling of automotive materials for both members of the Organization and SO. Each year, SO will purchase their respective market share of automotive materials tonnage credits from the Organization. During the year, the Organization charged $3,507,711 (2017 - $3,278,975) to SO pursuant to this contract.

Included in accounts receivable is $527,368 receivable from SO. In 2017, included in accounts payable and accrued liabilities was a balance of $612,163 owing to SO.

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, 2018

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.

Product Care Association
Ontario Industry Stewardship Programs
2018 Annual Report

Submitted to:
Resource Productivity & Recovery Authority

productcare RECYCLING

productcare.org

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

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10 | APPENDIX C – Product Care Association Annual Report (for Paints and Coatings, Pesticides, Solvents, and Fertilizers Programs)

1 Background

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

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

This annual report is submitted to the Authority pursuant to s. 6.5 of the Authority-PCA Industry Stewardship Plan agreement and covers the period January 1, 2018 to December 31, 2018.

2 2018 Highlights

There were 16 new steward registrations with PCA's Ontario's Industry Stewardship Plans (the "PCA ISPs") in 2018. In 2018 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 2018 year end, the collection system for the PCA ISPs consisted of 98 municipal depots, 311 municipal events vs. 307 in 2017 and 320 non-municipal sites vs. 296 in 2017. Excluding program material sold to Stewardship Ontario (SO), the program collected 9,926 tonnes of waste paint, 19 tonnes of pesticides, 248 tonnes of solvents and over 23 tonnes of fertilizers in 2018. In addition, there were 4,873 tonnes of paint and 2.92 tonnes of solvents recycled in 2018

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 2019 lab pack factors, municipal representatives were invited to observe.

There were 22 municipal depots participating in the Ontario PaintReuse program which collected over 23,000 containers (102 tonnes) of paint for reuse.

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

3 Program Performance

2018 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 purchased a fixed number of Paint tonnes for 2018 while PSF were apportioned based on PCA's and SO's respective annual steward market shares.

PCA exceeded the collection target for paint in 2018. Pesticides and solvents did not meet the collection targets which were established in the Final Consolidated MHSW Program Plan. A factor was the continued reduction of the quantity of the designated materials in the collection stream which reduced the Lab Pack Factors in 2017 and 2018.

Recycling of one gallon hybrid paint cans (plastic cans with metal rims/handles) was an issue in 2018 which had an impact on the paint recycling rate. The plastics recycling market in general contracted significantly in 2018 due to limitations imposed by countries with traditional end-markets, and plastic containers with paint residue are in less demand than clean plastic containers. PCA has met with several plastics recyclers with the potential to recycle hybrid paint cans with paint residues. PCA implemented monthly monitoring of the paint recycling rates to identify and respond to challenges in a timely fashion.

3.1 2018 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 (2017) Tonnes Collected
Paint	9,280	95%	8,816	9,926	107%	9,611
Pesticides	35	58%	21	18.6	53%	30.3
Solvents	1,144	47%	538	248	22%	251
Fertilizers	15	n/a	n/a	23.3	155%	21.3

1. "tonnes collected" does not include tonnes allocated to SO.

3.2 2018 Program Tonnes Recycled

	F	G	H=G/A	
Materials	Recycling Target Rate	Actual Recycled Tonnes	Actual Recycling Rate	Prior year (2017) Tonnes Recycled
Paint	76%	4,873	53%	5,369
Pesticides	n/a	n/a	n/a	n/a
Solvents	4.7%	2.92	0.3%	1.1
Fertilizers	n/a	n/a	n/a	n/a

2. Actual Paint Recycled Tonnes does not include paint collected but not processed in 2018

3.3 PaintReuse Program

In 2018 there were 23,024 containers of paint reused in the program which represents approximately 102 tonnes of paint and the container in which it is contained. PCA will continue to promote the PaintReuse program and monitor the reuse program performance.

4 Stakeholder Consultation

4.1 Member Webinar

In 2018, PCA held a member webinar on December 4, 2018 and provided program updates, as well as information relating to the MHSW transition and upcoming transition information sessions.

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 2018, 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 2019 to ensure the effective performance of the R2R collection system.

5 Supply Chain Update

5.1 Service Provider Set Up

In 2018, 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 2018.

5.2 R2R Transportation and Processing Services

In 2018, PCA explored opportunities for improvement in the R2R supply chain. PCA worked closely with a major retail chain to design and develop a new type of reusable metal collection container to meet the needs of the retailer, for implementation in 2019.

5.3 Audits & Site Visits

In 2018, PCA 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 site visits and sampling of metal and plastic can recycling and non-program materials.

5.4 Lab Pack Studies

In 2018, PCA conducted lab pack studies to determine the 2019 Lab Pack Factors following the accepted study methodology. PCA was provided the recorded data (over 23,000 line items) by the contractor for the study, Immacutec, and analyzed the data to distinguish obligated from non-obligated materials. The lab pack study details and final results, including the calculated 2019 lab pack factors, were reviewed with and accepted by a municipal representative of the MHSW Working Group and were implemented January 1, 2019. The results are listed below:

Lab Pack Type	2019 Municipal Share	2018 Municipal Share	2019 Steward Share	2018 Steward Share
Pesticide	89.66%	92.17%	10.34%	7.83%
Misc. Organics (includes solvents)	92.83%	90.89%	7.17%	9.11%
Fertilizer	79.86%	79.92%	20.14%	20.08%
Aerosols	50.80%	46.58%	49.20%	53.42%

6 Accessibility Update

6.1 PCA ISPs Collection Network

	Paint Collection Sites			PSF Collection Sites		
Type	2017	2018	2018 Annual Target	2017	2018	2018 Annual Target
Municipal Depot	96	98	120	95	97	150
Municipal Events	307	311	475	307	311	512
Return to Retail	296	320	450	n/a	n/a	n/a

6.2 Municipal Collection Sites

In 2018 there were 2 new municipal depots added to the PCA ISP collection systems and a net increase of 4 collection events.

6.3 Non–Municipal Collection Sites

In 2018, PCA added 30 new Return to Retail (R2R) collection sites to the network, including 23 Home Hardware, 2 Rona, 2 Habitat for Humanity, 2 PPG and 1 Lowe's store. Taking into account the R2R sites that left the program, there was a net increase of 24 R2R collection sites compared to 2017. 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 16 new PCA members added to the PCA ISPs in 2018 of which 13 were stewards transitioning from Stewardship Ontario to PCA, and 3 were new stewards to the PCA Ontario programs. As of the end of 2018 there were 103 paint members, 22 pesticide members, 78 solvent members and 17 fertilizer members participating in the PCA ISPs. Note that some companies are in multiple programs. A list of ISP members is provided in Appendix B.

Throughout 2018, PCA continued to follow up with Ontario paint and PSF stewards who expressed interest in transitioning from the Industry Funded Organization (IFO) to the PCA ISPs as well to recruit stewards that were new to the market.

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

7.2 Supply Chain Cost Share between the ISO and IFO

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. SO did not purchase any paint tonnes from PCA for 2015 or 2016. In 2017 and 2018 PCA has sold to SO the number of tonnes of paint SO has requested. PCA sold eight tonnes of paint to SO for the 2018 year.

8 Promotion and Education

In 2018, Product Care Recycling implemented a number of different methods to raise consumer awareness in Ontario of the 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 2018.

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. The next awareness study will be conducted in 2019.

8.2 Website

ReGeneration.ca, Product Care's former consumer website (replaced by ProductCare.org in January 2019) included the following bilingual content for the Ontario paint and PSF recycling programs:

- Recycling locator (a map displaying locations of the collection sites)
- Recycling locations' hours and contact information
- Programs' accepted and not accepted products lists
- Link to programs' member support centre (hosted on ProductCare.org)
- News and events
- Other information (such as a frequently asked questions about the program)

2018 Website Traffic Overview:

Metric	Traffic From Ontario Users
Sessions (Total Visits)	51,143
Returning Visitors (%)	11.4%
New Visitors (%)	88.6%
Average Visit Duration	00:01:09
Average Page Views	2.40

The website traffic statistics are limited as follows:

1) Only website traffic from Ontario is included – website visits from all other provinces (and non-Canadian locations) were excluded.
2) Ontario origin website traffic to all sections of the website (news, homepage, events, about, etc.) was **included** in the analytics
3) Website traffic between January and December 2018 was included

Top Traffic Referral Sources (Q1 – Q4):

Linking Site	Organization	% of ON Referral Traffic
www.ottawa.ca	City of Ottawa	30.95%
canadiantire.ca	Canadian Tire	19.15%
Facebook	Facebook	10.74%
makethedrop.ca	Stewardship ON	6.43%

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

In 2018, 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

Semi-permanent signage for recycling locations is also available throughout the year, free of charge, for participating recycling locations. See Appendix 1 for examples.

8.4 Digital Advertising and Activities

1. **Google Search Advertising Campaign**: March to December, 2018
   a. An Ontario-specific search advertising campaign served paint and household hazardous waste ads to provincial residents based on an extensive list of keyword searches relevant to the programs.
   b. Ontario's ads collectively generating 47,945 impressions and 7,677 clicks.
2. **Facebook Advertising Campaign:** Ontario-specific campaign promoted the paint recycling program, targeting Ontario residents on an ongoing basis. Audience targeting was broad, to allow data collection and analysis on a range of audiences to inform digital targeting strategy going forward.
3. **Gated Facebook Content Strategy:** Ontario-specific content, available only to Ontarians, focused on paint recycling, special waste and the recycling community in general.

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	
2471595 Ontario Inc. o/a Hi! Neighbor Floor Covering Company	Brock White Canada ULC
3600106 Manitoba Inc o/a Piston Ring	Canadian Auto Stores Ltd
3M Canada Company	Canadian Building Restoration Products, Inc
7594828 Canada inc. (o/a Ace Canada)	Canadian Tire Corporation, Limited
Acklands - Grainger Inc.	Canpro Decorating products Inc.
AD Fire Protection Systems Inc	CANRAD BEAUTY Ltd
ALEX MILNE ASSOCIATES LTD.	Cansel Survey Equipment Inc.
Alexandria Moulding	CertainTeed Gypsum Canada, Inc.
ALTROM AUTO GROUP LTD.	Class C Solutions Group, MSC Industrial Supply LLC
Amazon.com.ca, Inc.	Cloverdale Paint Inc.
Avanti Sports Group Inc.	Commercial Oil Company of Hamilton Inc.
BASF Canada Inc.	Costco Wholesale Canada Ltd.
Bass Pro Canada ULC	Country Chic Paint
Beauty Systems Group (Canada) Inc.	CRC Canada Inc.
Behr Process Corp.	Custom Building Products Canada Ltd
Benjamin Moore & Co. Ltd.	Darch Fire Incorporated
Bestbuy Distributors Ltd	David L. Stevenson & Son Artists' Colours Manufacturing Co. Ltd.
Bolts Plus Inc.	Denalt Paints Ltd.
Bostik Canada LTD.	Diamond Vogel Paints Inc
Brett-Young Seeds Limited / Semences Brett-Young Limitee	Dominion Sure Seal Ltd.

PCA ISP Registered Members	
Bridgestone Canada Inc, Firestone Building Products Canada Division	Dynamic Paint Products Inc. DBA Lancaster Canada
Empack Spraytech Inc.	Kleen-Flo Tumbler Industries Ltd.
Envirosystems Incorporated	KLONDIKE Lubricants Corporation
EVERGUARD COATINGS INTERNATIONAL LTD. cob NIAGARA PROTECTIVE COATINGS	Korzite Coatings Inc.
Farrow & Ball Canada Ltd.	Kubota Canada LTD
Fastenal Canada Ltd.	Lawson Products, Inc.
FCA Canada Inc	Lee Valley Tools Ltd.
G.F. Thompson Co. Ltd.	Les industries Peter K. Martin et associés
General Motors of Canada Company	Les Produits Techniseal
GH INTERNATIONAL SEALANTS ULC	Loblaws Inc.
GREEN TECH RESURFACING LTD	Loop Recycled Products Inc.
GS Distribution Inc.	LOVELAND PRODUCTS CANADA INC.
Hall-Chem Mfg. Inc.	M G Chemicals Ltd.
Henkel Cda Corp. Consumer Adhesives	Michaels Stores Inc.
Henry Company Canada, Inc.	Modern Sales Co-op
Home Depot of Canada Inc.	Nawkaw Corporation
Home Hardware Stores Limited	NCH Canada Inc.
IKEA Canada Ltd	Nordstrom Canada Retail, Inc.
ITW construction products a division of ITW Canada Inc.	Oatey Canada Supply Chain Services
ITW Permatex Canada	Omer DeSerres Inc.
Jaguar Land Rover Canada ULC	Orgill Canada Hardlines ULC
John Deere Canada ULC	PartSource Inc.

PCA ISP Registered Members	
K-G Spray-Pak Inc.	Patene Building Supplies Ltd.
King-O-Matic Industries Limited	Peintures MF Inc.
Plasti Kote Co., Inc. (Valspar)	SOLIGNUM INC.
Popular Garden Centre	Solstrand Trading Inc
PPG Architectural Coatings Canada Inc.	Spar Roofing & Metal Supplies Ltd.
Prema Canada ULC	STIHL Limited
Premier Tech Home & Garden Inc	Sto Canada Ltd
Princess Auto Ltd.	Surekiller Products Limited
Pro Form Products Limited	Suzuki Canada Inc.
PROTEK PAINT LTD	The Dow Chemical Company - Dow Building & Construction
PSC-Power Source Canada Ltd.	The Sansin Corporation
Quikrete Canada Holdings Limited	The Sherwin-Williams Company
Radiator Specialty Company of Canada	Timber Pro Coatings Ltd.
Recochem Inc.	Toolway Industries Ltd.
Regional Automotive Warehousing Ltd	Torcan Coatings Inc.
Rochester Midland Ltd	Toyota Canada Inc.
RONA Inc.	Tremco Canada Division, RPM Canada
Rust-Oleum Consumer Brands Canada	UAP INC.
S.C. Johnson and Son, Limited	Uline Canada Inc.
Saman Corporation (3777472 Canada Inc.)	Valvoline Canada-Div. Ashland Canada
Schwartz Chemicals	W.H. Lubricants Ltd.
Scotts Canada Ltd.	Wallace & Carey Inc.
Selectone Paints Inc.	Wal-Mart Canada Corp.

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PCA ISP Registered Members	
Sherwin-Williams Canada Inc	WD-40 Company (Canada) Ltd.
Shrader Canada Limited	Wood Essence Distributing
YHD DISTRIBUTORS INC.	

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

STATEMENT OF REVENUES AND EXPENSES

31 DECEMBER 2018

10 | APPENDIX C – Product Care Association Annual Report (for Paints and Coatings, Pesticides, Solvents, and Fertilizers Programs)

10 | APPENDIX C – Product Care Association Annual Report (for Paints and Coatings, Pesticides, Solvents, and Fertilizers Programs)

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 auditor's 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 auditor's 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.

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
19 March 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 2018

	2018	2017
Revenues	**$ 17,847,687**	$ 18,476,805
Program expenses		
Collection	**6,127,541**	6,018,580
Processing	**5,802,928**	6,014,400
Transportation	**1,908,409**	1,781,817
Administration (Note 2(b), (c) & (e))	**1,585,075**	1,554,764
Regulatory	**293,749**	228,982
Communications	**42,418**	96,374
	15,760,120	15,694,917
Excess of revenues over expenses for the year	**$ 2,087,567**	$ 2,781,888

Commitment (Note 3)

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

6

10 | APPENDIX C – Product Care Association Annual Report (for Paints and Coatings, Pesticides, Solvents, and Fertilizers Programs)

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 2018

2. Summary of Significant Accounting Policies - continued

(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 $980,544 (2017 - $909,976) 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 $400,052 (2017 - $299,000) which will be incurred in 2019.

10 | APPENDIX D – SodaStream Annual Report (for proprietary CO_2 cylinders)

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10 **Why have our own Industry Stewardship Plan?**

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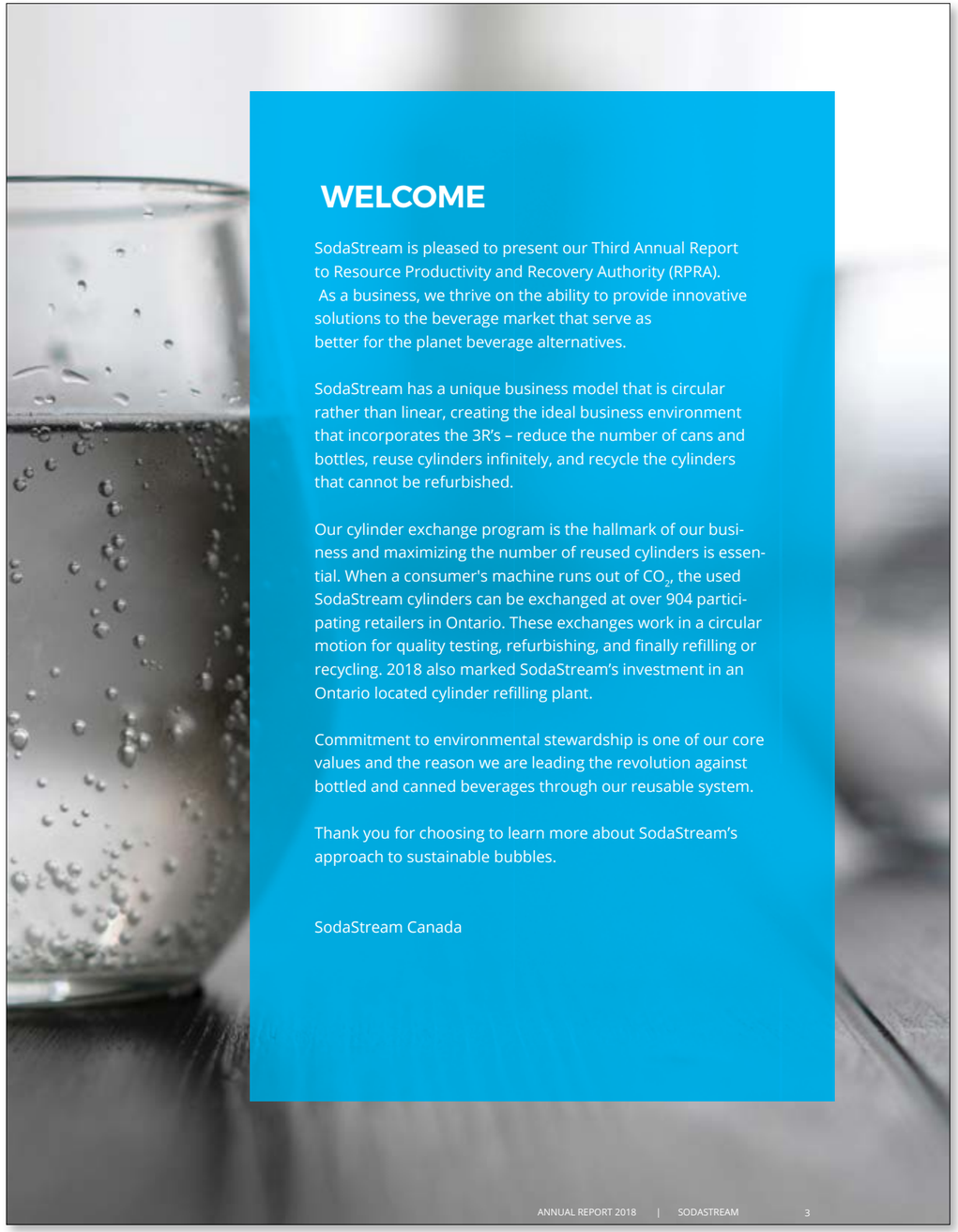
- Accessibility
- Promotion and Education
- Cylinders that Escape our Circular Network
- 2018 Program Performance



WELCOME

SodaStream is pleased to present our Third 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.

