



**Tire Stewardship of
Saskatchewan Inc.**

2021 Annual Report



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1. MESSAGES

COLIN FRASER | Chair, Board of Directors

As Chair of the Tire Stewardship of Saskatchewan Inc. (TSS) Board of Directors, I am pleased to present the 2021 Annual Report.

The year 2021 saw many successes for TSS. The increase in fees late in 2019 enabled TSS to allocate the needed funds to complete the legacy scrap tire clean up at Assiniboia. This cleanup was a long-standing health, safety, and liability concern to TSS, and the local community, and had been an issue since the recycler ceased operations in 2014. This accomplishment is notable. As well, significant cleanup work on a second legacy pile in 2021 at Eldon was started and this other major cleanup will be completed in early 2022. TSS and the recycling industry needs to learn from these legacy problems and work to ensuring these situations are proactively managed going forward. TSS launched a spring and fall promotion campaign to encourage consumers to take advantage of the Return to Retailer program which was expanded to more retailers throughout the province. Also, TSS joined a research study to better understand the total greenhouse gas impact of the entire life cycle of our program which will allow TSS to make and monitor the impact of changes to our program going forward. Now we are ready to address the efficiency of our collection system, invest in innovative processing opportunities and have options to manage processor inventories.

A challenge experienced by TSS in 2021 due to the pandemic meant programs developed to target certain municipalities for legacy tire cleanup could not be conducted, however they will be started in 2022. A second challenge was moving the existing Saskatchewan recycling processing industry towards a new payment model, higher value products and markets, and increasing accountability. Negotiations remain underway as are alternative solutions for recycling Saskatchewan scrap tires.

TSS is moving forward in another way. As a stewardship program responsible for minimizing the impact of scrap tires on our environment, we are becoming much more aware of best practices outside the province, we are interested in piloting new uses for scrap tires, and more informed by research and science related to measuring environmental and health impacts. The industry in Saskatchewan has been set in its ways and we need to find ways to move our industry forward to better meet our mandate and protect our communities.

I thank our Executive Director, Stevyn Arnt for his leadership and service to TSS in 2021 to deliver on the successes while managing the challenges. Of particular note are Stevyn's efforts to find creative solutions to eliminate long-standing legacy issues at Assiniboia and Eldon while developing a long-term strategy to eliminating legacy tire issues in the province without having to increase recycling fees.

TSS continues to operate under the PSP approved by the Minister on December 16, 2020. With two years left in this plan there are some exciting opportunities on the horizon on how we deliver our mandate, all in line with the approved plan. I thank my colleagues on the TSS Board of Directors, the Saskatchewan Ministry of Environment, our stakeholder organizations, the tire retailers in Saskatchewan, and the TSS staff.

Sincerely,

A handwritten signature in blue ink, appearing to read "C. Fraser", with a dashed line extending from the end of the signature.

Colin Fraser, Chair
Tire Stewardship of Saskatchewan Inc



STEVYN ARNT | Executive Director

I am pleased to present the TSS annual report for 2021.

We continued to be guided by the goals and objectives as outlined in our product stewardship plan (PSP) with the Ministry of the Environment. Many discussions took place both within the province and with others outside the province on how to move our processing industry to a payment model based on sales versus delivery of scrap tires and payment at the gate. Payment at the gate is not followed anywhere else in the country and provides a higher level of risk of the potential for abandoned legacy stockpiles.

TSS joined a national study being conducted by the Canadian Association of Tire Recycling Agencies (CATRA) with Scope 3 Consulting to better understand the Green House Gas Emissions of our program. The results of the study are encouraging TSS to pursue processing capacity for products and markets other than traditional tire derived aggregate (TDA). The study confirms value-added processing displaces more emissions than the products themselves create while tire derived aggregate has a marginal at best impact on emissions. We are also engaged with out of province processors about the market demand for other value-added products that could lead to industry investment in the province. These research efforts have set the table for significant changes to our program in future years.

In 2021, TSS increased the number of tire retailers participating in the Return to Retailer (R2R) program while launching surveys for individuals and communities to better understand the magnitude of the legacy tire issue. These surveys allowed TSS to develop a proactive plan of action going forward as we capitalize on the momentum of the Assiniboia and Eldon cleanups and continue to target cleanup of legacy tires in the province. TSS began to advertise the R2R program during the spring and fall tire changeover seasons and have seen a noticeable increase in retail collections from the previous year. Further efforts to expand the promotion of the R2R network are planned for 2022.

