



Annual Report for 2008

Presented to
Waste Diversion Ontario
April 1, 2009



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Section 1: Requirement to Submit Annual Report

Under the *Waste Diversion Act* (2002), an Industry Funding Organization (IFO) is required to submit an annual report to the Waste Diversion Ontario (WDO) on April 1 of each year.

Section 33 of the *Waste Diversion Act* (“the Act”) specifies:

33. (1) *Each industry funding organization that is designated by the regulations as the industry funding organization for a waste diversion program shall, not later than April 1 in each year,*

- (a) *prepare a report in accordance with this section on its activities during the previous year; and*
- (b) *provide a copy of the report to Waste Diversion Ontario and make the report available to the public.*

Contents

(2) *The report shall include the following:*

1. *Information about waste diversion programs developed, implemented or operated under this Act during the previous year.*
2. *Audited financial statements for the industry funding organization and a copy of the auditor’s report on the organization under subsection 21 (2).*
3. *A description of the consultation undertaken by the industry funding organization during the previous year under subsection 29 (2) and a summary of the results of the consultation.*

Signature

(3) *The report shall be signed by the chair of the industry funding organization’s board of directors.*

This annual report is prepared in compliance with the *Waste Diversion Act* (2002).



Section 2: Development of the Waste Electrical and Electronic Program

Waste Electronic and Electrical Equipment (WEEE) was designated under the Waste Diversion Act on December 14, 2004. On December 22, 2004, WDO received correspondence from the Minister requesting that WDO undertake a study of the state of WEEE management in Ontario and informing WDO that further direction would be provided following review of the study report. The WEEE Study was submitted to the Minister in July 2005.

On June 11, 2007, the Minister provided a Final WEEE Program Request letter directing WDO to:

- develop a WEEE Program in phases, beginning with Phase 1 materials to be followed by Phase 2 upon approval of Phase 1
- establish an IFO including industry stewards affected by the WEEE Program
- submit the Phase 1 WEEE Program by February 1, 2008.

WDO implemented its Procedures for Industry Funding Organizations (IFOs) to identify WEEE IFO Proponents, with the Retail Council of Canada (RCC) and Electronics Product Stewardship Canada (EPSC) jointly submitting a proposal that outlined their approach to WEEE program plan development through an Industry Funding Organization called Ontario Electronic Stewardship (OES). At its July 18, 2007 meeting, the WDO Board approved a Memorandum of Agreement with Electronics Product Stewardship Canada and the Retail Council of Canada.

The Memorandum of Agreement required that RCC and EPSC:

- (a) incorporate Ontario Electronic Stewardship under Part III of the *Corporations Act* within sixty (60) days of the signing of this Memorandum of Agreement; and
- (b) establish a Board of Directors for Ontario Electronics Stewardship with steward representation as specified by the Minister in the Final Program Request Letter and as approved by Waste Diversion Ontario.

On September 20, 2007, Ontario Electronic Stewardship (OES) was incorporated and on October 17, 2007, it was approved by WDO as the IFO for WEEE, subject to the execution of a Memorandum of Agreement between WDO and OES to develop the Waste Electrical and Electronic Program Plan.

Ontario Electronic Stewardship first met on September 21, 2007. It retained CSR: Corporations Supporting Recycling as its secretariat.



WDO developed a *Consultation Plan to Support the Development of a Diversion Program for Waste Electrical and Electronic Equipment* and conducted the first phase of consultation, specifically Workshop and Webcast #1 on June 26, 2007.

OES was responsible for implementing the remaining elements of the Consultation Plan and managing the development and implementation of the WEEE Diversion Program Plan, in cooperation with WDO.

The WEEE program was submitted by WDO to the Honourable John Gerretsen, Minister of the Environment on March 31, 2008 and was posted by the Minister for a 30 day comment period on the Government of Ontario's Environmental Bill of Rights Registry from April 9, 2008 to May 9, 2008. As a result of public consultation on the proposal, the Ministry received a total of 26 comments.

The WEEE program plan was approved by the Minister on July 9, 2008. A copy of the final WEEE program plan (dated March 31, 2008) is available on the OES website www.ontarioelectronicstewardship.ca

The WEEE program plan presents detail on:

- introduction to the Waste Electrical and Electronic Equipment Program Plan
- Phase 1 EEE Material Profiles and Baseline Estimates
- current WEEE management in Ontario
- assessment of alternative models for Ontario WEEE Program
- program description
- fee-setting methodology
- program budget and fees
- program rules
- governance
- Program Agreement
- 37 Tables and Figures, and 16 Appendices in support of the Plan.

