



ecotone
software consulting

INTEGRATED ANNUAL REPORT

FY 2016

Ecotone Software Consulting Inc.

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TO OUR STAKEHOLDERS

Introduction

Welcome to our 2016 integrated annual report-for the year ended December 31, 2016! Ecotone is pleased to share this report with our stakeholders with a reminder of why we are in business:

Our mission is to enable clients to achieve their sustainability goals by leveraging people, process, and technology. We strive toward a net zero environmental footprint from our operations and work to make a positive contribution to our communities. We turn enterprise data into sustainability solutions.

We believe a key part of helping clients achieve their sustainability goals is by modelling best practices, especially as these relate to sustainability reporting. The goals of this report are simple: information should be easy to understand, comparable, transparent, and relevant.

Certified



Corporation

We are excited to have attained Certified B Corporation status in 2016. This integrated annual report is part of our ongoing commitment to amplify the values of the B Corp movement.

We will use this report to push ourselves to improve our impact in the coming years and to establish the best practices of measuring, monitoring, and reporting on our benefits and impacts financially, socially and environmentally. Ecotone believes it is important to report our triple bottom line elements on equal footing to model transparency and good data stewardship for our clients.

Future-Fit Business Benchmark



An important part of our sustainability journey has been to adopt a framework that sets the goals and the pathway to achieve a better future. We have selected the Future Fit Business Benchmark (<http://futurefitbusiness.org/>) as our framework for Ecotone. Their definition aligns with our vision, inspired by John Ehrenfeld, in that, “A future-fit business is one that in no way undermines the possibility that humans and other life will flourish on Earth forever”.

The Benchmark is a set of 21 goals that establish very challenging targets around five categories: Environmental Health, Climate Stability, Employee Wellbeing, Customer Wellbeing, and Society Wellbeing. The entire benchmark is based on the science outlined by The Natural Step in its four systems conditions (<http://www.thenaturalstep.org/sustainability/the-system-conditions/>).

The Future-Fit framework is built on the work of Bob Willard, celebrated author and speaker on the business case for sustainability. Bob is a close collaborator of Antony Upward, creator of The Flourishing Business Canvas and convener of monthly meetings presenting thought leaders in sustainability through the Strongly Sustainable Business Model Group (<http://www.ssbmg.com>). Ecotone is an active member and promoter of this group.



TO OUR STAKEHOLDERS

Operational Changes

This year we made a number of changes to enhance our brand and contribute to achieving Certified B Corporation status.

We rebranded as Ecotone and launched a new website that reflected the new messaging and brand. Ecotone is a metaphor for our focus area at the intersection of technology and sustainability. We legally changed our business name to Ecotone Software Consulting and revised our articles of incorporation to include the B corporation language:

The directors shall, acting fairly and responsibly, consider the short-term and the long-term interests of the corporation, including, but not limited to, the corporation's shareholders, employees, suppliers, creditors and consumers, as well as the government and the environment (the "Stakeholders"), and the community and society in which the corporation operates, to inform their decisions.

In discharging his or her duties, and in determining what is in the best interests of the corporation, each director may consider all of the Stakeholders (defined above) and shall not be required to regard the interests of any particular Stakeholder as determinative.

Nothing in this Article express or implied, is intended to create or shall create or grant any right in or for any person other than a shareholder or any cause of action by or for any person other than a shareholder.

Notwithstanding the foregoing, any Director is entitled to rely upon the definition of "best interests" as set forth above in enforcing his or her rights hereunder, and under province law and such reliance shall not, absent another breach, be construed as a breach of a Director's fiduciary duty of care, even in the context of a Change in Control Transaction where, as a result of weighing other Stakeholders' interests, a Director determines to accept an offer, between two competing offers, with a lower price per share.

We strengthened our governance by expanding our board to include four outside representatives in addition to the owners. The board will meet at least twice a year to review financial, environmental, and social performance. The Board will approve outside reporting like the Integrated Annual Report to stakeholders. External board members represent the following stakeholder segments: clients, academia/sustainability professionals, and environmental community groups/NGOs.

We switched our banking to Alterna Credit Union to better align with our values of using community-based suppliers and embodying a more democratic structure. Plus we will actually earn a small amount of interest on our savings account!

TO OUR STAKEHOLDERS

Operating Highlights & Business Model Evolution

2016 was a year of changes. We achieved B Corp certification, much of this work was done during a quiet period between major contracts.



The Roots Collaborative logo

Ecotone was a founding member of The Roots Collaborative, a co-operative sustainability consulting company based out of The Centre for Social Innovation. Founded on a unique four-pillared approach to sustainability: economic, social, environmental and wellness. We expect to see exciting collaborative projects emerge from our membership. Ecotone sits on the board of The Roots Collaborative.

