

Annual
Report 2013

Living Our Values:
The Sustainable Future



Rethink your relationship with fires

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SUMMARY

WHO WE ARE & WHAT WE DO

Ontario Tire Stewardship (OTS) is an Industry Funded Organization (IFO) incorporated under Ontario's Waste Diversion Act in 2009, to implement and operate the Used Tires Program.

Through the Used Tires Program, and consumer and industry education programs, Ontario Tire Stewardship is empowering Ontarians to change the relationship they have with their tires. Ontario Tire Stewardship has helped recycle more than 12 million used tires generated annually in the province, preventing scrap tires from ending up in landfills or being dumped illegally. Ontario Tire Stewardship directs these scrap tires to Ontario recyclers to create innovative eco-friendly products that are used for a variety of applications in homes, gardens, schools, arenas and parks to transform our communities into livable, sustainable spaces. In early 2013, Ontario Tire Stewardship reached a new milestone: 50 million scrap tires collected in Ontario, through the approximately 7,000 registered tire collectors in the Used Tires Program.

Beyond recycling, Ontario Tire Stewardship also educates and encourages Ontarians on the use of green products made from used tires that last longer and perform better than similar products in the market. Ontario Tire Stewardship also shares tips with Ontario drivers on how to get the most life and performance from their tires.

Information on Ontario Tire Stewardship, tire maintenance, recycled tire products for both home and commercial applications, as well as information for Program Participants can be found at www.RethinkTires.ca.

You can also follow us on...



@RethinkTires



www.facebook.com/RethinkTires

OUR VISION, MISSION & VALUES

VISION



We envision a self-sustaining industry in which Ontario companies are the leaders in supplying highly-preferred, innovative products that use material from recycled tires.

MISSION



To get 100% of Ontario tires efficiently and responsibly recycled into new products, leading to more livable communities and a growing green economy in this province.

VALUES



Ontario Tire Stewardship aims to transform the relationship Ontarians have with the lifecycle of their tires, through a comprehensive approach that takes into account our environment, our economy and our quality of life. We believe this can be achieved by factoring the following aspects in everything we do:

- Delivering results
- Economic development
- Innovating
- Taking responsibility
- Collaborating with stakeholders

Why Ontario Tire Stewardship?

We're protecting our environment.

We divert 100% of Ontario's used tires from landfills and burning. That's 50 million tires and counting.

We're helping fuel our economy.

Our support of Ontario companies that make new products out of old tires has brought more than \$40 million dollars in new investments and hundreds of new jobs to this province.

We're enhancing our quality of life.

Recycled tires are turned into products that make our homes and offices greener, our schools and playgrounds safer and our communities more vibrant.

MESSAGE FROM THE CHAIRMAN

2013 was a year of change and uncertainty for Ontario Tire Stewardship, one in which the best qualities of the organization have been brought to the fore, and where the unflagging commitment of the Board of Directors has once again been on display. The Board's strategic focus, willingness to make the tough decisions and the collective knowledge of both the industry and the politics has allowed OTS to come out of this challenging period well positioned to deliver on the organization's financial and diversion objectives in subsequent years.

Government continues to seek to tweak the policy environment in which OTS operates, requiring the organization to be fiscally conservative and operationally nimble. In 2013, no less than three changes were made to the Used Tires Regulation, necessitating quick action from OTS in order to be able to continue to operate effectively.

Against these policy machinations, OTS has continued to advance its mission to deliver North America's most innovative and sustainable tire recycling program. The Board has approved a multi-year strategic plan that will reduce program costs, improve efficiency and continue to provide world-class support to Ontario's highly competitive tire recycling industry. At the same time these changes will help ensure OTS is fulfilling its obligations to Stewards and tire consumers, by achieving diversion results well above our targets, and by using the funds they provide us responsibly and prudently.

Looking forward to 2014, the potential exists for further politically-induced changes to be required of OTS. Whatever changes may come, however, OTS will remain focused on delivering a program that encourages competition, reduces costs, addresses the full range of OTS' responsibilities to Stewards and all stakeholders and ensures 100% of Ontario's scrap tires are responsibly recycled.

I must extend my sincere appreciation to the Board of OTS and Staff for their dedication, perseverance and commitment, contributing their time and knowledge to this worthy endeavor. I look forward to continuing to work with them to deliver the Used Tires Program in 2014.

Sincerely,



Glenn Maidment,
Chairman





MESSAGE FROM THE EXECUTIVE DIRECTOR

2013 was a year of significant change for Ontario Tire Stewardship (OTS); market change, political change, and program change all combined to make for a busy and exciting year for the OTS team. The development of new approaches to creating market demand, coupled with a focus on driving down program costs and fees through the elimination of fraud, reductions in administrative costs and rethinking how OTS interacts with the tire recycling markets drove an intensive consultation process between OTS and its stakeholders. This has helped define the path forward for the program in 2014 and beyond.

The provincial tire recycling market has continued to develop, adding even more tire recycling capacity versus 2012. As a result, OTS was not required to send any tires out of province through 2013, and processing capacity now outstrips demand by a considerable margin.

This situation has driven intense competition for used tires, and given rise to behaviours in the market which OTS view as evidence of the need for a change in how the program incentivizes the diversion of tires. Our consultations have concentrated on refocusing OTS' approach to the provincial market, in order to ensure the program is providing the right economic stimulus to produce sustainable results, and a fair and open competitive market. OTS has asked stakeholders for their input on how the program could be improved, and we have been fortunate to engage them in an active dialogue that has informed the process, and will encourage further innovation.

Through the consultation process we have heard concerns that the current program design, while extraordinarily successful in supporting the creation of a robust recycling infrastructure in Ontario, may need to be recalibrated to create the right conditions for long-term sustainability. Additionally, as in any intensely competitive marketplace, stakeholders seek to maximize their returns, and OTS needs to adapt our processes and policies to ensure we are providing the proper degree of oversight. We take our responsibility in this regard very seriously, and are constantly reviewing our policies and procedures to deliver on this obligation.

While any change management process can at times be contentious, OTS has remained focused on improving the program for all stakeholders over the long-term, ensuring we continue to exceed our diversion objectives, the facilitation of fair and sustainable competition in the market, and to streamlining the program for all stakeholders. These enhancements will allow OTS to reduce costs, and ultimately fees going forward, and will continue our leadership in the delivery of one of North America's leading product stewardship programs.

Sincerely,



Andrew Horsman
Executive Director

We reached
a milestone
in 2013:
50,000,000
tires recycled.



