

**Automotive  
Materials  
Stewardship**

# **RPRA Filing on 2017 Program Performance**

**March 7, 2018**

**Signature of the Chair of the Board of Directors**

This report has been approved by the Automotive Materials Stewardship Board of Directors for submission to Resource Productivity and Recovery Authority (RPRA) in accordance with the requirements of the *Waste Diversion Transition Act, 2016*.

A handwritten signature in black ink, appearing to read 'Bert Verriet', with a stylized flourish at the end.

Bert Verriet  
Board Chair  
Automotive Materials Stewardship Board of Directors

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## **Section 1**

### **2017 AMS Program Performance**

# AMS Performance Report for 2017

## **Background and Stakeholder Consultation**

Automotive Materials Stewardship (AMS) was established in early 2016 representing the interests of Canadian businesses in the automotive sector to create convenient, environmentally sustainable ways for consumers to recycle used oil containers, oil filters, and antifreeze. In accordance with the *Waste Diversion Act, 2002* (WDA) and Waste Diversion Ontario's (WDO) Procedures for Industry Stewardship Plans (ISP), AMS submitted an ISP on February 19, 2016.

During the preparation of the ISP, AMS met with:

- Stewards supplying antifreeze, oil containers and oil filters, including both producers and retailers;
- Industry associations including the Automotive Industry Association, the Global Automakers Association, and the Retail Council of Canada;
- Collectors of used antifreeze, oil containers and oil filters including municipalities and their associations, such as the Municipal Waste Association;
- Transporters and processors of used antifreeze, oil containers and oil filters and their associations including the Ontario Waste Management Association; and
- Stewardship Ontario Board Members and staff as the industry funding organization currently responsible for managing used antifreeze, oil containers and oil filters.

WDO hosted consultations on the AMS ISP between February 26 and April 29, 2016 consisting of:

- [two webinars](#) held on April 5 and 7, 2016 for stewards
- an online survey seeking stakeholder input,
- invitation for stakeholders to contact the WDO by phone or in person.

All stakeholder feedback was considered when finalizing the ISP.

Also during the consultation period, stewards were encouraged to submit a Letter of Intent (LOI) to AMS and WDO to signify their intent to join the ISP upon approval by the WDO. By May 31, 2016, stewards representing approximately half the tonnes of automotive materials supplied to the market had submitted or signaled their intent to join AMS's ISP.

On August 10, 2016 the WDO Board of Directors [approved AMS's ISP](#) to manage automotive materials. The program officially launched on April 1, 2017.

## **Steward Registration, Reporting & Audit**

Registration for the AMS program totalled 131 stewards as of December 31, 2017, with an additional 20 stewards pending RPRA approval.

Total number of AMS steward reports received in 2017 was 448.

The total fees invoiced to the reporting AMS stewards in 2017 was \$11,192,917. In addition, AMS received \$3,278,975 in revenue from Stewardship Ontario for the sale of collection and recycling credits totalling the revenue stated in Automotive Material Stewardship's Statement of Operations.

### **Compliance:**

No compliance cases were opened in 2017.

### **Vendor Registration**

Only service providers that are approved by Automotive Materials Stewardship are eligible to perform material management activities. All approved Automotive Materials Stewardship service providers must adhere to vendor standards, policies and procedures established by Automotive Materials Stewardship. Visit <https://www.automotivematerialsstewardship.ca/service-providers/> for the most up-to-date list of approved service providers.

Commercial arrangements may include, but are not limited to, contracting for services following a request for qualifications or a request for proposals, contracting for services as a result of sole source negotiation, incentive programs and/or direct delivery of services.

Automotive Materials Stewardship's responsibilities and duties include 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. In 2017, 23 transporters and 17 processors were eligible to provide services to AMS.

