



RPRA
Resource Productivity
& Recovery Authority

2016 ANNUAL REPORT



RPRA
Resource Productivity
& Recovery Authority

Resource Productivity & Recovery Authority

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A waste-free Ontario
where all resources are
reused and recycled.

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Message from the Chair



A Vision for a Waste-Free Ontario

In a year of change, the most significant development for the former Waste Diversion Ontario (WDO) was passage of the *Waste-Free Ontario Act, 2016* (WFOA) on June 9, 2016 followed by proclamation on November 30, 2016. WDO carried on business as usual and, with passage of the WFOA, also began to prepare for transformation to the Resource Productivity & Recovery Authority (the Authority) upon proclamation.

Oversight of diversion programs approved under the *Waste Diversion Act, 2002* (WDA) and continued under the *Waste Diversion Transition Act, 2016* (WDTA) continued throughout 2016. Third party reviews of all programs were initiated in March and completed before proclamation. Vigilant oversight of the forensic audit initiated by Ontario Tire Stewardship in mid-2016 continued throughout the year (and into 2017).

An updated cost containment model for the Blue Box Program Plan was developed by an independent, skills-based working group and an assessment of items accepted in municipal collection systems but not obligated under the Plan was completed. The 2016 Blue Box net system cost was set in June using the updated cost containment model and taking into account recommendations on non-obligated materials.

Two industry stewardship plans were approved: the Refillable Pressurized Cylinder Industry Stewardship Plan submitted by SodaStream Canada Ltd. in April and the Industry Stewardship Plan for Automotive Materials submitted by Automotive Materials Stewardship in August.

The WDO Board also took steps to prepare the organization for the changes that would follow proclamation of the WFOA. An organizational review was initiated in March and completed prior to proclamation to facilitate hand-off of governance and finances to the Authority. A compet-

itive procurement process was implemented to select a firm to assist the Authority in recruiting additional staff.

The WDO Board held its final meeting on November 28, 2016 and a new Board assumed responsibility for the the Authority on November 30, 2016. With the support of staff, the Initial Board completed its organizational briefings and then met in its first Board meeting on December 20, 2016. At its inaugural Board meeting, the Authority appointed a Vice-Chair and a Secretary-Treasurer, established Board committees, approved a budget for December 2016 and revised By-Law 2016-1. The Authority also initiated a process to review the draft Transitional Operating Agreement with the the Minister of the Environment and Climate Change (the Minister), Governance Manual, Financial Management and Controls Policy, Code of Conduct, human resources plan and draft 2017 budget. The process to procure services to support the Registry and to build compliance and enforcement capacity was also discussed and initial steps implemented.

While 2016 brought enormous change, the WDO Board carried out its responsibilities diligently through to proclamation and the Initial Board of the Authority picked up the reins seamlessly. Staff worked conscientiously throughout this time of organizational change, contributing to the smooth transition from the WDA to the WFOA.

The Authority Board and staff are looking forward to a busy 2017 in which we will establish the Registry and build compliance and enforcement capacity for the purposes of both the RRCEA and WDTA.

Message from the CEO



A Transformative Year

To say 2016 was transformative for the former WDO and the Authority may sound banal given the fundamental changes that took place this year.

In June 2016, the WFOA received Royal Assent. This legislation fundamentally alters the framework for producer responsibility. The WDTA also provides for the eventual wind up of the current designated diversion programs and the IFOs that operate these programs. As part of the new producer responsibility framework, the former WDO was transformed into a new organization with registration, oversight, compliance and enforcement powers.

On November 30, 2016 the relevant sections of the WFOA were proclaimed, and the Authority began operations under an Initial Board appointed by the Minister. The WDO Board positions were terminated and WDO staff became the Authority staff.

Preparing for the new Authority involved a lot of work. It was work that was largely under the radar, but required the WDO Board and staff to manage numerous administrative and planning items to ensure a seamless transformation.

In the meantime, we continued our oversight responsibilities for the existing programs. In January, 2016 the WDO Board directed that important work be undertaken on some elements of the Blue Box Program: First, to examine the volume of non-obligated material being placed in Blue Boxes; and, second, to develop a Cost Containment Model by which the net costs incurred by municipalities as reported in the annual municipal Datacall would be adjusted to

reflect the cost containment principles set out in the Blue Box Program Plan.

Determining the annual Blue Box funding to be provided by Blue Box stewards has always been complex and difficult. After Stewardship Ontario, representing the stewards, and the Association of Municipalities of Ontario and the City of Toronto were unable to reach an agreement on 2016 Blue Box steward funding, the WDO Board once again stepped in and made this decision in June.

This year, we worked with PricewaterhouseCoopers (PwC) and RLB Chartered Professional Accountants to undertake a review of IFO finances. This required the cooperation of the staff and boards of Stewardship Ontario, Ontario Electronic Stewardship and Ontario Tire Stewardship in order to complete the reviews.

In November, we welcomed the five members of the Initial Board of the Authority appointed by the Minister. They did not waste any time moving forward with all of the significant operational and planning work in front of them to transform WDO into the new Authority and realize the vision of a waste-free Ontario.

Finally, and perhaps most important for me personally, I want to thank the staff of the former WDO and the new Authority for the work they do. They are a talented and dedicated group and I am proud to have been part of their team.



1 Corporate Overview

1.1 Introduction

For much of 2016, the former Waste Diversion Ontario (WDO) operated under the *Waste Diversion Act, 2002* (WDA) while anticipating changes due to legislative reform. Late in 2015, the Minister of the Environment and Climate Change (the Minister) had posted the proposed *Waste-Free Ontario Act* (WFOA) and an accompanying Draft Strategy for a Waste-Free Ontario: Building the Circular Economy on the Environmental Registry for public review and comment.

The WFOA received Royal Assent on June 9, 2016 and was proclaimed on November 30, 2016. The WFOA consists of two schedules:

- The *Resource Recovery and Circular Economy Act, 2016* (RRCEA); and
- The *Waste Diversion Transition Act, 2016* (WDTA) (which replaced the WDA).

Upon proclamation, the WFOA initiated the process of overhauling WDO into the Authority.

The RRCEA is enabling legislation that provides the government with authority to obligate brand holders and/or those with a commercial connection to a product to carry out certain activities, including collection and management of designated products and packaging and associated public education.

The WDTA provides for:

- Continuation of the three Industry Funding Organizations (IFOs) and oversight of their approved waste diversion programs:
 - o Stewardship Ontario for Blue Box Waste and Municipal Hazardous or Special Waste (MHSW);
 - o Ontario Tire Stewardship for Used Tires;
 - o Ontario Electronic Stewardship for Waste Electronic and Electrical Equipment (WEEE);
- Continuation of the Industry Stewardship Organizations (ISOs) and oversight of their approved Industry Stewardship Plans (ISPs):
 - o Product Care Association for paints and coatings, solvents, fertilizers and pesticides;

- o Automotive Materials Stewardship for oil filters, oil containers and antifreeze;
- o SodaStream for pressurized carbon dioxide containers; and
- Wind up, as and when directed by the Minister, the Blue Box, MHSW, Used Tires and WEEE programs and the associated IFOs.

1.2 Mandate

Until November 30, 2016, WDO was responsible under the WDA for:

- monitoring the effectiveness and efficiency of approved waste diversion programs;
- monitoring the effectiveness of approved ISPs;
- seeking to enhance public awareness of and participation in waste diversion programs;
- seeking to ensure that waste diversion programs developed under the WDA affect Ontario's marketplace in a fair manner;
- determining the amount of money required by WDO and the IFOs to carry out their responsibilities under the WDA; and
- establishing a dispute resolution process for disputes between:
 - o an IFO and a municipality with respect to payments to the municipality under a waste diversion program; and
 - o an IFO and a producer.

Since November 30, 2016, the Authority is responsible for various matters under both the RRCEA and WDTA, including:

- Overseeing the operation by IFOs of waste diversion programs and monitoring the effectiveness and efficiency of the programs;
- Overseeing the operation by ISOs of ISPs and monitoring the effectiveness of the plans;
- Exercising the powers and performing the duties that had been exercised and performed by WDO;
- Exercising powers and performing duties in

1 Corporate Overview

relation to compliance with and enforcement of the WDTA;

- Overseeing the orderly wind up of waste diversion programs and IFOs;
- Operating a registry to receive and store information related to resource recovery and waste reduction activities;
- Providing information to the Minister upon request;
- Providing information to the public in accordance with prescribed requirements; and
- Undertaking compliance and enforcement against persons who do not meet the prescribed requirements using a range of tools including inspections, compliance orders, administrative penalties, and offence provisions.

1.3 Mission and Vision

WDO had set as its vision and mission:

- Vision: Ontario is recognized as providing effective and value-add strategic oversight for Ontario waste diversion programs.
- Mission: WDO provides oversight for the development, implementation and operation of waste diversion programs for Ontario.

The Authority has set as its vision and mission:

- Vision: A waste-free Ontario where all resources are reused and recycled
- Mission: To promote and enforce accountability for the reduction and management of packaging and products

1.4 Overview of Organization

Until November 29, 2016, the former Waste Diversion Ontario was a non-crown, not-for-profit corporation created under the WDA to oversee the development, implementation and operation of diversion programs for wastes designated under the WDA.

Under the RRCEA, WDO continued as the Authority, a non-crown, not-for-profit corporation responsible for overseeing IFO operation and eventual wind up of diversion programs continued under the WDTA, operating a registry to receive and store information related to resource recovery and waste reduction activities, managing information in the registry according to an Access and Privacy Code, providing information to the Minister upon request and undertaking compliance and enforcement under both the RRCEA and WDTA.

2 Report on Performance

2.1 By-Laws and Policy Changes

From January 1 to November 29, 2016, WDO functioned under By-Law 2013-1 and Bylaw 2014-1 Code of Conduct.

Following proclamation of the WFOA, on November 30, 2016, the Authority initiated a review of WDO's By-Laws.

Revisions to By-Law 2013-1 were approved as By-Law 2016-1 at the first meeting of the Authority Board of Directors on December 20, 2016. Revisions in By-Law 2016-1 include:

- Replacing references to the WDA with references to the WFOA with accompanying edits;
- Replacing references to WDO to the Authority with accompanying edits; and
- To reflect the WFOA and the draft Transitional Operating Agreement, modifying or adding references to:
 - o Terms of elected directors;
 - o Election of the Chair (following the expiry of the appointment by the Minister);
 - o Appointment of a Registrar;
 - o Remuneration for directors; and
 - o The schedules on which the annual report and business plan are to be submitted to the Minister.

Following amendment of By-Law 2016-1, the Authority established a Director Remuneration Policy.

The Authority also initiated a review of the following By-Laws and policies. Revisions to these documents were underway but incomplete at year end:

- Bylaw 2014-1 Code of Conduct;
- Financial Management and Controls Policy;
- Business Expense Policy;
- Records Retention Policy;
- Governance Manual; and
- Human Resources Manual.

The By-Laws are available on the Authority website:

- By-Law 2014-1 Code of Conduct; and
- By-Law 2016-1.

2.2 Other

The following activities are required under the WFOA and the Transitional Operating Agreement between the Minister and the Authority. The Authority had not addressed these requirements as of December 31, 2016.

These topics will be addressed in future annual reports:

- Performance measures;
- Compliance and enforcement activities;
- Delivery of French language services; and
- The process to handle complaints and associated outcomes.

As part of its 2017 Business Plan, the Authority will establish performance measures to assess and report on its effectiveness and efficiency.

The Authority anticipates appointing a Registrar in Quarter 2, 2017, who will then be responsible for building the Authority's capacity to carry out its compliance and enforcement responsibilities. In the interim, the Authority is developing compliance and enforcement policies, protocols, a Code of Conduct and a training plan and materials.

As part of its stakeholder engagement plan, the Authority will also be developing a French Language Services Plan and a system to respond to complaints including an issues resolution process during 2017.

3 Corporate Governance

3.1 Role of the Board

Former Waste Diversion Ontario

The WDO Board of Directors was responsible for the governance of WDO under the WDA from January 1 to November 29, 2016. The Board was responsible for ensuring that the terms and conditions of the Operating Agreement with the Minister and the responsibilities as set out in Section 5 of the WDA were carried out in a responsible, complete and thorough manner, and on a timely basis.

Resource Productivity and Recovery Authority

As of November 30, 2016 when the WFOA was proclaimed, the Board of Directors of the Authority is responsible for the overall governance and strategic direction of the organization subject to the provisions of the RRCEA, the WDTA, the Authority's by-laws, the Authority's Transitional Operating Agreement with the Minister as well as all applicable legislation.

As set out in Section 25(1) of the RRCEA, the Board is responsible to manage, or supervise the management of, the Authority's affairs. The Board's role includes:

- Strategic planning;
- Corporate governance and statutory compliance;
- Oversight of management and administration;
- Oversight of risk management;

- Oversight of internal financial and operational controls;
- Ensuring the appropriate accounting of financial matters;
- Appointing and evaluating the performance of the Chief Executive Officer (CEO);
- Appointing and evaluating the performance of the Registrar; and
- Oversight of communications with stakeholders.

The Board directly manages some of these activities and delegates other responsibilities to the CEO and the Registrar.

3.2 Board Remuneration

Under Section 27(1)(c) of the RRCEA, Directors of the Authority may pass by-laws providing for remuneration and reimbursement of expenses of board members. Pursuant to the Operating Agreement with the Minister, this remuneration cannot be provided to Board members employed by the Crown. The Authority has established a By-Law, policies and procedures entitling the Chair, the Vice-Chair and members of the Board of Directors to per diem remuneration at the following rates for periods of work of three hours or more and one-half of the per diem rates for periods of work of less than three hours: Chair at \$627; Vice-Chair at \$491; and Members at \$398.

3 Corporate Governance

3.3 Appointment and Election of Board Members

Former Waste Diversion Ontario

Under Amendment Number 2 (dated April 5, 2012) to the Operating Agreement between WDO and the Minister, the WDO Board was composed of five members appointed by the Minister and six members appointed by the Board of Directors.

On January 1, 2016, the WDO Board included four members appointed by the Minister, with one position vacant. The WDO board included five members appointed by the Board of Directors, with one position vacant. As well, one member (Louis O'Brien) resigned in April 2016 leaving four members appointed by the Minister and four members appointed by the Board of Directors on November 29, 2016.

Appointed by the Minister

Chair	Robert Gordon
Member	David Brezer
Member	Virginia Maclaren
Member	Brian Rosborough

Appointed by the Board

Member	Dan Hoornweg
Member	Alison J. Knight
Member	Louis O'Brien
Member	Laura Talbot
Member	Stephen Watt

Biographies of the nine members of the WDO Board during 2016 are provided in Appendix A.

Resource Productivity and Recovery Authority

The Authority Board is composed of five members appointed by the Minister and six members elected by the Board of Directors.

The Minister appointed five members to form the Authority's initial Board on November 30, 2016.

Appointed by the Minister

Chair	Glenda Gies
Member	Joyce Barretto
Member	David Brezer
Member	Nidhi Tandon
Member	Tom Wright

Section 25 of the RRCEA provides that when fully constituted the Authority Board is composed of five members appointed by the Minister and six members elected by the Board. No directors had been elected prior to December 31, 2016, but recruitment of directors was initiated in early 2017.

Biographies of the members of the Authority Initial Board are provided in Appendix B.



3 Corporate Governance

3.4 Qualifications of the Board Former Waste Diversion Ontario

Under Section 5 of Amendment Number 2 (dated April 5, 2012) to the Operating Agreement between WDO and the Minister, the Appointing Authority shall endeavor to select persons who will:

- Assist WDO in effectively carrying out its objects;
- Collectively form a Board of Directors that possess skills and competencies in the following areas:
 - o The reduction, reuse and recycling of waste;
 - o Environmental protection;
 - o Economics;
 - o Financial management;
 - o Business management;
 - o Law, including commercial law, competition law, or environmental law;
 - o Corporate governance and management;
 - o Public policy and public administration;
 - o Public education and engagement;
 - o Strategic thinking; and
 - o Consumer advocacy.

Resource Productivity and Recovery Authority

Section 26 (2) of the RRCEA describes the areas of collective experience and expertise of the Initial Board:

- Resource recovery and waste reduction;
- Corporate governance and management;
- Finance;
- Business management; and
- Compliance and enforcement.

Under Section 7.1 of the Transitional Operating Agreement, the Board, when electing six additional directors, shall endeavor to select persons who will:

- Assist the Authority in effectively carrying out its objects;

- Collectively form a Board that has experience and practical expertise in the following areas:
 - o Resource recovery and waste reduction;
 - o Supply chain management;
 - o Compliance and enforcement, including compliance auditing;
 - o Data management systems and analysis, information technology issues and trends;
 - o Information management, including privacy, security and data collection;
 - o Finance and auditing;
 - o Business and risk management;
 - o Corporate governance and management;
 - o Public administration and government relations; and
 - o Stakeholder engagement and communications.

3 Corporate Governance

3.5 Officers

Former Waste Diversion Ontario

The Officers of WDO included a Chair, a Vice-Chair, a Treasurer, a Secretary and a Chief Executive Officer.

Biographies of the WDO Chair, Vice-Chair, Treasurer and Secretary are included in Appendix A. A biography of the Chief Executive Officer is provided in Appendix C.

Resource Productivity and Recovery Authority

The Officers of the Authority include a Chair, a Vice-Chair and a Secretary-Treasurer, a Chief Executive Officer and a Registrar.

The Chair of the Initial Board was appointed by the Minister. Within 30 days following the election of the sixth member elected by the Board, the Board will elect a Chair and one or more Vice-Chairs from among the members of the Board. The Authority elected a Vice-Chair and a Secretary-Treasurer at the first meeting of the Board of Directors on December 20, 2016.

Biographies of the Authority Chair, Vice-Chair and Secretary-Treasurer are included in Appendix B. A biography of the Chief Executive Officer is provided in Appendix C. The Authority Board had not appointed a Registrar as of December 31, 2016.

3.6 Committees of the Board

Former Waste Diversion Ontario

For the period January 1 to November 29, 2016, the WDO Board utilized three committees:

- Audit Committee;
- Finance and Human Resources Committee; and
- Governance and Nominations Committee.

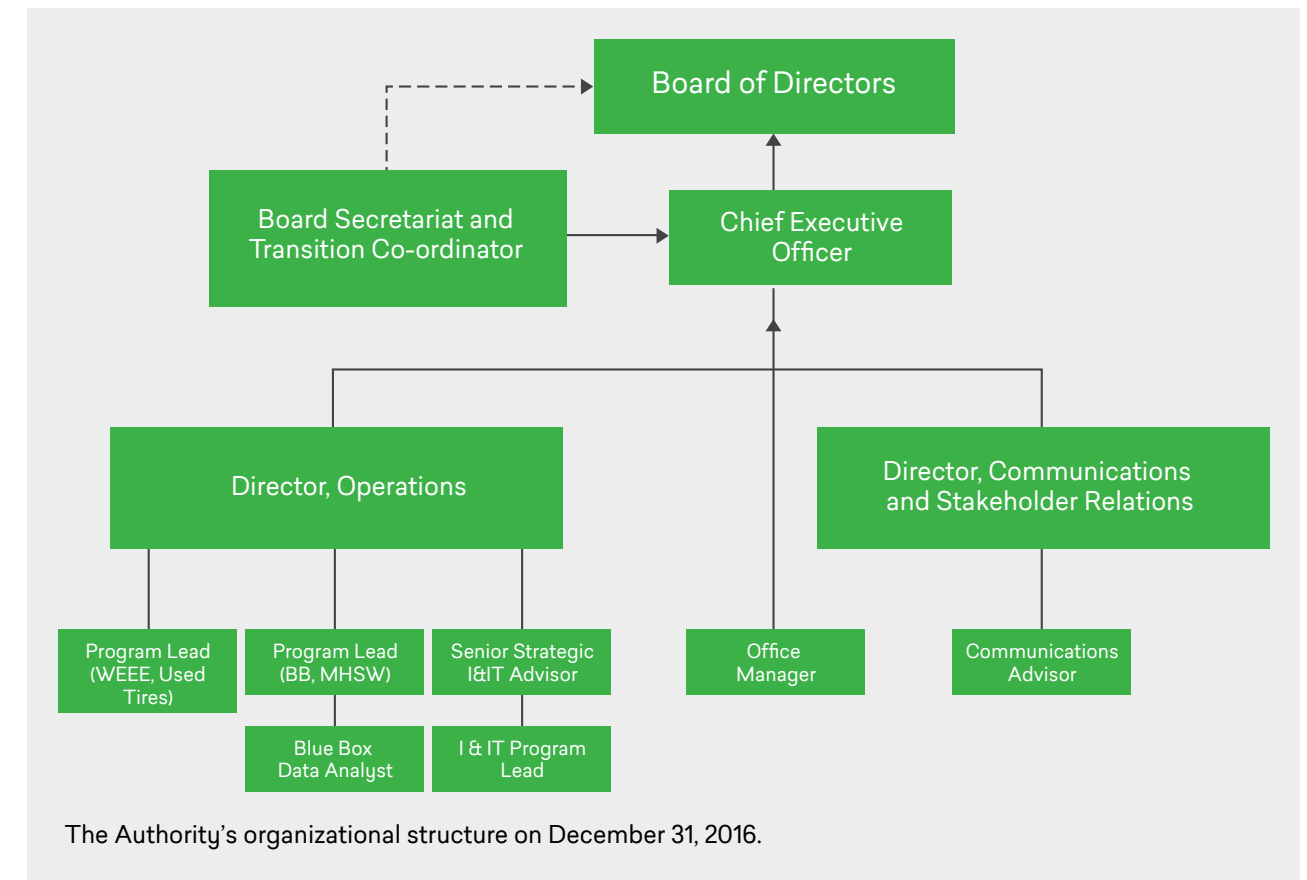
Resource Productivity and Recovery Authority

At its first meeting on December 20, 2016, the Authority Board of Directors established five Committees:

- Ad Hoc Committee for the Transitional Operating Agreement;
- Audit Committee;
- Finance Committee (Committee of the Whole);
- Human Relations and Nominations Committee; and
- Governance Committee.

3 Corporate Governance

3.7 Organization Chart



3.8 Authority Contact Information

The Resource Productivity and Recovery Authority can be reached at:

4711 Yonge Street, Suite 1102
 Toronto, Ontario M2N 6K8
 Tel: (416) 226-5113
 Toll free: (888) 936-5113
 Fax: (416) 226-1368
 Email: info@rpra.ca
 Twitter: @rpra_ont



4 Financial Statements and Notes

4.1 Management Discussion and Analysis

With the passage of the WFOA by the Ontario Legislature in June 2016, the WDO Board reviewed and modified the WDO budget to enable initial preparation for proclamation of the Act. This included undertaking the following;

- A Program Review of each of the IFOs to document the organizations' operational reserves and assets, to ensure the necessary financial controls are in place and to provide an initial assessment of potential wind-up requirements. This work was completed in the summer of 2016.
- An Organizational Review to assess WDO's existing capabilities and the requirements of the future organization under the WFOA. This information was then used to assist with the preparation of financial forecasts for the Authority and initiating recruitment.
- An analysis of alternative Information Technology options for development of the Registry. This

analysis reviewed the existing WDO and IFO IT and data systems against the future requirements for the Registry and provided preliminary budget and timeline estimates.

- A review of future compliance and enforcement requirements and budget estimates for compliance policy development and inspector training and certification.

The Transitional Operating Agreement requires that financial accounts and statements be segregated into accounts related to the RRCEA and the WDTA. Accordingly, WDO developed an allocation methodology to segregate WDTA and RRCEA expenses according to their relevance to current activities under the WDTA, or the RRCEA, or shared under both. Expenses that were identified as applicable to the RRCEA are to be deferred for payment by the RRCEA Regulated Parties in the Authority's future fees. The Authority budgets and Financial Statements have been segregated using this methodology.

4 Financial Statements and Notes

March 23, 2017

Independent Auditors' Report

To the Board of Directors of Resource Productivity and Recovery Authority

We have audited the accompanying financial statements of Resource Productivity and Recovery Authority which comprise the balance sheet as at December 31, 2016 and the statements of Board restricted operating reserve fund, revenue and expenses and unrestricted net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Resource Productivity and Recovery Authority, as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Accountants
Licensed Public Accountants
Toronto, Ontario

4 Financial Statements and Notes

Resource Productivity and Recovery Authority (formerly Waste Diversion Ontario)

Balance Sheet

Page 2

	Notes	Unrestricted net assets	Schedule 1 net assets	Board restricted operating reserve fund	December 31	
					2016	2015
Assets						
Current						
Cash and cash equivalents		\$ 75,092	\$ -	\$ 648,912	\$ 724,004	\$ 902,782
Accounts receivable	3	1,144,357	-	-	1,144,357	499,717
Prepaid expenses		20,325	-	-	20,325	14,613
		\$ 1,239,774	\$ -	\$ 648,912	\$ 1,888,686	\$ 1,417,112
Liabilities						
Current						
Accounts payable and accrued liabilities		\$ 599,543	\$ -	\$ -	\$ 599,543	\$ 131,647
Government remittances payable		65,831	-	-	65,831	33,237
Due to (from) other funds		(38,916)	38,916	-	-	-
Deposits from Industry Stewardship Plans	4	50,300	-	-	50,300	40,300
Deferred funding	5	552,825	-	-	552,825	552,825
		1,229,583	38,916	-	1,268,499	758,009
		10,191	(38,916)	648,912	620,187	659,103
		\$ 1,239,774	\$ -	\$ 648,912	\$ 1,888,686	\$ 1,417,112

See accompanying notes

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

Glenda Gies, Chair

Joyce Barretto, Secretary-Treasurer

4 Financial Statements and Notes

4.2 RPRA Financial Statements

Financial Statements for 2016 are included below.

Resource Productivity and Recovery Authority (formerly Waste Diversion Ontario)

Statement of Board Restricted Operating Reserve Fund

Page 3

	Year ended December 31	
	2016	2015
Balance, beginning of year	\$ 648,192	\$ 709,071
Interfund transfer	-	(60,159)
Balance, end of year	\$ 648,192	\$ 648,192
See accompanying notes		

4 Financial Statements and Notes

Resource Productivity and Recovery Authority (formerly Waste Diversion Ontario)

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

Page 4

	Year ended December 31	
	2016	2015
Revenue	\$ -	\$ -
Expenses		
Schedule 1 allocation	38,916	\$ -
Expenses over revenue for the year and net assets, end of year	\$ (38,916)	\$ -
See accompanying notes		

4 Financial Statements and Notes

Resource Productivity and Recovery Authority

(formerly Waste Diversion Ontario)

Statement of Revenue and Expenses and Unrestricted Net Assets in accordance with the Waste Diversion Act and the Waste Diversion Transition Act

Page 5

	Year ended December 31	
	2016	2015
Revenue		
Program costs recovery	\$ 1,942,563	\$ 936,029
Unattributable costs recovery	1,892,735	1,410,120
Interest Income	2,196	3,584
Recognition of deferred funding to cover bad debts	-	60,159
	3,837,494	2,409,892
Expenses		
Recoverable unattributable costs (page 6)	1,894,931	1,413,704
Direct program costs (page 7)	1,942,563	936,029
Bad Debts	-	60,159
	3,837,494	2,409,892
Excess of expenses over revenue for the year	-	-
Unrestricted net assets, beginning of year	10,191	10,191
Unrestricted net assets, end of year	\$ 10,191	\$ 10,191
See accompanying notes		

4 Financial Statements and Notes

Resource Productivity and Recovery Authority

(formerly Waste Diversion Ontario)

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

Page 6

	Year ended December 31	
	2016	2015
Audit	\$ 23,500	\$ 12,500
Bank charges and interest	2,835	2,589
Board meetings	22,859	20,766
Board remuneration	12,744	-
Committee meetings	141	832
Consulting	284,252	73,233
Dues and subscriptions	3,852	6,610
Event registrations	2,642	8,285
Insurance	7,435	7,410
Legal fees	109,381	25,955
Media and communications	139,446	223,115
Municipal datacall	28,671	57,513
Office and general	32,207	26,202
Office furnishings	19,505	3,420
Printing and reproduction	8,148	6,745
Rent	150,064	139,644
Staffing	946,410	749,460
Telephone	22,031	20,381
Travel and meals	22,949	25,462
Website	55,859	3,582
	\$ 1,894,931	\$ 1,413,704
See accompanying notes		

4 Financial Statements and Notes

Resource Productivity and Recovery Authority

(formerly Waste Diversion Ontario)

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

Year ended December 31, 2016

Page 7

	Industry Stewardship Plans (Note 6)	Continuous Improvement Fund	Blue Box Waste	Used Tires	Waste Electronic Equipment	CNA/OCNA	Municipal Hazardous Waste	Total
Committee meetings	\$ -	\$ 365	\$ 877	\$ -	\$ -	\$ -	\$ -	\$ 1,242
Consulting	10,521	1,440	333,852	322,626	82,949	-	77,728	829,116
Event registrations	300	-	-	250	-	-	300	850
Legal fees	4,847	6,434	59,604	171,281	5,357	-	6,540	254,063
Media and communications	4,090	-	14,705	35,932	1,200	8,592	-	64,519
Municipal datacall	-	-	266,693	-	-	-	-	266,693
Office and general	-	25	635	8	-	-	-	668
Printing and reproduction	-	-	66	147	77	6	319	615
Staffing	13,914	16,365	254,497	110,276	67,379	22,408	36,527	521,366
Telephone	16	-	1,366	95	19	7	38	1,541
Travel and meals	63	697	563	394	114	-	59	1,890
	\$ 33,751	\$ 25,326	\$ 932,858	\$ 641,009	\$ 157,095	\$ 31,013	\$ 121,511	\$ 1,942,563
See accompanying notes								

4 Financial Statements and Notes

Resource Productivity and Recovery Authority (formerly Waste Diversion Ontario)

Schedule of Direct Program Costs in accordance with the Waste Diversion Act Year ended December 31, 2015

Page 8

	Industry Stewardship Plans	Continuous Improvement Fund	Blue Box Waste	Used Tires	Waste Electronic Equipment	CNA/OCNA	Municipal Hazardous Waste	Total
Committee meetings	\$ 231	\$ 457	\$ 39	\$ -	\$ -	\$ -	\$ -	\$ 727
Consulting	3,855	-	151,246	-	-	-	20,525	175,626
Legal fees	11,408	38,504	79,689	7,210	5,836	-	8,632	151,279
Media and communications	17,230	460	37,395	1,383	5,977	4,410	200	67,055
Municipal datacall	-	-	182,124	-	-	-	-	182,124
Office and general	60	122	76	-	-	-	-	258
Printing and reproduction	11	162	177	65	146	33	94	688
Staffing	32,636	9,193	162,266	32,926	60,985	24,338	32,613	354,957
Telephone	483	13	1,173	3	25	21	109	1,827
Travel and meals	-	491	478	50	40	-	49	1,108
Website management	380	-	-	-	-	-	-	380
	\$ 66,294	\$ 49,402	\$ 614,663	\$ 41,637	\$ 73,009	\$ 28,802	\$ 62,222	\$ 936,029
See accompanying notes								

4 Financial Statements and Notes

Resource Productivity and Recovery Authority (formerly Waste Diversion Ontario)

Statement of Cash Flows

Page 9

	Year ended December 31	
	2016	2015
Net cash provided by (used in)		
Operations		
Excess of expenses over revenue for the year - RRCEA (page 4)	\$ (38,916)	\$ -
Changes in non-cash working capital items		
Accounts receivable	(644,640)	241,243
Prepaid expenses	(5,712)	-
Accounts payable and accrued liabilities	467,896	(183,762)
Government remittances payable	32,594	(21,641)
Deposits from Industry Stewardship Plans	10,000	(5,000)
	(178,778)	30,840
Investing Activity		
Disbursement from Board restricted operating reserve fund	-	(60,159)
Net decrease in cash and cash equivalents during the year	(178,778)	(29,319)
Cash and cash equivalents, beginning of year	902,782	932,101
Cash and cash equivalents, end of year	\$ 724,004	\$ 902,782
Represented by:		
Cash	\$ 224,004	\$ 402,782
Term deposits	500,000	500,000
	\$ 724,004	\$ 902,782
See accompanying notes		

4 Financial Statements and Notes

Resource Productivity and Recovery Authority (formerly Waste Diversion Ontario)

Notes to the Financial Statements

December 31, 2016

Page 10

Waste Diversion Ontario was a non-Crown corporation without share capital established under the Waste Diversion Act, 2002 (Ontario) on June 27, 2002. The organization developed, implemented and operated waste diversion programs for designated materials through co-operation with industry funding organizations.