In 2013, OTS placed a focus on delivering results through consumer engagement, operations, and a strong commitment to sustainability. This focus was supported by two major priorities; clearing tire piles across Ontario and increasing consumer awareness of recycled tire products. Though different, these two programs converged in their end goals of driving environmental sustainability within the province.

The Used Tires Program reached a major milestone with 50 million tires recycled in Ontario in 2013 – which is enough to fill up the Rogers Centre twice. In 2013, OTS also managed 73 Special Tire Collection events which resulted in the collection of approximately 3,773 tonnes of tires. Additionally, OTS undertook the clean-up of 37 stockpile sites around Ontario, ensuring the responsible recycling of 3,758 tonnes of used tires. OTS was able to achieve these results thanks to the help of Ontario residents and their commitment to waste reduction.

Through outreach in communities across Ontario, OTS has made direct connections with consumers through various means, one of the most successful being the Consumer Rebate Program. This program promoted Ontario-made recycled tire products and showed consumers the end uses of recycled tires. Rebates offered by the program received a strong positive response from consumers and retailers alike, driving a high volume of coupon redemptions and increased sales of recycled rubber products.

OTS remains committed to effectively engaging consumers in innovative and strategic ways that increase awareness of the importance of tire recycling to Ontario's environment and economy.

On-shelf coupons at all 87 Home Depot locations in Ontario.

In-store activations with OTS Brand Ambassadors at 12 Home Depot locations.



CONSUMER REBATE PROGRAM

In May and June of 2013, OTS partnered with Recycled Product Manufacturers (RPM) to pilot an exciting retail-focused campaign to promote and drive purchases of recycled tire products. This included in-store couponing, in-store activations, online advertising and downloadable coupons, media partnerships, and earned media. Coupons were redeemable at The Home Depot for Ontario-made recycled tire products like outdoor tiles and pavers, garden edging, and rubber mulch. The program was the first of its kind for OTS, and enabled the organization to reach consumers in a fun and interactive way.

In a post-event survey 87% of respondents told someone about what they learned or their product experience. One purchaser noted:

"(I told) some of my family friends, they said it was a nice product and they didn't know these kinds of products existed."

"Great product, I would definitely recommend it. It looks really sharp in my garden and I love the fact that it keeps weeds from overtaking all the plants that grow there."

Program results included:

- Partnership with BOOM radio, including a back-yard makeover contest
- Earned media coverage in the Toronto Star and 24 Hours
- 2,689,400 media impressions
- A total of 84,171 coupons distributed

More than 1 million tires were cleaned up in piles across the province.



50 MILLIONTH TIRE

Since the launch of the Used Tires Program by OTS in 2009, Ontarians have enthusiastically recycled their tires at collector locations across the province. In early 2013, less than four years after the program's beginnings, OTS reached the important milestone of 50 million tires recycled in the province. This achievement demonstrates the effectiveness of the program in engaging consumers and drivers and in sustainably managing the tires that enter the province at the end of their life. To celebrate this milestone, over 16 groups helped us make a thank you video available on our YouTube channel. We also distributed an electronic thank you infographic/timeline card to hundreds of key stakeholders, including government officials.

The 50 millionth tire milestone coincided with the rollout of OTS' new branding RethinkTires. This new brand supports our mission and vision and enables us to live our values every day. RethinkTires and our tagline, 'Rethink your relationship with tires', communicate how we are unique, showcase the results that we are making across the organization and how we are working toward the goal of developing a self-sustaining industry. Part of this is to showcase every aspect of the tire lifecycle.

"Industry has embraced the Used Tires Program and recognizes the benefits of this collaborative approach to managing tires...OTS operates a model program that others across the country and around the world can look to emulate."

*Glenn Maidment, President,
Rubber Association of Canada.*

"From the people who drop off the used tires, to the organizations that collect and move them, straight through to the Ontario companies that turn those tires into innovative new products, this program has focused on rethinking how we look at and recycle used tires."

Andrew Horsman

We ensure all
Ontario tires
are responsibly
recycled.



The RethinkTires Roadtrip team educating people on proper tire maintenance.

Sixty-five percent of Ontarians believe that the Tire Stewardship Fee should accurately reflect the cost of recycling tires, and that the funds should aid in the recycling of tires in a variety of ways (collection, transportation, and clean-up) within Ontario, according to Fall 2013 polling conducted by Research House on behalf of OTS.

At OTS, taking responsibility means taking ownership of operations, practicing environmental sustainability, and educating consumers. It means taking community members' concerns into consideration and working to lower fees while ensuring they are put to work in the recycling of Ontario tires as efficiently as possible. Through a number of initiatives, OTS has taken responsibility within the industry by working to reduce program costs, clean up stockpiles through Special Tire Collection events, and ensure all Ontario tires are responsibly recycled.

Moving forward, OTS will continue to work to improve efficiencies as evidenced by the introduction of the Treadmarks Mobile platform. Planned and tested in 2013, the new, streamlined process will eliminate paper wastage beginning in the summer of 2014.

On the consumer front, from June to August of 2013, OTS took ownership of its responsibility to educate and empower consumers by helping them make wiser purchasing decisions through the RethinkTires Roadtrip. Additionally, the OTS team participated in a number of other consumer-facing events including the National Home Show in March of 2013. The event resulted in 274 interactions per hour, with audiences learning about products made from recycled tires, and proper tire maintenance tips to prolong the lives of their tires. As an organization committed to recycling 100 percent of Ontario tires, raising consumer awareness is a key priority and area of responsibility.

Development of Treadmarks Mobile will eliminate paper-based filing.



TAKING RESPONSIBILITY WITH INDUSTRY

In 2013, Ontario Tire Stewardship remained committed to reducing overall program costs, which will translate into lower Tire Stewardship Fees to Stewards and the consumer. One of the ways OTS will reduce costs is by updating and streamlining the way in which it receives and manages information submitted by the companies that collect, transport and recycle Ontario's used tires. Treadmarks Mobile (TMm) is an online platform that will soon allow these companies to move away from a paper-based manifest system to a mobile electronic system, eliminating paper, reducing the time involved in managing the manifests and improving overall program efficiency.

The deployment of Treadmarks Mobile will achieve a number of objectives to facilitate the continued evolution of the program to a more user-friendly and lower cost model. After the initial rollout of Treadmarks Mobile, OTS will be working on adding additional functionality to the system, as well as an updated and more feature-rich version of the web interface for stakeholder submissions. Additional policy and procedure changes have allowed OTS to reduce administration costs by 16% versus 2012.