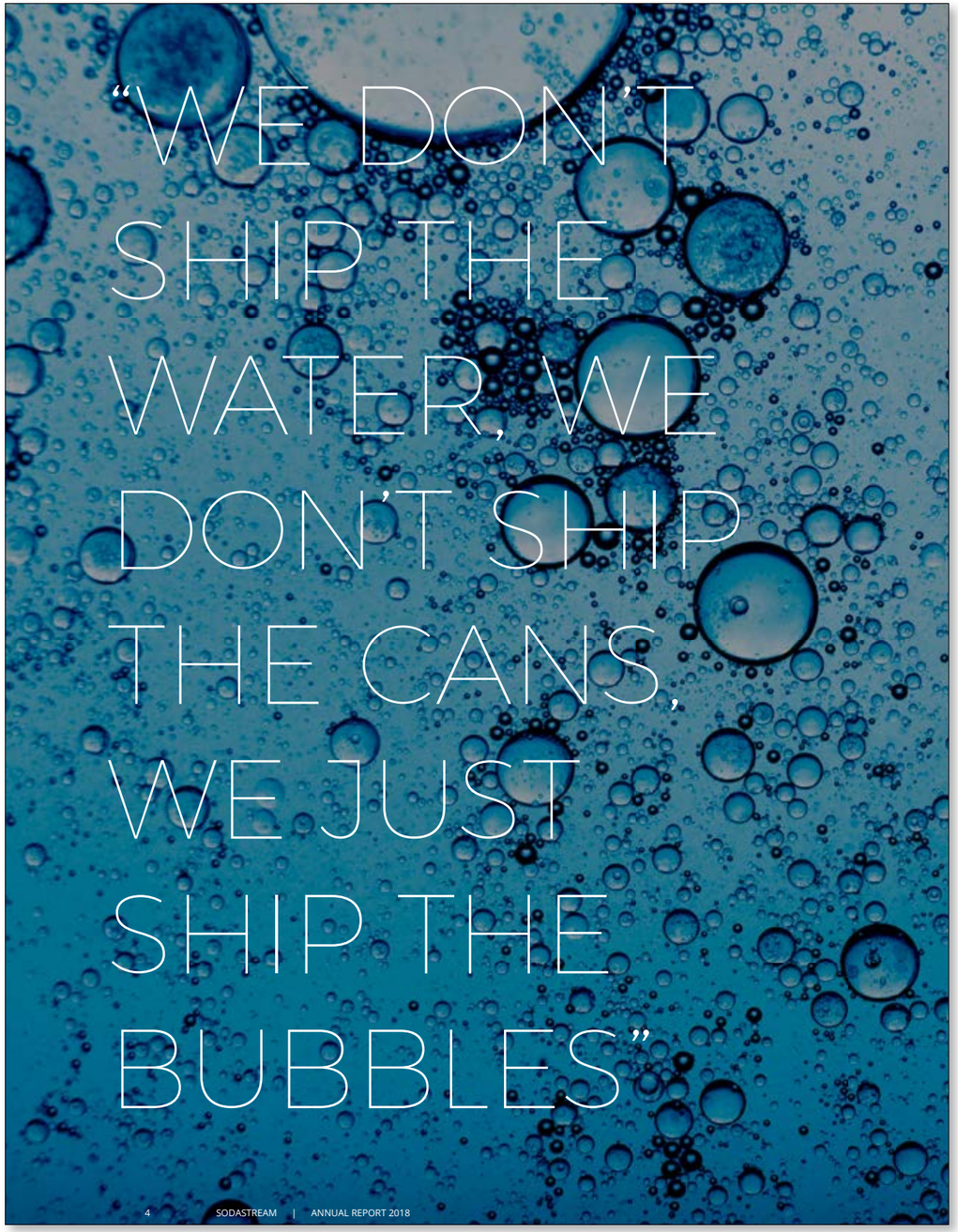
SodaStream has a unique business model that is circular rather than linear, creating the ideal business environment that incorporates the 3R's – reduce the number of cans and bottles, reuse cylinders infinitely, and recycle the cylinders that cannot be refurbished.

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 CO_2, the used SodaStream cylinders can be exchanged at over 904 participating retailers in Ontario. These exchanges work in a circular motion for quality testing, refurbishing, and finally refilling or recycling. 2018 also marked SodaStream's investment in an Ontario located cylinder refilling plant.

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



10 | APPENDIX D – SodaStream Annual Report (for proprietary CO_2 cylinders)

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 CO_2 which is provided in the form of a proprietary refillable pressurized cylinder which is manufactured, refilled and safety checked by SodaStream. Each SodaStream CO_2 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 CO_2 cylinders. SodaStream has been operating a comprehensive, self-managed system since starting up in Canada for the SodaStream CO_2 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 effective date of the ISP as June 30, 2016.

This annual report is submitted to RPRA pursuant to s. 40 of the Waste Diversion Transition Act and is based on SodaStream's 2018 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 CO_2. The used cylinders are returned by retailers to SodaStream in Mississauga. From there the cylinders proceed to SodaStreams' quality centre to be tested and refilled with CO_2. The refilled cylinders then begin the 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 to our manufacturing plant for refurbishment. From this point our cylinders are either refurbished and refilled and returned to the pool or recycled. If the cylinder is damaged, the metal components are recycled into raw materials. The hallmark of the SodaStream business essentially based on the 3R's – we reduce the number of plastic 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.

REDUCE

SodaStream CO_2 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 CO_2 cylinders a year may reduce the need for up to 240 one-litre bottles of store bought carbonated beverages per year.

In 2018, SodaStream began construction of a new gas filling plant in Mississauga. When the facility opens it will allow empty cylinders to be refilled and sent back out to customers in one consolidated facility. This will reduce truck trips and the generation of transport packaging starting in 2019.

REUSE

The signature of the SodaStream system is the reuse of the CO_2 cylinder. Maximizing the number of reused cylinders is the core of SodaStream business.

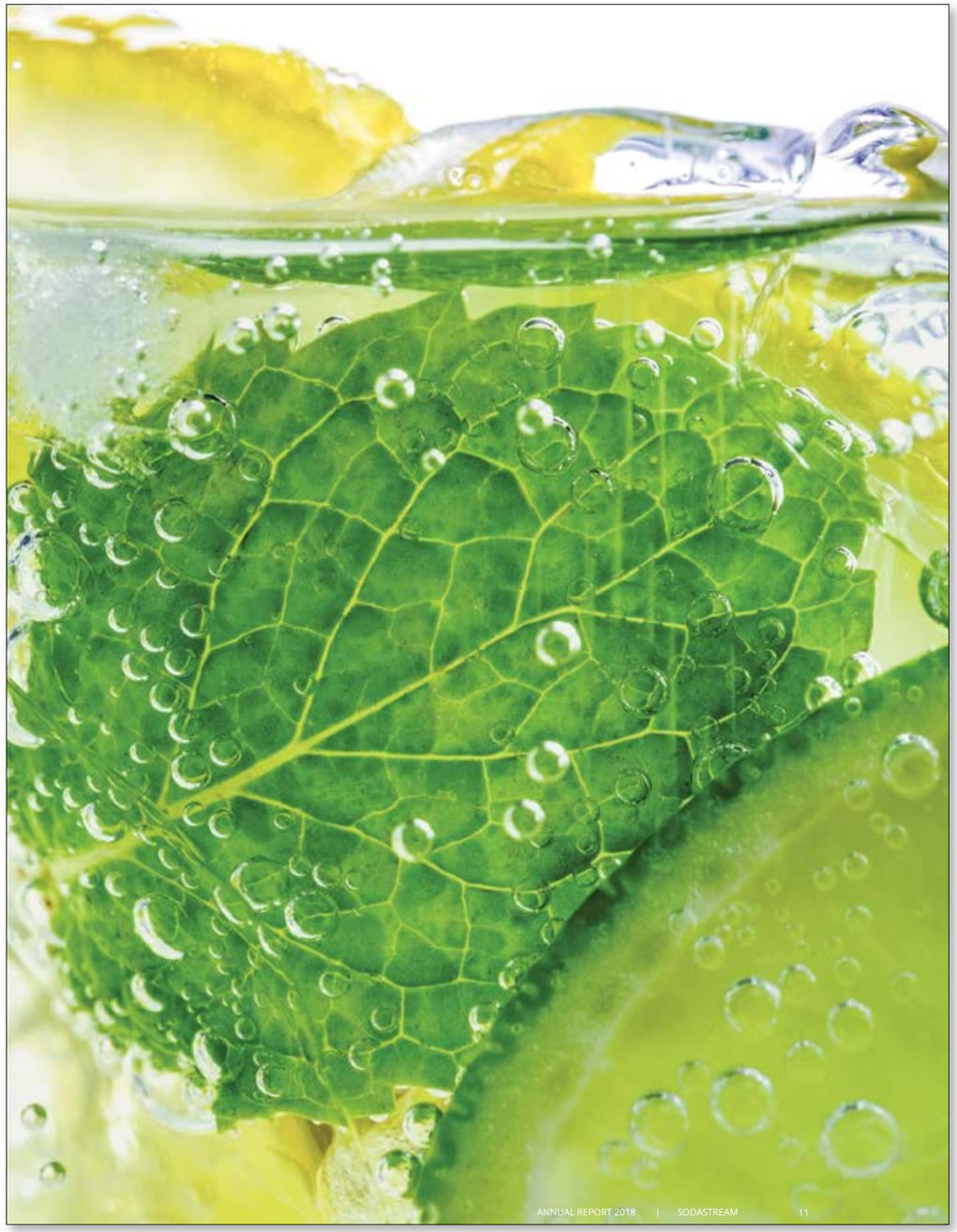
SodaStream has made significant investments in the collection, handling and refilling of their CO_2 cylinders; including the development and use of the multi-trip boxes (MTB) for transporting cylinders and a first-of-its kind inspections system from retail collection.

The SodaStream system is designed to refill one hundred percent of their cylinders.

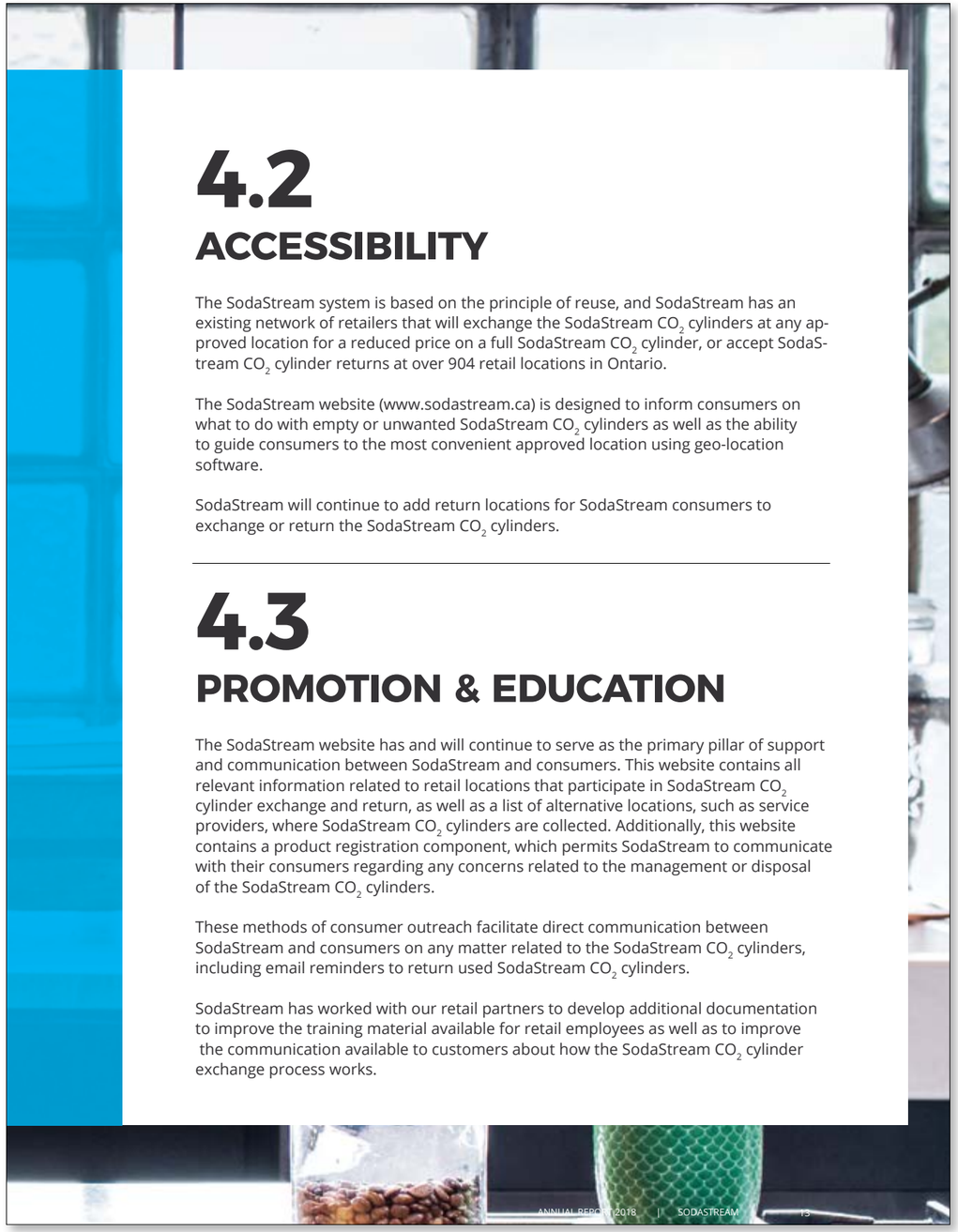
RECYCLE

SodaStream CO_2 cylinders that do not pass quality control are removed from circulation and sent to SodaStream's manufacturing facility. The SodaStream CO_2 cylinders are either refurbished and reintroduced into the market, thereby extending their useful life even longer, or they are recycled.

In addition to removing cylinders that do not pass quality control when being refilled, each SodaStream CO_2 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 CO_2 cylinders have reached the end of their lifecycle, they are recycled into raw aluminum and brass.


ANNUAL REPORT 2018 | SODASTREAM 11

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 CO_2 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 CO_2 cylinders.
The cylinder exchange and refill system is designed to handle 100% of SodaStream CO_2 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 CO_2 cylinders at any approved location for a reduced price on a full SodaStream CO_2 cylinder, or accept SodaStream CO_2 cylinder returns at over 904 retail locations in Ontario.

The SodaStream website (www.sodastream.ca) is designed to inform consumers on what to do with empty or unwanted SodaStream CO_2 cylinders as well as the ability to guide consumers to the most convenient approved location using geo-location software.

SodaStream will continue to add return locations for SodaStream consumers to exchange or return the SodaStream CO_2 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 CO_2 cylinder exchange and return, as well as a list of alternative locations, such as service providers, where SodaStream CO_2 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 CO_2 cylinders.

These methods of consumer outreach facilitate direct communication between SodaStream and consumers on any matter related to the SodaStream CO_2 cylinders, including email reminders to return used SodaStream CO_2 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 CO_2 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 CO_2 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 (formerly Envirosystems) in Hamilton. Terrapure intercepts CO_2 cylinders that are collected from municipal special waste depot and events 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 1800 cylinders from across Ontario since the start of the program.

The results from our work with Terrapure has led SodaStream to continue to engage with other municipalities and service providers across not only 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
2018 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 on an annual basis reporting on the total percentage of cylinders diverted (cylinders refilled/ reused plus cylinders removed from circulation and recycled divided by what was available for collection).

Objectif de diversion

100%

Taux de diversion en 2018

72%

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10 | APPENDIX E – Ontario Electronic Stewardship Annual Report (for the Waste Electrical and Electronic Equipment Program)

1.0 OVERVIEW

2018 was another strong year for the OES program. Highlights included the substantial increase in public awareness by a full 3 points as a result of OES leveraging the RecycleMyElectronics brand and materials. The result of this initiative improved awareness of electronics recycling in Ontario across the board, and in particular, a stunning 14 points improvement in awareness for the 18 - 34 year old demographic. This is exciting as this group will be the voice of the future as well as the participants of today.

In other areas of the program, tonnage continues to decrease as a result of electronic products getting lighter and often smaller, which is one of the many ways that product design is helping the environment. Effective results with a lower cost resulted in a great 2018, thanks to our stewards, public and talented team.

Lynda Kitamura
Executive Director, Ontario Electronic Stewardship

Increasing Collection & Accessibility:

OES continues to make end-of-life electronics recycling easier and more convenient for all Ontarians. Through our extensive network of 979 collection locations, 318 community collection events and return to retail locations, OES is ensuring that Ontario residents have more options to safely and securely recycle their electronics. In fact, 99.5% of Ontarians live within approximately 25 km of a drop-off location.

Since the program began, we have diverted 555,330 metric tonnes of end-of-life electronics (EOLE) from landfill to help the environment.

Ongoing Commitment to Recycling Awareness:

OES continued its focus through much of its communications on the reusable resources inside of our end-of-life electronics and on the importance of recovering and putting them back into the manufacturing stream.

This message was taken directly to the public through print and radio campaigns as well as at live events with the EPRA Recycle My Electronics Mobile Classroom.

To help further spread the resource recovery message, Special Marquee Collection Events were held for Earth Week and Waste Reduction Week.

Raising Awareness:

In 2018, OES again conducted Steward Surveys to better understand ways the program can further support their collection efforts. The results show that awareness has increased by 3% over 2017 to 69%.

