



SECTION 7

PLAN PERFORMANCE

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

Revenue and Expenditure detail.

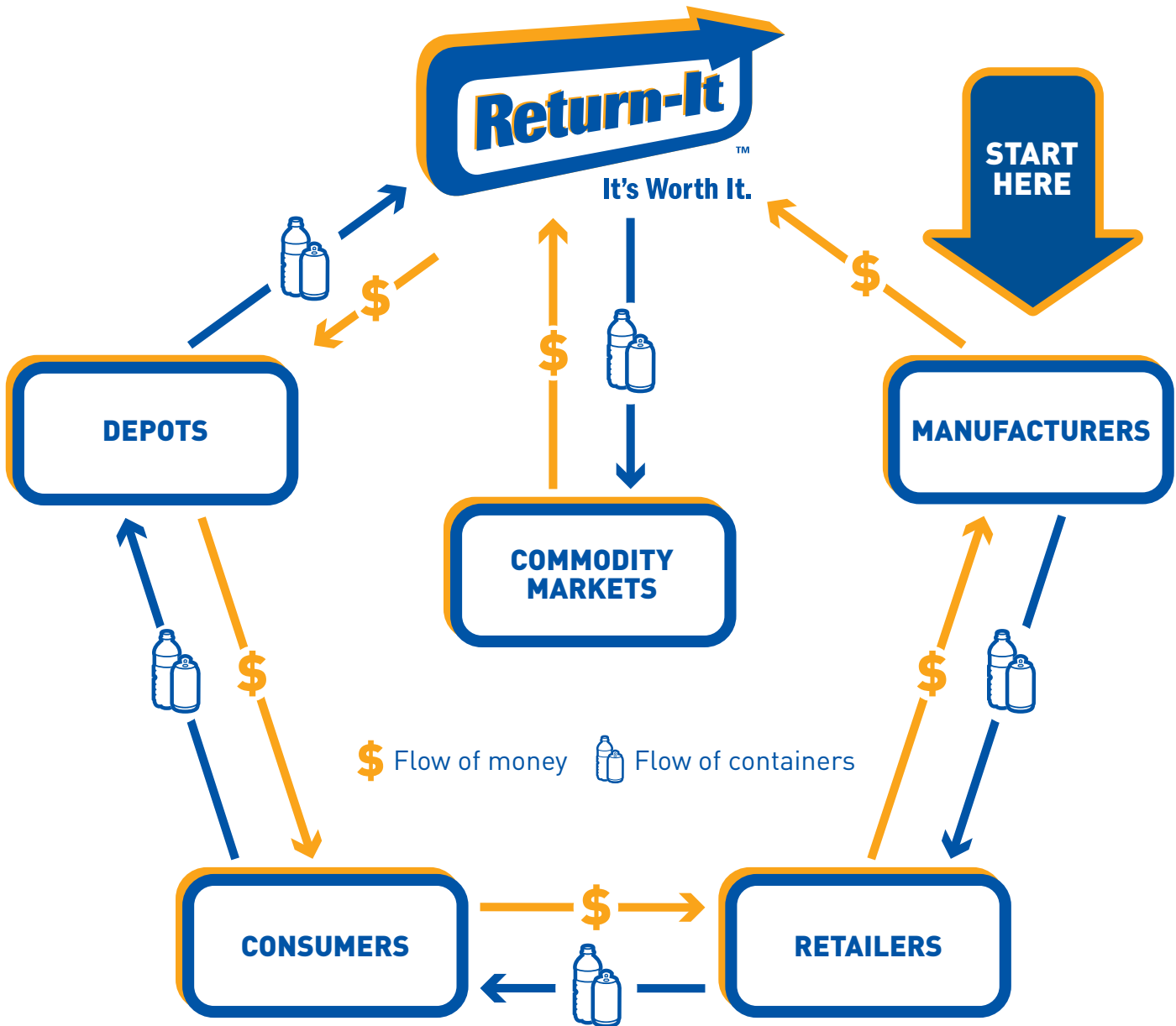
Purpose of operating reserves, how they are determined and why they're important.

Container recycling fees by product type.

