

**2019
ANNUAL
REPORT**



**Automotive
Materials
Stewardship**

MUTZENOM

About Automotive Materials Stewardship

Automotive Materials Stewardship (AMS) is a not-for-profit organization responsible for the collection, recycling and management of used antifreeze and antifreeze containers, oil filters and empty oil containers. Our industry stewardship plan (ISP) took effect in April 2017.

We are led and funded by industry, and help businesses contribute to a circular economy by taking responsibility for the automotive waste materials they sell to Ontarians. AMS helps create convenient, environmentally sustainable ways for consumers and businesses to recycle automotive waste in order to divert these materials from landfill.

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AMS Guiding Principles

AMS will:

- Act in the best interests of its members, as a collective
- Carry out compliance obligations diligently and cost-effectively
- Exercise skill and expertise in the operation of the AMS program

2019 Highlights



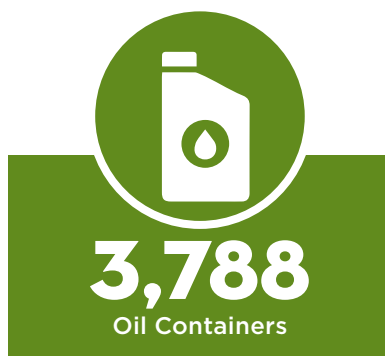
(Additional applications are in progress)



Accessibility



Performance - Tonnes Collected



Message to Stakeholders

As this report is being prepared in the midst of the COVID-19 pandemic, businesses everywhere, including AMS members and service providers, have been turned upside down by efforts to slow its spread. In many cases the impact has been significant.

While our members are supporting the health of their colleagues and customers while also managing their operations, our focus has been to continue the safe and responsible handling of automotive waste materials. Recognizing the financial hardship created by the pandemic, the program eased the payment terms for member fees. While the ultimate impact is currently unknown, AMS is prepared to consider further assistance as necessary.

We extend our gratitude to our service provider community for the many ways that they adapted their operations to continue to collect and recycle our program materials during this time.

2019 Review

Our industry-led and industry-funded organization took over the collection and processing of used antifreeze and antifreeze containers, oil filters and oil containers in Ontario in 2017. Once again, I am pleased to report that AMS exceeded its collection targets for all three materials in 2019 and achieved full compliance with its regulatory obligations on behalf of its members, though with current disruptions we anticipate that our 2020 performance will likely decline.

One of the reasons for creating AMS was to contribute to strong environmental performance, and we are shining in that regard. You can read in this report about the excellent work being done by the large Ontario collection and processing companies to keep automotive plastic materials out of our landfills.

Part of our raison d'être is to offer members continuity and predictability in fees. We are committed to cost-effective operations and it is important to note that members are benefiting from predictable costs, as anticipated. With the exception of a decrease in the rate for small oil filters, 2019 rates for all other material categories were unchanged from 2018.

MHSW Wind Up Plan

The Municipal Hazardous or Special Waste (MHSW) program managed by Stewardship Ontario is scheduled to wind up by June 30, 2021. Upon wind up, materials collected under the MHSW program -- including materials under existing industry stewardship plans (ISPs) such as ours -- will be managed according to an individual producer responsibility framework. As regulations are developed for the new individual framework, we plan to continue to represent our members' views as consultations occur.

We advocated on behalf of AMS members in the MHSW Wind Up Plan consultations for the return of MHSW surplus funds, and we appreciate the support of those who sent letters to Stewardship Ontario and the regulator during this period. The approved funds process reflects the position advanced by AMS and supported by the membership, which was to reduce material fees consistently across material categories, including those managed by ISPs. Funds will be distributed in accordance with the approved Wind Up Plan to existing Stewardship Ontario stewards and members of ISPs in good standing.

In closing, I would like to thank our members and our service providers for their ongoing support. I also thank my fellow board members (all volunteers) and acknowledge the contribution of Kevin Patterson, who has resigned after serving three years as an AMS director. I look forward to working with stakeholders in 2020 to help shape and adjust to potential regulatory changes, and to build on our momentum.