"The OTS team is very excited about TMm, as it marks a new era of efficiency and functionality in the tire collection process. We look forward to working with our stakeholders to ensure a smooth transition to the new system."

Andrew Horsman

RethinkTires Roadtrip went to 40 events, talked to 53,000 people, all in 76 days.



TAKING RESPONSIBILITY WITH CONSUMERS

With the rebranded RethinkTires Roadtrip, OTS brand ambassadors went to 40 events all across Ontario, speaking to over 53,000 people. Through these one-on-one interactions, ambassadors were able to educate Ontarians about tire maintenance, used tire recycling and the free drop-off service provided by the Used Tires Program, while showcasing durable, sustainable products made in Ontario from recycled tire rubber. The positive responses that the teams received from these interactions demonstrate that consumers are highly interested in recycled tire products due to their durability and recycled content, and education on pricing and availability of these products had a profound effect.

The RethinkTires Roadtrip team made a lasting impression on consumers, with 78% of post-event survey respondents remembering the booth without being prompted, 87% remembering something they learned at the booth, and 81% telling someone else about what they learned.

Awareness of a tire recycling program in Ontario has increased by 8% from April 2013 to December 2013.

As awareness grows, fewer people in Ontario believe that tires are still dumped into landfills as garbage compared to February 2011 (from 16% to 4%).

"At Wasaga Beach, I told a booth visitor she can recycle her tires through our Used Tires Program and showed her all the products that are made from recycled tires. She walked away with one of our tire pressure gauges and came back with ten members of her family, wanting to know how to check the air in their tires!"

2013 OTS Brand Ambassador

We help
create greener
communities
in Ontario.



New recycled-rubber pavers replaced the old mats at the Caledon Centre for Recreation and Wellness.


Eight in ten Ontarians believe their community would benefit from incorporating recycled tire products into projects. Through extensive collaboration in 2013, OTS helped create greener communities in Ontario through OARA Tire Take Back, CAA RecycleDrive, and the Community Grant Program.

Successful collaboration leads to strong results, and OTS' partnerships are no exception. These projects came to life with the help of the Ontario Auto Recyclers Association (OARA), Canadian Automobile Association (CAA), and community leaders across the province. This included the installation of the community challenge projects from 2012. The Stirling Arena received new skating area flooring as a result of winning the OARA 2012 challenge. J. G. Simcoe Public School in Kingston received rubber mulch and landscaping as a result of the 2012 CAA RecycleDrive. Both projects were welcomed by the community.

As always, collaborations were an important part of reaching our audiences and in 2013 we continued to support EarthRangers, Evergreen Brickworks and industry partnerships with Ontario Tire Dealers Association and Ontario Environment Industry Association (ONEIA).

In 2013, OTS community grant programs came to life as we saw installations across the province. For example, thanks to funding from OTS, the Thornhill Regional Park's recreational field received an upgrade with the addition of recycled rubber turf infill. OTS also helped the Kawartha Village Co-operative Homes rebuild a community playground with eco-friendly, durable recycled rubber playground surfacing. Community projects like these were made possible through stakeholder partnerships and reinforce the message that meaningful results stem from successful collaboration.

The team also explored partnerships with the digital community by launching a new RethinkTires Facebook page and creating partnerships with influential bloggers. By the end of 2013, the Facebook page reached 175 likes, with growth fuelled by engaging content around OTS events and contests. Both Facebook and Twitter saw increased engagement as a result of blogger partnerships with influencers like Ottawa Valley Moms, Parent Club, and Canadian Basics. This work complements the ongoing newsletter outreach – the consumer newsletter saw 35 per cent growth in subscribers in 2013 with a high open rate. The industry stakeholder newsletter also saw an increase in open rates.



13 projects were provided funding through the Community Grant program.

COMMUNITY GRANT PROGRAM

Through the Community Grant Program, OTS found new demand for recycled tire products in regions across the province. Projects helped communities breathe new life into old spaces by creating safer, more sustainable surfaces.

“My five-year-old daughter has a disability and tends to fall often. The moment she told me that it no longer hurt when she fell, I knew we had made the right decision to use SofSurfaces SofTile to create a safer play environment for children and their families in our community,” said one grant recipient.

Launched in 2009, the Community Grant Program peaked in popularity in 2013, receiving 20 applications and providing funding for 13 projects that were completed within the year. Notable projects included the Kawartha Village Co-operative Housing playground, City of Vaughan artificial turf, and Penetanguishene Museum and Archives Replica Firehall Roof.

The Community Grant Program not only enabled communities to go forward with sustainable projects, but also introduced recycled rubber products to new audiences, helping them understand the benefits of these products and their use in sustainable roofing, flooring, and more.

Community Grant project highlights:

- *Kawartha Village Co-op playground surfacing: 885 tires*
- *City of Vaughan artificial turf: 13,600 tires*
- *Penetanguishene Museum roofing shingles: 25 tires*
- *Municipality of Leamington playground mulch: 2,414 tires*
- *Township of McNab/Braeside athletic flooring: 129 tires*
- *Town of Essex accessible playground surfacing: 958 tires*



Products installed at community grant sites used a total of 21,885 recycled tires.

OARA TIRE TAKE BACK AND CAA RECYCLEDRIVE

Through community initiatives like the OARA Tire Take Back and CAA RecycleDrive, Ontario Tire Stewardship generated positive goodwill in the community while continuing to drive its mandate of diverting all Ontario tires from landfills.

In partnership with OARA, Tire Take Back brought together over 60 auto recyclers in communities across Ontario. The fourth annual Tire Take Back event generated over 58,000 tires and raised \$175,000 for The Sunshine Foundation of Canada. Funds raised through the event enabled children with physical disabilities and life-threatening illnesses to fulfill a lifelong dream. OTS also had the privilege of joining Sunshine Foundation children on a DreamLift to Disney World.

The third year of the CAA RecycleDrive event saw Ontario residents dropping off old batteries, oil and tires for free at participating CAA Approved Auto Repair Services (AARS) facilities. The event saw an exciting increase in participation in 2013, with 50% more locations and tire volumes up over 300% over the previous year's event.

For both of these province-wide events, the communities that collected the most tires were rewarded by OTS with a prize of high-quality recycled tire product to be donated to support a local community facility upgrade. This fostered friendly competition between participating communities, and empowered Ontarians to transform their communities into greener living spaces by recycling their tires.

"The impact of this one Tire Take Back week lasts for years. Thousands of used tires are responsibly recycled into new products, benefiting the Canadian environment and the economy, and countless dreams are fulfilled for children with severe physical disabilities and life-threatening illnesses."