2020

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

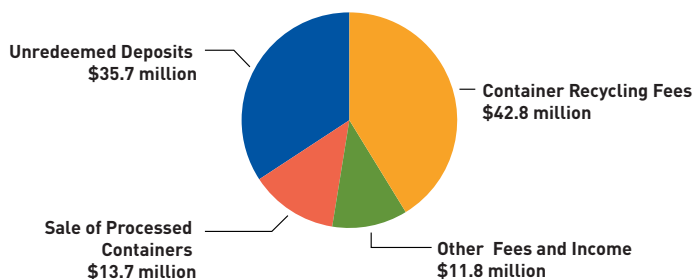
Revenues from service provider contracts.

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 2020 compared to the original forecast. The lower prices for aluminum partially contributed to the decline in our operating reserve levels in 2020. The average price for aluminum was \$0.70 per pound (\$0.85 in 2019) and plastic was \$0.16 per pound (\$0.19 in 2019).

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	\$42.8 million	41.2%
Other Fees and Income*	11.8 million	11.3%
Sale of Processed Containers	13.7 million	13.2%
Unredeemed Deposits	35.7 million	34.2%
Total Revenues	104 million	100%

*Other Fees includes Electronics, Packaging and 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 and Awareness

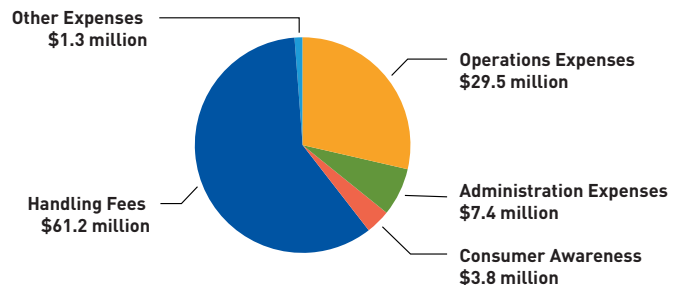
Programs that encourage consumers to return containers for recycling.

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	\$ 29.5 million	28.6%
Administration Expenses	7.4 million	7.2%
Consumer Awareness	3.8 million	3.7%
Handling Fees	61.2 million	59.3%
Other Expenses**	1.3 million	1.2%

Total Expenditures	103.2 million	100%
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**Other Expenses include amortization and foreign exchange gain/loss.