The WEEE Program Plan includes:

- the draft program agreement between OES and Waste Diversion Ontario, which was approved
- the WEEE Reuse and Refurbishing Standard and the Reuse and Refurbishment Assessment Process, which were approved
- the revised Electronics Recycling Standard, Guidance Document, and Recycling Qualification Process.



Section 3: Consultation with Stewards and Stakeholders

OES has actively consulted with potential stewards and other stakeholders on the continuing evolution of the program. A separate OES document reports in detail on consultation to support development of the Phase 1 WEEE program plan.

The consultation process targeted several key audiences including:

- industry stewards (further divided into stewards and industry/trade associations)
- affected industries
- municipalities
- general public.

The consultation process contained the following elements:

- WDO website
- development of OES website
- database of identified stakeholders
- electronic notice to identified stakeholders
- consultation paper
- 3 consultation workshops/webcasts (June 26, 2007; October 12, 2007; January 24, 2008)
- meetings with various stakeholders including ENGO and with potential processors, collectors and stewards (described below)
- plan submission and explanation of results
- comments to WDO.

The Phase 1 consultation workshops are archived on the OES website and the reference documents and slide presentations are available via the following link:

www.ontarioelectronicstewardship.ca/consultation/phase1/plan_dev_phase1.html

The OES Report on Consultation to Support the Development of a Waste Electronic and Electrical Equipment Program Plan accompanied the final Program Plan as part of the final submission to the Minister on March 31, 2008. The report is a complete summary of all comments received and responded to during the Phase 1 plan development process. The report can also be accessed from the OES website:

www.ontarioelectronicstewardship.ca/pdf/plan/consultation_plan_mar31_08.pdf.



Issue specific comments raised by stakeholders were grouped according to the following themes (in rank order from highest to lowest number of mentions):

- program plan
- logistics/transportation
- vendor standards
- municipalities
- fee setting
- collection accessibility
- collection/processing
- reuse/processing target
- promotion and education
- RFP process
- IC&I
- consolidation/centres
- privacy data security
- obligated materials definitions
- stewards
- research and development.

Approval of the Phase 1 Program Plan marked the start of the twelve month plan development process for expanding the program to include Phase 2 designated materials as per the Minister's Program Request Letter. In September 2008, the WDO approved the consultation plan to support the development of the Phase 2 WEEE program.

On February 4, 2009, OES conducted a public consultation session pertaining to the ongoing development of Ontario's Waste Electrical and Electronic Equipment (WEEE) Program. This consultation workshop and webcast addressed program planning issues such as draft definition and collection options for designated Phase 2 WEEE materials, as well as possible changes that may impact the approved Phase 1 Program Plan.

Section 5 provides further details on progress on the development of a program plan that will incorporate Phase 2 materials into the existing Phase 1 program.



Section 4: Preparing to Implement Phase 1 Waste Electrical and Electronic Program

Following the July 10, 2008 approval of the WEEE Program Plan, the OES began developing and putting into place the key features that would contribute to a successful launch of the Phase 1 program scheduled to launch April 1, 2009. Stakeholders were encouraged to regularly check the OES website (www.ontarioelectronicstewardship.ca) to keep abreast of activities and initiatives related to program development. The *Bits and Bytes* newsletter also provided targeted information about key developments.

Key milestones included:

- August 20, 2008: a meeting for potential recyclers of WEEE was held and covered:
 - program update and timing
 - demonstration of on-line application process for prospective primary WEEE recyclers under the program
 - presentation by third party auditor of audit process
 - process to submit questions recyclers may have about the process
- October 3, 2008: the on-line application and registration system for stewards and service providers was launched. This system allows companies to apply to become an OES-approved Service Provider including collection, reuse, transportation, consolidation and primary processing. It is also the registration process for all obligated companies to register as Stewards of Electrical and Electronic Equipment (EEE). Companies that register will also be placed on the list to receive the OES newsletter to ensure they are kept apprised of news and program developments as they arise.
- October 20, 2008: a second meeting for recyclers of WEEE was held to update information provided during the August 20 webinar and provide new details about:
 - electronics recycling standard requirements
 - OES' on-line application
 - recycler audit process
 - methodology for allocating WEEE to approved processors
- October 24, 2008: OES made a presentation to the Association of Municipal Recycling Coordinators (AMRC) annual conference.
- November 4, 2008: a webinar for collectors of WEEE was held and covered:
 - program update and timing
 - a demonstration of on-line application process for prospective collectors of WEEE
 - overview of WEEE collection incentive
 - overview of OES sorting and packaging requirements
 - questions and comments