**David Fifield, 2019 Board Chair
President, Wakefield Canada**



Program Overview and Performance

AMS is a non-profit organization, established and financed by industry. We are responsible for the collection and recycling of the following three types of automotive waste:

- Antifreeze and empty antifreeze containers
- Oil filters
- Empty oil containers that have a capacity of 30 litres or less.

Our role includes fostering a marketplace that maintains and encourages competition, achieves efficiencies and cost-effectiveness, and ensures that all industry service providers have a fair and equitable opportunity to participate in the provision of services. AMS has services agreements with 23 transporters and 17 processors to provide material management activities.

In 2019, the program met or exceeded our key budget and performance targets. The fee schedule set for 2019 maintained 2018 rates for antifreeze, antifreeze containers, oil containers and large oil filters, with a decreased rate for the small oil filter category.

Accessibility

Maintaining convenient and accessible collection sites is critical to achieving consumer participation and maximizing diversion activities. AMS provides financial incentives to its transporters to move material from generation sites to processors for recycling. The transporters are responsible for establishing and maintaining the relationship with the individual collection sites.

The network of public and private collection sites includes quick lubes, automotive dealerships, fleet management companies and industrial sites, such as mines and quarries. Many municipalities and First Nations communities offer collection services to their residents through permanent or seasonal depots, or through special one-day collection events. Some service centres accept automotive materials from do-it-yourself consumers. These locations are shown below as “Return-to-Retail.”

ACCESSIBILITY BY COLLECTOR TYPE IN 2019

CHANNEL - ACTIVITY	DEPOTS	EVENTS	RETURN-TO-RETAIL*	AUTOMOTIVE INCENTIVE PROGRAM
Antifreeze	88	294	900	12,000+
Oil Containers	88	294	903	12,000+
Oil Filters	88	294	960	12,000+

*There are 992 locations and some collect one, two or all three automotive materials.



photo credit: RPM Eco

Recycling automotive plastic containers – from messy collection to useful products

When an empty oil or antifreeze container is tossed into a collection bin at a commercial garage in Ontario, it begins a winding journey to a new life.

The collection bin is one in a vast network of more than 12,000 bins, stretching from Sarnia in the southwest to Kapuskasing and Thunder Bay in the north. They're located at quick-service garages and auto dealerships, as well as industrial sites where fleets and big mining or logging machines are serviced.

The bin contents are emptied regularly into enclosed trucks operated by a number of collection companies in the province, including Pnewko Brothers Ltd. and RPM Eco.

When their trucks are loaded, raw material is transported to various facilities for processing. Pnewko's warehouse and processing plant is in Aurora, Ontario, and RPM Eco operates a depot in Burlington, Ontario. Material at RPM's Burlington facility is baled and then transported to Blainville, Quebec, for processing.

Contamination is a huge challenge with empty antifreeze and oil containers. They are often contaminated with residual fluids and garbage, particularly containers collected at MHSW depots operated by municipalities.

Traditional recycling processes cannot handle the residual oil associated with empty containers: the oil coats anything nearby, and would ruin any other paper and plastic in a materials recovery facility (MRF).

So empty antifreeze and oil containers must be separated and inspected for contamination before they're fed into an industrial chipper to break the containers into smaller pieces. Oil residue from the containers drains into a catch basin, where it is pumped away and refined into oil products.

RPM Eco uses a proprietary process to clean its material after shredding, leading to clean shredded plastic that can be made into products. The company's primary market, for now, are manufacturers of weeping tile and black plumbing pipe.

Pnewko's recycled plastic is used to make synthetic lumber for rail ties, deck boards, park benches and similar products.

“We collect and recycle enough plastic to fill the Saddledome in one year - picture that in a landfill or your back yard.”

Pnewko Brothers Ltd. website

AMS processors are eager to find new markets that will enable greater participation in the circular economy. A constant challenge is competing with typically low-priced “virgin” plastic.

