



 **eTRACKS™**

TIRE MANAGEMENT SYSTEMS

2021 ANNUAL REPORT

ETRACKS, TIRE RECYCLING & THE CIRCULAR ECONOMY

eTracks provides *Producer Responsibility Organization (PRO)* services to major tire manufacturers, auto makers and tire distributors in Ontario by managing a complex supply chain of service providers to ensure used tires are diverted from our landfills, and repurposed into new products.

1

COLLECT

Step One eTracks ensures a compliant network of tire collection sites are available for safe and convenient tire disposal, at no cost to the public.



2

HAUL

Step Two Used tires are picked up by tire haulers from collection sites across Ontario and taken to a tire processing plant for recycling.



3

PROCESS

Step Three Once at the processing plant, used tires can be recycled into new useful materials, including, crumb, steel and fibre. These materials are used to manufacture new rubber-based products.



4

REPURPOSE

Step Four The eTracks operating model ensures that sustainable end-of-life products, such as sports fields, playgrounds, agricultural mats, roads and many other rubber-based products include used tire materials. This supports a more circular economy and reduces the environmental impact of sourcing virgin rubber materials.

2021 HIGHLIGHTS



COMBINED TIRE DATA FROM FIRST THREE YEARS OF OPERATION

383,523 TONNES COLLECTED

328,603 TONNES REPURPOSED OR RECYCLED

100% RESOURCE RECOVERY COMPLIANCE

At least 85% of the tires that we collected on behalf of our customers were recycled, retreaded or reused, meeting their 2021 resource recovery obligation as mandated by *Tire Regulation 225/18*

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Staying the Course

This year marked both the second half of the global pandemic, and the corresponding recovery and build-back year for eTracks. While used tire volumes and subsequent tire collection activity continued to be lower due to the previous pandemic years; new tire sales were up by 12 per cent in 2021 indicating that consumers were starting to drive and change their tires again.

Perhaps our most notable success this year was maintaining price stability for our customers, while continuing to pay highly competitive rates to our service providers; all while managing the company to a neutral/positive financial bottom line.

We accomplished this by implementing efficiencies and improvements to our systems and processes, allowing us to provide our customers with exceptional compliance services. Our shift from a contractor/subcontractor hauling structure to a direct contractual relationship with haulers enabled tighter tracking controls, increased performance management and supported overall cost reductions. Additionally, changes to the end-of-life tire supply chain process have resulted in optimized source/destination pairings, new scrap tire consolidation points, and a refined service provider fee and payment structure.

I am thrilled to announce that the new user-friendly *Sustainable Recovery Platform* (eSRP) was successfully rolled out at the end of the year, replacing the antiquated TreadMarks technology. This included a live demonstration for our service providers in office, a series of well-attended collector, hauler and processor webinars, and the creation of a robust tutorial video library. eSRP has made it easier to track and report on key data, such as: producer tire supply to the Ontario market, tire collection, hauling, processing and retreading activity, and the use of tire derived material that takes the place of new materials in products and packaging in Ontario.

The new platform provides audit-friendly traceability and data insights within a highly customizable system. It also has the potential for use in other geographies and


material classes where the need for resource recovery management and regulatory compliance continues to increase. Read more about eSRP on page 6-7.

The past year also saw a concerted effort to increase meaningful communication with our service providers; to create a more collaborative framework where all stakeholders have the opportunity to participate in shaping the used tire industry.

We also defined new ways of working with specialty collectors who accumulate large quantities of tires due to unique or uncommon situations.

The past year marks the end of the transition period from the stewardship model to an *Individual Producer Responsibility* (IPR) framework. The open market and competitive landscape are quickly changing shape with competitors emerging from a blend of existing companies in the industry. While this has created new complexities in our network, eTracks continues to lead the industry with our responsible, reliable and fair approach. We are in a better position than ever to uphold our commitment to exceed regulatory and environmental outcomes on behalf of our customers.

I invite you to review the following Annual Report where we go into more detail about how we contributed to building an efficient, stable, commercial ecosystem that ensures you meet your regulatory obligations.



