



Beverage Container Stewardship Plan

DRAFT

2020 – 2024

Submitted to: BC Ministry of Environment and Climate Change Strategy,
Extended Producer Responsibility Section
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Glossary of Terms and Abbreviations

<u>ENC</u>	Encorp Pacific Canada (Encorp)
<u>AC</u>	Advisory Committee
<u>BOD</u>	Board of Directors
<u>CNG</u>	Compressed natural gas
<u>CRF</u>	Container Recycling Fee
<u>Depot</u>	Return-It approved depot
<u>EPR</u>	Extended Producer Responsibility
ICI	Industrial, Commercial & Institutional
<u>MOECCS</u>	Ministry of Environment and Climate Change Strategy
<u>NGO</u>	Non-Government Organization
<u>R2R</u>	Return to retail
R2R	Return to retail
SABC	Stewardship Agencies of B.C

Introduction

Encorp Pacific (Canada) (ENC), better known as Return-It, is pleased to submit this renewal plan for our Extended Producer Responsibility Program to the British Columbia Ministry of Environment and Climate Change Strategy, pursuant to the requirements of the BC Recycling Regulation (“Regulation”) under the *Environmental Management Act* which sets out the requirements for extended producer responsibility including the requirement for Extended Producer Responsibility (EPR), plans. The Stewardship Plan replaces Encorp’s previous Stewardship Plan which was approved by the MOECCS on November 20, 2014, and originally approved on July 19, 2007.

1. Duty of Producer

Section 2(1) of the Recycling Regulation requires a producer to have an approved plan under Part 2 [Extended Producer Responsibility Plans] and comply with the approved plan with respect to a product in order to sell, offer for sale, distribute or use in a commercial enterprise the product in British Columbia.

2. Appointment of Stewardship Agency

Section 2 of the Recycling Regulation entails:

- (2) *If a producer appoints an agency to carry out duties of the producer under Part 2 on behalf of the producer, the producer, before the agency begins to carry out those duties, must notify the agency in writing of the appointment, specifying the duties under Part 2 that the agency will perform on behalf of the producer.*
- (3) *Before an agency begins to carry out duties on behalf of a producer, the agency must*
(a) confirm in writing to a director the duties under Part 2 that the agency will perform on behalf of each producer that has joined the agency, and
(b) comply with Part 2 in respect of the duties referred to in paragraph (a).
- (4) *On the request of a director, an agency must provide the director with either or both of the following:*
(a) a list of producers the agency currently represents;
(b) a copy of any notification the agency received under subsection (2).

Encorp Pacific (Canada) is a federally incorporated, not-for-profit, product stewardship corporation established in 1994 and appointed to fulfill the requirements of the Recycling Regulation, Schedule 1, Beverage Container Product Category (BC Reg.449/2004). As a non-share capital corporation under Part II of the Canada Corporations Act. The corporation is

exempt from income tax provided that strict Canada Revenue Agency rules are observed. This type of incorporation identifies owners as members and not shareholders and places restrictions on the use of operating reserves.

A link to the program's Federal Corporation Information is available at:

www.return-it.ca/about/federal-corporation

Encorp supports its stewards in fulfilling their obligation to establish collection and recycling programs under applicable provincial Extended Producer Responsibility (EPR) legislation. Our mandate is to develop, manage and improve systems to recover used packaging and end-of-life products from consumers and ensure that they are properly recycled and not land-filled or incinerated. As EPR programs and the need for recycling solutions for material streams continue to grow at a rapid pace, Encorp has been at the forefront of providing innovative solutions. Our systems also include the development and implementation of methods which provide solutions to reduce waste.

The corporation is governed by a Board of Directors (BOD) consisting of representatives of the retail and beverage industries as well as non-affiliated directors with relevant expertise. Encorp's strong governance model includes the mandate in our bylaws to appoint two independent directors and they typically chair the governance and audit committees. A list of current Board members is published in the corporation's Annual Report. This information plus more detail on how the corporation functions is available on the web at: www.returnit.ca/about/annualreports

The Annual Report will also identify any significant changes to the agency's structure or governance if they occur.

Encorp is responsible for overseeing the program on behalf of its stewards, who are defined by the Regulation as the producers. The program operates according to the Bylaws approved by its Board of Directors to manage the affairs of the corporation. The Board of Directors is responsible for the governance of the organization, ensuring it is meeting and exceeding high standards of accountability and transparency. Each of the program's stewards appoint Encorp as their stewardship agency as described in section 2(2) of the Regulation. Encorp supports and reports on the range of requirements identified in the regulation on behalf of its stewards and provides collection services throughout the province to ensure responsible recycling of those products collected.

Encorp represents approximately 358 stewards for the products identified in our program Plan.

A list of Encorp's stewards is available at:

www.returnit.ca/beverage/recycling/brandowners

Information about the program is available to stewards here:
www.returnit.ca/brandowners

A key feature of Encorp's governance model is the existence of an Advisory Committee (AC) which ensures that management and the Board hears from stakeholders such as local governments, environmental groups and small brand owners. Encorp's Advisory Committee fosters the exchange of information on our program and serves as a forum to discuss issues of local concern. Encorp's management supports the committee members in the selection of the AC members and the committee then votes to accept each member. The committee is comprised of a representative group that is knowledgeable of the industry and can provide meaningful input on the program. The Encorp AC members consist of representatives from the local government, NGO's, local retailers, Return-It depots and other relevant parties. The members of the committee are scheduled to meet on a bi-annual basis or as needed if additional meetings are required.