In 2019, roughly 11 tonnes per day of empty antifreeze and oil containers – still containing traces of residual fluids – were diverted from Ontario landfills. The AMS program consistently collects and diverts volumes that are above its annual targets.

Steward fees are supporting a much cleaner and greener future, by reducing the impact of contaminated materials on human health and the environment. The next time your vehicle has an oil change, consider the empty container's next journey. You might not look at a park bench or plumbing pipe the same way again.

Performance

AMS must meet certain minimum performance requirements each year, as outlined in the industry stewardship plan (ISP). The performance targets expressed in tonnes for 2019 have been calculated using the quantities supplied to market in 2019 by AMS members. The ISP contains assumptions for converting supplied tonnes to the quantity available for collection, accounting for changes to quantities and weights such as the dilution of glycol or the weight of residual oil in used oil filters. These assumptions may be changed from time to time based on market insights and upon approval by the Resource Productivity and Recovery Authority. The quantity available for collection is multiplied by the collection target rate (%) to calculate the target expressed in tonnes.

AMS exceeded all collection targets and recycling targets in 2019.

2019 TONNES COLLECTED/RECYCLED

MATERIAL CATEGORY	AVAILABLE FOR COLLECTION	TARGET RATE (%)	TARGET TONNES	ACTUAL TONNES	ACTUAL RATE (%)	VARIANCE TO TARGET (TONNES)
Antifreeze	3,840	53%	2,035	2,802	73%	767
Oil Containers	3,400	67%	2,278	3,788	111%	1,510
Oil Filters	8,440	88%	7,427	8,295	98%	869



Members

A total of 165 members were registered as AMS members at December 31, 2019, an increase from 153 members at the end of 2018. AMS continues to welcome new members.

1443635 ONTARIO INC	BMW Canada Inc.	Fastenal Canada
3M Canada Company	Bosch Rexroth Canada Corp	FCA Canada Inc.
613 Automotive Fluids Inc.	Boss Lubricants	Ford Motor Co of Canada Ltd
673927 Ontario Inc dba Toronto Lube	BRENNTAG CANADA INC.	Fort Garry Industries Ltd
9590404 Cda inc; PETRO CANADA FUELS	C.C. Marine Distributors Inc.	FRAM Group (Canada) Inc.
A & I Products, Canada Inc.	Canadian Auto Stores	G.F. Thompson Co. Ltd.
A D F Diesel Toronto Ltee	Canadian Kawasaki Motors, Inc.	G.K. Industries Ltd.
Acklands-Grainger Inc	Canadian Tire Corporation LTD	Gale's Gas Bars Limited
Adp Distributors Inc., (Ontario)	Castrol Industrial N. A. Inc.	General Motors of Canada Company
Agracity Crop and Nutrition	CBK International Inc	General Motors of Canada Company -
All Parts Automotive Ltd.	CFA Industries	HARLEY-DAVIDSON CANADA LP
Alltemp Products Company Ltd.	Champion Laboratories, Inc.	Henkel Canada Corporation
Altrom Auto Group Ltd.	Chem-Ecol Ltd.	Hino Motors Canada Ltd
Amsoil Inc.	Chevron Canada Limited	Home Depot of Canada Inc.
Automobile Solutions Americas Inc.	Class C Solutions Group	Home Hardware Stores Limited
Auto-Stan Transmission Parts Ltd.	Club Car LLC	Honda Canada Inc
Aviall Canada/a Boeing Company	CNH Industrial Canada Ltd	Hutchings Marine Products Ltd.
Baker Transit Parts Inc.	Comairco Equipment Ltd.	Hydac Corporation
Baldwin Filters Inc.	Commercial Oil Co of Hamilton Inc.	Hyundai Auto Canada Corp.
Bass Pro Canada ULC	Commonwealth Oil Corporation	Industrial & Aviation Filters, div.
Bay City Energy	Costco Wholesale Canada Ltd.	Intercity Industrial Supply
Beauty Systems Group (Canada) Inc.	Cromac Inc.	Irving Blending & Packaging
Benson Group Inc	Cummins Filtration Inc.	Isuzu Commercial Truck of Canada,
Bestbuy Distributors Limited	Darch Fire Incorporated	ITW Permatex Canada,
	EMB MFG INC	Jaguar Land Rover Canada ULC
	Emerson Electric Canada Limited	