*Nancy Sutherland, National Executive Director,
The Sunshine Foundation of Canada*

We introduce
recycled rubber
products to
new audiences.



The Rethink Tires team at the National Home Show displaying recycled rubber tire products for the home and backyard.

The growth of the tire recycling industry has been supported by Ontario Tire Stewardship and the Used Tires Program. This has generated both growth in recycling capacity and increased demand for Ontario-produced crumb rubber (up 15 percent in 2013 versus 2012) from Recycled Product Manufacturers.

Growing demand has continued to fuel a unique and highly competitive provincial market for these high quality, recycled products. This demand has spurred economic growth across Ontario, with capacity of recycling facilities outstripping available tire supply. In certain cases, this has required full expansion plans that result in advancements and job creation in the waste management industry.

Operationally, 2013 was marked by a continuation of the trend towards increased production of high-value recycled rubber products and a 2.7 percent increase in overall tire supply. The supply increase was an encouraging develop-

ment following supply decreases in 2011 and 2012, which negatively impacted program revenues and resulted in a shortage of used tires available to Ontario recyclers.

OTS-registered Haulers delivered 133,082 tonnes of tires to OTS-registered Processors in 2013 with 100 percent being delivered to Processors located in Ontario, reflecting the strong growth in processing capacity realized since program launch.

Recognizing that education was key to help develop the markets for recycled tire products in Ontario, OTS has sought to engage potential end-users of the products at a number of trade shows in 2013, reaching a wide range of audiences from designers and architects to building and facilities managers. Introducing recycled rubber products to new audiences enabled builders and designers to rethink the possibilities that these products hold, fueling the economic growth of the industry in the province.

90 people celebrated the grand opening of Moose Creek's \$18 million facility.

The event garnered 872,476 media impressions.




MOOSE CREEK TIRE RECYCLING

In 2013, OTS helped unveil Moose Creek Tire Recycling's (MCTR) \$18 million production facility expansion in Ottawa with an official ribbon cutting ceremony event. The expansion helped advance Ontario's waste management and tire recycling sectors and created more than 45 local jobs.

The facility works with Animat – a Sherbrooke, Quebec-based producer – to manufacture anti-fatigue rubber mats made from recycled tires for agricultural and commercial use. MCTR's new facility features state-of-the-art technology, which enables the company to produce more than 300,000 rubber mats each year to satisfy rising demand for the recycled tire products it offers.

"This expansion is as significant to Ontarians as it is to MCTR because it allows us to manage waste responsibility within the province and boost local job growth, all while fulfilling the growing demand for innovative recycled tire products."

André Laflèche, President, Moose Creek Tire Recycling



Moose Creek Tire Recycling will produce more than 300,000 rubber mats each year.

TRADE SHOWS

Exhibiting at trade shows is a key activity for OTS, and in 2013 we exhibited at six trade shows. This included shows that OTS had attended in the past and found provided valuable opportunities to engage consumers and a number of new shows were also added to the roster.

Trade shows in 2013:

- Construct Canada
- Landscape Ontario
- Ontario Association of Architects Annual Conference
- Canadian Healthcare Engineering Society National Conference
- Springfest
- Association of Municipalities of Ontario Annual Conference.

Through these trade shows, OTS educated audiences on the benefits of using recycled tire products in design, resulting in 731 sales leads for RPMs – a 70 percent increase from 2012.

We asked Trade Show attendees, “What are the most important attributes of recycled products to you?”

- Recycled Content: 77%
- Durability: 63%
- Aesthetics: 26%
- Safety: 24%
- Innovation: 19%
- Acoustics: 6%

“My firm has done several jobs in the Ottawa region using Enviroshake on residential homes, everyone I’ve spoken to has had positive and favourable things to say. Most of the customers and clients are pleased with the aesthetics of the product.”

OARA Conference attendee

We find new
and better
ways to recycle
used tires.



Students competed to have their designs using recycled rubber tire products implemented at Toronto's YMCA.



Gregory Bunker, Jessica Wagner, and David Garcia Gonzalez of University of Toronto.

Since the launch of the program, OTS has been focused on advancing innovation among the tire recycling industry; therefore it should come as no surprise that OTS has a variety of means through which it supports innovation. Finding new and better ways to recycle used tires and use the raw materials recovered through recycling helps advance the overall economic sustainability of the tire recycling industry, while improving the quality of life for individuals through the introduction of safer, more durable products.

In 2013, OTS encouraged innovation by investing in knowledge through research and development funding, continuing education modules, and the Student Design Challenge.

OTS believes that educating the leaders of today and tomorrow will lead to strong innovation and sustainable design for years to come.

Over \$2 million was injected into R&D to develop sustainable next generation products containing recycled tire rubber.



INVESTING IN KNOWLEDGE

The OTS Research & Development program is a strategic engagement initiative structured to focus investment on products and processes that are near-commercialization. OTS has actively sought out projects that will result in improved financial incentives to encourage the use of recycled rubber.

In 2013, OTS awarded a new Research & Development Grant to an Ontario Recycled Product Manufacturer (RPM) seeking to develop a new market for recycled rubber products by creating a safety surfacing product using recycled rubber as opposed to virgin materials. This project remains on-going at this time, and both OTS and the RPM are encouraged by the progress on this project to date.

In 2012, OTS developed an accredited Continuing Education Module on recycled tire products targeted at architecture professionals and their firms. As the designers for large scale structures and spaces, architects represent a high-value customer segment for Ontario RPMs. OTS delivered lunch 'n learn presentations to seven architecture firms and one association, reaching 114 architects and product specifiers who lead the design for signature projects such as the Pan Am venues, condo developments, healthcare facilities and schools.

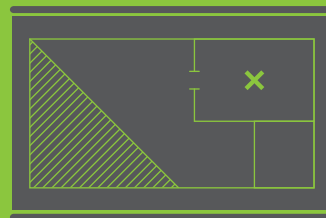
Recycled content, durability, and aesthetics are the most important attributes when specifying a recycled product.

“To create highly functional, award-winning facilities and community spaces, it’s important for builders, architects and designers to understand how users interact with these spaces. But it’s equally important to understand the enhancing role that eco-friendly building materials - such as innovative products made from recycled tires - can play to create industry-leading sustainable facilities.”

Andrew Horsman

Two-day workshop with eight Ontario colleges and universities.

Evaluated on four key areas:
Originality, Feasibility,
Sustainability, Innovation.