A current list of the AC members can be found here: www.return-it.ca/ar2019

Since its inception, Encorp has operated under the following principles:

- a) Divert used products from landfill and incineration.
- b) Develop and operate a system which provides consumer-friendly and convenient return points throughout the Province.
- c) Manage the system in a cost-effective manner that has the lowest possible impact on consumer prices.
- d) Run a cost-based system in which each container type pays its own costs with no cross subsidization.
- e) Find useable end products which maximize the value of the recovered materials.
- f) Treat all brand owners equitably.
- g) Provide a high degree of transparency in all its operations.

3. Products Covered Under the Plan

Section 4 of the Recycling Regulation entails:

A producer must submit a product stewardship plan, at the time specified in the applicable Schedule, if any, and in a manner and format satisfactory to a director, for the products within the product category of the product the producer sells, offers for sale, distributes or uses in a commercial enterprise in British Columbia.

The Encorp Stewardship Plan includes producers of all beverages sold in British Columbia including but not limited to soft drinks, juice, water, wine, coolers, spirits, beer, ciders, milk and milk substitutes. The plan also includes all ready-to-drink beverage containers sold in British Columbia as identified under Schedule 1 of the

Recycling Regulation such as aluminum cans, plastic, glass, bi-metal, drink boxes, gable tops, bag-in-a-box, and stand-up pouches as well as refillable bottles. While none of Encorp's brand owners currently sell products packaged in refillable bottles, if they should choose to, Encorp will have those products covered under this Stewardship Plan. This plan does not include or address refillable beer bottles.

This stewardship plan proposes a number of changes to the containers and material managed within our program that reflect recent regulatory changes as well as input from our customers and collectors. Based on feedback and input from customers, this stewardship plan proposes to include aluminum beer containers and manage both alcohol and non-alcohol aluminum containers as a combined stream within our system. This change will improve convenience and help address customers' feedback on being able to recycle and receive a full deposit refund at any Return-It location. There has been a long-standing issue of customers having their refunds for aluminum alcohol containers discounted at the point of collection.

The discounting of a customer's deposit refund for aluminum alcohol containers has led to customer dissatisfaction and confusion with the Return-It Recycling System, which has an impact on our system and if left unchecked could have a material impact on diverting material from our landfills, oceans and waterways. It also responds to issues that have arisen since Encorp proactively raised the deposit on all containers under 1 litre, where we have seen a significant increase in complaints from customers questioning the requirement to separate alcohol and non-alcohol aluminum containers now that they both have the same 10-cent deposit value.

In response to the regulation change that includes milk and milk substitute containers under the Beverage Container Schedule 1 of the Recycling Regulation which will be effective February 1, 2022 Encorp will expand the acceptable products to include all regulated milk and milk substitute beverages and container types sold by registered brand owners into the Return-It system and be responsible for them as stipulated in the regulation. Encorp will inform the public and implement this change prior to the designated effective date. These containers will then be included into our established recycling streams and reported accordingly.

Within this stewardship plan, Encorp will expand its obligation and take responsibility for the ancillary packaging used by our brand owners in the packaging of their products. This addition to our acceptable product listing will include consumer packaging such as boxboard and plastic overwrap. The collection of the ancillary packaging would support Encorp's collection network at locations, which do not have a contract with Recycle BC and receive this material daily from customers who return it with their beverage containers.

Currently many of these operators will often have to pay to have the material recycled or may even be forced to send it to landfill. By establishing our own collection program

for ancillary packaging, Encorp can ensure that the material will be responsibly recycled throughout our collection network.

The intention of the program is not to develop a separate plan for ancillary packaging under Schedule 5 of the Recycling Regulation. Rather, the material collected will be tracked by weight and Encorp's brand owners will have the ability to obtain a certificate of recycling for the appropriate share of material collected and recycled. Our intention is to reach an agreement with Recycle BC to have our certificate of recycling recognized within their program.

A full, and up-to-date, list of all beverages and their containers covered by the Encorp plan can be found at: www.return-it.ca/registeredbrands

4. Stakeholder Consultation

Section 5(1)(b) of the Recycling Regulation entails:

The producer has undertaken satisfactory consultation with stakeholders prior to submitting the plan for approval and will provide opportunity for stakeholder input in the implementation and operation of the product stewardship program

Stakeholder input on the program is welcome at any time and is considered in the program's development and enhancement.

Encorp's original plan, approved by the MOECCS in 2007, has been renewed in 2014 & 2017 with no changes.

Encorp undertook a comprehensive consultation process on the performance targets for the five (5) year period starting 2019. During this time, the MOECCS also initiated its CleanBC Plastics Action Consultation Plan which would result in upcoming regulatory changes. The CleanBC Plastics Action Plan outlined new policy opportunities and proposed amendments to the Recycling Regulation of the Environmental Management Act, including expanding the deposit-refund system to cover all beverage containers.

The complete CleanBC Plastics Action Plan document can be found here:

https://engage.gov.bc.ca/app/uploads/sites/121/2019/07/CleanBC_PlasticsActionPlan_ConsultationPaper.pdf

As a result, the MOECCS informed Encorp the changes to the regulation would affect Encorp Pacific's Beverage Container Stewardship Plan. In light of this information and as suggested by the MOECCS, Encorp did not submit the 2019 plan for approval and has updated its Stewardship Plan to reflect the regulatory changes and will conduct a full public consultation in 2020/2021.

Consultation will include a broad spectrum of stakeholders and diverse audiences to ensure access to the plan is as accessible and inclusive as possible. A full summary of the consultation process and findings will be included here, and in the appendix once completed.

For reference the full report from the previous consultation can be found here: www.returnit.ca/beverageplan2020

In November 2019, Encorp increased the deposit for all beverage containers carrying a 5-cent deposit to 10 cents. Prior to implementing this change, Encorp worked closely with its operations and logistics network, government, brand owners, stakeholders and BC consumers to both inform and ensure there were minimal system impacts as a result. The transition from a 5 cent to a 10-cent deposit was implemented seamlessly with positive stakeholder feedback.

