



Automotive
Materials
Stewardship

2018 Annual Report

Celebrating two years

CELEBRATION

About Automotive Material Stewardship

Automotive Materials Stewardship (AMS) is a non-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 industry-led and industry-funded, helping 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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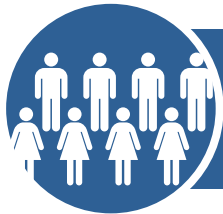
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AMS Guiding Principles

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

2018 Highlights



153
Members

(Additional applications are in progress)



\$16.7 MILLION
total fees contributed by stewards

Accessibility



88
municipal depots



12,000+
automotive service locations



312
municipal collection events

Performance - Tonnes Collected



2,449
Antifreeze



3,332
Oil Containers



7,119
Oil filters

Message to Stakeholders



David Fifield,
2018 Board Chair

President,
Wakefield Canada

I am honoured to be taking on the role of Chair of Automotive Materials Stewardship (AMS) as the program marks the completion of its first full year of operation. On behalf of AMS I extend thanks to Bert Verriet for his able leadership during the program's launch.

AMS helps create convenient, environmentally sustainable ways for consumers and businesses to recycle automotive waste through a provincial network of public and private collection sites.

Our industry-led and industry-funded organization took over the collection of used antifreeze and antifreeze containers, oil filters and oil containers in Ontario in April 2017 and I am pleased to report that AMS exceeded its 2018 collection targets for all three materials.

Equally important, stewards are reaping the anticipated benefits of membership in AMS. These advantages include predictable fees, annual cost savings and strong environmental performance.

Our role also 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. In that regard, AMS has entered into services agreements with 23 transporters and 17 processors to provide material management activities.

The Municipal Hazardous or Special Waste (MHSW) program managed by Stewardship

Ontario is scheduled to wind up by the end of 2020. Upon wind up, materials collected under the MHSW program will be managed according to an individual producer responsibility framework. A new regulatory framework will be established under the Resource Recovery and Circular Economy Act, 2016, which will obligate stewards to meet performance and accessibility requirements. We are monitoring developments around the wind up and the impact of the new regulatory framework on AMS. Interested parties can access news and information about the MHSW Program wind up on the Stewardship Ontario website: <https://stewardshipontario.ca/mhsw-windup/>.

In closing, I want to acknowledge progress and change in our field services efforts. Many of you reading this report know Dave Blundell, who provided years of service to Stewardship Ontario and more recently to AMS, helping to ensure the integrity of the system. Dave has moved on to other endeavours and I would like to express our thanks for the important work he performed. Our field services team will build on its assurance role and also assist with day-to-day operations and oversight of the AMS program, with primary responsibility for contamination level monitoring, stakeholder engagement and business relationship development. AMS intends to boost its direct engagement with service providers while actively striving to increase operational efficiencies in order to improve the program's performance and reduce costs.

I would also like to thank my fellow board members, all of whom are volunteers, for their input and guidance during 2018 and look forward to working together in the year ahead.



Program Overview and Performance

Automotive Materials Stewardship is a non-profit organization, established and financed by industry. It is 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.

In 2018, the program met or exceeded its key budget and performance targets. The fee schedule set for 2019 maintains 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 2018

CHANNEL - ACTIVITY	DEPOTS	EVENTS	RETURN-TO-RETAIL	AUTOMOTIVE INCENTIVE PROGRAM
Antifreeze	88	312	900	12,000+
Oil Containers	88	312	903	12,000+
Oil Filters	88	312	960	12,000+



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 2018 have been calculated using the quantities supplied to market in 2018 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 factors 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 2018.

2018 TONNES COLLECTED/RECYCLED

MATERIAL CATEGORY	AVAILABLE FOR COLLECTION	COLLECTION TARGET RATE (%)	TARGET TONNES	ACTUAL COLLECTION TONNES	ACTUAL COLLECTION RATE (%)	VARIANCE TO TARGET (TONNES)
Antifreeze	3,491	52%	1,816	2,449	70%	633
Oil Containers	3,282	62%	2,035	3,332	102%	1,297
Oil Filters	6,911	87%	6,012	7,119	103%	1,106



Members

A total of 153 stewards were registered as AMS members at December 31, 2018, an increase from 131 members at the end of 2017. AMS continues to welcome new members.

1443635 ONTARIO INC
3M Canada Company
613 Automotive Fluids Inc.
673927 Ontario Inc dba Toronto Lube
9590404 Cda inc; PETRO CANADA FUELS
A & I Products, Canada Inc.
A D F Diesel Toronto Ltee
Acklands-Grainger Inc
Adp Distributors Inc., (Ontario)
Agracity Crop and Nutrition
Alltemp Products Company Ltd.
Altrom Auto Group Ltd.
Amsoil Inc.
ATP Inc.
Automobile Solutions Americas Inc.
Auto-Stan Transmission Parts Ltd.
Aviall Canada/a Boeing Company
Baker Transit Parts Inc.
Baldwin Filters Inc.
Bass Pro Canada ULC
Bay City Energy
Beauty Systems Group (Canada) Inc.
Benson Group Inc
Bestbuy Distributors Limited
BMW Canada Inc.
Bosch Rexroth Canada Corp
Boss Lubricants
C.C. Marine Distributors Inc.
Canadian Auto Stores
Canadian Kawasaki Motors, Inc.
Canadian Tire Corporation LTD
Castrol Industrial N. A. Inc.
CBK International Inc
CFA Industries
Champion Laboratories, Inc.
Chem-Ecol Ltd.

Chevron Canada Limited
Class C Solutions Group
Comairco Equipment Ltd.
Commercial Oil Co of Hamilton Inc.
Costco Wholesale Canada Ltd.
Cromac Inc.
Cummins Filtration Inc.
Darch Fire Incorporated
EMB MFG INC
Emerson Electric Canada Limited
Eni USA R&M Co. Inc
Fastenal Canada
FCA Canada Inc.
Ford Motor Co of Canada Ltd
Fort Garry Industries Ltd
G.F. Thompson Co. Ltd.
G.K. Industries Ltd.
Gale's Gas Bars Limited
General Motors of Canada Company
General Motors of Canada Company -
Hall-Chem Mfg. Inc.
HARLEY-DAVIDSON CANADA LP
Hino Motors Canada Ltd
Home Depot of Canada Inc.
Home Hardware Stores Limited
Honda Canada Inc
Hutchings Marine Products Ltd.
Hydac Corporation
Hyundai Auto Canada Corp.
Intercity Industrial Supply
Irving Blending & Packaging
Isuzu Commercial Truck of Canada,
ITW Permatex Canada,
Jaguar Land Rover Canada ULC
Japko Auto Parts Inc
John Deere Canada

KADEX Aero Supply LTD
 Kia Canada Inc
 King-O-Matic Industries Limited
 Kleen Flo Tumbler Ind. Ltd.
 Kleenoil Filtration Canada Ltd.
 Klondike Lubricants Corporation
 Kubota Canada Ltd
 L.B.S. LUBRICATION UNITS INC.
 Lakehead Alternator & Starter Co.
 Larry Penner Enterprises Inc.
 Laser Sales Inc
 Loblaw Companies Limited
 Lubricor Inc.
 M&Y Automotive Parts Corp.
 MacEwen Petroleum Inc.
 Main Filter Group Ltd.
 Makita Canada Inc.
 Malmberg Truck Trailer Equipment
 MANN+HUMMEL Filtration Technology C
 Matech BTA Inc
 Mercedes-Benz Canada Inc.
 Modern Sales Co-op
 Monarch Oil (Kitchener) Limited
 Motorcade Industries Inc.
 MP Filtri (Canada) Inc.
 MTD Products Limited
 National Energy Equipment Inc.
 Navistar Canada, Inc. - Parts
 NCH Canada, Inc.
 Oregon Distribution Ltd.
 Orgill Canada Hardlines ULC
 Parker Hannifin Canada, Motion &
 Performance Initiatives Inc.
 PÉTRO MONTESTRIE INC.
 Petro-Canada Lubricants Inc.
 Philippe Gosselin & Ass. Ltee
 Piston Ring Service
 Prestone Canada
 Princess Auto
 QLO Management Inc.
 Radiator Specialty Co of Canada

Recochem Inc.
 Regional Automotive Warehousing Ltd
 Robert Bosch Inc.
 RONA inc./Ace Canada
 RYDER MATERIAL HANDLING ULC
 Safety-Kleen Canada Inc.
 SC CLS Holdings ULC
 Shell Canada Products
 Specbilt Enterprises Inc
 Specialty Lubricants East Inc.
 Spectrum Brands Canada, Inc.
 Stauff Canada Ltd.
 Stihl Limited
 Subaru Canada, Inc.
 Suzuki Canada Inc.
 Thames Centre Fuel Inc.
 The Sherwin-Williams Company
 Toromont Industries Ltd.
 Total Canada Inc
 Total Power Limited
 Toyota Canada Inc
 Transit Lubricants Ltd.
 Transit Warehouse Inc.
 Trinity Glory Enterprises Inc.
 UAP INC
 Valvoline Canada
 Volvo Cars of Canada Corp.
 Volvo Trucks Canada,
 Vulsay Industries Ltd.
 W.O. Stinson and Son Limited
 Wainbee Limited
 Wajax Industries Ltd.
 Wakefield Canada Inc
 Wal-Mart Canada Corp.
 Ward Heating Products (Div of
 WD-40 Company (Canada) Ltd.
 WH Lubricants Ltd
 World Auto Parts (Canada) Ltd.
 World Source Filtration Inc.
 Yamaha Motor Canada Ltd.

Revenue from Steward Fees

AMS members (stewards) 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 2018 were \$16.8 million. In addition, Stewardship Ontario paid AMS \$3.5 million to meet its MHSW program obligations, for total revenue of \$20.3 million.

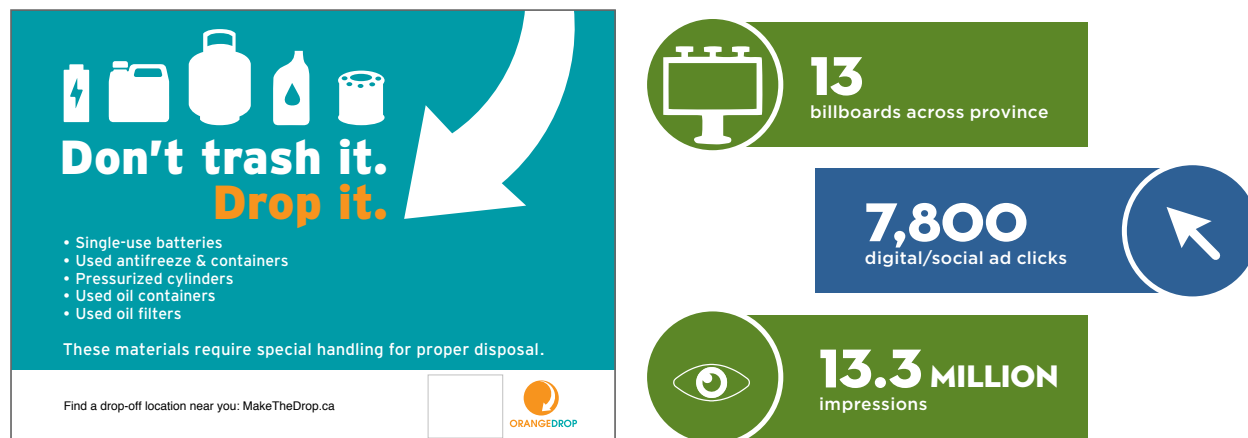
Promotion and Education

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.

2018 P&E CAMPAIGN QUICK FACTS:



Four social media contests between May and October asked residents to identify the material that was not part of the Orange Drop program:



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.

The board comprises six directors.

For biographies of directors and more details about the AMS governance structure, please visit www.automotivematerialsstewardship.ca

2018 Board Members

Guy Belanger

National Accounts Manager, Aftermarket Canada
Shell Lubricants

Andrew Davies

Senior Vice President Automotive
Canadian Tire

David Fifield (Chair)

President,
Wakefield Canada

Peter Laing

Director of Sales, National and Retail Accounts
Recochem Inc.