In 2021 TSS conducted an internal planning session to develop strategic priorities to advance the items still pending from the PSP, and based on the industry and market research mentioned earlier. We are looking for active engagement of our Advisory Committee in 2022, as we seek their advice and support in advancing our strategic priorities.

I thank our delivery partners for their service, and the Saskatchewan Ministry of Environment for their involvement and advice related to our efforts to effect changes in the tire recycling industry. I thank the TSS Board of Directors for their ongoing support and advice during the year and their confidence in me to effect the changes anticipated and needed in the program to meet its mandate.

Best regards,

A handwritten signature in black ink, appearing to read "Stevyn Arnt".

Stevyn Arnt MBA
Executive Director
Tire Stewardship of Saskatchewan Inc.
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2. GOVERNANCE

Board of Directors

The Tire Stewardship of Saskatchewan Inc. (TSS) is governed by an industry-led volunteer Board of Directors having representation from those that are obligated under the regulations, complemented by two independent members at large who bring perspective and additional competencies to the Board.

The TSS Board of Directors remains as in the previous year with the following four members:

- Colin Fraser, Chair – Owner/Operator OK Tire, Prince Albert
Retail Council of Canada
- Ray Geleta, Vice-Chair – Executive Director
Western Canada Tire Dealers Association
- Len Ritchot – General Manager, Market Tire
Retailer-At-Large
- Richard (Porky) Porter
Independent Member-at-Large

Advisory Committee

The TSS Advisory Committee (the Committee) provides strategic advice and program input to the Board of Directors. The Committee has no decision-making authority however serves as a source of information, knowledge and advice for the Board and the Executive Director related to strategic program development and new opportunities and helps to connect the program to the communities. The Committee meets as requested by the Board or the Executive Director.

The TSS Advisory Committee includes members from the following stakeholder groups:

- SARC/SARCAN Recycling
- Ministry of Environment, Government of Saskatchewan
- Tire Retailers
- Saskatchewan Association of Rural Municipalities
- Saskatchewan Urban Municipalities Association.

The Committee met three times in 2021. Discussions are underway to refresh the mandate of the committee and look to the committee to provide more strategic policy and stakeholder advice to the Executive Director and the Board.

Stakeholder Engagement

The TSS is committed to collaboration with key stakeholders in the industry within and outside of the province. This includes engagement with retailers, processors and collectors, and with industry organizations such as the Canadian Association of Tire Recycling Agencies (CATRA). The TSS Executive Director attends regular CATRA conference calls and is in regular contact with British Columbia, Alberta and Manitoba tire stewardship representatives. This was expanded in 2021 to include engagement with progressive processors in Canada and the US.

Independent Audit

Financial management activities are reviewed on a yearly basis by an independent audit firm – MNP LLP. This audit ensures that the TSS is meeting all accounting standards and requirements. The audited



financial statements for 2021 are included in this report and provide for a clean, unqualified audit.

3. 2021 YEAR IN REVIEW

The following provides a summary of activities in 2021.

Legacy Projects:

Assiniboia Abandoned Tire Pile Project

A Press Release was issued on November 1st, 2021 announcing the completion of this project. 9880.039 metric tonnes of material were removed from site in 2020 for recycling and a further 6212.360 metric tonnes were removed in 2021. The clean-up at Assiniboia and civil engineering site where material was utilized is complete with a final Report submitted to the Ministry on September 22, 2021. Total costs paid by TSS associated with 2021 cleanup for TSS is \$325,226.42. The 2021 cleanup work was completed by a different contractor than the work undertaken in 2020. The cancellation of the 2020 contract was contested by the contractor and resolution moved to arbitration in 2021 and is expected to be concluded in 2022.

Eldon Legacy Pile

Total material removed from this site in 2021 totaled 1,498.240 metric tonnes. Total cost of cleanup (2020/21) equates to \$406,578.22 and these costs were borne by TSS alone.

Other Legacy Piles and community Cleanup

A legacy Pile in RM of Invergordon was completed (2095 tires) as well as pickups at an additional eleven First Nation and Northern Communities for a total of 7712 scrap tires that were collected and sent for processing.