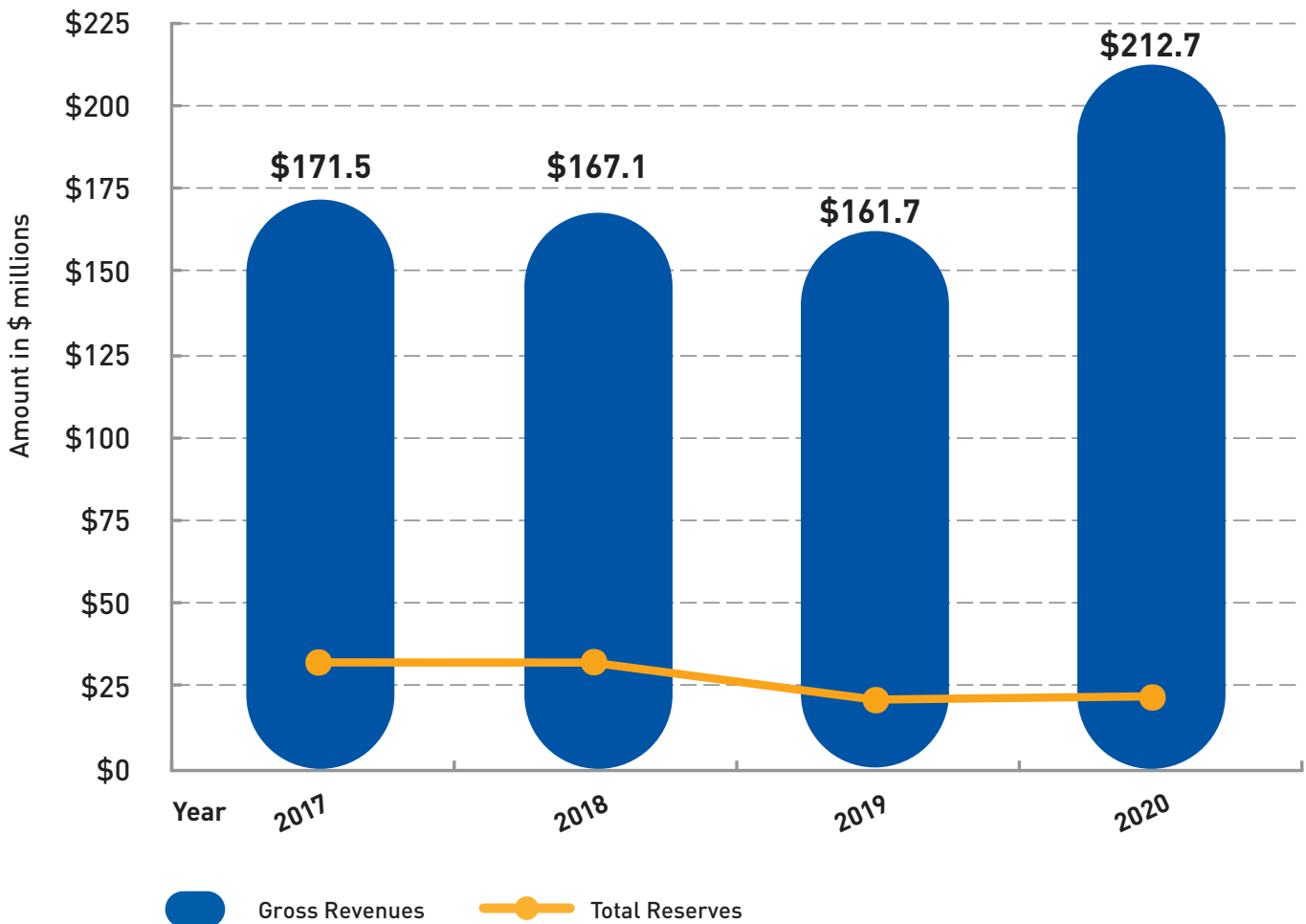
7.3 OPERATING RESERVES

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.

CRFs 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 2017 – 2020



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 and to ensure that stable program operations continue through variable economic conditions. When these reserves rise above the targeted reserve range, measures are taken to reduce them to the appropriate level.

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 \$4 million in electronic fund transfers (EFTs) 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 increased by \$1 million to a total of \$23 million.

	Gross Revenue Including Deposits (millions)	Total Expenses Including Deposit Refunds (millions)	Results / (Deficit) (millions)	Operating Reserves Year-End (millions)
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
2019	161.7	173.5	(11.8)	22.1
2020	212.7	211.8	0.9	23.0

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	2019	2020
Aluminum	0.0 cents	0.0 cents
Plastic ≤ 1L	3.0 cents	3.0 cents
Plastic > 1L	5.0 cents	5.0 cents
Polystyrene	3.0 cents	3.0 cents
Glass ≤ 1L	6.0 cents	7.0 cents
Glass > 1L	17.0 cents	18.0 cents
Bi-Metal ≤ 1L	4.0 cents	3.0 cents
Bi-Metal > 1L	0.0 cents	0.0 cents
Bag-In-Box	7.0 cents	7.0 cents
Drink Boxes ≤ 500 ml	0.0 cents	0.0 cents
Drink Boxes 501 ml – 1L	5.0 cents	5.0 cents
Drink Boxes > 1L	0.0 cents	0.0 cents
Gable Top ≤ 1L	0.0 cents	0.0 cents
Gable Top > 1L	5.0 cents	4.0 cents
Drink Pouches	0.0 cents	0.0 cents
Glass Wine & Spirits ≤ 1L	13.0 cents	14.0 cents
Glass Wine & Spirits > 1L	17.0 cents	18.0 cents
Non-Refillable Beer, Cider, Cooler Glass ≤ 1L	9.0 cents	9.0 cents
Non-Refillable Beer, Cider, Cooler Glass > 1L	17.0 cents	18.0 cents
Liquor Plastic ≤ 1L	4.0 cents	3.0 cents
Liquor Plastic > 1L	7.0 cents	6.0 cents
Liquor Bag-In-Box	7.0 cents	7.0 cents