

A blue-toned photograph showing two individuals interacting with a recycling machine. A woman in a dark jacket and a black knit hat is smiling and looking towards a man on the right. The man, wearing a dark jacket with a "Marmot" logo, is also smiling. In the foreground, a recycling bin is visible with a white plastic bag tied to its top. The background shows the interior of a building with concrete walls.

2019 ANNUAL REPORT

# PLAN PERFORMANCE

The movement of containers and how the money flows through the Return-It network.

Revenue and Expenditure detail.

Purpose of operating reserves, how they are determined, and why they're important.

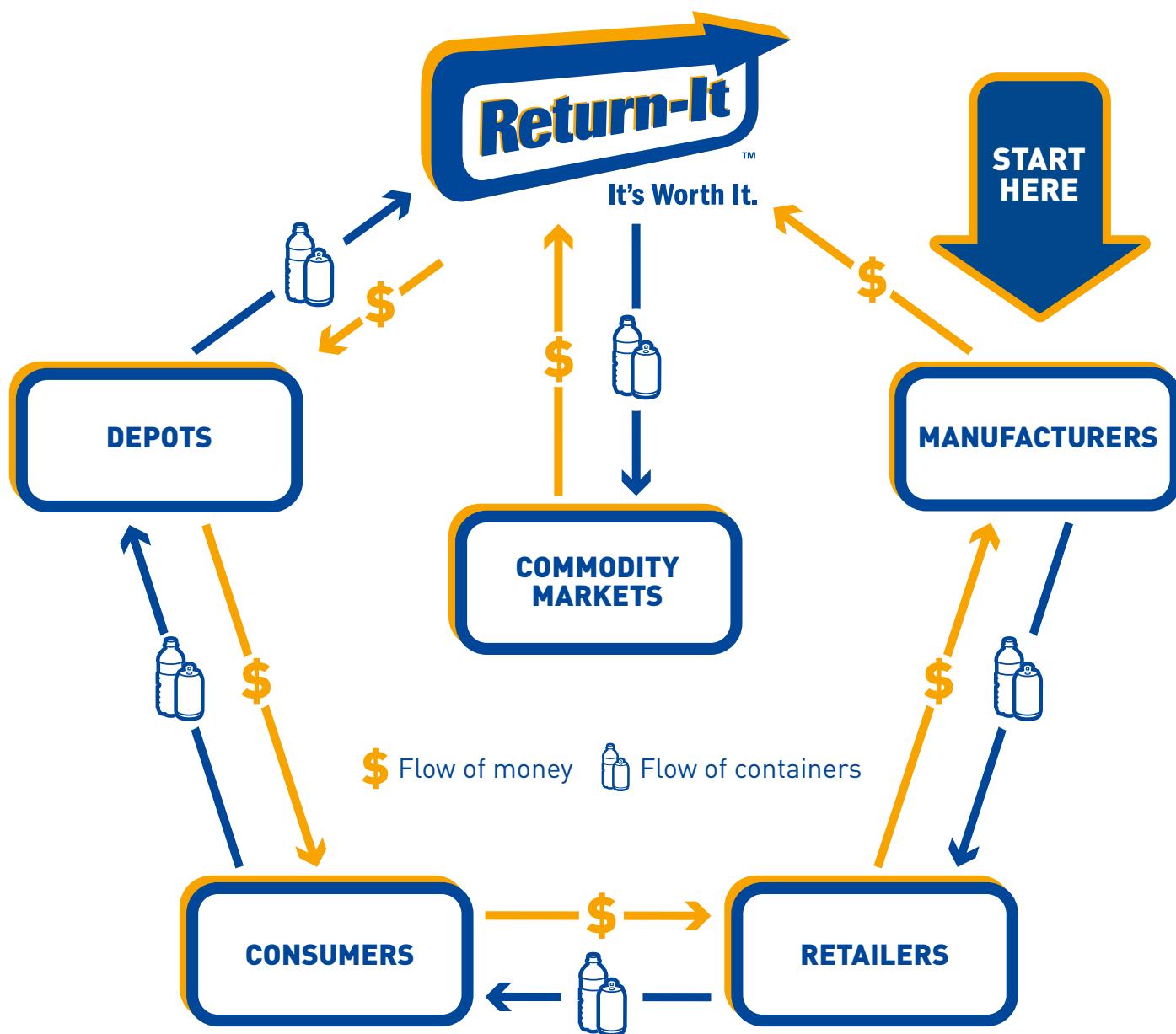
Container recycling fees by product type.