This document survives all previous submissions and encompasses Encorp's new Beverage Container Stewardship Plan covering years 2020-2024

5. Collection System and Consumer Accessibility

o Recovery Rate

Section 5(1) of the Recycling Regulation entails:

- *(a) the plan will achieve, or is capable of achieving within a reasonable time,*
 - (i) a 75% recovery rate or another recovery rate established by the director,*
 - (A) for each subcategory listed in section 4 of Schedule 1 for the beverage container product category, and*
 - (B) for each product category covered by the plan, other than the beverage container product category, if required by the director.*
 - (ii) any performance requirements or targets established by the director.*
 - (iii) any performance requirements or targets in the plan.*
- *(c) the plan adequately provides for:*
 - (i) the producer collecting and paying the costs of collecting and managing products within the product category covered by the plan, whether the products are currently or previously sold, offered for sale or distributed in British Columbia.*
 - (ii) with respect to the solvent and flammable liquids, pesticide, gasoline and pharmaceutical product categories,*
 - (A) the collection of residuals and containers that are or were in direct contact with a residual, and*
 - (B) the management of residuals and containers collected.*
 - (iii) reasonable and free consumer access to collection facilities.*
 - (v) assessing the performance of the producer's product stewardship program.*

Since commencing operation in 1994, the Program has established a comprehensive network of permanent collection locations where the public can conveniently return beverage containers covered within Encorp's plan under the Recycling Regulation Schedule 1, Beverage Containers. This network currently consists of 168 Return-it™ Depots, 1 Return-It Express Plus corporate location and 3 Express & GO stations.

In addition to the depot network, major grocery retailers, and government liquor store locations have also been mandated to accept refundable beverage containers within the regulation.

Section 6 of the Recycling Regulation – Schedule 1 provides:

A container redemption facility or, subject to subsection (2), a retailer whose premises are not identified in an approved plan, must accept containers for return and pay to the person returning the containers a cash refund in an amount

(a) not less than the amount set out in Table 1, or

(b) if the amount of deposit collected is greater than the amount in Column 2 for the container size and beverage type set out opposite in Column 1, not less than the deposit amount collected.

(2) Subject to subsection (3), a person may return for refund to a retailer not more than 24 containers per day that are of the same beverage container subcategory and brand that the retailer sells.

(3) If the director determines that there are adequate container redemption facilities and retailers in a regional district, a person may return for refund to a retailer not more than 6 containers per day that are of the same beverage container subcategory and brand that the retailer sells to consumers.

(4) Subsections (2) and (3) do not apply to the return of containers to a retailer whose premises is identified as a container redemption facility in an approved plan.

The Return-It™ network consists of 168 independently owned and operated Return-It depot collection facilities that have collection agreements with Encorp, as well as 1 corporate Return-It Express Plus location and 3 Express & GO unstaffed stations. The Return-It collection network provides convenient access throughout the province. In addition, there are approximately 455 Return to Retail (R2R) locations serviced directly by Encorp across the province to further enhance consumer convenience for a total of 627 collection locations operating within the province. The retail component of the collection network only contributes about 5% of the total volume of beverage containers collected through the system.

Encorp also has an agreement in place with Recycle BC and its post-collection processor to ensure that beverage containers collected within the curbside blue box system accounted for and are included in the total units collected and used to calculate Encorp's recovery rate.

In addition, Return-It™ depots and Express Plus locations provide the backbone for most of the larger stewardship programs operating in the Province. Encorp continues to work collaboratively with other stewardship programs to improve coverage and consumer convenience. For example, Encorp is one of the major financial contributors of the First Nations Recycling Initiative working with nine other stewardship agencies who have come together to create a project specifically relevant to Indigenous communities who are interested in starting recycling programs.

Recognizing that it is not always economically viable to have traditional depot style coverage in all the hard to service, remote and rural areas of the province, Encorp has developed a criterion to ensure reasonable access as outlined in the Recycling Regulation. This criterion started with a premise of serving more than 97% of the provinces population and the current criteria accomplishes that target. Reporting on this criterion will be done by GIS mapping and reporting in each Annual Report.

For rural coverage, Encorp has adopted as a minimum criterion a catchment population of 3,000 within a 45-minute driving radius. Encorp's catchment population criteria of 3,000 is at a much lower level than the industry standard of a population of over 4,000. For urban coverage (defined as a Census Metropolitan Area (CMA) by Statistics Canada) the Program has adopted a 30-minute driving radius, however most locations are within a 15-minute driving range, the exception to the 15-minute range is found within the City of Vancouver where it has been very challenging to site any new locations. These criteria have been utilized by Encorp to deliver collection coverage to more than 98.6% of the population in the Province. The additional coverage provided by the mandated grocery retailers brings the Provincial coverage up to 99.5%. The increase in coverage from the retail sector is mainly associated with some rural areas where it has not been viable for a traditional depot to be located.

Encorp recognizes recycling systems need to evolve with consumers' expectations and the priority is to model convenience for the consumer. There are many enhancements Encorp implemented prior to the COVID-19 pandemic that have proven to be the most effective way to evolve the system into the future that meets customers' needs and expectations.

An example of this is Return-It Express. The Return-It in-depot Express service allows customers to put all their refundable containers into a bag and drop it off at the depot, then shortly after view their balance and redeem the deposit refund via Interac e-transfer or cheque through an online account. Free to register, no sorting, no line-ups, fast, easy and rewarding. During this time of increased focus on health and hygiene, many customers have opted to utilize our Return-

It Express service in place of the traditional over the counter service as the system supports social distancing and limits consumer interaction.