Increasing Efficiencies:

OES once again reduced program costs through increased efficiencies in 2018. 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 $982 per tonne.

Updating Regulations:

Until OES operations cease on June 30th, 2020, OES will continue to fulfill the very important electronics recycling program under the Waste Diversion Transition Act. OES will remain dedicated to running an effective, efficient and convenient electronics recycling program until then.

Ontario continues to undergo regulation changes that affect the recycling sector. The passage of Bill 151 in early 2016 and the continued move forward with the Strategy for a Circular Economy, made 2018 a year of further activity towards the Resource Recovery Circular Economy Act.

OES Program Wind Up:

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 subject to provisions under the Waste Diversion Transition Act (WDTA).

In February 2018, OES received direction from the Minister of the Environment and Climate Change (MOECC) regarding the wind up of the OES program.

The OES program will cease as of June 30, 2020. Until then, OES is is pleased to continue to provide safe and secure recycling for all Ontarians.

1.0 OVERVIEW

1.1 KEY PERFORMANCE INDICATORS

OES Ontario Electronic Stewardship

January - December 2018

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

47,711 tonnes
Total collected[1]
(2017 = 52,712 tonnes)

3.55 kg/capita
Total collected per capita[2]
(2017 = 3.92 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.
(2017 = 99.7%)

318
Total collection events
(2017 = 377)

979
Total OES collection sites
(2017 = 902)

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

69% (increased by 3%)
Percentage of population aware of the program. June 2018.
(2017 = 66%)

1,015
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.

$46,873,833

Total program costs
(2017 = $56,754,747)

$982

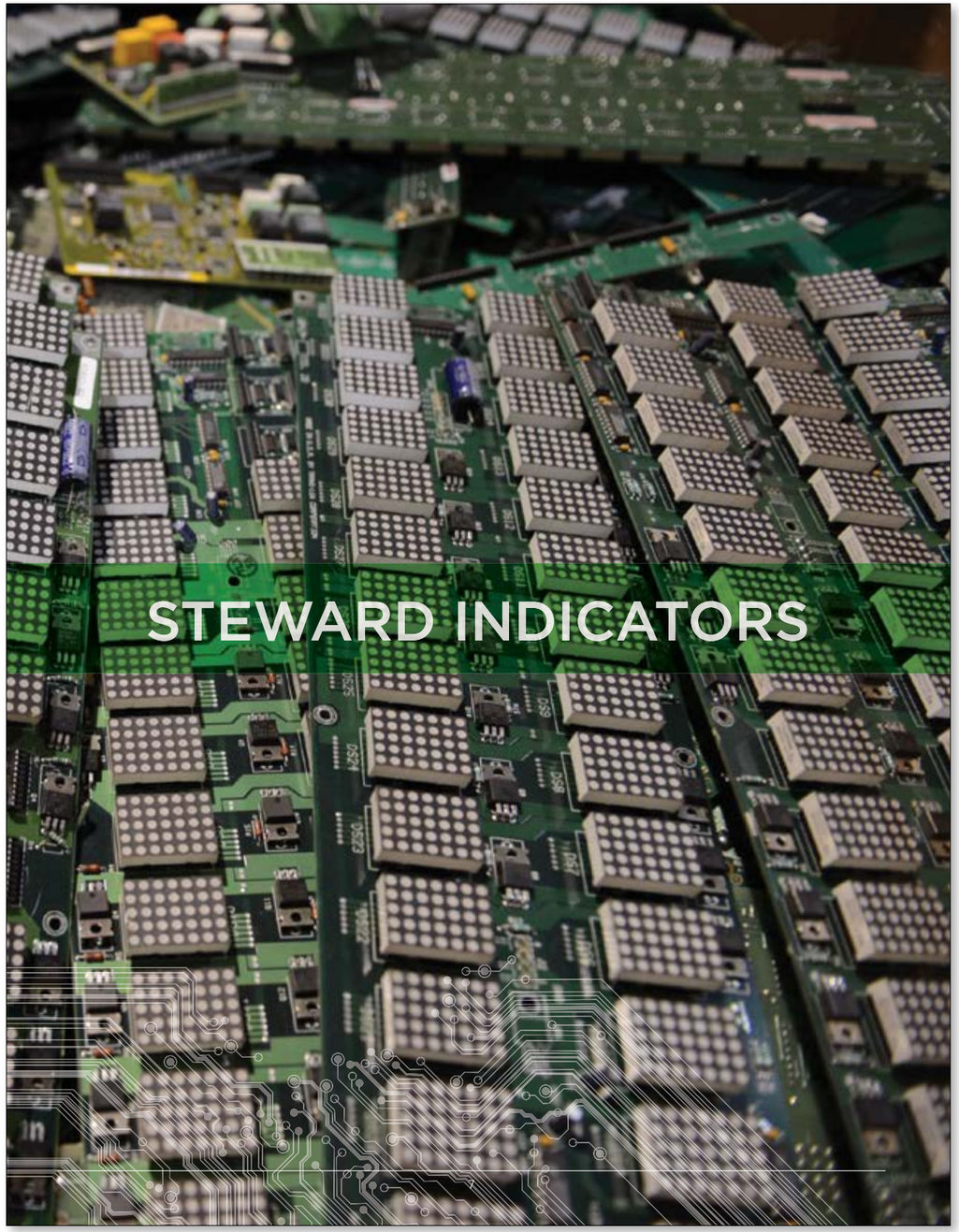
Total program costs per tonne

$828 (2017 = $939)
Total operation costs per tonne

$94 (2017 = $81)
Total administration costs per tonne

$60 (2017 = $57)
Total promotion and education cost per tonne

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



STEWARD INDICATORS

2.0 STEWARD INDICATORS

2.1 STEWARD OVERVIEW

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

2018 STEWARD INDICATORS

Notified companies since program start	Notified companies during the year	Total Stewards/ Remitters/ Sub-Remitter
5,192	83	1,015
Total units reported	**Total fees remitted**	
27,104,894	$51,308,684	

Active Remitter/ Sub-Remitter Agreements	Cancelled Remitter/ Sub-Remitter Agreements	Total New Agreements
6,431	98	145 Remitter Agreements 115 Sub-Remitter Agreements

Steward Self-Managed EEE Units	Total Kilograms of WEEE Self-Managed
1,154,348	116,885 kg recycled 697,854 kg reused/refurbished

2.0 STEWARD INDICATORS

TABLE 1.0 B) SUPPLIED FOR USE IN ONTARIO ACTUAL UNITS

Supply to the Market

Product	2017 Actual EEE Reported (Units)	2018 Actual EEE Reported (Units)
Display Devices	2,021,893	2,207,780
Desktop and Portable Computers	3,158,435	3,489,596
Printers and Peripherals	22,314,913	21,390,756
Floor-Standing Printing/Copying Devices	18,523	18,762

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

Steward compliance comprises several aspects:

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

All compliance risk management efforts are posted on our website and presented in Table 2 on the following page. These capture activities throughout 2018.

10 | APPENDIX E – Ontario Electronic Stewardship Annual Report (for the Waste Electrical and Electronic Equipment Program)

2.0 STEWARD INDICATORS

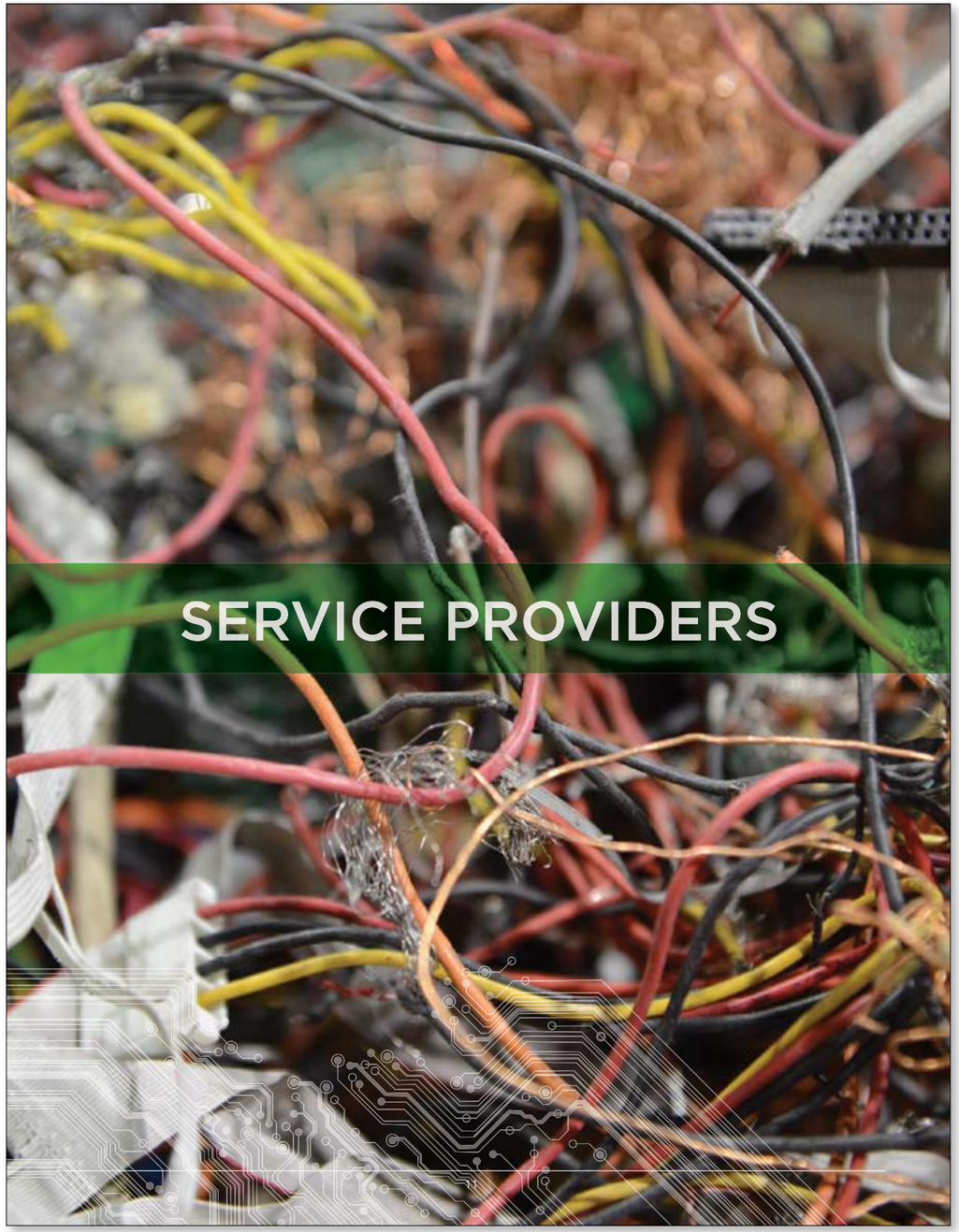
TABLE 2.0 STEWARDS/REMITTERS

2018 MONITORING & COMPLIANCE

Types of Steward monitoring and compliance activity:

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

2018	Stewards/Remitters
Monitoring & Compliance Actions	
Notification mailers	83
Current quarter status report of notification mailer: declaration - obligated	70
Current quarter status report of notification mailer: declaration - not obligated	13
Outstanding notification mailers issued since program inception	377
Current quarter, notification mailer obligated, late filers	4
Notification mailer, outstanding filers	6
Compliance audits - performed	51
Compliance audits - in progress	9



3.0 SERVICE PROVIDER INDICATORS

3.1 SERVICE PROVIDERS OVERVIEW

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

In order to transport materials between OES collection points through consolidation to Processors, OES utilizes a network of transporters, re-packers and consolidation companies contracted on a RFQ basis. Under the 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	979
Transportation Companies	56
OES Primary Processors	10
OES Reuse Refurbishers	27
Consolidation Companies	7
Supplies, Special Services and Re-packers	38

3.2 SERVICE PROVIDER COMPLIANCE OVERVIEW

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

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

All compliance risk management efforts are posted on our website and presented in Table 4 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**

2018	OES Sites	OES R&R Sites	OES Processors	Generator Sites
Monitoring & Compliance Actions				
Reviews conducted or in progress	287	286	17	258
Downstream reviews conducted or in progress			40	
Default issues	1	8		29
Suspension		2		5

PROGRAM ACCESSIBILITY

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 2018.

TABLE 5.0 - SUMMARY OF ACCESSIBILITY

OES Collector Sites	Actual 2017	Actual 2018
Permanent locations - municipal	383	390
OES collection sites added - municipal	39	15
Permanent locations - non-municipal[1]	572	589
OES collection sites added - non-municipal[1]	26	43
Permanent Sites, Net	**902**	**979**
Special Event - Public/municipal	61	64
Special Event - Non-municipal	314	250
OES Round-up	2	4
Total Event Based	**377**	**318**
Total Generators	**784**	**865**
Total Sites & Events	**2,063**	**2,162**

1. Non-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 2018 to measure the program's accessibility. Outlined in the table below is the breakdown of accessibility by OES, generator collection type and overall program accessibility. EDM's report found that there's an OES site or affiliated drop-off location within 25 kilometres of 99.5% of Ontarians.

TABLE 6.0 - OES ACCESSIBILITY RESEARCH REPORT

OES Collection Sites		Generator Collection Sites		Total Accessibility	
Catchment Area Kilometres Radius From Site	% of Ontario Population Within Catchment Area	Catchment Area Kilometres Radius From Site	% of Ontario Population Within Catchment Area	Catchment Area Kilometres Radius From Site	% of Ontario Population Within Catchment Area
10 km	94.1%	10 km	88.8%	10 km	95.8%
25 km	99.3%	25 km	96.9%	25 km	99.5%
50 km	99.7%	50 km	98.9%	50 km	99.7%

[1]EDM – 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.

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

PROGRAM PERFORMANCE

5.0 PROGRAM PERFORMANCE

OES continued to deliver an accessible, environmentally responsible WEEE diversion program throughout 2018, diverting 47,711 tonnes of end-of-life electronics from landfill.

In 2009 when the OES program began, tonnage targets were set for the initial five-year period of 2009–2014. Because no actual Ontario program experience was available at the time, targets were set using the best available data.

Other significant issues at the time include the fact that other provincial programs were new and that the electronics industry was on the verge of a digital age where technology began to consolidate and get significantly lighter.

This trend, called light-weighting, needs to be considered when establishing program benchmarks because miniaturization and consolidation of products are beginning to occur at a rapid pace.

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

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

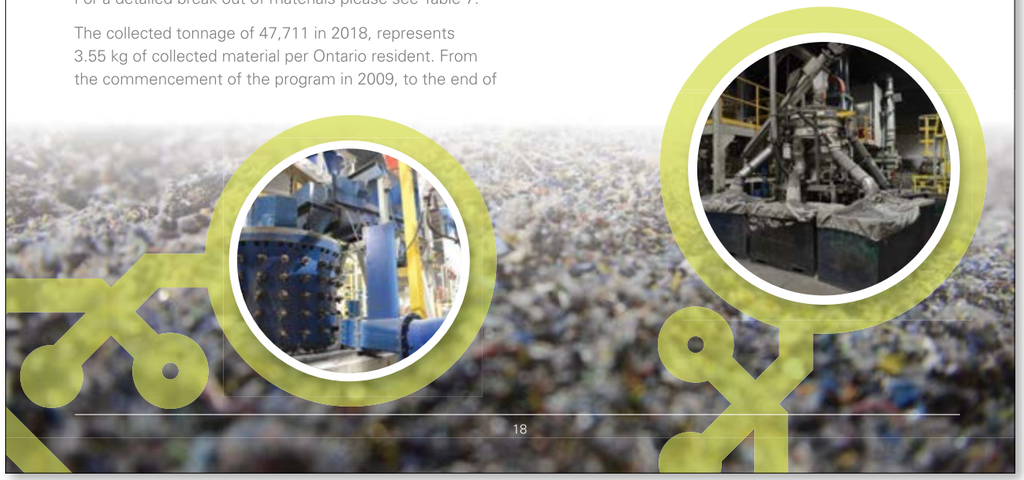
The collected tonnage of 47,711 in 2018, represents 3.55 kg of collected material per Ontario resident. From the commencement of the program in 2009, to the end of 2018, the OES program has diverted and processed a total of 555,330 tonnes of end-of-life electronics.

OES ensures that the high standards to protect not only the health and safety of the environment, but also of workers are strictly adhered to by its approved processors. The OES program delivers on the expectation of Ontarians that WEEE delivered into the program will be handled safely, securely and in an environmentally responsible way.

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.

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

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



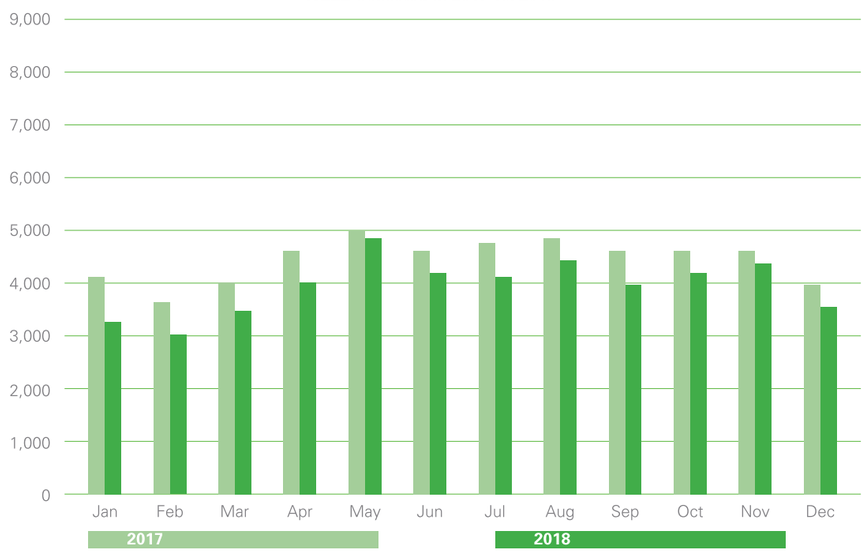
5.0 PROGRAM PERFORMANCE

TABLE 7.0 - TOTAL COLLECTED

Material Category	2017 Actual Tonnes	2018 Actual Tonnes
Display Devices	26,869	22,864
Desktop and Portable Computers	6,454	6,014
Printers & Peripherals	18,495	17,621
Floor-Standing	894	1,212
Total	**52,712**	**47,711**
Collection kg/capita*	3.92	3.55

*Population calculations based on 2016 Statistics Canada Census Data.