DESIGN CHALLENGE

Following the success of the inaugural Student Design Challenge with Evergreen Brick Works, OTS partnered with the YMCA of Greater Toronto for the second Challenge. The new format for 2013 brought teams from eight Ontario colleges and universities to the YMCA in downtown Toronto, the site where the students were to re-imagine the forecourt of the building using recycled tire products.

The Design Challenge gave students the unique opportunity to work with industry experts in architecture and sustainable design to help inspire creative uses for recycled tire products.

After an intense two-day competition, the team from the University of Toronto won with a design that prioritized accessibility and functionality while bringing new colour and life to the space. These students will see their design come to life when it is completed in 2014.

"This next step through the generosity and partnership with OTS allows us to renew this tired outdoor space to be a fresh, soft, interactive community space using recycled materials in an environmentally sustainable way"

Alex Versluis, Vice President Property Management, YMCA of Greater Toronto

Design Challenge judging panel included:

- Elise Shelley, architect and University of Toronto Assistant Professor
- Joe Lobko, architect and principal, DTAH
- Alex Versluis, VP and Property Manager, YMCA of Greater Toronto
- Mathis Natvik, Natvik Ecological
- Shawn Micallef, Columnist, Toronto Star, Editor, Spacing Magazine

Judges were drawn to the event for the opportunity to mentor future design leaders.



APPE



NDIX:

APPENDIX A: FINANCIALS

Financial Statements of

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

Year ended December 31, 2013
INDEPENDENT
AUDITORS' REPORT

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TO THE MEMBERS OF ONTARIO TIRE STEWARDSHIP/ SOCIÉTÉ DE GESTION DES PNEUS USAGÉS DE L'ONTARIO

We have audited the accompanying financial statements of Ontario Tire Stewardship/Société de Gestion des Pneus Usagés de l'Ontario, which comprise the statement of financial position as at December 31, 2013, the statements of income, 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.

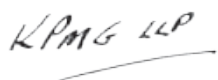
Auditors' Responsibility

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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Tire Stewardship/Société de Gestion des Pneus Usagés de l'Ontario as at December 31, 2013, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Professional Accountants, Licensed Public Accountants
March 20, 2014
Toronto, Canada

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

Statement of Financial Position
December 31, 2013, with comparative figures for 2012

	2013	2012
ASSETS		
<i>Current assets:</i>		
Cash	\$ 33,556,978	\$ 22,999,081
Trade accounts receivable	7,186,051	8,235,300
Prepaid expenses	61,398	69,517
	40,804,427	31,303,898
Capital assets (note 2)	885,626	293,742
	\$ 41,690,053	\$ 31,597,640
LIABILITIES AND NET ASSETS		
<i>Current liabilities:</i>		
Accounts payable and accrued liabilities (note 3)	\$ 12,740,051	\$ 13,828,974
Other liabilities (note 3)	100,721	128,626
	12,840,772	13,957,600
Deferred leasehold inducement (note 4)	153,435	195,281
<i>Net Assets:</i>		
Internally restricted (note 5):		
Ongoing liabilities fund	2,500,000	4,000,000
Operational reserve fund	26,195,846	13,444,759
	28,695,846	17,444,759
Commitments (note 7)		
	\$ 41,690,053	\$ 31,597,640

See accompanying notes to financial statements.
On behalf of the Board:

Director

Director

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

Statement of Income
Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
Revenue:		
Steward fees	\$ 76,379,657	\$ 67,908,202
Tire fee penalties	134,866	418,043
	76,514,523	68,326,245
Expenses:		
Operational costs:		
Research and development	464,724	1,492,979
Stockpile abatement	1,879,471	–
Manufacturing incentive	4,657,281	4,244,611
Transportation incentive	24,156,287	28,401,817
Processor incentive	17,911,124	18,407,987
Collection allowance	9,361,696	7,937,008
Promotion and communication	2,175,673	2,007,692
Accrued program - goods and services tax/ harmonized sales tax	–	(2,813,618)
	60,606,256	59,678,476
Administration:		
Program management	2,473,214	3,166,158
Professional fees	81,450	92,716
Office and general	1,392,483	1,555,467
Bad debt	150,751	–
Write-off of harmonized sales tax input tax credit (note 6)	559,282	730,970
	4,657,180	5,545,311
	65,263,436	65,223,787
Excess of revenue over expenses	\$ 11,251,087	\$ 3,102,458

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, 2013, with comparative figures for 2012

			2013	2012
	Internally restricted			
	Ongoing liabilities fund (note 5)	Operational reserve fund (note 5)	Unrestricted	Total
Balance, beginning of year	\$ 4,000,000	\$ 13,444,759	\$ –	\$ 17,444,759
Excess of revenue over expenses	–	–	11,251,087	3,102,458
Interfund transfer	(1,500,000)	12,751,087	(11,251,087)	–
Balance, end of year	\$ 2,500,000	\$ 26,195,846	\$ –	\$ 28,695,846

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, 2013, with comparative figures for 2012

	2013	2012
Cash provided by (used in):		
<i>Operating activities:</i>		
Excess of revenue over expenses	\$ 11,251,087	\$ 3,102,458
Items not involving cash:		
Amortization	90,910	43,566
Amortization of deferred lease inducement	(41,846)	(13,949)
<i>Change in non-cash operating working capital:</i>		
Trade accounts receivable	1,049,249	(2,060,536)
Prepaid expenses	8,119	19,117
Accounts payable and accrued liabilities	(1,088,923)	(9,112,233)
Other liabilities	(27,905)	(479,978)
	11,240,691	(8,501,555)
<i>Financing activities:</i>		
Increase in deferred leasehold inducement	–	209,230
<i>Investing activities:</i>		
Purchase of capital assets	(682,794)	(337,308)
Increase (decrease) in cash	10,557,897	(8,629,633)
Cash, beginning of year	22,999,081	31,628,714
Cash, end of year	\$ 33,556,978	\$ 22,999,081

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, 2013

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 Waste Diversion Ontario to meet the requirements set out by the WDA, O. Reg. 84/03, and the Ontario Ministry of the Environment.

1. SIGNIFICANT ACCOUNTING POLICIES:

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

(a) Revenue recognition:

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

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

Tire Steward fee penalties are 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

(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.

(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.

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

Notes to Financial Statements (continued)
Year ended December 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

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 allowance for doubtful accounts and accrued liabilities. Actual results could differ from those estimates.