Retailers:

TSS continued its diligence in ensuring retailer compliance, as required by legislation, to collect recycling fees from consumers and to remit those fees to TSS. A large outstanding non-compliance case was concluded in 2021 in favour of TSS. While total retailers participating in the program has increased to 1,464 from 1,443, the number of retailer accounts in arrears at year-end was reduced to 159 from or 11% of accounts. This represents a decrease from the 24% that were in arrears to start the year. This decrease can be attributed to increased communication efforts including a retailer education document which was issued in April 2021. Since the Spring and Fall radio campaigns and the publication of Retailer Education Document, the participation rate in the Return to Retail program has increased by 33% from 2020 numbers to 96 retail participants.

Processor:

Under the PSP TSS is obligated to move the processing industry in Saskatchewan away from payment at the gate to one where payment is made at the time of sale of a recycled product. Given the history and legacy of only one processor in Saskatchewan since 2014 our current processor is sensitive to any changes to the program. Much of 2021 was spent in discussions with this processor on how to move forward with a different payment system and one that provides incentive for higher value products. In addition, other provincial tire stewardship programs have a much higher level of operational and financial transparency with their processors to enable a "partnership." The need for transparency and openness were also included in the discussions.

TSS want to offer fair rates to its collectors and processors however also wants to ensure "value for dollar" for the consumer fees collected. TSS engaged the consulting firm IntegriServ to complete a processing rate study comparing Saskatchewan to Manitoba and Alberta and reached the conclusion that incentives in Saskatchewan are higher than Manitoba and Alberta with the current product mix that the Saskatchewan processor produces on an annual basis. Furthermore, with the current payment on delivery model, the timing of the payment offers cash flow advantages to our processor in Saskatchewan relative to the processors in other Provinces. These findings align with an established Canadian processor wanting to invest in Saskatchewan at lower cost to TSS through a reduced need for incentives.

Raw material inventory at the existing processor's site has increased significantly in 2021 and TSS will address this



in 2022 through developing an alternative destination for scrap tires.

Collectors

In 2019 the TSS implemented collection zones and awarded collection contracts to three different Saskatchewan-based companies. Each retailer has an assigned collector based on the geographic zone in which they reside. Collectors service all retailers in their assigned zone(s), and no other collector can service that zone unless directed to do so by the TSS. These current contracts expire in December 31, 2022, and TSS will issue a competitive process again, and it is expected there will be some adjustments in the zones.

TSS hired Logic Marketing Services (LMS) to model the potential financial impact in the event the program requires collection zone reconfiguration in the event that TSS elects to add a second processor in Regina, SK. Initial cost synergies with the addition of this second processor are forecasted to save TSS significantly in both costs and environmental footprint, with saved funds to be used for legacy tire clean up and investing in alternative processing models, markets, and technologies.

TSS continues to realize many benefits under the collection zone model including reduced costs, improved service and accountability of collectors to retailers, and a fairer system for collectors.

Eldon and Assiniboia scrap tire cleanups represented 6.9% of collections in 2021 so collectors benefited from increased pickups over the year. As well, in the Recovery Rate increased to 78.7% from 73.6% when factoring in the whole tire legacy tire/pile cleanups at Eldon and Assiniboia. This is an increase of almost 8% from the 2020 unadjusted number.

For a period of time in 2021 TSS agreed to pay for an unload fee payment implemented by the processor as a good faith concession during contract negotiations however this was discontinued on October 2021 as TSS was under no obligation for such a fee.

Recycling and Processing

Saskatchewan's current sole processor is Shercom Industries. TSS extended the existing contract with Shercom multiple times for short periods throughout 2021 to give additional time for continued efforts to collaborate and seek agreement on a new incentive payment model as per the PSP. The goal for the new payment model is to move from payment at the time of delivery of scrap tires to the processor to one based on sales of final product.

In 2021 due to expressed interest from multiple parties, TSS issued a Request for Proposals (RFP) for minimally/non-competing value-added processing, recognizing the interests of the existing processor. A preferred processor was approved by the Board and ready to invest in Saskatchewan and to produce a high value product for their markets in both Canada and the US. Any new processor in Saskatchewan must agree to an increased level of financial/sales transparency and accept the sales-based incentive payment model.

Financial efficiencies generated by a second processor will free up funds for improving recycling rates and deal with legacy tires. Cleaning up legacy tires could minimize any volume impact to the existing processor. A second processor is expected in late 2022/early 2023.

Office Move and New Location

In 2021 the TSS planned for an office move to a new location and completed the move on December 13, 2021.