### **Accessibility**

Maintaining convenient and accessible collection sites is critical to achieving consumer participation and maximizing diversion activities. AMS assumed the pre-existing collection site network from Stewardship Ontario, which includes both public and private collection sites. Many municipalities and First Nations communities offer collection services to their residents through permanent or seasonal depots or through special one-day collection events. In addition, the Automotive Incentive Program provides services to automotive service centres and other commercial locations. Some service centres accept Automotive Materials from do-it-yourself consumers. These locations are listed as Return-to-Retail. The following chart details consumer accessibility by collector type for AMS in 2017:

Channel - Activity	Depots	Events	Return-to-Retail	Automotive Incentive Program
Antifreeze	87	239	893	12,000+
Oil Containers	87	239	896	12,000+
Oil Filters	87	239	953	12,000+

## **Program Performance Against Targets**

Each year AMS must meet certain minimum performance requirements as outlined in the ISP. The performance targets for 2017 are listed in the ISP as Year 2 (2017) and are included in the tables below. The ISP also contains the 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. The quantity available for collection is multiplied by the collection target rate (%) to calculate the target tonnes.

### **2017 Tonnes Collected**

AMS achieved and exceeded all collection targets in 2017, its first year of operations.

Material Category	Available for Collection	Collection Target Rate (%)	Target Tonnes	Actual Collection Tonnes	Actual Collection Rate (%)	Variance to Target (Tonnes)
Antifreeze	2,277	51%	1,161	1,858	82%	697
Oil Containers	1,710	57%	975	2,162	126%	1,188
Oil Filters	4,320	86%	3,715	4,288	99%	573

### **2017 Tonnes Diverted**

AMS achieved and exceeded all recycling targets in 2017, its first year of operations.

Material Category	Available for Collection	Recycling Target Rate (%)	Target Tonnes	Recycling Tonnes	Recycling Rate (%)	Variance to Target (Tonnes)
Antifreeze	2,277	51%	1,161	1,858	82%	697
Oil Containers	1,710	57%	975	2,162	126%	1,188
Oil Filters	4,320	86%	3,715	4,288	99%	573

## **Promotion and Education**

The promotion and education (P&E) activities to support the Automotive Materials Stewardship Program are designed to increase awareness, drive behaviour change, and support collection channels (such as depot, events, return to retail and incentive partners) to achieve diversion targets.



AMS uses the Orange Drop brand and logo for consumer communication. The Orange Drop website contains a locator tool for consumers to search drop off locations and events by postal code for their automotive materials. In 2017, promotion and education efforts around the AMS program focused on Orange Drop's social media channels. The Orange Drop Twitter and Facebook accounts continued to provide seasonal tips and reminders, as well as promote the depot locator tool and drop off events for automotive materials. Orange Drop social channels generated over 110,200 impressions in 2017.

## **Section 2**

### **2017 Audited Financial Statements**



**Automotive Materials Stewardship Inc.**

**Financial Statements**

**For the year ended December 31, 2017**

**Automotive Materials  
Stewardship Inc.**

**Financial Statements**  
For the year ended December 31, 2017

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## Independent Auditor's Report

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### To the Members of Automotive Materials Stewardship Inc.

We have audited the accompanying financial statements of Automotive Materials Stewardship Inc., which comprise the balance sheet as at December 31, 2017, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility 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.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Automotive Materials Stewardship Inc. as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

March 7, 2018  
Toronto, Ontario

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**Automotive Materials Stewardship Inc.**  
**Balance Sheet**

**December 31**

**2017**

**Assets**

**Current**

Cash	\$ 3,759,371
Accounts receivable	555,539
Prepaid expenses	<u>12,893</u>
	<b>\$ 4,327,803</b>

**Liabilities and Net Assets**

**Current**

Accounts payable and accrued liabilities (Note 2)	\$ 2,764,246
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**Net Assets**

Unrestricted	<u>1,563,557</u>
	<b>\$ 4,327,803</b>

On behalf of the Board:

  
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Director

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**Automotive Materials Stewardship Inc.**  
**Statement of Changes in Net Assets**