WEEE Collected in 2017 vs. 2018

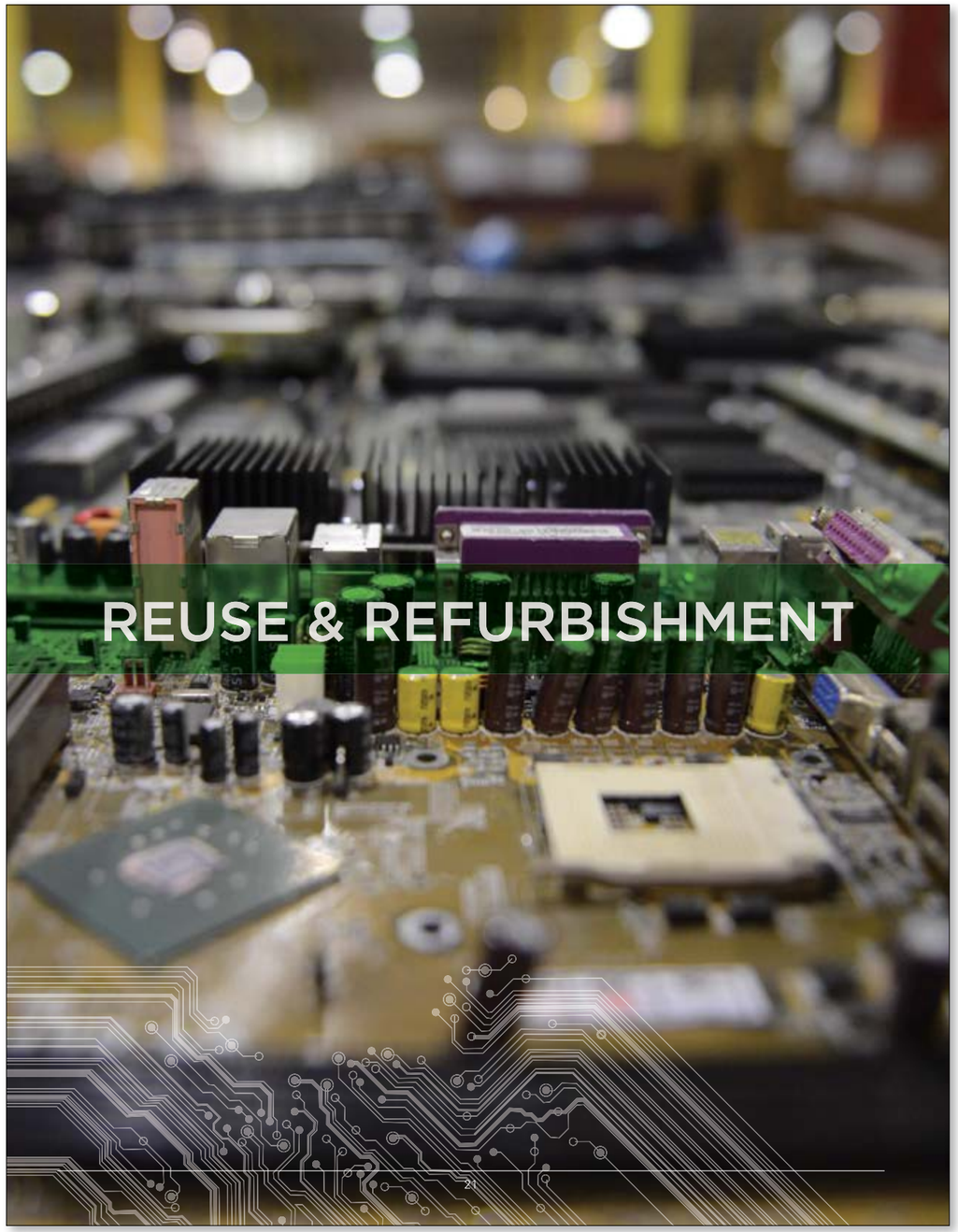


5.0 PROGRAM PERFORMANCE

TABLE 8.0 - 2018 TOTAL TONNES RECYCLED

EEE Product	Actual WEEE Sent to Processors (Tonnes)	Recycling Efficiency Rate*	Total
Display Devices	20,512	83%	17,025
Desktop and Portable Computers	4,117	86%	3,540
Printers & Peripherals	15,841	86%	13,624
Floor-Standing	1,144	82%	938
Total	**41,615**	**84%**	**35,127**

*Based on the original model approved in 2009.



5.1 REUSE & REFURBISHMENT

A total of 25 organizations representing 27 OES reuse sites participated in reuse collection in 2018.

TABLE 9.0 - SUMMARY OF REUSE/ REFURBISHMENT ACTIVITY IN 2018

Material Category		2017 Actual Kgs	2018 Actual Kgs
Display Devices	Computer Monitors	311,242	529,387
	Display Devices	197,533	506,452
Desktop Computers		1,195,693	1,210,329
Portable Computers		193,024	342,076
Computer Peripherals		647,218	697,854
Desktop Printing, Copying and Multi-Function Devices		83,773	73,787
Telephones and Telephone Answering Machines			
Cellular Devices and Pagers			
Image, Audio & Video Devices	Personal/Portable		
	Home/Non-Portable		
	Home Theatre in a Box (HTB)		
	Aftermarket Vehicle		
Floor-Standing Printing, Copying and Multi-Function Devices			
Total Material Categories		2,628,483	3,359,885

6.0 PROMOTION & EDUCATION

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

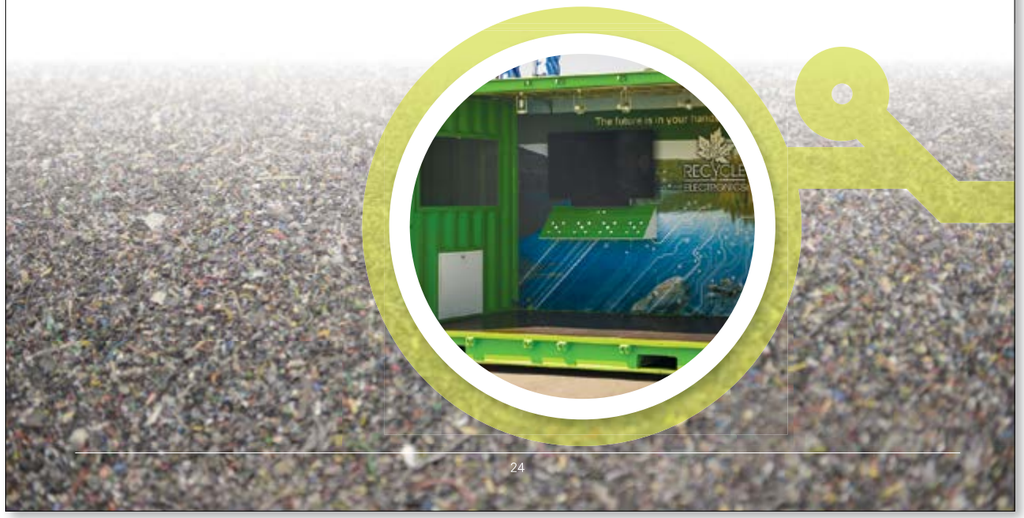
Through new and extended media partnerships, OES was able to expand its communications strategy throughout 2018. There was a continued focus on the recoverable resources inside end-of-life electronics and this message was promoted at Earth Week and Waste Reduction Week events. OES leveraged the award winning EPRA Recycle My Electronics brand and materials to successfully increase public awareness in Ontario in 2018. An example of this is the interactive EPRA Recycle My Electronics Mobile Classroom that served as an educational centerpiece at events.

6.1 QUALITATIVE MARKET RESEARCH & PROGRAM AWARENESS:

OES commissioned a program awareness survey in 2018. The survey research was conducted among adults living in Ontario with data weighted to reflect the adult population of the province by region, age and gender. Awareness increase by 3% over 2017 to 69% in 2018.

2018 Program Awareness Research Results:

2018 Program Awareness	18–34	35–54	55+
69%	73%	70%	66%
2017 Program Awareness	**18–34**	**35–54**	**55+**
66%	59%	58%	68%



6.0 PROMOTION & EDUCATION

6.2 PROMOTION & EDUCATION

ACTIVITY OVERVIEW

Program advertising on radio, in print, online and out of home spread the message of responsible end-of-life management of electronics throughout 2018.

Tactic	Impressions
Radio Advertising	25,246,821
Earth Month Print Advertising	1,977,465
Regional Print Advertising	2,741,228
Out of Home (TTC Stations & Go Train)	47,05,3499

New Awareness Promotion

GO Train Poster

6.0 PROMOTION & EDUCATION

6.3 DIGITAL MARKETING

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

- The total visits to the EPRA Recycle My Electronics website in 2018 was 292,329; a decrease of -16.94% compared to 2017.
- The 2018 unique visitors has decreased by -20.91% when compared to 2017.
- We continue to experience more web traffic from mobile devices (127,373) than from desktop (97,726).
- The "Drop-off Locations" page continues to have very high traffic, surpassed only by the homepage.
- The decrease YoY was as anticipated given the new brand launch/roll out in 2017, which had a higher than normal traffic rate as refresh occurred.

OES (Web traffic breakdown)
Ontario Electronic Stewardship Website:

- The total visits to the Ontario Electronic Stewardship website in 2018 was 40,875, which is down over last year by -35.23%.
- The total unique visitors to the website in 2018 was 31,950, which is down over last year by -36.61%.

	recycleMYelectronics.ca		OntarioElectronicStewardship.ca	
Actual Year	**2017**	**2018**	**2017**	**2018**
Total Visits (Sessions)	351,970	292,329	63,110	40,875
Unique Visits (Users)	284,250	224,827	50,399	31,950
Pageviews	649,291	483,119	187,234	87,391
Bounce Rate**	74.11%	70.49%	24.66%	52.06%
Avg. Time on Site	0:48	0:59	1:45	1:39
Visits YoY % +/-	↓ -16.94%		↓ -35.23%	
Unique Visits YoY % +/-	↓ -20.91%		↓ -36.61%	

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

6.0 PROMOTION & EDUCATION

6.4 PUBLIC RELATIONS MEDIA PARTNERSHIPS:

Overall Media Strategy

For 2018, the media strategy employed a three-pillar approach. First, by leveraging legacy media scenarios from the 2017 media buy to further increase awareness of the Recycle My Electronics call to action. Second, maximizing a multi-media approach across priority markets to build awareness in places the audience engages in the most. Third, employing a digital strategy to engage a targeted audience by leveraging data to create greater impact.

Television

For 2018, additional media partners were added to the traditional TV buy to increase the reach and frequency of the Recycle My Electronics message.

The result of new broadcast partnerships was TV segment opportunities for the EPRA Recycle My Electronics brand on the stations. One station did a live on location interview with OES Executive Director, Lynda Kitamura, featuring the Mobile Classroom as the focal point. On another station, their resident tech expert Avery Swartz spoke about the Recycle My Electronics program and electronics recycling.

Print Integrations

In 2018 OES again worked with print outlets to deliver targeted media to an engaged audience. Both the spring and fall campaigns introduced articles about electronics recycling that ran in either the print or digital edition of the publication. Both campaigns delivered strong metrics and the fall campaign included an additional 6-page special feature on electronics recycling. The articles in this special print section were also published on the digital edition and amplified online and social media.

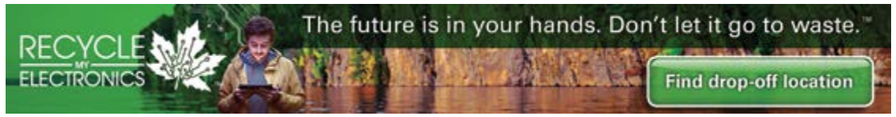
Readers were engaged with the articles, spending on average over 3 minutes with an article. Readers spent the most time with 'listicle' style articles like "5 Things People Get Wrong About Recycling Electronics" or "3 Simple Steps To Recycling Your Tech" showing that this short content format resonates well with the audience.

Overall, this integrated print and digital campaign resulted in high engagement metrics and increasing public awareness in 2018.

6.0 PROMOTION & EDUCATION

Digital & Native Ads

Video digital ads were reintroduced in 2018 with the :15 and :30 second video featuring Alan Nursall. Video was included because it's a format that the audience is engaged with through the sound and visual experience. Moreover, it communicates and educates about the importance of recycling. The videos performed very well and surpassed benchmark metrics for video completion rate and click through rate, indicating that the audience was engaged with the creative and curious to learn more by clicking through to the site.



6.0 PROMOTION & EDUCATION

6.5 THE EPRA RECYCLE MY ELECTRONICS MOBILE CLASSROOM

The importance of end-of-life electronics recycling was once again demonstrated to the public in 2018, in a fun, interactive and immersive way through the EPRA Recycle My Electronics Mobile Classroom. The Mobile Classroom helped OES take 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 Mobile Classroom, featuring videos and games, was specifically designed to both educate and entertain visitors about why they should recycle their old, unused electronics. On top of being a fully self-contained, mobile information centre it also serves as a collection bin where visitors can drop off their end-of-electronics for safe and secure recycling.

The Mobile Classroom was set up at a variety of event locations with on-site event staff to interact with the public and spread the word about the importance of recycling end-of-life electronics. The Mobile Classroom also served as the backdrop on numerous television appearances creating the opportunity for a hands-on demonstration and to greater emphasis the electronics recycling message.

6.6 COMMUNITY OUTREACH

OES conducted 323 Collection Events in 2018.

In 2018, OES conducted 323 Community Collection Events. Event programming also included successful colection at Woodside Square and a expansion of the EPRA Recycle MY Electronics brand partnership with IKEA to host end-of-life electronics collection events.

During the campaign time frames, the Marquee Collection Events collected 69,060 metric tonnes of end-of-life electronics and generated 12,487,329 total impressions and an average increase in web traffic of 3.94%

Marquee & Community Collection Events

Earth Week

Woodside Square:
Once again in 2018, OES held its Earth Week outreach and collection event with a focus on the Chinese community. Held at Woodside Square, the featured bilingual signage, bilingual event staff and an on-site radio remote. The event resulted in the collection of 59.068 metric tonnes of end-of-life electronics.

6.0 PROMOTION & EDUCATION

EPRA Recycle My Electronics IKEA Tour

EPRA expanded its partnership with IKEA to host end-of-life electronics collections events across Canada, including Ontario for OES, increasing consumer awareness about resource recovery. Through radio and print advertising, area residents were encouraged to bring electronics to a two-day event at the IKEA.

Building on the success of the 2017 IKEA event, EPRA and IKEA increased the events to five participating Ontario IKEA locations – Ottawa, Vaughan, Etobicoke, North York and Whitby.

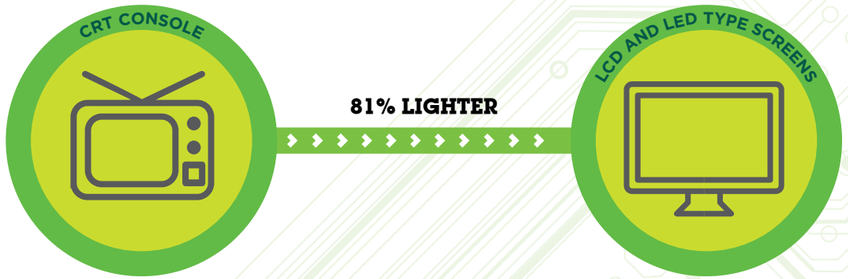
Each event was promoted through advertising outreach on radio, print and social. Event advertising encouraged the public to visit the IKEA location and to bring their end-of-life electronics for recycling.

The Recycle My Electronics/IKEA events had give-aways for consumers bringing in end-of-life electronics, including bags made from recycled fibres and pens made from recycled electronics. IKEA supplied in-store coupons as an added incentive to the recycling drive.

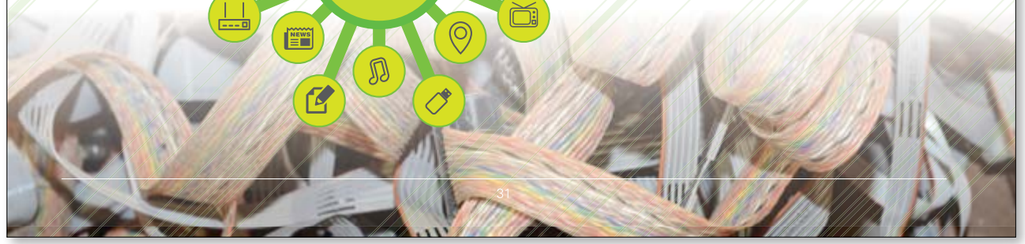
The event teams had signage and staff helping to direct and welcome the public, as well as assisting in moving end-of-life electronics from vehicles into collection bins. As well as raising electronics recycling awareness, the events resulted in a total of 10.24 tonnes of end-of-life electronics.

7.0 EMERGING TOPIC REGARDING THE PROGRAM

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



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



8.0 AUDITED FINANCIAL STATEMENTS

Financial Statements of

ONTARIO ELECTRONIC STEWARDSHIP

Year ended December 31, 2018

8.0 AUDITED FINANCIAL STATEMENTS

KPMG

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
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, 2018
- the statement of operations for the year then ended
- the statement of changes 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, 2018, 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

KPMG

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

KPMG

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

March 19, 2019

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Balance Sheet

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	$ 73,682,227	$ 21,211,107
Investments (note 2)	–	15,608,108
Accounts receivable	41,525,661	12,478,282
Prepaid expenses	96,139	81,377
	115,304,027	49,378,874
Capital assets (note 3)	10,203	3,869
	$ 115,314,230	$ 49,382,743
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	$ 5,500,772	$ 5,779,734
Net assets:		
Invested in capital assets	10,203	3,869
Contingency reserve (note 5)	109,803,255	43,599,140
	109,813,458	43,603,009
Future operations (note 8)		
Commitments (note 9)		
	$ 115,314,230	$ 49,382,743

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, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Steward fees	$ 51,308,684	$ 55,543,686
Investment	935,756	416,533
Input tax credits refund (note 6)	60,839,842	–
	113,084,282	55,960,219
Direct operating costs:		
Material management	39,481,503	49,482,917
Other expenses:		
Shared promotion and education (note 7)	2,885,469	2,998,848
Resource Productivity and Recovery Authority administration	1,255,880	878,458
Program delivery and administration (note 7)	3,250,981	3,394,524
	7,392,330	7,271,830
	46,873,833	56,754,747
Excess (deficiency) of revenue over expenses	$ 66,210,449	$ (794,528)

See accompanying notes to financial statements.

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Statement of Changes in Net Assets

Year ended December 31, 2018, with comparative information for 2017

	Invested in capital assets	Unrestricted	Contingency reserve	2018 Total	2017 Total
Balance, beginning of year	$ 3,869	$ –	$ 43,599,140	$ 43,603,009	$ 44,397,537
Excess (deficiency) of revenue over expenses	6,334	66,204,115	–	66,210,449	(794,528)
Transfer to contingency reserve (note 5)	–	(66,204,115)	66,204,115	–	–
Balance, end of year	$ 10,203	$ –	$ 109,803,255	$ 109,813,458	$ 43,603,009

See accompanying notes to financial statements.