Steve Meldrum, CEO
eTracks Tire Management Systems



What We Do

The Ontario tire recycling management system officially changed to an *Individual Producer Responsibility (IPR)* model in 2019 with the enactment of the *Tire Regulation (O.Reg 225/18)* under Ontario's *Resource Recovery and Circular Economy Act (RRCEA)*. Simply put, the goal of the regulation is to keep Ontario's scrap tires out of landfills, inspire innovation within the industry, support a circular economy and protect our environment.



Producers are defined as someone who has a permanent establishment in Ontario and supplies tires on either new vehicles, or as a retail item. This includes Original Equipment Manufacturers (OEMs), tire manufacturers and first importers.

Individual Producer Responsibility (IPR) requirements:

- Meet resource recovery standards for the collection and management of EOL tires
- Provide a free and convenient tire collection network that provides a minimum number of collection sites across Ontario
- Educate consumers to increase public awareness and promote public participation in the resource recovery of tires
- Register with the Resource Productivity and Regulatory Authority (RPRA)
- Keep records, submit reports to RPRA in a timely and consistent manner to increase transparency, measure performance and ensure compliance
- Arrange to collect and manage tires to meet mandatory targets, or retain the services of one or more *Producer Responsibility Organizations (PROs)* to act on their behalf



TIRE COLLECTION AND MANAGEMENT FLOW

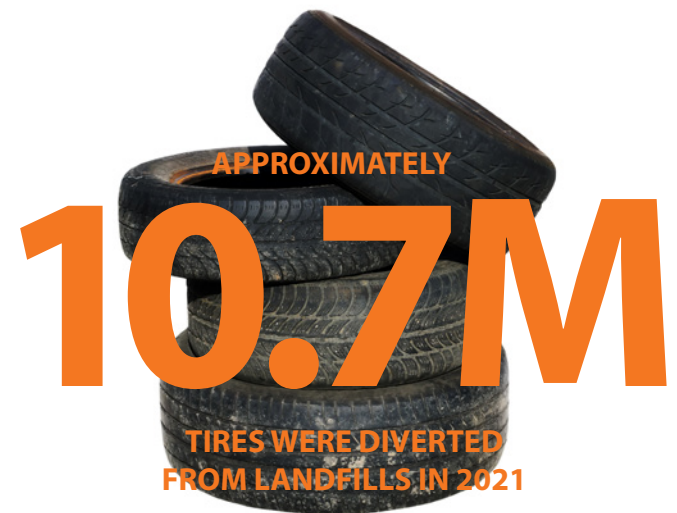


Producer Responsibility Organization (PRO)

Under the RRCEA, tire producers are allowed to contract a third-party service provider to fulfil their regulatory compliance obligations. Referred to as a Producer Responsibility Organization (PRO). eTracks is the largest tire PRO in Ontario, hired by some of Canada’s largest tire producers and represents over 80 per cent of the tire resource recovery obligation in the province.

We support producers by managing the flow, recycling and re-purposing of used tires, from source to end point. We manage a complex supply chain of thousands of service providers to ensure producers remain compliant with regulations, and support a more circular economy.

To safely and responsibly recycle Ontario’s used tires, eTracks also provides its customers (producers) with an overview of the tire collection and recycling management system, including the various roles and organizations required to fulfill their compliance obligations.



Resource Recovery Excellence

The Resource Recovery and Circular Economy Act (RRCEA) designated tires as the first material under Ontario's Individual Producer Responsibility (IPR) framework.

Ontario generates more than 12 million used tires annually. To keep those End of Life (EOL) tires out of landfills, tire producers are responsible for ensuring used tires are collected, recycled or reused.

Working with RPRA

On behalf of our customers, we work with the regulator to communicate issues related to the EOL tire industry. This engagement with RPRA allows us to provide our customers with clarity on their obligations under the Act, including, required audits, timelines and expectations.



Achieving Compliance in 2021

We collected as many tires as possible and ensured that at least 85 per cent of the weight of tires collected went to displace new material, ensuring all our customers were compliant in fulfilling their resource recovery obligations under the Act.