On November 30, 2016 the Resource Productivity and Recovery Authority (RPRA) was proclaimed as part of the new Waste-Free Ontario Act, 2016 which replaced the Waste Diversion Act, 2002 (Ontario). RPRA is a continuance of Waste Diversion Ontario and operates under the Waste-Free Ontario Act, 2016 with a new producer responsibility framework that makes producers individually responsible and accountable for their products and packaging at end of life.

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

1. Summary of accounting policies

Basis of presentation

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

Fund accounting

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

General fund

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

Board restricted operating reserve fund

The Board restricted operating reserve fund was established to provide a reserve for administrative expenses based on the organization's budget for the following fiscal year. With approval from the Board a transfer will be made to or from this fund to reflect the amount required in the fund.

Measurement of financial instruments

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

Revenue recognition

Funding and government grants received are taken into income in the year to which they relate. Amounts received that relate to future fiscal periods are recorded as deferred funding.

4 Financial Statements and Notes

Resource Productivity and Recovery Authority (formerly Waste Diversion Ontario)

Notes to the Financial Statements

December 31, 2016

Page 11

1. Summary of accounting policies (continued)

Allocation of direct and unattributable expenses

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

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

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

Cash and cash equivalents

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

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include allocation of expenditures. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Banking facility

The organization has a demand operating facility of \$1,000,000, which bears interest at prime rate. The organization did not utilize this facility during the year. The credit facility is secured by a general security agreement and a comfort letter from the Ministry of the Environment and Climate Change.

4 Financial Statements and Notes

Resource Productivity and Recovery Authority (formerly Waste Diversion Ontario)

Notes to the Financial Statements

December 31, 2016

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3. Accounts receivable

	2016	2015
Ontario Tire Stewardship - Used Tires	\$ 261,998	\$ 63,711
Stewardship Ontario - Blue Box	600,638	255,658
Stewardship Ontario - Municipal Hazardous or Special Waste	44,630	29,616
Ontario Electronic Stewardship - Waste Electronic and Electrical Equipment	201,051	89,584
Stewardship Ontario - Continuous Improvement Fund	4,954	24,148
CNA/OCNA	9,499	7,346
Call2Recycle - Industry Stewardship Plan - Battery(i)	-	-
Automotive Materials Stewardship - Industry Stewardship Plan - Automotive Materials	7,450	-
Product Care Association - Industry Stewardship Plan - Paint and Coatings	10,419	8,020
Product Care Association - Industry Stewardship Plan - Pesticides, Solvents and Fertilizers	3,718	1,729
	\$ 1,144,357	\$ 499,717

- (i) Call2Recycle owes the organization \$77,979 which has been included in bad debts, however the organization is continuing to seek payment.

4. Deposits from Industry Stewardship Plans

The deposits are from the following Industry Stewardship Plans:

	2016	2015
Canadian Tire Corporation Limited (Fluorescents)	\$ 10,300	\$ 10,300
Product Care Association (Ontario Paint and Coatings)	10,000	10,000
Canadian Beverage Container Recycling Association (CBCRA) (Beverage Container)	10,000	10,000
Product Care Association (Pesticides, Solvents and Fertilizers)	5,000	5,000
SodaStream Canada Ltd. (CO2 Cylinders)	5,000	5,000
Automotive Materials Stewardship (Automotive Materials)	10,000	-
	\$ 50,300	\$ 40,300

5. Deferred funding

	2016	2015
Infrastructure costs and cash flow financing	\$ 235,264	\$ 235,264
Future program development funding and cash flow financing	317,561	317,561
	\$ 552,825	\$ 552,825

4 Financial Statements and Notes

Resource Productivity and Recovery Authority (formerly Waste Diversion Ontario)

Notes to the Financial Statements

December 31, 2016

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6. Industry Stewardship Plans

The direct costs incurred for Industry Stewardship Plans are:

	Automotive Materials Stewardship	Soda Stream	Paint and Coatings	Pesticides, Solvents and Fertilizer	Total
Consulting	\$ 6,921	\$ 3,561	\$ -	\$ 39	\$ 10,521
Event Registrations	-	-	-	300	300
Legal fees	4,164	223	-	460	4,847
Media and communications	2,690	1,400	-	-	4,090
Staffing	6,819	4,372	1,033	1,690	13,914
Telephone	-	-	8	8	16
Travel and meals	-	10	2	51	63
	\$ 20,594	\$ 9,566	\$ 1,043	\$ 2,548	\$ 33,751

7. 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 employees annual salary. If a voluntary contribution is made the organization will match it. During the year, the organization charged \$34,688 (2015 - \$34,673) 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.

8. Commitments

The organization has made the following commitments:

Under contractual agreement

Various services to be provided in 2017:

Communications	\$ 5,280
Continuity oversight and transitional assistance	5,800
Translation services	5,970
Forums	4,000
	\$ 21,050

4 Financial Statements and Notes

Resource Productivity and Recovery Authority (formerly Waste Diversion Ontario)

Notes to the Financial Statements

December 31, 2016

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9. 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 Waste Diversion Act (WDA). Provisions in the WDA and the Waste Diversion Transition Act 2016 (Schedule 2 of Bill 151) provide Waste Diversion Ontario and RPRA, respectively, with the ability to set and collect "a reasonable share of costs that are incurred" from the existing Industry Funding Organizations currently and during the period of transition.

Liquidity risk

The organization considers that it has sufficient credit facilities to ensure that funds are available to meet its current and short-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.

5 Program Delivery Items

5.1 Description of Consultations Undertaken

Between January and March 2016, WDO consulted with a broad range of stakeholders on the SodaStream Industry Stewardship Plan (ISP) to manage proprietary carbon dioxide (CO₂) cylinders, which are used to carbonate beverages (e.g., sparkling water).

WDO also undertook consultation between February and April 2016 through a variety of communication and consultation channels to allow all stakeholders the opportunity to provide comments on the Automotive Materials Stewardship Plan. The results of this consultation were reported to the Minister in August 2016.

WDO's consultations were open to all stakeholders and the following consultation options were provided:

- Through an online survey;
- By visiting the Environmental Registry;
- Via a webinar;
- Writing a letter; and
- By phone or in-person.

The consultations were focused on how an ISP would:

- Affect the ongoing performance and financial viability of the existing waste diversion program, including impacts from the fragmentation of the program;
- Affect any transition of the programs from the WDA to the new framework;
- Affect the collection, recycling and reuse of waste in Ontario;
- Affect consumer access and protection;
- Affect fairness in the marketplace; and
- Adversely affect the environment and public health.

5.2 Information about Waste Diversion Programs Operating Under the WDA/WDTA

Under the WDTA, the Authority is also responsible for overseeing the interim operation of existing waste diversion programs and plans. This includes overseeing

waste diversion programs wind up as obligations transition to the new producer framework. Ontario has waste diversion programs and plans for electrical and electronic equipment (e-waste), used tires, Blue Box material, and hazardous or special waste.

Blue Box Summary

For 2015, the Ontario residential Blue Box Program exceeded the 60% target, achieving a recycling rate of 64% (852,437 tonnes). The total tonnage of Blue Box materials marketed decreased by 3.6% between 2014-2015. This is likely as a result of the lightweighting of packaging and less newspaper being supplied to the market. Additional information about the Blue Box Program can be found in Appendix D of this report or on the Authority's website.

MHSW Summary

Ten Municipal Hazardous or Special Waste materials programs are overseen by the Authority. In 2016, these ten materials were managed by Stewardship Ontario (Antifreeze, Oil Containers, Oil Filters, Single-Use Batteries, Non-Refillable and Refillable Pressurized Containers) and/or by Product Care Association (Paints & Coatings, Pesticides, Solvents, and Fertilizers). With the exception of Solvents and Non-Refillable Pressurized Containers, all MHSW materials achieved their collection targets. Historically Solvents has not achieved target. While Non-Refillable Pressurized Containers achieved target in previous years, it did not do so in 2016 due to an anomaly related to the weather and collection routes. For more detail on each material's performance, refer to the charts in Stewardship Ontario's and Product Care Association's Annual Reports in Appendix D and G of this report or on the Authority's website.

Used Tires Summary

In 2016 the Used Tires Program collected 142,603 tonnes of tires, achieving an 88% collection target and achieving a recycling rate of 75%. The total amount of crumb rubber used in the manufacture of recycled products increased as a percentage of total crumb output by Processors, accounting for 61% of all crumb output (versus 59% in 2015). For more details on program performance, refer to Ontario Tire Stewardship's Annual Report in Appendix F of this report or on the Authority's website.

5 Program Delivery Items

WEEE Summary

In 2016 the Waste Electrical and Electronic Program collected 62,406 tonnes of e-waste, which includes equipment that was reused and refurbished. Access increased in 2016 with 99.7% of Ontarians living within 25km of a collection depot (up from 98.5% in 2015) as did awareness (from 62% in 2015 to 65%). For more details on program performance, refer to Ontario Electronic Stewardship's Annual Report in Appendix E of this report or on the Authority's website.

ISP Summary

Under the WDA, two ISPs were submitted to WDO for review and approval in 2016. ISPs are recycling plans that, if approved, allow obligated stewards to operate the program themselves or through a contracted service provider rather than an IFO.

In January WDO received an ISP from SodaStream for the recycling of their proprietary carbon dioxide (CO₂) cylinders. This plan was approved by the Board and became effective in June 2016. In February 2016, WDO received an ISP from Automotive Materials Stewardship on behalf of oil filter, oil containers and antifreeze stewards. This plan was approved in August 2016, with an effective date of April 1, 2017.

The Authority is responsible for the oversight of these ISPs under the WDTA. The performance for these MHSW ISPs was included in the total diversion rates.

5.3 Other Information

The following activities are required under the WDTA. The Authority had not addressed these requirements as of December 31, 2016.

These topics will be addressed in future annual reports:

- Information about any plans the Authority has approved during the previous fiscal year to wind up a waste diversion program in full or in respect of a designated waste, and information about their implementation;
- Information about any plans the Authority has approved during the previous fiscal year to wind up an industry funding organization, and information about their implementation;

- A summary of compliance and enforcement activities carried out under this Act during the previous fiscal year.

5.4 IFO Annual Reports

Annual Reports received from the IFOs are included in the Appendices as follows:

- **Appendix D:** Stewardship Ontario (for Blue Box and Municipal Hazardous or Special Waste Programs);
- **Appendix E:** Ontario Electronic Stewardship (for the Waste Electronic and Electrical Equipment Program);
- **Appendix F:** Ontario Tire Stewardship (for the Used Tires Program).

5.5 ISO Annual Reports

Annual Reports received from the ISOs are included in the Appendices as follows:

- **Appendix G:** Product Care Association (for Paints & Coatings, and Pesticides, Solvents & Fertilizers Programs)
- **Appendix H:** SodaStream (for proprietary CO₂ cylinders)

5.6 Brewer's Retail Inc. Report

The Annual Report received from Brewers Retail Inc. is included in **Appendix I**.

Appendix A – Members of the Board of Directors of the Former Waste Diversion Ontario

Dr. Robert Gordon – Chair

Dr. Gordon has spent more than 45 years in public education, including seven as President of Dawson College in Montreal and 25 as President of Humber College Institute of Technology and Advanced Learning in Toronto.

In addition to his WDO position, Dr. Gordon currently serves as Chair of the Board of Governors, Bishop's University; member, Graduate Faculty, University of Toronto and Central Michigan University; Board member, Ontario Heritage Trust; member, Postsecondary Education Quality Assessment Board; member, Private Sector Advisory Board of the Network of Centres of Excellence of Canada; and member, Expert Panel on STEM skills for the Future of the Council of Canadian Academies.

He previously held a number of other interesting and varied roles, such as President and Board Chair of Canada Basketball, member of the Premier's Council of Ontario, consultant for the Canadian International Development Agency in Africa and South East Asia, and policy advisor to the Secretary of State and the Minister for Employment and Immigration.

Dr. Gordon holds an Honours BA in History and a Master's Degree in Modern British History from Bishop's University, a Master's Degree in Educational Administration from the University of Massachusetts, a Master's Degree in Public Administration from Harvard University, a Doctorate in Educational Administration from the University of Massachusetts, and was awarded Honorary Doctorates by the universities of Guelph, New Brunswick and Toronto, and Bishop's University.

He is a recipient of the Order of Canada, the Order of Ontario and was awarded the Commemorative Medal for both the Golden and Diamond Jubilees of Queen Elizabeth II. He also received the 125th Anniversary of the Canadian Confederation Commemoration Medal and the Minister's Lifetime Achievement Award for his contributions to Ontario's college system.

Mr. David Brezer

Mr. Brezer (MBA, P.Eng.) is an experienced director in Ontario's public service. He has served in a number of its ministries and The Cabinet Office of the Ontario Government. His previous responsibilities included pol-

icy in the areas of corporate law, consumer protection and public safety, and developing new agencies and administrative authorities and their oversight. David's current role in Cabinet Office covers economic, transportation and infrastructure policy. He has served on a variety of boards, including the Canadian Commission on Building and Fire Codes and the Governing Council of Professional Engineers Ontario.

Mr. Daniel Hoornweg

Mr. Hoornweg is a well-known expert in the field of waste diversion and reduction. He spent almost 20 years employed by the World Bank in Washington as Lead Urban Advisor where his responsibilities included directing the Bank's global solid waste management program. Dan is now a professor in energy systems engineering at the University of Ontario Institute of Technology. He is also the Province of Ontario's (Technical Standards and Safety Authority) Chief Safety and Risk Officer. Dan started out in the waste management field as Waste Manager with the City of Guelph and Region of Peel in Ontario. He was also Bermuda's Solid Waste Manager for two-and-a-half years. He serves on several boards in Ontario and internationally.

Ms. Alison J. Knight

Ms. Knight is a Fellow at the Institute of Chartered Accountants. She brings extensive corporate financial sector and NGO executive experience to WDO, including service as CAO of the Anglican Diocese of Toronto from 2003 to 2009. Her extensive board governance experience includes membership on two Delegated Administrative Authority boards (Electrical Safety Authority and Board of Funeral Services). She has significant experience in the field of consumer advocacy as a life member of the Consumers Council of Canada and has accumulated more than 10 years of service to its board as a committee member and director. In 2013, she was appointed to the Ontario Securities Commission Investor Advisory Panel.

Dr. Virginia Maclaren

Dr. Maclaren is an Associate Professor and Chair of Geography and Program Planning at the University of Toronto. She has a Ph.D. in Regional Science from Cornell University and a Master's Degree in Regional

Appendix A – Members of the Board of Directors of the Former Waste Diversion Ontario

Planning from the University of Ottawa. Her research interests include waste management, sustainable urban development, environmental assessment, and South East Asia.

Mr. Louis F. O'Brien – Vice-Chair

(resigned in April 2016)

Mr. O'Brien's career includes extensive executive level leadership experience in the private and public sectors. He was President of the \$1.3 billion Parcels Division at Canada Post before assuming the role of Senior Vice-President and Chief Customer Officer. Mr. O'Brien was also a member of the Board of Directors at Puro-lator Courier. He has extensive corporate board experience and an Institute of Corporate Directors (ICD.D) Designation.

A professional engineer and an MBA graduate, Mr. O'Brien is fluently bilingual. He received the 2015 Frank S. Capon Distinguished Service Award for his commitment and contributions to FEI (Financial Executives Institute) Canada as a veteran volunteer leader.

Mr. Brian Rosborough

Mr. Rosborough has worked in public policy in Ontario since 1991 as a policy advisor and senior manager in a number of Ontario government ministries, as a consultant, and as Director of Policy and Government Relations for the Association of Municipalities of Ontario from 2004 to 2009. He joined Wilfrid Laurier University as Director of Government Relations in 2009 and was appointed Senior Executive Officer of Laurier's Brantford Campus in 2013.

Ms. Laura Talbot – Treasurer

Ms. Talbot is the immediate past Chair of the Deposit Insurance Corporation of Ontario Board, has extensive governance experience, and currently sits on the boards and committees of the Accounting Standards Oversight Council of the CPA; Desjardins Financial Security Life Insurance Company; Canadian Partnership Against Cancer (Chair, Finance & Audit); Canadian Food Inspection Agency; Government of Canada Audit - Small Departments; and Society of Management Accountants of Canada Pension Plan. She previously held senior executive roles with the University of Waterloo, the federal government including as COO of the CRTC,

the Canadian Red Cross, and several Canadian utilities.

Ms. Talbot holds an MBA and an Institute of Corporate Directors Designation (ICD.D), is a Fellow of the Chartered Professional Accountants (FCPA, FCMA Quebec), and received the prestigious Quebec award Merite du CIQ.

Dr. Stephen M. Watt – Vice-Chair

(as of April 2016)

Dr. Watt, a computer scientist and mathematician, is Dean of the Faculty of Mathematics at the University of Waterloo. He previously held the title of Distinguished University Professor at Western University. He was also a Director and past Lead Director and Board Chair of the Descartes Systems Group, a publicly traded software-as-a-service company for global logistics. A successful academic and entrepreneur, he has extensive corporate and volunteer board experience and an ICD.D designation.

Prior to joining Western, Dr. Watt was a member of the research staff at the IBM T.J. Watson Research Center (USA), a co-founder of Maplesoft (Canada), and a professor at the University of Nice and INRIA (France).

Appendix B – Members of the Board of Directors and Officers of the Authority

Ms. Glenda Gies – Chair

Glenda is the principal of Glenda Gies & Associates Inc. and has been involved in designing and delivering waste diversion programs for more than thirty years. During the 1980s, Glenda launched curbside and depot collection of packaging and printed papers in the Region of Durham. As the first Executive Director of the former Waste Diversion Ontario, Glenda guided industry funding organizations in the development and implementation of diversion programs under the *Waste Diversion Act, 2002*.

Since 2011, Glenda has provided consulting services in the field of producer responsibility, including leading project teams to develop a producer responsibility program for residential packaging and printed paper for Multi-Material British Columbia and a shared responsibility stewardship program for residential packaging and printed paper for Multi-Material Stewardship Western.

Ms. Joyce Barretto – Secretary-Treasurer

Joyce has experience in the private, public, and not-for-profit sectors with a strong background in corporate services leadership including procurement, risk management and finance. She had held the position of Assistant Deputy Minister for various agencies, and other executive roles in the Ontario Public Service.

Joyce has also been involved in a number of start-ups for not-for-profit corporations with a particular focus on board governance and providing effective support to the operation of board committees. She is currently a member of the Boards of Directors for the Parkinson Canada, Evergreen and the Ontario Brain Institute. Joyce has broad functional expertise spanning corporate governance, complex project management and environmental stewardship.

Mr. David Brezer

David is an experienced director in Ontario's public service. He has held leadership positions in a number of ministries and is currently serving within Cabinet Office. David's responsibilities in Cabinet Office include economic, transportation and infrastructure policy. His previous public service responsibilities included policy and delivery in the areas of corporate law, consum-

er protection and public safety, and developing and launching new agencies and administrative authorities and their oversight.

Prior to joining the Ontario Public Service, David was a manager for the City of Toronto and the private sector. He has served on a variety of boards, including the former Waste Diversion Ontario, the Canadian Commission on Building and Fire Codes, the Governing Council of Professional Engineers Ontario, and Mississauga's Interfaith Food Bank.

Ms. Nidhi Tandon

With a background in development economics, Nidhi began her career as an economics journalist/reporter with the Zimbabwe International News Agency and the BBC Africa Service and subsequently worked for the Commonwealth Secretariat and the Overseas Development Institute in the UK.

In Canada, she established a consulting practice, Networked Intelligence for Development, which provides a range of technical assistance, advice and analysis to international development and financial institutions on sustainable and equitable development. At home in Toronto, Nidhi teaches at Humber and Seneca, is a board director with Oxfam and is an Ombudsman for Banking and Investment Services council member.

Mr. Tom Wright – Vice-Chair

Tom is the elected Chair of the Interim Board of Directors of the Ontario Film Authority, the Bereavement Authority of Ontario and the Condominium Authority of Ontario. Tom became CEO at the Real Estate Council of Ontario (RECO) in 2002 until his retirement in September 2014. RECO was one of the first delegated administrative authorities established by what is now the Ministry of Government and Consumer Services. From 1991 to 1997, Tom was the Information and Privacy Commissioner for the Province of Ontario.

A graduate of Queen's Law School, Tom was called to the Ontario Bar in 1975 and practised law for 10 years prior to joining the Ontario Public Service in 1985.

Appendix C – Chief Executive Officer

Mr. Michael Scott

Michael's extensive experience in the environment and waste management sectors spans the past 25 years. Before joining the former Waste Diversion Ontario as CEO in June 2011, he held senior positions in all sectors, including: Assistant Deputy Minister of Strategic Communications in the Cabinet Office of the Ontario government, president of a national environment association with responsibility for building and operating a major recycling facility in Ontario, the first Executive Director of the Oak Ridges Moraine Foundation, corporate Director of Communications at Inco Limited, Director of Communications at the Ontario Waste Management Corporation, and Assistant to the President of York University.

His volunteer governance experience includes serving as Chair, National Finance, United Church of Canada; Vice Chair, National Board of CUSO; Board of Governors, Metro Toronto YMCA; Executive Committee, Toronto, for the Canadian Institute for International Affairs; Board of Directors, Canadian Organization for Development through Education; and a member of the Fundraising Committee for the Toronto Humane Society.

Michael is a graduate of the Rotman School of Management's Not-for-Profit Governance program. He also holds a Master of Public Administration degree from Queen's University and a BA (Hons) degree from York University's Glendon College.

Mr. Scott left the employ of the Authority on March 31, 2017.



Thinking
beyond
the box

Stewardship Ontario

RPRA Filing on 2016 Program Performance

March 23, 2017

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

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Blue Box Performance Report for 2016

Background and Stakeholder Consultation

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

Stewardship Ontario presented the Blue Box Program performance and fee schedule for 2017 to stewards on October 26, 2016. Relevant documentation, which includes a discussion paper, presentations and Q&As can be found at <http://www.stewardshipontario.ca/engagement/information-sessions/>.

Steward Registration, Reporting & Audit

Steward registration for the Blue Box program totalled 1,903 stewards as of December 31, 2016. The total number of Blue Box steward reports received in 2016 was 1,360 (versus 1,364 in 2015).

The total fees invoiced to the reporting Blue Box stewards in 2016 were \$122,872,314 (versus \$111,777,857 in 2015). These are the fees reported in Stewardship Ontario's Statement of Operations. The increase in 2016 reflects the increased steward payment obligation to municipalities, as determined by Waste Diversion Ontario. Note that steward reports for any prior year's obligations are captured in the year that the reporting takes place.

2016 marked the fifth year of Stewardship Ontario's current compliance review program, the framework of which was designed in cooperation with Deloitte LLP, and was built upon the best practices from European EPR jurisdictions. The criteria for selecting stewards for review gives higher priority to improving overall confidence in the quality of reporting, rather than simply achieving a defined tonnage target. Fifteen compliance reviews relating to 2015 reports were launched in late 2015, with all but one review completed. Compliance is actively working with the steward to complete the one remaining review.

Program Diversion Performance

The Blue Box Program relies on the collection efforts of Ontario municipalities to collect and divert printed paper and packaging from the waste stream. Municipalities are paid 50% of the costs incurred under the Blue Box Program operating at best practices as set out in the Blue Box Program Plan.

Stewardship Ontario continues to exceed the 60% government-mandated recycling target, and saw a mild year-over-year decrease in the general recycling rate from 64.9% to 64.0%. Stewardship Ontario attributes the decrease in tonnes recycled to the shift from paper to plastic (i.e. lightweighting).

While recycled tonnes reported in 2015 (the most recent data year) showed a decline of 3.6% versus 2014, the recycled kilograms per capita declined slightly more at 4.4%. This is the result of both population growth and the reduction of generated/supplied tonnes. All else being equal, light weighting will continue to result in a downward trend of recycled kilograms per capita over time.

Province	Ontario 2015	Ontario 2014	YoY Variance %
Recycling Performance			
Recycled Tonnes	852,437	884,504	-3.6%
Generated Tonnes	1,332,544	1,361,930	-2.2%
Recycling Rate	64.0%	64.9%	-1.5%
Provincial Recycling Target	60.0%	60.0%	
Population Served by PPP Program	13,465,269	13,358,776	0.8%
Recycling kg per Capita	63.31	66.21	-4.4%
Accessibility Performance			
# Households Served	5,427,113	5,365,378	1.2%
% Households with Access to PPP Program	97.6%	97.3%	0.4%
P&E Cost per Capital	\$0.55	\$0.52	5.7%
Consumer Awareness	97.0%	97.0%	0.0%

Program Cost

The overall net cost of the Blue Box recycling system increased by 4.3% or \$10.8M from 2014 to 2015; the net cost per capita increased by 3.4%. The primary reason for this increase in costs is the higher collection and processing expenses.

Metric	2015	2014	YoY Variance %
Cost Performance			
Recycled Tonnes	852,437	884,504	-3.6%
Net Cost	\$263,726,504	\$252,936,907	4.3%
Net Cost per Tonne	\$309	\$286	8.2%
Net Cost per Capita	\$20	\$19	3.4%
Recycled kg per capita	63.3	66.2	-4.4%

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)”.

The key to market development for recyclable material commodity markets is sustainability. Over the past nine years, 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 are, as ever, on-going and Stewardship Ontario staff work to stay at the forefront of evolving technologies and approaches to ensure our market development activities result in tangible and measurable results. Highlights of our work over the last 12 months are summarized below.

Mixed Broken Glass

While we have limited control over some market factors, such as consumer behaviour and participation in recycling, other factors can be influenced, such as quality control in Material Recovery Facilities (MRFs). Work with MRFs has greatly influenced the ability of re-processors to effectively manage mixed broken glass (MBG). During the year, the Continuous Improvement Fund (CIF) prepared and delivered WDO and the MOECC reports on the history and current state of MBG in Ontario. The CIF Committee also identified projects to assist in managing quality issues at various MRFs including equipment upgrades and modifications that will reduce contamination and processing levies if effective. This work will continue through 2017.

Capturing More Materials from Around the Home

In 2016, Stewardship Ontario continued to undertake Curbside and Multi-Family Waste Composition Studies. These studies provide insight for both industry and municipalities on what printed paper and packaging materials residents are actively sorting for recycling. There were nine municipalities participating in these studies, with four locations also providing multi-family waste audits. The data from these studies also provides very important information on the changing mix of materials in the Blue Box stream. This information can be used by both municipalities and industry to plan ahead for program requirements to manage this changing mix. To further bolster the data found at the curb, MRF Material Composition and Density Studies were completed at four Ontario MRFs over two

seasons. Stewardship Ontario updated and provided a series of creative collateral to municipalities for their use in their promotion and education campaigns. A new creative campaign was also designed in 2016. Creative collateral is made available to all municipalities on the Stewardship Ontario website.

Composite Paper Packaging (CPP)

CPP is a form of packaging that is rapidly gaining popularity. By layering high quality fibre with film plastic, and in some cases aluminium, product manufacturers can create a more shelf stable package that is generally smaller in size and creates efficiencies in both transport and shelf space with the retailer. Recycling of these multi-layered packages requires more effort than conventional single-material type packages such as cardboard or cardboard. It is estimated that the amount of composite paper packaging will triple over the next 10 years, replacing materials such as steel, aluminium and glass.

Stewardship Ontario, in partnership with The Carton Council of Canada and Tim Horton’s, has been working on a multi-phase project to ensure there are stable markets for all materials that can be captured within this commodity grade (currently known as PSI-52) and to work with these markets to expand what can be accepted within it.

This grade of material has historically been predominantly made up of polycoat gable-top and aseptic containers. Working with mills to expand this grade to include all polycoat containers (cups, tubs etc.) is integral to ensuring this packaging type made of high grade fibre is not lost to lower value commodities. Further to the work done in 2014 and 2015, SO in conjunction with TITech (equipment manufacturer), worked to improve on the programming of Emterra’s optical sorters in order to improve capture rates of these materials. Results of these tests were presented to Tim Hortons and Emterra. Further work remains on this project to understand the viability in other MRFs.

Plastic Laminates

Similarly to the CPP packaging emergence on the market, plastic laminates are also becoming a very popular packaging choice. At this point in time there are no end-processing solutions in North America. Stewardship Ontario has been working with CIF, CPIA and PAC Next to research and test end-markets for flexible laminate packaging and continues to work with industry partners on discussing ways to manage flexible film plastic and plastic laminates in both the MRF setting and at the end-markets.

Section 2

2016 MHSW Program Performance

MHSW Performance Report for 2016

Background and Stakeholder Consultation

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

Program implementation occurred in two phases – Phase 1 launched in July 2008 with nine materials (Ontario Regulation 542/06; Amended O-Reg 28/08). The Consolidated MHSW program (Phase 2 ‘Special Waste’ and Phase 3 ‘Hazardous Waste’) launched July 1, 2010 bringing the total number of materials to 22. For program plan information please see <http://www.stewardshipontario.ca/stewards-orangedrop/orange-drop-regulations-plans>.

On July 20, 2010 the Minister of the Environment suspended Phases 2 and 3 (Ontario Regulation 298/10) for a 90-day review period. The Minister subsequently announced on October 12, 2010: “The government is permanently ending the household waste program that took effect on July 1.” (Ontario Regulation 396/10). The Minister requested that Stewardship Ontario prepare a revised nine material Phase 1 MHSW program plan and continue to prudently manage Phases 2 and 3 MHSW during a transition period.

In 2016, Stewardship Ontario participated in partnership with Product Care Association in an information session regarding the pesticides, solvents and fertilizers Industry Stewardship Plan (ISP) with the aim of educating stewards about the ISP and explaining the exiting process to leave Stewardship Ontario and join the Product Care ISP.

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

Steward Registration, Reporting & Audit

Steward registration for the MHSW program totalled 538 stewards as of December 31, 2016.

Total number of MHSW steward reports received in 2016 was 1,704 (versus 1,937 in 2015).

The total fees invoiced to the reporting MHSW stewards in 2016 were \$32,955,358. In 2015, \$40,739,927 was invoiced to reporting MHSW stewards. These are the fees as stated in Stewardship Ontario’s Statement of Operations. The decline is due to a large number of stewards exiting the MHSW Program to participate in ISPs. Note that steward reports for any prior year’s obligations are captured in the year that the reporting takes place.

In 2016, thirteen reviews specific to oil filters, antifreeze and oil containers were initiated through the Used Oil Association. Seven of these reviews are now closed, and the remaining six reviews are expected to be closed in the first quarter of 2017. The criteria used for selecting stewards for audits gives higher priority to improving overall confidence in the quality of reporting, rather than simply achieving a defined volume target.

Vendor Registration

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

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

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

Commercial service providers registered for MHSW material management:

	Transporters	Processors
Approved SO Vendors	40	37
New Vendor Reviews Completed	4	4
New Studies		Automotive Plastics

SO has had significant reduction in amount of approved transporters and processor over the past two years due to the removal of supply chain functions for paint, pesticides, solvents and fertilizers. There will be more still in 2017 with the transition of automotive materials to AMS.

Accessibility

The following chart details consumer accessibility by collector type for MHSW in 2016:

Channel - Activity	2016 Actual
Municipal – Depot	89
Municipal – Events	313
Automotive – Commercial Sites	12,000+
Automotive – Do It Yourself (DIY) Sites	985
Return-to-Retail (R2R)	30
Battery Incentive Program (BIP)	5,340
Provincial Parks Program	102

In 2016 there were over 790 new collection sites added. These sites were from the Battery Incentive Program and the Automotive – DIY channels.