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 66,210,449	$ (794,528)
Items not involving cash:		
Amortization of capital assets	5,201	11,053
Non-cash component of investment income	–	(115,343)
Loss on disposal of capital assets	–	3,181
Change in non-cash operating working capital:		
Accounts receivable	(29,047,379)	91,538
Prepaid expenses	(14,762)	(74,862)
Accounts payable and accrued liabilities	(278,962)	(1,940,400)
	36,874,547	(2,819,361)
Investing activities:		
Purchase of investments	–	(15,492,765)
Proceeds from investments	15,608,108	15,462,321
Additions to capital assets	(11,535)	–
	15,596,573	(30,444)
Increase (decrease) in cash	52,471,120	(2,849,805)
Cash, beginning of year	21,211,107	24,060,912
Cash, end of year	$ 73,682,227	$ 21,211,107

See accompanying notes to financial statements.

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Notes to Financial Statements

Year ended December 31, 2018

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, 2018

1. Significant accounting policies (continued):

Investment revenue is interest revenue and 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, 2018

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.

Computer equipment	3 years
Computer software	3 years
Office equipment	5 years
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. Investments:

Investments consisted of guaranteed investment certificates ("GICs"), bearing interest at 0.80% per annum. The GICs matured in April 2018 and the proceeds were transferred into the cash account. The GICs included accrued interest of nil (2017 - $115,343).

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2018

3. Capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Computer equipment	$ –	$ –	$ –	$ 2,147
Computer software	899,414	899,414	–	–
Office equipment	933	933	–	–
Containers	4,492	3,219	1,273	1,722
Leasehold improvements	11,535	2,605	8,930	–
	$ 916,374	$ 906,171	$ 10,203	$ 3,869

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $684,068 (2017 - $928,927), which includes amounts payable for harmonized sales taxes.

5. Contingency reserve:

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

6. 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 the year, 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 the year. The remaining refund was received subsequent to year-end and was recorded in accounts receivable as of December 31, 2018.

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2018

7. 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 $3,552,535 (2017 - $2,635,020) to EPRA during the year. Included in accounts payable and accrued liabilities is $442,072 (2017 - $326,186) due to EPRA.

8. 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. As at December 31, 2018, OES submitted the wind up to RPRA, pending its approval. The waste diversion program will cease operation on June 30, 2020.

9. Commitments:

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

2019	$ 102,180
2020	51,090
	$ 153,270

10. Financial instrument risk management:

(a) Credit risk:

The Organization is exposed to credit risk that arises from the quality of its stewards. Credit risk arises from the possibility that the registrants of the Organization will be unable to fulfill their obligations. The Organization's stewards are numerous and diverse which reduces the concentration of credit risk. Management closely evaluates the collectability to mitigate this risk. There has been no change to the risk exposure from 2017.

8.0 AUDITED FINANCIAL STATEMENTS

ONTARIO ELECTRONIC STEWARDSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2018

10. Financial instrument risk management (continued):

(b) Market risk:

The Organization is exposed to financial risk that arises from fluctuations in the sale of consumer electronic products within the provincial regions in which the Organization operates. This risk is minimized by the corresponding decreases in program delivery and recycling process expenses and by regulation through each regional Department of the Environment. There has been no change to the risk exposure from 2017.

(c) Interest rate risk:

The Organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income securities held by the Organization. The Organization manages this risk by holding GICs and staggering the terms of the investments held. There has been no change to the risk exposure from 2017.

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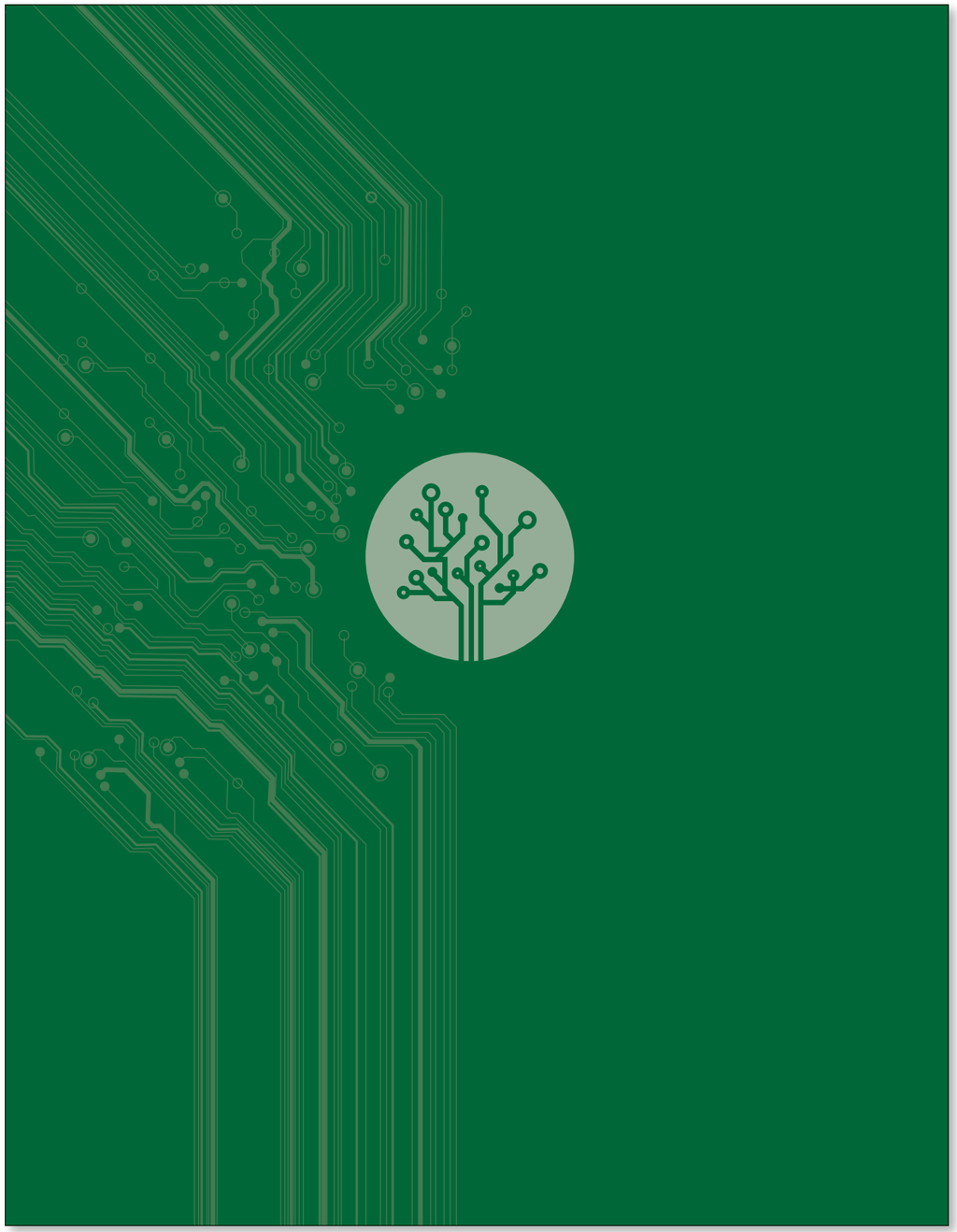

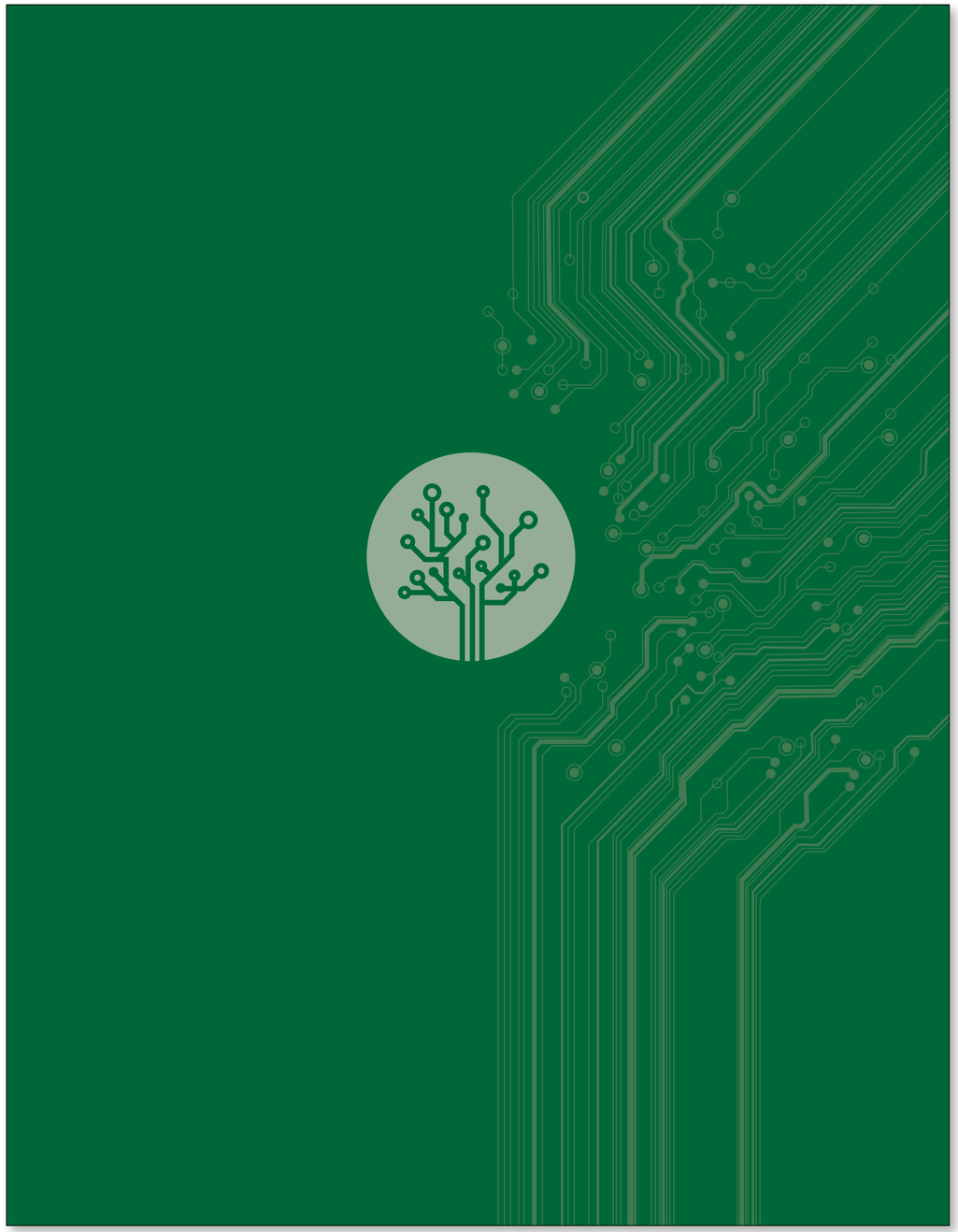

OES
Ontario Electronic Stewardship
5750 Explorer Drive, Suite 301
Mississauga, Ontario L4W 0A9
For more info call toll free:
1.888.646.1820
recycleMYelectronics.ca
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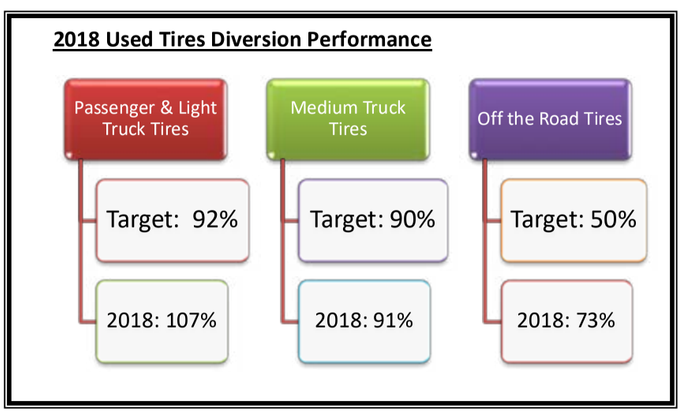
Ontario Tire Stewardship

2018 Annual Report

April 1st, 2019

Introduction

2018 brought significant change to the direction of OTS and the Used Tires Program (UTP). With the passage of the Waste Free Ontario Act (WFOA) in November 2016 the Government of Ontario signalled its intention to move forward with a new policy approach to waste diversion and the creation of a circular economy in Ontario. This was followed by the issuance of 2 Wind-Up Direction letters (WUPDL) from the Minister, the first in February of 2017 and the second in June 2017, specifying the wind-up of the UTP be completed by December 31, 2018 and certain priorities that OTS should meet in delivering the Wind-Up. These included prioritizing financial decisions that would enable OTS to eliminate Tire Stewardship Fees (TSFs) for PLT tires as soon as reasonably possible, and maintaining the existing high collection and diversion rates delivered under the UTP.



Through the year OTS worked diligently to implement the Wind Up Plan (WUP), while at the same time program operations continued unabated. While overall tire supply grew by 1.3% year-over-year, 2018 revenues were lower as planned than in 2017 as a result of the PLT Fee Elimination beginning October 1st, 2018.

The commercial uncertainty resulting from the end of the Used Tires Program delivered by OTS, coupled with the uncertainty regarding the arrangements between service providers and Producers for used tire diversion services required to meet obligations under the Resource Recovery and Circular Economy Act (RRCEA), resulted in program stakeholders modifying their operations in the Ontario market. Used tire volumes through 2018 were significantly higher than in prior years as the market participants sought to maximise the flow of used tires through the OTS-delivered program in advance of the transition to the new Producer responsibility regime in 2019. Used tire collection through 2018 was exceptionally high - approximately 10% higher than in 2017 - and resulted in bottlenecks in the supply chain, in particular at used tire Processors. The bottlenecks at Processors was compounded by operational and compliance challenges experienced by one Processor throughout 2018 that forced it to significantly slow receiving activities, and certain other Processors slowing their receiving activities due to uncertainty regarding their commercial arrangements with Producers beginning in 2019. Despite these actions total deliveries to in-Province Processors was up by 2.3%, but TDP production was lower by 2.8% vs 2017. To maintain used tire flow in the face of the elevated volumes and in-Province Processor capacity shortfalls OTS turned to a group of Out of Province Processors identified through an RFP. By the end of 2018 OTS had shipped out

over 20,000 tonnes of used tires to these Processors, approximately 12% of the total volume of used tires delivered under the program through the year. Overall these efforts by OTS were successful in maintaining close to the "normal" flow of used tires and service disruptions for Collectors were minimized.

The 2018 capacity shortfall disproportionally impacted OTR tire diversion as Processor capacity to receive these tires was reduced by the closure of one of the facilities that specialized in processing the larger tires in this category, and by other Processors electing to preferentially receive PLT tires as a result of their relatively high availability, lower costs of processing and reduced wear on equipment. While OTS also targeted out of province options to manage these tires these efforts were less successful due to the limited options for processing that did not involve non-diversion end markets (e.g. Tire Derived Fuel and Landfill cover).

Communicating with Stakeholders

One of the keys to delivering a successful program is frequently and effectively engaging the range of stakeholders that OTS works with to ensure the smooth and efficient diversion of used tires. As an organization we strive to provide our stakeholders with information that is relevant to their roles in as transparent and timely manner as possible. The need for stakeholder engagement through 2018 was heightened as OTS was winding up and the organization redoubled efforts to engage all participants to provide as much transparency and clarity as possible on the changes that Wind-Up would require. As usual OTS leveraged existing communication channels and opportunities to communicate updates on these highly relevant areas of work to stakeholders, and also developed regular bulletins that flagged key processes and deadlines for stakeholders.

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

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

OTS supported our program stakeholders through 2018 and wind-up with an accelerated tempo of meetings, notices and updates on the progress in winding-up the program.