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## 7.1 HOW MONEY FLOWS

The arrows show the direction of payments for deposits and container recycling fees (CRF) and the movement of beverage containers.



## 7.2 FOLLOW THE MONEY

### REVENUES

#### Container Recycling Fees

When the revenue from unclaimed deposits and from sales of collected material are insufficient to cover the cost of recovering and recycling a specific container type, a non-refundable recycling fee is added to the container to make up for the shortfall.

#### Other Fees

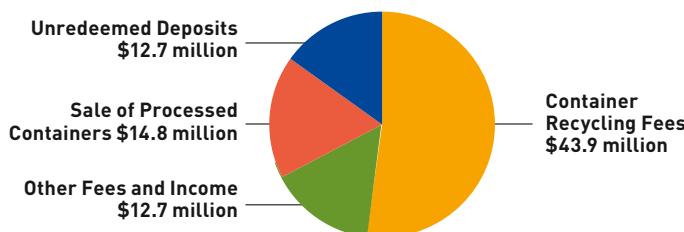
Revenues from service provider contracts.

#### Sale of Processed Containers

A portion of the cost of recovering aluminum and plastic containers, the two largest product categories, is covered by the value of the commodity collected. The prices for aluminum declined while the prices for plastic increased slightly in 2019 compared to the original forecast. The lower prices for aluminum partially contributed to the decline in our operating reserve levels in 2019. The average price for aluminum was \$0.85 per pound (\$1.05 in 2018) and plastic was \$0.19 per pound (\$0.18 in 2018).

#### Unredeemed Deposits

Encorp is paid a deposit on every container sold. Deposits unclaimed are used to fund the system.



#### Where the money comes from

Container Recycling Fees	<b>\$43.9 million</b>	<b>52.2%</b>
Other Fees and Income*	<b>\$12.7 million</b>	<b>15.1%</b>
Sale of Processed Containers	<b>\$14.8 million</b>	<b>17.6%</b>
Unredeemed Deposits	<b>\$12.7 million</b>	<b>15.1%</b>
<b>Total Revenues</b>	<b>84.1 million</b>	<b>100%</b>

\*Other Fees includes Electronics, Packaging & Printed Paper, MARR, Textiles and interest income.

Note: Calculations may show slight variances due to rounding.

### EXPENDITURES

#### Transportation and Processing

Contracted trucking companies collect containers from depots and grocery retailers and take them to processors where they are compacted for shipment.

#### Administration

Management of contracts, collection of revenues and payment of expenses.

#### Consumer Education & Awareness

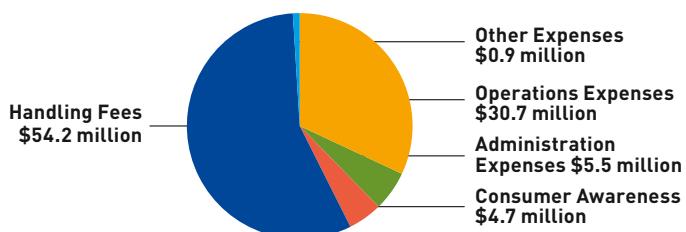
Programs that encourage consumers to return containers for recycling.

#### Container Handling Fees

Per-unit fees paid, in addition to deposit reimbursement, to depots for collecting containers.

#### Deposit Refunds

Paid to depots and grocery retailers to reimburse them for the deposits they have refunded to consumers.