We have seen a large increase in consumers utilizing this service during this time, averaging approximately 300 new Express registrants per day. This change in customer behavior will become the expectation as we evolve the model to provide a better customer experience overall. Implementing the ability for customers to access Express services in current depot locations also provides a level of convenience that has proven to attract new customers and increase the number and variety of containers registered users recycle. In depot Express services are currently available at over 70 locations and with plans to expand to all depots with a population base of over 10,000. To reach this target Encorp will install an additional 33 Express locations over the plan timeframe.

Express & GO is a newly developed unstaffed station that can be located in high density urban areas where finding suitable real estate is difficult and also, where viable, in hard to service rural areas where there are not sufficient volumes of material to support a traditional depot. The unstaffed stations also support social distancing and provide all the ease and convenience of Express plus a security level to meet Encorp's stringent audit and controls. In consultation with local governments and retail partners, Encorp will evaluate the further development of this service provision to expand our reach and improve recovery and customer convenience levels.

Express Plus are corporately owned facilities which Encorp manages and has specifically located to provide customers with Express services along with a select variety of other EPR program materials. These corporate Express Plus locations may be used as a sorting or consolidation site for a hub and spoke center to facilitate the sorting and counting of containers collected through nearby Express & GO stations.

Plastic bags used in the Return-It Express system are collected and shipped to our partner in BC, Merlin Plastics, for recycling. As a signatory of the Global Commitment led by the Ellen MacArthur Foundation to eliminate single use plastic film from our supply chain by 2025, Encorp is also working to implement a pilot to test the concept of reusable bags at a Return-It Express Plus location in 2021.

Finding a drop-off collection location is easy for the consumer. They can simply enter their location or postal code on our website: www.return-it.ca/locations

Recovery Rate

Encorp's Board of Directors and management team continuously research, test and develop improvements that require significant investments in new systems and infrastructure to attract and retain customers to our collection network, such as Return-It Express as previously described. Other initiatives Encorp has implemented include;

- The elimination of single use plastic film from our collection supplies and replacing them with reusable mega bags
- Depot improvement and renovation programs providing funding and no interest loans for operators to upgrade locations and enhance the customer experience
- Standard signage programs identifying acceptable products from all stewardship programs for consistent messaging and to reduce consumer confusion
- Operational standards to ensure Express customers enjoy the same service features at all locations
- Compaction pilot program to identify the viability of using a CNG hybrid solution with a mobile compaction unit to transport compacted material from depots reducing the trips necessary and ultimately reducing the program's GHG emissions
- Automation pilot program to support depots in processing containers more efficiently and help contain the increasing cost of manual labor

Our Annual Report outlines and reports on the success metrics and results for the specific initiatives for each year of operations. Continuously adapting to the ongoing changes within the industry and consumer expectations is key to reaching the recovery rates as set out in the regulation.

The 2020-2024 Encorp stewardship plan has set the following recovery rate performance targets. These targets are based on exceeding the 75% overall requirement as set out in section 5 of the Recycling Regulation and encompasses all the categories listed in Section 4 of Schedule 1.

While ambitious, the recovery rate performance targets set out in this plan have been determined based on a comparison of the previous year's actual recovery rates and then used as a starting point from the 2019 results which showed an increase of .7% from 2018. Encorp also compiles comparable statistics from other jurisdictions in Canada to assess the expected performance levels. The inclusion of milk containers in 2022 will likely result in an initial decrease in the recovery for some categories, however we are optimistic that the target results can be achieved.

We have established targets of less than 75% for two categories of containers – pouches and bag-in-a-box. These materials represent a combined 1% of the containers within the Encorp system and have limited and changing market penetration across BC making it difficult to establish key areas to target our marketing messages.

The data and research collected shows that due to the relatively small number of these types of containers sold in scattered areas within the province it is unlikely that we will be able to achieve a 75% recovery rate within the five year plan, however we are optimistic that we can increase the recovery to the performance targets within the

plan.

Encorp will continue to develop and implement targeted awareness tactics to address these two under-performing container types.

2020 – 2024 Target Chart

	Container Mix, %	2020	2021	2022	2023	2024
Aluminum Cans	37.4%	81.3%	82.3%	83.4%	84.6%	86.0%
Non-Refillable Glass	15.9%	92.3%	93.3%	94.3%	94.8%	95.0%
< 1 Litre Plastic	33.3%	73.6%	74.6%	75.6%	76.8%	78.0%
> 1 Litre Plastic	4.6%	86.1%	86.3%	86.5%	86.7%	87.0%
Drink Boxes	6.8%	60.9%	63.9%	67.0%	71.0%	75.0%
Bag in Box	0.3%	54.1%	57.0%	60.0%	63.0%	66.0%
Bi Metal Cans	0.3%	85.0%	86.0%	87.0%	88.0%	89.0%
Gable Top	0.8%	69.3%	70.3%	71.8%	73.3%	75.0%
Pouches	0.7%	30.8%	40.8%	45.5%	50.0%	55.0%
Overall	100.0%	78.9%	80.0%	81.2%	82.5%	83.7%

Ancillary Packaging, boxboard and plastic overwrap will be separated from the container volumes and reported annually by weight collected. Eligible producers within the Encorp system will be able to apply for a certificate of recycling for ancillary packaging that is collected and recycled which can be applied towards their Schedule 5 packaging obligations.

6. Consumer Awareness

The performance target Encorp has set to achieve in this plan is a 95% awareness level of the beverage container deposit program and a 90% awareness level of where residents can return their empty beverage containers for the deposit refund and/or recycling.