Industry Stewardship Plans

On December 10, 2014, the Waste Diversion Ontario (WDO) Board approved an Industry Stewardship Plan (ISP) for paint and coatings. Product Care Association (PCA) assumed the supply chain management of one of the nine Municipal Hazardous or Special Waste (MHSW) materials currently managed by Stewardship Ontario on June 30, 2015.

On October 28, 2015, WDO approved an ISP for pesticides, solvents and fertilizers to be managed by PCA. PCA assumed the supply chain management of three of the Municipal Hazardous or Special Waste (MHSW) materials currently managed by Stewardship Ontario on April 1, 2016.

On August 10, the WDO Board approved Automotive Materials Stewardship (AMS) ISP to manage automotive materials (antifreeze/antifreeze containers, oil filters, and oil containers) with an effective date of no sooner than January 1, 2017. On December 20, the Resource Productivity and Recovery Authority confirmed the ISP effective date to be April 1, 2017.

Program Performance Against Targets

2016 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	4,539	50%	2,270	3,267	72%	997	3,280	-13
Fertilizers	41	n/a	n/a	5	12%	n/a	27	-22
Oil Containers	3,101	52%	1,612	3,921	126%	2,308	3,730	191
Oil Filters	9,739	85%	8,278	8,983	92%	705	9,150	-167
Paints & Coatings (incl. Aerosols)	96	77%	74	0	0%	(74)	4,604	-4,604
Pesticides	50	57%	28	7	14%	(22)	39	-32
Pressurized Containers (Non-Refillable)	700	46%	322	312	45%	(10)	339	-27
Pressurized Containers (Refillable)	417	98%	409	409	98%	-	458	-49
Single-Use Batteries	6,647	40%	2,659	3,226	49%	568	2,330	896
Solvents	1,465	46%	674	100	7%	(574)	427	-327

Notes: Oil Containers performed at 126% of target due to high levels of contamination. Field studies were conducted during 2016 to better quantify contamination. So far, contamination levels are approximately 10% by weight.

2016 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	4,539	50%	2,270	3,267	72%	997	3,280	-13
Fertilizers	41	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Oil Containers	3,101	52%	1,612	3,921	126%	2,308	3,730	191
Oil Filters	9,739	85%	8,278	8,983	92%	705	9,150	-167
Paints & Coatings (incl. Aerosols)	96	62%	59	n/a	0%	-59	3,315	-3,315
Pesticides	50	n/a	-	n/a	n/a	n/a	n/a	n/a
Pressurized Containers (Non-Refillable)	700	46%	322	312	45%	(10)	339	-27
Pressurized Containers (Refillable)	417	98%	409	409	98%	0	458	-49
Single-Use Batteries	6,647	28%	1,888	2,775	42%	887	2,004	771
Solvents	1,465	6%	88	9	1%	(79)	93	-84

Notes: Oil Containers performed at 126% of target due to high levels of contamination. Field studies were conducted during 2016 to better quantify contamination. So far, contamination levels are approximately 10% by weight.

Promotion and Education

The promotion and education (P&E) 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, parks and incentive partners) to achieve diversion targets for all MHSW materials, with a focus on those materials that are underperforming against target.

Orange Drop P&E activities in 2016 fell into the following key areas:

Activity Type
Battery Advertising Campaign
Channel Advertising Support
On the Go Magazine Ad Buy
Social Media

Battery Recycling Advertising Campaign

The primary investment in P&E for 2016 was material-specific for batteries. The 2016 advertising campaign built upon the campaigns run for the last three years, and ran in two phases: spring and fall. Mediums included:

- **Radio** – 792 spots
- **Billboards**: 25 (four of which were digital billboards)
- **Cineplex Video**: 215 screens in both spring and fall phases
- **Go Transit**: 680 posters
- **TTC**: 760 posters
- **Online** – advertising on the Weather Network, resulting in 5,447 clicks

The campaign generated 56,628,821 total impressions.

Channel Advertising Support

The Orange Drop Program continued to partner with Ontario Parks this year. We placed an ad in the Ontario Parks Guide with a circulation of 500,000 English versions and 50,000 French versions. They are distributed widely across Ontario through corporate retail, tourist information centres, chambers of commerce, and other service sector outlets. Our used propane tank drop cages also continue to be at participating parks.

On the Go Magazine Ad Buy

In March 2016, we developed a full page ad and editorial for *On the Go Magazine* reminding residents to bring their hazardous and special waste materials to depots. The ad buy also included 102,660 commercials that replicated our magazine ad on screens throughout Toronto's PATH and Gateway/International Newsstands.

Social Media

We have 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 our battery campaign, shared recycling tips and tricks, reminded residents of our locator tool on our website and encouraged proper recycling of Orange Drop materials. Our social media activity has developed an increased following and facilitated ongoing interactions with residents. Our posts generated over 179,600 impressions throughout the year, with a combined total of 2,917 followers on Twitter and Facebook.

Section 3
2016 Audited Financial Statements

Stewardship Ontario
Financial Statements
For the year ended December 31, 2016

Stewardship Ontario
Financial Statements
For the year ended December 31, 2016

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Independent Auditor's Report

To the Members of Stewardship Ontario

We have audited the accompanying financial statements of Stewardship Ontario, which comprise the balance sheet as at December 31, 2016, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Stewardship Ontario as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants


March 23, 2017
 Toronto, Ontario

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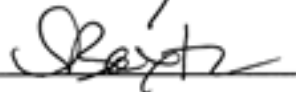
Appendix D – Stewardship Ontario (for Blue Box and Municipal Hazardous or Special Waste Programs)

Stewardship Ontario Balance Sheet		
December 31	2016	2015
Assets		
Current		
Cash	\$ 34,087,469	\$ 27,098,855
Investments (Note 2)	20,278,089	20,086,796
Accounts and other receivables (Note 3)	15,449,300	14,811,812
Loan receivable (Note 4)	-	330,000
Prepaid expenses and deposits	35,768	15,444
	<u>69,850,626</u>	<u>62,342,907</u>
Capital assets (Note 5)	39,689	86,920
Investments (Note 2)	39,891,939	39,178,621
Loan receivable (Note 4)	-	660,000
	<u>\$ 109,782,254</u>	<u>\$ 102,268,448</u>
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 4)	\$ 37,607,160	\$ 32,043,519
Deferred revenue (Note 7)	9,805,560	9,805,560
CIF fund (Note 8)	27,284,448	28,011,710
	<u>74,697,168</u>	<u>69,860,789</u>
Net Assets		
Invested in capital assets	39,689	86,920
Unrestricted	25,134,289	21,670,137
Internally restricted (Note 9)	9,911,108	10,650,602
	<u>35,085,086</u>	<u>32,407,659</u>
	<u>\$ 109,782,254</u>	<u>\$ 102,268,448</u>

On behalf of the Board:



Director



Director

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

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

Stewardship Ontario Statement of Changes in Net Assets				
For the year ended December 31, 2016				
	Invested in Capital Assets	Unrestricted	Internally Restricted	2016 Total
Balance, beginning of year	\$ 86,920	\$ 21,670,137	\$ 10,650,602	\$ 32,407,659
Excess (deficiency) of revenue over expenses for the year	(47,231)	3,464,152	(739,494)	2,677,427
Balance, end of year	\$ 39,689	\$ 25,134,289	\$ 9,911,108	\$ 35,085,086
For the year ended December 31, 2015				
	Invested in Capital Assets	Unrestricted	Internally Restricted	2015 Total
Balance, beginning of year	\$ 162,039	\$ 20,372,953	\$ 11,754,622	\$ 32,289,614
Excess (deficiency) of revenue over expenses for the year	(75,119)	1,297,184	(1,104,020)	118,045
Balance, end of year	\$ 86,920	\$ 21,670,137	\$ 10,650,602	\$ 32,407,659

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

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

Stewardship Ontario Statement of Operations		
For the year ended December 31	2016	2015
Revenue		
Blue Box program steward fees	\$122,872,314	\$111,777,857
MHSW program steward fees	32,955,358	40,739,927
Investment income (Note 10)	1,000,053	1,236,184
	156,827,725	153,753,968
Expenses		
Blue Box Program		
Municipal Transfer Payments	110,833,044	105,641,403
Continuous Improvement Fund (Note 12(b))	4,203,473	1,951,562
Research and development	132,383	264,341
Promotion and education	134,995	3,729
	115,303,895	107,861,035
MHSW Program		
Direct material costs	27,596,535	32,448,085
Promotion and education	487,969	590,591
	28,084,504	33,038,676
Common costs		
Program management (Note 4)	8,398,738	11,374,752
Resource Productivity and Recovery Authority (Note 11)	2,363,161	1,361,460
	10,761,899	12,736,212
Total expenses	154,150,298	153,635,923
Excess of revenue over expenses for the year	\$ 2,677,427	\$ 118,045

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

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

Stewardship Ontario Statement of Cash Flows		
For the year ended December 31	2016	2015
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 2,677,427	\$ 118,045
Adjustments to reconcile excess of revenue over expenses for the year to cash provided by operating activities		
Amortization of capital assets	47,231	75,119
Non-cash component of investment income	470,543	331,743
Changes in non-cash working capital balances:		
Accounts and other receivables	(637,488)	19,082,264
Prepaid expenses and deposits	(20,324)	5,616
Accounts payable and accrued liabilities	5,563,641	(8,720,509)
CIF fund	(727,262)	(2,170,626)
	7,373,768	8,721,652
Investing activities		
Purchase of investments net of expenses	(1,375,154)	-
Proceeds from investments	-	12,336,900
Repayments from loan receivable	990,000	330,000
Repayments from convertible loans receivable	-	1,500,000
	(385,154)	14,166,900
Increase in cash during the year	6,988,614	22,888,552
Cash, beginning of year	27,098,855	4,210,303
Cash, end of year	\$ 34,087,469	\$ 27,098,855

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

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**Stewardship Ontario
Notes to Financial Statements**

December 31, 2016

1. Significant Accounting Policies

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

(a) Business Organization and Operations

Stewardship Ontario ("Organization") is an Industry Funding Organization created under Section 24 of the Waste Diversion Act, 2002 ("WDA") to operate waste diversion programs on behalf of Waste Diversion Ontario ("WDO"). On February 14, 2003, the Organization was formally incorporated in the Province of Ontario as a corporation without share capital. 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, WDO was continued under its new name, the Resource Productivity and Recovery Authority ("RPRA").

Blue Box Program

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

MHSW Program

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

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

(b) Basis of Accounting

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

**Stewardship Ontario
Notes to Financial Statements**

December 31, 2016

1. Significant Accounting Policies - (Continued)

(c) Revenue Recognition

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

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

(d) Financial Instruments

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

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

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

(e) Capital Assets

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

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

(f) Impairment of Long-Lived Assets

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

**Stewardship Ontario
Notes to Financial Statements**

December 31, 2016

1. Significant Accounting Policies - (Continued)

(g) Use of Estimates

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

2. Investments

	2016	2015
Cash held with broker	\$ 775,070	\$ 1,169,102
Fixed income	59,394,958	58,096,315
Common shares, private company	500,000	500,000
Impairment on common shares of private company	(500,000)	(500,000)
	60,170,028	59,265,417
Less: Current portion	20,278,089	20,086,796
	\$ 39,891,939	\$ 39,178,621

Fixed income investments bear interest at 1.70% to 5.68% (2015 - 1.70% to 5.68%) and mature between July 2017 and January 2026 (2015 - June 2016 and August 2020). The decrease in market value of investments for the year ended December 31, 2016 amounted to \$61,388 (2015 - increase of \$33,468) which is included in investment income (Note 10).

**Stewardship Ontario
Notes to Financial Statements**

December 31, 2016

3. Accounts and Other Receivables

	2016	2015
Blue Box and MHSW program steward fees	\$ 15,492,142	\$ 14,821,974
Other	33,891	28,623
Allowance for doubtful accounts	(76,733)	(38,785)
	\$ 15,449,300	\$ 14,811,812

4. Significant Contracts and Loan Receivable

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

Effective January 1, 2014, the Organization entered into a Management Services Agreement with CSSA for management, administrative and technical support, other services and facilities for administrative, technical and reporting activities. During the year, the Organization incurred costs of \$6,191,552 (2015 - \$8,224,645) for these services and are included in program management expenses. Included in accounts payable and accrued liabilities is \$508,959 (2015 - \$846,302) 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 18% (2015 - 17%) of the Organization's board membership.

The loan receivable was a loan to CSSA that bore interest at the bank prime rate and was repayable in five annual principal payments of \$330,000. CSSA repaid the loan during 2016. The Organization received interest of \$15,882 (2015 - \$34,926) during the year.

	2016	2015
Loan receivable	\$ -	\$ 990,000
Less: Current portion	-	330,000
	\$ -	\$ 660,000

All transactions between the Organization and CSSA 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, 2016

5. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 106,688	\$ 105,925	\$ 106,688	\$ 102,675
Furniture and fixtures	459,785	420,859	459,785	376,878
	566,473	526,784	566,473	479,553
		\$ 39,689		\$ 86,920

6. Loan Receivable

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

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

**Stewardship Ontario
Notes to Financial Statements**

December 31, 2016

7. Deferred Revenue

	2016	2015
Blue Box Program Glass Market Development Fund	\$ 666,017	\$ 666,017
MHSW Program Deferred revenue	9,139,543	9,139,543
	\$ 9,805,560	\$ 9,805,560

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

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

8. Continuous Improvement Fund ("CIF")

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

During the year, the CIF received net contributions of \$3,309,805 (2015 - \$2,991,059) and spent \$4,037,067 (2015 - \$4,196,178) on continuous improvement activities. The funds held by the Organization for the CIF are included in cash (2015 - investments).

**Stewardship Ontario
Notes to Financial Statements**

December 31, 2016

9. Internally Restricted Net Assets

	2016	2015
Sustaining Fund	\$ 3,500,000	\$ 3,500,000
Plastic Market Development Fund	4,964,379	5,027,995
Blue Box Fund	1,066,151	1,285,409
Battery Surplus Fund	380,578	837,198
	\$ 9,911,108	\$ 10,650,602

The directors recognized the need for a Sustaining Fund to enable the Organization to carry out its non-profit activities and satisfy all of its obligations and therefore internally restricted \$3,500,000 for this purpose.

The directors authorized the establishment of the Plastic Market Development Fund for investment in infrastructure for plastic markets and activities for their development and therefore internally restricted funds for this purpose. During the year, \$63,616 (2015 - \$134,967) was spent on plastics market development activities.

The directors authorized the establishment of the Blue Box Fund to support future efficiency in the Blue Box supply chain and therefore internally restricted funds for this purpose. During the year, \$219,258 (2015 – \$364,111) was spent on these types of Blue Box activities.

The directors authorized the establishment of the Battery Surplus Fund to promote the safe disposition of batteries. During the year, \$456,620 (2015 - \$495,787) was spent on battery promotional and educational activities.

**Stewardship Ontario
Notes to Financial Statements**

December 31, 2016

10. Investment Income

	2016	2015
Interest income	\$ 1,664,623	\$ 1,760,069
Loss on sale of investments	(409,155)	(365,211)
	1,255,468	1,394,858
Adjustment to fair value	(61,388)	33,468
Investment expenses	(194,027)	(192,142)
	\$ 1,000,053	\$ 1,236,184

11. Resource Productivity and Recovery Authority (formerly Waste Diversion Ontario)

The WDO caused the Organization to be created under the WDA to act as an IFO for waste diversion programs (Note 1). Under the Blue Box and MHSW program agreements, the Organization is required to collect fees to cover both program operations and the program specific and common costs of RPRA that relate to program oversight.

12. Commitments

(a) Glass Market Development Fund

The Blue Box Program Plan committed to pay \$2,901,525 to a Glass Market Development Fund from contributions from stewards of glass. As of December 31, 2016, the Organization has spent \$2,235,508 (2015 - \$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. Currently, 5% of the annual municipal obligation funded by the Organization's stewards is passed along to the CIF each year and any unused amounts are reflected in Deferred Revenue (Note 7). As of December 31, 2016, approved project funding and related commitments for the CIF amounted to approximately \$22,711,221 of the total fund balance of \$27,284,448.

(c) Realty Lease Agreements

Under the terms of lease agreements, the Organization is committed to pay basic rent plus operating costs of approximately \$120,000 in 2017.

**Stewardship Ontario
Notes to Financial Statements**

December 31, 2016

13. Financial Instrument Risk Exposure and Management

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

(a) Credit Risk:

Financial instruments potentially exposed to credit risk include cash, investments, accounts and other receivables, and loans receivable. Management considers its exposure to credit risk over cash to be remote as the Organization holds cash deposits at a major Canadian bank. Management considers its exposure to credit risk over investments to be remote as the Organization invests in federal or provincial government securities, corporate bonds, securities backed by any chartered bank, guaranteed investment certificates or equity and bond pooled funds. Accounts and other receivables, are not significantly concentrated, monitored regularly for collections, and the carrying amount represents the maximum credit risk exposure. The Organization's provision for uncollectable accounts, other receivables and loans receivable is approximately \$376,733 (2015 - \$1,538,785).

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.

**Stewardship Ontario
Notes to Financial Statements**

December 31, 2016

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

(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)).

(d) Market Risk:

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

14. Contingencies

The Organization has been named as a defendant in a claim arising in the ordinary course of business. At this time, the outcome of the claim is not determinable and therefore an estimate of the Organization's liability, if any, cannot be made. Losses, if any, will be accounted for in the period they are determined.

15. Comparative Figures

Certain comparative amounts have been reclassified to conform with the current year presentation.

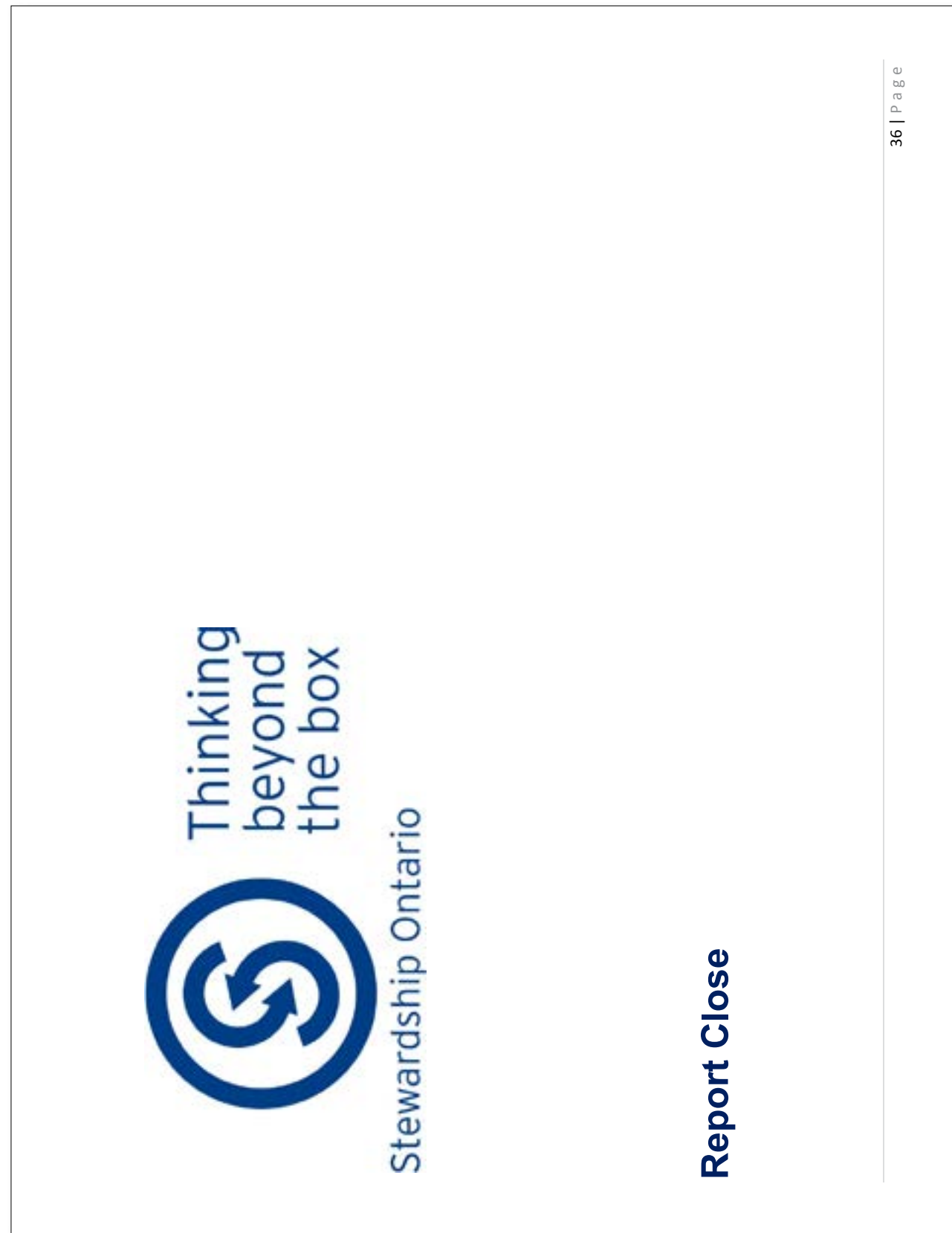
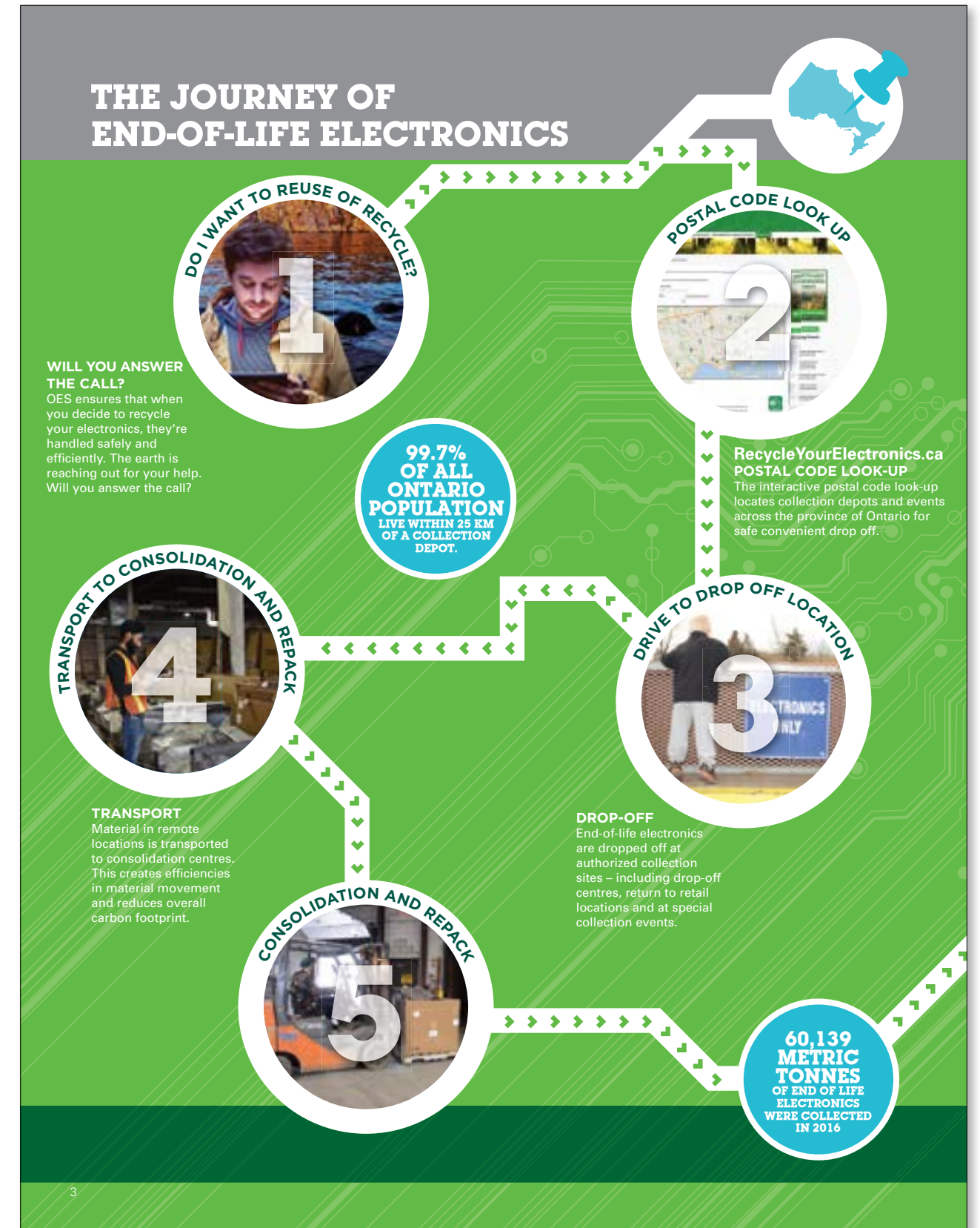
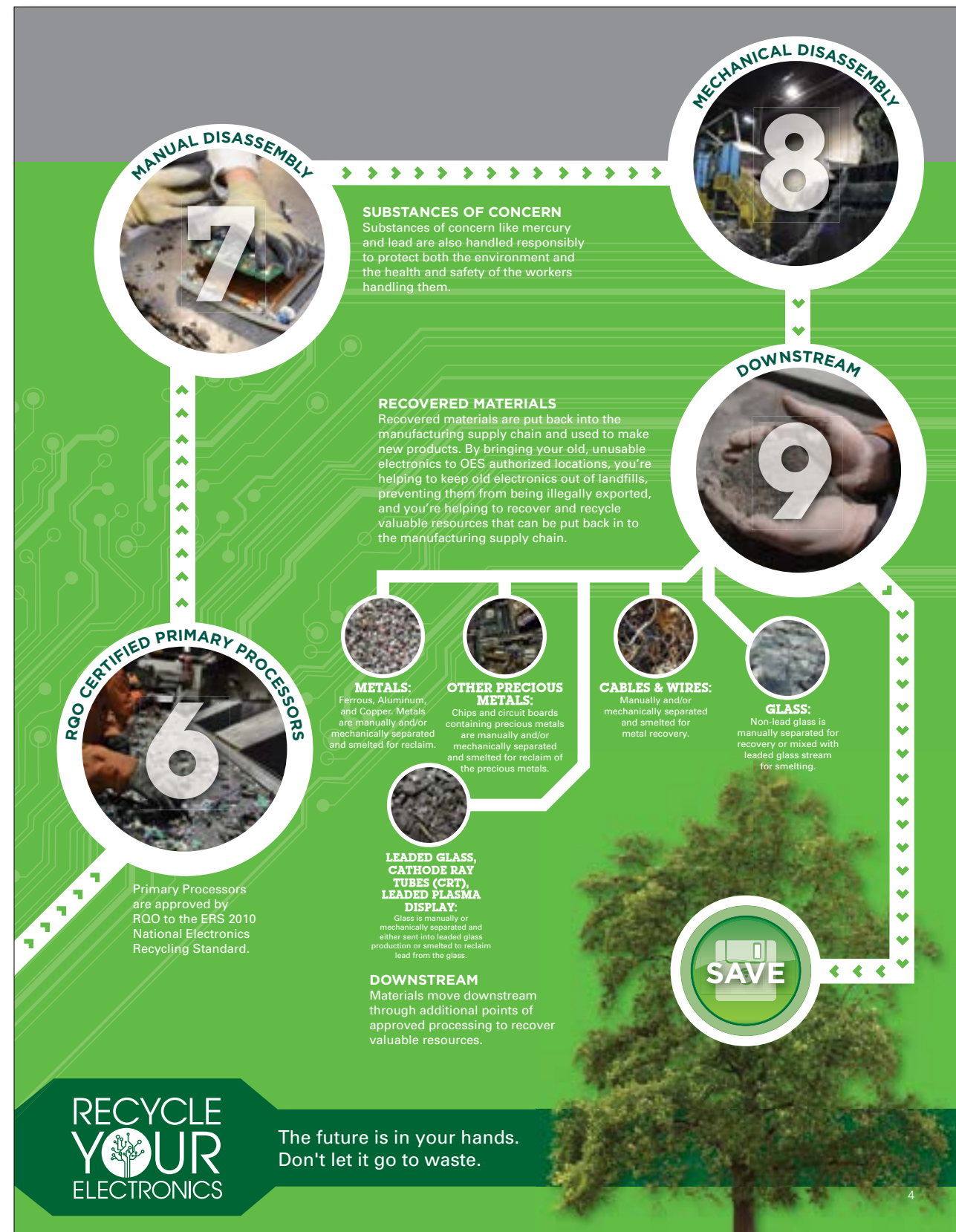


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1.0 OVERVIEW

In 2016, OES recycled 60,139 tonnes of end-of-life electronics (EOLE) in Ontario. We fulfilled this safe, secure compliance on behalf of 917 stewards and the Ontario population that have answered the planet's call for help in diverting e-waste from landfill. Additionally, the communications platform continued to build awareness and support in communities throughout Ontario through events and educational classroom visits.

Collection and Accessibility:
Since the program began, we have diverted 454,907 metric tonnes of end-of-life electronics (EOLE) from landfill to help the environment. Much of the tonnage comes from our 877 collection sites and 381 community collection events. In fact 99.7% of Ontarians live within approximately 25 km of a collection depot.

Education and Awareness:
OES focused its communications on the valuable materials inside end-of-life electronics and the importance of resource recovery. This message was taken directly to 270 classrooms throughout the province resulting in thousands of student interactions, reinforced with interactive games. Special marquee events were held for Earth Week and Waste Reduction Week to further spread the resource recovery message. Awareness increased by 3% over 2015 to 65%.

Efficient Operations:
As a result of program efficiencies and effectiveness, OES was able to reduce program costs.
OES invested much of 2016 meeting with and listening to program Stakeholders and Service Providers – and engaging in Processor consultations. OES also conducted 44 Generator interviews in order to better understand ways the program can further support their collection efforts.
In 2016 OES continued to operate a financially healthy and stable program, with 90% of total program costs going directly towards material management/collection and total cost per tonne was \$1010.

New Oversight Body Proclaimed:
As announced by the Minister of the Environment and Climate Change (MOECC): "On November 30, 2016, the Resource Productivity and Recovery Authority (RPRA) was proclaimed as part of the new Waste-Free Ontario Act, 2016 that received Royal Assent in June, 2016. This means that RPRA, a new oversight, compliance, and enforcement organization, is now in operation..."
This is an anticipated step within the overall plan that began with Bill 151 passing in 2016. OES, will continue operations under the Waste Diversion Transition Act until further specifics unfold. We are pleased to provide this continuity of service and ensure safe, secure recycling for all Ontarians.

Light-weighting:
Light-weighting continues to be an emerging and industry-wide trend. The consumer demand for smaller and lighter products combined with advances in technology continues to drive the reduction in size and weight of electronics products. The evolution of the television is an example of light-weighting in action, as we've moved from the CRT console to the thinner and lighter LED and LCD type screens. The challenge surrounding light-weighting is in determining effective performance measurements when it comes to end-of-life collection, as overall tonnage decreases. From a sustainability standpoint, less tonnage is positive news, but must be considered when setting performance benchmarks and metrics.