#### Where the money is spent

Operations Expenses	<b>\$30.7 million</b>	<b>32.0%</b>
Administration Expenses	<b>5.5 million</b>	<b>5.7%</b>
Consumer Awareness	<b>4.7 million</b>	<b>4.9%</b>
Handling Fees	<b>54.2 million</b>	<b>56.4%</b>
Other Expenses**	<b>0.9 million</b>	<b>1.0%</b>
<b>Total Expenditures</b>	<b>96 million</b>	<b>100%</b>

\*\*Other Expenses include amortization and foreign exchange gain/loss.

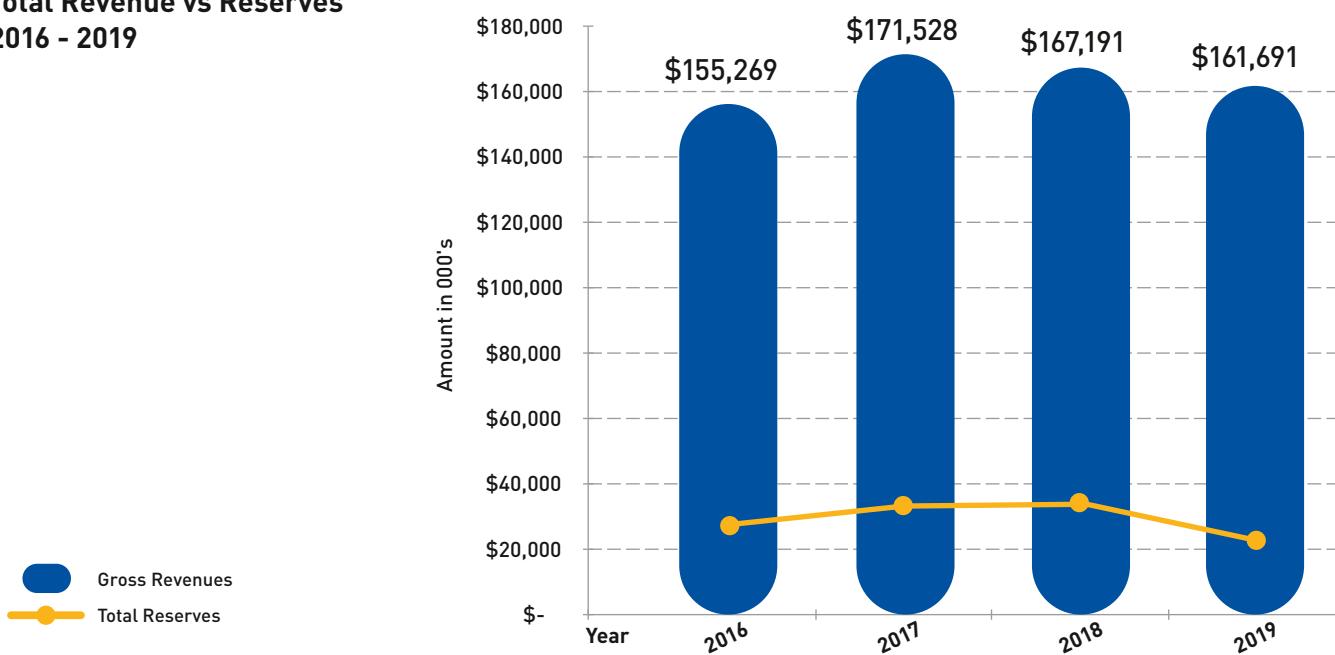
## 7.3 OPERATING RESERVES

### Purpose of the Operating Reserves

Encorp's reserves are built upon the corporation's fundamental principles of no cross-subsidization of container types and equitable treatment of brand owners. The operating reserves are required to provide stability to the system over the long-term, to avoid cross-subsidization of container types, and to facilitate and stabilize the frequency of Container Recycling Fee (CRF) changes.

CRF's may be raised, reduced or even eliminated in any given year to keep reserves within their targeted ranges. Reserves can also be reduced by increasing spending on activities designed to improve the recovery rate for a specific container type. The table shows the levels of reserves over recent years.