Encorp makes significant investments in developing strategically targeted consumer awareness and education plans. An annual budget allocated toward implementing the plan is established and initiatives are monitored and measured. Success metrics are determined based on reaching our recovery rate goals, awareness objectives and performance targets set out in the stewardship plan.

Development of the annual Marketing Strategy follows five systematic steps and all results are reported in the Annual Report. www.returnit.ca/annualreports.

1. Define our target audience(s) through annual benchmark studies and

- segmentation analysis conducted by an independent third party
2. Assess opportunities based on specific beverage container data, consumer habits and diverse demographics of the segment groups. (persons with disabilities, multicultural groups and First Nations)
 3. Determine objectives to reach goals for each target audience, type of container, time of year and area of the province
 4. Develop strategic tactics, budget allocations and implementation timelines
 5. Establish measurements of success (KPI's) and build in flexibility to adapt to changing markets

Targeted messaging is developed and applied to the appropriate tactic to ensure that the program communicates the following:

1. Specific beverage containers covered under the program
2. Deposit and deposit refund levels
3. Where to take beverage containers for deposit refund and recycling
4. What happens to the materials collected and the benefits of recycling
5. Container Recycling Fee levels (CRF's)
6. How the deposits and CRF's are established and used

Examples of all marketing and communication materials can be found here:

www.returnit.ca/ar2019

On a regular basis Encorp engages brand owners and retailers of regulated products to ensure they are aware of their obligations related to the EPR Program in BC. We employ dedicated staff trained to engage with the stewards so they can easily and responsibly comply with the regulation.

Encorp has a dedicated Customer Relations Team and process to educate and manage all customer and stakeholder inquiries. Its Customer Relations Team maintains a continuous focus on the customer and stakeholder experience and identifies improvement opportunities and potential solutions. Through a web-based ticketing system, all inquiries are quantified and tracked. Customer inquiries and trends are then analyzed and summarized in dashboards to evaluate and make recommend changes to its communications and system, as needed. To support the increasing number of customers through Return-It Express and other programs, Encorp continues to optimize its tools to enhance the customer and stakeholder experience.

7. Management of Environmental Impacts

Section 5(1) of the Recycling Regulation provides:

- *(c) the plan adequately provides for:*
 - (v) the management of environmental impacts of the program.*
 - (v) assessing the performance of the producer's product stewardship program.*
 - (vii) eliminating or reducing the environmental impacts of a product throughout the product's life cycle.*
 - (viii) the management of the product in adherence to the order of preference in the pollution prevention hierarchy. The pollution prevention hierarchy is as follows in descending order of preference, such that pollution prevention is not undertaken at one level unless or until all feasible opportunities for pollution prevention at a higher level have been taken:*
 - (a) reduce the environmental impact of producing the product by eliminating toxic components and increasing energy and resource efficiency;*
 - (b) redesign the product to improve reusability or recyclability;*
 - (c) eliminate or reduce the generation of unused portions of a product that is consumable;*
 - (d) reuse the product;*
 - (e) recycle the product;*
 - (f) recover material or energy from the product;*
 - (g) otherwise dispose of the waste from the product in compliance with the Act.*

Encorp and brand owners have developed stable and sustainable markets to recycle obligated beverage containers in accordance with the requirements of the recycling regulation. All beverage containers covered under Encorp's stewardship plan are made from non-toxic, inert materials and all container types have established secondary markets.

The chart below outlines the markets by material type and provides the most recent environmental impacts of each.

Material Type	Fate of Material	2019 % mix	2019 Recovery % (by weight)	2019 Energy Savings	2019 Weight Diverted from Landfill (mt)	2019 Tonnes CO2 reduced
Aluminum	Aluminum cans collected are sold and shipped to a re-melt facility in the USA and turned back into sheet stock for use primarily by our brand owners to make new cans.	37.40%	80.80%	93%	5,547	55,914
Plastic	Plastic containers are sold to Merlin Plastics and shipped right here in Canada to their two separate facilities in British Columbia and Alberta to be cleaned and pelletized to become new raw material for manufacturers of various plastic products including new beverage containers, strapping material, and fibres.	37.90%	76.80%	86%	10,594	12,511
Glass	Glass containers are processed in British Columbia and shipped to a manufacturing plant that produces fibreglass insulation in Alberta; a facility that produces new glass bottles in Seattle, USA; a facility that manufactures sandblasting materials in Quesnel, BC; and municipal sites that use crushed glass as construction aggregates.	15.90%	91.00%	34%	75,172	26,138

<p>Polycoat (Gable Top, Drink Boxes)</p>	<p>Polycoat containers are sold to ICF International and shipped to manufacturing plants in South Korea, Thailand and Japan for material recovery and production of tissue paper from the recovered fibre. Encorp also ships polycoat containers to a second supplier, Continuous Material Recovery. Continuous Material Recovery receives drink box containers at their facility in Des Moines, Iowa where they produce building boards which are used as an alternative to traditional wallboards, roofing, floor underlayment, ceiling tiles and structured insulated panel.</p>	<p>7.60%</p>	<p>67.80%</p>	<p>53%</p>	<p>1,729</p>	<p>9,154</p>
<p>Pouches</p>	<p>Stand up pouches made of layers of plastic and aluminium foil as well as the laminated plastic bags used inside bag-in-a-box containers are shipped to ICF International. They are in the process of conducting tests to determine the viability of using them within a thermal process to make a lumber product which can be used in the manufacture of furniture, ceiling tiles and wall board. More recently Encorp has found (in 2018) a viable end market through TerraCycle in New Jersey who is using this material to make various products such as composite decking, buckets, storage totes, non-food grade container & trays.</p>	<p>0.70%</p>	<p>26.30%</p>	<p>53%</p>	<p>13</p>	<p>15</p>
<p>Bi-Metal</p>	<p>Other metal containers including Bi-Metal are sold to scrap metal dealers in BC for metal recovery.</p>	<p>0.30%</p>	<p>81.3%</p>	<p>82%</p>	<p>222</p>	<p>453</p>

Bag-In- Box	The plastic bladders inside the Bag-In-Box containers are shipped to TerraCycle in New Jersey for using it for making products such as composite decking, buckets, storage totes, non-food grade container and trays. Cardboard from the outer layer of the box is recycled by local processors	0.30%	52.10%	53%	486	574
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Ancillary Packaging: Encorp will partner with a pulp and paper recycler to have the paper packaging collected recycled into boxboard cartons. Plastic overwrap collected through our system will be managed through our existing plastic stream and recycled through our current partnership with Merlin Plastics.