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1.0 OVERVIEW

1.1 KEY PERFORMANCE INDICATORS

2016

January - December 2015 (unaudited)

KEY PERFORMANCE INDICATORS



Collection

Operational Indicators



60,139
tonnes



4.47
kg/capita



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

Access

Accessibility Indicators



99.7%



381

Total collection events
(2015 = 347)

877

Total OES collection sites
(2015 = 778)

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

Awareness

Public Awareness and Industry Participation Indicators



65%

Percentage of population aware of the program.
Ipsos-Reid June 2016.
(2015 = 62%)

877

Participating manufacturers, retailers and other industry members (includes stewards/remitters and sub-remitters)

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

Cost

Financial Indicators

\$60,740,274



\$1010



\$895

Total operation costs per tonne
(2015 = \$903)

\$69

Total administration costs per tonne
(2015 = \$69)

\$46

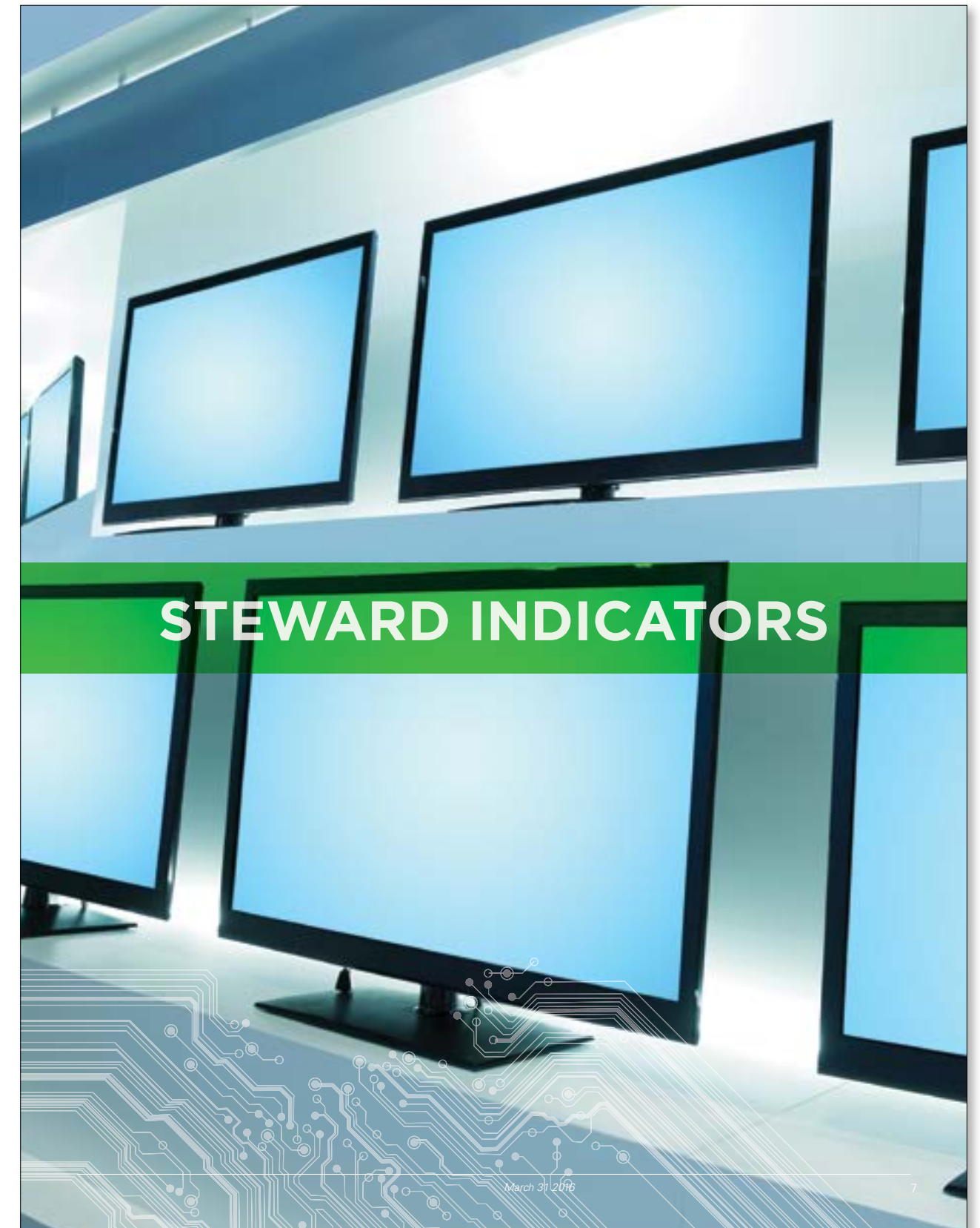
Total Promotion and Education cost per tonne
(2015 = \$44)

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

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

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2.0 STEWARD INDICATORS

2.1 STEWARD OVERVIEW

Organizations who are brand owners, manufacturers, assemblers or first importers of designated electronic or electrical equipment are obliged to register with OES and pay fees to fund the costs of the OES program. Stewards (obligated companies) or Remitters (companies who have assumed the reporting responsibilities from Stewards) register report and pay fees to OES based on units supplied into the Ontario market. Table 1 below presents current steward indicators.

2016 STEWARD INDICATORS

Notified companies since program start	Notified companies	Total Stewards/ Remitters/ Sub-Remitter
5,066	18	
Total units reported	Total fees remitted	917
21,642,034	\$69,198,283	
Active Remitter/ Sub-Remitter Agreements	Cancelled Remitter/ Sub-Remitter Agreements	Total New Agreements
5,936	259	156 Remitter's Agreements 153 Sub-Remitter Agreements
Steward Self-Managed EEE Units	Total Kilograms of WEEE Self-Managed	
963,950	170,535 kg recycled 566,090 kg reused/refurbished	



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2.0 STEWARD INDICATORS

TABLE 1.0 B) SUPPLIED FOR USE IN ONTARIO ACTUAL UNITS

2016 Supply to the Market*

Product	Actual EEE Reported (Units)
Display Devices	1,930,784
Desktop and Portable Computers	3,093,445
Printers and Peripherals	16,602,286
Floor Standing Printing/Copying Devices	15,519

2.2 STEWARD/REMITTERS COMPLIANCE OVERVIEW

Through compliance efforts, OES ensures that designated stewards and remitters comply with program requirements and their obligations under the Waste Free Act 2016. The sections below provide information on risk management approaches to compliance. Where necessary, OES employs a range of approaches to enforce compliance consistent with the terms and conditions of our agreements, the program plan and related rules. Our stewards, remitters and other stakeholders share a mutual interest in compliance designed to reinforce program fairness and protect program integrity.

Steward compliance comprises several aspects:

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

All compliance risk management efforts are posted on our website and presented in the Table 2 below. These capture activities throughout 2016.

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2.0 STEWARD INDICATORS

TABLE 2.0 STEWARDS/REMITTERS

2016 MONITORING & COMPLIANCE

Types of steward monitoring and compliance activity:

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

2016	Stewards/Remitters
Monitoring & Compliance Actions	
Notification mailers	18
Current quarter status report of notification mailer: declaration - obligated	18
Current quarter status report of notification mailer: declaration - not obligated	0
Outstanding notification mailers issued since program inception	251
Current quarter, notification mailer obligated, late filers	3
Notification mailer, outstanding filers	15
Compliance audits - performed	65
Compliance audits - in progress	4

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SERVICE PROVIDERS

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3.0 SERVICE PROVIDER INDICATORS

3.1 SERVICE PROVIDERS OVERVIEW

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

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 via our Material

Tracking System (MTS). Under the PI program qualified generators supply used electronics to Processors for end-of-life management: OES pays an incentive to the Processor in respect of tonnes of eligible program material they have received for processing.

In order to fulfill our mandate of delivery of an accessible and environmentally responsible diversion program, Table 3 presents a list of OES Service Providers.

TABLE 3.0 TYPE OF SERVICE PROVIDER

Type of Service Provider	Total OES Approved Sites
OES Collectors	877
Transportation Companies	60
OES Primary Processors	12
OES Reuse Refurbishers	26
Consolidation Companies	10
Supplies, Special Services and Re-packers	29

3.2 SERVICE PROVIDER COMPLIANCE OVERVIEW

OES ensures that our service providers comply with program requirements. Our service providers and our stakeholders have a mutual interest in compliance that reinforces program standards and protects program integrity. OES Service Providers enter into contracts with OES to meet and fulfill regulated program requirements, and are accountable to do so. 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 following. These capture annual activities.

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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

2016	OES Sites	OES R&R Sites	OES Processors	Generator Sites
Monitoring & Compliance Actions				
Reviews conducted or in progress	267	224	19	218
Downstream reviews conducted or in progress			70	
Defaults Issues				9
Suspension				1

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4.0 PROGRAM ACCESSIBILITY

OES has a robust collection network of approved and affiliate sites and events accessible to all Ontarians wishing to recycle their end-of-life electronics.

The table below provides a summary of accessibility in 2016.

TABLE 5.0 - SUMMARY OF ACCESSIBILITY

OES Collector Sites	Actual 2015	Actual 2016
Permanent locations – municipal	359	371
OES Collection sites added	72	37
Permanent locations - non-municipal ¹	510	561
OES Collection sites added	154	100
Total Permanent Sites²	869	877
Special Event - Public/municipal	56	61
Special Event - Non-municipal	289	318
OES Round-up	2	2
Total Event Based	347	381
Total Generators	1,291	942³
Total Sites & Events	2,507	2,200

1. Non-municipal refers to non-municipal sites and does not necessarily mean that these sites are open to the public
 2. Includes permanent multi-residential locations serviced and satellite sites
 3. Note cleanup of inactive sites and consolidation is resulting in fewer sites in 2016, although maintaining a 96.8% accessibility for Ontarians, and more effective service.

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4.0 PROGRAM ACCESSIBILITY

OES commissioned Environmental Design and Management Limited (EDM) to measure the program's accessibility in 2016. The breakdown of accessibility by OES, generator collection type and overall program accessibility are outlined in the table below. EDM's report found that there's an OES site or affiliated drop-off location within 10 kilometres of 96.8% of Ontarians.

TABLE 6.0 - OES ACCESSIBILITY RESEARCH REPORT

OES Collection Sites		Generator Collection Sites		Total Accessibility	
Catchment Area	% of Ontario Population Within Catchment Area	Catchment Area	% of Ontario Population Within Catchment Area	Catchment Area	% of Ontario Population Within Catchment Area
Kilometers Radius From Site		Kilometers Radius From Site		Kilometers Radius From Site	
10 km	94.5%	10 km	89.8%	10 km	96.8%
25 km	99.6%	25 km	96.7%	25 km	99.7%
50 km	99.8%	50 km	98.1%	50 km	99.8%

²EDM – 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.

³The 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.

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PROGRAM PERFORMANCE

March 31 2016

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5.0 PROGRAM PERFORMANCE

In 2016 OES continued its efforts on delivery of an accessible, environmentally responsible WEEE diversion program diverting 60,139 tonnes of end-of-life electronics from landfill. At the inception of the OES program in 2009, tonnage targets were set for the initial five-year period of 2009 – 2014.

These targets were established using the best available data at the time (2008) but no actual Ontario program experience was available, other provincial programs were new and the electronics industry was on the verge of launching a digital age where technology began to consolidate and get significantly lighter. The tonnage targets were set in the Program Plan for 2009 – 2014. In June 2016 OES submitted a proposal on OES targets for 2016 and an update to the Discard Model.

The existing model exhibited wide divergences on product lifespan assumptions and sales put on market. Product weights were also updated as the weights of televisions have declined by as much as 57% since program inception.

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

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

The total of 60,139 tonnes collected in 2016 represents 4.47 kg of collected material per Ontario resident. From program commencement (2009) to the end of 2016, the

OES program diverted and processed a total of 454,907 tonnes of out-of-use electronics. OES estimates this volume represents approximately 96.6 million devices, a significant amount of end-of-life electronics that have been successfully diverted from landfill.

Ontarians expect that WEEE delivered into the OES program will be handled safely and responsibly. OES ensures that its approved processors adhere to high environmental standards to prevent leaching of substances of concern into roadways, waterways and natural environments.

The difference between “collection” and “recycling” is material that is not diverted for recycling purposes. This includes materials that are landfilled because of no or low recoverable value (e.g. treated wood from console televisions), recovered in slag but not used for another purpose and organic materials that are lost in the smelting process (e.g. plastics that are consumed as energy and not recovered) WEEE Program Plan, reporting an overall program recycling rate of 84% of the collected materials sent for end-of-life management through approved OES Processors. This rate represents the total percentage of materials that was diverted from landfill during the recycling process. For a detailed summary of the total recycled material after efficiency rates have been applied please view Table 8 below.



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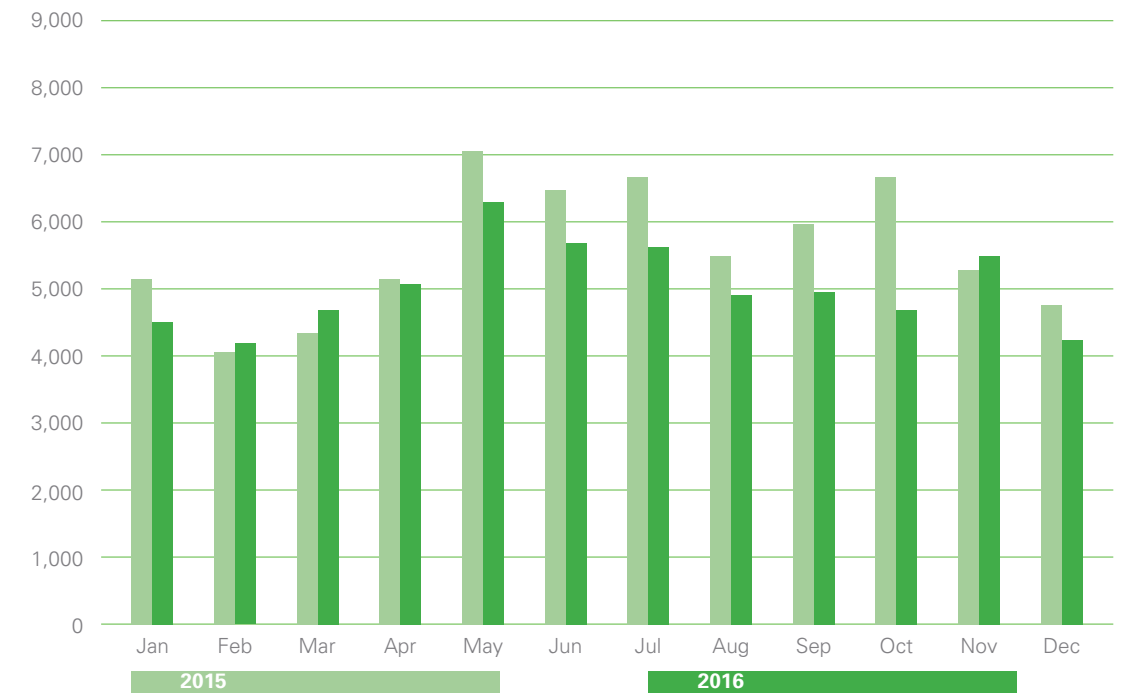
5.0 PROGRAM PERFORMANCE

TABLE 7.0 - TOTAL COLLECTED

Material Category	Actual Tonnes
Display Devices	32,694
Desktop and Portable Computers	6,649
Printers & Peripherals	20,535
Floor Standing	261
Total	60,139
Collection kg/capita*	4.47

*Population data provided by 2016 Census

WEEE Collected in 2016 vs. 2015



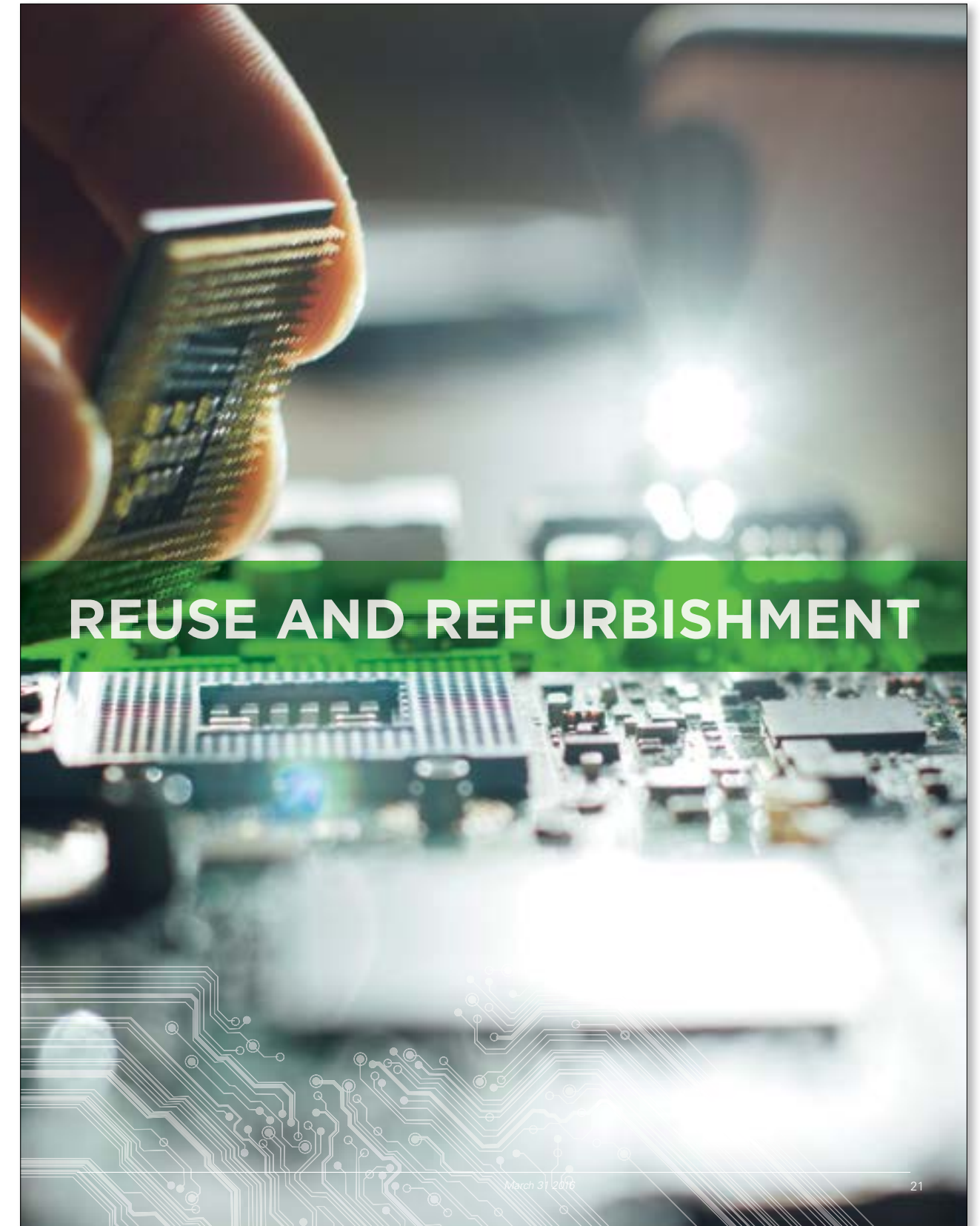
March 31 2016

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5.0 PROGRAM PERFORMANCE

TABLE 8.0 - 2016 TOTAL RECYCLED

EEE Product	Actual WEEE Sent to Processors (Tonnes)	Recycling Efficiency Rate	Total
Display Devices	30,368	83%	25,205
Desktop and Portable Computers	6,176	83%	5,311
Printers & Peripherals	19,074	86%	16,404
Floor Standing	242	82%	198
Total	55,860	84%	47,119



5.1 REUSE AND REFURBISHMENT

5.1 REUSE AND REFURBISHMENT

In 2016, 21 organizations representing 24 OES reuse sites have participated in reuse collection.

TABLE 9.0 - SUMMARY OF REUSE/ REFURBISHMENT ACTIVITY IN 2016

Material Category		Actual Kgs
Display Devices	Computer Monitors	285,813
	Display Devices	170,942
Desktop Computers		1,144,286
Portable Computers		164,787
Computer Peripherals		421,447
Desktop Printing, Copying and Multi-Function Devices		80,611
Telephones and Telephone Answering Machines		7
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		2,267,893



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Text from:
TOMORROW

PROMOTION & EDUCATION

Out of use electronics are composed of reusable materials like plastics, rare earth metals and precious metals which can be recycled into materials and put back into manufacturing. The Earth is reaching out for your help.

Will you answer the call?

RECYCLE YOUR ELECTRONICS

For more info visit
RecycleYourElectronics.ca

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6.0 PROMOTION & EDUCATION

Promotion and education remain key components of the OES WEEE Program. It supports all activities and informs Ontario residents on the importance of responsible end-of-life management of their electronic devices while providing them with information on safe convenient drop-off locations.

In 2016, OES expanded on its communications strategy of putting a spotlight on the valuable materials inside end-of-life electronics with Earth Week and Waste Reduction Week events as well as taking its message directly into Ontario classrooms.

6.1 QUALITATIVE MARKET RESEARCH AND PROGRAM AWARENESS:

In 2016, OES commissioned Ipsos Reid to measure brand awareness of the program. Ipsos Reid conducted survey research among adults living in Ontario and data was weighted to reflect the adult population of Ontario by region, age and gender. Awareness increased by 3% over 2015 to 65%.

2016 Brand Awareness Research Results:

2016 Awareness	18-34	35-54	55+
65%	59%	58%	68%



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6.0 PROMOTION & EDUCATION

6.2 PROMOTION AND EDUCATION ACTIVITY OVERVIEW

In 2016 program advertising on radio, in print, online and out of home spread the message of responsible end-of-life management of electronics.

Marketing Tactical Breakdown

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

New Awareness Promotion



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6.0 PROMOTION & EDUCATION

New Awareness Promotion



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6.0 PROMOTION & EDUCATION

6.3 DIGITAL MARKETING

Recycle Your Electronics Website:

- The total visits to the Recycle Your Electronics website in 2016 was 336,916
- **The 2016 unique visitors have increased greatly by 23.3% when compared to 2015.**
- We now experience more web traffic from mobile devices (187,320) than from desktop (149,596).
- The "Drop-off Locations" page continues to have very high traffic, surpassed only by the homepage.

Ontario Electronic Stewardship Website:

- The total visits to the Ontario Electronic Stewardship website in 2016 was 70,310 – which is down over last year by -16.1%
- The total unique visitors the website experienced in 2016 was 55,031 which is down over last year by -13%

RecycleYourElectronics.ca

Actual Month	2016	2015
Total Visits (Sessions)	336,916	271,958
Unique Visits (Users) (in a month)	267,201	216,692
Pageviews	678,715	583,228
Bounce Rate**	55.78%	52.12%
Avg. Time on Site	1:19	1:30
Visits YoY % +/-	↑ 23.89%	
Unique Visits YoY % +/-	↑ 23.31%	

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

OntarioElectronicStewardship.ca

2016	2015
70,310	83,830
55,031	63,257
188,083	173,814
29.42%	47.83%
1:45	2:02
↓ -16.13%	
↓ -13.00%	



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6.0 PROMOTION & EDUCATION

6.4 PUBLIC RELATIONS: IN 2016

The Spring Overall Campaign Impressions reached 21+ million and Fall Overall Campaign Impressions at 14.8 million. Overall Campaign impressions for 2016 reached 35.8 million.

OES also undertook an integrated advertising campaign partnering with Indie88 and featuring sponsored content and targeted advertising. This resulted in sponsored article views 42% above industry average and a sponsored quiz completion rate of 95%. The integrated advertising campaign resulted in 5827 actions and a total of 264,675 brand impressions.



Tech industry expert, Marc Saltzman and science education industry expert, Alan Nursall teamed up for the “Chat with Experts” feature, discussing the importance of recycling end-of-life electronics. They were featured on Newstalk1010 and CTV Ottawa as well as in a pre-movie segment at Cineplex theatres throughout Ontario.

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6.0 PROMOTION & EDUCATION

6.5 EDUCATION:

In 2016, OES continued rolling out the exciting full year program for Ontario promoting awareness and adoption of end-of-life electronics recycling with the next generation.

School Events:

OES created a province-wide primary school tour for the Recycle Your Electronics Program. The tour engaged thousands of students directly in the classroom environment and featured interactive, hands-on games and activities.

- 270 classroom visits throughout Ontario.
- Thousands of Student Interactions
- Interactive Games

6.6 EVENTS:

Community Collection Events:

OES conducted 381 Collection Events in 2016.

There were five Marquee Collection Events held this year, all featuring live-on-location radio remotes. These included successful returns to the Chinese language event at Woodside Square and to the Evergreen Brick Works and new Marquee Events in Liberty Village, Orillia and Peterborough. These events were all supported with new event kits, including promotional signs for use on the event day.

In total at the five Marquee Events, 72.9 tonnes were collected with 7,173,239 total impressions and an average increase in web traffic of 37.26%.



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6.0 PROMOTION & EDUCATION

6.7 SUMMARY OF MARQUEE PROMOTIONAL EVENTS

Liberty Village Collection Event

The Liberty Village Marquee Event featured a live radio remote by Indie88. In the weeks leading up to the event there was also a “pick-up hotline” allowing area businesses to arrange for on-site pick-up of their out-of-use electronics. In addition 15 business displayed event posters in their windows and 15 condos featured postcards in their lobbies. There was a total of 1000 on-site interactions and 2.2 tonnes of end-of-life electronics collected.

Evergreen Brick Works Collection Event

OES teamed up with Indie88 at Evergreen Brick Works to promote the message of responsible electronics recycling to over 519,000 listeners throughout the GTA. The one day event promoted the key program messages of responsible end-of-life management of electronics, collecting 2.3 tonnes and generating 623,000 impressions.



Woodside Square Collection Event

The return to Woodside Square was once again a great success, garnering media attention throughout Chinese media print and radio outlets with a large community turn out at the event. Featuring a live-on-location remote from Fairchild Radio, the one day event collected 63.9 tonnes of end-of-life electronics and generated 6,107,660 impressions.

Lansdowne Place, Peterborough Event

Leading up to the collection event the Recycle Your Electronics street team interacted with 435 people at the Peterborough Musicfest. The day of the event featured a live radio remote with Wolf FM, collected 2 tonnes of end-of-life electronics and reached 278,000 impressions.

Home Hardware Building Centre, Orillia Event

Featuring a live-on-location remote from Rock 95 the Orillia the event generated 700+ interactions, collected 2.5 tonnes of end-of-life electronics and reached 163,956 impressions.



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6.0 PROMOTION & EDUCATION

Point of Sale Materials

Brochures are provided free of charge to all retailers to educate consumers as they purchase new electronics. Over 650,000 brochures were distributed in 2016.

To read the 2016 consumer brochure:

http://recycleyourelectronics.ca/pdf/EHF_Consumer_Brochure_vertical0602.pdf

6.8 STAKEHOLDER COMMUNICATIONS

- Program newsletters were circulated to stakeholders on a quarterly basis
- Steward webinars were conducted on a quarterly basis

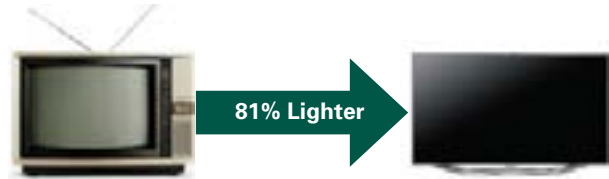


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7.0 EMERGING TOPIC REGARDING THE PROGRAM

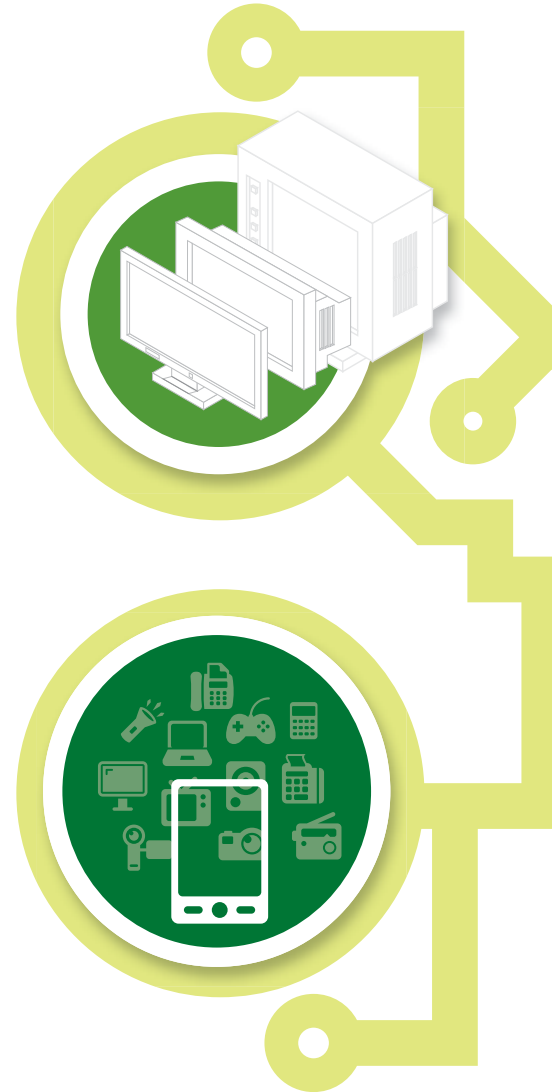
Light-weighting, consolidation and miniaturization of products is a continuing trend in the electronics industry and poses challenges for accurate program metrics and measures.



Desktop Computer 27 kgs/60 lbs
Laptop Computer 2.9 kgs/6.4 lbs
Tablet 453 g/1 lb
Smart Phone 136 g/4.8 oz



OES is mentoring the light-weighting trend and recommends non weight based measures for evaluating an effective program. Measures such as awareness and accessibility are proving meaningful.



March 31 2016

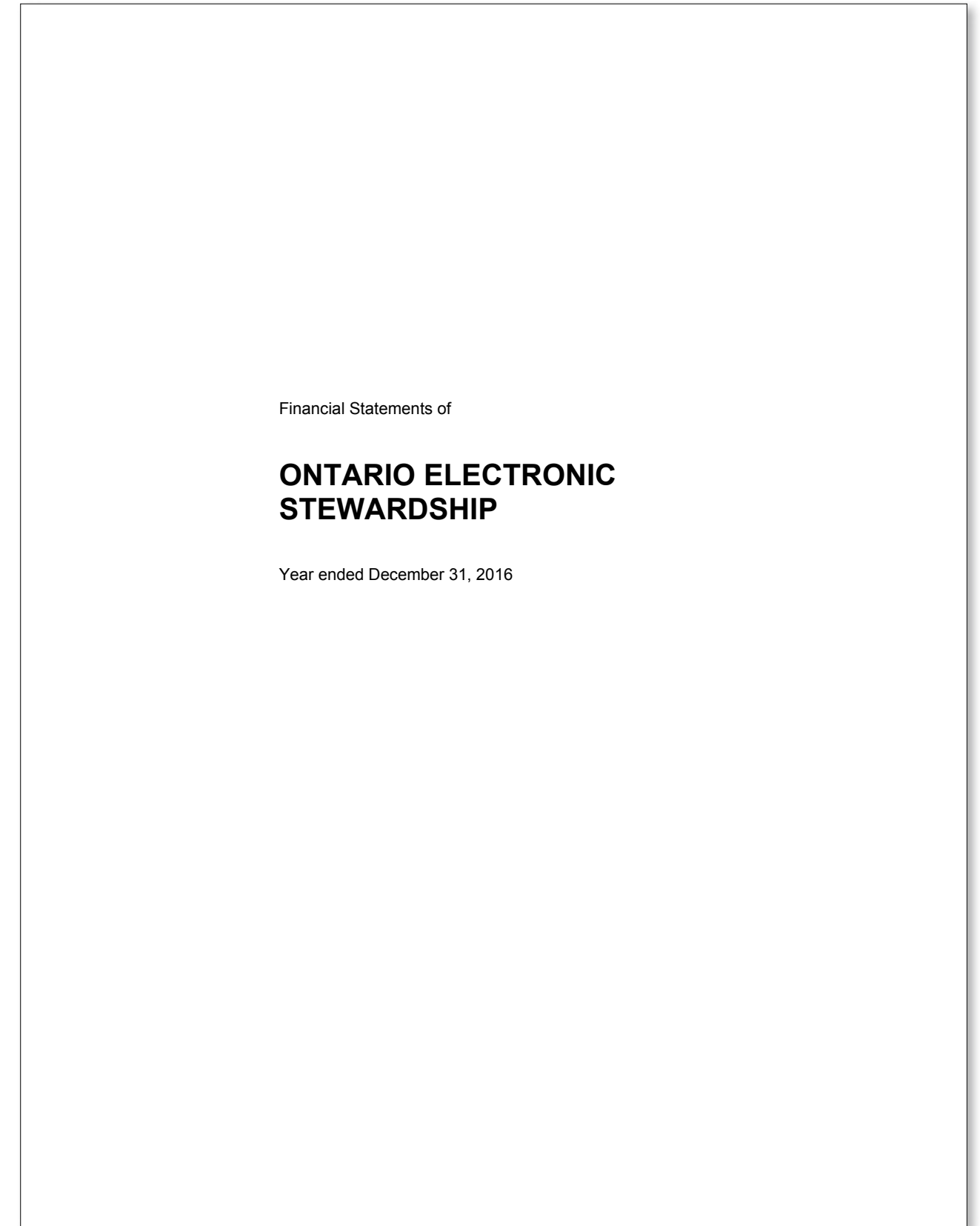
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8.0 AUDITED FINANCIAL STATEMENTS

2016 FINANCIALS ATTACHED SEPERATELY

March 31 2016

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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

We have audited the accompanying financial statements of Ontario Electronic Stewardship, which comprise the balance sheet as at December 31, 2016, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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



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Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Ontario Electronic Stewardship as at December 31, 2016, 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.