Participation in RRCEA and Reg 225/18 Tire Consultations

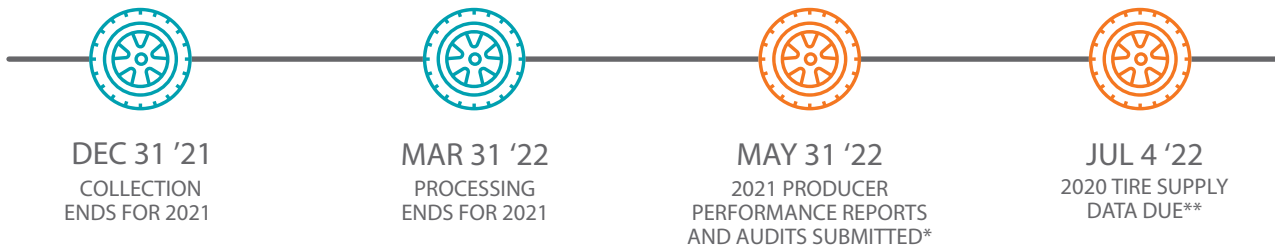
eTracks also provided experience-based feedback and insights into a number of consultations conducted by RPRA and the Ministry of the Environment, Conservation

and Parks. Consultations were related to regulatory processes, audit procedures and timing, administrative penalties, and potential amendments.

As a PRO, we helped to ensure 'fair treatment' among participants, including involvement in the established market for buying and selling collection and recovery credits to ensure compliance was met throughout the industry.

We achieved all this in spite of lower tire and auto sales, delayed/reduced winter tire changeover and a sluggish economy which meant a 'lower than normal' generation of end-of-life tires.

REPORTING TIMELINES



* Submitted by eTracks on behalf of customers

**Submitted by Customers

Innovation & Efficiency



6722 COLLECTORS



64 HAULERS



8 PROCESSORS



5 RETREADERS



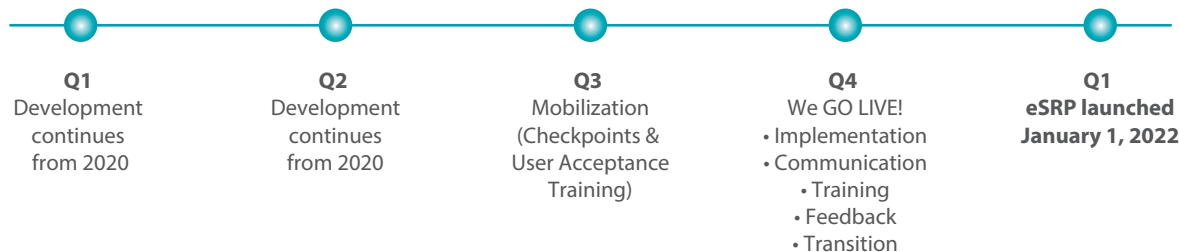
1 BLASTING MATS

COLLECTION & RECOVERY HIGHLIGHTS	KEY BENEFITS
Improved business practices across the collection system	<ul style="list-style-type: none"> Faster service times Better collection site accessibility Increased scheduled deliveries Reduced “stranded loads”
Greater performance management within eTracks systems	<ul style="list-style-type: none"> More transparency and traceability Methodical and rigorous transaction tracking Enabled a new rate model with more precise source destination rates
Better end uses for non-eligible materials	<ul style="list-style-type: none"> Increased recovery with greater environmental benefits
More direct hauling contracts	<ul style="list-style-type: none"> Increased operational and cost efficiencies Reduced average hauling cost per tonne, saving over \$2 million
Successful development and deployment of eSRP	<ul style="list-style-type: none"> Tailored to optimize daily data collection throughout the annual regulatory cycle and its transitions



The main operational highlight from 2021 was the successful development and deployment of eSRP

DEPLOYMENT TIMELINE



Building Better Data Insights

How we manage resource recovery and recycling data

eSRP is a regulatory technology we developed to support producers in meeting their obligations under the *Individual Producer Responsibility (IPR)* framework and *Tire Regulation (O.Reg 225/18)*. As a dynamic platform, eSRP manages the flow of used materials by tracking and tracing, from source to end point, how a material moves through the recycling supply chain.

We successfully launched eSRP at the end of the year, after development, user testing and extensive service provider training.

Highlights of the eSRP Deployment!