Japko Auto Parts Inc	MTD Products Limited	Stihl Limited
John Deere Canada	National Energy Equipment Inc.	Subaru Canada, Inc.
KADEX Aero Supply LTD	Navistar Canada, Inc. - Parts	Suzuki Canada Inc.
Kia Canada Inc	NCH Canada, Inc.	The Sherwin-Williams Company
King-O-Matic Industries Limited	Oregon Distribution Ltd.	TOPGEAR LUBE INC
Kleen Flo Tumbler Ind. Ltd.	Orgill Canada Hardlines ULC	Toromont Industries Ltd.
Kleenoil Filtration Canada Ltd.	PACCAR Parts,	Total Canada Inc
Klondike Lubricants Corporation	Parker Hannifin Canada, Motion & Performance Initiatives Inc.	Total Power Limited
Kubota Canada Ltd	PÉTRO MONTESTRIE INC.	Toyota Canada Inc
L.B.S. LUBRICATION UNITS INC.	Petro-Canada Lubricants Inc.	Transit Lubricants Ltd.
Lakehead Alternator & Starter Co.	Philippe Gosselin & Ass. Ltee	Transit Warehouse Inc.
Larry Penner Enterprises Inc.	Piston Ring Service	Trinity Glory Enterprises Inc.
Laser Sales Inc	Prestone Canada	UAP INC
Loblaw Companies Limited	Princess Auto	Valvoline Canada
Lubricor Inc.	PSC-Power Source Canada Ltd.	Volkswagen Group Canada Inc.
Lucas Oil Products (Canada) Company	QLO Management Inc.	Volvo Cars of Canada Corp.
M&Y Automotive Parts Corp.	Radiator Specialty Co of Canada	Volvo Trucks Canada,
Mac's Convenience Store	Recochem Inc.	Vulsay Industries Ltd.
MacEwen Petroleum Inc.	Red Stallion Inc.	W.O. Stinson and Son Limited
Main Filter Group Ltd.	Regional Automotive Warehousing Ltd	Wainbee Limited
Makita Canada Inc.	Robert Bosch Inc.	Wajax Industrial Components
Malmberg Truck Trailer Equipment	RONA inc./Ace Canada	Wajax Industries Ltd.
MANN+HUMMEL Filtration Technology C	RYDER MATERIAL HANDLING ULC	Wakefield Canada Inc
Matech BTA Inc	Safety-Kleen Canada Inc.	Wal-Mart Canada Corp.
Mercedes-Benz Canada Inc.	SC CLS Holdings ULC	Ward Heating Products (Div of WD-40 Company (Canada) Ltd.
Micro Tek Auto Parts Inc.	Shell Canada Products	WH Lubricants Ltd
Modern Sales Co-op	Specbilt Enterprises Inc	World Auto Parts (Canada) Ltd.
Monarch Oil (Kitchener) Limited	Specialty Lubricants East Inc.	World Source Filtration Inc.
Motorcade Industries Inc.	Stauff Canada Ltd.	Yamaha Motor Canada Ltd.
MP Filtri (Canada) Inc.		

Revenue from Member Fees

AMS members pay a set fee for the used antifreeze and antifreeze containers, oil filters and empty oil containers they supply in Ontario. AMS uses the money received to pay for the collection, transportation and recycling of these materials.

The total fees paid by AMS members in 2019 were \$17.4 million. In addition, Stewardship Ontario paid AMS \$1.9 million to purchase performance credits necessary to meet its MHSW program obligations.

