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Plan Performance

Movement of containers and the flow of money through the Return-It network.

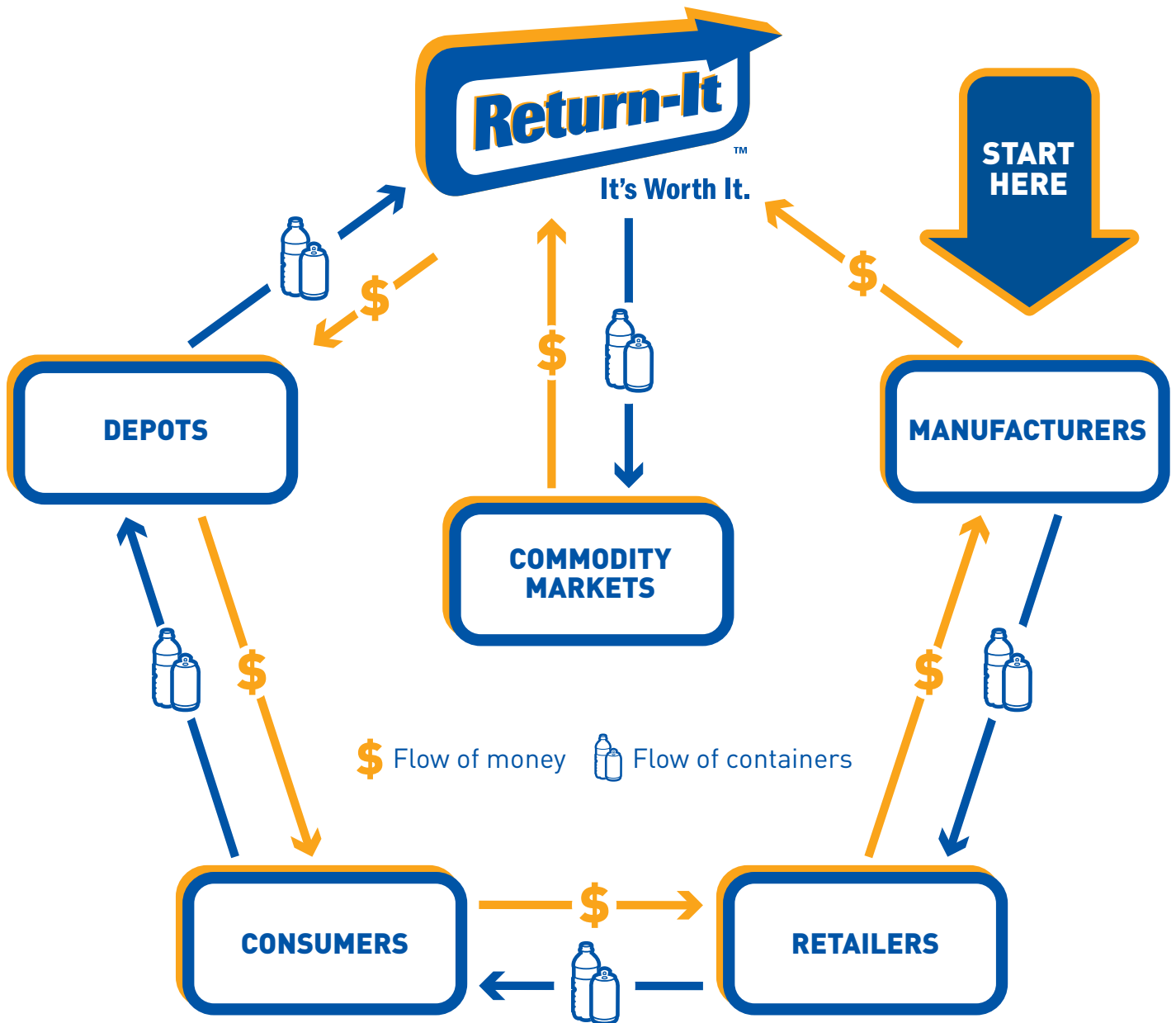
Revenue and expenditure detail.

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

Container recycling fees by container type.

7.1 How Money Flows

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



7.2 Follow the Money

REVENUES

Sale of Processed Containers

A portion of the cost of recovering aluminum and plastic containers, the two largest categories, is covered by the value of the commodity collected. The prices for aluminum and plastic dropped in 2023, resulting in lower commodity revenue than in 2022.

Unredeemed Deposits

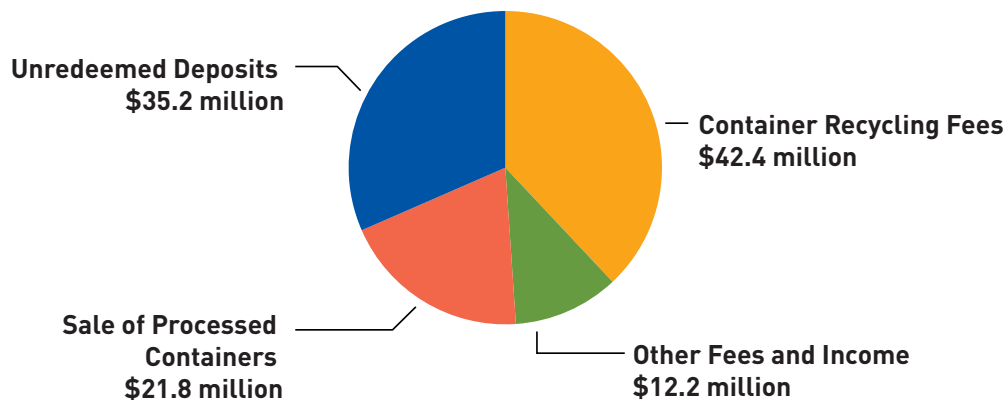
Encorp is paid a deposit on every container sold. Deposits unclaimed are used to fund the system.