We refined our business model to focus on two key areas of growth: integrated sustainability reporting and CRM for the Cleantech sector. Both markets build on the company's core expertise around understanding a client's business requirements and translating them into robust processes that can be implemented using a variety of technical solutions. The market segments are mutually reinforcing as either can be the entry point for a client with the hope the other product offerings can be engaged at a later point.

The bulk of our business continues to come from our J.D.Edwards consulting practice. It is our intention to leverage this client base to introduce the sustainability reporting offering as a value-added service.

ENVIRONMENTAL IMPACT

As this is our second report we are able to benchmark performance against a prior year. Our goal is to capture and share the relevant metrics we are tracking.

Home Office

Values below represent 10% of total home use as a proxy for allocation of home office.

Energy & Water Use	Metered		GJ		CO2E		Change in CO2	Target
	2016	2015	2016	2015	2016	2015**		
Electricity (KwH)	403.3	372.6	1.45	1.34	0.06	0.055	11.40%	5% reduction - missed
Gas (M3)	164.5	181.7	6.36	6.8	0.27	0.295	-8.90%	5% reduction - achieved
Water (M3)	10.52	11.2						
Total					0.33	0.35	-5.71%	5% reduction - achieved

**2015 CO2E has been restated from 2015 report from .38 to .35

Transportation	KM		CO2E		Change
	2016	2015	2016	2015	
Kilometers by Car	380	1,620	0.11	0.45	-76%
Kilometers on TTC	3,667	350	nil	nil	
Kilometers on bike	1,221	712	nil	nil	
Air Miles-Company	nil	nil	nil	nil	
Air Miles-Client Travel	1,010	nil	0.18	nil	

	2016	2015	Change
Total Carbon footprint for home office (tonnes of CO2E)	0.62	0.8	-23%

ENVIRONMENTAL IMPACT

Commentary

Our energy mix shifted from gas to electricity in 2016. This resulted in a drop in carbon intensity as electricity is becoming cleaner in Ontario with the increase in renewables in the grid.

No news about our Jetta which was an at-risk model listed during the emissions scandal revealed in 2015. Volkswagen has done a terrible job of communicating to affected customers, so we continue to wait for details of how they are going to address the defeat mechanism and correct the emissions. It is our intent to keep the car for a few more years and replace it with an electric vehicle once the industry has proven the reliability and range issues are addressed.

Based on the location of our major contracts this year we have maximized two other modes of transportation to office and clients: public transit and cycling. We are proud of our commitment to urban cycling as a means of transportation with the twin benefits of virtually no carbon footprint and health benefits for the commuter. Living and working near downtown Toronto enables this choice which is largely dependent on the location of our clients.

Waste Management

We continue to be aggressive recyclers and composters – both city organic and onsite composting of food scraps that enrich our gardens.

Water Management

2016 saw us join the RainGrid Pilot Project (www.raingrid.com) in Riverdale. Our rain barrel has been connected to a grid of 15 neighbouring systems controlled by a centralized software program that drains them in advance of storms. This diverts storm water from the sewer system at peak times avoiding flooding and other negative outcomes from Toronto's combined sewer systems.



Photo credit:
RainGrid

ENVIRONMENTAL IMPACT

CSI Office



Ecotone is a proud and active member of the Centre for Social Innovation (CSI), a shared working space for the social mission sector with four locations in downtown Toronto. We rent a Hot Desk package that includes a set number of hours in a hoteling-type setup as well as access to meeting rooms, CSI events, and programs.

Calculating energy use and carbon footprint in a shared space is a bit unconventional but as it is a growing trend and we feel it's important to make an attempt. The situation is complicated by the fact that CSI leases two buildings and owns two buildings. We rent space in the leased building (215 Spadina Avenue), but CSI has limited/no access to building energy use at that location. They own a very similar size and type of building (brick and beam) at 720 Bathurst Street. We have used the data from that building to create a proxy estimate of the energy use of hot deskers by taking the total gas and electricity use and dividing it by the 150 members in the building. While this is a somewhat crude calculation it does recognize the inherent benefit of a tenant model with a high density of users sharing common spaces versus a traditional corporate model where common areas like lobbies are highly underutilized. We thank CSI member Marcus Hinds from Enerscope Energy Research & Mapping Inc. for providing the data reported below for 2015. CSI was not able to provide 2016 data so we have estimated the figures by applying a 5% increase to the 2015 data.

	KwH	M3	GJ	CO2E		Change
				2016	2015	
Electricity	2304		8.29	.19	.18	+5%
Gas		45.4	.05	.095	.09	+5%
Total Carbon Footprint (Tonnes of CO2E)				0.9	1.1	-18%

SOCIAL IMPACT

Ecotone supports our community in three primary ways: financial contributions to local charities, pro bono consulting to not-for-profits on technology related to our business services, and volunteer time by the owners to causes that relate to our mission and personal passions.