Comparative Information

The financial statements of Ontario Electronic Stewardship as at and for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 10, 2016.

Chartered Professional Accountants, Licensed Public Accountants

April 6, 2017
Vaughan, Canada

ONTARIO ELECTRONIC STEWARDSHIP

Balance Sheet

December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	\$ 24,360,912	\$ 16,544,889
Investments (note 2)	15,452,321	15,299,854
Accounts receivable	12,529,820	12,909,134
Prepaid expenses	8,515	28,940
	<u>52,359,568</u>	<u>44,782,817</u>
Capital assets (note 3)	18,103	85,177
	<u>\$ 52,117,671</u>	<u>\$ 44,868,094</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 7,720,134	\$ 9,235,179
Net assets:		
Invested in capital assets	18,103	85,177
Contingency reserve (note 5)	44,379,434	35,547,738
	<u>44,397,537</u>	<u>35,632,915</u>
	<u>\$ 52,117,671</u>	<u>\$ 44,868,094</u>

See accompanying notes to financial statements.

On behalf of the Board

Pete Huk Director

ONTARIO ELECTRONIC STEWARDSHIP

Statement of Operations

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Steward fees	\$ 69,199,783	\$ 72,088,800
Investment	305,113	278,052
	<u>69,504,896</u>	<u>72,366,852</u>
Direct operating costs:		
Material management	53,854,441	60,587,012
Other expenses:		
Shared promotion and education	2,758,158	2,970,260
Waste Diversion Ontario administration and program delivery	552,907	404,481
Program delivery and administration (note 6)	3,574,768	4,210,540
	<u>6,885,833</u>	<u>7,585,281</u>
	<u>60,740,274</u>	<u>68,172,293</u>
Excess of revenue over expenses	\$ 8,764,622	\$ 4,194,559

See accompanying notes to financial statements.

ONTARIO ELECTRONIC STEWARDSHIP

Statement of Changes in Net Assets

Year ended December 31, 2016

	Invested in capital assets	Unrestricted	Contingency reserve	Total
Balance, beginning of year	\$ 85,177	\$ –	\$ 35,547,738	\$ 35,632,915
Excess (deficiency) of revenue over expenses	(67,074)	8,831,696	–	8,764,622
Transfer to contingency reserve (note 5)	–	(8,831,696)	8,831,696	–
Balance, end of year	\$ 18,103	\$ –	\$ 44,379,434	\$ 44,397,537

See accompanying notes to financial statements.

ONTARIO ELECTRONIC STEWARDSHIP

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 8,764,622	\$ 4,194,559
Items not involving cash:		
Amortization of capital assets	67,074	153,923
Non-cash component of investment income	(130,540)	(112,454)
Loss on disposal of capital assets	–	2,564
Change in non-cash operating working capital:		
Accounts receivable	339,315	6,732,694
Prepaid expenses	22,424	(9,719)
Accounts payable and accrued liabilities	(1,515,045)	353,947
	7,547,850	11,315,514
Investing activities:		
Purchase of investments	(15,331,781)	(15,187,500)
Proceeds from investments	15,299,954	15,137,158
Purchase of capital assets	–	(16,945)
	(31,827)	(67,287)
Increase in cash	7,516,023	11,248,227
Cash, beginning of year	16,544,889	5,296,662
Cash, end of year	\$ 24,060,912	\$ 16,544,889

See accompanying notes to financial statements.

ONTARIO ELECTRONIC STEWARDSHIP

Notes to Financial Statements

Year ended December 31, 2016

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

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

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

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

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

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

1. Significant accounting policies:

(a) Revenue recognition:

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

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

ONTARIO ELECTRONIC STEWARDSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(b) Financial instruments:

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

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

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

(c) Capital assets:

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

Computer equipment	3 years
Office equipment	5 years
Containers	10 years
Leasehold improvements	Term of lease

ONTARIO ELECTRONIC STEWARDSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

Intangible assets with finite lives are recorded at cost and are amortized over their useful lives, beginning once the asset is ready for use. The computer software is being amortized on a straight-line basis over 3 years.

(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 consist of guaranteed investment certificates ("GICs"), bearing interest at 0.95% per annum and maturing April 2017. The GICs include accrued interest of \$130,540 (2015 - \$112,454).

3. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Capital assets:				
Computer equipment	\$ 19,887	\$ 12,091	\$ 7,796	\$ 13,678
Office equipment	933	933	–	5,200
Containers	11,976	6,063	5,913	7,111
Leasehold improvements	–	–	–	1,743
Computer software	907,041	902,647	4,394	57,445
	<u>\$ 939,837</u>	<u>\$ 921,734</u>	<u>\$ 18,103</u>	<u>\$ 85,177</u>

ONTARIO ELECTRONIC STEWARDSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2016

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$1,233,960 (2015 - \$1,149,081), 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 operating deficit.

6. Significant contracts:

The Organization is entered into a Service Agreement with the Electronic Products Recycling Association ("EPRA"), whereby EPRA is to provide the Organization with management and administrative duties under the Program Agreement. The Organization paid \$2,920,204 (2015 - \$2,512,361) to EPRA during the year. Included in accounts payable and accrued liabilities is \$659,944 (2015 - \$236,848) due to EPRA.

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

7. 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 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 2015.

ONTARIO ELECTRONIC STEWARDSHIP

Notes to Financial Statements (continued)

Year ended December 31, 2016

7. 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 2015.

(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 2015.



Message from the Chairman



Throughout 2016 OTS has continued its focus on delivering the diversion results that ensure the recycling of 100% of the available scrap tires and programs and funding to support the growth of innovative and sustainable markets for recycled products made in Ontario. Stimulating the end markets for recycled tire products and moving these uses “up the value chain” has been a hallmark of the OTS program since inception and the combination of R&D support, demonstration project financing and rebates offered at retail to Ontario consumers has helped to grow a tire recycling industry in Ontario that is competitive, innovative and second to none in the world in terms of the recycling outcomes delivered. OTS is proud to be a driver of the circular economy in Ontario, and is recognized internationally for the progressive and market-focused design of the program we deliver.

But 2016 has also been a difficult year for OTS. The Board confronted challenging issues related to a misappropriation of funds and worked diligently to successfully resolve them. In the end OTS achieved the full recovery of the funds and further demonstrated the effectiveness of its oversight by delivering the 6th consecutive Tire Stewardship Fee decrease on Passenger and Light Truck tires, and an almost 6% decrease in Off-Road tire rates. This track record of delivering cost savings is unparalleled among stewardship programs and highlights the diligence of the Board in executing its duties as a trustee of the funds paid by Stewards.

Since program launch change has been a constant companion to OTS - in the new tire markets, in the tire recycling industry and in the political environment. In November of 2016 the Government of Ontario proclaimed into force the Waste Free Ontario Act (WFOA). This step marks the beginning of a process that will see OTS (indeed all Industry Funding Organizations) wound down and tire producers becoming individually responsible for implementing tire diversion solutions.

As OTS looks to the future and to the significant changes to come the Board and leadership of OTS remain committed to delivering the program in accordance with our mandate. Undoubtedly 2017 will also require OTS to turn its attention to planning for wind-down, and in that process we will look for a responsible solution to ensure the best elements of the current program and the gains made in tire recycling in Ontario are preserved.

As always my thanks go to the Directors, Staff and many stakeholders of OTS for their continued commitment, professionalism and diligence on behalf of the organization. It is thanks to their collective efforts that we can be justifiably proud to deliver world-class end-of-life tire management results to Ontarians.

Sincerely,

A handwritten signature in blue ink, appearing to read "Glenn M." with a stylized flourish at the end.

Glenn Maidment,
Chairman

Message from the Executive Director



Having led OTS since the launch of the program in September 2009 I feel that the results we have achieved in 2016 demonstrate more than ever before the commitment of the entire organization to delivering the pre-eminent stewardship program in the world. Since day one we have been focused on supporting the growth of a domestic industry that is vibrant, competitive and innovative, and capable of matching up against that in any other jurisdiction, period.

The proclamation of the Waste Free Ontario Act and the negative narrative that has dominated the media over the past year make it even more important than ever to assess the true merits of the program and the results that have been achieved in just over seven years: a 200% increase in tire recycling capacity and manufacturing using Ontario-produced crumb rubber, tripling of the Hauler sector, improving service and market competition; the elimination of illegal dumping of used tires and clean-up of historic stockpiles; millions of dollars flowed back to Ontario communities and consumers to grow demand for Ontario-made recycled rubber products; and improvements in tracking and reporting used tire diversion that have reduced costs and improved both program and service provider efficiency. All these successes were realized by OTS while we also reduced diversion costs and fee rates by up to 40%. This is a track record that I am extremely proud of, and one that reflects the true value of the program to Ontario.

To be sure there have been challenges, the industry continues to evolve and this changing market dynamic has resulted in disruption to some service providers business models. While OTS has an obligation to ensure a fair and competitive market, our role is not to intervene on behalf of any one company who may be facing competition from another. This has required us to walk a fine line between monitoring how the business is changing while not interfering in commercial relationships between organizations. Our approach may not always be perfect, but the results speak to the successful outcomes, no Collector has gone without service, no tires have been left unprocessed and diversion rates continue to be high.

This tradition of financial and environmental diligence and results are a credit to the people who work here on the OTS team, and to the capability and entrepreneurial spirit of the service providers with whom we work. To each one of them I extend my thanks for their efforts and the results we have achieved together this past year.

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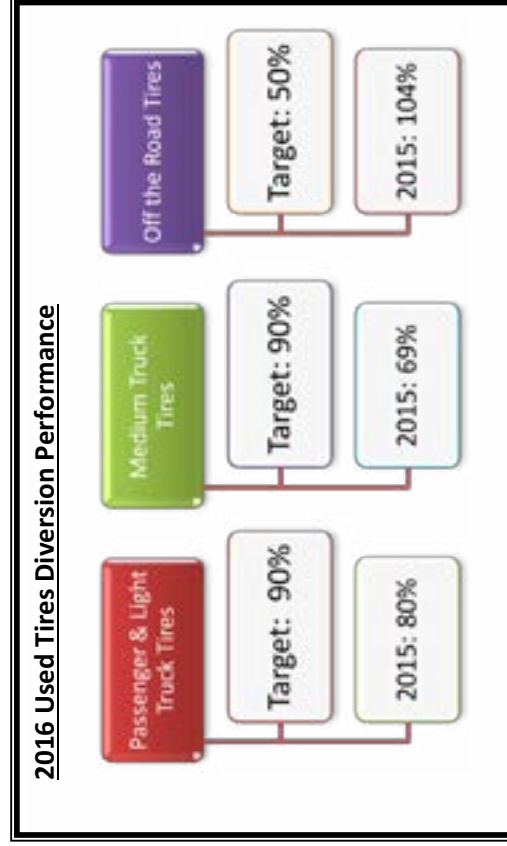
Sincerely,

Andrew Horsman
Executive Director

Introduction

For OTS 2016 was a year to focus on enhancing the value proposition of the Used Tires Program (UTP) by both enhancing high-value diversion while also lowering costs for Stewards and Consumers. Processing expenses were lower than in 2015 as a result of annualizing the impact of the incentive rate reduction implemented mid-way through 2015 and Manufacturing expenses were reduced through an incentive rate reduction implemented in January 2016. Overall tire supply was marginally stronger than in 2015, contributing to slightly higher revenues than budgeted, though significantly lower than actual 2015 revenues as a result of the significant Tire Stewardship Fee (TSF) rate reductions. The production of higher-value crumb rubber continues to dominate Processor output, feeding the demand by Ontario Manufacturers to supply their production or products using crumb rubber.

Demand for used tires south of the border, in particular Medium Truck tire casings suitable for retreading, coupled with the economic incentive of the exchange rate disparity between the Canadian and US currencies has negatively impacted the reported flows of used tires into the



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program as these used tire flows to the US market are typically not reported to OTS. Efforts to secure reporting from stakeholders, Canada Border Services Agency and Statistics Canada have proven unsuccessful.

While reported diversion rates lag historic targets these decreases are a result of a combination of the underreporting of culling of used tires and the assumptions used in calculating the diversion rate. They do not indicate an issue with actual used tire collection and recycling, and there is no evidence to suggest that used tires are not being collected and diverted, or that Collectors are having trouble having their used tires picked-up by registered Haulers.

High-value crumb rubber production continued to comprise an overwhelming majority of total Tire-Derived Product (TDP) output, now representing over 94% of the output of Ontario Processors. The demand for Ontario-produced crumb rubber among Ontario Recycled Product Manufacturers (RPMs) has increased to approximately 61% of the overall production of TDP in 2016, highlighting the continued success of the OTS approach in supporting the growth of these domestic markets.

Communicating with Stakeholders

One of the keys to delivering a successful program is by frequently and effectively engaging the range of stakeholders that OTS works with to ensure the smooth and efficient diversion of used tires. As an organization we strive to provide our stakeholders with information that is relevant to their roles in as transparent and timely manner as possible.

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

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

The OTS Technical Committee is the primary mechanism through which OTS solicits feedback from the Ontario tire recycling industry on emerging market trends, program operation and proposed operational changes to the program. The Committee serves to collaboratively identify

issues and devise solutions proactively. The Technical Committee also provides volunteers for sub-committees for more targeted policy and procedure development, which are then brought back to the larger group for discussion.

Through this inclusive approach OTS has been able to successfully address and implement a range of operational enhancements and changes which have resulted in more efficient program operations, lower program costs and enhanced tire movement traceability and oversight by OTS. The chart below outlines the key stakeholder communications that took place in the 2016 calendar year.

Type of OTS Activities	Date of Activity	Steward	OTS Participant Types			
			Collector	Hauler	Processor	Recycle Product Manufacturers
Technical Committee Meeting						
Technical Committee Meeting	March 1, 2016		X	X	X	X
Technical Committee Meeting	June 29, 2016		X	X	X	X
Technical Committee Meeting	November 9, 2016		X	X	X	X
Consultations						
Hauler TI Rate Consults	Dec 19 - 20 2016			X		
Training - Webinar						
Steward Training - TreadMarks Online	Q1	X				
Collector Training - TreadMarks Online	Q1		X			
Hauler Training - TreadMarks Online	Q1			X		
Processor Training - TreadMarks Online	Q1				X	
RPM Training - TreadMarks Online	Q1					X
E-Mail Blasts						
2016 Semi-Annual Reporting Schedule	February 19, 2016	X				
OTS Notice: Tire Stewardship Fees Effective May 1, 2016	March 2, 2016	X				
Canada Post Notification - OTS Payment	June 27, 2016	X				
DOT Pick-Up Process Change- Effective July 7, 2016	July 7, 2016			X		
Final TI Rate Review Project Update	December 16, 2016			X		
Final TI Rate Review Project Update	December 16, 2016				X	

2016 Tire Supply

2016 On-Road tire supply increased by approximately 2.1% versus 2015, and Off-Road tire supply decreased by 1.1%.

2016 Tire Supply in Tonnes		
Tire Type	Weight	Previous Year (2015)
PLT	116,230	113,524
MT	45,448	44,858
OTR	18,225	18,422
		% Change
		2.4%
		1.3%
		-1.1%

Collection, Transportation & Reuse

At the end of 2016 there were 7,200 Collectors registered with OTS. As reported in past years this number is less than the program plan target (40%), 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.

2016 Collection Sites*	Year 5 Collection Sites Target	Actual Collection Sites		Actual as a % of Year 5 Target
		December	December	
Garages	3500	3426	3219	98%
Municipal Waste Management Sites	30	405	386	1350%
Tire Retailers	14200	2685	2689	19%
Mass Merchants	357	0	0	0%
Other Private Collection Sites	30	684	645	2280%
Total	18117	7200	6939	40%

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

In 2016 used tire collection was 142,603 tonnes with On-road tire collection of 124,191tonnes and OTR tire collection of 18,412 tonnes.

2016 Used Tires Collection		
	2016 Tonnes	2015 Tonnes
Passenger & Light Truck Tires	90,036	88,835
Medium Truck Tires	34,155	32,122
Off-The-Road Tires	18,412	16,472
Total	142,603	137,429

In 2016, OTS also managed 42 Special Tire Collection (STC) events which resulted in the collection of over 27,000 tires, or approximately 480 tonnes of tires.

OTS registered Haulers delivered 136,748 tonnes of tires to OTS registered Processors in 2016 with 100% being delivered to Processors located in Ontario. Processing capacity continues to significantly exceed available scrap tire supply, creating a unique (among North American jurisdictions) and highly competitive provincial market for these highly recyclable products.

2016 Deliveries to Processors	Tire Type				Total	% of Total Tonnes Delivered	2015 % of Total Tonnes Delivered
	PLT	MT	OTR				
In Province Deliveries*	89,193	33,095	15,440		137,728	99%	99%
Out of Province Deliveries	0	0	0		0		0%
Processor Cull (-ve)*	973	7	0		980	1%	1%
Total Deliveries	88,220	33,088	15,440		136,748		

* "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. In 2016 this low rate of reporting has manifested itself most glaringly in the Medium Truck (MT) tire category with the reported collection rate falling to 73% in 2016. Based on discussions 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".

Total 2016 Reuse vs Retreading				
	PLT	MT	OTR	% of Reuse in 2016
Reuse	2,815	1,090	187	100%
Retread	0	0	0	0%
Total	2,815	1,090	187	

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.

Scrap Tire Processing and Recycled Product Manufacturing

2016 crumb production was down slightly from 2015 (94.5% versus 96.4%) however this is believed to be due to a shift in the timing of product sales (the point at which OTS records TDP production) rather than any actual degradation in product output. In late Q3 2016 one of the largest tire processors was acquired by a competitor, and the market seasonality for the acquiring firm is different than the original processor. As a result we expect this decrease to be a transitional issue rather than a structural shift in TDP output.

2016 TDP Production			
Tire Category	TDP Type	Weight (TN)	2015 Weight (TN)
On Road Tires	TDP1	9,869	10,910
	TDP2	60,445	64,794
	TDP3	172	
	TDP4	4,844	3,158
	TDP5	28	29
	Total	75,358	78,891
Off Road Tires	TDP1	3,310	4,327
	TDP2	7,605	6,698
	TDP3	1,837	3,920
	TDP4		
	TDP5	0	198
	Total	12,752	15,143
Total TDP Tonnes		88,110	94,034

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

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 1/4" sieve, free of steel
TDP4	Fabricated products such as bleaching 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.

2016 Residuals Management			
End Use	Material Type		Total
	Fluff	Steel/Metal	
Recycled/Reused	1,041	20,319	21,360
Disposal	14,913	28	15,296
Total			36,656
			% of Total Residuals
			58%
			42%

In 2016 crumb rubber use in the manufacture of recycled products increased as a percentage of total crumb output by Processors, accounting for 61% (versus 59% in 2015).

TDP Used in Ontario Recycled Products		
Product Type	2016 Weight (TN)	2015 Weight (TN)
Moulded	51,868	34,101
Extruded	1320	1310.00
Calandered	820	19,804
Total	54,008	55,215

OTS Market Development Activities & Educating the Consumer

2016 Promotion & Education Activities

Ontario's environment, Ontario's economy and Ontario's communities were at the core of OTS' P&E programs and initiatives in 2016. Integrated P&E programs focused on delivering our key messages of diversion, responsible recycling, market innovation and environmental sustainability. These were central themes in 2016, with key messages delivered utilizing a variety of tactics and tools, including:

- community grants
- collection events
- rebate programs
- consumer and trade shows
- community events
- design competitions
- media relations
- digital marketing & social media
- strategic partnerships

A comprehensive communications and media plan, focused on our key messages, delivered impressive results, yielding 18.6 million earned media impressions in 2016, achieving a notable 29.5% increase over 2015 results (14.4m). Utilizing print, radio, tv, and social and digital mediums to support our P&E programs, we ensured our messages enjoyed wide coverage and broad reach.

In 2016, OTS awarded 22 grants totalling over \$300k in funding, to help municipalities, community groups and non-profit organizations revitalize their community spaces using products made from Ontario's scrap tires. Projects included arena and athletic flooring, playgrounds and sidewalks and helped demonstrate the durability and benefits of incorporating recycled rubber into both outdoor and indoor projects. Media outreach in support of the Grant program generated 2.1 million impressions. Additionally, an Audio News Release featuring OTS spokesperson Ziya Tong, encouraged communities to submit a CRF grant application, and enjoyed wide media pickup, with almost 900k impressions.

Celebrating its 7th year in 2016, OTS was proud to support OARA Tire Take Back. This annual community collection event, hosted in partnership with Ontario Auto Recyclers Association (OARA), and Ontario Farmers Association (OFA), collected over 64,000 tires, and generated almost \$118k in donations to support The Sunshine Foundation of Canada. Media outreach in support of OARA Tire Take Back achieved over 928k impressions.

In 2016, OTS hosted its bi-annual student experience, where 9 teams of students from colleges and universities across Ontario took part in OTS' Student Design Challenge. Landscape design students were tasked with using recycled tire materials to reimagine and redesign the landscape at Artscape Youngplace in Toronto. Industrial Design students were charged with developing a new product that could be used in a landscape environment, manufactured using recycled tire rubber materials. Communications outreach following the competition generated regional media impressions totalling over 100k impressions.

The creation of content, such as blogs, videos and social posts, has proven a highly effective way to communicate key messages and provide educational information. In 2016, we created Matte stories (pre-formatted, print-ready articles) in Q2 and Q4, focused on themes of DIY/home décor using recycled rubber products; safe tire maintenance; and eco-friendly habits, which garnered 7.8 million impressions. We also produced two educational consumer videos, promoted via Facebook, YouTube and Instagram. "Life of a Tire" enjoyed 338,086 views and 1,375,951 impressions; and our "Harbourfront Rink" Community Renewal Fund video boasted 404,525 views and 1,928,872 impressions. Overall, social media efforts proved fruitful, with 158 Facebook posts and 395 tweets generating 1780 user comments, likes and shares and 504k impressions. Social activity also drove over 212k page views on rethinktires.ca

Connecting with consumers and communities allowed OTS to engage with Ontarians where they live, work and play and helped support OTS' message of building stronger, more vibrant communities. OTS exhibited at nine consumer shows, including International Auto Show; National Home Show; Spring Cottage Life Show; Green Living Show; Port Dover Friday the 13th Motorcycle Rally; Association of Municipalities of Ontario Conference; International Plowing Match; Rubber Recycling Symposium; Royal Agricultural Winter Fair. Coupled with 34 stops on our RethinkTires Roadtrip, OTS was able to engage and educate 150,000 consumers in one-on-one, direct communications. We conducting over almost 11,000 tire safety demonstrations and inspire consumers to "rethink their relationship with tires".

Ontario consumers enjoyed increased retail availability of recycled rubber products for use in their landscaping and home DIY projects. OTS established market development initiatives with three major retail partners, The Home Depot, Lowe's Canada and Canadian Tire to deliver our most robust consumer Retail Rebate program. Through direct-to-consumer, at-the-till rebates on over 66 items, from planters and garden edging to patio tiles, rugs and mats, OTS redeemed over \$900k in rebates.

Overall, our message is resonating. Based on 2016 survey results, 58% of respondents were aware of the Used Tires program (v. 47% in 2015), and 85% agreed that Ontario's tire recycling program is successful in responsibly recycling used tires to create innovative green products. And Ontarians are ready to embrace recycled rubber products, with 88% saying they would consider using products made from recycled tires in their homes and/or garden and landscaping projects (v. 82% in 2015) and 44% have already made the switch and purchased an product made from recycled tires (v. 28% in 2015).

2016 P & E Activity Overview

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P&E activities in 2016 focused on increasing and improving awareness of the lifecycle of a tire, the Used Tires Program and the availability of products made from recycled tires. We also expanded our market development initiatives, targeting both consumers and trade audiences, with the aim of supporting our commitment to fostering a self-sustaining recycling industry in Ontario.

We educated Ontarians about proper tire safety and demystified the tire recycling process; we funded revitalization projects and helped build and rebuild more enduring and sustainable communities; we helped consumers and tradespeople discover the range and variety of recycled rubber products available; and we supported retail initiatives that encouraged consumers to integrate recycled rubber products into their projects, which helped develop and expand the market for recycled tire products. We helped Ontarians **rethink their relationship with tires**.

Community Renewal Fund

More and more communities across Ontario are enjoying the many benefits of materials made from recycled rubber as a direct result of OTS' Community Renewal Fund (CRF) grant program. Thanks to OTS' CRF grants, **22 projects**, in communities across Ontario, from Carp to Temiskaming Shores Thunder Bay to Chelsey (and points between), were awarded grants. In total, OTS provided over **\$300,000** in much-needed funding. Grant recipients included municipalities, community groups and non-profit organizations committed to creating sustainable community spaces using products made from Ontario's scrap tires. Projects focused on creating inclusive, accessible and enduring community areas, including parks and playgrounds, arenas, and community centres. The projects were as varied as the communities they serve and demonstrate a commitment to sustainability.



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RethinkTires RoadTrip

OTS hit the open road again in 2016, visiting 34 communities and participating in local events from Ottawa, to Timmins, to Chatham. The OTS RoadTrip focused on educating consumers about their role in the lifecycle of a tire, including prolonging tire life through proper maintenance, and end of life tire management through OTS' drop-off locations. During the **91 day tour**, we enjoyed over **117,000** direct consumer interactions, during which we demonstrated the environmental and economic benefits of recycling used tires. Consumers learned about the variety of recycled rubber products available, their durability and the positive environmental impacts of making sustainable choices. Event survey results indicate **43%** of visitors were aware of products made from recycled rubber, **29%** have purchased a recycled rubber product, and **89%** would consider using products made from recycled rubber.



Retail Rebate Program

Delivering on its mandate of developing and a growing a robust and successful long-term tire recycling industry in Ontario, OTS has helped Ontario consumers make environmentally sustainable choices through our Retail Rebate Program. By providing direct-to-consumer, at-the-till rebates through leading retailers across Ontario, OTS is building a market for goods made from recycled Ontario tires, while helping consumers make more affordable and sustainable choices.

The 2016 Rebate program was the most successful to date, expanding to include additional retailers and products. Offering Rebates on over 66 different items at leading retail chains across Ontario, OTS funded over **\$922,000** in redeemed rebates – savings that directly benefited Ontario consumers. Over **168,000 recycled products** were sold through the Rebate program, accounting for **680 tonnes of recycled rubber**.

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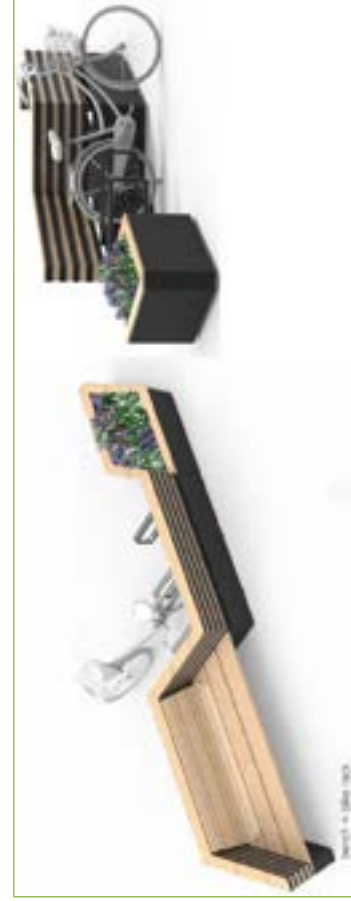
2016 Student Design Challenge

OTS' 2016 Design Challenge fuelled the imaginations of landscape design and industrial design students and challenged them to rethink tires. Nine teams of students from post-secondary institutions across the province converged on Artscape Youngplace in Toronto to take part in an intensive, three-day design jam and competition. Landscape design students were challenged to re-imagine Artscape Youngplace's exterior space by incorporating elements of recycled rubber products into an overall rebuild design. The winning team, from University of Toronto, is working with a professional landscape designer to bring their winning concept to life, with a rebuild of Artscape Youngplace, based on the winning design, slated for completion in 2017.

Industrial design students were tasked with developing a new product that could be manufactured using recycled rubber components, for use in outdoor/landscape environments. The winning design, The Shaw Bench, was developed by students at Sheridan College and under the guidance of professional industrial designers, The Shaw Bench will move into development and prototype in 2017, with commercialization as the ultimate goal.

Through our Design Challenge, we inspired and educated the designers of tomorrow about the possibilities and benefits of incorporating recycled rubber materials into their design, ensuring the next generation of professionals continue to consider sustainable materials such as those manufactured using recycled tires.

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Further detail on P&E Activities and a table of results and event activities can be found in the Industry and Consumer Market Development table Summary below.