3

Type of Activity	Date of Activity	OTS Participant Types/Audiences					
		Stewards	Collectors	Haulers	Processors	RPMs	Consumers
Technical Committee Meetings							
OTS Technical Committee Meeting	Wednesday, April 4, 2018	X	X	X	X	X	
OTS Technical Committee Meeting	Wednesday, September 26, 2018	X	X	X	X	X	
OTS Technical Committee Meeting	Tuesday, November 13, 2018	X	X	X	X	X	
Wind-Up Consultations							
OTS Amended Rules For Stewards Consultation	Monday, February 26, 2018	X					
OTS TreadMarks System Transition Information Session	Tuesday, May 8, 2018	X	X	X	X	X	
OTS TreadMarks System Transition Information Session	Friday, May 11, 2018	X	X	X	X	X	
OTS TreadMarks System Transition Information Session	Tuesday, May 15, 2018	X	X	X	X	X	
Training Sessions							
OTS TreadMarks System Training Session for PROs/Producers	Thursday, November 29, 2018	X	X	X	X	X	
OTS TreadMarks System Training Session for PROs/Producers	Friday, November 30, 2018	X	X	X	X	X	
Email Communications							
January 2018 Hauler Mandatory Yard Count Notice #2	Tuesday, January 9, 2018			X			
OTS Windup Plan Posted & RPRA Consultations Reminder	Thursday, January 18, 2018	X	X	X	X	X	
OTS Notice of Termination of Hauler Agreement	Monday, January 22, 2018			X			
RPRA Windup Plan Follow-Up Consultation Registration	Thursday, January 25, 2018	X	X	X	X	X	
Collector October to December 2017 Claims Reminder & TreadMarks Online System- #1	Friday, February 2, 2018		X				
OTS Wind-Up: Invitation to Consultation on Amended Rules for Stewards	Thursday, February 15, 2018	X					
OTS Notification of Termination of Collector Agreement	Thursday, February 22, 2018		X				
OTS 2018 Semi-Annual Reporting Schedule for Semi-Annual Stewards (March 2018)	Thursday, March 1, 2018	X					
Collector October to December 2017 Claims Reminder & TreadMarks Online System- #2	Friday, March 2, 2018		X				
Update on Collection Allowance Claims from Municipal Collectors	Friday, March 2, 2018		X				
April 2018 Hauler Mandatory Yard Count Notice #1	Wednesday, March 7, 2018			X			
New Transportation Incentive Premium For Specific Zones	Wednesday, March 7, 2018			X	X		
Tips & Tools For Finding a Registered OTS Hauler / Find a Hauler Communication for Collectors	Thursday, March 8, 2018		X	X			
OTS TreadMarks Maintenance Notification - Mar 14th, 2018	Friday, March 9, 2018	X	X	X	X	X	
Reminder: OTS TreadMarks Maintenance Notification Tonight	Wednesday, March 14, 2018	X	X	X	X	X	
Stakeholder Newsletter 43 (Q1 2018)	Monday, March 19, 2018	X	X	X	X	X	
Consumer Newsletter 43 (Q1 2018)	Monday, March 19, 2018						X
Invitation to OTS Technical Committee Meeting on April 4th, 2018	Friday, March 23, 2018	X	X	X	X	X	
Updated Fuel Adjustment TI Rates - April 1st 2018	Friday, March 23, 2018			X	X		
Processor Mandatory Yard Count - April 2018	Monday, March 26, 2018				X		
April 2018 Hauler Mandatory Yard Count Notice #2	Tuesday, April 10, 2018			X			
OTS Wind-Up: Invitaiton to TreadMarks System Transition Information Sessions	Friday, April 27, 2018	X	X	X	X	X	
Collector January to March 2018 Claims Reminder & TreadMarks Online System- #1	Friday, May 4, 2018		X				
July 2018 Hauler Mandatory Yard Count Notice #1	Wednesday, June 6, 2018			X			
Collector January to March 2018 Claims Reminder & TreadMarks Online System- #2	Thursday, June 7, 2018		X				
Updated Fuel Adjustment TI Rates Effective July 1st 2018	Tuesday, June 19, 2018			X	X		

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		Stewards	Collectors	Haulers	Processors	RPMs	Consumers
OTS TreadMarks Maintenance Notification - June 27, 2018	Wednesday, June 20, 2018	X	X	X	X	X	
Stakeholder Newsletter 44 (Q2 2018)	Friday, June 22, 2018	X	X	X	X	X	
Consumer Newsletter 44 (Q2 2018)	Friday, June 22, 2018						X
OTS TreadMarks Maintenance Notification Tonight	Wednesday, June 27, 2018	X	X	X	X	X	
July 2018 Hauler Mandatory Yard Count Notice #2	Tuesday, July 10, 2018			X			
OTS Wind-Up: Used Tire Collection Data, 2015 - 2017	Tuesday, July 10, 2018	X	X	X	X	X	
Processor Mandatory Yard Count - August 2018	Wednesday, July 18, 2018				X		
OTS Wind-Up: New Registration Requirements for Tire Stewards	Thursday, July 19, 2018	X					
Collector April to June 2018 Claims Reminder & TreadMarks Online System- #1	Friday, August 3, 2018		X				
OTS Wind-Up: Steward Historical Reported Tire Supply	Friday, August 10, 2018	X					
Processor Mandatory Yard Count - September 2018	Monday, August 13, 2018				X		
OTS TreadMarks Maintenance Notification - August 15	Wednesday, August 15, 2018	X	X	X	X	X	
OTS Wind-Up: TreadMarks System Code and License Now Available	Tuesday, August 21, 2018	X	X	X	X	X	
HST and Tire Stewardship Fees	Tuesday, August 21, 2018	X					
Confirmation of PLT Fee Elimination effective October 1st, 2018	Friday, August 31, 2018	X					
October & November 2018 Hauler Mandatory Yard Count Notice #1	Thursday, September 6, 2018			X			
Collector April to June 2018 Claims Reminder & TreadMarks Online System- #2	Thursday, September 6, 2018		X				
OTS TreadMarks Maintenance Notification - September 17th	Monday, September 10, 2018	X	X	X	X	X	
OTS TreadMarks Maintenance Notification Tonight	Monday, September 17, 2018	X	X	X	X	X	
Invitation to OTS Technical Committee Meeting on September 26th, 2018	Tuesday, September 18, 2018	X	X	X	X	X	
Processor Mandatory Yard Count - October 2018	Monday, September 24, 2018				X		
Updated Fuel Adjustment TI Rates Effective October 1st 2018	Tuesday, September 25, 2018			X	X		
October & November 2018 Hauler Mandatory Yard Count Notice #2	Tuesday, October 9, 2018			X			
Processor Mandatory Yard Count - November 2018	Monday, October 15, 2018				X		
Critical OTS Mobile App Certificate Update Today Oct 16) at 3PM (October 16)	Tuesday, October 16, 2018			X	X		
Update: OTS Mobile App Certificate Update Today (Oct 17)	Wednesday, October 17, 2018			X	X		
OTS TreadMarks Maintenance Notification #1 - October 30	Tuesday, October 23, 2018	X	X	X	X	X	
Stakeholder Newsletter 45 (Q3 2018)	Thursday, October 25, 2018	X	X	X	X	X	
Consumer Newsletter 45 (Q3 2018)	Thursday, October 25, 2018						X
OTS TreadMarks Maintenance Notification #2 Tonight	Tuesday, October 30, 2018	X	X	X	X	X	
Invitation to OTS Technical Committee Meeting on November 13th, 2018	Wednesday, October 31, 2018	X	X	X	X	X	
Ruling on HST & OTS Transportation, Processing and Manufacturing Incentives	Thursday, November 1, 2018			X	X	X	
November 2018 Hauler Mandatory Yard Count Reminder	Thursday, November 15, 2018			X			
Canada Post Service Disruption Notice for Stewards	Friday, November 23, 2018	X					
OTS Wind-Up: Revised Collector Claims Dates, Deadlines & Requirements & July - September 2018 Claims Reminder	Tuesday, December 4, 2018		X	X			
OTS Wind-Up: Revised Hauler Claims Dates, Deadlines & Requirements	Friday, December 7, 2018			X			
OTS TreadMarks Maintenance Notification #1 - December 18	Tuesday, December 11, 2018	X	X	X	X	X	
OTS Wind-Up: Revised Processor Claims Dates, Deadlines & Requirements	Tuesday, December 11, 2018				X		
OTS Wind-Up: Updated Plan for Migration of OTS Devices During Wind-Up	Monday, December 17, 2018			X	X		
OTS TreadMarks Maintenance Notification - Tonight #2	Tuesday, December 18, 2018	X	X	X	X	X	
OTS Wind-Up: Hauler Claims Filing Dates & Deadlines Reminder #2	Wednesday, December 19, 2018			X			
OTS Wind-Up: Processor Claims Filing Dates, Deadlines & Requirements Reminder #2	Wednesday, December 19, 2018				X		
OTS Wind-Up: RPM Claims Dates, Deadlines & Requirements	Wednesday, December 19, 2018					X	
OTS Wind-Up: Collector Claims Filing Dates & Deadlines & October - December 2018 Reminder #2	Wednesday, December 19, 2018		X	X			
OTS Wind-Up: Hauler Claims Filing Dates & Deadlines Reminder #2	Wednesday, December 19, 2018			X			
OTS Wind-Up: Processor Claims Filing Dates, Deadlines & Requirements Reminder #2	Wednesday, December 19, 2018				X		
OTS Wind-Up: RPM Claims Dates, Deadlines & Requirements Reminder	Wednesday, December 19, 2018					X	
OTS Wind-Up: Important Steward Filing Dates & Deadlines Reminder	Thursday, December 27, 2018	X					

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2018 Tire Supply

2018 On-Road tire supply was approximately flat to 2017, and Off-Road tire supply increased by 3.5%.

2018 Tire Supply in Tonnes

Tire Type	Weight	Previous Year (2017)	% Change
PLT	117,751	118,740	-0.8%
MT	48,820	46,080	5.9%
OTR	21,678	20,937	3.5%

Collection, Transportation & Reuse

At the end of 2018 there were 7,428 Collectors registered with OTS, an increase of 2%. As OTS communicated the Wind-Up to the Collector community registrations actually increased as retailers and garages sought to ensure they were able to have their program tire volumes picked-up. The processing capacity constraints experienced through the second half of 2018 also incentivized businesses that perhaps had not been engaged with OTS to do so as they experienced challenges getting service from their regular Hauler due to the lack of receiving capacity at Ontario Processors.

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

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2018 Collection Sites*	Year 5 Collection Sites Target	Actual Collection Sites December 31, 2018	Actual Collection Sites December 31, 2017	Actual as a % of Year 5 Target
Garages	3,500	4,012	3,539	115%
Municipal Waste Management Sites	30	410	404	1367%
Tire Retailers	14,200	2,666	2,641	19%
Mass Merchants	357	-	-	0%
Other Private Collection Sites	30	340	688	1133%
Total	18,117	7,428	7,272	41%

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

In 2018 used tire collection was 156,515 tonnes with On-Road tire collection of 138,612 tonnes and OTR tire collection of 17,903 tonnes.

2018 Used Tires Collection		
	2018 Tonnes	2017 Tonnes
Passenger & Light Truck Tires	102,826	88,399
Medium Truck Tires	35,786	35,457
Off-The-Road Tires	17,903	17,827
Total	156,515	141,683

In 2018, OTS also managed 17 Special Tire Collection (STC) events which resulted in the collection of approximately 170 tonnes of used tires.

OTS registered Haulers delivered 162,892 tonnes of tires to Processors in 2018 with 88% being delivered to Processors located in Ontario. In-Province processing capacity was insufficient to manage the increased volumes of used tires seen through 2018 and limited by operational and compliance issues at two plants in the province and the slow-downs in used tire receiving at other Processors. This disruption required intervention by OTS to maintain and stabilise the flow of used tires and resulted in OTS establishing out of province processing arrangements with four out of province processors to manage volumes that were surplus to Ontario Processors' capacity.

2018 Deliveries to Processors						
	Tire Type					
Destination	PLT	MT	OTR	Total	% of Total Tonnes Delivered	2017 % of Total Tonnes Delivered
In Province Deliveries*	96,681	35,011	11,535	143,227	88%	99%
Out of Province Deliveries	9,459	5,321	5,496	20,276	12%	2%
Processor Cull (-ve)*	579	1	31	611	0%	0%
Total Deliveries	105,561	40,331	17,000	162,892		
* "In Province Deliveries" is inclusive of "Processor Cull"						

[1]

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

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

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

Total 2018 Reuse vs Retreading					
	PLT	MT	OTR	% of Reuse	% of Reuse in 2017
Reuse	2,268	1,159	108	100%	100
Retread	0	0	0	0%	0
Total	2,268	1,159	108		

"Reuse" volumes includes retreading however stakeholder reporting to OTS is inadequate to differentiate the two activities so these are reported as a combined figure.

Scrap Tire Processing and Recycled Product Manufacturing

In 2018 TDP production at Ontario Processors decreased by 2.8% vs. 2017. This situation was exacerbated by the necessity for OTS to ship used tires out of province to maintain tire flow through the supply chain. For the purposes of this report all used tire volumes sent out of province have been assumed to have been processed to the lowest grade TDP recognized under the program, "TDP5" or "Shred".

OTS Tire-Derived Product (TDP) Categories

Product	Description
TDP 1	95% minus 20 mesh, free of steel
TDP2	80% minus 8 mesh, free of steel
TDP3	Minus ¼" sieve, free of steel
TDP4	Fabricated products such as blasting mats etc. must utilize at minimum 75% of the tire by weight
TDP5	Primary Shred used as Tire Derived Aggregate or as a feeder stock for Crumb Rubber production

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2018 TDP Production			
Tire Category	TDP Type	Weight (TN)	2017 Weight (TN)
On Road Tires	TDP1	19,328	11,808
	TDP2	50,941	60,818
	TDP3	1,068	1,709
	TDP4	7,827	6,717
	TDP5	3,373	1,281
	Total	82,537	82,333
Off Road Tires	TDP1	1,332	2,048
	TDP2	5,509	8,330
	TDP3	573	0
	TDP4	124	0
	TDP5	34	0
	Total	7,572	10,378
Total TDP Tonnes		90,109	92,711

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

2018 Out of Province TDP Production			
Tire Category	TDP Type	Weight (TN)	2017 Weight (TN)
On Road Tires	TDP5	4,068	2,086
Off Road Tires	TDP5	34	497

2018 Residuals Management					
	Material Type				
End Use	Fluff	Steel/Metal	Other	Total	% of Total Residuals
Recycled/Reused	2,058	53,082		55,140	59%
Disposal	30,884	28	7,426	38,338	41%
Total	32,942	53,110	7,426	93,478	

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Despite the capacity challenges at Ontario Processors, Recycled Product Manufacturers continued to consume crumb for manufacturing into finished products at an impressive rate, increasing their crumb procurement by 13% over 2017.

2018 TDP Used in Ontario Recycled Products		
Product Type	**2018 Weight (TN)**	**2017 Weight (TN)**
Moulded	60,342	52,190
Extruded	876	1,751
Calandered	135	158
Total	61,353	54,099

OTS 2018 Used Tires Diversion Summary

	Plan Target	Actual	Previous Year
	Year 5	*2018 YEAR to Date*	*2017 YEAR*
PLT Tonnes			
Supplied into Marketplace	116,230	117,751	118,740
Available for Collection (1)	107,078	103,621	104,491
Collected	89,194	102,826	88,399
Reused (2)	16,062	2,268	2,244
Acutal Input to Recycling		104,226	89,909
Processor Inventory Carryover From Previous Year		0	0
Material Available for Recycling	91,016	104,226	89,909
Material losses & Disposal	9,102	24,965	16,014
Recycled (Rubber)		72,678	61,563
Recycled (Steel)		34,567	20,601
Recycled (Fibre)		1,502	839
Total Tonnes Recycled	81,914	108,747	83,002
Total Tonnes Diverted	97,976	111,015	85,246
		0	0
Reduction Rate	1.5%	0%	0%
Collection Rate	83%	99%	85%
Reuse Rate	18%	2%	2%
Recycling Rate		96%	83%
Recycling Efficiency		104%	92%
Diversion Rate	92%	107%	82%

	Plan Target	Actual	Previous Year
	Year 5	*2018 YEAR to Date*	*2017 YEAR*
MT Tonnes			
Supplied into Marketplace	27,358	48,820	46,080
Available for Collection (1)	26,948	47,844	45,158
Collected	26,948	35,786	35,457
Reused (2)	0	1,159	1,194
Inventory at Haulers		0	0
Acutal Input to Recycling		39,580	34,573
Processor Inventory Carryover From Previous Year		0	0
Material Available for Recycling	26,948	39,580	34,573
Material losses & Disposal	2,695	9,429	6,116
Recycled (Rubber)		28,704	22,856
Recycled (Steel)		13,055	7,868
Recycled (Fibre)		556	310
Total Tonnes Recycled	24,253	42,314	31,034
Total Tonnes Diverted	24,253	43,473	32,228
Reduction Rate	1.5%	0%	0%
Collection Rate	100%	75%	79%
Reuse Rate	0%	2%	3%
Recycling Rate		81%	75%
Recycling Efficiency		107%	90%
Diversion Rate	90%	91%	71%

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	Plan Target	Actual	Previous Year
	Year 5	*2018 YEAR to Date*	*2017 YEAR*
OTR Tonnes			
Supplied into Marketplace	85,559	21,678	20,937
Available for Collection (1)	71,014	17,993	17,378
Collected	35,507	17,903	17,827
Reused (2)	0	108	109
Acutal Input to Recycling (3)		16,526	16,459
Processor Inventory Carryover From Previous Year		0	0
Material Available for Recycling (4)	33,710	16,526	16,459
Material losses & Disposal	1685.5	3,944	2,909
Recycled (Rubber)		7,541	11,930
Recycled (Steel)		5,461	3,742
Recycled (Fibre)		0	0
Total Tonnes Recycled	32,025	13,002	15,672
Total Tonnes Diverted (5)	32,025	13,110	15,781
Reduction Rate	1.5%	0%	0%
Collection Rate	50%	100%	103%
Reuse Rate	0%	1%	1%
Recycling Rate		73%	91%
Recycling Efficiency		79%	95%
Diversion Rate	45%	73%	91%

NOTES

1. Tonnes of tires Available for Collection is assumed to be discounted as compared to Tonnes of Tires Supplied by Stewards as a result of varying replacement rates, the sale of new vehicles and winter tires that do not necessarily result in used tires being generated and tire wear that reduces the weight of a used tire versus a new one.
2. Reuse includes sales of used tires and retreading
3. Tonnes of Tires delivered to approved Processors
4. Tonnes of tires in inventory at Processors at the time of reporting
5. Includes % of tonnes of tires in inventory at time of reporting will be diverted. The % is based on 2010 diversion rate of Ontario Processors

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Financial Statements of

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

Year ended December 31, 2018

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

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, 2018
- 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, 2018, and its result 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.

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.

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

March 27, 2019

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

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	$ 40,965,955	$ 50,094,250
Accounts receivable	25,104,969	7,930,124
Prepaid expenses	55,707	47,673
	66,126,631	58,072,047
Capital assets (note 2)	699,787	2,221,458
	$ 66,826,418	$ 60,293,505
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	$ 16,250,482	$ 20,899,129
Other liabilities	1,734,713	296,866
	17,985,195	21,195,995
Net assets:		
Unrestricted	29,934,223	20,058,442
Internally restricted (note 5):		
Wind-up expense reserve fund	18,907,000	19,039,068
	48,841,223	39,097,510
Commitments (note 7)		
	$ 66,826,418	$ 60,293,505

See accompanying notes to financial statements.

On behalf of the Board:

Administrator

Bruce B. Campbell

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

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Steward fees	$ 54,237,781	$ 62,798,346
Tire steward fee penalties	124,008	124,355
	54,361,789	62,922,701
Expenses:		
Operational costs:		
Research and development	1,155,272	1,275,000
Manufacturing incentive	6,606,513	4,350,835
Transportation incentive	17,532,248	24,683,334
Processor incentive	19,487,722	16,833,978
Collection allowance	8,462,725	8,820,857
Promotion and communication	1,278,878	5,748,152
	54,523,358	61,712,156
Administration:		
Program management	6,140,425	5,897,224
Professional fees	358,008	293,994
Office and general	2,656,761	3,808,697
Bad debt	62,562	137,680
Write off (recovery) of harmonized sales tax input tax credits (note 6)	(19,123,038)	1,130,650
	(9,905,282)	11,268,245
	44,618,076	72,980,401
Excess (deficiency) of revenue over expenses	$ 9,743,713	$ (10,057,700)

See accompanying notes to financial statements.