Promotion and Education

AMS promotion and education activities are designed to increase awareness, drive behavioural change, and support collection channels (such as depot, drop-off events, return-to-retail and incentive partners) to achieve recycling targets.

AMS uses the Orange Drop brand and logo for consumer communication. The Orange Drop website contains a locator tool for consumers to search for drop off locations and events by postal code for their automotive materials. There were more than 59,000 visits to Orange Drop's resident-facing website, makethedrop.com.

In 2018, efforts around the AMS program focused on promoting the Orange Drop website locator tool, and educating residents about materials in the MHSW and AMS programs on social media channels. Templates were also made available for municipalities to download and customize.

2019 AD CAMPAIGN QUICK FACTS



SOCIAL MEDIA QUICK FACTS

Orange Drop's Twitter and Facebook accounts continued to provide seasonal tips and reminders, as well as contests to encourage engagement, increase followers and educate residents on proper disposal of materials.



Governance

Board of Directors

The AMS Board of Directors is a volunteer-based leadership group that focuses on governance and oversight to ensure the program meets its performance targets in accordance with its approved ISP.

At December 31, 2019, the board had six directors.

For further information about AMS governance, please visit www.automotivematerialsstewardship.ca

2019 Board Members

Guy Belanger

National Accounts Manager, Aftermarket Canada
Shell Lubricants

Andrew Davies

Senior Vice President Automotive
Canadian Tire

Steve Ellis

Business Development Manager
Mann+Hummel Filtration Technology Canada ULC

David Fifield (Chair)

President,
Wakefield Canada

Peter Laing

Director of Sales, National and Retail Accounts
Recochem Inc.

Kevin Patterson (Resigned February 26, 2020)

Director Ontario Region, DC Operations & Associate Sales
NAPA Canada

2019 BOARD MEETINGS AND ATTENDANCE

BOARD MEMBER	MARCH 27	JUNE 18	JULY 25	AUGUST 20	SEPT. 26	DEC. 12*
Guy Belanger	No	No	Yes	No	Yes	No
Andrew Davies	No	Yes	Yes	Yes	Yes	Yes
Steve Ellis	Yes	No	No	Yes	Yes	Yes
David Fifield	Yes	Yes	Yes	Yes	Yes	Yes
Peter Laing	Yes	Yes	Yes	Yes	No	No
Kevin Patterson	Yes	Yes	Yes	No	Yes	No

* Quorum was not reached for the December meeting. Approval items were addressed by way of unanimous written consent.

Financial Performance

**Automotive Materials Stewardship Inc. Financial Statements
For the year ended December 31, 2019**

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Independent Auditor's Report

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To the Members of Automotive Materials Stewardship Inc.

Opinion

We have audited the financial statements of Automotive Materials Stewardship Inc. (the "Organization"), which comprise the balance sheet as at December 31, 2019, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 25, 2020

Automotive Materials Stewardship Inc. Balance Sheet

December 31	2019	2018
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Assets

Current

Cash	\$ 3,502,194	\$ 1,791,321
Investments (Note 2)	3,094,505	1,005,830
Accounts receivable (Note 3)	1,166,237	1,225,633
Prepaid expenses	14,791	12,757

	7,777,727	4,035,541
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Investments (Note 2)	-	2,011,545
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	\$ 7,777,727	\$ 6,047,086
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Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 3)	\$ 2,210,971	\$ 2,110,944
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Net Assets

Unrestricted	5,566,756	3,936,142
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	\$ 7,777,727	\$ 6,047,086
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On behalf of the Board:



Director

Automotive Materials Stewardship Inc. Statement of Changes in Net Assets

For the year ended December 31, 2019

	Unrestricted	Internally Restricted	Total
Balance, beginning of year	\$ 3,936,142	\$ -	\$ 3,936,142
Excess of revenue over expenses for the year	1,630,614	-	1,630,614
Balance, end of year	\$ 5,566,756	\$ -	\$ 5,566,756

For the year ended December 31, 2018

	Unrestricted	Internally Restricted	Total
Balance, beginning of year	\$ 1,563,557	\$ -	\$ 1,563,557
Excess of revenue over expenses for the year	2,372,585	-	2,372,585
Balance, end of year	\$ 3,936,142	\$ -	\$ 3,936,142

The accompanying notes are an integral part of these financial statements.