Activity/Program	Results
Communications & Education	
PR/ Media Outreach	<p>Total impressions for 2016 = 18,630,025 (+29.5% v. 2015 = 14,390,119) Overall, earned media coverage increased 29.5% v. 2015, despite limited proactive media outreach during Q1 in response to Toronto Star articles in Jan & Feb 2016. Tactics in 2016 included Audio News Releases (pre-recorded audio stories for easy pick-up on radio and online media); influencer campaigns (blog, content and giveaways); made story submissions (pre-packaged print/online articles for easy media re-purposing); byline articles; and giveaways via media outlets. Integrated communications outreach supported OTS programs and activities; the most successful activities receiving top coverage/impressions in 2016: made stories (169 stories, 7,816,036 impressions); OABA Tire Takeback (112 stories, 7,816,036 impressions); and greater focus on content relevant to target audiences. Approach to social and digital marketing evolved in 2016, with greater focus on content relevant to target audiences supporting at least one of three digital funnel objectives: Exposure (reach); Awareness (user learns about org.; link to site to learn more); or Conversion (engages with org. via social follows, newsletter signups, etc.). Exposure = 503,701 views/impressions generated from 158 Facebook posts and 395 Tweets, resulting in 1780 consumer comments, likes and retweets Awareness = 212,429 rethinktires.ca page views generated from social posts Conversion = 55,307 consumer actions (newsletter sign ups, social follows or utilized "Find A Collector" tool on rethinktires.ca Facebook followers = +51.9% Twitter followers = +5.4% YouTube = 210,207 video views Produced two educational consumer videos, promoted via Facebook, YouTube and Instagram: Life of a Tire = Quarterly Stakeholder Newsletters: 34.5% avg. open rate (+1.7% v. 2015 avg. open rate = 32.8%) Quarterly Consumer Newsletters: 3189 subscribers; 31% avg. open rate Consumer Newsletter Subscribers = 3189 (+16% v. 2015) 2016 Program Participant/Stakeholder Communications: 141 email campaigns/communications sent Continued relationship with spokesperson Ziya Tong, host of Discovery Channel's Daily Planet, to support Community Renewal Fund grant program via Audio News Release. Total impressions: 891,549 Engaged with influencers to promote OTS programs and educate consumers about recycled tire products; key influencers: 208,197 site visits (+18% v. 2015); 64% new sessions (new visitors to site), achieved through improved SEM efforts Avg. session duration: 2:43 SEM/Paid search (Google Ads) delivered 2,275,951 impressions in 2016</p>
Social Media	
Other Communications & Outreach Activities	
Influencers & Influential Spokesperson	
Web Dev/ SEM/SEO	
OTS Events	
RethinkTire Roadtrip Summer Tour	<p>Objectives of tour: increase awareness of Used Tires Program; promote consumer's role in tire lifecycle; demonstrate the environmental and economic benefits of recycling tires; increase awareness and adoption of recycled rubber products 117,056 interactions at 34 events over 91 days, from June 5 - Sept 5 10,768 tire maintenance demonstrations; 97% agree Ontario is successful at responsibly recycling used tires into innovative green products 43% were aware of products made from recycled tires prior to visit our booth; 29% have purchased a product Direct consumer interactions = 32,687 (+35% v. 2015 = 24,178) during attendance at 9 consumer and trade/industry shows: International Auto Show; National Home Show; Spring Cottage Life Show; Green Living Show; Port Dover Friday the 13th Motorcycle Rally; Association of Municipalities of Ontario Conference; International Plowing Match; Rubber Recycling Symposium; Royal Agricultural Winter Fair Total attendance of 725,800 27% have purchased a product made from recycled rubber; 47% would consider using recycled rubber products for</p>
Consumer Shows	

OARA Tire Take Back	64,623 tires collected; \$117,998 raised for The Sunshine Foundation of Canada; Early's Auto in Alliston, ON was the top collector This annual collection event has raised over \$1 million for The Sunshine Foundation and collected over 458,185 tires since the annual charity collection event launched seven years ago Regional and provincial media outreach activities included PR support before and during the event, as well as media outreach announcing 2016 results, and celebration of the \$1 million milestone; total impressions = 5,248,349
Community Grant & Market Building	Community Renewal Fund grant program enjoyed it's most successful year, with 40 grant applications submitted from communities and community groups across Ontario Awarded 22 grants to fund community projects across the province; total grant funding awarded = \$300,000; Projects included several parks revitalizations, flooring for local arenas, community centres and schools Demonstration Project in Township of Midhurst-Mounteth to support the installation of community sidewalk tiles Grant program was supported with an extensive communications outreach and media plan that generated 91 media mentions OTS hosted Student Design Challenge, bi-annual event to educate landscape design and industrial design students about the use and benefits of recycled rubber products. Competition included both landscape and industrial design categories 9 teams from across the province competed to redesign the landscape at Artscape Youngplace in Toronto; Industrial design competition focused on developing products using recycled rubber materials Winning design teams awarded scholarship prizes
Community Grant & Demo Projects	Consumer Retail Rebate Program expanded in 2016 to include rebate offers at Home Depot, Lowe's and Canadian Tire (v. Home Depot only in 2015) Total number of skus on rebate = 66 skus Total units sold under rebates = 168,900 units Total weight of rubber sold under rebates = 680 tonnes
Design Challenge	Surveys conducted during interactions with consumers at events and shows reveal Consumer surveys*: 58% of respondents were aware of the Used Tires Program (v. 47% in 2015) 66% of respondents were aware of products made from recycled tires (v. 64% in 2015) 88% of respondents would consider using products made from recycled tires for their home and/or garden and landscaping projects; 44% have purchased a product made from recycled tires (v. 28% in 2015) 85% of respondents agree the UTP is successful at responsibly recycling used tires to create innovative green products (2% disagreed; 13% didn't know)
Consumer Rebate Program	
Research	

Ensuring a Level Playing Field

In 2016, Ontario Tire Stewardship ("OTS") continued its audit program to ensure the program is keeping a level playing field for all Program Participants.

In the Steward Audit program OTS strives to ensure that all Stewards report and remit according to their actual supply into the province to minimize the incidence of free-riders and maintain a level playing field for all tire Stewards in Ontario. The program focused on Stewards not previously audited who had either significant market supply, or who were Stewards of particular tire types that had been identified by stakeholders as having an increasing amount of grey-market activity. Concerns regarding grey market activity and free-riders (i.e. organizations that should be Stewards but who are not reporting and remitting) continue to increase. OTS has received good support from the enforcement arm of the Ministry of the Environment and Climate Change the Investigations & Enforcement Branch (IEB), and together a number of non-compliant companies were brought into the program.

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

Overall reporting by service providers has improved in 2016. Issues remain with reporting of used tire reuse transactions, however the overall rate of compliant reporting has shown improvement as evidenced by lower overall recoveries in 2016. While competition continues to be aggressive the increasing consolidation of Haulers and Processors has supported the growth of more sophisticated stakeholders with greater capacity to meet the administrative requirements associated with reporting regularly to OTS.

OTS Audit Results

Type	2016 Results		2015 Results	
	2016 Target	Completed YTD	\$ Adj in '000	Completed \$ Adj '000
Collector	320	272	\$341	310
Hauler	20	18	204	20
Processor	2	1	69	5
RPM	2	0	0	1
Steward	30	13	1,057	27
Total	374	304	\$1,671	363
				\$1,136

OTS 2016 Used Tires Diversion Summary

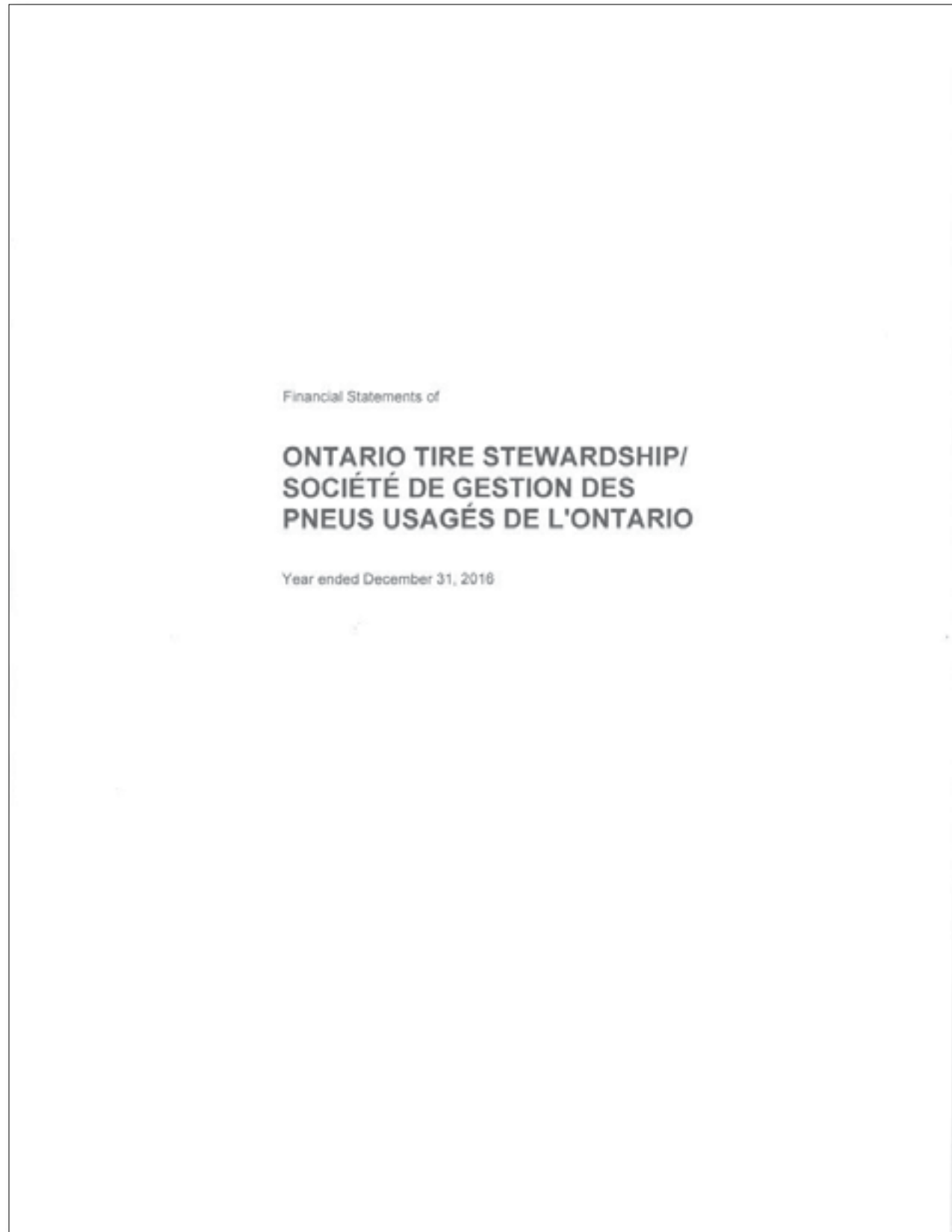
	Plan Target	Actual	Previous Year
	Year 5	2016 YEAR to	2015 YEAR
PLT Tonnes			
Supplied into Marketplace	109,263	116,230	113,524
Available for Collection (1)	107,078	102,282	99,901
Collected	107,078	90,036	88,835
Reused (2)	16,062	2,815	2,928
Acutal Input to Recycling		88,220	87,760
Processor Inventory Carryover From Previous Year		0	0
Material Available for Recycling	91,016	88,220	87,760
Material losses & Disposal	9,102	9,906	11,554
Recycled (Rubber)		55,011	58,604
Recycled (Steel)		13,159	9,369
Recycled (Fibre)		760	752
Total Tonnes Recycled	81,914	68,930	68,725
Total Tonnes Diverted	97,976	81,739	79,222
		0	0
Reduction Rate	1.5%	0%	0%
Collection Rate	100%	88%	89%
Reuse Rate	15%	3%	3%
Recycling Rate		84%	86%
Recycling Efficiency		89%	87%
Diversion Rate	92%	80%	79%

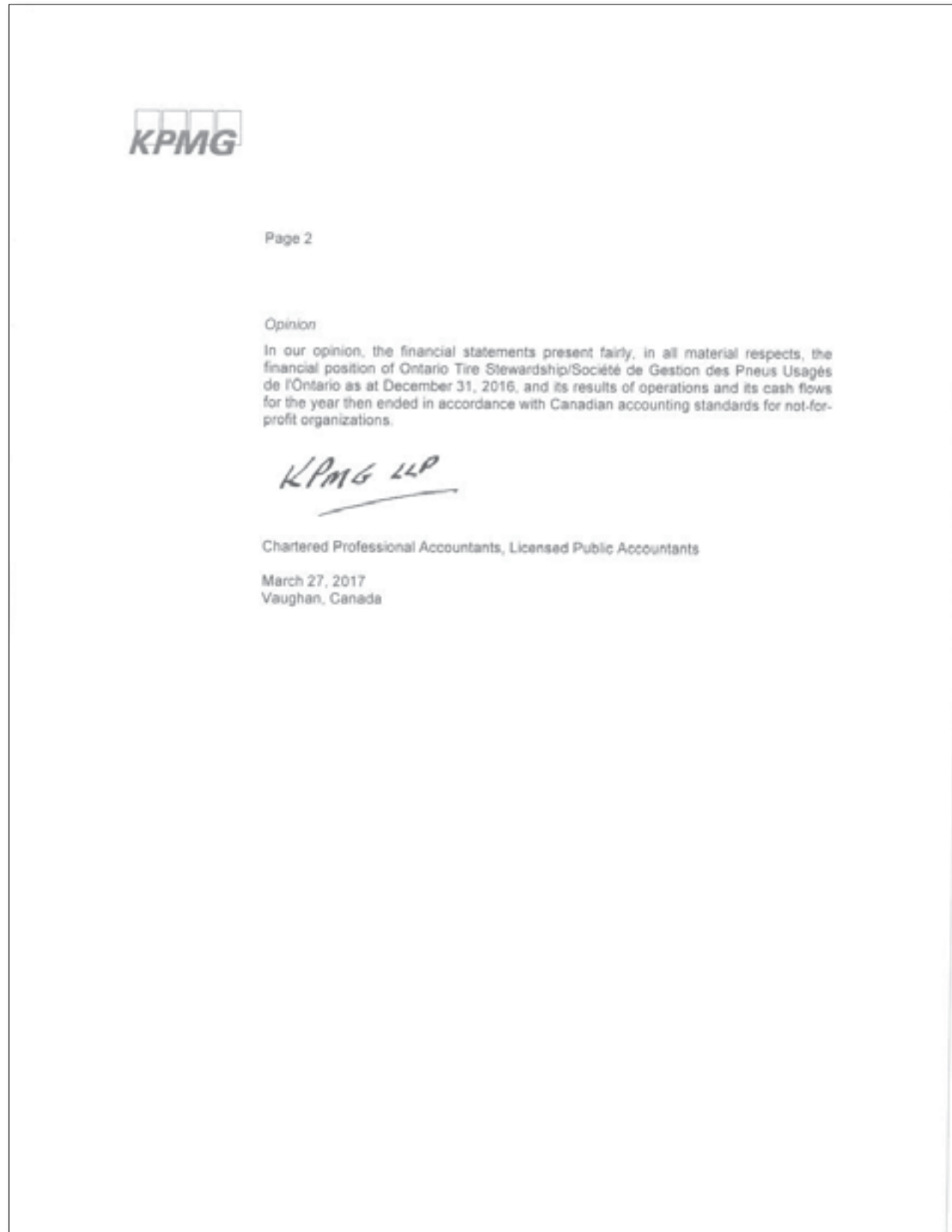
	Plan Target	Actual	Previous Year
	Year 5	2016 YEAR to	2015 YEAR
MT Tonnes			
Supplied into Marketplace	27,358	45,448	44,858
Available for Collection (1)	26,948	44,539	43,961
Collected	26,948	34,155	32,122
Reused (2)	0	1,083	1,323
Inventory at Haulers		316	601
Acutal Input to Recycling		33,088	31,210
Processor Inventory Carryover From Previous Year		0	0
Material Available for Recycling	26,948	33,088	31,210
Material losses & Disposal	2,695	3,676	4,071
Recycled (Rubber)		20,347	20,590
Recycled (Steel)		4,883	3,331
Recycled (Fibre)		281	238
Total Tonnes Recycled	24,253	25,511	24,159
Total Tonnes Diverted	24,253	30,769	29,027
Reduction Rate	1.5%	0%	0%
Collection Rate	100%	77%	73%
Reuse Rate	0%	2%	3%
Recycling Rate		73%	69%
Recycling Efficiency		90%	89%
Diversion Rate	90%	69%	66%

	Plan Target	Actual	Previous Year
	Year 5	2016 YEAR to	2015 YEAR
OTR Tonnes			
Supplied into Marketplace	85,559	18,225	18,422
Available for Collection (1)	71,014	15,127	15,290
Collected	35,507	18,412	16,472
Reused (2)	0	187	33
Actual Input to Recycling (3)		15,440	15,964
Processor Inventory Carryover From Previous Year		0	0
Material Available for Recycling (4)	33,710	15,440	15,964
Material losses & Disposal	1685.5	1,715	2,082
Recycled (Rubber)		12,752	11,286
Recycled (Steel)		2,278	1,688
Recycled (Fibre)		0	0
Total Tonnes Recycled	32,025	15,030	12,974
Total Tonnes Diverted (5)	32,025	15,807	13,776
Reduction Rate	1.5%	0%	0%
Collection Rate	50%	122%	108%
Reuse Rate	0%	1%	0%
Recycling Rate		104%	107%
Recycling Efficiency		101%	86%
Diversion Rate	45%	104%	90%

NOTES


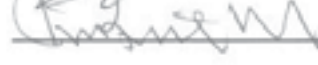
1. Tonnes of tires available for collection is assumed to be equivalent to Tonnes of Tires Supplied by Stewards
2. Reuse includes sales of used tires and retreading
3. Tonnes of Tires delivered to approved Processors
4. Tonnes of tires in inventory at Processors at the time of reporting
5. Includes %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





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

Statement of Financial Position
December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	\$ 70,457,641	\$ 68,386,549
Trade accounts receivable	6,600,926	7,058,007
Prepaid expenses	119,142	79,059
	<u>77,177,709</u>	<u>75,523,615</u>
Capital assets (note 2)	2,701,959	2,747,385
	<u>\$ 79,879,668</u>	<u>\$ 78,271,000</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 30,399,967	\$ 16,241,523
Other liabilities (note 3)	296,594	135,536
	<u>30,696,561</u>	<u>16,377,059</u>
Deferred leasehold inducement (note 4)	27,897	69,743
Net assets:		
Unrestricted	–	19,198,352
Internally restricted (note 6):		
Operational reserve fund	26,195,846	26,195,846
Market development fund	8,000,000	10,000,000
Stabilization reserve fund	14,959,364	6,430,000
	<u>49,155,210</u>	<u>61,824,198</u>
Commitments (note 9)		
	<u>\$ 79,879,668</u>	<u>\$ 78,271,000</u>
See accompanying notes to financial statements.		
On behalf of the Board:		
	Director	
	Director	

1

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

Statement of Operations

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Steward fees (note 8)	\$ 51,262,000	\$ 77,243,097
Tire steward fee penalties	121,133	73,383
	<u>51,383,133</u>	<u>77,316,480</u>
Expenses:		
Operational costs:		
Research and development	943,310	650,000
Manufacturing incentive	5,481,330	6,512,924
Transportation incentive	22,077,102	22,726,241
Processor incentive	15,137,241	17,228,641
Collection allowance	7,997,009	8,399,192
Promotion and communication	3,006,374	2,349,882
	<u>54,642,366</u>	<u>57,866,880</u>
Administration:		
Program management	4,214,970	3,138,031
Professional fees	300,739	221,373
Office and general	3,817,875	2,455,834
Bad debt	54,637	94,679
Write-off of harmonized sales tax input tax credit (note 7)	1,021,534	815,033
	<u>9,409,755</u>	<u>6,724,950</u>
	<u>64,052,121</u>	<u>64,591,830</u>
Excess (deficiency) of revenue over expenses	\$ (12,668,988)	\$ 12,724,630

See accompanying notes to financial statements.

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

Statement of Changes in Net Assets

Year ended December 31, 2016, with comparative information for 2015

	Internally restricted		2016		2015	
	Operational reserve fund (note 6)	Market development fund (note 6)	Stabilization reserve fund (note 6)	Unrestricted	Total	Total
Balance, beginning of year	\$ 26,195,846	\$ 10,000,000	\$ 6,430,000	\$ 19,198,352	\$ 61,824,198	\$ 49,099,568
Excess (deficiency) of revenue over expenses	--	--	--	(12,668,988)	(12,668,988)	12,724,630
Interfund transfer (note 6)	--	(2,000,000)	8,529,364	(6,529,364)	--	--
Balance, end of year	\$ 26,195,846	\$ 8,000,000	\$ 14,959,364	\$ --	\$ 49,155,210	\$ 61,824,198

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (12,668,988)	\$ 12,724,630
Items not involving cash:		
Amortization	2,113,092	882,836
Amortization of deferred lease inducement	(41,846)	(41,846)
Loss on disposal of capital assets	390	12,874
Change in non-cash operating working capital:		
Trade accounts receivable	457,081	2,068,103
Prepaid expenses	(40,083)	36,203
Accounts payable and accrued liabilities	14,158,444	5,053,134
Other liabilities	161,058	(63,719)
	4,139,148	20,672,215
Investing activities:		
Purchase of capital assets	(2,068,056)	(1,956,504)
Increase in cash	2,071,092	18,715,711
Cash, beginning of year	68,386,549	49,670,838
Cash, end of year	\$ 70,457,641	\$ 68,386,549

See accompanying notes to financial statements.

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

Notes to Financial Statements

Year ended December 31, 2016

Ontario Tire Stewardship/Société de Gestion des Pneus Usagés 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.

OTS works cooperatively with the Resource Productivity & Recovery Authority to meet the requirements set out by the WDA, O. Reg. 396/16, and the Ontario Ministry of the Environment and Climate Change.

1. Significant accounting policies:

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

(a) Revenue recognition:

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

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.

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

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

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

(b) Capital assets:

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

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

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

(c) Deferred leasehold inducement:

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

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

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(d) Incentives payable:

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

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

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

(e) Financial instruments:

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

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

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

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

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

(f) Use of estimates:

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

2. Capital assets:

	2016		2015	
	Cost	Accumulated amortization	Net book value	Net book value
Office furniture	\$ 85,157	\$ 82,078	\$ 3,079	\$ 18,644
Computer equipment	471,126	449,905	21,221	137,627
Leasehold improvements	281,131	238,164	42,967	76,588
Mobile and application software	2,498,847	2,007,614	491,233	846,514
Treadmarks software	3,202,689	1,059,230	2,143,459	1,668,012
	<u>\$ 6,538,950</u>	<u>\$ 3,836,991</u>	<u>\$ 2,701,959</u>	<u>\$ 2,747,385</u>

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

Notes to Financial Statements (continued)

Year ended December 31, 2016

2. Capital assets (continued):

Included in office and general expenses is amortization of \$2,113,092 (2015 - \$882,836).

Included in Treadmarks software is \$25,000 of a software under development. Amortization of this specific software will be amortized when it will be put into service.

3. Accounts payable and accrued liabilities and other liabilities:

Included in accounts payable and accrued liabilities and other liabilities as at December 31, 2016 are government remittances payable of \$234,368 (2015 - \$214,742) relating to harmonized sales tax ("HST"), payroll taxes, health and workers' safety insurance.

4. Deferred leasehold inducement:

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

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

	2016	2015
Lease inducement received	\$ 209,230	\$ 209,230
Less accumulated amortization	181,333	139,487
	<u>\$ 27,897</u>	<u>\$ 69,743</u>

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

Notes to Financial Statements (continued)

Year ended December 31, 2016

5. Credit facility:

On August 19, 2014, OTS executed a credit facility agreement providing a revolving demand facility in the amount of \$250,000. The facility bears interest at the bank's prime rate plus 3% per annum. At December 31, 2016, no amount had been drawn on this facility (2015 - nil).

6. Internally restricted funds:

The Organization, as approved by the Board of Directors, internally designates funds to be used for specific purposes. The operational reserve fund was established as a means of mitigating OTS's risks involved in fulfilling its financial and contractual obligations in the event that the Used Tire Program is terminated without notice. The market development fund was established to develop markets to support additional recycling of tires. The stabilization reserve fund was established to address both short- and long-term needs, providing OTS with the assurance that funds are available when needed due to unforeseen operating shortfalls, or for new initiatives. These internally restricted amounts are not available for other purposes without the approval of the Board of Directors.

7. Write-off of harmonized sales tax input tax credit:

During 2013, the Canada Revenue Agency ("CRA") issued a ruling that operating expenses are not considered to be incurred in the course of making taxable supplies and, accordingly, OTS does not qualify for the HST input tax credit. The CRA had previously indicated the ruling would likely be unfavorable and, as a result, OTS has written off the input tax credit. No further provisions or net receivables have been recorded (2015 - nil).

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

Notes to Financial Statements (continued)

Year ended December 31, 2016

8. Reconciliation of fees:

OTS is required to perform a reconciliation of fees under the Waste Diversion Act, 2002. This reconciliation requires that any operating surpluses, as defined by the act are to be credited to the stewards within 18 months of the close of the fiscal year giving rise to such surpluses. These surpluses can be returned through a variety of means. As the determination of the amount of the surplus to be returned is subject to calculation and approval, the amount of any operational surplus as at December 31, 2015 has been recorded as a liability within these financial statements.

9. Commitments:

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

2017	\$ 2,981,000
2018	312,000
2019	208,000
	\$ 3,501,000

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

2017	\$ 2,516,000
------	--------------

10. Future operations:

Management received a letter from the Ministry of the Environment and Climate Change on February 17, 2017 directing OTS to wind up the waste diversion program for Used Tires in full. OTS must develop a plan to wind up the waste diversion program for Used Tires and submit it to the Resource Productivity and Recovery Authority no later than October 31, 2017. The waste diversion program will cease operation on December 31, 2018.

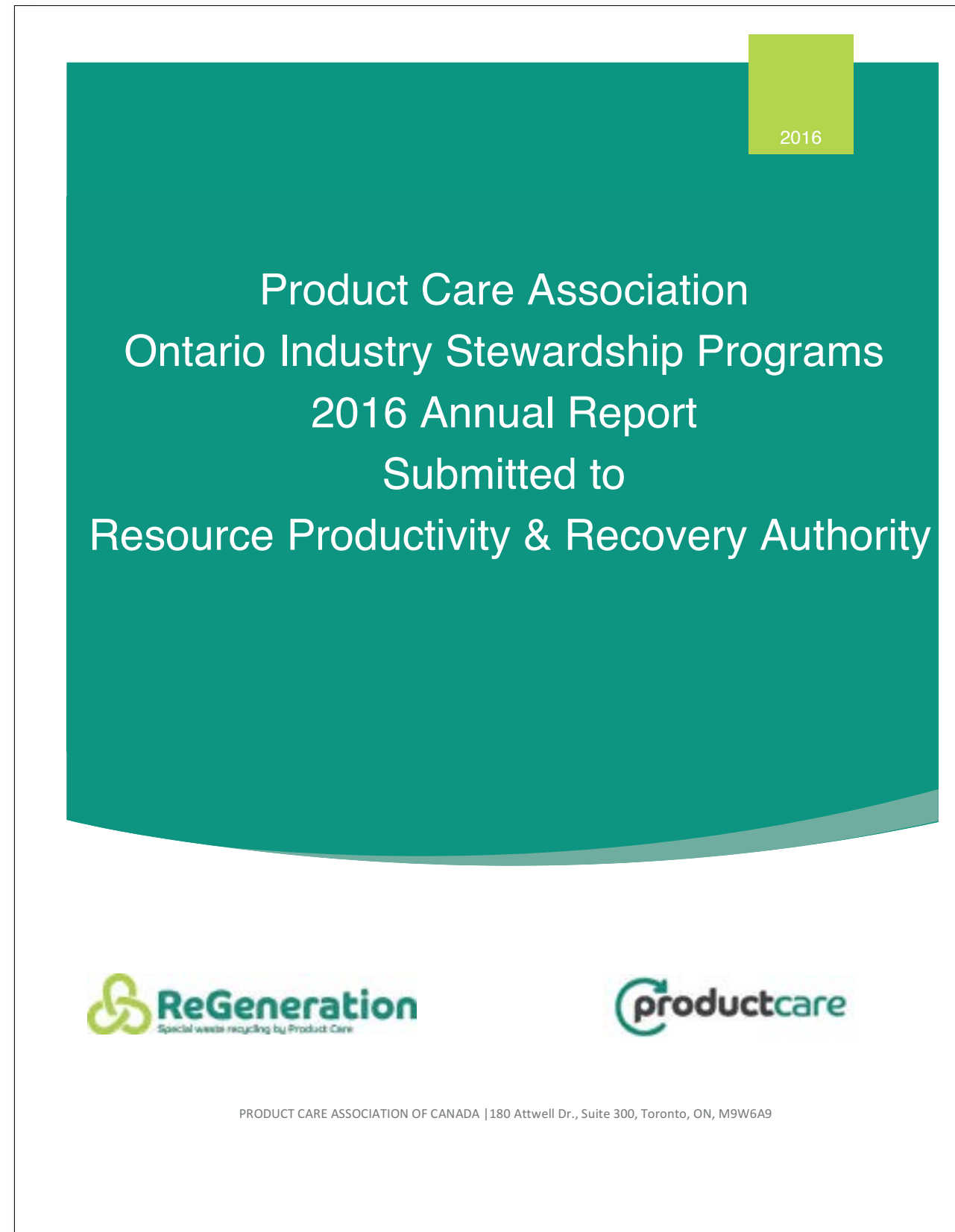


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Appendix G – Product Care Association
(for Paints & Coatings, and Pesticides, Solvents & Fertilizers Programs)

1 Overview

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. Further, this report covers the period January 1, 2016 to December 31, 2016 for paints and coatings and April 1, 2016 to December 31, 2016 for PSF.

2 Program Performance

In 2016, 9,643 tonnes of paints and coatings were collected through the municipal and retail channels. Based on the diversion reports received by PCA from program processors, 6,009 tonnes of paints and coatings were recycled in 2016.

For pesticides, solvents, and fertilizers, from April 1 to December 31, 2016, PCA collected 31 tonnes, 208 tonnes and 11 tonnes respectively. According to the diversion reports, 2.32 tonnes of solvents were recycled from April 1 to December 31, 2016.

For PSF ISP materials the 2016 available to collect and target tonnages were allocated between PCA and Stewardship Ontario (SO) based on estimated annual market shares using best available 2015 data at the launch of the PSF ISP. However, upon annual review with actual 2016 data, PCA’s actual 2016 market shares were less than the estimated market share for all three materials, therefore the 2016 targets were overstated and PCA’s collection only reflects its actual market share collection. Therefore, collection performance in PSF categories may appear lower for this 2016 PCA partial year of program operation.

2.1 2016 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
Paint	9,160	90%	8,244	9,643 ²	105%
Pesticides	43	57%	25	31	72%
Solvents	864	46%	397	208	24%
Fertilizers	37	n/a	n/a	11	30%

¹ PSF tonnage collected does not include SO program tonnes and only represents PCA PSF ISP market share tonnes.

² Collected tonnage represents 100% of the supply chain; all costs were incurred by the PCA ISP paint stewards.

Appendix G – Product Care Association
(for Paints & Coatings, and Pesticides, Solvents & Fertilizers Programs)

2.2 2016 Program Tonnes Recycled

	F	G	H=G/A
Materials	Recycling Target Rate	Actual Recycled Tonnes	Actual Recycling Rate
Paint	72%	6,009	66%
Pesticides	n/a	n/a	n/a
Solvents	4.6%	2.32	0%
Fertilizers	n/a	n/a	n/a

3 Stakeholder Consultation

3.1 PSF Program Transition

On December 17, 2015, the Authority approved the effective date of April 1, 2016 for the PSF ISP. In early 2016, PCA consulted with all affected stakeholders regarding the transition of the PSF material management from Stewardship Ontario (SO) to PCA as well as with stewards that wished to transition to PCA to meet their regulatory obligations.

PCA worked with transporters and processors, one on one, to ensure that they understood the transition process and submitted the required onboarding documentation to PCA. In addition, PCA communicated by emails, webinars and phone calls with municipal and steward stakeholders to provide updates on the transition and ensure that all steps in the transition process were clearly understood.

Since PCA expanded both the service partner and steward reporting systems to include PSF reporting, PCA held training webinars for these stakeholders to ensure a smooth transition from SO to PCA.

3.2 R2R Program Performance Calls

PCA Ontario conducted calls to all Return to Retail (R2R) collection sites in 2016 to obtain feedback on collection site service levels and ask about Service Provider performance and customer service, program information, collection site operations, and dumping of other non-program wastes. Overall, the feedback was positive and constructive.

Any issues were dealt with immediately by PCA with the Service Provider, and a follow-up call to the Collection Site was made within the following weeks to confirm that any issues had been resolved. Beginning in 2017, PCA is contacting R2R sites twice per year.

3.3 Diversion Report Improvements

The Diversion Report completed by Approved Processors for processed program materials was revised to capture more accurate and detailed information on all materials transported to a Processor in a lab pack. The purpose of the revision was to better understand the chain of custody for each processed (recyclable and non-recyclable) material type (including program materials, containers, and hazardous and non-hazardous non-program contamination) from the point of collection to the end-fate. PCA held training sessions with each Processor to introduce this new form and provided directions on its use and the new format was utilized for Q3 and Q4, 2016.

3.4 Fertilizer Program Fee Change

PCA monitored the financial performance of the ISPs throughout 2016 resulting in consultation with fertilizer stewards in Q3 with respect to the need to increase the Environmental Handling Fee (EHF) from

Appendix G – Product Care Association
(for Paints & Coatings, and Pesticides, Solvents & Fertilizers Programs)

the initial rate of \$0.07 per kg or litre at the start of the program to \$0.22 per kg or litre effective December 1, 2016.

3.5 Paint Reuse Program Development

Throughout 2016, PCA consulted with the Municipal Hazardous and Special Waste (MHSW) Working Group to develop a Paint Reuse program in Ontario which would track and compensate municipalities for paint given away for reuse at municipal depots. Through a series of meetings, PCA developed the paint reuse program guide, the reporting tools and the Paint Reuse agreement amendment which were presented for final review to the MHSW Working Group on November 1, 2016. After all feedback was addressed, PCA obtained final approval of the Paint Reuse documentation from the Authority on December 20, 2016.