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

Statement of Changes in Net Assets

Year ended December 31, 2018, with comparative information for 2017

	Internally restricted Wind-up expense reserve fund (note 5)	Unrestricted	2018 Total	2017 Total
Balance, beginning of year	$ 19,039,068	$ 20,058,442	$ 39,097,510	$ 49,155,210
Excess (deficiency) of revenue over expenses	–	9,743,713	9,743,713	(10,057,700)
Interfund transfer	(132,068)	132,068	–	–
Balance, end of year	$ 18,907,000	$ 29,934,223	$ 48,841,223	$ 39,097,510

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 9,743,713	$ (10,057,700)
Items not involving cash:		
Amortization	2,728,044	1,941,411
Amortization of deferred lease inducement	–	(27,897)
Loss on disposal of capital assets	16,682	25,205
Change in non-cash operating working capital:		
Accounts receivable	(17,174,845)	(1,329,198)
Prepaid expenses	(8,034)	71,469
Accounts payable and accrued liabilities	(4,648,647)	(9,500,838)
Other liabilities	1,437,847	272
	(7,905,240)	(18,877,276)
Investing activities:		
Purchase of capital assets	(1,223,055)	(1,486,115)
Decrease in cash	(9,128,295)	(20,363,391)
Cash, beginning of year	50,094,250	70,457,641
Cash, end of year	$ 40,965,955	$ 50,094,250

See accompanying notes to financial statements.

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

Notes to Financial Statements

Year ended December 31, 2018

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 RRCEA creates a new legislative framework for managing waste in Ontario that will wind up current waste diversion programs and related Industry Funded Organizations ("IFO"), such as OTS. Under the RRCEA, producers will be responsible for the implementation of new waste diversion programs that must meet recycling targets and objectives established under that act.

OTS works cooperatively with the Resource Productivity & Recovery Authority ("RPRA") to meet the requirements set out by the Waste Diversion Transition Act, 2016 (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, 2018

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.

(b) Capital assets:

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

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

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

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

Notes to Financial Statements (continued)

Year ended December 31, 2018

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 year 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.

(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.

10 | APPENDIX F – Ontario Tire Stewardship Annual Report (for the Used Tires Program)

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

Notes to Financial Statements (continued)

Year ended December 31, 2018

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:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Office furniture	$ 85,157	$ 83,935	$ 1,222	$ 2,150
Computer equipment	478,061	478,061	–	31,255
Leasehold improvements	281,131	281,131	–	–
Mobile and application software	2,498,847	2,498,847	–	159,223
Treadmarks software	5,855,143	5,156,578	698,565	2,028,830
	$ 9,198,339	$ 8,498,552	$ 699,787	$ 2,221,458

Included in office and general expenses is amortization of $2,728,044 (2017 - $1,941,411).

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

Notes to Financial Statements (continued)

Year ended December 31, 2018

3. Accounts payable and accrued liabilities and other liabilities:

Included in accounts payable and accrued liabilities and other liabilities as at December 31, 2018 are government remittances payable of nil (2017 - $194,777) relating to harmonized sales tax ("HST"), payroll taxes, health and workers' safety insurance.

4. 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, 2018, no amount had been drawn on this facility (2017 - nil).

5. 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 8). This amount is internally restricted and is not available for other purposes without the approval of the Administrator.

6. Write off (recovery) of harmonized sales tax input tax credits:

A Judgment was issued by the Tax Court of Canada for another IFO on March 21, 2018 entitling OTS to claim HST input tax credits ("ITCs").

During the year, OTS submitted claims for ITCs to the Canada Revenue Agency ("CRA") for the period from September 2009 to October 2018 totaling $29,643,941. Of the claimed amount, $21,622,135 was received subsequent to year-end and was recorded in accounts receivable as of December 31, 2018. The remaining claims are under review with the CRA.

In addition, a GST/HST ruling regarding OTS payments to processors was issued by the CRA on October 16, 2018. Processor incentive payments were ruled as subject to HST starting October 16, 2018. OTS has abided by the ruling from the date on which it was issued.

As a result, OTS normalized its operations in 2018. This includes collecting and remitting HST to the CRA on tire steward fees in addition to filing monthly ITC claims to the CRA.

10 | APPENDIX F – Ontario Tire Stewardship Annual Report (for the Used Tires Program)

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

Notes to Financial Statements (continued)

Year ended December 31, 2018

7. Commitments:

OTS has future minimum annual commitments under long-term contracts for premises, information technology infrastructure and other services of $981,000 in 2019.

8. 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.

9. 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.

Reuse & Recycle to

Build a Cleaner, Greener Ontario

The Beer Store Responsible Stewardship 2018

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10 | APPENDIX G – Brewers Retail Inc. Annual Report

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Responsible Stewardship 2018

Message from the *President*

Hello! Welcome to The Beer Store's 2018 Stewardship Report.

With our deposit system, we strive to help keep our communities clean and green by maintaining a return system that encourages customers to bring their empty beverage alcohol containers – and the packaging they came with – back to any of The Beer Store's authorized return sites. The Beer Store is fully managed and operated in Ontario, so we understand and appreciate the value of keeping our beautiful green spaces, abundant lakes, and communities clean, as these are the same spaces that our customers, employees, and their families enjoy.

While we are proud of the work we are doing to help clean up our communities and support the refilling and recycling of containers and packaging, we are always looking for more ways for our return system to support local communities. This year, we held our first ever Fall Bottle Drive, where we asked each MPP in the province to identify a charity of their choice, to which The Beer Stores in that area directed all the donated proceeds to. In total we raised $102,959.53 for 58 charities. This is in addition to the numerous bottle drives that our stores help facilitate throughout the year to support their communities. To name a few, the Hamilton/Burlington area Beer Stores ran two

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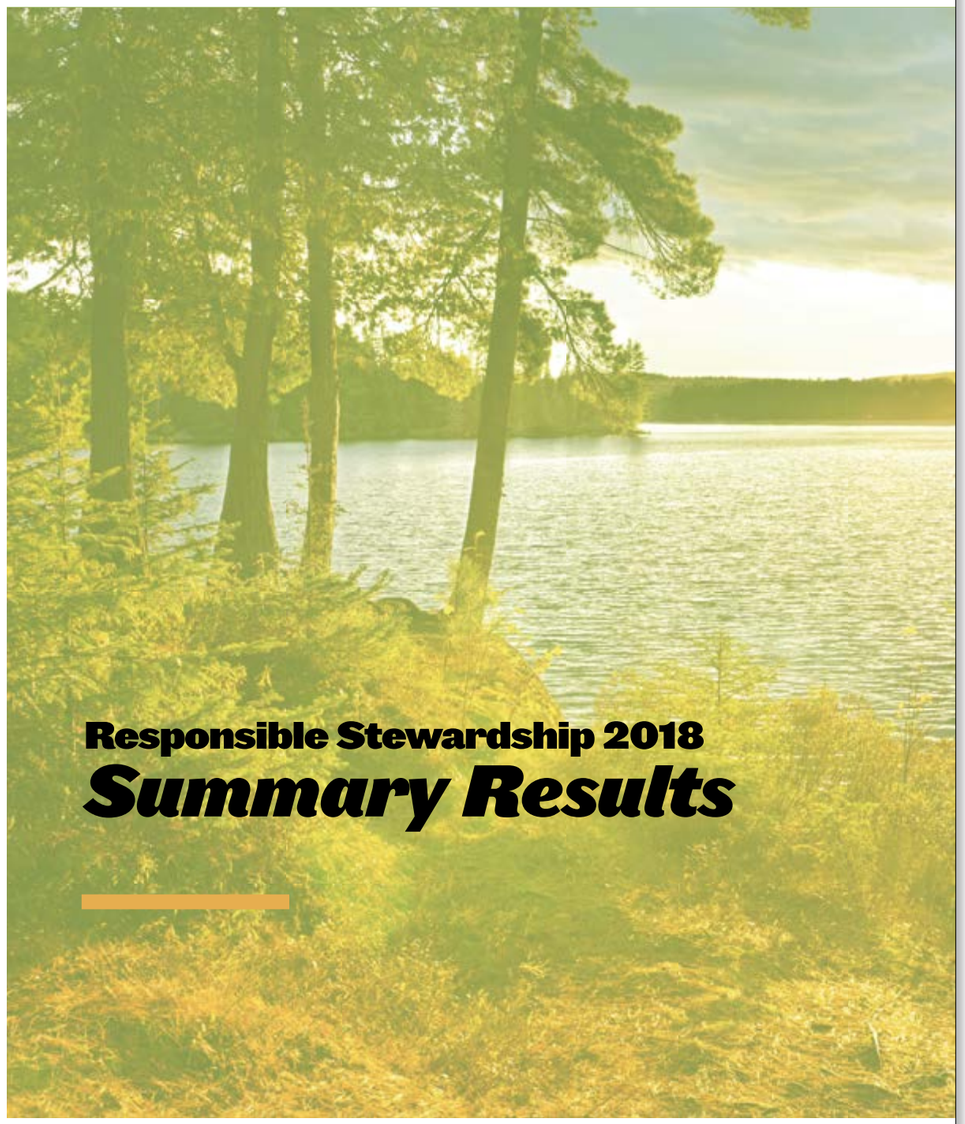
bottle drives in 2018 for the Juravinski Cancer Centre in Hamilton, stores across the GTA participated in the 4th annual Beer Store – Habitat for Humanity Donation Drive, stores throughout Ottawa and Peterborough held the Roger's House Bottle Drive in September, and the Niagara region held the 3rd annual Rankin Cancer Bottle Drive. Together, these stores raised over $230,000 for their respective charities. Amazing work by all our customers, staff, and volunteers!

We also want to thank you – our customers – for your on-going involvement in our recycling program. Your continued efforts to recycle through The Beer Store are a part of a larger combined effort to reduce negative impacts on the environment and give back to our communities, which has been demonstrated in the past and again in this year's report. Here's to 'Being green before green was cool!'

Ted Moroz

PRESIDENT

Responsible Stewardship 2018



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Summary Results	Beer Store Containers	Ontario Deposit Return (ODRP) Containers
Containers Collected	1,492,827,983	395,177,231
Tonnes Diverted from Disposal	221,668	114,689
Recovery Rate (%)	87%	81%
Glass Bottle Reuse by Brewers (Tonnes)	151,684	–
Coloured Glass Recycled Into New Products (Tonnes)	26,367	71,112
Clear Glass Recycled into New Clear Glass Bottles (Tonnes)	11,983	40,424
Aluminum Cans Recycled into New Aluminum (Tonnes)	11,489	2,194
Corrugated Cardboard & Boxboard Recycled into New Paper Products (Tonnes)	18,946	–
PET Products Recycled into Felted Automotive Products & Other Plastic Products (Tonnes)	–	959

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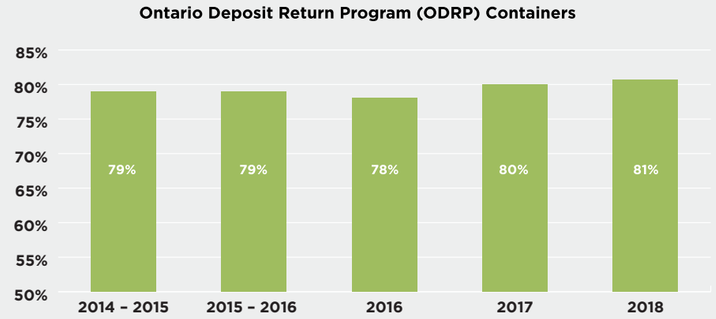
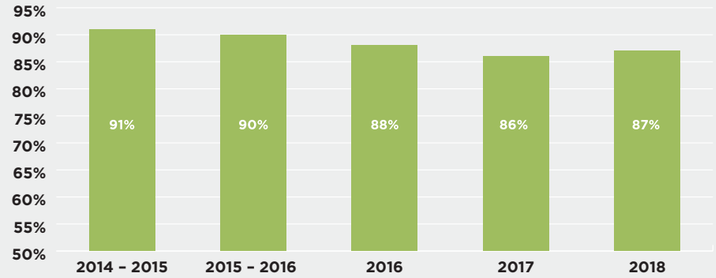
Responsible Stewardship 2018

Trending Of Return Rates





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Sale Locations

as of December 31st, 2018

#	Type Of Location
445	Beer Store Locations (includes 5 Beer Store locations that do not accept empty returns)
281	On-site Brewery Stores (beer containers only)*
211	Beer Store Retail Partner Stores & LCBO Northern Agency Stores*
664	LCBO Stores*
366	Grocery Stores*
532	Ontario Winery Retail Stores*
40	Ontario Distillery Retail Stores*
17,145	Licensed Establishments (bars & restaurants)*
19,684	Total Beverage Alcohol Sales Locations

Redemption Locations

as of December 31st, 2018

#	Type Of Location
440	Beer Store Locations
281	On-site Brewery Stores (beer containers only)*
211	Beer Store Retail Partner Stores & LCBO Northern Agency Stores*
3	LCBO Stores*
96	Beer Store Contracted Empty Bottle Dealers
1,031	Total Beverage Alcohol Container Redemption Locations

**Figures from LCBO and AGCO*

Responsible Stewardship 2018

Packaging *Management*

Since 1927, The Beer Store has been dedicated to protecting the environment and promoting the circular economy through the reuse and recycling of all materials generated through sales.

A deposit system has been integral in the success of returns through The Beer Store. All deposits applied to beer products sold in Ontario are fully refundable at any TBS return location. This includes: a 10-cent deposit on beer bottles 630 ml and under and for beer cans 1 L and under, and a 20-cent deposit for beer bottles greater than 630 ml and beer cans over 1 L. In 2018, The Beer Store also continued to offer growlers, which come with a $5 deposit. Customers can personally refill these containers in applicable Beer Store locations and redeem their $5 deposit when finished with the container.

You likely are familiar with the process of returning these materials to The Beer Store, but what happens after you do? Reusable bottles will be sorted and returned to their respective brewers to be washed, sanitized, and refilled. These bottles are sturdier than one-way single use bottles, which allows them to be re-filled an average of 15 times. The

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beer industry also supports the use of the industry standard bottle (ISB), a brown bottle that is used by numerous brewers all over the country. Since it is shared by multiple brewers, the ISB improves efficiency as it reduces the need for specialized sorting. Non-standard refillable bottles are separated from ISBs and returned to their brewers for reuse. Non-refillable glass bottles are crushed and used to make new glass, and aluminum cans are melted down to create new beverage cans, reducing the amount of raw materials that would otherwise have been mined and processed to make new glass and aluminum. The increasing use of aluminum for beverage containers means the increased need to include recyclable content in the production of cans.

In addition, customers are encouraged to bring back all the material that was involved in their purchase, after which The Beer Store will ensure that it will be sent for high-end recycling, where it will be recovered at the highest possible value. This includes cardboard, plastic (bags, can rings, wrapping), tabs, and caps. For 91 years, The Beer Store has forged a path to responsibly manage our own materials – including any handling, sorting, transportation, and processing associated with it. Using this model, we continue to work to prevent valuable materials going to landfill and reliance on tax-funded recycling. TBS employees carefully sort this material to ensure that there is little contamination, which increases the value of the materials appropriate for high-end recycling. The packaging you return to The Beer Store might be used to re-make the same material or could be used as an input for materials such as drywall, composite lumber, plastic strapping, or fiberglass.

Responsible Stewardship 2018

Taking full responsibility for recycling all the material sold means that The Beer Store is always looking for innovative and efficient ways to recycle. It also means that we are careful and considerate of the types of materials we use, refusing to sell products that use containers that do not fit into the circular model of reuse and recycling that The Beer Store supports.

The tables below demonstrate the return rates of the products we list in our stores, as well as the secondary packaging associated with alcohol containers recovered in 2018.

Table 1

The Beer Store Container Sales and Recovery by Container Type

January 1st, 2018 – December 31st, 2018

Container Type	Beer Store Sales (units)	LCBO Sales (units)	Returns (units)	System Recovery Rate (2018)	System Recovery Rate (2017)
All Glass Bottles (Refillable and Non-Refillable)	676,580,080	114,682,560	742,726,320	94%	94%
Refillable Bottles (Industry Standard Bottle (ISB) and Non-Standard	577,710,070	65,599,516	620,661,019	96%	96%
Non-Refillable Bottles	98,870,010	49,083,044	122,065,301	83%	85%
Metal Cans	575,442,036	354,577,310	748,857,906	81%	79%
Kegs	1,211,491	-	1,243,757	103%	101%
Total (by Units)	1,253,233,607	469,259,870	1,492,827,983	87%	87%

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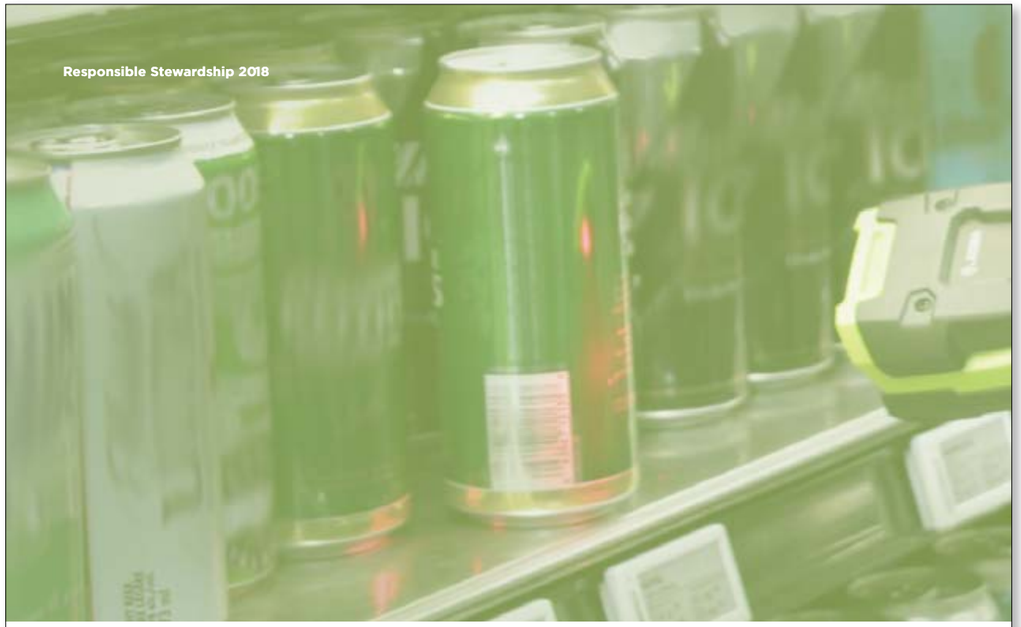
Table 2

Secondary Packaging

January 1st, 2018 – December 31st, 2018

Packaging Type	Beer Store (Tonnes Sold)	LCBO (Tonnes Sold)	Total (Tonnes Sold)	Recovered 2018 (Tonnes)	Recovered 2017 (Tonnes)
Corrugated/ Boxboard*	16,287	4,051	20,338	18,946	25,429
Metal	1,428	280	1,708	182	225
Plastic**	543	237	780	814	856
Total	18,257	4,569	22,826	19,942	26,511

Note: 'Tonnes Sold' reported at both The Beer Store and the LCBO is the packaging associated with the sale of beer only.
"Tonnes Recovered" reflects all packaging returned to The Beer Store, including non-beer packaging.
** Some recovered plastic held at year end for further processing/recycling.*



Improving *Efficiency*

At The Beer Store, we are constantly looking for ways to be more efficient, reduce our impact on the environment, and improve our business to better serve customers. Here are a few initiatives we completed this year with these goals in mind:

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One major achievement The Beer Store is proud to have completed this year is the final roll out of digital price tags in all our stores. Not only do these price tags improve efficiency and accuracy by automatically updating any pricing changes, they also demonstrate our commitment to environmental stewardship by removing the need to generate paper price tags, which was previously done on a weekly basis. Through this initiative, we will be saving the equivalent of 511 trees, 21 tons of paper, and avoiding 17,000 kg of CO2 and 52Kw of energy annually.