4. PROGRAM RESULTS

Tire Recycling Fees (TRFs) are paid by the consumer at the point of purchase on all new tires sold. Retailers are responsible for collecting and remitting these fees to the TSS. The TSS uses this single source of revenue to pay for the collection, processing of scrap tires and all other program costs. The fees are reviewed annually.

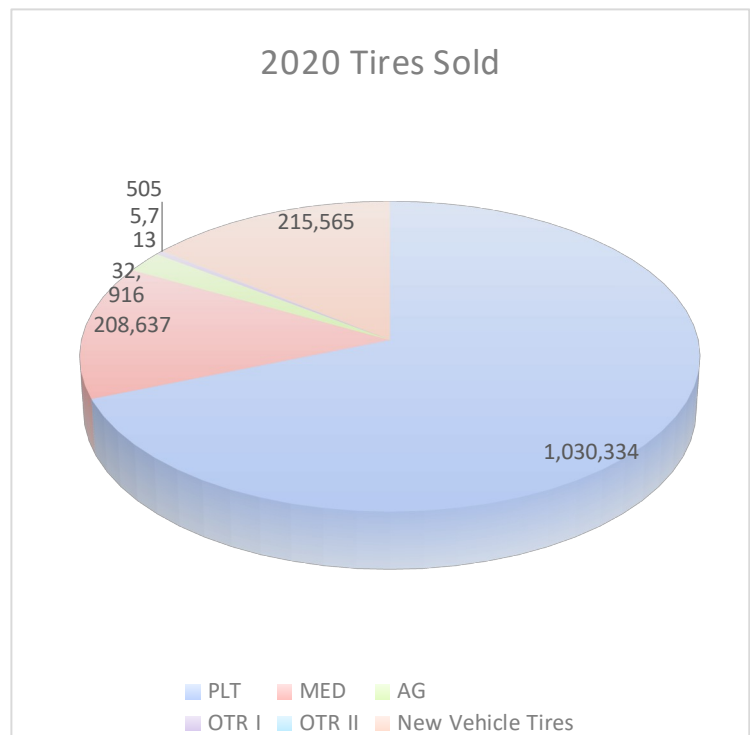
There were no changes in the recycling fees in 2021. At the close of 2021, the tire recycling fees were:

Tire Category	TRF
Passenger Car/Light Truck (PLT)	\$5.00
Medium/Semi-truck (MTRK)	\$14.00
Agriculture (AG)	\$25.00
Off the Road/Mining (OTR I)	\$57.00
Off the Road/Mining (OTR II)	\$140.00

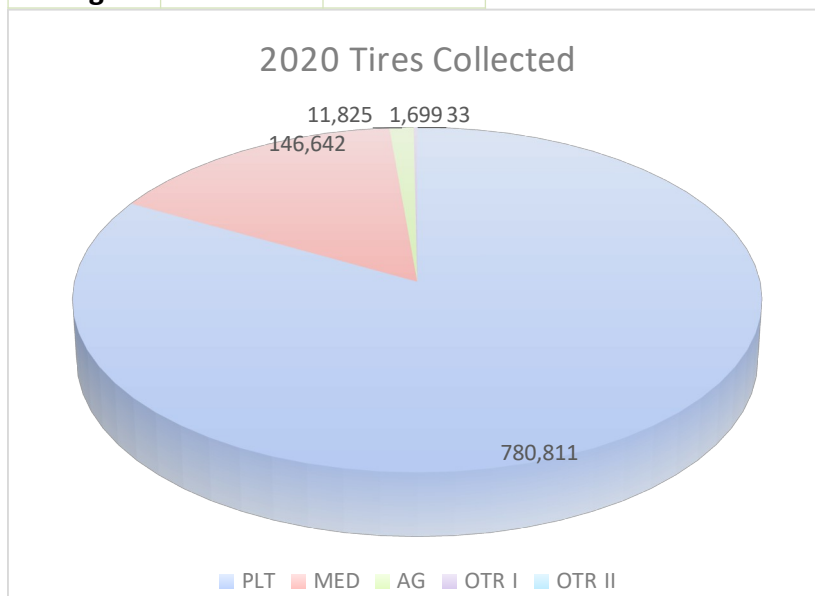
Tire Sales and Collection

These tables summarize the tire sales and collection volume for 2021. Numbers are as followed by the retailers (sold) and collectors (collected). New vehicle sales are a total of new cars sold multiplied by 5 tires. Sold and collected data is reported in the month following the activity (e.g. February sales information is remitted to TSS and recorded in March). Collections were handled by the TSS' three contracted collectors. (Minor changes in amounts from one year's annual reporting to the next year's report of previous year amounts due to minor adjustments.)