Additionally, PCA modified the service partner claims portal to enable municipalities to report Paint Reuse claims to PCA at the same time as completing their commingled material claims.

PCA will continue to work with the MHWS Working Group on the implementation of the program in 2017.

4 Supply Chain Update

4.1 Service Provider Set Up

In 2016, PCA had a network of 17 Approved Service Providers. A summary of their transportation and processing services for program materials is outlined in Section 10.1 Appendix A. Changes from the 2015 Approved Transporters and Processors list include:

- Hotz Environmental has now been consolidated into its parent company EnviroSystems
- Potter Environmental was purchased and is now part of GFL
- Tomlinson Environmental Services (formerly known as Scotts Environmental) was removed from the Approved Service Provider list.

4.2 Service Provider Audits & Site Visits

In early 2016, PCA improved its audit procedures (including more detailed site inspections) for Approved Transporter and Processor sites to ensure that PCA records are current.

In Q3, PCA conducted both transportation and processing audits with Drain-All (in both Ottawa and Napanee), Brendar Environmental, and Photech Environmental Solutions and a processing only audit with Loop Recycled Products. PCA also performed onsite visits in 2016 with Buckham Transport, EnviroSystems (formerly Hotz Environmental) and GFL (formerly Detox Environmental). In 2017, PCA plans to conduct transportation and processing audits with EnviroSystems and Miller Environmental and perform site visits at Aevitas and Clean Harbors.

4.3 Lab Pack Studies

The addition of the PSF ISP program involved planning and conducting Lab Pack Studies to determine 2017 lab pack factors consistent with the system previously used by SO. The study methodology and sample size incorporated various criteria including representative material volumes, materials from depot and events, geographic locations and seasonality. The first PCA conducted lab pack study took place in Q2. Drums of each material were randomly selected by PCA and sampled by third-party auditor 2CG Inc. The audit was conducted at EnviroSystems (formerly Hotz Environmental) in Hamilton. Municipal representatives were invited to attend and observe the sampling process, but no

Appendix G – Product Care Association
(for Paints & Coatings, and Pesticides, Solvents & Fertilizers Programs)

representatives attended. In Q3, PCA organized the second lab pack study audit at Photech Environmental Solutions in Niagara which was attended by two representatives from the City of Toronto. In Q4, PCA organized the third and final lab pack study of 2016 again at EnviroSystems. Two representatives from the City of Toronto and one from the City of Kingston attended.

PCA was provided the recorded data (over 18,000 line items) by 2CG and analyzed it to distinguish obligated from non-obligated materials. The lab pack study details and final results, including the calculated 2017 Lab Pack Factors, were reviewed with and accepted by a representative of the Municipal Working Group and were implemented January 1, 2017. The results are listed below:

Lab Pack Type	2017 Municipal Share	2016 Municipal Share	2017 Steward Share	2016 Steward Share
Pesticide	87.64%	83.79%	12.36%	16.21%
Misc. Organics (includes solvents)	90.26%	86.45%	9.74%	13.55%
Fertilizer	81.46%	76.34%	18.54%	23.66%
Aerosols	47.74%	46.25%	52.26%	53.75%

5 Accessibility Update

5.1 Municipal Collection Sites

In 2016 there were 8 municipal depots added to the PCA ISPs for the collection of paint, pesticides, solvents and fertilizers, resulting in 96 municipal depots at year end. In 2016, municipalities hosted 299 collection events throughout Ontario.

5.2 Non-Municipal Collection Sites

There are 198 non-municipal collection sites which includes Return to Retail paint collection sites as well as other private/commercial sites.

5.3 ISP Collection Network

Type	Paint		PSF	
	# of Sites YTD	Annual Target	# of Sites YTD	Annual Target
Municipal Depot	96	120	95	150
Municipal Events	299	475	288	500
Return to Retail	198	425	n/a	n/a

Appendix G – Product Care Association
(for Paints & Coatings, and Pesticides, Solvents & Fertilizers Programs)

6 Steward/IFO/ISP Updates

6.1 Steward Transition from IFO to ISPs

As of the end of 2016 there were 77 paint members, 21 pesticide members, 57 solvent members and 16 fertilizer members participating in the PCA ISPs.

Throughout 2016, PCA continued to follow up with Ontario paint and PSF stewards who expressed interest in transitioning from the Industry Funded Organization (IFO) to the PCA ISPs as well as registered companies that were new to the market. A list of ISP members is provided in Appendix B. There were 9 new paint members added to the Paint ISP in 2016 and PSF members joined PCA in 2016 on or after the PSF ISP launch on April 1, 2016.

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

6.2 Supply Chain Cost Relating to IFO Stewards’ Market Share

PCA concluded an agreement with SO for the funding by SO of the PSF ISP supply chain costs relating to the market share of the remaining SO PSF stewards for 2016. Partial payment has been received at the time of this report.

PCA has been unable to conclude an agreement with SO for the funding by SO of the 2016 Paint ISP supply chain costs relating to the market share of the remaining SO paint stewards. As a result, the PCA Paint ISP stewards have paid the 2016 supply chain costs relating to the SO paint stewards.

7 Promotion and Education

In 2016, PCA continued to implement promotion and education activities according to the PCA ISPs. Major highlights from PCA’s promotion and education initiatives are outlined below.

7.1 Advertising and Activities

1. **Targeted SEM Campaign- YP Group.**
 - a. Ontario-specific digital advertising campaign serving PaintRecycle ads to provincial residents based on an extensive list of key word searches relevant to the program.
 - b. Insight: many Ontarians are engaging with messaging around PaintRecycle based on keywords related to purchasing new paint (versus keywords related to recycling paint)
 - c. Over 58,000 paid search impressions in 2016
2. **Digital Retargeting Campaign- YP Group.**
 - a. Ontario-specific digital retargeting campaign serving PaintRecycle ads to all users who have visited our website as they continue to surf the Internet (ads served to a “pre-qualified” user who has engaged at some point with our website)
3. **Gated Facebook Content Strategy.**
 - a. Regularly scheduled Ontario-specific content, available only to Ontarians, focused on paint recycling, special waste and the recycling community in general, as well as the PCA brand identity. Ontario climbed into third largest social media audience (behind BC and QC) in the few short months that PCA ran these campaigns
 - b. 14,624 page likes (at time of this report)
4. **Municipal Calendar Full-Page Advertising.**
 - a. PCA PaintRecycle was advertised in Ontario municipal calendars and regional waste guides, using the largest available format, matching or exceeding historical presence of SO

Appendix G – Product Care Association
(for Paints & Coatings, and Pesticides, Solvents & Fertilizers Programs)

5. Municipal Waste Association Spring Workshop Sponsorship

- a. Full page advertisement in MWA event guide
- b. Four 8.5x11” MWA program inserts highlighted: the new PCA website, the ON PCA staff, the collection site finder, and easy ordering of P&E materials

6. Print Ad in CPCA Insight Trade Publication

- a. Introducing PCA and PaintRecycle to Ontario market

7. Events

- a. ReGeneration participated in Durham Region’s Waste Fair in October.
- b. PCA was a Silver level sponsor at the MWA Fall Workshop in October. A half page ad was placed in the event guide and as well as information in the Delegate Kit

7.2 Website Performance Measures

7.2.1 Website Traffic Overview

Parameters:

- Ontario pages of PCA website only
- Pages with 20 or more views only
- General site traffic (news, homepage, events, about, careers, etc.) is NOT included in these analytics

Metric	Jan 1 to Dec 31, 2016
Sessions (Visits)	25,902
Returning Visitors (%)	23.4%
New Visitors (%)	76.6%
Average Visit Duration	00:01:54
Average Page Views	2.47

- Note: – As of May 1st 2016, the Member and Service Partner Support sections of ReGeneration were moved to Productcare.org, PCA’s corporate site.

Audience Source:

Metric	Jan 1 to Dec 31, 2016
Organic (search) Traffic	27.9%
Referral Traffic	49.5%
Direct Traffic	20%
Paid Search	1.7%

- [organic] – Visitors referred by an unpaid search engine listing, e.g. a Google.com search.
- [referral] – Visitors referred by links on other websites (see below).
- (direct)[(none)] – Visitors who visited the site by typing the URL directly into their browser. 'Direct' can also refer to the visitors who clicked on the links from their bookmarks/favorites, untagged links within emails, or links from documents that don't include tracking variables (such as PDFs or Word documents).
- [paid] – Paid search includes AdWords traffic, as well as paid traffic from other search engines.

Top Traffic Referral Sources (Jan 1 to Dec 31, 2016):

Appendix G – Product Care Association
(for Paints & Coatings, and Pesticides, Solvents & Fertilizers Programs)

Linking Site	Organization	% of ON Referral Traffic
makethedrop.ca	Stewardship ON	69.49%
regionofwaterloo.ca	Region of Waterloo	11.09%
productcare.org	Product Care Association	2.8%

7.3 Social Media Performance Measures

Parameters:

- Total Facebook Activity for the Year
- New fan acquisition for the year
- ReGeneration Facebook page

New Facebook Page Likes	Total Reach	# of Impressions
5,939	1,425,180 (ON Only)	2,113,895 (ON Only)

Total Current Facebook Page Likes: 14,624

7.4 Point of Sale Material Requests Fulfilled

PCA distributed point of sale materials to all Ontario paint retailers by direct mail in 2015 and made materials available to interested municipalities digitally.

To date, only a few municipalities and retail locations have required new program materials. These orders were fulfilled shipped free of charge. All municipalities and retail locations have received instructions on how to review and order available materials.

8 Other Updates

8.1 PCA Interim Lamp Program Update

On behalf of the lighting industry, Product Care Association (PCA) voluntarily funded a \$1 million interim lamp program to support Ontario municipalities and retailers following the end of “MHSW Phase 2” funding for mercury containing lamps on September 30, 2014.

The interim program ran from June 1, 2015 to May 31, 2016 and provided \$1 million of funding to support the end of life management of mercury containing lamps collected at 171 municipal events, 89 permanent municipal sites and 45 retail locations throughout Ontario.

PCA operates successful light recycling programs in a number of provinces and seeks to continue to work with industry and service providers as legislation in Ontario evolves.

9 Financials

Appendix G – Product Care Association
(for Paints & Coatings, and Pesticides, Solvents & Fertilizers Programs)

**PRODUCT CARE ASSOCIATION
ONTARIO PAINT RECYCLE PROGRAM AND
ONTARIO PESTICIDES, SOLVENTS AND
FERTILIZERS PROGRAM
STATEMENT OF REVENUES AND EXPENSES
31 DECEMBER 2016**



Appendix G – Product Care Association
 (for Paints & Coatings, and Pesticides, Solvents & Fertilizers Programs)

**PRODUCT CARE ASSOCIATION
 ONTARIO PAINTRECYCLE PROGRAM AND
 ONTARIO PESTICIDES, SOLVENTS AND FERTILIZERS PROGRAM**
Statement of Revenues and Expenses
 For the year ended 31 December 2016

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Appendix G – Product Care Association
 (for Paints & Coatings, and Pesticides, Solvents & Fertilizers Programs)



INDEPENDENT AUDITORS' REPORT

To: Resource Productivity & Recovery Authority.

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

Management's Responsibility for the Statement

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

Auditors' Responsibility

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

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

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



Appendix G – Product Care Association
 (for Paints & Coatings, and Pesticides, Solvents & Fertilizers Programs)



INDEPENDENT AUDITORS' REPORT - Continued

Opinion

In our opinion, the Statement presents fairly, in all material respects, the revenues and expenses of the Ontario PaintRecycle Program and Ontario Pesticides, Solvents and Fertilizers Program as reported by Product Care Association for the year ended 31 December 2016 in accordance with Canadian accounting standards for not-for-profit organizations.

Restriction on Distribution

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

Rolfe, Benson LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
 22 March 2017



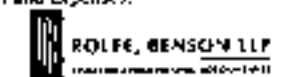
Appendix G – Product Care Association
 (for Paints & Coatings, and Pesticides, Solvents & Fertilizers Programs)

**PRODUCT CARE ASSOCIATION
 ONTARIO PAINTRECYCLE PROGRAM AND
 ONTARIO PESTICIDES, SOLVENTS AND FERTILIZERS PROGRAM**
 Statement of Revenues and Expenses
 For the year ended 31 December 2016

	2016
Revenues	\$ 17,857,582
Program expenses	
Collection	6,090,219
Processing	5,835,051
Transportation	1,902,071
Administration (Note 2(b) & (d))	1,605,313
Regulatory	120,334
Communications	53,157
	<u>15,604,144</u>
Excess of revenues over expenses for the year	\$ 2,253,438

Continuation (Note 3)

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



Appendix G – Product Care Association
(for Paints & Coatings, and Pesticides, Solvents & Fertilizers Programs)

**PRODUCT CARE ASSOCIATION
ONTARIO PAINTRECYCLE PROGRAM AND
ONTARIO PESTICIDES, SOLVENTS AND FERTILIZERS PROGRAM**
Notes to the Statement of Revenues and Expenses
For the year ended 31 December 2016

1. Basis of Presentation

The Statement includes the revenues and expenses (the "Statement") of the Ontario Paint/Recycle Program and Ontario Pesticides, Solvents and Fertilizers Program (the "Programs"), which commenced operations as a segment of the operations of Product Care Association (the "Association"), on 30 June 2015 and 1 April 2016 respectively.

2. Summary of Significant Accounting Policies

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

(a) Revenue Recognition

Environmental Handling Fees are received from members of the Association within the province of Ontario. The Association recognizes these fees as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Environmental Handling Fees revenues are recognized as individual members report and remit them as required by applicable provincial environmental legislation.

(b) Intangible Assets

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

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

Included in administration expense is \$75,699 of amortization expense.

(c) 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 significant estimates include revenue accruals, expense accruals, depreciation, overhead allocation and processing commitments. Actual results could differ from those estimates.

Appendix G – Product Care Association
(for Paints & Coatings, and Pesticides, Solvents & Fertilizers Programs)

**PRODUCT CARE ASSOCIATION
ONTARIO PAINTRECYCLE PROGRAM AND
ONTARIO PESTICIDES, SOLVENTS AND FERTILIZERS PROGRAM**
Notes to the Statement of Revenues and Expenses
For the year ended 31 December 2016

2. Summary of Significant Accounting Policies - continued

(d) General and Administrative Expenses - Overhead Allocation

A portion of the total general and 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 \$996,488 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 \$143,000 which will be incurred in 2017.

Appendix G – Product Care Association
(for Paints & Coatings, and Pesticides, Solvents & Fertilizers Programs)

10 Appendices

10.1 Appendix A – Service Providers

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

T=Transporter, P=Processor

Appendix G – Product Care Association
(for Paints & Coatings, and Pesticides, Solvents & Fertilizers Programs)

10.2 Appendix B – ISP Members

PCA ISP Members
3600106 Manitoba Inc o/a Piston Ring
3M Canada Company
7594828 Canada inc. (o/a TruServ Canada)
Acklands-Grainger Inc.
AD Fire Protection Systems Inc.
Alex Milne Associates Ltd.
Alexandria Moulding
BASF Canada Inc.
Bass Pro Canada ULC
Behr Process Corp.
Benjamin Moore & Co. Ltd.
Bestbuy Distributors Ltd
Bridgestone Canada Inc, Firestone Building Products Canada Division
Brock White Canada Company, LLC
Canadian Auto Stores Ltd
Canadian Building Restoration Products, Inc
Canadian Tire Corporation, Limited
Canpro Decorating Products Inc.
CANRAD BEAUTY Ltd
Cansel Survey Equipment Inc.
CertainTeed Gypsum Canada, Inc.
Class C Solutions Group, MSC Industrial Supply LLC
Cloverdale Paint Inc.
Commercial Oil Company of Hamilton Inc.
Costco Wholesale Canada Ltd.
Country Chic Paint
CRC Canada Inc.
Custom Building Products Canada Ltd
Denalt Paints Ltd.
Dominion Sure Seal Ltd.
Dow Building Solutions
Dynamic Paint Products Inc.
Empack Spraytech
Farrow & Ball Canada Ltd.
Fastenal Canada Ltd.
FCA Canada Inc
G.F. Thompson Co. Ltd.
General Motors of Canada Company
GH INTERNATIONAL SEALANTS ULC
Greenstar Plant Products Inc.

Appendix G – Product Care Association
 (for Paints & Coatings, and Pesticides, Solvents & Fertilizers Programs)

Henkel Cda Corp. Consumer Adhesives
Henry Company Canada, Inc.
Hi! Neighbor Floor Covering Co. Limited
Home Depot of Canada Inc.
Home Hardware Stores Limited
Hotz Environmental
IKEA Canada Limited Partnership
ITW Construction Products, A division of ITW Canada
ITW Permatex Canada
Jaguar Land Rover Canada ULC
John Deere Canada ULC
K-G Spray-Pak Inc.
Kleen-Flo Tumbler Industries Ltd.
Korzite Coatings Inc.
Kubota Canada Ltd
Lee Valley Tools Ltd.
Loblaws Inc.
Loop Recycled Products Inc.
LOVELAND PRODUCTS CANADA INC.
M G Chemicals Ltd.
Macdonald and White Paint Co.
Martin & Associates Industries
Michaels Stores Inc.
Modern Sales Co-op
Nawkaw
NCH Canada Inc.
Omer Desseres
Orgill Canada Hardlines ULC
Patene Building Supply Ltd.
Peintures MF Inc.
Plasti Kote Co., Inc. (Valspar)
PPG Architectural Coatings Canada Inc.
Premier Tech Home & Garden Inc
Princess Auto Ltd.
Pro Form Products Limited
PROTEK PAINT LTD
Quikrete Canada Holdings Limited
Radiator Specialty Company of Canada
Recochem Inc.
Regional Automotive Warehousing Ltd
Rochester Midland Ltd
Rona Inc.
Rust-Oleum Consumer Brands Canada

Appendix G – Product Care Association
 (for Paints & Coatings, and Pesticides, Solvents & Fertilizers Programs)

S.C. Johnson and Son, Limited
Saman Corporation
Schwartz Chemicals
Scotts Canada Ltd.
Selectone Paints Limited
Shrader Canada Limited
Solignum Inc.
Sto Canada Ltd.
Surekiller Products Limited
Suzuki Canada Inc.
The Sansin Corporation
The Sherwin-Williams Company
Toolway Industries Ltd.
Torcan Coatings Inc.
Toyota Canada Inc.
Tremco Canada Division, RPM Canada
Uline Canada Inc.
Valvoline Canada-Div. Ashland Canada
WalMart Canada Corp.
WD-40 Company (Canada) Ltd.
Wood Essence Distributing
YHD DISTRIBUTORS INC.



WELCOME

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

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

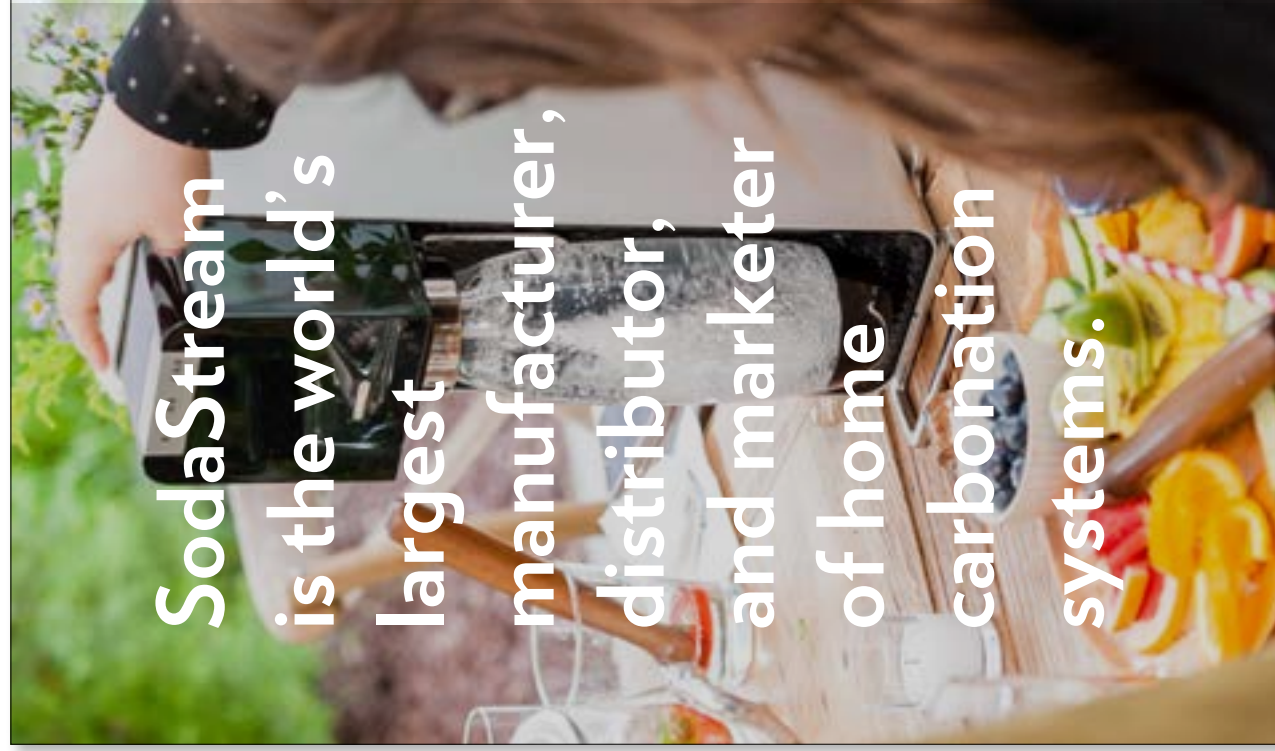
Our cylinder exchange program is the hallmark of our business and maximizing the number of reused cylinders is essential. When a consumer's machine runs out of CO₂, the used SodaStream cylinders can be exchanged at over 560 participating retailers in Ontario. These exchanges work in a circular motion for quality testing, refurbishing, and finally refilling or recycling.

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

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

- SodaStream Canada

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



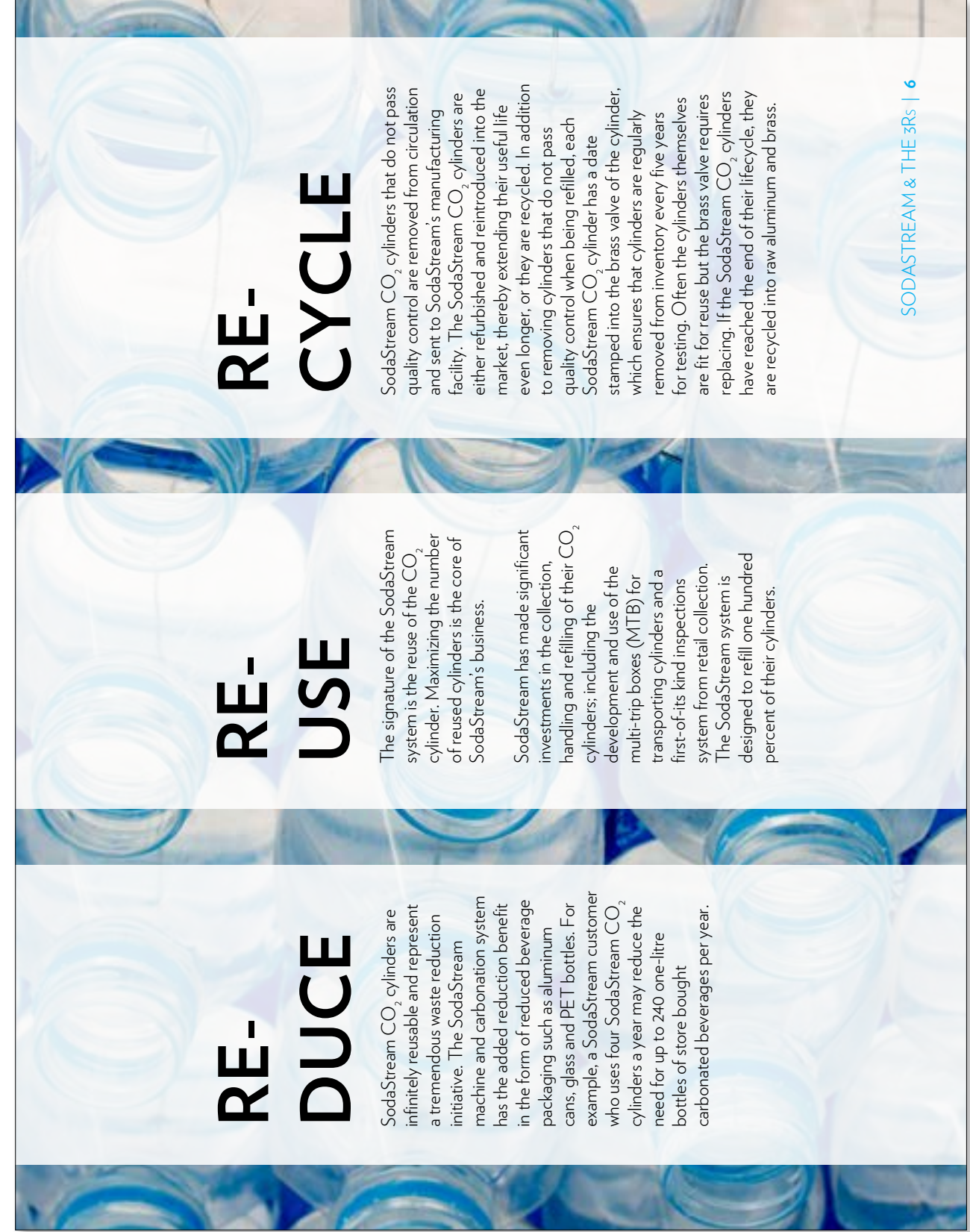
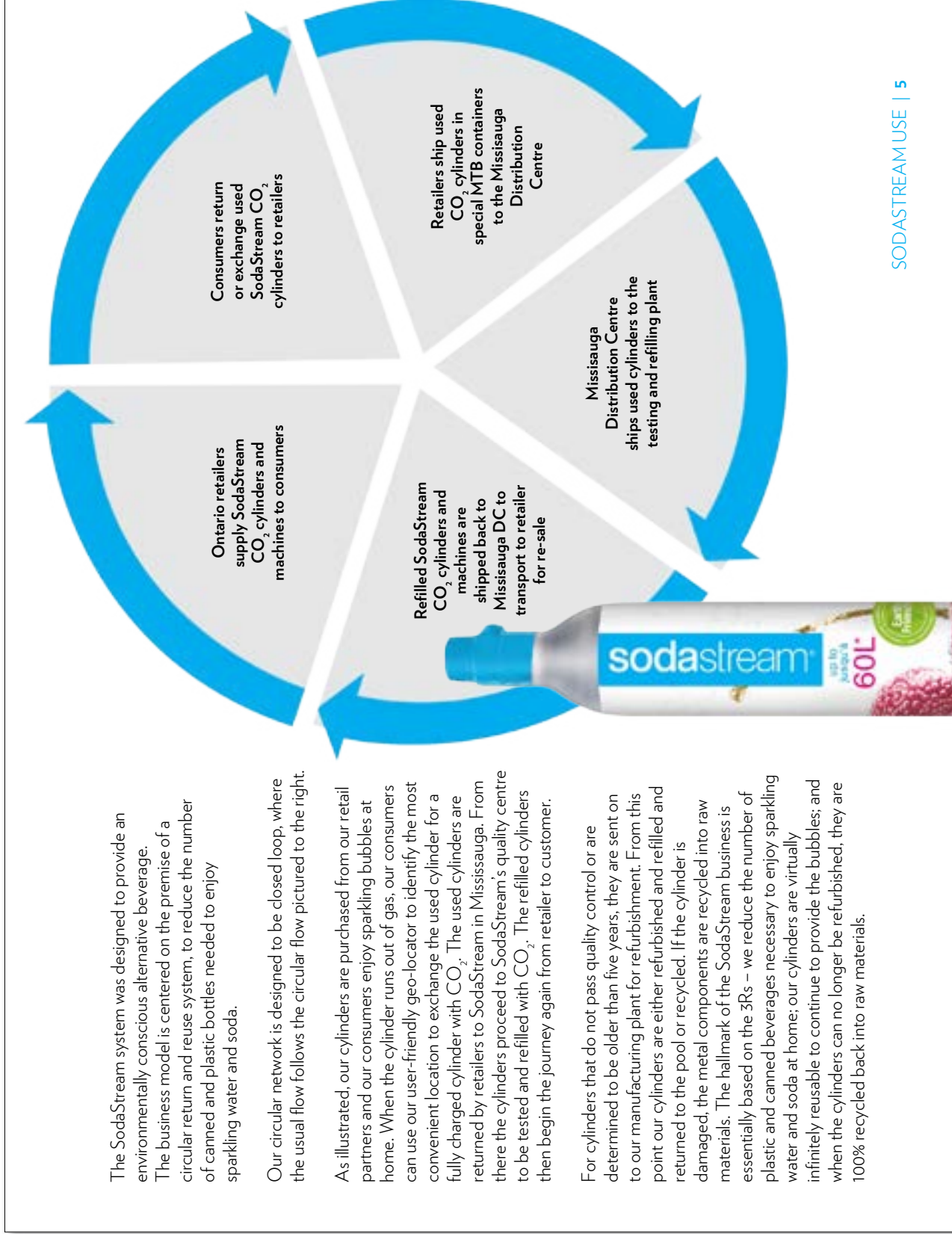
The company has its origins dating back to 1903 with a system that enabled consumers to carbonate water at home. Over the past century, SodaStream has continued to innovate and currently holds 65 patents and 198 trademark registrations worldwide. Today, SodaStream products are sold in over 60,000 retail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

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

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

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

This annual report is submitted to RPPRA pursuant to s. 40 of the Waste Diversion Transition Act and is based on SodaStream's 2016 calendar year sales and exchange data.



WHY HAVE OUR OWN INDUSTRY STEWARDSHIP PLAN?

4.1 SODASTREAM PLAN


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

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

4.2 ACCESSIBILITY

The SodaStream system is based on the principle of reuse, and SodaStream has an existing network of retailers that will exchange the SodaStream CO₂ cylinders at any approved location for a reduced price on a full SodaStream CO₂ cylinder, or accept SodaStream CO₂ cylinder returns at over 560 retail locations in Ontario. The SodaStream website (www.sodastream.ca) is designed to inform consumers on what to do with used or unwanted SodaStream CO₂ cylinders as well as the ability to guide consumers to the most convenient approved location using geo-location software.

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



SWINE CAR & FEEDING BY CARBONATOUR

The map shows various locations across Ontario, with orange pins indicating where consumers can exchange or return their SodaStream CO₂ cylinders. The map interface includes search bars, filters, and a list of nearby locations.

4.3 PROMOTION & EDUCATION

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



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

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

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4.4 CYLINDERS THAT ESCAPE OUR CIRCULAR NETWORK

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

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

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

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



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4.5 2016 PROGRAM PERFORMANCE

While the SodaStream circular network is designed to handle 100% of cylinders in circulation, the rate at which cylinders are used and exchanged by consumers does vary. Some regular users frequently exchange cylinders at a high rate while others use exchange cylinders less frequently. Many consumers also purchase spare cylinders for home and seasonal properties. 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).