2. CAPITAL ASSETS:

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
Office furniture	\$ 80,514	\$ 32,206	\$ 48,308	\$ 64,411
Computer equipment	95,942	32,785	63,157	6,669
Leasehold improvements	243,456	69,485	173,971	222,662
Software under development	600,190	–	600,190	–
	\$ 1,020,102	\$ 134,476	\$ 885,626	\$ 293,742

Included in office and general expenses is amortization of \$90,910 (2012 - \$43,566).

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

Notes to Financial Statements (continued)
Year ended December 31, 2013

Software under development relates to an update of the trademarks software and the creation of an OTS mobile application. Amortization has not been taken during the year as these two projects will be put into service in the summer of 2014.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES AND OTHER LIABILITIES:

Included in accounts payable and accrued liabilities and other liabilities as at December 31, 2013 are government remittances payable of \$613,842 (2012 - \$1,221,424) relating to 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:

	2013	2012
Lease inducement received	\$ 209,230	\$ 209,230
Less accumulated amortization	55,795	13,949
	\$ 153,435	\$ 195,281

5. INTERNALLY RESTRICTED FUNDS:

The Organization, as approved by the Board of Directors, internally designates funds to be used for specific purposes. The ongoing liabilities fund was established to fund ongoing programs of the Organization. The fund includes \$1,000,000 for stockpile remediation, \$1,000,000 for manufacturers incentives and \$500,000 for research and development. 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. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

6. 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 harmonized sales tax ("HST") input tax credit. The CRA had previously indicated the ruling would likely be unfavorable and as a result, OTS recorded a provision at December 31, 2011 of \$1,671,337 against the input tax credit receivable. As a result of this provision, the net receivable at December 31, 2011 was nil. Further provisions of \$730,970 and \$559,282 were recorded at December 31, 2012 and 2013, respectively against additional input tax credit receivable balances recorded during the year. As a result of the further provisions recorded, the net receivable at December 31, 2012 and 2013 was nil.

7. COMMITMENTS:

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

2014	\$ 2,530,000
2015	2,021,600
2016	350,800
2017	241,400
2018	21,100
	\$ 5,164,900

APPENDIX B: OTS BOARD OF DIRECTORS & STAFF

Ontario Tire Stewardship is governed by a Board of Directors comprised primarily of Brand Owners and First Importers of tires.

SENIOR STAFF

Andrew Horsman
Executive Director

Zachary Dryman
Director of Information Technology

Stephen Gluchowski
Director of Operations

Perminder Kandola
VP, Finance

Rabindra Deodat
Manager of Internal Audit

Krista Cassidy
Manager of Promotions and Education

BOARD OF DIRECTORS

Glenn Maidment (Director & Chair)
President of The Rubber Association of Canada

Sarah Webb (Director)
Manager, Product & Environmental Stewardship at Canadian Tire Corporation

Usman Valiante (Director)
Director, Environmental Affairs at the Ontario Tire Dealers Association

Philippe Trudel (Director and Treasurer)
Senior Corporate Counsel at Michelin Canada

Robin Hunter (Director)
Counsel & Secretary at Goodyear Canada

Bob Bignell (Director)
Executive Director at the Ontario Tire Dealers Association

Chantale Mantha (Director)
Manager of Stewardship Programs at Costco Canada

Andy Soares (Director)
Business Intelligence and Data Integrity Manager at Dynamic Tire

APPENDIX C: COMMUNICATING WITH STAKEHOLDERS

OTS is continually working to understand the needs of all stakeholders, from Stewards, to operational stakeholders, to retailers and tire consumers (both individual and commercial). All of these partners have interests in how the program operates, understanding what changes OTS may be looking to make to continue to drive diversion and product market growth, how OTS is ensuring a level-playing field in Ontario, and what steps are being taken to drive program efficiency and reduce costs.

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.

In 2013 OTS also held an intensive series of consultation sessions with stakeholders, both in large groups and smaller groups by stakeholder types, to present proposed

incentive model and rate changes and solicit feedback from stakeholders. In between these consultations OTS engaged directly with individual stakeholders to gather sensitive and business confidential information not suitably shared in a group format, and to discuss concerns or suggestions stakeholders may have had that required deeper discussions.

Recognizing the strategic importance of the consultation process and the need to ensure all stakeholders' comments and positions regarding the changes are well-understood in light of the significant changes being implemented to the existing incentive model. The OTS Board held an open listening session for a broad range of stakeholders. Haulers, Processors and RPMs made presentations, either individually or in groups, to the Board regarding their support, concerns or suggestions regarding the incentive review.

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 consultation process has also resulted in the development of a revised incentive model that OTS intends to begin implementing in July 2014.

The chart below (next page) outlines the key stakeholder communications that have been undertaken in the 2013 calendar year.

Type of Ontario Tire Stewardship Activities	Date of Activity	S.	C.	H.	P.	RPM
Collector Consultation – Proposed CA Rate Changes	January 22, 2013		○			
RPM Consultation – Proposed MI Rate Changes	January 22, 2013					○
Processor Consultation – Proposed PI Rate Changes	January 23, 2013				○	
CEEDA Steward Webinar	March 20, 2013	○				
Technical Committee Meeting	April 11, 2013		○	○	○	○
Technical Committee Meeting	June 27, 2013		○	○	○	○
OTS Operational Stakeholder Incentive Consultation	July 10, 2013		○	○	○	○
Processor Consultation Session	August 14, 2013				○	
Hauler Consultation Session	August 14, 2013			○		
RPM Consultation Session	August 15, 2013					○
Hauler Consultation Session (small haulers)	August 29, 2013			○		
OTS Consultation on TI Model Hauler and Processors	October 29, 2013			○	○	
OTS Incentive Consultation	December 5, 2013		○	○	○	○

S. Steward **P.** Processor **C.** Collector **H.** Hauler **RPM** Recycled Product Manufacturers

APPENDIX D: 2013 TIRE SUPPLY

2013 On-Road tire supply increased vs. 2012, with supply of PLTs up 6.3% and MTs just slightly better than in 2012. Tonnes of Off-Road tires supplied was lower than in 2012 by 2%, though this could be attributed to the introduction of the new weight-based categories with the additional OTR tire categories. These allow Stewards to classify OTR tires in classes where the assigned average Passenger Tire Equivalent (PTE) weighting more closely

reflects the actual tire weight. OTR tire units reported as supplied increased significantly, though direct comparison with 2012 is difficult due primarily to the creation of new “small” OTR tire categories for tires under 30 kg as these would have previously been reported as PLTs. The increase in tire supply occurred primarily in Q4, with supply in Q1-Q3 being practically flat to 2012.