Units Sold	YTD 2021	YTD 2020
PLT	1,030,334	983,335
MED	208,637	189,560
AG	32,916	29,192
OTR I	5,713	4,344
OTR II	50	61
New Vehicle Tires	215,565	202,675
Total Units	1,493,670	1,409,717



Units Collected	YTD 2021	YTD 2020
PLT	780,811	707,199
MED	146,642	134,232
AG	11,825	11,094
OTR I	1,699	1,450
OTR II	33	78
Total Units	941,010	854,053
Total kg Weight	24,525,390	22,345,868

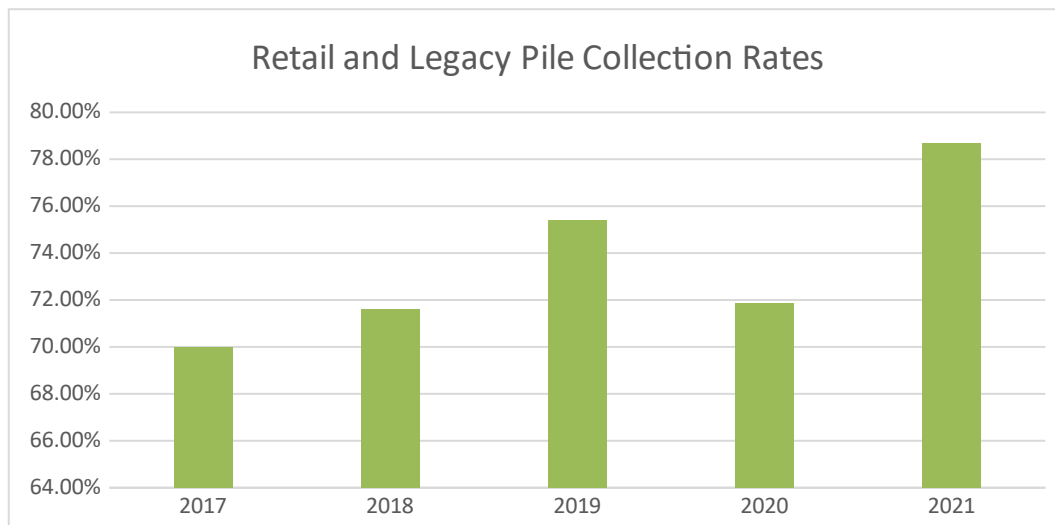


TSS LEGACY PILE CLEANUP & RECOVERY DATA

The following tables summarize the total costs associated with large-scale legacy tire cleanups and the impact to our collection/recovery rate on material delivered to our processor. The adjusted recovery rate is calculated by increasing the macro collection numbers by the % of the weight delivered from large scale legacy tire pickups where an individual tire count was not conducted. All other legacy pile clean-ups where tire counts were conducted are reflected in the original recovery rate figure.



Legacy Pile Cleanups	2021 (MT)	2020 (MT)
Assiniboia	191.92	0
Eldon	1498.24	487.49
Total MT	1690.16	487.49
Total Kgs (Conversion)	1690160	487490
% of Collected Weight	6.9%	1.6%
	YTD 2021	2020
Total Units	941,010	854,053
Recovery Rate	73.6%	70.8%
Legacy Pile Adjustment	1,005,859	867,465
Legacy Pile Adjusted Recovery Rate	78.7%	71.9%



Tire Processing & Manufacturing

The following table provides the inventory level for the processor. The sole processor of scrap tires in Saskatchewan is Shercom Industries. Shercom creates TDA for engineering projects, and surfacing, landscaping, agricultural and commercial products, among others, from the processed scrap tires.

Category	Shercom 2021
Opening Inventory (lbs)	13,515,535



Weight Received from TSS and other:	54,762,376
Shred	26,654,864
Crumb	4,482,015
Rubber Paving	1,099,027
Manufactured Goods	6,404,698
Waste S/F	3,732,692
Shipped Out	-
Production Total	42,373,296
Closing Balance (lbs)	25,904,615*

**Includes all Legacy Cleanup Efforts excluding Assiniboia material moved directly to customer*

APPENDIX A: FINANCIAL STATEMENTS