Greenhouse gas emissions (GHGs): While recycling has an overall net benefit in terms of energy and emissions savings, the recycling process itself requires energy and thus has GHG emissions associated with it. When estimating net savings, Encorp calculates the GHG emissions specifically associated with its stewardship activities.

Since Encorp is not a manufacturing company, the majority of our associated GHG emissions come as a result of transporting materials as well as heating and powering our network of facilities. Therefore, we define Encorp’s GHG inventory boundary from the point that empty containers enter the Encorp system at either a depot or retailer, right through to when the materials are delivered to the end processors for recycling into new products.

Greenhouse gas emissions (GHGs) are estimated using conversion factors and methodologies developed by the World Resource Institute’s Greenhouse Gas Protocol (WRIGGP). The collection, transportation and processing services provided to Encorp are done through third party independent contractors and the emissions produced by those activities are classified as Indirect Scope 3 GHG emissions in accordance with the WRIGGP.

Encorp plans to become Climate Smart Certified in 2020 which requires actions to reduce the GHG emissions. Therefore, Encorp continues to invest in technology and systems and to achieve this goal Encorp has implemented a pilot project using a newly designed compaction trailer which runs on compressed natural gas (CNG) to transport materials within the lower mainland area. Since compacted materials take up less space, one compaction truck can complete an entire route before returning to the recycler, thereby reducing the number of kilometers traveled per year. Initial estimated calculations show that a conversion of the pickup fleet to CNG may reduce our GHG output by 25%. The expected savings resulting from this change would also allow us to reduce the number of trucks needed in our transportation fleet. Upon completion of the pilot, we will be able to evaluate the data and experience to determine the business and environmental case for the implementation of compaction trailers across Encorp’s collection system.

Emission calculations from electricity purchased are based on data gathered from a number of depots and processors in each region of the province. Results are used to estimate the energy use per metric tonne of material collected, then extrapolated to the total weight of used beverage containers collected in the province. The estimated energy consumption in kWhs is then converted into the carbon dioxide emissions using the calculators offered by the WRIGGP.

Annually Encorp reports on the following estimated emissions inventory in our list of performance indicators and metrics:

- Metric weight of materials diverted from landfill
- Energy savings by material type
- Greenhouse gas emissions MT-CO₂-eq avoided
- Energy savings

All beverage containers collected by Encorp under the beverage container program are shipped to recyclers for further processing into new material in accordance with section 8 of the regulation.

Current container recycling end fate reports can be found in each Annual Report. www.returnit.ca/annualreports

A number of Encorp's registered brand owners have made significant voluntary commitments to increase the use of recycled content in their plastic beverage containers. Encorp is committed to supporting those efforts and supporting companies in meeting their targets by increasing the volume of plastic containers collected and ensuring that the material recycled is of sufficient quality for use as recycled content in new plastic bottles.

8. Management of Program Costs

Section 5(1) of the Recycling Regulation provides:

- *(c) the plan adequately provides for:
 - (i) the producer collecting and paying the costs of collecting and managing products within the product category covered by the plan, whether the products are currently or previously sold, offered for sale or distributed in British Columbia.
 - (v) the management of costs incurred by the program.
 - (v) assessing the performance of the producer's product stewardship program*

Encorp has developed a cost-effective system to recycle all beverage containers registered

with Return-It in accordance with the requirements of the regulation. Obligated beverage containers have a deposit charged at the time of purchase then refunded when the empty container is returned to an approved location for the deposit refund.

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 Container Recycling Fee (CRF) is charged on the specific container to make up the shortfall. The CRF is remitted to Encorp upon the distribution and sale of new products in the Province. The CRF, which is paid once in the supply chain, is not a tax or a refundable deposit. The CRF's are set annually at a level which covers the costs of administration, collection, transportation and responsible recycling of obligated products covered by the program.

CRFs are reviewed regularly to ensure that they are no more than is necessary to cover the ongoing cost of operating the program and maintaining the appropriate reserves, consistent with Encorp's not-for-profit mandate.

The chart below provides an outline of CRF's for the past 3 years.