- November 5, 2008: a webinar for reusers and refurbishers of WEE was held and covered:
 - program update and timing
 - a demonstration of the on-line application process for prospective reusers and refurbishers of WEEE
 - overview of the OES Recycling, Reuse and Refurbishment Standard
 - frequently asked questions
 - questions and comments
- December 10, 2008: Consumer research focus groups were held in Toronto where preliminary creative concepts were presented. Additional focus groups were also scheduled for January 2009.
- December 19, 2008: a Request for Expressions of Interest (REOI) for Transportation, Consolidation and Special Event Collection Services for WEEE was released (with January 9, 2009 the deadline for replies.)



Section 5: Developing Phase 2 Waste Electrical and Electronic Program Plan

The Minister's approval of the Phase 1 WEEE program plan on July 10, 2008 initiated work toward implementation of the Phase 1 WEEE Program Plan, as well as the development of a program plan for Phase 2 WEEE materials, as required in the Minister's 2007 Program Request Letter. A revised Program Plan for Phase 1 and Phase 2 WEEE materials is due to be submitted to the Minister on July 10, 2009.

The following materials have been designated by the Minister of the Environment as Phase 2:

- Computer peripherals will include modems
- Printing devices will include copiers, scanners, typewriters.
- Telephones (physical and accessories)
- Cellular phones
- PDA's and pagers
- Audio and video players
- Cameras
- Equalizers, (pre)amplifiers
- Radios
- Receivers
- Speakers
- Tuner
- Turntable
- Video players/projectors
- Video recorder
- Personal hand held computers.

A meeting schedule for MOE, WDO and OES was developed to track progress and discuss key issues related to Phase 2 program development. Two meetings were held in November 2008 with the following items discussed:

- agreement that the Phase 2 Program Plan submission will be structured as a single integrated document which will replace the existing Phase 1 Program Plan. The new Program Plan will broaden the scope of the existing Phase 1 Program Plan to incorporate all Phase 1 and Phase 2 WEEE elements to reflect the need to share program costs appropriately across all obligated materials.
- at the first plan development meeting on November 3rd, the agenda covered preliminary definitions for Phase 2 material groupings; baseline generation estimates; the review of the Waste Diversion Act and how it may impact the proposed WEEE program plan

- at the second plan development meeting on November 21st, the agenda covered revised data for supplied EEE into Ontario; WEEE available for collection; preliminary targets for accessibility, collection, reuse and recycling; draft policy on orphan/historic WEEE; and preliminary options for collection, reuse and processing.

At the end of December, most elements of the draft Phase 2 plan were fully underway in preparation for the posting of a draft plan on January 21, 2009, in advance of a February 4, 2009 public consultation. The draft plan for all designated WEEE will present:

- draft definitions and material profiles for Phase 2 products
- baseline data and assumptions for quantities supplied into Ontario and quantities available for collection including life span assumptions
- how the Phase 2 materials will be integrated into the existing program for Phase 1 WEEE
- separate and new initiatives and material flow for Phase 2 materials
- preliminary targets for accessibility, collection, recycling, plus reduction and reuse for Phase 2 WEEE.

The Phase 2 Program Plan development timelines are as follows:

Date	Activity
January 21, 2009	Phase 2 Program Plan documents posted for public review
February 4, 2009	Proposed date for Consultation Workshop #1
April 20, 2009	Draft Preliminary Program Plan posted for public review
April 30, 2009	Proposed date for Consultation Workshop #2
May 13, 2009	Revised Draft Preliminary Plan posted for public review
May 13, 2009	Draft Preliminary Plan delivered to WDO Board
May 27, 2009	WDO Board review of Draft Preliminary Plan
June 12, 2009	Draft Final Plan posted for public review
June 12, 2009	Draft Final Plan delivered to WDO Board
June 24, 2009	WDO Board review of Draft Final Plan
July 10, 2009	Final Plan to Minister of the Environment



Section 6: Ontario Electronic Stewardship Governance

The following persons were elected as the permanent directors of the Ontario Electronic Stewardship on September 21, 2007:

Voting Directors Nominated and appointed by Electronic Products Stewardship Canada:

- Nick Aubry
- Frances Edmonds
- Sean De Vries
- Rebecca Wellum.

