

2021 ANNUAL REPORT

PROGRAM OUTLINE

Our vision, mission statement and strategic business model.

Message from the Chair and CEO; successes and opportunities in 2021.

Our newly developed social purpose statement, organizational values and associated key initiatives.



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 Encorp 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.

Encorp has been leading extended producer responsibility performance in Canada for 27 years and has diverted more than 23 billion beverage containers from the landfill. We recycle containers ranging from aluminum cans, plastic bottles and drink boxes to gable tops and bag-in-a-box. Encorp develops, manages and improves systems to recover used packaging and end-of-life products from consumers and ensures they are properly recycled and not incinerated or sent to the landfill.

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.

We have 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 marketplace to ensure that contract prices are competitive.

The advantages of this model include:

Market-based costs – Reviewing costs regularly ensures that we capitalize on any recent improvements in efficiency and technology.

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 constantly changing market trends.

2.2 OUR SOCIAL PURPOSE:

We exist to foster a world where nothing is waste.

Over the past three years, Encorp has been participating in the United Way of the Lower Mainland's Social Purpose Institute, a program designed to help companies uncover their distinctive "best fit" social purpose through peer collaboration with expert facilitators and senior leaders from a small group of values-based businesses.

In 2021, Encorp completed the first phase of this initiative through an extensive year-long process that included research, extensive employee and stakeholder consultations, and stakeholder testing. As a result, we have defined a social purpose statement that speaks to why we exist for the betterment of society, stakeholders and our community, and the social value and benefits that define our organization.

At the end of phase one, we defined a statement that embodies our commitment to creating a better future for people, communities and the planet: *We exist to foster a world where nothing is waste.*

In 2021, our social purpose also enabled us to lean in, adapt and pivot during a challenging time. Some of the ways we brought our statement to life include:

- Launching our social purpose statement externally
- Performing an internal audit to understand our current state
- Collaborating with employees to define our core values
- Joining United Way's Social Purpose 2021 Implementers Cohort
- Activating a cross-functional social purpose team to ensure our statement permeates across our business

Finally, in 2021 we entered our second phase, which focused on activating, embedding and engaging, and we finalized the Roadmap to Purpose action items for 2022.

Looking ahead to 2022, we will continue to embed this statement across our organization, using it to guide our decision-making processes, and to ensure we are all aligned on a shared vision of a sustainable future.



2.3 DIVERSITY AND INCLUSION

Diversity and inclusion remains a key priority for our organization. A diverse and inclusive workplace is one that makes everyone feel equally involved and supported in all areas of the workplace. In support of this priority, in 2021 Encorp had its leadership team engage in a diversity and inclusion workshop to support best practices and training. This workshop was led by the Canadian Centre for Diversity and Inclusion which helps organizations address the full picture of diversity, equity and inclusion within the workplace.

The workshop covered various aspects of diversity and inclusion immersion, including conscious and unconscious bias, its impact and tools and techniques. Next steps include manager training and a road map to ensure diversity and inclusion practices and initiatives are embedded within our business.



2.4 MESSAGE FROM THE CHAIR

As 2021 drew to a close, many of us were cautiously optimistic that the year ahead would be more stable and conducive to doing business as usual than it had been over the past 12 months. Then came the Omicron variant of the COVID-19 virus and yet another reminder that the “new normal” is about living our lives in a state of constant change and adjustment – invariably, more new than normal.

Reflecting on 2021, it’s remarkable how dramatic, demanding and beyond our control the challenges have been. From the effects of the global pandemic on all facets of our business – whether in the office, in the field or at our Return-It depots to the catastrophic floods in British Columbia’s Lower Mainland and Fraser Valley that shut down supply chains, cut off access to markets for certain materials and, for a short while, shuttered depots in devastated communities – these challenges taxed us in ways we’d never thought possible. But at the same time, they demonstrated the incredible resilience of the Encorp Pacific community and the incredible people who work within it.

Despite the challenges, we made good progress in critical areas. Our Return-It Express network continued to expand to more than 80 locations over the year and proved to be both extremely timely and extremely popular with BC consumers conscious of the need for social distancing and clamouring for low- or no-touch recycling solutions through the pandemic. After an extended time, we obtained approval of our Stewardship Plan, albeit with some requirements from the Ministry of Environment and Climate Change Strategy for additional information. And we readied ourselves for the addition of milk and plant-based beverage containers to the deposit/refund system in early 2022, a process that called for extensive planning, operational adjustments and public education since the change will ultimately add almost 10% more units to our container volume.

Throughout the year, our management group worked hard to develop a new handling fee regime with depot operators to replace the five-year fee arrangement that was scheduled to end in May 2022 and in the process, reflect the addition of milk and plant-based beverage containers and the simplification of container sorts.