Container Type	01-Feb-18		01-Feb-19		01-Feb-20	
	CRF	Deposit	CRF	Deposit	CRF	Deposit
Aluminum	1.0 cents	5 cents	0.0 cents	5 cents	0.0 cents	10 cents
Plastic ≤ 1L	3.0 cents	5 cents	3.0 cents	5 cents	3.0 cents	10 cents
Plastic > 1L	4.0 cents	20 cents	5.0 cents	20 cents	5.0 cents	20 cents
Polystyrene	3.0 cents	10 cents	3.0 cents	10 cents	3.0 cents	10 cents
Glass ≤ 1L	8.0 cents	5 cents	6.0 cents	5 cents	7.0 cents	10 cents
Glass > 1L	16.0 cents	20 cents	17.0 cents	20 cents	18.0 cents	20 cents
Bi-Metal ≤ 1L	5.0 cents	5 cents	4.0 cents	5 cents	3.0 cents	10 cents
Bi-Metal > 1L	0.0 cents	20 cents	0.0 cents	20 cents	0.0 cents	20 cents
Bag-in-Box	-	20 cents	-	20 cents	-	20 cents

Drink Boxes ≤ 500 ml	1.0 cents	5 cents	0.0 cents	5 cents	0.0 cents	10 cents
Drink Boxes 501 ml - 1L	5.0 cents	5 cents	5.0 cents	5 cents	5.0 cents	10 cents
Gable Top ≤ 1L	0.0 cents	5 cents	0.0 cents	5 cents	0.0 cents	10 cents
Gable Top > 1L	6.0 cents	20 cents	5.0 cents	20 cents	4.0 cents	20 cents
Drink Pouches	0.0 cents	5 cents	0.0 cents	5 cents	0.0 cents	10 cents
Glass Wine & Spirits ≤ 1L	12.0 cents	10 cents	13.0 cents	10 cents	13.0 cents	10 cents
Glass Wine & Spirits > 1L	16.0 cents	20 cents	17.0 cents	20 cents	17.0 cents	20 cents
Non-Refillable Beer, Cider, Cooler Glass ≤ 1L	9.0 cents	10 cents	9.0 cents	10 cents	9.0 cents	10 cents
Non-Refillable Beer, Cider, Cooler Glass > 1L	16.0 cents	20 cents	17.0 cents	20 cents	17.0 cents	20 cents
Liquor Plastic ≤ 1L	4.0 cents	10 cents	4.0 cents	10 cents	4.0 cents	10 cents
Liquor Plastic > 1L	9.0 cents	20 cents	7.0 cents	20 cents	7.0 cents	20 cents
Liquor Bag-in-Box	5.0 cents	20 cents	7.0 cents	20 cents	7.0 cents	20 cents

Encorp's financial statements are audited annually and published on its website as part of its Annual Report. The Annual Report includes key financial information such as revenues and expenditures along with additional performance measures such as cost per tonne and other non-financial measures including the number of collection locations and tonnes collected. The non-financial information is also audited before being reported, thereby being in compliance with the current requirements for the Annual Director's Report to the Province.

Encorp management regularly reviews the program and shares best practices from across all provincial programs to ensure that the program delivers a high-quality service at the lowest practical cost.

9. Producers Paying the Costs of Obligated Materials & Dispute Resolution

The Ministry of Environment and Climate Change Strategy has developed guidelines regarding their expectations for data gathering, analysis and consultation with licensees, contractors and other members of supply chains to ensure the costs associated with EPR programs are being covered. The following outlines how Encorp addresses these guidelines.

Encorp pays for the collection, transportation and recycling of the beverage containers registered in its program. These services are provided through contracts with various suppliers. Transportation, consolidation and recycling services are typically awarded through a competitive bid process. Encorp either directly negotiates appropriate rates or issues competitive Requests for Proposals, all to maintain market costs.

Depot collection services are compensated through handling fees on a unit-based schedule. The depot Handling Fee (HF) reviews generally run every five years, concurrent with our contract period, however off-cycle reviews can occur when required.

The setting of handling fees involves a nearly year-long process, which was utilized in 2010 and in the most recent negotiation that took place in 2017. The 2017 handling fee schedule is in effect until 2021. The process to establish the next five-year handling fee schedule will begin in the third quarter of 2020. This process provides the basis for future fee setting, although we expect with varying commercial conditions it will evolve over time. The key elements of the process include:

- A series of meetings over a period of about 12 - 14 months that allow for both in-person attendance and web/conference call attendance by all Return-It depots in the province.
- Encorp collects and distributes to Return-It system participants information on factors that influence costs, such as local inflation rates, changes to minimum wage, fees paid in other provinces and occupancy costs. These are discussed by participants. Depots are invited to put forward any additional metrics that they believe are relevant to the negotiations.
- Additionally, Encorp contracts an independent third party to study the average costs borne by depots in order to meet the program requirements. The study reviews financial, labour and space costs for a representative sample of depots and allocates the revenues and costs to the Encorp program and other programs operating within the depots.
- The independent third-party consultants collect relevant data from participating depots, carry out site visits and interview participating depots. This allows the consultant to develop a portrait of the relative profitability of the Return-It beverage container

program in an average depot. It also allows them to view the relative profit generated to depots through the Encorp program compared to other revenue generating activity in the depots. The results are shared with all participants. The independent third-party consultant presents the results, carry out a Q&A with depots and also make themselves available for individual depot inquiries.

- Once the steps above have been completed Encorp will make an offer to depots for revised handling fees

The handling fees currently paid by Encorp are the highest paid to depots by any container deposit system operator in Canada.

Dispute Resolution

All Encorp depot, transport and processing contracts include dispute resolution terms that provide for, on notice of a dispute being filed by either party, a mandatory meeting to negotiate a resolution and, in the absence of resolution, mediation through a mutually appointed mediator or, failing that, arbitration.

While not specified in the regulation, Encorp has established procedures for managing complaints or concerns on the part of customers, local governments, retailers and non-commercial stakeholders.

10 Performance Measurement Summary Table

The performance targets laid out in this document have been based on historical data, future trends, planned initiatives and forecasts. Encorp will report on each of the performance target results annually. The report titled “Executive Summary” published in our Annual Report will show the progress toward each goal with the expectation that all goals will be achieved by the end of the plan’s effective date.

While they will be challenging to meet, they are attainable and Encorp is proud to deliver and continually improve on one of the best EPR programs in the Province.