SNEAK PEEK

In October of 2021, key stakeholders from our hauling and processing network were invited for a series of eSRP “Sneak Peek” demonstrations. Attendees were able to try out the system in simulated user scenarios and participated in providing feedback on their experiences. User feedback was invaluable to ensuring we made effective and efficient enhancements to the system leading up to the launch.



VIDEO TUTORIALS

To ensure our users had access to hands on training, on their own schedules, we created a user tutorial library of 17 videos demonstrating how to create, complete, correct or edit information in the platform on both mobile and desktop applications. These videos complemented the added assistance of our stakeholder relations team and the eSRP online help desk.



USER TRAINING

From October through December, our team held 1-2 webinars per week, covering various user scenarios, transactions and functionality of the system. This allowed us to introduce the system ahead of launch, demonstrate how user-friendly it is, and ensure a seamless transition leading into the launch date on January 1, 2022.



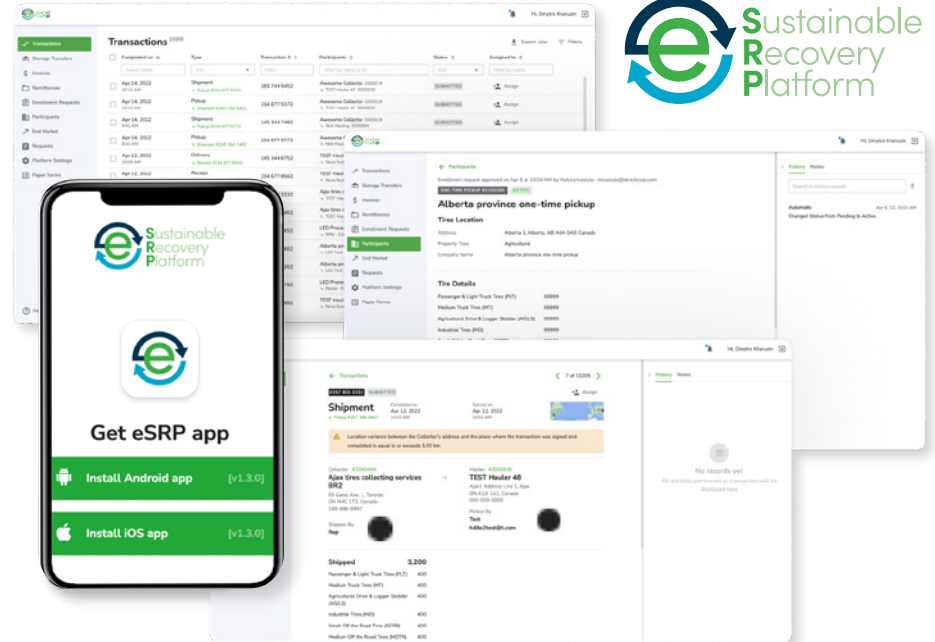
RIGOROUS TESTING

Each module of the system was rigorously tested to ensure intuitive design, innovative reporting capabilities and user friendliness; testing occurred through the year on a regular basis.



DATA SECURITY

eTracks hired a reputable third party to conduct security testing according to best practices. The results exceeded our expectations and validated the security of the system, and it's data.



Through enhanced data collection, tracking, reporting and oversight, we're improving the accuracy of resource recovery data and supporting a more circular economy.

