

WHAT SUCCESS LOOKS LIKE





BEVERAGE CONTAINER RECYCLING

has been occurring for over 100 years in Alberta. From the return and reuse of glass bottles in saloons and taverns in the late 19th century to the resurgence and rising popularity of deposit return systems in the 21st century, beverage container recycling has evolved into a business focused on environmental, economic and social returns.

THE FIRST

glass soda bottles emerged in the 1800s. The aluminum can was introduced in the early 1960s, followed by plastic bottles in the early 1970s. With the introduction of single-use waste that often ended up in ditches, parks and public areas, Alberta introduced litter control legislation to incent the public to recycle beverage containers through depots.

This was the beginning of Alberta's beverage container deposit return system and marked Alberta's commitment to protecting the environment.





ALBERTA ESTABLISHED ITSELF AS A LEADER

in beverage container recycling early on. Over the past 50 years, the system has grown beyond capturing just glass beer bottles, aluminum cans and plastic containers, to accepting milk containers and over 10 different material streams, including items such as bag-in-a-box, tetra brik and bi-metal containers.

With a return rate of 86%, and over two billion containers returned a year, Alberta's system continues to evolve and adapt to global trends aimed at enhancing environmental sustainability. However, recycling a beverage container because "it's good for the environment" is no longer the sole objective. The economic and social benefits resulting from a deposit return system and a circular economy are equally as important as the environmental benefits.

Our focus in Alberta, just like the rest of the world, has shifted from litter control to waste diversion and now to resource management.

The resource management approach follows a beverage container through its

LIFE CYCLE

from the manufacturing of the product, to the sale of it, its consumption and return to a depot by the public, and the transport of it from the depot to either a company where it is processed for reuse or a recycler that turns it into a new product.

The positive economic and social outcomes in that cycle – job creation, opportunities for under-employed individuals, business taxes for municipalities, funds raised for charitable organizations, and community participation and support – ultimately contribute to a clean and sustainable environment in our province.

1

MANUFACTURING AND SALE

- More than 160,000 beverage containers registered
- Beverage containers are made from many different material streams
- Almost 2.4 billion beverages sold

2

RETURNED TO A DEPOT

- Over 2 billion containers returned for a refund = 86% return rate
- 98% of Albertans recycle/return their beverage containers
- 221 depots in Alberta

3

COLLECTION AND TRANSPORTATION

- 111 million kg transported to recycling and refilling companies
- 34,000 semi-trailers filled
- 2.9 million km travelled by trucks from depots to processing plants

4

RECYCLING AND REUSE

- 64 million glass beer containers returned for reuse
- 955 million aluminum containers shipped to a smelter to make more aluminum cans
- 91% of cans and glass returned for refund and recycling

5

SUSTAINABLE ENVIRONMENT

- 94 million kg of waste diverted from landfills
- 451,435 tonnes of landfill space saved
- 95% of GHG emissions saved from recycling aluminum cans





ALBERTA'S DEPOSIT RETURN SYSTEM

is at the core of our beverage container recycling success and such systems are receiving increasing attention and public acceptance worldwide as more countries adopt that approach in their beverage container recycling. Deposit return systems, new technology, automation in depots and increasing expectations for pure material streams in recycling are resulting in a natural progression toward seeing a container through its life cycle.

It was with this lens that the Beverage Container Management Board (BCMB) developed a number of new initiatives, policies and ways of doing business in 2018. We are well positioned to manage the ongoing evolution of beverage container recycling in Alberta.



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LETTER TO THE MINISTER

June 19, 2019

Honourable Jason Nixon
Minister of Environment and Parks
Government of Alberta
323 Legislature Building
10800 – 97 Avenue
Edmonton, AB T5K 2B6

Dear Minister Nixon:

On behalf of the Board of Directors of the Beverage Container Management Board, I am pleased to present our Annual Report for the fiscal year ended December 31, 2018, in accordance with Section 5 of the Beverage Container Recycling Regulation (Alta. Reg. 101/1997 as amended).

As you will read in the report, beverage container recycling has evolved into a business focused on environmental, economic and social returns. Alberta's deposit return system is at the core of our beverage container recycling success and such systems are receiving increasing attention and public acceptance worldwide as more countries adopt that approach in their beverage container recycling.

We are working to ensure Alberta's beverage container recycling system can adapt to world-wide trends in order to remain one of the leading systems in the world and achieve even higher return rates. Higher return rates are certainly achievable given that Albertans already return over two billion beverage containers every year!

The Directors and staff of the BCMB appreciate the ongoing support we receive from Alberta Environment and Parks in our role as regulator for Alberta's beverage container recycling industry.

Yours truly,



Andrew Stephens
Chair
Beverage Container Management Board

LEADING FOR SUCCESS

The BCMB is responsible for regulating and delivering Alberta's beverage container recycling system. Since our inception on December 1, 1997, the BCMB has successfully worked to ensure that Albertans have access to a convenient, innovative and cost-effective system for recycling and reusing beverage containers.

The BCMB is a not-for-profit association incorporated under Alberta's *Societies Act*. In collaboration with our stakeholders, the BCMB is focused on environmental protection, system transparency and accountability, and quality service to the public. Collectively, we have agreed to pursue these goals and work together to enhance Alberta's beverage container system.

To this end, the BCMB strives to: encourage innovation and continuous improvement; demonstrate responsiveness to changing needs; operate a system that is cost effective; and satisfy stakeholder expectations.