Container Recycling Fees

When the revenue from unclaimed deposits and sales of collected material is 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.

Other Fees and Income

Revenues and income from service provider contracts.



Where the money comes from

Container Recycling Fees	\$42.4 million	38.0%
Unredeemed Deposits	\$35.2 million	31.5%
Sale of Processed Containers	\$21.8 million	19.5%
Other Fees and Income	\$12.2 million	11.0%
Total Revenues	\$111.6 million	100%

Note: Calculations may show slight variances due to rounding.

*Other Fees includes electronics, Major Appliance Recycling Roundtable (MARR), interest income and foreign exchange gain/loss.

7.2 Follow the Money

EXPENDITURES

Deposit Refunds

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

Operations Expenses

Operations expenses consist of collection and transportation and processing expenses. This accounts for 86.1% of overall expenditures in 2023.

Collection Expenditures

Encorp's single-largest expense is the cost of collection, which includes handling fees paid to contracted Return-It depots that service customers, collect the material and prepare the material for collection by Encorp's transportation partners.

Transportation and Processing

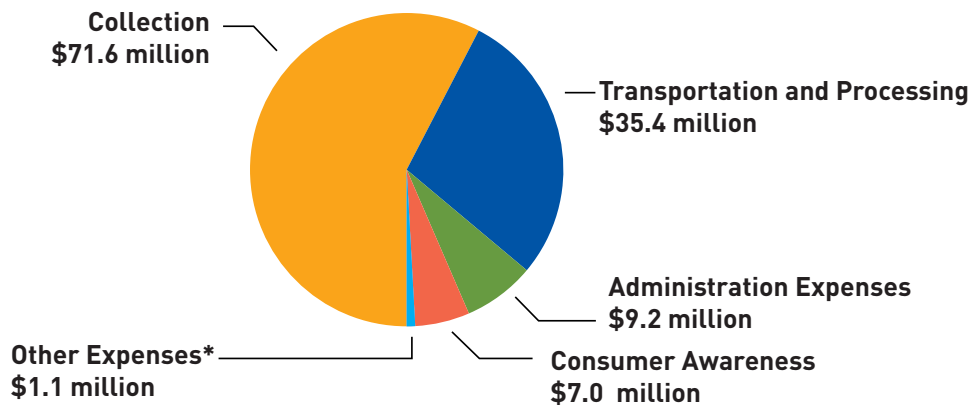
Encorp contracts with various trucking companies to collect containers from depots and grocery retailers and deliver them to our contracted processing partners, where they are processed, sorted and compacted for shipment to end markets. For these services, Encorp pays them transportation fees, fuel and processing fees.

Administration

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

Consumer Education and Awareness

Programs that encourage consumers to return containers for recycling.



Where the money is spent

Collection	\$71.6 million	57.6%
Transportation and Processing	\$35.4 million	28.5%
Administration Expenses	\$9.2 million	7.4%
Consumer Awareness	\$7.0 million	5.6%
Other Expenses*	\$1.1 million	0.9%
Total Expenditures	\$124.3 million	100%

*Other Expenses include amortization.

Note: Calculations may show slight variances due to rounding.

