



2018 ANNUAL REPORT

PROGRAM OUTLINE

Our vision, mission statement
and strategic business model.

Message from the Chair and CEO,
successes and struggles in 2018.



2.1 WHAT DRIVES US

Encorp Pacific (Canada) is the not-for-profit stewardship agency appointed to fulfill the requirements of the Recycling Regulation, Schedule 1, Beverage Container Product Category (BC Reg.449/2004). The Stewardship Plan covers all ready-to-drink beverage containers for soft drinks, juice, water, wine, coolers and spirits, plus non-refillable beer bottles sold in British Columbia. return-it.ca

Vision

To be the model Industry Product Stewardship organization in a province where every beverage container is recycled.

Mission

To deliver convenient, cost-effective and responsible collection and recycling systems for beverage containers and offer strategic service provision for compatible consumer packaging and end-of-life products.

Role

Our role as a stewardship agency is to facilitate brand owner/producer compliance with the Recycling Regulation by organizing recycling programs from collection and transportation through to final recycling into a variety of end-of-life packaging and products.

ENCORP'S BUSINESS MODEL

Since its inception, the Encorp business model has utilized outsourcing as the key component for delivering on its mandate.

Encorp has developed and maintained a set of core competencies within a small managerial and administrative team responsible for strategic planning, financial management, consumer awareness, infrastructure development, information technology and public transparency. All other operational activities are delivered through a network of independent contractors such as depot operators, transporters and processors. This contract management model allows Encorp to regularly test the market for cost competition without having to support any capital investments of its own.

The advantages of this model include:

Market-based costs – Regular reviews of costs ensure that any recent improvements in efficiency and technology can be exploited.

Scalability – Changes in demand can be accommodated rapidly.

Flexibility – Changes in market behaviour can be quickly adapted to.

Innovation – New ideas can be tested, assessed and, where feasible, incorporated into the overall business model.

In essence, the Encorp model is similar to that of many manufacturing industries which retain their key strategic strengths in-house but outsource most aspects of producing their products. The flexibility of this model makes it possible for Encorp to continue adapting to changing market trends.



2.2 MESSAGE FROM THE CHAIR

Entering 2018, Encorp's Board of Directors was preoccupied with the erosion of our recovery rate, which had reached a ten-year low despite still-robust collection numbers. Various factors had contributed to the softening of the rate, from a strong provincial economy to bad winter weather. Nevertheless, the organization was resolute in its commitment to improve performance in this area – all the more so in light of our Stewardship Plan and the recovery rate targets contained therein.

With this in mind, we were very pleased to see a significant improvement in our recovery rate by year end, the product of some key initiatives started in 2017 and new initiatives in 2018. We remain even more optimistic for the year to come following the approval of an aggressive operational and financial plan that includes the accelerated expansion of the Return-It Express program and a new Depot Renovation program.

At the same time, we finished the year with a small operating surplus thanks mainly to higher commodity values and lower operating costs. As a result, our cumulative reserve balance is slightly above our optimal reserve guideline. The Board understands that year-to-year fluctuations do occur and is satisfied that the financial plan for 2019 will bring the reserve back in line with the guideline.

By far our biggest achievement as a Board of Directors in 2018 was the recruitment of a new Chief Executive Officer. Outgoing CEO Scott Fraser left some big shoes to fill and we are grateful to him for five years of outstanding service and leadership. In July, we welcomed Allen Langdon to the fold as our new CEO. Allen brings a wealth of experience in the field of Extended Producer Responsibility (EPR) as well as an energy and enthusiasm that will be instrumental in helping us face the challenges and opportunities that lie ahead. We are delighted to have him on board.

Many of the challenges and opportunities I refer to are a reflection of the changing face of EPR in Canada and around the world. As the language of "product stewardship" gives way to holistic imperatives like the "circular economy," organizations like Encorp will be expected to apply new and even higher standards to their traditional businesses. Not only will we continue to operate a convenient, efficient collection system with our depot operator-partners, but we can also expect to be caught up in the dialogue over issues such as resource utilization (plastics being the current focus), climate change and various aspects of corporate social responsibility.

Fortunately, the team we have in place is up to the task. Thank you again to our Board, our staff, our business partners and our community of stakeholders for your ongoing support and counsel.



Dan Wong
Chair

A handwritten signature in black ink, appearing to read 'Dan Wong'.

2.3 MESSAGE FROM THE CEO

The last year marked a turning point for Return-It as we reported the first increase in our recovery rate in five years. In the coming year we will build on that momentum through a variety of initiatives designed to improve the customer experience and convenience of the Return-It network. We are focused on making changes to our system to further increase the collection and recycling of used beverage containers.

Beginning on July 1st 2019, we will formally roll out the Return-It Express service, which represents a significant change in our business philosophy to increase the convenience of using our depot network and attract new customers. Rather than asking customers to sort the containers and wait in line, they will be able to drop off their unsorted containers and have their refunds uploaded to an online account. I am excited about the potential for this new service delivery model to not only increase our recovery rate in the short-term but ensure the sustainability of both our program and the network over the long-term.

In addition to this new service, we have implemented a program to renovate more than 100 depots over the next three years. These renovations include a shift to standard signage that makes it easier to see what products or materials are accepted within the depots. This standard signage and icons mirror the approach that is used on our recently updated website.

We have expanded our public collection program to service large venues and entertainment sites such as Rogers Arena and the University of BC. And in 2018 we continued to support the Binnars' Project and the development of their Universal Cart Project,

as a partner that is working to provide support and infrastructure to a key segment of our collection network within the City of Vancouver.

We also continue to evaluate the opportunities to expand the range of products accepted at our depots. As a starting point, we have already launched a pilot project for textiles collection with a small number of depots in the Lower Mainland, while we determine if this could be a long-term fit within our network.

The year ahead will be full of challenges and opportunities as we look to transition our business model, our infrastructure and the mix of material collected at our depots. I want to thank all of the employees at Return-It as well as our depot operators, transporters and processors for their continued dedication to making Return-It the premier stewardship agency in North America.



Allen Langdon
President and CEO