**Total Revenue vs Reserves  
2016 - 2019**



Reserves	2016 BALANCE	2017 YEAR	2017 BALANCE	2018 YEAR	2018 BALANCE	2019 YEAR	2019 BALANCE
OPERATING RESERVE / (DEFICIT)	\$24,955,738	\$7,438,787	\$32,394,525	\$743,243	\$33,137,768	\$(11,902,129)	\$21,235,639
RESTRICTED RESERVE / (DEFICIT)	1,281,521	(215,477)	1,066,044	[236,429]	829,615	47,623	877,238
<b>TOTAL RESERVE / (DEFICIT)</b>	<b>\$26,237,259</b>	<b>\$7,223,310</b>	<b>\$33,460,569</b>	<b>\$506,814</b>	<b>\$33,967,383</b>	<b>\$(11,854,506)</b>	<b>\$22,112,877</b>



## 7.3 OPERATING RESERVES

### Management of the Operating Reserves

Encorp's financial model requires a reasonable level of operating reserves to provide stability to the system. When these reserves rise above the amount deemed to be reasonable, measures are taken to reduce them to the appropriate level.

These reserves have been used to fund system costs that may otherwise have been reflected in consumer prices.

Encorp's operating reserves are maintained to meet the corporation's cash flow requirements, recognizing normal business volatility balanced over a period of three to five years.

On average, we pay about \$3 million per week to customers, depots, transporters and processors. Experience shows that our reserve level needs to be based on the cash flow requirements for six weeks during the peak season. This year, the operating reserve was reduced by 11.8 million.

Gross Revenue Including Deposits (millions)	Total Expenses Including Deposit Refunds (millions)	Results / (Deficit) (millions)	Operating Reserves Year end (millions)
2014 162.7	159.6	3.1	33.8
2015 162.0	163.3	(1.3)	32.5
2016 155.4	161.7	(6.3)	26.2
2017 171.5	164.3	7.2	33.4
2018 167.2	166.7	0.5	33.9
<b>2019 161.7</b>	<b>173.5</b>	<b>(11.8)</b>	<b>22.1</b>

## 7.4 CONTAINER RECYCLING FEES

**CRF stands for Container Recycling Fee. This is the fee Encorp charges to cover the net cost of recycling a beverage container type after any unredeemed deposits and commodity revenues for that container type have been used.**

CRFs have been in place for beverage containers in British Columbia for more than 18 years. The CRF varies for each beverage container category. As a not-for-profit product stewardship agency, Encorp Pacific only charges the net cost for recovering and recycling beverage containers. The CRF reflects current economic conditions such as commodity prices and beverage volumes.

Container Type	2018	2019
Aluminum	1.0 cent	-
Plastic ≤ 1L	3.0 cents	3.0 cents
Plastic > 1L	4.0 cents	5.0 cents
Polystyrene	3.0 cents	3.0 cents
Glass ≤ 1L	8.0 cents	6.0 cents
Glass > 1L	16.0 cents	17.0 cents
Bi-Metal ≤ 1L	5.0 cents	4.0 cents
Bi-Metal > 1L	-	-
Bag-In-Box	5.0 cents	7.0 cents
Drink Boxes ≤ 500 ml	1.0 cent	-
Drink Boxes 501 ml - 1L	5.0 cents	5.0 cents
Drink Boxes > 1L	-	-
Gable Top ≤ 1L	-	-
Gable Top > 1L	6.0 cents	5.0 cents
Drink Pouches	-	-
Glass Wine & Spirits ≤ 1L	12.0 cents	13.0 cents
Glass Wine & Spirits > 1L	16.0 cents	17.0 cents
Non-Refillable Beer, Cider, Cooler Glass ≤ 1L	9.0 cents	9.0 cents
Non-Refillable Beer, Cider, Cooler Glass > 1L	16.0 cents	17.0 cents
Liquor Plastic ≤ 1L	4.0 cents	4.0 cents
Liquor Plastic > 1L	9.0 cents	7.0 cents
Liquor Bag-In-Box	5.0 cents	7.0 cents