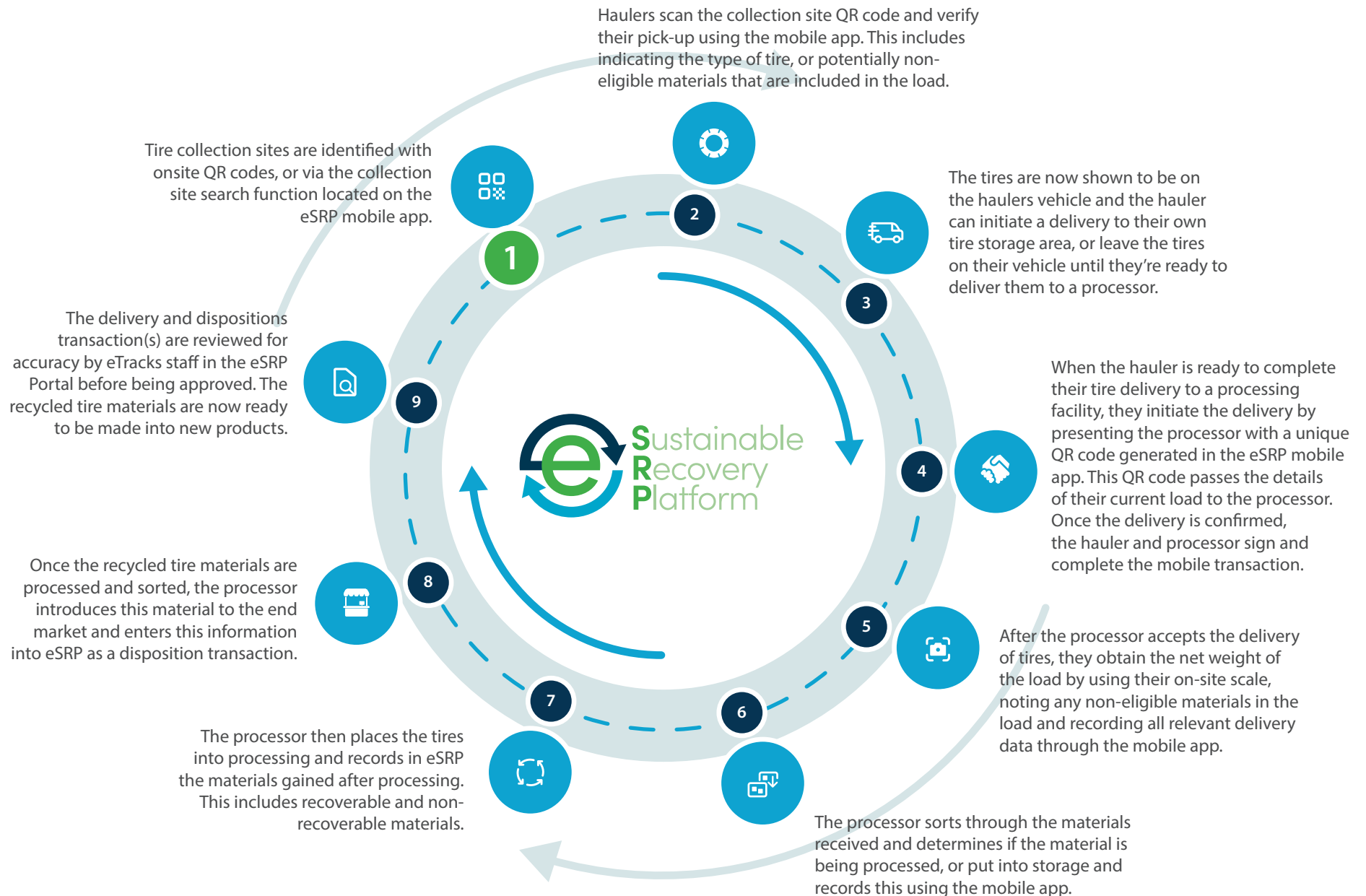
MOBILE: Used in the field by haulers and processors, it tracks the real-time flow of tire transactions, from end-to-end.

DESKTOP: Used by administrators to manage their overall transaction activity, generate transaction reports and/or submit invoices for services rendered.

PORTAL: Used by eTracks staff to review transactions for accuracy and ensure payments are made quickly.

How daily transactions are captured in eSRP

STEPS 1 – 9:



Maintaining Price Stability

2021 was a **“build back”** year for eTracks, with revenue from new tire sales **up 12 per cent over 2020**

- Continued to cover regulatory fees for our customers by absorbing the fee increase of 18.8 per cent from the previous year
- Strategic investments in technology created more efficiency in how we were able to support the tire recycling industry
- Maintained strong cash reserves through sound financial management and tight internal controls
- Met all financial commitments to our service providers and customers
- Produced a positive bottom line and a clean financial audit

OPERATIONAL EFFICIENCIES SAVED



COMPLETED A NEW ENTERPRISE RISK MANAGEMENT FRAMEWORK



DID YOU KNOW?