Donations were made to non-for-profits that align with our mission and vision. In 2016, Ecotone was proud to support the following organizations: Evergreen, Not Far from the Tree, David Suzuki Foundation, The Roots Collaborative, Unity, Medicine Sans Frontiers, and The Equality Effect. Ecotone follows the “One Percent for the Planet” model where we commit to donating 1% of revenues each year or 5% of profits, whichever is higher.

Pro bono consulting was offered to not-for-profits related to Ecotone’s expertise around CRM platforms and general business consulting. In 2016, Ecotone was pleased to assist the Toronto Parks and Trees Foundation with the development of their “Every Tree Counts” Project.

	2016	2015
Donations (\$)	1,514	1,678
In-kind/Pro Bono Consulting (\$)	5,600	2,500

Volunteer Hours	2016	2015
Evergreen	98.5	102
Queen Street Solar Co-op	30	20
School Horizon	5	10
Riverdale Refugee Lifeline	60	40

As the scale of the migrant crisis became more and more urgent in the summer of 2015, we got together with friends and neighbours in our community to sponsor a refugee family; thus Riverdale Refugee Lifeline was born. We were thrilled to welcome a family of six from Syria in November 2016.

In parallel to this effort, CSI began hosting conversations amongst its members on how to respond to the 25,000 newcomers. We played an active role in these conversations and were a founding board member of WelcomeHomeTO, whose mission is “connecting resources, people, and organizations who support newcomers.”



WelcomeHomeTO Panel on employment issues facing newcomers.
Credit: Sam Haque



FINANCIAL IMPACT

As a private company we are not obligated to report our financials publically; previously no one besides the owners and our accounting firm (and CRA) saw this information. We believe it is time to move beyond the secrecy around financial reporting to a view where transparency is the norm.

The 2015 data below was included in our B Corp submission so it seems natural to share this information in the name of transparency. All amounts are in Canadian dollars.

	2016	2015
Revenue	150,868	166,512
EBITDA	5,350	8,601
Net Income	4,645	7,479
Salaries & Benefits	125,033	136,960
Independent Suppliers	8,898	7,479**

**Number restated from 2015 (was 8,436)

The drop in revenue was a result of a long gap between major contracts during the spring and summer months. A new contract was started in September 2016 which will continue well into 2017.

In 2014, we worked with fellow CSI member, the Sustainable Economist, to create a low-carbon investment portfolio using ETFs and 1 stock. This was in addition to owning existing CSI community bonds. This portfolio has grown at a steady pace. The CSI community bonds were purchased between 2010 and 2015.

Portfolio	2016	2015
CSI Community Bonds	30,000	30,000
Marketable Securities	165,000**	150,000

**Approximate value at Dec 31, 2016

Taxes Paid	2016	2015
Payroll Taxes	32,397	36,891
HST	13,630	15,157
Corp Tax	705	1,122**

**Restated from 2015 (was 1,374)

Looking Ahead

One of our key objectives for 2017 is to leverage our B Corp certification by reaching out to other B Corps for opportunities to collaborate. This report is part of the process of becoming more transparent about our corporate social and environmental impacts.

We look forward to developing our new areas of business in sustainability reporting and CRM for Cleantech while balancing our existing base of J.D.Edwards customers. Our major project, started in 2016, with a well-known Canadian engineering company, who do large infrastructure and facility management projects, may provide an ideal pivot between our traditional ERP consulting and the sustainability reporting line of business we wish to develop.

We appreciate the support and feedback provided by our ecosystem including customers, strategic partners, suppliers, our board, and fellow travellers at The Centre for Social Innovation, especially the members of The Roots Collaborative.

Ecotone Board of Directors

Kumail Karimjee (clients)

Sandra Lester (academia/sustainability professionals)

Piali Roy (owner)

Adam Silver (clients)

Andrew Simpson (owner)

Halyna Zalucky (environmental NGOs)



NOTE ABOUT FINANCIALS

The financial information presented is taken from the financial statements prepared by our accounting firm based on information we supplied as of December 31, 2016. They have not performed an audit or a review engagement with respect to these financial statements and, accordingly, they express no assurance thereon. Readers are cautioned that these statements may not be appropriate for their purposes.

CONTACT INFORMATION

Andrew Simpson is a veteran software consultant and business analyst, having implemented several leading ERP and CRM packages over his 25-year career, including J.D. Edwards, Microsoft Dynamics GP & CRM, and Salesforce. Andrew has extensive experience designing and mapping business processes, writing technical specifications for custom modifications, developing and executing test plans, report design and data conversion. Always passionate about environmental issues, Ecotone brings together his twin passions around technology and sustainability. He is an active volunteer in the community. He lives in Toronto with his partner and their daughter.

We always welcome feedback on our reports. Please feel free to contact us about anything in this report or ways in which we can improve it in the future.



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COMPANY INFORMATION

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