Despite these advances, we continued to wrestle with a recovery rate that lags our own expectations. Significant investments in recovery rate improvement were bedevilled by the unpredictable side effects of “black swans” like the global pandemic, an unprecedented heat dome with its resulting wildfires, and a once-in-a-century flood disaster.

A less obvious effect of these events was a dramatic spike in 2021 beverage container sales, which served to suppress the recovery rate even though recovery volume actually increased by more than 76 million units. Nevertheless, going forward we anticipate that a gradual return to normality, even if it is the “new normal,” will enable the measures undertaken in 2021 to translate into higher recovery rates.

The world of extended producer responsibility continues to change. The range of obligated products – and resulting stewardship programs – continues to grow. Sweeping policy initiatives to reduce the environmental impacts of plastics continue to grow not only in BC but also federally and internationally. New regulations, in some cases with novel and never-tried-before provisions, are now being implemented in other jurisdictions across Canada and around the world. As a leading product stewardship agency, Encorp Pacific is committed to staying at the forefront of these changes on behalf of its brand owners and other stakeholders and in keeping with its social purpose: to foster a world where nothing is waste.

None of this would be possible without the continued support and collaboration of our depot partners, our supply chain partners, our community partners and, of course, our Board of Directors, management team and staff, whose collective efforts over the past year have been, frankly, heroic.

Early in 2022 we learned that our CEO, Allen Langdon, would be leaving us in the coming weeks. Allen’s leadership and vision have been instrumental in seeing us through the difficult challenges of the past year while still moving the organization forward towards the achievement of its goals. On behalf of the Board, a big “thank you” to Allen.



Dan Wong
Board Chair



2.5 MESSAGE FROM THE CEO

Serving as the interim president and CEO of Encorp Pacific (Canada) has been a pleasure and a challenge as Encorp strives for excellence implementing its Stewardship Plan for the recovery and recycling of beverage containers and provides service for other EPR programs as they implement their stewardship responsibilities. It is a pleasure to work alongside the strong team of employees who work hard to fulfill Encorp's mission. It is a challenge because of the ever-changing world in which we work, which requires solid organization, effective management, innovative solutions, continuous attention to detail, and quality service to our customers and suppliers.

I want to pay tribute to Allen Langdon, who departed from Encorp in January 2022 after three and a half years as president and chief executive officer. He provided visionary leadership as he strengthened the organization and fostered forward-thinking initiatives such as the popular and effective Return-It Express program, which is now offered at almost half of the depots.

Express enables pre-registered customers to arrive at a depot with a mix of beverage containers in a plastic bag, print a label, place it on the bag and then drop the bag into a secure bin. The containers are counted later, and the deposit refund is then credited to an online account. By the end of 2021, over 191,029 customers had registered for the program.

The success of Express led to two significant variations: Return-It Express & GO and Return-It Express Plus. The Express & GO stations, powered by solar panels, use shipping containers to fit in sites where a traditional Return-It depot cannot go. They are located on the campuses of UBC and SFU; at Big White Ski Resort; in Tofino, McBride and North Vancouver; and at the Park Royal Shopping Centre in West Vancouver, with more locations on the way. There are two Express Plus sites that provide the typical Express service but also offer opportunities for consumers to return various other household recyclables.

Through 2021, the Encorp team launched other initiatives aimed at improving customer convenience and increasing the recovery of beverage containers. The single, common deposit rate of 10 cents for all beverage containers, which commenced in October 2020, created the opportunity to reduce the number of sorts that depots must perform from 28 to eight. The merged sorts resulted in much quicker counter service at depots and enhanced convenience for customers.

The reduced number of sorts also makes mechanical sorting more efficient, further enhancing customer

convenience. The number of depots using this automated sorting technology continues to grow.

Another innovation that was implemented under Mr. Langdon's leadership was the introduction of Canada's first-of-its-kind compressed natural gas (CNG) hybrid-electric compaction truck. It creates tremendous efficiencies and reduces Encorp's greenhouse gas emissions. For example, it can carry 900,000 plastic bottles in a single load compared to 150,000 in a conventional truck.

While the entire period covered by this report occurred during Mr. Langdon's watch, he left Encorp and Return-It in excellent shape and poised to make even further strides to enhance consumer participation in recycling of beverage containers and the other household recyclables for which Encorp is a service provider.

Encorp continues to work with all the independent small business operators of the Return-It depots. In 2021 they accounted for about 93% of the beverage containers returned by consumers. The depots, their owners and their employees are an essential part of the Return-It system, and we salute their efforts to provide quality customer service.

My personal connection with Encorp dates to its founding in 1993, and I have enjoyed many years of service on its Board of Directors. Holding the role of interim president has been enjoyable and fulfilling. My service in this capacity will end following a national search by the Board of Directors for a new president and CEO.



John Nixon
Interim President and CEO