2013 Tire Supply (in Tonnes)

Tire Type	Weight	Previous Year (2012)
PLT	99,897	93,977
MT	37,701	37,404
OTR	17,457	17,814
Total	155,055	149,195

APPENDIX E: COLLECTION, TRANSPORTATION & REUSE

At the end of 2013 there were 6,983 Collectors registered with OTS. While this number is only 38% of the Program Plan target, used tires collection and diversion exceed targets indicating used tires are being collected effectively through the existing network of Collectors.

2013 Collection Sites*	Year 4 Collection Sites Target	Actual Collection Sites Dec. 31, 2013	Actual Collection Sites Dec. 31, 2012	Actual as Percent of Year 4 Target
Garages	3,500	3,539	3,676	101%
Municipal Waste Management Site	30	370	420	1233%
Tire Retailers	14,200	810	1,670	6%
Mass Merchants	357	0	290	0%
Other Private Collection Sites	30	2,264	780	7547%
Total	18,117	6,983	6,836	39%

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

In 2013, used tire collection was 139,934 tonnes, or approximately 98% of the restated collection objective of 142,447 tonnes based on tires supplied in 2013. On-road tire collection was 120,509, 94% of the restated target, while OTR tire collection was 19,425 tonnes, or 131% of the restated target.

In 2013, OTS also managed 73 Special Tire Collection (STC) events which resulted in the collection of approximately 3,773 tonnes of tires. The majority of these events were either hosted by municipalities as part of their regularly held collection event days, or were requested by residents in rural and/or agricultural areas where accumulations of scrap tires were used for silage or other purposes. Additionally, OTS undertook the clean-up of 37 stockpile sites around Ontario, removing 3,758 tonnes of used tires from these sites and ensuring these were responsibly recycled by registered Processors.

The inclusion of these stockpile site clean-ups and the STC's contribute to the program's achievement of diver-

sion that exceeds 100%. Used tires from these sites are not included in the determination of quantities "Available for Collection" (the denominator in the diversion calculation) but do increase the quantities of recycled materials reported by Processors (a component of the weights used in the quantity of material recycled/diverted, the numerator in the diversion calculation). OTS expects that in future years quantities of Used Tires from these sources will decrease and therefore have less of an effect on the diversion calculation.

OTS-registered Haulers delivered 133,082 tonnes of tires to OTS-registered Processors in 2013 with 100% being delivered to Processors located in Ontario, reflecting the very strong growth in processing capacity realized since program launch. By OTS' estimates processing capacity significantly exceeds available scrap tire supply, creating a unique (among North American jurisdictions) and highly competitive provincial market for these highly recyclable products.

2013 Deliveries to Processors

Destination	Tire Type			Total	Percent of Total Tonnes Delivered	2012 of Total Tonnes Delivered
	PLT	MT	OTR			
In Province Deliveries*	86,176	29,383	17,523	133,082	99%	97%
Out of Province Deliveries	0	0	0	0		2%
Processor Cull (-ve)*	1,492	307	93	1,892	1%	1%
Total Deliveries	84,684	29,076	17,430	131,190		

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

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

OTS has been advised through industry stakeholders that Processor reporting of tires culled for reuse lags

actual culling activity, and OTS is working with Processors and exploring additional tracking and reporting tools to improve the timeliness and accuracy of the reporting. As a result total reuse is underreported in this Report.

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

Total 2013 Reuse vs Retreading

	PLT	MT	OTR	Percent of Reuse	Percent of Reuse 2012
Reuse	7,377	1,853	862	96%	95%
Retread	14.55	0	429	4%	5%
Total	7,392	1,853	1,291		

APPENDIX F: SCRAP TIRE PROCESSING & MANUFACTURING

In 2013, growth in scrap tire processing capacity has levelled-off as competition for tires intensified as a result of processing capacity exceeding available supply. Both On-Road and Off-Road tire processing capacity have continued to shift TDP production to access the higher Processing Incentives offered by OTS with crumb rubber accounting for 91% of On-Road TDP production (vs. 79% in 2012) and 94% of OTR crumb production (vs. 59% in 2012). These results are indicative of a market that continues to invest in the deployment of higher-value capacity.

2013 Tire-Derived Product Production

Tire Category	TDP Type	Weight (TN)	2012 Weight (TN)
On-Road Tires	TDP 1	6,827	8,146
	TDP 2	50,610	42,905
	TDP 3	1,729	10,875
	TDP 4	3,682	4,505
	TDP 5	2,143	12,057
	Total	64,991	78,488
Off-Road Tires	TDP 1	2,476	598
	TDP 2	11,328	4,842
	TDP 3	1,782	1,075
	TDP 4	-	-
	TDP 5	1,032	4,502
Total		16,618	11,017

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

Ontario Tire Stewardship Tire-Derived Product (TDP) Categories

Product	Description
TDP 1	95% minus 20 mesh, free of steel
TDP 2	80% minus 8 mesh, free of steel
TDP 3	Minus 1/4" sieve, free of steel
TDP 4	Fabricated products such as blasting mats etc. must utilize at minimum 75% of the tire by weight
TDP 5	Primary Shred used as Tire Derived Aggregate or as a feeder stock for Crumb Rubber production

2013 Residuals Management

Material Type

End Use	Fluff	Steel/Metal	Other	Total	Percent of Total Residuals	2012 Percent of Total Residuals
Recycled/Reused	2,813	15,570	136	18,519	67%	60%
Disposal	7,624	0	1,402	9,026	33%	40%
Total				27,545		

2013 Tire-Derived Products Used in Ontario Recycled Products

Product Type	Weight (TN)
Moulded	30,995
Extruded	1
Calendered	6,626
Total	37,622

In 2013, crumb rubber use in the manufacture of recycled products continued to increase both as a percentage of overall crumb production, from just under 48% in 2012 to over 50% in 2013, and as an absolute amount, with the industry using 4,907 more tonnes (a 15% increase) of crumb in this year as compared to 2012.



APPENDIX G: ENSURING A LEVEL PLAYING FIELD

In 2013, Ontario Tire Stewardship (“OTS”) continued to expand its audit program to ensure the program is not creating an unlevelled playing field for program participants of all types.

For Stewards, the audit methodology was driven by our commitment to validate market activity to ensure a level playing field among the industry. The program focused on Stewards not previously audited who had either significant market supply, or who were both Stewards and service providers (e.g. Collectors) under the program, as well as audits of Stewards identified by other means as potentially having questions about what their reporting and remittance obligations apply to.