Voting Directors nominated and appointed by Retail Council of Canada:

- Jennifer Barbazza
- Christa Copeland
- Peter Skubna.

Observer nominated and appointed by Electronics Products Stewardship Canada:

- Jay Illingworth.

Observer nominated and appointed by Retail Council of Canada:

- Rachel Kagan.

At the same meeting, Sean De Vries was elected President and Nick Aubry Secretary/Treasurer.

In 2008, nine OES Board of Directors' meetings were held on the following days: January 11, February 27, March 6, May 26, June 13, July 9, September 8, November 20, and December 18.

Throughout 2008, there were several changes in OES Board composition as follows:

- Dalton Burger was elected as an observer of OES, nominated and appointed by Electronics Products Stewardship Canada to replace Jay Illingworth
- David Bois was elected as the Ontario-based business entity representing industry-at-large as a Phase 1 obligated steward
- Peter Balyk of Canon Canada was elected as a Director, nominated and appointed by Electronics Products Stewardship Canada to replace Rebecca Wellum of Dell
- Lloyd Bryant of Hewlett-Packard (Canada) and Garry Travers of IBM Canada were elected as Directors, nominated and appointed by Electronics Products Stewardship Canada to replace Frances Edmonds and Sean De Vries



- Dalton Burger tendered his resignation from Electronic Products Stewardship Canada in December and therefore left the OES Board as an observer.

Major governance activities undertaken by the Board in 2008 included:

- three standing committees were established (Executive; Financial, Audit and Risk Management (FARM); and Governance)
- two task force committees were established (Technical; Communications)
- general by-laws and a Code of Conduct were adopted
- the hiring of Carol Hochu as Executive Director of OES
- adopting financial policies for the Executive Director and Program Manager.



Section 7: Ontario Electronic Stewardship Financial Audit

The financial audit of Ontario Electronic Stewardship took place in February 2009, for the year ending December 31, 2008. The auditors expressed “a clean audit opinion” on these financial statements, which are included in the appendix of this report.

Section 8: Signature

Ontario Electronic Stewardship is pleased to submit this Annual Report for 2008.

Signed by:

Nick Aubry, Chair, Ontario Electronic Stewardship



OES Board of Directors (as at December 31, 2008)

Christa Copeland, Best Buy Canada Ltd.

David Bois, Home Hardware Stores Limited

Garry Travers, IBM Canada Ltd.

Jennifer Barbazza, Wal-Mart Canada

Lloyd Bryant, Hewlett-Packard (Canada) Co.

Nick Aubry, Sony of Canada Ltd.

Peter Balyk, Canon Canada Inc.

Peter Skubna, Hbc

Rachel Kagan, Retail Council of Canada

Carol Hochu, Ontario Electronic Stewardship



Appendix: Audited Financial Statements

For the year ending December 31, 2008

Ontario Electronic Stewardship

Financial Statement

For the year ended December 31, 2008

Ontario Electronic Stewardship

Financial Statement

For the year ended December 31, 2008

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Auditors' Report

**To the Board of Directors of
Ontario Electronic Stewardship**

We have audited the balance sheet of Ontario Electronic Stewardship as at December 31, 2008. This financial statement is the responsibility of the Organization's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the financial position of the Organization as at December 31, 2008 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario
March 19, 2009

**Ontario Electronic Stewardship
Balance Sheet**

December 31 2008 2007

Assets

Program development costs (Note 3) **\$ 931,211** **\$ 234,896**

Liabilities and Net Assets

Bank indebtedness (Note 4) **\$ 437,004** **\$ -**
Accounts payable and accrued liabilities **132,877** **28,126**
Due to CSR: Corporations Sharing Responsibility **361,330** **206,770**

\$ 931,211 **\$ 234,896**

On behalf of the Board:



Director



Director

Ontario Electronic Stewardship Notes to Financial Statement

December 31, 2008

1. Business Organization and Operations

The Ontario Electronic Stewardship ("Organization") is set up to act as an industry funding organization for the administration of provincial and local 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 Waste Electrical and Electronic Equipment by regulation under the Waste Diversion Act, 2002.

2. Summary of Significant Accounting Policies

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

(a) Program Development Costs

Program development costs relating to Phase I will be amortized on a straight line basis over three years commencing in the period that the program becomes operational.