Automotive Materials Stewardship Inc. Statement of Operations

For the year ended December 31	2019	2018
Revenue		
Fee revenue	\$ 17,426,508	\$ 16,772,940
Supply chain income (Note 3)	1,852,177	3,507,711
Investment income	163,770	95,956
	<u>19,442,455</u>	<u>20,376,607</u>
Expenses		
Material management costs (Note 4)	15,478,294	15,822,454
Program management (Note 3)	1,816,242	1,805,547
Resource Productivity and Recovery Authority (Note 5)	490,257	365,028
Promotion and education	27,048	10,993
	<u>17,811,841</u>	<u>18,004,022</u>
Excess of revenue over expenses for the year	\$ 1,630,614	\$ 2,372,585

The accompanying notes are an integral part of these financial statements.

Automotive Materials Stewardship Inc. Statement of Cash Flows

For the year ended December 31	2019	2018
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 1,630,614	\$ 2,372,585
Adjustments to reconcile excess of revenue over expenses for the year to cash provided by operating activities		
Non-cash component of investment income	(22,018)	(17,375)
Changes in non-cash working capital balances:		
Accounts receivable	59,396	(670,094)
Prepaid expenses	(2,034)	136
Accounts payable and accrued liabilities	100,027	(653,302)
	<u>1,765,985</u>	<u>1,031,950</u>
Investing activities		
Purchase of investments	(55,112)	(3,000,000)
	<u>1,710,873</u>	<u>(1,968,050)</u>
Increase (decrease) in cash during the year	1,710,873	(1,968,050)
Cash, beginning of year	<u>1,791,321</u>	<u>3,759,371</u>
Cash, end of year	<u>\$ 3,502,194</u>	<u>\$ 1,791,321</u>

The accompanying notes are an integral part of these financial statements.

Automotive Materials Stewardship Inc. Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies

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

(a) Business Organization and Operations

The Automotive Materials Stewardship Inc. (the "Organization") was incorporated on March 15, 2016 under the Canadian Not-for-profit Corporations Act. The Organization is a not-for-profit organization and as such is not subject to income taxes.

The purpose of the Organization is to design, implement and operate waste diversion programs for Automotive Materials at their end of useful life. These materials include anti-freeze, oil containers, and oil filters. On April 1, 2017 the Organization began operating a waste diversion program in Ontario for automotive materials in accordance with an Industry Stewardship Plan that was approved by the Resource Productivity and Recovery Authority on August 10, 2016.

(b) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

(c) Revenue Recognition

Fee revenue is based on reported tonnages for members with signed Membership Agreements with the Organization. Revenue is recognized when tonnage is reported, fees are received or receivable and collection is reasonably assured. Revenue arising from member reported tonnages or adjustments for prior years' obligations and revenues resulting from compliance and enforcement activities are recognized when the amount can be reasonably estimated and collection is reasonably assured.

Supply chain income is recognized on a cost recovery basis when costs are incurred and collection is reasonable assured.

(d) Financial Instruments

Fixed income investments are valued at year-end quoted market prices. Realized and unrealized gains (losses) are recorded in the statement of operations. The Organization accounts for these investments on a settlement date basis and transaction costs associated with these investment activities are included in the statement of operations. These investments have been presented according to their contractual maturity dates.

Unless otherwise noted, the Organization initially measures its financial assets and liabilities at fair value and subsequently measures its financial assets and liabilities at amortized cost.