Collection System and Consumer Access

97%

Return-It’s collection system and consumer access is measured annually by using GIS mapping of all collection locations and matching the location to the population base and drive time radius. In Urban areas the drive time radius is set at 30 minutes, however most locations are within a 15-minute drive time and in rural areas 45 minutes. Coverage results are reported in each Annual Report and available on the Return-It website. www.returnit.ca/locations

Overall Recovery Rate achieved by 2024

83.7%

The recovery rate will be measured by calculating the number of beverage containers sold in the Province, by category, as defined in the regulation, compared to the number of beverage containers collected through the Return-It system.

	2020	2021	2022	2023	2024
Overall Recovery Rate	78.9%	80.0%	81.2%	82.5%	83.7%

Recovery by weight of material will be measured by the comparing the actual weight of beverage containers collected with the average weight recorded for beverages in each category.

Both measurements will be reported by category in each Annual Report. www.returnit.ca/annualreports

Consumer Awareness of the System 95%

Consumer awareness levels will be measured through annual benchmark studies conducted by a third-party market researcher. The methodology and sample sizes will be representative of the Province and statistically accurate to a margin of +/- 4%. The studies will track changes over time and provide valuable information and consumer trends.

In addition to the benchmark study, Return-It will conduct a Segmentation Analysis to better understand consumer behavior and identify target audiences particularly around throw away behavior of each target group.

Consumer Awareness of Locations 90%

The awareness of locations will also be measured using the same market research study and methodology as the system awareness. Results will be reported in each Annual Report.

Environmental Impacts

Reduce Scope 1 emissions by 3% annually
Implement GHG reduction initiatives for Scope 3 emissions to yield no less than 10% reduction in the GHG emissions as a result of those initiatives

Environmental Impacts - Encorp will track and report on the following:

- Metric weight of materials diverted from landfill
- Energy savings by material type
- GHG emissions and MT-CO₂, eq avoided
- End fate of each material type

Management of Program Costs

Annual audits conducted by third party for financial and non-financial reports

Third party auditors will be contracted to audit both the financial and non-financial statements produced by management. The full statements will be published in the Annual Report and made available to the public.

All residents of BC contribute to the success of the Return-It program by recycling the beverage containers they purchase and can be proud of this model program. Further information can be found at www.returnit.ca.

In Conclusion

Encorp has and will continue to deliver the best known and most respected EPR program in British Columbia. We recognize through continuous improvement, that recovery rates must increase, recycling systems need to continue to evolve with consumers' expectation and the current environment, and we must continue to invest in our Return-It program and deliver the high standards and results that have already been attained. We have already made considerable changes to our system to meet these expectations and will continue to going forward.

The COVID_19 pandemic has required Encorp to quickly adapt and make the necessary changes to our systems and customer return processes to ensure the health and safety of our employees, our communities and the public. As recycling has been deemed an essential service in BC, from the start of the pandemic we have prioritized and taken the necessary measures needed to support our employees, the system, depot operators, suppliers, collectors, transporters and others within the industry to ensure recycling operations can safely operate. Some of these changes include:

- Developing and sharing Health & Safety Re-Opening Guidelines for depot operators in BC. These Guidelines adopts proactive risk management strategies to minimize risk and is consistent with recommendations outlined by Provincial health authorities, the BC Centre for Disease Control and WorkSafeBC to protect employees, customers and the community
- Providing access and supply to Personal Protective Equipment for our network
- Developing and providing educational and informational material for operators to use at

their locations

- Establishing a Safety plan for all Encorp employees, including workplace standards and policies
- Supporting and setting up “work at home” capability for employees
- Forming a permanent business continuity team

The experience and knowledge gained by our executive team provides us with a solid framework to permanently include policies and action plans for the successful management through the future.

We will review and carefully consider all feedback provided by the public, key stakeholders and ministry staff through the upcoming consultation process. A final version of the 2020 - 2024 Stewardship Plan will be submitted to the Ministry of Environment and Climate Change Strategy in October for consideration and approval by the Statutory Decision Maker (SDM).

Appendix A – Covered Product Categories

Appendix B – Public Consultation *(will be inserted when completed)*

Appendix A – Covered Product Categories

Schedule 1

[am. B.C. Regs. 112/2010, s. 11; 284/2016; 206/2017, s. 18.]

Beverage Container Product Category

Definitions

Section 1 In this Schedule:

"beverage" means any liquid that is a ready-to-serve drink but does not include milk, milk substitutes, rice milk, soya milk, flavoured milk, infant formulas, meal replacements or dietary supplements;

"container" means a container made of aluminum, glass, paper, plastic, steel or other similar material, or any combination of them, that is or was sealed by its manufacturer

Application

Section 3 This Schedule applies to a container that

- (a) may hold, holds or has held a beverage,
- (b) is offered for sale or sold in British Columbia, and
- (c) is not a refillable container having a capacity of 10 litres or more.

Beverage container product subcategories

Section 4 The beverage container product category consists of the following subcategories based on container material and container size:

- (a) aluminum cans;
- (b) refillable glass bottles;
- (c) non-refillable glass bottles;
- (d) plastic containers, able to hold 1 litre or less;
- (e) plastic containers, able to hold more than 1 litre;
- (f) drinking boxes;
- (g) bag in a box;
- (h) bimetal cans;
- (i) gable top containers;
- (j) stand up pouches;
- (k) beverage containers not referred to in paragraphs (a) to (j).

The Ministry of Environment and Climate Change recently made changes to the Recycling Regulation that affect the Schedule 1, Beverage Container Product Category (BC Reg.449/2004). You can find information regarding these changes on their website:

<https://www2.gov.bc.ca/gov/content/environment/waste-management/recycling/product-stewardship/packaging-and-paper-product>

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