(b) Cash Flow Statement

A cash flow statement has not been prepared since cash flows are readily apparent from the balance sheet.

(c) Financial Instruments

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.

The accounts payable and accrued liabilities, and the amount due to CSR: Corporations Sharing Responsibility are classified as other financial liabilities and are initially measured at fair value.

The carrying values of bank indebtedness, accounts payable and accrued liabilities, and due to CSR: Corporations Sharing Responsibility approximate their fair values due to the relative short periods to maturity of these items or because they are payable on demand.

(d) New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Organization, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle. The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Organization is currently evaluating the impact of the adoption of this change on its financial statements.

Ontario Electronic Stewardship Notes to Financial Statement

December 31, 2008

2. Summary of Significant Accounting Policies (Continued)

(d) New Accounting Pronouncements (Continued)

Goodwill and Intangible Assets

Section 3064 incorporates guidance to clarify the recognition of intangible assets and address and recognition and measurement of internally developed intangible assets. The new standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Organization is currently assessing the impact of the new standard.

Cash Flow Statements

Section 1540 was amended to include not-for-profit organizations within its scope. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Organization is currently assessing the impact of the new standard.

Financial Statement Presentation by Not-for-Profit Organizations

Section 4400 has been amended for the treatment of net assets invested in capital assets and for the presentation of revenues and expenses. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The new standard will not have a significant impact on the financial statements of the Organization.

Capital Assets Held by Not for Profit Organizations

Section 4430 has been amended to provide additional guidance with respect to the appropriate use of the exemption from recognizing capital assets for smaller entities. The changes are effective for interim and annual financial statements beginning on or after January 1, 2009. The Organization is currently assessing the impact of the new standard.

Disclosure of Related Party Transactions by Not-for-Profit Organizations

Section 4460 has been amended to make the language in Section 4460 consistent with Related Party Transactions, Section 3840. The changes are effective for interim and annual financial statements beginning on or after January 1, 2009. The Organization is currently assessing the impact of the new standard.

Disclosure of Allocated Expenses by Not-for-Profit Organizations

This new Section 4470 establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The changes are effective for interim and annual financial statements beginning on or after January 1, 2009. The Organization is currently assessing the impact of the new standard.

Ontario Electronic Stewardship Notes to Financial Statement

December 31, 2008

3. Program Development Costs

The program development costs reflect the expenditures to develop the Phase I Program Plan, completed in 2008, and the Phase II Program Plan.

The program development costs relating to Phase I will be amortized over three years commencing in the period that the program becomes operational. The Minister approved the Phase I Program Plan on July 9, 2008 and operations are to commence April 1, 2009.

4. Bank Indebtedness

The Organization has a demand revolving credit facility of \$3,000,000 that bears interest at a rate of prime plus 1.5% per annum, and secured by the property of the Organization and a letter of undertaking from CSR: Corporations Sharing Responsibility to pay all interest expenses.

This facility expires June 30, 2009.

5. Commitments

The Organization entered into an agreement with Food and Consumer Products of Canada for the sharing of office space and facilities to December 31, 2009. Under the terms of the agreement, the Organization is committed to pay approximately \$17,500 in 2009.

6. Financial Instrument Risk Exposure and Management

Management has established policies and procedures to manage risks related to financial instruments, with the objective of minimizing any adverse effects on financial performance. A brief description of management's assessments of these risks is as follows:

General Objectives, Policies and Processes:

The Board and management are responsible for the determination of the Organization's risk management objectives and policies, and for the designing of operating processes that ensure the effective implementation of the objectives and policies.

Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet its obligations as they come due. To ensure that the Organization will have sufficient working capital available to meet its obligations, management has arranged a financing facility sufficient to fund operations until the WEEE program commences and revenues are received.

Ontario Electronic Stewardship Notes to Financial Statement

December 31, 2008

7. Capital Management

The Organization presently considers its capital to be the credit facility with the bank and its assistance from CSR: Corporation Sharing Responsibility. As the Organization becomes operational, generating revenues from Stewards, it will consider its net assets to comprise its capital. Since the Organization's credit facility will expire June 30, 2009, it will rely on the fees from Stewards to repay the balance of the credit facility and the amounts due to CSR: Corporations Sharing Responsibility.

The Organization manages capital to safeguard the Organization's ability to operate and to meet its financial obligations as they become due.