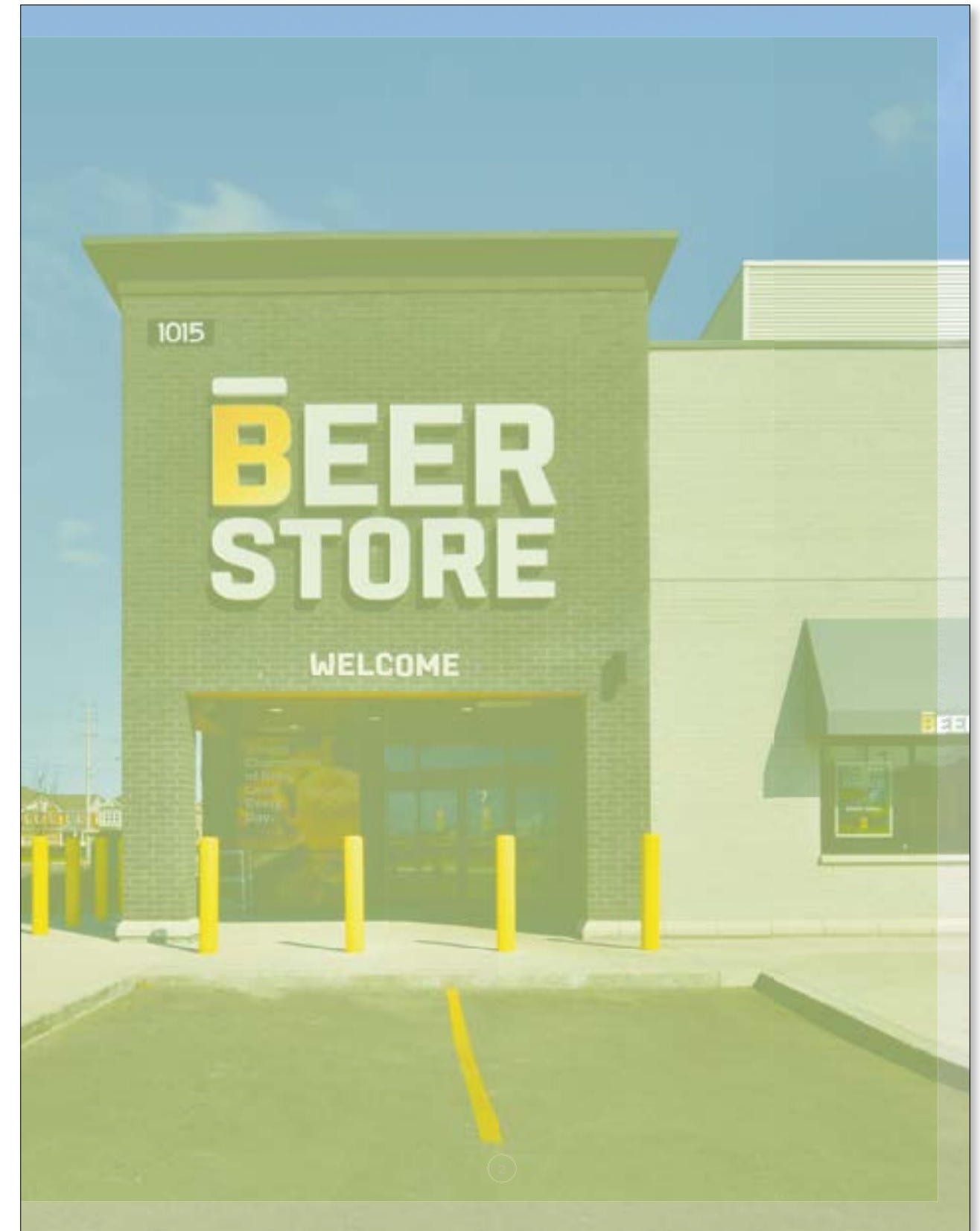
ADVANCING THE CIRCULAR ECONOMY, ONE CONTAINER AT A TIME

THE BEER STORE
RESPONSIBLE STEWARDSHIP 2016

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MESSAGE from the PRESIDENT

Greetings friends and welcome to The Beer Store's 2016 Responsible Stewardship Report.

Since 1927, The Beer Store has established environmental protection as a main tenet to its business model and remains the only retailer in Canada to accept all of its products and packaging back for recycling or reuse. In fact, we've been committed to being green and taking care of our environment since we opened our doors in 1927 and environmental leadership is now built in as one of our core values and has been for many years! This unique system is founded on what is now described as 'a circular economy'. Our returnable/refillable deposit return container system along with our determination to recycle secondary packaging, demonstrates our commitment to resource efficiencies.

Ensuring all end of life product and materials are recycled to higher end use through the least impactful processes speaks to our contribution to Ontario's transition to a circular economy. This annual report is our touch-point to our policy and practice of full transparency to publicly show our ongoing performance, achievements and future goals. Our deposit return system allows us to use resources that are recyclable and keep them at their higher quality and to release them for higher end use again and again. Through this report, you'll learn more about how we attain this core value.

2016 provided an opportunity to continue to improve on our commitments and core values including: our attention to responsible sales; giving back to our communities; attaining high levels of customer service; and environmental stewardship through our products; service offerings; and commercial partners.

Just as beer goes perfectly together with so many occasions in our everyday lives, so too does responsible stewardship. This is demonstrated by the actions and choices of our great customers and hard-working employees that allow our business to make simultaneous economic and environmental gains. Our presence in communities across the province large and small allows us to keep Ontario green from border to border.

Thank you for taking the time to read this year's Responsible Stewardship Report and enjoy learning about how our circular economy works.

Ted Moroz
PRESIDENT



MINE'S A PINT: BEER & THE CIRCULAR ECONOMY

"Other circular economy value extraction principles that can be applied to beer are the 'power of inner loops' and the 'power of circling longer'. This is exemplified by the re-use of glass beer bottles. Research carried out in 2012, outlined in the report *Towards a Circular Economy 2*, showed that by designing a more robust bottle, with 34% more material than a single-use bottle, would allow 30 bottle reuses, offsetting the additional material cost 20 times. In UK, it is estimated that this could lead to a 20% overall reduction in packaging costs for beer.¹"

¹ NICK JEFFRIES, Circulate News, <http://circulatenews.org/2017/03/mines-a-pint-the-circular-economy-applied-to-beer> (accessed March 24, 2017)

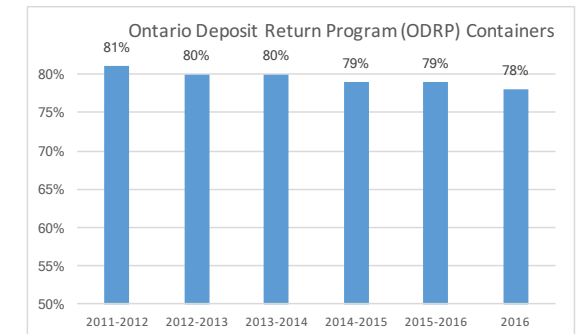
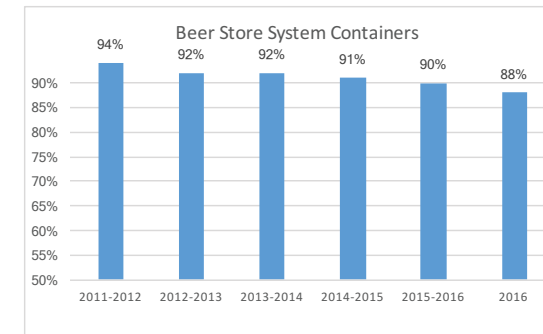
THE BEER STORE RESPONSIBLE STEWARDSHIP 2016

SUMMARY RESULTS



Summary Results	Beer Store Containers	Ontario Deposit Return Program (ODRP) Containers
Containers Collected	1,577,574,979	349,317,444
Tonnes Diverted from Disposal	268,142	111,271
Recovery Rate (%)	88.1%	78.0%
Glass Bottle Re-Use by Brewers (Tonnes)	185,677	
Coloured Glass Recycled Into New Products (Tonnes)	32,531	67,671
Clear Glass Recycled into New Clear Glass Bottles	16,331	41,084
Aluminum Cans Recycled into New Aluminum (Tonnes)	10,258	1,493
Corrugated Cardboard & Boxboard Recycled into New Paper Products (Tonnes)	22,096	
PET Products Recycled into Felted Automotive Products & Other Plastic Products (Tonnes)		1,023

TRENDING OF RETURN RATES



SALE LOCATIONS as of December 31st, 2016

#	TYPE OF LOCATION
451	Beer Store Locations (includes 5 Beer Store locations that do not accept empty returns)
187	On-site Brewery Stores (beer containers only)*
210	Beer Store Retail Partner Stores & LCBO Northern Agency Stores*
659	LCBO Stores*
133	Grocery Stores*
521	Ontario Winery Retail Stores*
25	Ontario Distillery Retail Stores*
17,355	Licensed Establishments (bars & restaurants)*
19,541	TOTAL BEVERAGE ALCOHOL SALES LOCATIONS

REDEMPTION LOCATIONS as of December 31st, 2016

#	TYPE OF LOCATION
446	Beer Store Locations
187	On-site Brewery Stores (beer containers only)*
210	Beer Store Retail Partner Stores & LCBO Northern Agency Stores*
3	LCBO Stores*
110	Beer Store Contracted Empty Bottle Dealers
956	TOTAL BEVERAGE ALCOHOL CONTAINER REDEMPTION LOCATIONS

*Figures from LCBO and AGCO

CLOSING THE LOOP

PACKAGING MANAGEMENT:

When you hear the sounds of the metal conveyors rolling in the empty return areas, this is synonymous with the circular economy at work. Since 1927, The Beer Store (then known as Brewers Retail) was opened as a brewers co-operative and began running a deposit-return program that has, since its inception, been 100 per cent funded by the industry and remains at the core of its sustainability successes today.

Currently, 10 cent deposits are applied to beer bottles 630ml and under, and beer cans 1L and under, while 20 cent deposits are applied to beer bottles over 630ml, and beer cans over 1L. Through this deposit program, customers are incented to participate and return their empty containers to be reused (refilled) and/or recycled. Beer containers are circulated an average of fifteen times through this cycle, reducing the need for new glass bottle production and resulting in a reduction of energy, water use and greenhouse gas emissions that go with it.

The idea of a circular economy arose as a challenge to the outdated model that is a "linear economy". In a linear economy, industry undergoes a "take, make, and dispose" approach which does not consider the embodied energy or efficient use of natural resources, energy or water usage, and carbon emissions created during production processes. By contrast, a circular economy is built by utilizing materials

and resources in the most effective way, minimizing production impacts, reutilizing materials by extending their useful lives (refill) and repurposing used resources by integrating them back into production cycles (recycling).

Brewers selling their products in The Beer Store (TBS) give preference to using refillable containers (as evidenced by beer sales in refillable bottles exceeding container sales in non-refillable bottles and cans in 2016).

They also commit to using only reusable (refillable) or recyclable containers and packaging when they list their products with TBS. Refillable containers are collected and separated to send to partner brewers for washing and refilling. Non-refillables are sorted by material type, separated into streams, and processed to high standards of recycling,

meaning recyclers must ensure collected material is used for sustainable applications with high environmental outcomes. Preference is given to bottle to bottle production when recycling glass. Other end products for bottles include other glass packaging or fiberglass insulation.

In addition to taking back empty glass and metal containers for deposit refund, TBS customers are encouraged to bring back to any location any associated packaging material, including cardboard boxes, boxboard, bottle caps, tabs, and plastic wrap.

The Beer Store's deposit return program is completely funded by the industry without any funding coming from Ontario tax payers.

BE GREEN
RETURN YOUR EMPTIES
TO THE BEER STORE

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THE BEER STORE RESPONSIBLE STEWARDSHIP 2016

IMPROVING AND INVESTING IN OUR FACILITIES

Environmental responsibility is a continuous improvement process for us and goes well beyond our deposit return system.

Environmental Returns Related to Capital Expenditures and Operational Changes: Over the course of 2016, hot water tanks at 13 sites were converted to smaller, more efficient units; 7 R30 Roofs were upgraded; washroom renovations were completed with low flow toilets and LED lighting with movement sensors were installed; refrigeration systems were replaced that are up to 70% more efficient depending on location. At our corporate office, we eliminated the use of single-serve coffee pods and encouraged the use of refillable mugs by employees and visitors. We continue to use high-speed doors in our coolers to keep the cold in to save energy. Some stores even draw in ambient air in the colder months to reduce the cooling required through refrigeration units.

When renovating or building new stores, greater footprint is given to the container and packaging returns area to improve functionality, in particular sorting space of the ever expanding list of container types. More dedicated space also ensures a low breakage rate to ensure high refill and recycling rates.

Improving Packaging Environmental Design: New eight pack carriers were introduced in 2016, replacing the previous bleached fiber carriers with new carriers constructed of kraft material that includes approximately 70% of post-consumed content and reduced use of inks. New consumer messaging has been added to ensure consumers are aware that the carriers as well as the cans can be returned to TBS return locations for recycling.



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THE BEER STORE RESPONSIBLE STEWARDSHIP 2016

THE BEER STORE DEPOSIT RETURN PROGRAM – HIGHLIGHTS

- In 2016, TBS continued to recover more beer containers than we sold!
- TBS collects beer containers and packaging on behalf of all of the brewers in our retail and wholesale network
- All glass beer bottles are either refillable or recyclable
- The industry continues to support an Industry Standard Bottle (ISB) which is the cornerstone to the refilling system. In addition, TBS also has adapted to accommodate new proprietary containers – bottles dedicated to use by one brewer. Both types of refillable bottles are separated by TBS upon return for deposit refund so that they can be sent back to brewers multiple times for washing and reuse.
- Aluminum cans are an increasingly popular way of enjoying beer and can also be recycled through The Beer Store's deposit return program
- For those who enjoy draught beer, TBS has a refillable steel keg pool that brewers can have access to, and also handles and returns back to brewers, proprietary steel keg floats dedicated to use by a single brewer.

Table 1 – The Beer Store Container Sales and Recovery by Container Type
January 1, 2016 - December 31, 2016

Container Type	Beer Store Sales (units)	LCBO Sales (units)	Returns (units)	System Recovery Rate (CY2016)	System Recovery Rate (2015-2016)
All Glass Bottles (Refillable and Non-Refillable)	839,682,241	119,243,302	914,621,297	95.4%	96.5%
Refillable Bottles (Industry Standard Bottle (ISB) and Non-Standard)	715,475,323	70,242,974	760,463,945	96.8%	97.5%
Non-Refillable Bottles	124,206,918	49,000,328	154,157,352	89.0%	91.6%
Metal Cans	553,453,983	277,580,986	661,619,348	79.6%	81.8%
Kegs	1,306,776	-	1,334,334	102.1%	101.6%
Total (by Units)	1,394,443,000	396,824,289	1,577,574,979	88.1%	90.1%

Table 2 – Secondary Packaging
January 1, 2016 - December 31, 2016

Packaging Type	Beer Store (Tonnes Sold)	LCBO (Tonnes Sold)	Total (Tonnes Sold)	Recovered (Tonnes) 2016	Recovered (Tonnes) 2015-2016
Corrugated/Boxboard	18,354	3,258	21,613	22,096	22,348
Metal	1,820	353	2,174	252	245
Plastic	563	141	705	797	763
Total	20,738	3,753	24,491	23,145	23,355

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

ONTARIO DEPOSIT RETURN PROGRAM RESULTS

In addition to empties related to beer containers sold in our stores, since 2007 The Beer Store under contract to the government of Ontario, also collects and recycles all empty alcohol containers sold in Ontario. This includes wine, spirits, coolers, and beer containers that are not sold at The Beer Store and covers container types including glass, metal, plastic, Tetra Pak, and bag in a box.

All empties from alcoholic products greater than 100ml sold at the LCBO Agency and authorized grocery stores, wineries, distilleries, and brewery retail stores can be returned for a full refund at Beer Store locations. 10 cent deposits are applied to non-metal alcohol containers 630ml and under and metal cans 1L and under, while 20 cent deposits are applied to non-metal alcohol containers over 630ml and metal cans over 1L.

It gives customers an economic incentive that influences them to return their empty containers that will then be recycled. Also, any secondary packaging used in these products is also accepted back so that we can recycle it too.

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

ODRP GOALS	PERFORMANCE
Ensure materials recycled are sent for higher order recycling	No material sent directly to landfill, incineration or for road aggregate use ✓
Ensure at least 90% of recovered glass is diverted to higher end use (such as new bottles or fiberglass manufacturing)	All glass recovered is sent for high end recycling ✓
Increase recovery rates for wine & spirits containers	Overall recovery rate in 2016 (78%) is well over the recovery rate for the first year of the program (63%) and the estimated rate when in Blue Box ✓
Increase glass diversion from landfill	In 2007/08 was just over 79,000 tonnes and in calendar 2016 was just over 110,000 tonnes ✓

BEING GREEN

- You can return all alcohol containers and associated packaging to The Beer Store (including cooler bottles, wine & spirits plastic and glass bottles, metal cans, bag-in-box, Tetra Pak and chill pack containers)!
- The Government of Ontario's ODRP initiative is a great example of how the private sector can work with the public sector to reach successful outcomes for the environment

Table 3 – ODRP Sales, Deposit Value by Container Type, and Market Share
January 1, 2016 – December 31, 2016

ODRP Containers*	Deposit Value	Sales (Units)	Sales Distribution**	Sales by Material Type***
Glass containers less than or equal to 630ml	\$0.10	79,003,336	17.6%	64.4%
Glass containers greater than 630ml	\$0.20	209,404,965	46.8%	
Aluminum or steel cans less than or equal to 1L**	\$0.10	118,734,989	26.5%	26.5%
Aluminum or steel cans greater than 1L**	\$0.20			
Tetra Pak (Polycoat) and Bag-In-Box less than or equal to 630ml	\$0.10	1,189,261	0.3%	2.5%
Tetra Pak (Polycoat) and Bag-In-Box greater than 630ml	\$0.20	10,018,266	2.2%	
Polyethylene Terephthalate (PET or plastic) containers less than or equal to 630ml	\$0.10	19,161,848	4.3%	6.6%
Polyethylene Terephthalate (PET or plastic) containers over 630ml	\$0.20	10,211,572	2.3%	
Total		447,724,237	100.0%	100.0%

* Containers larger than 100ml qualify for deposit return refunds under the program.
** Figures may not sum to 100% due to rounding.
*** Sales data for large and small cans are combined

Table 4 – ODRP Containers: Sales & Recovery
January 1, 2016 – December 31, 2016

Container Type	Sales in Units		Returns in Units		Recovery Rate					
	Small Containers	Large Containers	Small Containers	Large Containers	Small Containers 2016	Small Containers (F2016)	Large Containers 2016	Large Containers (F2016)	Combined 2016	Combined (F2016)
GLASS	79,003,336	209,404,965	57,601,139	179,567,149	73%	74%	86%	87%	82%	84%
PET	19,161,848	10,211,572	8,340,736	7,286,782	44%	43%	71%	73%	53%	53%
TETRA/BIB	1,189,261	10,018,266	85,250	2,762,216	7%	9%	28%	28%	25%	26%
SUBTOTAL	99,354,445	229,634,804	66,027,125	189,616,148	66%	67%	83%	84%	78%	79%
CANS	118,734,989		93,674,172						79%	81%
GRAND TOTAL	447,724,237		349,317,444						78.0%	79.4%

Table 5 – Beer Store and ODRP Disposal Diversion Estimated Avoided GHG Emissions & Avoided Energy Consumption (2016) ^{1, 2}
January 1, 2016 - December 31, 2016

	Glass Reuse	Clear Glass Bottle	Coloured Glass	Aluminum Recycling	Steel Recycling	PET Recycling	Mixed Plastic Recycling**	Total Diversion
Beer Store Tonnes Diverted	185,677	16,331	32,531	10,258	252	-	997	246,046
ODRP Tonnes Diverted	-	41,084	67,671	1,493	-	1,023	-	111,271
TOTAL Tonnes Diverted	185,677	57,415	100,202	11,751	252	1,023	997	357,317
Avoided GHG Emissions (MTCO2E)	70,557	6,316	5,511	113,519	300	3,723	3,628	203,555
Avoided Energy Consumption (GJ)	1,262,604	96,457	109,220	1,026,608	3,175	87,263	85,033	2,670,360

¹ Figures in table may not add to the total due to rounding
² "Avoided GHG" and "Avoided Energy" coefficients for PET Recycling used for Mixed Plastic Figures

THE BEER STORE'S BEER CONTAINER PROGRAM & THE ODRP COMBINED

BECAUSE THE ODRP AND THE BEER STORE PROGRAMS PROVIDE A RELIABLE SOURCE OF RECYCLED GLASS, THE AVERAGE RECYCLED GLASS CONTENT OF THE REFILLABLE ISB IN ONTARIO IS ESTIMATED TO BE 70%.

¹ 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.
² Pollutant reductions associated with recycled versus virgin aluminum production and glass production from Weitz, Keith A. et al. 2003. Life-Cycle Inventory Data Sets for Materials Production of Aluminum, Glass, Paper, Plastic and Steel in North America. Report prepared by RTI International for the U.S. EPA, Office of Research and Development. EPA-600/Q-03-001. Research Triangle Park, NC.

THE BEER STORE PROMOTIONAL AND EDUCATIONAL ACTIVITIES

IN-STORE ADVERTISING

BE GREEN Earth Day Campaign April 2016



For the month of April, all stores received and displayed the "Be Green" poster to promote the benefits of returning empties. All staff also received a "Be Green" t-shirt to wear leading up to Earth Day to support the campaign.



THE BEER STORE RESPONSIBLE STEWARDSHIP 2016

CAMPAIGNS

HOLIDAY Campaign

November & December 2016



BRING YOUR EMPTIES TO THE BEER STORE.

- ✓ Cardboard
- ✓ Caps
- ✓ Crowns
- ✓ Corks
- ✓ Metal Tabs
- ✓ Plastic Rings
- ✓ Metal Cans
- ✓ Glass
- ✓ Ceramic
- ✓ Plastic
- ✓ Tetra Paks
- ✓ Bladders



All 451 retail locations displayed 24"x36" recycling posters encouraging customers to return empties to The Beer Store and keep them out of landfills. This campaign emphasized all of the container types that The Beer Store accepts for a deposit return.

THE BEER STORE RESPONSIBLE STEWARDSHIP 2016

COMMUNITY INVOLVEMENT

The Beer Store is dedicated to giving back to the communities we operate in and are pleased to support a number of local and provincial organizations. Some of the charities and programs we support include:



Returns for Leukemia Bottle Drive

Returns For Leukemia is a fundraiser held each May by United Food & Commercial Workers Local 12R24 in partnership with The Beer Store to raise funds for The Leukemia & Lymphoma Society of Canada at over 450 Beer Store locations. Together we raised over 11 million dollars during the 11 years of bottle drives which will help find a cure for blood cancers.



Rogers House Bottle Drive

Beer Store locations in the Eastern Ontario Region raise money each year to support the families of sick children and youth. Our stores, along with our great volunteers, helped raise \$82,684.75 for Rogers House in 2016.



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The Bottle Shed

The Beer Store facilitates returns from The Bottle Shed Foundation to DCs. They are a non-profit organization that supports local charities and causes. The main source of fundraising is through donations of empty alcohol containers.

Commerce & Engineering Environmental Conference (CEEC)

The Beer Store proudly sponsors the Commerce & Engineering Environmental Conference at Queen's University in Kingston. Each year, CEEC attracts 130 delegates from across North America with backgrounds in business, engineering, arts, and sciences. CEEC utilizes workshops, speakers, and case competitions designed to challenge delegates to address current issues concerning energy, the environment and sustainability.



Partners in Project Green

Initiated by the Greater Toronto Airports Authority (GTAA) and Toronto and Region Conservation Authority (TRCA), Partners in Project Green is dedicated to creating the biggest eco-business zone in the world. TBS corporate office hosted a Recycling Collection Drive for Waste Reduction Week Oct.17-21st, 2016. Employees were encouraged to drop off Clothing items and, Electronic Waste (computers, phones, monitors, keyboards, mice, audio and video equipment).

Recycling Council of Ontario



Recycling Council of Ontario (RCO) is a not-for-profit membership-based organization involved in policy, education, and project work around the issues of consumption, waste generation, reduction and diversion, and recycling. The Beer Store contributes annually by sponsoring RCO's website.

Missing Children Society of Canada

In 2016, The Beer Store facilitated returns received from the Missing Children Society of Canada which collected nearly 67,000 empty containers from condominium buildings in Toronto that are donated to help fund investigations, emergency response, and family and peer support related to that charity.



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SUMMARY OF JOINT TBS & ODRP PROMOTIONAL & EDUCATIONAL ACTIVITIES

#BAGITBACK Ontario Deposit Returns Program Social Media Campaign January & February 2016

The annual #BagItBack campaign was launched in unison with the Ministry of the Environment, Ministry of Finance and LCBO. Each party contributed and shared content to promote the Ontario Deposit Returns Program. The goal was to raise awareness and ultimately increase the ODRP return rate.



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EARTH DAY

April 22nd, 2016

Along with the in-store signage and employee t-shirts, several Facebook, Twitter and Instagram posts were shared leading up to Earth Day.



#WASTEREDUCTIONWEEK Waste Reduction Week

October 16th – 23rd, 2016

The Waste Reduction Week Campaign consisted of daily Facebook and Twitter posts. The hashtag #wastereductionweek was used to unite with other supporters of the recycling initiatives and reach a new audience.



2,135 people reached

Boost Post

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LCBO ODRP PROMOTIONAL & EDUCATIONAL ACTIVITIES

RECYCLING ACROSS ONTARIO

LCBO sales of wine, beer and spirits result in over 400 million containers every year. Through LCBO's funding of the Ontario Deposit Return Program (ODRP) and municipal curbside Blue Box programs, they are ensuring that over 93 per cent of the bottles and cans generated are kept away from landfill and recycled. LCBO's recycling efforts don't stop there. The LCBO also recycles almost all of its cardboard, plastic shrink wrap, paper, defective alcohol, batteries and electronic waste.

LCBO's support of Blue Box programs also ensure that the vast majority of marketing and promotional materials produced, like Food & Drink magazine, are recycled across the province.

Their comprehensive waste management program reflects a commitment to helping every community across the province reduce waste and ensure class-leading recycling.

THE BEER STORE RESPONSIBLE STEWARDSHIP 2016



March 29, 2017

Linda Fritz
Senior Manager, Stewardship, Recycling and Asset Recovery
Brewers Retail Inc.
5900 Explorer Drive
Mississauga ON L4W 5L2

Dear Linda Fritz:

As specifically requested by Brewers Retail Inc. (Brewers), we have performed the following procedures on certain information in the report filed *Advancing the Circular Economy, One Container at a Time: Beer Store's Responsible Stewardship 2016* (the Report). The procedures were performed solely to assist the Beer Store in the preparation of the Report to meet the reporting requirements of the Beer Store under Section 69(1) of *The Waste Diversion Transition Act 2016, S.O. 2016, 012* (the Act) for the period from January 1, 2016 to December 31, 2016.

A. Information in the Report in Table 1: the Beer Store Container Sales and Recovery by Container Type (Table 1)

The procedures below were completed with respect to the recovery rates for the following container types: All Glass Bottles (Refillable & Non-Refillable), Refillable Bottles (Industry Standard and Non-Standard), and Non-Standard Refillable Bottles, Metal Cans and Kegs (the Container Types). For each Container Type, the amount of units that were returned to the Beer Store in the 2016 ODRP Year Audit or Foreign Container Recovery Methodology and Results – Part A report (the MRR) prepared by Brewers and not included in the Report.

1. We compared the units for Beer Store sales, LCBO sales and Returns by Container Type (except All Glass Bottles (Refillable & Non-Refillable)) in Table 1 to the detailed working tables A.2.1 Standard and Non-Standard Refillable Bottles, A.3.1 Non-Refillable Bottles, A.4.1 Metal Cans (Aluminum & Steel) and A.5.1 Kegs of the MRR and found the units to be in agreement.
2. We re-computed the units for Beer Store sales, LCBO sales and Returns for All Glass Bottles (Refillable & Non-Refillable) in Table 1 by totalling the units in the detailed working tables A.2.1 Standard and Non-Standard Refillable Bottles and A.3.1 Non-Refillable Bottles of the MRR and found the units to be arithmetically correct.
3. We re-computed the System Recovery Rate (SOR) for each Container Type in Table 1 by dividing the Return units in Table 1 by the sum of Beer Store sales plus LCBO sales for each Container Type and found the percentages to be arithmetically correct.

PriceWaterhouseCoopers LLP
One Queen Street West, Suite 2100, Toronto, Ontario Canada M5H 2R9
T: +1 416 599 7775, F: +1 416 596 8275, www.pwc.com/ca/en

We do not have an address in the Province of Ontario.

THE BEER STORE RESPONSIBLE STEWARDSHIP 2016



B. Information in the supporting summary tables

The following procedures were completed with respect to the supporting summary tables contained in Appendix A - Sales by Package Calendar 2016 (Appendix A), Appendix B - LCBO Sales of TBS Products Calendar 2016 (Appendix B), Can Settlement Calendar 2016 (Can Settlement), C16 Package Sales and Volume by Type of Sale schedule (the C16 Schedule by Type), and related supporting tables prepared by the Beer Store, which serve as the source data to the MRR and Table 1 contained in the Report. These supporting summary tables are not contained in the Report.

1. We compared Beer Store sales, LCBO sales and Returns units in tables A.2.1 Standard and Non-Standard Refillable Bottles, A.3.1 Non-Refillable Bottles, and A.4.1 Kegs of the MRR to Appendix A and found the units to be in agreement.
2. We compared Beer Store sales, LCBO sales and Returns units in the compiled working table A.4.2 Metal Cans of the MRR to the Can Settlement and found the units to be in agreement.

C. The Beer Store sales units

1. We re-computed the total sales units for each Container Type (excluding Metal Cans) in Appendix A as the sum of the sales units for the respective size names within each Container Type and found the units to be arithmetically correct. We re-computed the sales units (except Metal Cans) in Appendix A of the respective size names by multiplying the number of packages of each size name sold by the number of units in the package and found the units to be arithmetically correct. We compared the sales for the respective size names (except Metal Cans) in Appendix A to the C16 Schedule by Type and found the units to be in agreement.
2. We compared the total Beer Store sales units in total, less from the C16 Schedule by Type to Appendix A prepared by Brewers and found the units to be in agreement.
3. We re-computed the total sales units for Metal Cans in the Can Settlement as the sum of the sales units and found the units to be arithmetically correct. We re-computed the total sales units of Metal Cans in the Can Settlement by multiplying the number of packages of each size name sold by the number of units in the package and found the units to be arithmetically correct.
4. We compared the sales for Metal Cans in the Can Settlement to the Report and found the units to be in agreement.

D. LCBO sales units

1. We compared the LCBO sales units in Appendix A (excluding Metal Cans) to Appendix B that sets out the calculation of Beer Store sales (net of the Beer Store sales direct to the Liquor Control Board of Ontario (LCBO)) and LCBO sales and found the units to be in agreement.
2. We re-computed the total sales units for each Container Type on the respective Appendix B as the sum of the sales for the respective size names in hectolitres divided by the size of the respective container within each container type and found the units to be arithmetically correct. We compared the sales for the respective size names in Appendix B to schedules of LCBO sales volume for import and domestic sales by size and name (the LCBO Sales Schedules) and found the units to be in agreement.



E. Return units

1. We re-computed the total number of units returned by container type (excluding Metal Cans) included in Appendix A, by multiplying the number of packages returned by the number of units in the package, and adding an additional three-day data extract prepared by the Beer Store multiplied by the return rate and found the units to be arithmetically correct. We re-computed the total returns by Container Type (excluding Metal Cans) by adding the number of units by individual size names and found the units to be arithmetically correct.
2. We compared the total number of packages returned by Container Type (excluding Metal Cans) to the total number of packages returned on the MT Returns - 5 schedule prepared by the Beer Store and found the units to be in agreement.

These procedures do not constitute an audit of the Report, Table 1, the MRR, or any of the supporting summary tables and schedules, and therefore, we express no opinion on the Report, Table 1, the MRR, or any of the supporting summary tables and schedules. Had we performed additional procedures or had we made an examination of the Report, Table 1, the MRR, or any of the supporting summary tables and schedules, other matters might have come to our attention that would have been reported to you.

This report is intended solely in connection with the Report provided by the Beer Store to Waste Diversions Ontario. Consequently, the letter should not be used by other parties. Any use that a third party makes of this letter, or any reliance or decisions made based on it, are the responsibility of such third party. We accept no responsibility for any loss or damage suffered by any third party as a result of decisions made or actions taken based on this letter.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants