



Automotive  
Materials  
Stewardship

2020  
ANNUAL  
REPORT



# About Automotive Materials Stewardship

Automotive Materials Stewardship (AMS) is a national 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) for Ontario 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 service materials they sell. AMS helps create convenient, environmentally sustainable ways for consumers and businesses to recycle automotive waste to divert these materials from landfill.

As Ontario moves to a new regulatory framework for recycling automotive materials, AMS will continue providing producers with efficient services to meet their obligations during the transition to the new regulation and intends to become a Producer Responsibility Organization (PRO) to assist stewards in meeting their individual responsibilities.

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## Table of Contents

- 4 Message to Stakeholders**
- 5 Program Overview and Performance**
- 9 Members**
- 12 Governance**
- 13 Financials**

## AMS Guiding Principles

### AMS will:

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

# 2020 Highlights

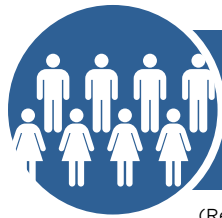


**\$16.1 MILLION**

Total fee revenue included \$8.5 million paid by stewards and \$7.6 million in MHSW surplus funds returned to members during 2020 through fee reductions



Website traffic increased by  
**19%** compared to 2019



**170**  
Members

(Representing 92% of antifreeze,  
84% of oil containers and 91% of  
oil filters supplied in Ontario)  
Two steward applications in progress

## Accessibility



**88**  
municipal depots



**213**  
municipal collection events



**12,000+**  
automotive service locations



**900+**  
return-to-retail  
locations

## Performance - Tonnes Collected



**2,336** tonnes  
Antifreeze



**3,443** tonnes  
Oil Containers



**7,387** tonnes  
Oil filters



# Message to Stakeholders

Against the backdrop of social and business disruption from the COVID-19 pandemic, Automotive Materials Stewardship began moving down an exciting new route in 2020, as responsibilities for recycling auto service materials continued the transition to a new regulatory framework.

Throughout difficulties presented by the pandemic, our stakeholders have demonstrated great flexibility and an ability to persevere. We extend our thanks to the service provider community for adapting operations to continue collecting and processing our program materials during a difficult time. AMS offered relief to members facing financial difficulties due to the pandemic and I am pleased to note that reports and payments continued to be made without any significant disruption.

## 2020 Performance Overview

Our industry-led and industry-funded organization has been collecting and processing used antifreeze and antifreeze containers, oil filters and oil containers in Ontario since 2017.

Each year, AMS must meet certain minimum performance requirements. All material quantities were impacted in 2020 due to the pandemic reducing the number of vehicles on the road and their service needs. The total volume of materials collected/recycled in 2020 declined 12 per cent from the previous year, while the actual supply of materials in the market declined by 13 per cent from 2019 levels.

Of note, the 2020 performance targets were calculated in 2019 using quantities supplied to market in 2018 and were not updated to reflect the actual sales quantities for 2020. Nevertheless, despite the economic disruptions, AMS exceeded the collection targets for oil containers and oil filters in 2020. We were slightly short on achieving our antifreeze target, which was based on pre-pandemic supply quantities from 2018.

Part of the rationale for creating AMS was to offer members cost-effective operations based on fee rate stability and predictability. We have consistently delivered on this goal and in 2020 members also benefitted from fee reductions after AMS received its share of surplus fees that members had previously paid to Stewardship Ontario's Municipal Hazardous or Special Waste (MHSW) Program.

## Regulatory Transition

The Industry Stewardship Plan operated by AMS will end with the wind up of Stewardship Ontario's MHSW Program, introducing a new regulatory framework that began in 2016 with the Resource Recovery and Circular Economy Act. The Hazardous and Special Products (HSP) Regulation issued in early 2021 establishes new obligations and options for producers. AMS will continue to assist producers with their recycling responsibilities during and after the regulatory transition.

In late April, the Ontario government directed that the current MHSW framework will continue to September 30, 2021, and not end on June 30 per the program's wind up plan. AMS took the necessary steps to manage this extension and is actively preparing for the HSP Regulation to take effect October 1.

Instead of collective responsibility under a program plan, under the new regulation Ontario has introduced the principle of individual producer responsibility (IPR) for designated materials. Producers will have the ability to establish their own recycling system, or they can join a Producer Responsibility Organization (PRO) to meet their regulatory obligations.

As a PRO, AMS is uniquely positioned to provide producers a low-risk, turn-key compliance solution built on a solid track record. We offer a proven, industry-led option and we are confident in our ability to continue delivering reliable service and environmental performance.

Throughout a global pandemic and significant regulatory change, our members, service providers and volunteer board members have remained focused on our shared goals. I would like to thank my fellow board members and acknowledge the contribution of Guy Belanger of Shell Lubricants, who left the board in August 2020.

Every year brings new challenges and opportunities. As we all head down a new regulatory road, AMS is ready to guide producers through the new landscape.



**David Fifield, 2020 Board Chair  
President, Wakefield Canada**



# Program Overview and Performance

AMS is a not-for-profit organization, established and financed by industry. Since 2017, we have been responsible for the collection and recycling of 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.

While collection/diversion targets for antifreeze were not met in 2020, oil filters and empty oil containers surpassed their targets. As noted, the 2020 performance targets were not updated to reflect the decline in actual sales quantities for 2020. Performance declines versus 2019 are generally in line with expectations and the supply quantity declines.

The fee schedule set for 2020 maintained 2019 rates for antifreeze, antifreeze containers, oil containers and oil filters, with the exception of an increase in the fourth quarter for oil containers. All net rates were reduced in the last half of the year as a result of the application of reserve amounts transferred as part of the wind-up of Stewardship Ontario's MHSW Program.

## 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 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 2020

CHANNEL - ACTIVITY	DEPOTS	EVENTS	RETURN-TO-RETAIL*	AUTOMOTIVE INCENTIVE PROGRAM
Antifreeze	88	213	900	12,000+
Oil Containers	88	213	903	12,000+
Oil Filters	88	213	960	12,000+

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



photo credit: Safety-Kleen

## Recovering, recycling oil filters is a huge environmental win

An amazing volume of automotive oil filters is not only diverted from landfill each year, it is transformed into hundreds of thousands of litres of new, high-quality lubricant and tonnes of scrap metal.

That's the circular beauty of the oil filter recycling operations of Safety-Kleen and other AMS service providers.

Here's how it works.

At thousands of car dealerships, auto service centres, quick-lube shops, factories and fleet maintenance sites across the province, used oil filters are tossed into recycling containers for pick-up by registered AMS haulers.

Safety-Kleen Canada, one of the largest companies providing recycling for automotive service materials in Ontario, collects used oil filters through two methods: by box truck, when containers are full; or by bulk oil filter truck, which is a specialized vehicle, similar to a front-end garbage truck, that was designed to efficiently pick up bulk oil filter bins for larger quantity generators.

Safety-Kleen's 20 Ontario drivers collect materials from different regions in the province and deliver it to Brampton where the materials are weighed, manually sorted and then crushed.

"Everything is dumped into a hopper and cascades onto a conveyer, where sorting staff pick through the stream for items such as aerosol cans, plastics or debris," explains Paul Smith, manager of the Brampton site. "Then it travels on to the crusher. This is a hydraulic press, approximately 5 metres by 5 metres, that comes down on top of the sorted oil filters and compresses it all."

Used oil is squeezed out of the filters and recovered underneath the crusher, while the metal casings are transferred into a scrap metal bin and sold.

Residual oil from the old filters is pumped to a storage tank and then shipped to Safety-Kleen's re-refinery in Breslau, Ont., near Kitchener. Smith describes the Breslau facility as a scaled-down version of a petroleum refinery where used oil is turned into new lubricant. "Our refinery utilizes used oil as a feedstock and produces a base oil with very high quality and performance characteristics. The base oil from the re-refinery is sent to our blending and packaging facility where high-quality additives are used to create an API (American Petroleum Institute) approved lubricant."

What makes this process so good for the environment is that used oil can go through this cycle an infinite number of times.

Aside from the oil and scrap metal recovered at the Brampton facility, the company recovers and recycles collected plastics and aerosols.

"The process is not glamorous, but it's a terrific environmental story, given the quality of our products and the amount of oil and metal diverted from landfills," said Smith.

### By the numbers

In 2020, Safety-Kleen's Brampton facility produced the following recyclable materials\* every week:

- 50,000 kg of scrap metal
- 15,000 kg of recovered oil for re-refining
- 335 kg of other recovered materials (plastics and aerosol cans)

\*numbers have been rounded



# Performance

AMS must meet certain minimum performance requirements each year, as outlined in its Industry Stewardship Plan (ISP). The performance targets expressed in tonnes for 2020 were calculated in 2019 based on 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 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 collected a total of 13,165 tonnes in 2020, exceeding two of its three collection targets. The target for antifreeze was not achieved due to the misalignment between the sales period used for setting targets and the performance period, which was impacted by economic slowdowns caused by COVID-19. Performance declines versus 2019 are generally in line with the supply quantity declines.

## 2020 TONNES COLLECTED/RECYCLED

MATERIAL CATEGORY	AVAILABLE FOR COLLECTION	TARGET RATE (%)	TARGET TONNES	ACTUAL TONNES	ACTUAL RATE (%)	VARIANCE TO TARGET (TONNES)
Antifreeze	4,526	54%	2,444	2,336	52%	(108)
Oil Containers	3,405	72%	2,452	3,443	101%	991
Oil Filters	8,126	89%	7,232	7,387	91%	155



# Getting ready for IPR and PROs

AMS is ready to help producers with the new recycling obligations and options coming in 2021.

Ontario's forthcoming regulatory framework introduces Individual Producer Responsibility (IPR) for the collection and management of their used antifreeze and antifreeze containers, oil filters and empty oil containers. Producers can go it alone or join a Producer Responsibility Organization (PRO), such as AMS.

As a trusted and experienced recycling service provider, AMS offers producers a smooth transition and continued compliance under the new Hazardous and Special Products (HSP) Regulation. Producers will benefit from a proven and secure reporting system and extensive reverse supply-chain experience. With AMS, producers can continue to rely on informed support from our Steward Services team throughout the transition process.

As a PRO, we aim to make our new customer agreement straightforward and registration easy. Producers will be advised when the new agreement is available and the process to sign up.

### What is IPR?

Individual Producer Responsibility replaces the collective responsibility for managing materials that producers have had under the AMS Industry Stewardship Plan since 2017 and under the MHSW Program operated by Stewardship Ontario since 2008. IPR requires that each producer obligated under the regulation meet individual targets and allows for them to do so by signing up with an authorized PRO.



### What is a PRO?

Under the HSP Regulation, producers will have the option to establish their own recycling system or join a Producer Responsibility Organization (PRO) to carry out their individual responsibilities. Effectively, a producer has the ability to hire a PRO to deliver certain services that enable the producer to meet their regulatory obligations. The draft regulation defines a PRO as:

**a person retained by a producer for the purpose of carrying out one or more of the following producer responsibilities relating to HSP, but does not include an HSP processor retained solely for the purposes of processing HSP:**

1. Arranging for the establishment or operation of a collection or management system.
2. Establishing or operating a collection or management system.
3. Arranging for the disposal of HSP.
4. Preparing and submitting reports.

Producers who are currently not members of AMS and would like to stay informed about their options under the new regulation can contact us at [transition@autostewardship.ca](mailto:transition@autostewardship.ca)



# Members

A total of 170 members were registered with the AMS program at December 31, 2020 -- an increase from 165 members at the end of 2019. AMS continues to welcome new members.

3M Canada Company	BP Lubricants USA Inc.	Fort Garry Industries Ltd
613 Automotive Fluids Inc.	BRENNTAG CANADA INC.	FRAM Group (Canada) Inc.
673927 Ontario Inc dba Toronto Lube	C.C. Marine Distributors Inc.	G.F. Thompson Co. Ltd.
9104941 Canada Inc.	Cabela's Retail Canada Inc.	G.K. Industries Ltd.
9590404 Cda inc; PETRO CANADA FUELS	Canadian Auto Stores	Gale's Gas Bars Limited
A & I Products, Canada Inc.	Canadian Kawasaki Motors, Inc.	General Motors of Canada Company
A D F Diesel Toronto Ltee	Canadian Tire Corporation LTD	General Motors of Canada Company -
Acklands-Grainger Inc	CBK International Inc	HARLEY-DAVIDSON CANADA LP
Agracity Crop and Nutrition	CFA Industries	Henkel Canada Corporation
All Parts Automotive Ltd.	Champion Laboratories, Inc.	Hino Motors Canada Ltd
Alltemp Products Company Ltd.	Chem-Ecol Ltd.	Home Depot of Canada Inc.
Amsoil Inc.	Chevron Canada Limited	Home Hardware Stores Limited
Automobile Solutions Americas Inc.	Class C Solutions Group	Honda Canada Inc
Auto-Stan Transmission Parts Ltd.	Club Car LLC	Hutchings Marine Products Ltd.
Aviall Canada/a Boeing Company	CNH Industrial Canada Ltd	Hydac Corporation
Baker Transit Parts Inc.	Comairco Equipment Ltd.	Hyundai Auto Canada Corp.
Baldwin Filters Inc.	Commercial Oil Co of Hamilton Inc.	Industrial & Aviation Filters, div.
Bass Pro Canada ULC	Commonwealth Oil Corporation	Intercity Industrial Supply
Bay City Energy	Costco Wholesale Canada Ltd.	Irving Blending & Packaging
Beauty Systems Group (Canada) Inc.	CRC CANADA CO.	Isuzu Commercial Truck of Canada,
Benson Group Inc	Cromac Inc.	ITW Permatex Canada,
Bestbuy Distributors Limited	Cummins Filtration Inc.	Jaguar Land Rover Canada ULC
Big Red Oil Products Inc.	Danzol Grease and Lubricants Canada	Japko Auto Parts Inc
BMW Canada Inc.	Darch Fire Incorporated	John Deere Canada ULC
Bosch Rexroth Canada Corp	Emerson Electric Canada Ltd	KADEX Aero Supply LTD
Boss Lubricants	Fastenal Canada	Kia Canada Inc
	FCA Canada Inc.	King-O-Matic Industries Limited
	Ford Motor Co of Canada Ltd	

Kleen Flo Tumbler Ind. Ltd.	Performance Initiatives Inc.	Toyota Canada Inc
Kleenoil Filtration Canada Ltd.	PÉTRO MONTESTRIE INC.	Transit Lubricants Ltd.
Klondike Lubricants Corporation	Petro-Canada Lubricants Inc.	Transit Warehouse Inc.
Kubota Canada Ltd	Philippe Gosselin & Ass. Ltee	Trinity Glory Enterprises Inc.
L.B.S. LUBRICATION UNITS INC.	Phillips 66 Canada LTD.	UAP INC
Lakehead Alternator & Starter Co.	Piston Ring Service	Valvoline Canada
Larry Penner Enterprises Inc.	Prestone Canada	Volkswagen Group Canada Inc.
Laser Sales Inc	Princess Auto	Volvo Cars of Canada Corp.
Loblaws Inc.	PSC-Power Source Canada Ltd.	Volvo Trucks Canada
Lucas Oil Products (Canada) Company	QLO Management Inc.	Vulsay Industries Ltd.
M&Y Automotive Parts Corp.	Quaker Houghton Canada Inc.	W.O. Stinson and Son Limited
Mac's Convenience Store	Radiator Specialty Co of Canada	Wainbee Limited
MacEwen Petroleum Inc.	Recochem Inc.	Wajax Industrial Components
Main Filter Group Ltd.	Red Stallion Inc.	Wajax Industries Ltd.
Makita Canada Inc.	Regional Automotive Warehousing Ltd	Wakefield Canada Inc
Malmberg Truck Trailer Equipment	Robert Bosch Inc.	Wallenstein Equipments Inc
MANN+HUMMEL Filtration Technology C	RONA inc./Ace Canada	Wal-Mart Canada Corp.
Matech BTA Inc	RYDER MATERIAL HANDLING ULC	Ward Heating Products (Div of
Mercedes-Benz Canada Inc.	Safety-Kleen Canada Inc.	WD-40 Company (Canada) Ltd.
Micro Tek Auto Parts Inc.	SC CLS Holdings ULC	WH Lubricants Ltd
Modern Sales Co-op	Shell Canada Products	World Auto Parts (Canada) Ltd.
Monarch Oil (Kitchener) Limited	Specbilt Enterprises Inc	World Source Filtration Inc.
Motorcade Industries Inc.	Specialty Lubricants East Inc.	Wurth Canada Limited/Limitee
MP Filtri (Canada) Inc.	Stauff Canada Ltd.	Yamaha Motor Canada Ltd.
MTD Products Limited	Stihl Limited	
National Energy Equipment Inc.	Subaru Canada, Inc.	
Navistar Canada, Inc. - Parts	Suzuki Canada Inc.	
NCH Canada, Inc.	The Sherwin-Williams Company	
Oregon Distribution Ltd.	Tire Express Wholesale-10060712 Can	
Orgill Canada Hardlines ULC	Toromont Industries Ltd.	
PACCAR Parts	Total Canada Inc	
Parker Hannifin Canada, Motion & Parts for Trucks, Inc	Total Power Limited	



## Revenue from Member Fees

AMS members pay fees based on the quantities of antifreeze and antifreeze containers, oil filters and oil containers they supply in Ontario. AMS uses the money received from members to pay for the collection, transportation and recycling of these materials.

The total fees paid by AMS members in 2020 were \$8.5 million, compared to \$17.4 million in 2019. Fee revenue declined in 2020 as a result of fee reductions that were financed from the \$18.6 million in surplus funds received from Stewardship Ontario in July 2020 as part of the MHSW Wind-Up Plan. AMS recognized \$7.6 million of the surplus amount as revenue in 2020 to offset steward fee reductions. The majority of the balance of the transferred amount will fund fee reductions in 2021. Upon wind up of the ISP, any residual surplus funds received from Stewardship Ontario will be distributed to AMS members on a proportionate basis.

In addition to fee revenue and the surplus funds transfer, Stewardship Ontario paid AMS \$1.7 million in 2020 to purchase performance credits necessary to meet its MHSW program obligations, down from \$1.9 million in 2019.

## 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, under license from Stewardship Ontario. The Orange Drop resident-facing website, makethedrop.com, contains a locator tool for consumers to search for automotive material drop-off locations and events by postal code.

In 2020, the Orange Drop awareness campaign ran from August to October, using the prior year's creative material. As in 2019, the campaign promoted proper disposal of Orange Drop and AMS materials, as well as the depot and event locator tool. The campaign ran on various digital channels.

### 2020 AD CAMPAIGN QUICK FACTS



more than  
**85,500 VISITS**  
to Orange Drop's website, an increase of 28% from 2019



**9.27 MILLION**  
impressions



**18%**  
ad click rate

### SOCIAL MEDIA

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.

Posts on the two social media accounts generated more than 5 million impressions, up 70% from 2019.



more than  
**5 MILLION**  
impressions

# 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 Industry Stewardship Plan. During 2020, the Board also led the organization's planning for its transition to the new regulatory framework.

At December 31, 2020, the board had four directors and one vacancy.

For further information about AMS governance, please visit [www.automotivematerialsstewardship.ca](http://www.automotivematerialsstewardship.ca)

## 2020 Board Members

### Guy Belanger

National Accounts Manager, Aftermarket Canada  
Shell Lubricants  
(resigned from board in August 2020)

### 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.

## 2020 BOARD MEETINGS AND ATTENDANCE

BOARD MEMBER	MARCH 25	APRIL 16	JUNE 17	JULY 20	AUGUST 19	SEPTEMBER 23	DECEMBER 9
Guy Belanger*	Yes	Yes	Yes	Yes	N/A	N/A	N/A
Andrew Davies	Yes	No	Yes	Yes	No	Yes	Yes
Steve Ellis	Yes	Yes	Yes	Yes	Yes	Yes	Yes
David Fifield	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Peter Laing	Yes	No	Yes	Yes	Yes	Yes	Yes

\*Guy Belanger resigned from the board August 15, 2020



# Financial Performance

**Automotive Materials Stewardship Inc. Financial Statements  
For the year ended December 31, 2020**

**14 Independent Auditor's Report**

**Financial Statements**

**16 Balance Sheet**

**17 Statement of Changes in Net Assets**

**18 Statement of Operations**

**19 Statement of Cash Flows**

**20 Notes to Financial Statements**

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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, 2020, 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, 2020, 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, 2021

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

<b>December 31</b>	<b>2020</b>	<b>2019</b>
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### Assets

#### Current

Cash	\$ 19,293,513	\$ 3,502,194
Investments (Note 2)	-	3,094,505
Accounts receivable (Note 3)	405,180	1,166,237
Prepaid expenses	6,901	14,791
	\$ 19,705,594	\$ 7,777,727

### Liabilities and Net Assets

#### Current

Accounts payable and accrued liabilities (Note 3)	\$ 2,420,880	\$ 2,210,971
AMS Restricted Reserve Fund (Note 5)	823,300	-
Deferred revenue (Note 5)	10,201,202	-
	13,445,382	2,210,971

#### Net Assets

Unrestricted	6,260,212	5,566,756
	\$ 19,705,594	\$ 7,777,727

On behalf of the Board:



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, 2020**

	Unrestricted	Internally Restricted	Total
<b>Balance, beginning of year</b>	<b>\$ 5,566,756</b>	<b>\$ -</b>	<b>\$ 5,566,756</b>
<b>Excess of revenue over expenses for the year</b>	<b>693,456</b>	<b>-</b>	<b>693,456</b>
<b>Balance, end of year</b>	<b>\$ 6,260,212</b>	<b>\$ -</b>	<b>\$ 6,260,212</b>

**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

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



## Automotive Materials Stewardship Inc. Statement of Operations

For the year ended December 31	2020	2019
<b>Revenue</b>		
Fee revenue	\$ 8,502,551	\$ 17,426,508
Surplus fund transfer (Note 5)	7,591,599	-
Supply chain income (Note 3)	1,719,238	1,852,177
Investment income	177,435	163,770
	<u>17,990,823</u>	<u>19,442,455</u>
<b>Expenses</b>		
Material management costs (Note 4)	15,038,596	15,478,294
Program management (Note 3)	1,938,379	1,816,242
Resource Productivity and Recovery Authority (Note 6)	291,765	490,257
Promotion and education	28,627	27,048
	<u>17,297,367</u>	<u>17,811,841</u>
<b>Excess of revenue over expenses for the year</b>	<b>\$ 693,456</b>	<b>\$ 1,630,614</b>

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	2020	2019
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses for the year	\$ 693,456	\$ 1,630,614
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)
Changes in non-cash working capital balances:		
Accounts receivable	761,057	59,396
Prepaid expenses	7,890	(2,034)
Accounts payable and accrued liabilities	209,909	100,027
AMS Restricted Reserve Fund	823,300	-
Deferred revenue	10,201,202	-
	<b>12,696,814</b>	<b>1,765,985</b>
<b>Investing activities</b>		
Proceeds from (purchase of) investments	<b>3,094,505</b>	<b>(55,112)</b>
<b>Increase in cash during the year</b>	<b>15,791,319</b>	<b>1,710,873</b>
<b>Cash, beginning of year</b>	<b>3,502,194</b>	<b>1,791,321</b>
<b>Cash, end of year</b>	<b>\$ 19,293,513</b>	<b>\$ 3,502,194</b>

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, 2020

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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.

The new draft regulation for Hazardous and Special Products in Ontario was issued on February 11, 2021 with the final regulation expected to take effect July 1, 2021. Under this new regulation, the Organization plans to offer services as a Producer Responsibility Organization (PRO) which will provide industry with a solution to meet their recycling obligations.

(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.



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## Automotive Materials Stewardship Inc. Notes to Financial Statements

December 31, 2020

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### 1. Significant Accounting Policies - (Continued)

#### (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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### 2. Investments

Fixed income investments have matured in 2020. In 2019, fixed income investments bore interest between 2.30% and 2.85% and matured between April 2020 and October 2020. Interest income earned on these instruments amounted to \$55,042 (2019 - \$77,130) which is included in investment income in the statement of operations.

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### 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 \$1,750,000 (2019 - \$1,700,000) were paid to CSSA pursuant to this contract.

Included in accounts payable and accrued liabilities is \$169,811 (2019 - \$160,444) 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. On March 1, 2020 the agreement was amended to extend the term to June 30, 2021. Each year, SO will purchase their respective market share of automotive materials tonnage credits from the Organization. During the year, the Organization charged \$1,719,238 (2019 - \$1,852,177) to SO pursuant to this contract.

Included in accounts receivable is \$62,662 receivable from SO (2019 - \$129,363 in accounts payable).

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.

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

**December 31, 2020**

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### **4. 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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### **5. Deferred Revenue and Fund Transfer**

On June 30, 2021, SO's MHSW Program will be wound up and the Organization's operational responsibility under the Industry Stewardship Plan (ISP) for automotive materials, operated since 2017, will end. Materials managed under the Organization's ISP, as well as other materials included in the MHSW Program, will be managed according to an Individual Producer Responsibility (IPR) framework. The implementation of IPR will replace the collective responsibility for managing materials that producers have had under the ISP. The Organization intends to become a Producer Responsibility Organization (PRO) and continue providing producers with efficient services to carry out their individual responsibilities.

As part of the wind up plan, MHSW stewards should share in the financial benefits and burdens associated with disbursement of MHSW surplus funds and any wind up costs resulting from the transition. In part, SO submitted an ISO Surplus Transfer Addendum to the Resource Productivity and Recovery Authority (RPRA). In accordance with RPRA's conditions regarding its approval of the ISO Surplus Transfer Addendum, SO transferred surplus funds to the Organization in the amount of \$18,616,100. The AMS and SO Surplus Transfer Agreement was signed and dated on July 9, 2020. Of the \$18,616,100 funds received, the Organization is to allocate a minimum of \$823,300 into a restricted reserve fund (the "AMS Restricted Reserve Fund"), which will be used in the event of a transition delay to fund SO's compensable expenses in relation to the wind up. The balance of the funds not designated as AMS Restricted Reserve Fund of \$17,792,800 will be used to fund fee reductions to the Organization's Stewards. The fee reduction adjustments will be made effective December 31, 2020 and June 30, 2021. As at December 31, 2020, \$7,591,599 of the unrestricted funds were recognized into revenue in alignment with the steward fee reduction recognized.

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### **6. 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, 2020

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#### 7. 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, unless otherwise noted. 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.

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#### 8. COVID-19 Impact

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus ("COVID-19") a pandemic. There have been significant disruptions to the Canadian and global economies. As the impact of COVID-19 continues to evolve, management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, industry, and workforce.

Although the Organization continues to operate, 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.





**Automotive  
Materials  
Stewardship**

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