Additionally, we piloted a Reverse Vending Machine (RVM) at one of our retail locations, where customers had the option to scan and return empties themselves using on-site equipment. With the increasing popularity of self-serve kiosks, TBS wants to provide customers with numerous in-store options to make returns faster and easier.

Refrigeration systems were replaced at 13 stores during 2018. The updated systems are 70% more efficient, meaning we can continue to keep our beer cold while reducing our impact on the environment!

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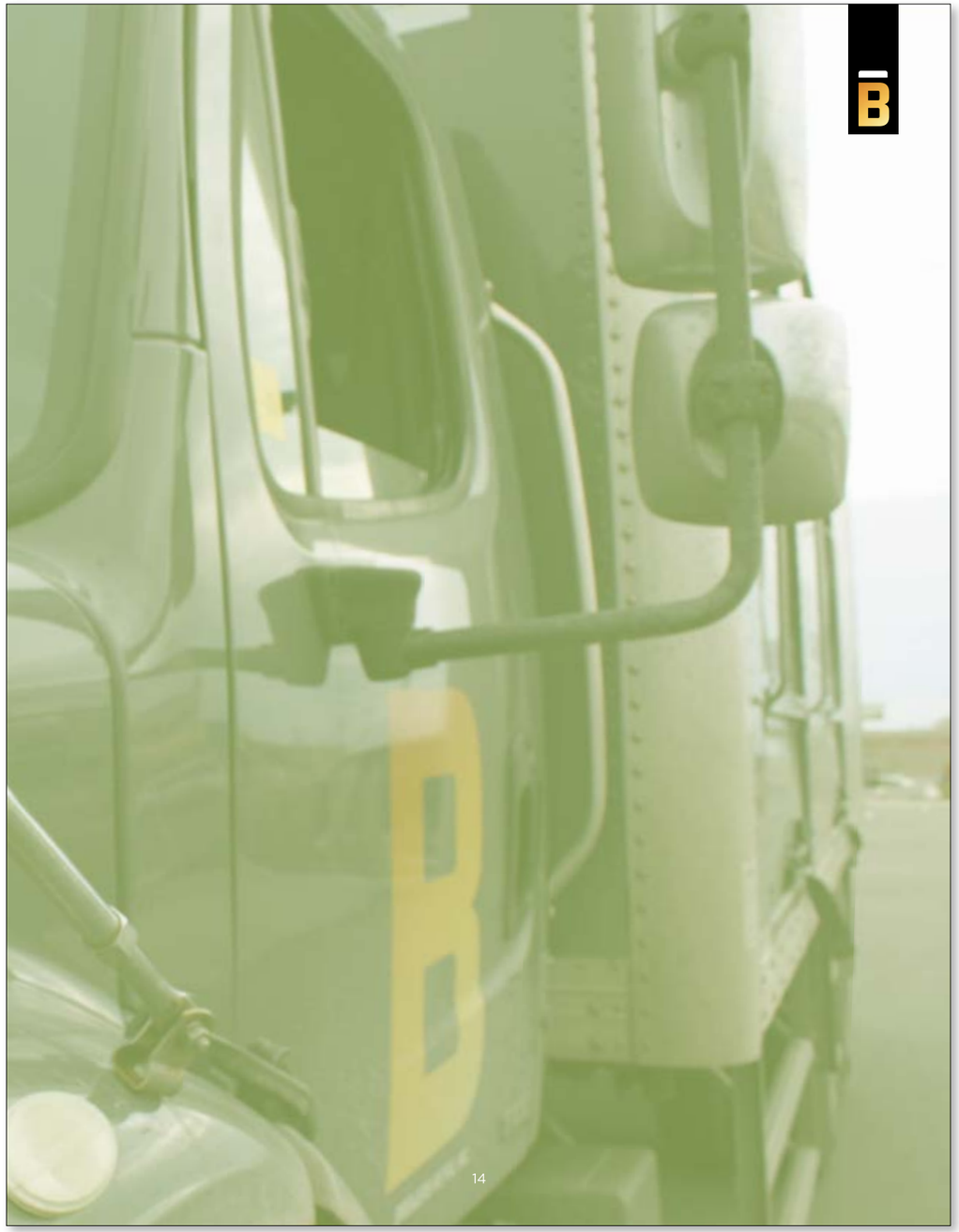

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Responsible Stewardship 2018

Ontario Deposit Return Program *Results*

Since 2007, The Beer Store under contract with the Ontario Government has successfully run the Ontario Deposit Return Program (ODRP). While The Beer Store responsibly manages the reuse and recycling of material generated through the sales of any of the products listed in our stores, TBS management of the ODRP goes one step further to include all alcoholic containers sold outside The Beer Store system, including wine, spirits, beer, and coolers. The ODRP effectively utilizes The Beer Store's 91 years of recycling experience and infrastructure to ensure the comprehensive and efficient recycling of all alcoholic containers and related packaging in the province.

Every purchase you make at any LCBO, LCBO agency store, authorized grocery store, winery, distillery, or brewery retail store will include a deposit for each container, including bottles, cans, tetra paks, or bag-in-boxes. A $0.10 deposit is applied to all non-metal containers 630 ml and under and metal cans 1 L and under, and $0.20 to all non-metal containers greater than 630 ml and metal cans greater than 1 L. These deposits are fully refundable at any of the 750 authorized return locations across the province. The Beer Store will also accept any packaging involved in the purchase of these containers, which will also be sorted and sent for recycling.

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The Government of Ontario had several goals when introducing the program:

Ensure that all program material brought back to The Beer Store is sent for high-order recycling.

No program material returned to The Beer Store was sent directly to landfill, incineration, or for road aggregate use.

Ensure at least 90% of recovered glass is diverted to higher end use (such as new bottles or fiberglass manufacturing.)

All glass recovered was sent for high-end recycling.

Increase recovery rates for wine & spirits containers.

With an overall return rate of 81% for 2018, the ODR program has increasingly demonstrated its success in diverting materials from landfills. This rate is significantly higher than the rate for the first year of the program (63%) and the estimated Blue Box return rate prior to the implementation of the ODR program.

Increase glass diversion from landfill.

In 2007/08, just over 79,000 tonnes of ODR glass were recycled. In 2018, this total has increased to over 111,000 tonnes.

Table 3

ODRP Sales, Deposit Value by Container Type, & Market Share

January 1st, 2018 – December 31st, 2018

ODRP Containers*	Deposit Value	Sales (Units)	Sales Distribution**	Sales by Material Type***
Glass containers less than or equal to 630ml	$0.10	62,148,945	12.7%	55.6%
Glass containers greater than 630ml	$0.20	210,001,291	42.9%	
Aluminum or steel cans less than or equal to 1L***	$0.10	177,629,814	36.3%	36.3%
Aluminum or steel cans greater than 1L***	$0.20			
Tetra Pak (Polycoat) and Bag-In-Box less than or equal to 630ml	$0.10	1,248,476	0.3%	2.6%
Tetra Pak (Polycoat) and Bag-In-Box greater than 630ml	$0.20	11,417,273	2.3%	
Polyethylene Terephthalate (PET or plastic) containers less than or equal to 630ml	$0.10	17,123,748	3.5%	5.5%
Polyethylene Terephthalate (PET or plastic) containers over 630ml	$0.20	9,868,450	2.0%	
Total		**489,437,998**	**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.*
**** Sales data for large and small cans are combined*

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Table 4

ODRP Containers: Sales & Recovery

January 1st, 2018 – December 31st, 2018

	Sales in Units*		Returns in Units		Recovery Rate					
Container Type	Small Containers	Large Containers	Small Containers	Large Containers	Small Containers 2018	Small Containers 2017	Large Containers 2018	Large Containers 2017	Combined 2018	Combined 2017
Glass	62,148,945	210,001,291	50,544,412	183,805,271	81%	80%	88%	87%	86%	85%
PET	17,123,748	9,868,450	7,577,217	7,060,456	44%	46%	72%	71%	54%	55%
Tetra/Bib	1,248,476	11,417,273	95,712	3,065,427	8%	8%	27%	28%	25%	26%
Subtotal	80,521,169	231,287,014	58,217,341	193,931,155	72%	73%	84%	83%	81%	81%
Cans	177,629,814		143,028,735						81%	79%
Grand Total	489,437,998		395,177,231						80.7%	80.2%

*Domestic distillery container sales reporting no longer submitted to LCBO

Responsible Stewardship 2018

Combined Environmental *Performance Results*

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

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Table 5

Beer Store & ODRP Disposal Diversion Estimated Avoided GHG Emissions & Avoided Energy Consumption (2018)[1]

January 1st, 2018 – December 31st, 2018

	Glass Reuse	Clear Glass Bottle	Coloured Glass Bottle	Aluminum Recycling	Steel Recycling	PET Recycling	Mixed Plastic Recycling*	Total Diversion
Beer Store Tonnes Diverted	151,684	11,983	26,367	11,489	182	0	1,016	202,722
ODRP Tonnes Diverted	0	40,424	71,112	2,194	0	959	-	114,689
TOTAL Tonnes Diverted	151,684	52,407	97,479	13,683	182	959	1,016	317,411
Avoided GHG Emissions (MTCO2E)	57,640	5,765	5,362	132,181	216	3,489	3,699	208,352
Avoided Energy Consumption (GJ)	1,031,452	88,044	106,252	1,195,379	2,294	81,782	86,682	2,591,886

** 'Avoided GHG' and 'Avoided Energy' coefficients for PET Recycling used for Mixed Plastic figures.*
Source for avoided energy and emissions multipliers: Determination of the Impact of Waste Management activities on Greenhouse Gas Emissions: 2005 Update Final Report, ICF Consulting for Environment Canada & Natural Resources Canada, October 2005 and GHG Calculator for Waste Management, Update Oct 2009, ICF Consulting for Environment Canada. Multipliers for avoided GHG Emissions (eCO2/tonne) used were 0.38 for glass reuse and 9.66 for aluminum recycling. Avoided GHGs from glass bottle reuse (0.38) is not presented in the Determination of the Impact of Waste Management activities on Greenhouse Gas Emissions: 2005 Update Final Report. This multiplier was provided in the previous version of the report from 2004.
[1] Pollutant reductions associated with recycled versus virgin aluminum production and glass production from Weitz, Keith A. et al. 2003. Life-Cycle Inventory Data Sets for Materials Production of Aluminum, Glass, Paper, Plastic and Steel in North America. Report prepared by RTI International for the U.S. EPA, Office of Research and Development. EPA-600/Q-03-001. Research Triangle Park, NC.

Responsible Stewardship 2018

Community *Involvement*

Returns for Leukemia Bottle Drive

Every year, The Beer Store, along with the United Food & Commercial Workers Local 12R24, coordinates The Returns for Leukemia Bottle Drive. This bottle drive is held across the entire province to raise funds for the Leukemia & Lymphoma Society of Canada. Together we raised $1,785,712.24 during our 2018 bottle drive for the fight against cancer.

The Bottle Shed

The Bottle Shed accepts donations of empty containers and directs the proceeds to community charities and events. The collection and sorting of these containers provides valuable training and work for youth with disabilities. The Beer Store works closely with the Bottle Shed to facilitate these donations.

Roger's House Bottle Drive

The Roger's House Bottle Drive is an annual event that all TBS stores in the Ottawa and Peterborough areas participate in. Roger Neilson House is a children's palliative care facility that supports the families of sick children in Ontario. This year, TBS presented a cheque for $112,450, which is our biggest donation ever!

Missing Children Society of Canada

The Missing Children Society of Canada (MCSC) provides support for families with missing children, assists law enforcement in ongoing cases, and creates public awareness. The MCSC works with The Beer Store to collect container donations from select multi-residential units in Toronto.

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Mosport Raceway

The Beer Store attended three race weekends at the Mosport Raceway, where a dedicated group of volunteers collected empty alcohol containers from the event. All the proceeds raised from the containers collected were directed towards leukemia research.

Habitat for Humanity

217 Beer Stores in the GTA participated in the 4th annual Habitat for Humanity Bottle Drive, where they raised $58,290 for a great cause!

Fall Bottle Drive

In 2018 we held our first ever Fall Bottle Drive in partnership with the United Food & Commercial Workers Local 12R24 and select MPPs. We invited each MPP in Ontario to identify a charity of their choice that the donated proceeds from The Beer Stores in their area would collectively donate to. In total, we raised $102,959.53 for 58 different charities, each selected based on the unique needs of each community.

Terry Fox Bottle Drive

In September 2018, stores in the Ontario North-East raised money for the Terry Fox Foundation through an annual bottle drive and monetary donations.

Empties for Paws

Empties for Paws is an organization that accepts empty donations to raise money for animals in need. The money raised goes towards local animal rescues to provide supplies and support vet bills. Empties for Paws maintains a directory of drop-off locations where containers can be brought to for donation, which can be found on their website. The Beer Store supported this initiative throughout 2018 by helping to facilitate the returns, and through a number of social media posts.

Responsible Stewardship 2018

Sponsorships

Commerce & Engineering Environmental Conference (CEEC)

In 2018 The Beer Store continued to sponsor the Commerce & Engineering Environmental Conference (CEEC). The undergraduate conference is held is Kingston, Ontario and aims at inspiring future leaders to drive sustainable innovation and environmental change with students from a number of universities participating in this annual event. Discussions are focused around identifying issues with current processes and presenting alternative solutions. The event hosts workshops, speakers, and networking opportunities with leaders in the sustainability industry.

Recycling Council of Ontario

The Recycling Council of Ontario (RCO) is an organization that aims to reduce negative impacts on the environment through eliminating waste. The Beer Store participates in Waste Reduction Week, which is organized by the RCO. Waste Reduction Week takes place on the third Monday of October every year and is meant to inspire Canadians to make more environmentally conscious choices and become more aware of the environmental challenges we face.

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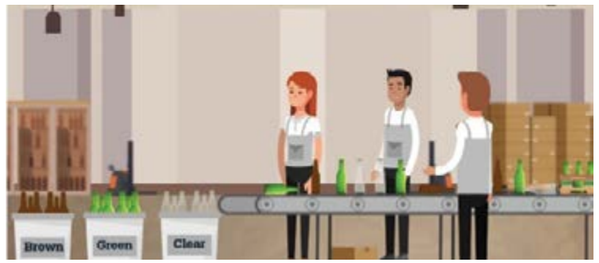
Promotional & Educational *Activities*



IMAGE

Screenshot from Promotional Recycling video – Bottle Sorting.

Promotional Recycling Animations

In 2018, The Beer Store produced animated videos to increase awareness of our recycling program, with the goal of increased return rates and additional awareness of the high-end reuse/recycling outcomes associated with our return system in mind. Two separate videos were created – one for cans and the other for refillable glass bottles. The videos demonstrated the entire life cycle of each container, and how returning containers through The Beer Store can result in either reuse of the container, or recycling to create a new container, to ultimately cycle back to store shelves again within a few weeks. The videos are posted on The Beer Store website and have been used for various presentations as an introduction to the recycling program.

Ontario Craft Brewers Conference

The theme of the seventh annual Ontario Craft Brewers Conference was "Crafting a Sustainable Culture." The Beer Store held a booth at the event and president Ted Moroz hosted a breakout session, where we highlighted The Beer Store's role in the sustainability of Ontario's beer market.

Open Doors

In 2018, The Beer Store held 11 Open Doors sessions, where bars and restaurants had a chance to visit our distribution centres and see first-hand how our recycling system works, and what happens to containers after they are returned to The Beer Store.

TBS Retail Signage

The Beer Store is constantly looking for new ways to further increase consumer awareness and knowledge of our recycling program. In 2018, we updated the display signage for our 8-pack carriers, which are provided to customers for free to allow them to mix and match various aluminum cans in a convenient carrying case. The carriers are made from 100% recycled material, and consumers are encouraged to reuse the carrier to return their cans to The Beer Store for recycling. The new signage is meant to draw consumer's attention while reminding them of the importance of the return program in preventing material from ending up in landfills.

Earth Day 2018

Earth Day is held annually on April 22nd all over the world and is meant to bring awareness to environmental issues and encourage positive change. This year, The Beer Store continued to support Earth Day by spreading its message across the organization. Employees were encouraged to wear Earth Day t-shirts and were provided coasters that could be planted to grow wildflowers.

As well, The Beer Store distributed an article titled "Empties: Our Solution to Ocean Pollution" to all staff. The article shed light on the serious issue of ocean pollution, and how beverage containers and packaging can threaten fragile aquatic ecosystems when not reused or recycled properly. Programs such as The Beer Store's recycling program are vital in reducing the amount of waste that is found in the oceans and in minimizing our ecological footprint.

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IMAGE

Artwork of the display signage for The Beer Store's 8 pack carriers.

Responsible Stewardship 2018

#Earth
#Bagit
#B
#ReduceWaste
#WorldEnv

Summary of Joint TBS & ODRP Promotional & Educational *Activities*

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nDay2018
tBack
Better Returns
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Social Media

With the increasing popularity of social media as a means to reach out to Ontarians, The Beer Store was active in spreading the message of both our return program and the ODR program on various social media pages throughout 2018. Using hashtags like #BagItBack and #BetterReturns, The Beer Store has provided consistent messaging on the importance and success of the ODR program, in an effort to increase consumer awareness and improve return rates, as well as to connect The Beer Store and the ODR program to larger environmental initiatives such as World Environment Day or Earth Day.

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Responsible Stewardship 2018

LCBO ODRP Promotional & Educational *Activities*

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LCBO & ODRP

LCBO's funding of the Ontario Deposit Return Program (ODRP) together with The Beer Store's management of the program has relieved municipal Blue Box programs of bulky and heavy materials, allowing them to promote expanding to new materials. The LCBO's comprehensive waste management program reflects a commitment to helping every community across the province reduce waste and ensure class-leading recycling.

RPRA
Resource Productivity
& Recovery Authority

4711 Yonge Street, Suite 408
Toronto, Ontario M2N 6K8
Tel: 416-226-5113
Email: info@rpra.ca
www.rpra.ca