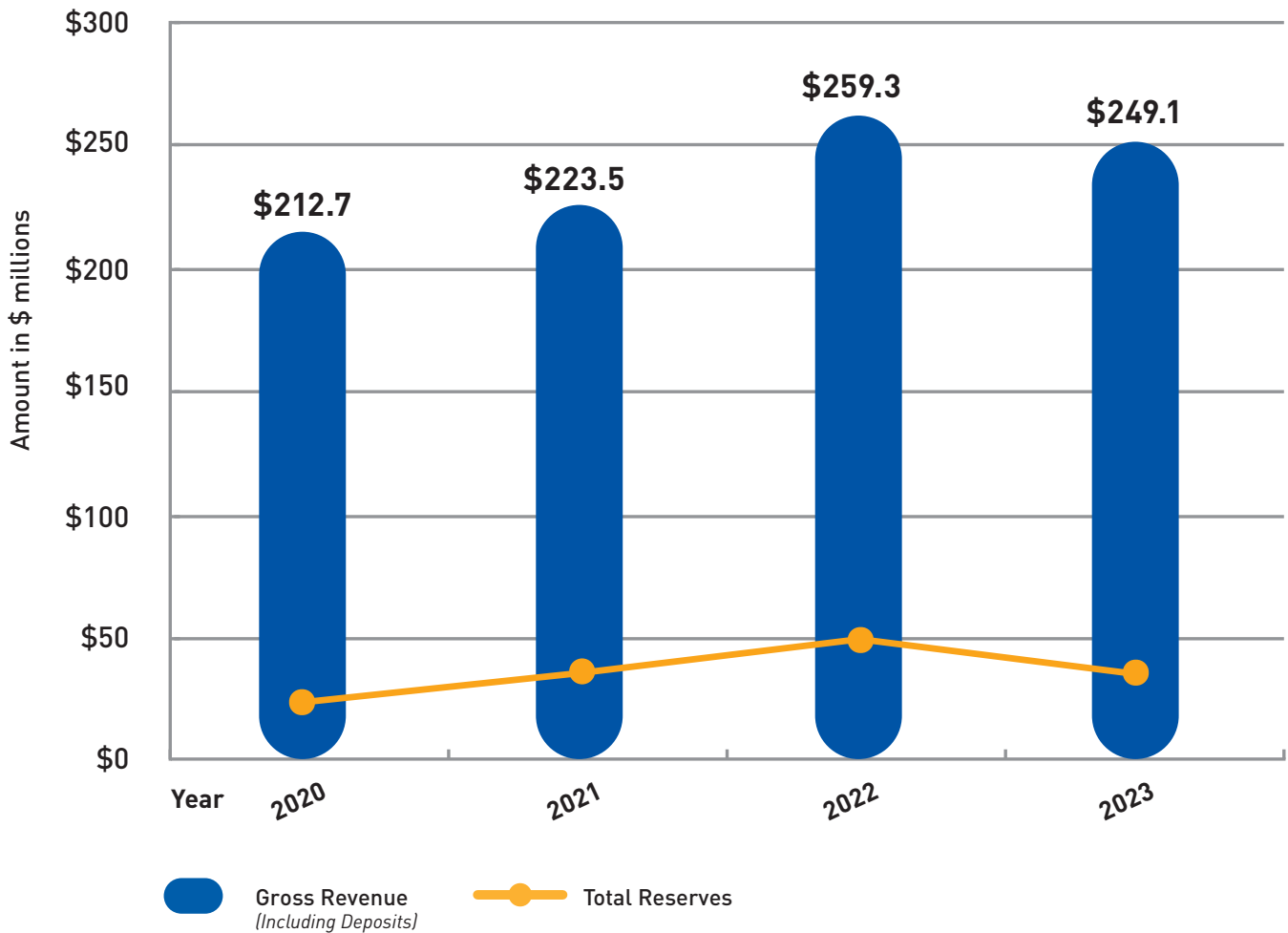
7.3 Operating Reserves

Purpose of the Operating Reserves

Encorp's reserves are built upon the principle 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 2020–2023



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 ensure 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.

Encorp's net assets decreased by \$12.8 million in 2023 for a total balance of \$35.6 million. The net assets include \$1.8 million in internally restricted reserves and \$33.8 million in operating reserves. The operating reserves are required to support weekly payments to customers, depots, transporters and consolidators during the six weeks of the peak season.

	Gross Revenue Including Deposits (\$ millions)	Total Expenses Including Deposit Refunds (\$ millions)	Surplus/ (Deficit) (\$ millions)	Net Assets Year-End (\$ millions)
2019	161.7	173.5	(11.8)	22.1
2020	212.7	211.8	0.9	23.0
2021	223.5	211.5	12.0	35.0
2022	259.5	246.0	13.5	48.5
2023	249.1	261.8	(12.8)	35.6

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.

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 sales of collected material is 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 CRFs are set annually at a level that 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.

Container Type	01-Feb-22	01-Feb-23
Aluminum	1.0 cent	N/A
Plastic ≤ 1L	2.0 cents	2.0 cents
Plastic > 1L	4.0 cents	1.0 cent
Polystyrene	2.0 cents	2.0 cents
Glass ≤ 1L	10.0 cents	13.0 cents
Glass > 1L	16.0 cents	15.0 cents
Bi-Metal ≤ 1L	1.0 cent	4.0 cents
Bi-Metal > 1L	N/A	N/A
Drink Boxes ≤ 500 ml	N/A	N/A
Drink Boxes 501 ml – 1L	N/A	N/A
Gable Top Carton ≤ 1L	N/A	N/A
Dairy Gable (All Sizes)	6.0 cents	1.0 cent
Gable Top Carton > 1L	4.0 cents	1.0 cent
Drink Pouches	N/A	N/A
Glass Wine & Spirits ≤ 1L	13.0 cents	14.0 cents
Glass Wine & Spirits > 1L	16.0 cents	15.0 cents
Non-Refillable Beer, Cider, Cooler Glass ≤ 1L	10.0 cents	11.0 cents
Non-Refillable Beer, Cider, Cooler Glass > 1L	16.0 cents	15.0 cents
Liquor Plastic ≤ 1L	2.0 cents	1.0 cent
Liquor Plastic > 1L	3.0 cents	1.0 cent
Liquor Bag-In-A-Box	12.0 cents	12.0 cents