Kevin Patterson

Director Ontario Region, DC Operations & Associate Sales
NAPA Canada

Bert Verriet

Manager, Marketing and Customer Relations,
Mann+Hummel Filtration Technology Canada ULC
(Resigned from board in December 2018)

2018 BOARD MEETINGS AND ATTENDANCE

BOARD MEMBER	MARCH 7, 2018	JUNE 21, 2018	SEPT. 26, 2018	DEC. 12, 2018
Guy Belanger	Yes	No	No	Yes
Andrew Davies	Yes	Yes	Yes	No
David Fifield	Yes	Yes	Yes	Yes
Peter Laing	Yes	Yes	Yes	Yes
Kevin Patterson	No	No	Yes	Yes
Bert Verriet*	Yes	Yes	Yes	Yes

* Resigned from the board on Dec. 12, 2018

Financial Performance

**Automotive Materials Stewardship Inc. Financial Statements
For the year ended December 31, 2018**

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Independent Auditor's Report

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, 2018, 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, 2018, 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 7, 2019

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Automotive Materials Stewardship Inc. Balance Sheet

December 31	2018	2017
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Assets

Current

Cash	\$ 1,791,321	\$ 3,759,371
Investments (Note 2)	1,005,830	-
Accounts receivable (Note 3)	1,225,633	555,539
Prepaid expenses	12,757	12,893

	4,035,541	4,327,803
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Investments (Note 2)

	2,011,545	-
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	\$ 6,047,086	\$ 4,327,803
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Liabilities and Net Assets

Current



Accounts payable and accrued liabilities (Note 3)	\$ 2,110,944	\$ 2,764,246
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Net Assets

Unrestricted	3,936,142	1,563,557
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	\$ 6,047,086	\$ 4,327,803
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On behalf of the Board:

	<hr style="border: 0; border-top: 1px solid black;"/> Director
	<hr style="border: 0; border-top: 1px solid black;"/> Director

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

Automotive Materials Stewardship Inc. Statement of Changes in Net Assets

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

For the year ended December 31, 2017

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

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

Automotive Materials Stewardship Inc. Statement of Operations

For the year ended December 31	2018	2017
Revenue		
Fee revenue	\$ 16,772,940	\$ 11,192,917
Supply chain income (Note 3)	3,507,711	3,278,975
Investment income	95,956	24,897
	20,376,607	14,496,789
Expenses		
Material management costs (Note 4)	15,822,454	10,861,157
Program management (Note 3)	1,805,547	1,843,126
Resource Productivity and Recovery Authority (Note 5)	365,028	221,448
Promotion and education	10,993	7,501
	18,004,022	12,933,232
Excess of revenue over expenses for the year	\$ 2,372,585	\$ 1,563,557

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	2018	2017
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 2,372,585	\$ 1,563,557
Adjustments to reconcile excess of revenue over expenses for the year to cash provided by operating activities		
Non-cash component of investment income	(17,375)	-
Changes in non-cash working capital balances:		
Accounts receivable	(670,094)	(555,539)
Prepaid expenses	136	(12,893)
Accounts payable and accrued liabilities	(653,302)	2,764,246
	1,031,950	3,759,371
Investing activities		
Purchase of investments	(3,000,000)	-
Increase (decrease) in cash during the year	(1,968,050)	3,759,371
Cash, beginning of year	3,759,371	-
Cash, end of year	\$ 1,791,321	\$ 3,759,371

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

Automotive Materials Stewardship Inc.

Notes to Financial Statements

December 31, 2018

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 reasonably 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, 2018

2. Investments

	2018	2017
Fixed income	\$ 3,017,375	\$ -
Less: Current portion	1,005,830	-
	\$ 2,011,545	\$ -

Fixed income investments bear interest at 2.66% to 2.85% and mature between October 2019 and October 2020. Interest income earned on these instruments amounted to \$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. During the year, charges totaling \$1,650,000 (2017 - \$1,650,000) were paid to CSSA pursuant to this contract. During the year, CSSA charged \$173,833 (2017 - \$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.

Included in accounts payable and accrued liabilities is \$155,584 (2017 - \$351,209) 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 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 \$3,507,711 (2017 - \$3,278,975) to SO pursuant to this contract.

Included in accounts receivable is \$527,368 receivable from SO. In 2017, included in accounts payable and accrued liabilities was a balance of \$612,163 owing to SO.

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, 2018

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**

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