**For the year ended December 31, 2017**

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	<u>Unrestricted</u>	<u>Internally Restricted</u>	<u>Total</u>
<b>Balance, beginning of year</b>	\$ -	\$ -	\$ -
<b>Excess of revenue over expenses for the year</b>	<u>1,563,557</u>	-	<u>1,563,557</u>
<b>Balance, end of year</b>	<u>\$ 1,563,557</u>	<u>\$ -</u>	<u>\$ 1,563,557</u>

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

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## Automotive Materials Stewardship Inc. Statement of Operations

**For the year ended December 31**

**2017**

**Revenue**

Fee revenue	\$ 11,192,917
Supply chain income (Note 2)	3,278,975
Investment income	<u>24,897</u>
	<u>14,496,789</u>

**Expenses**

Material management costs (Note 3)	10,861,157
Program management (Note 2)	1,843,126
Resource Productivity and Recovery Authority (Note 4)	221,448
Promotion and education	<u>7,501</u>
	<u>12,933,232</u>

<b>Excess of revenue over expenses for the year</b>	<b>\$ 1,563,557</b>
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The accompanying notes are an integral part of these financial statements.

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## Automotive Materials Stewardship Inc. Statement of Cash Flows

**For the year ended December 31**

**2017**

**Cash provided by (used in)**

**Operating activities**

Excess of revenue over expenses for the year	\$ 1,563,557
Adjustments to reconcile excess of revenue over expenses for the year to cash provided by operating activities	
Changes in non-cash working capital balances:	
Accounts receivable	(555,539)
Prepaid expenses	(12,893)
Accounts payable and accrued liabilities	<u>2,764,246</u>

<b>Increase in cash during the year and cash, end of year</b>	<b>\$ 3,759,371</b>
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The accompanying notes are an integral part of these financial statements.

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## Automotive Materials Stewardship Inc. Notes to Financial Statements

**December 31, 2017**

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### 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.

As there was no activity prior to April 1, 2017, comparative figures have not been included.

(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

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.



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## **Automotive Materials Stewardship Inc. Notes to Financial Statements**

**December 31, 2017**

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### **2. 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. During the year, charges totaling \$1,650,000 were paid to CSSA pursuant to this contract and CSSA charged \$109,000 for start up costs incurred on behalf of the Organization. These amounts are included in program management expenses in the statement of operations.

During 2017, CSSA provided the Organization access to funds to finance start-up and program development activities. The Organization has agreed to repay these costs by December 2018.

Included in accounts payable and accrued liabilities is \$351,209 owing to CSSA.

(b) Stewardship Ontario Inc ("SO")

Effective February 2, 2017, the Organization entered into a three year Supply Chain Agreement with Stewardship Ontario. The Organization was previously part of the MHSW program in Stewardship Ontario. 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 \$3,278,975 to Stewardship Ontario pursuant to this contract, net of reimbursement of depot fees of \$337,500 paid by SO. Included in accounts payable and accrued liabilities is \$612,163 owing to SO.

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

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### **3. Material Management Costs**

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

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### **4. 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.

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## **Automotive Materials Stewardship Inc. Notes to Financial Statements**

**December 31, 2017**

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### **5. Financial Instrument Risk Exposure and Management**

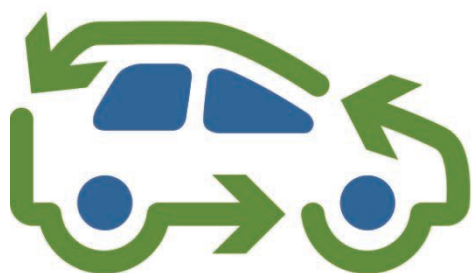
Management has established policies and procedures to manage risks related to financial instruments, with the objective of minimizing any adverse effects on financial performance. Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant interest rate, currency 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 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. 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) 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**

**Report Close**