Steward 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. To support OTS-driven efforts to identify and seek information from these potential Steward organizations OTS has sought to engage the MoE Investigations & Enforcement Branch (IEB) to take on relevant files where OTS has pursued the file to the extent of its capabilities and authority. Unfortunately to date the IEB has not been

responsive despite OTS escalating the importance of the issue repeatedly. OTS will continue to seek to have IEB provide the necessary compliance support to address the real concerns of Stewards about unfair competition from free-rider companies.

The audit methodology for operational stakeholders included a focus on multi-role participants as well as organizations with high rates of reuse and out-of-province shipments of Used Tires and TDPs.

Overall issues with service providers continue to be with the provision and/or maintenance of records regarding the origin of used tires claimed for incentives, improper classification of tires with an impact on recorded inventory counts and the verification of export markets, in particular for used tires. Additionally, audits of Recycled Product Manufacturers identified instances where products made using crumb rubber from out-of-province processors were claimed for Manufacturing Incentives, and where product returns were not reported as negative adjustments. OTS continues to work with all stakeholders to ensure a level-playing field for companies operating in Ontario’s highly competitive tire recycling market.

January – December 2013

Type	Number of Audits Completed	Adjustments	\$ Adjustments in ‘000’s
Collectors	210	101	309
Haulers	25	7	526
Processors	13	8	998
RPMs	4	3	526
Stewards	18	17	709
Total	270	136	3,068

APPENDIX H: PROGRAM OPERATIONS

OTS is committed to delivering the Used Tires Program with integrity, while respecting Stewards' and operational stakeholders' confidentiality and at the lowest possible cost. To this end OTS has undertaken a number of initiatives through 2013 to deliver on this commitment with particular focus on enhancements to the OTS manifest and data management system.

On the Information Technology front OTS has been busy all year long preparing for a significant change to the OTS claim submission process, the deployment of the OTS-developed mobile manifest system. At the time of writing of this report TreadMarks Mobile is currently in beta testing and will be ready for a general release to the program by summer of 2014. OTS is focusing on enabling functionality to address used tire pick-ups and deliveries at launch (covering our core TCR, STC, and PTR transactions that account for approximately 98% of the total volume of transactions done through the program on an annual basis). Every Hauler and Processor will be receiving a mobile device with the OTS application this summer.

After the initial rollout of TreadMarks Mobile, OTS will be working on adding additional functionality to the system, as well as an updated and more feature-rich version of the web interface for stakeholder submissions.

The deployment of Treadmarks Mobile will achieve a number of objectives to facilitate the continued evolution of the program to a more user-friendly and lower cost model:

- Elimination of paper-based manifest system;
- One-filing simplicity for program stakeholders (eliminating the need to re-enter manifest data into a web-portal);
- Built-in registration data validation, allowing verification of registrant information at time of the transaction;
- Improved fraud prevention through individual user-identification and geo-locating of pick-up and delivery points;
- Improved data quality by eliminating hand-written information submission;
- More streamlined and faster claim review and validation, reducing administrative effort by the stakeholder and OTS to finalize a claim submission.

In addition to the work enhancing OTS' data systems we have implemented policy and procedure changes that have allowed OTS to reduce its Program Administration costs by 16% versus 2012. OTS is committed to continuing its focus on reducing overall program costs and which will translate into lower Tire Stewardship Fees to Stewards and the consumer.



APPENDIX I: OTS 2013 USED TIRES DIVERSION SUMMARY

	Plan Target	Actual	Previous Year
PLT Tonnes	Year 4	2013 Year to Date	2012 Year
Supplied into Marketplace	107,120	99,897	93,977
Available for Collection (1)	105,514	99,897	93,977
Collected	105,514	90,160	90,824
Reused (2)	15,827	7,391	8,568
Actual Input to Recycling		84,684	85,689
Processor Inventory Carryover From Previous Year		30,813	19,589
Material Available for Recycling	89,687	115,497	105,278
Material Losses & Disposal	8,969	5,844	8,232
Recycled (Rubber)		50,278	53,624
Recycled (Steel)		10,082	9,304
Recycled (Fibre)		2,081	3,305
Total Tonnes Recycled	80,718	62,441	66,233
Total Tonnes Diverted	96,545	114,604	101,220
Reduction Rate	1.5%	0%	0%
Collection Rate	100%	90%	97%
Reuse Rate	15%	7%	9%
Recycling Rate		83%	91%
Recycling Efficiency		93%	88%
Diversion Rate	91%	115%	108%
MT Tonnes			
Supplied into Marketplace	27,358	37,701	37,404
Available for Collection (1)	26,948	37,701	37,404
Collected	26,948	30,349	33,997
Reused (2)	0	1,853	2,479
Inventory at Haulers		0	-1,276
Actual Input to Recycling		29,076	32,449
Processor Inventory Carryover From Previous Year		8,352	8,352
Material Available for Recycling	26,948	37,428	40,801
Material Losses & Disposal	2,695	1,993	3,187
Recycled (Rubber)		17,665	20,972
Recycled (Steel)		3,438	3,601
Recycled (Fibre)		731	1,285
Total Tonnes Recycled	24,253	21,834	25,858
Total Tonnes Diverted	24,253	36,714	25,858
Reduction Rate	1.5%	0%	0%
Collection Rate	100%	80%	91%
Reuse Rate	0%	5%	7%
Recycling Rate		77%	88%
Recycling Efficiency		93%	89%
Diversion Rate	90%	97%	103%

	Plan Target	Actual	Previous Year
OTR Tonnes	Year 4	2013 Year to Date	2012 Year
Supplied into Marketplace	85,559	17,457	17,814
Available for Collection (1)	84,275	17,457	17,814
Collected	33,710	19,425	20,729
Reused (2)	0	1,291	1,905
Actual Input to Recycling (3)		16,231	17,329
Processor Inventory Carryover From Previous Year		1,120	1,120
Material Available for Recycling (4)	33,710	17,351	18,449
Material Losses & Disposal	1,685.5	1,188	1,992
Recycled (Rubber)		16,617	11,483
Recycled (Steel)		2,050	2,251
Recycled (Fibre)		0	0
Total Tonnes Recycled	32,025	18,667	13,734
Total Tonnes Diverted (5)	32,025	18,866	16,660
Reduction Rate	1.5%	0%	0%
Collection Rate	40%	111%	116%
Reuse Rate	0%	7%	11%
Recycling Rate		97%	114%
Recycling Efficiency		101%	80%
Diversion Rate	38%	108%	93%

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