(e) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Automotive Materials Stewardship Inc. Notes to Financial Statements

December 31, 2019

2. Investments

	2019	2018
Fixed income	\$ 3,094,505	\$ 3,017,375
Less: Current portion	<u>3,094,505</u>	<u>1,005,830</u>
	<u>\$ -</u>	<u>\$ 2,011,545</u>

Fixed income investments bear interest at 2.30% to 2.85% (2018 - 2.66% to 2.85%) and mature between April 2020 and October 2020 (2018 - October 2019 and October 2020). Interest income earned on these instruments amounted to \$77,130 (2018 - \$17,375) which is included in investment income in the statement of operations.

3. Significant Contracts

(a) Canadian Stewardship Services Alliance ("CSSA")

Effective January 1, 2017, the Organization entered into a three year Management Service Agreement ("MSA") with CSSA for management services including administrative and technical support, other services and facilities for administrative, technical and reporting activities, with automatic one year renewals. During the year, charges totaling \$1,700,000 (2018 - \$1,650,000) were paid to CSSA pursuant to this contract. During the year, CSSA charged \$nil (2018 - \$173,833) for start up costs incurred on behalf of the Organization. These amounts are included in program management expenses in the statement of operations.

Included in accounts payable and accrued liabilities is \$160,444 (2018 - \$155,584) owing to CSSA.

(b) Stewardship Ontario ("SO")

Effective February 2, 2017, the Organization entered into a three year Supply Chain Agreement with SO. The Organization was previously part of the MHSW program in SO. On April 1, 2017, the Organization established its own supply chain and assumed the entire collection, transportation, and recycling of automotive materials for both members of the Organization and SO. Each year, SO will purchase their respective market share of automotive materials tonnage credits from the Organization. During the year, the Organization charged \$1,852,177 (2018 - \$3,507,711) to SO pursuant to this contract. Subsequent to year-end, the agreement was amended to extend the term to June 30, 2021.

Included in accounts payable and accrued liabilities is \$129,363 payable to SO (2018 - \$527,368 in accounts receivable).

All transactions between the Organization, CSSA, and SO are in the normal course of operations and are recorded at their exchange amount as agreed upon by the parties.

Automotive Materials Stewardship Inc. Notes to Financial Statements

December 31, 2019

4. Material Management Costs

Material management costs include all costs related to the collection, transportation and processing of materials managed through the program.

5. Resource Productivity and Recovery Authority ("RPRA")

RPRA and the Organization entered into an Industry Stewardship Plan Agreement in August 2016. Under this agreement, the Organization is required to pay fees to RPRA for monitoring and program oversight activities it provides to the Organization.

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. 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. A brief description of management's assessments of these risks is as follows:

(a) Credit Risk:

Financial instruments potentially exposed to credit risk include cash, investments and accounts receivable. Management considers its exposure to credit risk over cash to be remote as the Organization holds cash deposits at a major Canadian bank. Management considers its exposure to credit risk over investments to be remote as the Organization invests in guaranteed investment certificates. Accounts receivable are monitored regularly for collections and the carrying amount represents the maximum credit risk exposure. The Organization has no provision for uncollectable accounts receivable.

(b) Interest Rate Risk:

The Organization is exposed to interest rate risk from fluctuations in interest rates depending on prevailing rates at renewal of fixed income investments. To manage this exposure, the Organization invests in fixed income securities, as determined by the Organization's portfolio manager and in accordance with the Organization's investment policy. To further manage interest rate risk, the Organization's investment portfolio has been laddered so that investment maturities are staggered.

(c) Liquidity Risk:

Liquidity risk is the risk that the Organization will not be able to meet its obligations as they come due. The program operated by the Organization carries risks in the ability to forecast and control expenditures. Management has taken steps to ensure that the program will have sufficient working capital available to meet obligations.

Automotive Materials Stewardship Inc. Notes to Financial Statements

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7. Subsequent Event

Subsequent to year-end, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in worldwide emergency measures to combat the spread of the virus. These measures, which include self-quarantine periods, have caused disruption to businesses globally, which are resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time, including measures implemented by governments and central banks. It is not possible to reliably estimate the length or effect of these developments, including the impact on the financial results of the Organization in future periods.



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