A vast array of products are produced from recycled tires:

- **Barn Stall Flooring** – Dairy & Equine
- **Blasting Mats** – Road Construction
- **Landscape Mulch** – Residential & Commercial Application
- **Playground & Sport Surfacing** – Interior & Exterior
- **Rubber Fatigue Mats** – Residential & Industry Application
- **Rubber Moldings** – Automotive Industry
- **Landscape Surfacing** – Walkways, Ground Cover, Residential & Commercial
- **Shingles** – Residential Application
- **Truck Mud Flaps** – Industry Application
- **Flooring Underlay** – Residential & Commercial Application

SOCIAL MEDIA

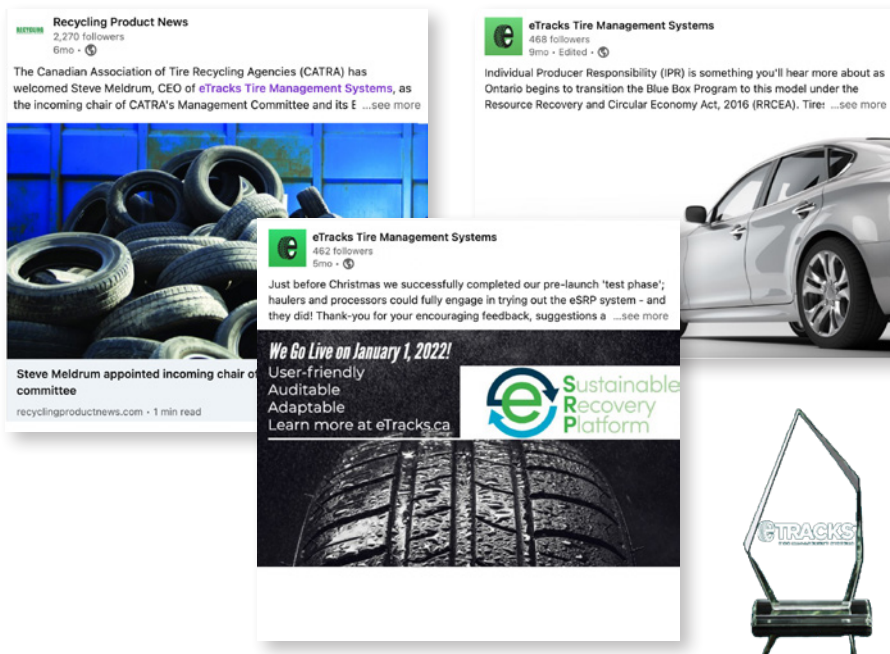
- Expanded social media presence to further educate the public, and promote awareness of the circular economy in Ontario

INDUSTRY PARTICIPATION

- Continued industry participation in OTDA, CATRA and virtual conferences

INDUSTRY RECOGNITION

- Launched in 2019, the eTracks Awards of Excellence Program is part of our commitment to recognizing service provider excellence and aligning with companies that share our commitment to responsible, reliable and fair business practices – supporting a strong industry
- eTracks gave out seven Awards of Excellence in 2021, five for hauling and two for processing



LOOKING AHEAD AT 2022

Since *Individual Producer Responsibility (IPR)* was implemented, eTracks has played a crucial and beneficial role in ensuring a smooth transition, participating in the interpretation of the regulation, driving a strong tire recycling industry and managing a compliant supply chain network.

With the transition years now complete, our goal is to build on the reputation we've built as trusted leaders, providing exceptional services and innovative solutions for the future of the tire recycling and resource recovery industry.

We begin 2022 with both renewed optimism and inspired thinking as we continue to bring industry players together to advance sustainability in Ontario.

eTracks will remain focused on...

- Continued IPR/EPR Excellence
- Implementing additional efficiencies and innovations
- Reducing excess service delivery costs by decreasing the purchase of recovery credits and lowering hauling and processing costs
- Expanding the eTracks brand, public education and promoting the value of tire recycling through research participation
- Refining service provider contracts to remain both fair and competitive
- Finding more "homes" for non-approved purpose material
- Taking an active role as thought leaders, sharing our proven experiences and expertise within the recycling and resource recovery industry to improve outcomes



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