Vision

To be the leader in stewarding beverage containers to minimize their impact on the environment.

Mandate

To regulate and enhance a leading beverage container system that protects Alberta's environment.

Value Statements

- *We value* higher return rates.
- *We value* accessible, quality, convenient and safe service from depots.
- *We value* secure, cost-effective container collection, processing and recycling.
- *We value* greater awareness and public participation.
- *We value* strong alignment among system stakeholders.
- *We value* innovation and technology driven efficiency.
- *We value* consistent, fair and firm enforcement of meaningful standards for manufacturers, retailers, depots, CSPs and the CSA.
- *We value* financial transparency.

Outcomes and Key Strategies

Note: To align with Government of Alberta reporting standards, the BCMB has changed the language in its annual report and future business plans to use similar terms. What we previously referred to as goals and objectives are now outcomes and key strategies. Additional changes are noted in the Performance Reporting section on page 22.

The BCMB's vision and mandate are achieved through five interconnected and desired outcomes for Alberta's beverage container system:

OUTCOME 1 – ENVIRONMENTAL PROTECTION

Key Strategies

- Minimize impact
- Sustainability
- Reduce footprint

OUTCOME 2 – FISCAL STEWARDSHIP

Key Strategies

- Accountability
- Reporting
- Transparency

OUTCOME 3 – GOVERNANCE EXCELLENCE

Key Strategies

- Compliance
- Integration and alignment
- Communication
- System integrity

OUTCOME 4 – CUSTOMER EXCELLENCE

Key Strategies

- Satisfies
- Quality
- Awareness
- Accessible

OUTCOME 5 – SYSTEM EFFICIENCY AND EFFECTIVENESS


Key Strategies

- Innovation
- Responsiveness
- Technology
- Cost effective

Our Role as a Delegated Administrative Organization


The BCMB is a Delegated Administrative Organization (DAO) created through legislation to aid Alberta Environment and Parks (AEP) in achieving its desired outcomes. AEP provides authority to DAOs to carry out specified functions described in legislation, regulation or a memorandum of understanding. As a DAO, the BCMB functions as an arms-length, self-funded, legal entity.

The BCMB places specific emphasis on helping AEP and the Government of Alberta achieve its waste reduction and environmental stewardship goals through efforts to increase the return rate for beverage containers and to include as many containers as possible in the system. Our vision, outcomes and key strategies are aligned with those of AEP, allowing us to carry out our core business functions and regulatory role in a way that not only allows us to be successful but to also contribute to the Government of Alberta's strategic priorities and AEP's desired outcomes outlined in its 2018-2021 business plan.



"Strategic partnerships...provide collaborative forums to leverage resources, capacity and a shared responsibility for environmental stewardship...To ensure the sustainability of Alberta's air, land, water and biodiversity, all Albertans need to play a strong role."
– AEP 2018-2021 Business Plan

In its oversight role, the BCMB is focused on industry collaboration and awareness programs to enhance the public's knowledge about the importance of recycling and to provide Albertans with convenient access to depots to return their beverage containers for a refund. We understand the importance of balancing efforts to steward beverage containers in every community in Alberta with sustainable practices.



"Albertans wish to generate economic diversification through a green economy that improves human well-being and social equity, while significantly reducing environmental risks and ecological imbalances...The development of a green economy promotes the government's desire to sustain and advance economic, environmental and social well-being now and into the future."
– AEP 2018-2021 Business Plan
Outcome Two - Sustainable economic diversification

Board of Directors and Executive Team

"Our Board features members with a diverse range of experience and from many different industries and backgrounds. They each bring a unique perspective to the discussions we have and decisions we make, but all of them bring one common desire to the table – to ensure Alberta's beverage container recycling system is the best in the world." – Andrew Stephens, Chair

The BCMB's 16-member Board includes representation from a cross-section of stakeholders:

- 5 representatives of beverage manufacturers
- 5 representatives of Alberta depots
- 5 public representatives (environmental organizations, municipalities and interested citizens)
- 1 non-voting representative from the Government of Alberta

Board members each sit for three-year terms (with a maximum of three terms) and serve on board committees. Director appointments are reviewed annually, and new members and directors are appointed at the June board meeting each year.

The Board of Directors is supported by BCMB's Executive Team and their staff. The Executive Team is led by BCMB President Jeff Linton and oversees the regulatory functions of operations and compliance, product registrations, policy and finance.



Board of Directors

Left to right: Ivonne Martinez, Farid Remtulla, Cheryl McLaughlin, Owen Edmondson, Patricia McLeod, Jerry Roczowsky, Andrew Stephens (Chair), Brian Moore, Marilyn Martin, Nicholas Kissel (Treasurer), Anne Auriat, Trina Jones, Brenda Smith (Secretary), Thomas Marr-Laing
Missing: Kulwant Dhillon, Patrick Kane, Usman Valiante



Executive Team and Staff

Left to right: Jeff Linton (President), Brittany Ballas, Blaire Charlton-Gaalaas (Director, Policy), Jenn Budd, Dan White (Director, Operations), Ashley Banks, Laura Buchan, Michelle Winmill, Joy Michaud, Nathan Lyall, Brent Campbell, Melissa Malin, David Ludwig (Director, Finance), Michelle Manrique
Missing: Heather Banyard, Alyson Klatt

SUCCESS IN 2018

While reducing waste and protecting the environment may be the ultimate goals, success looks different for every business and organization involved in recycling in Alberta. As the regulator of our province's beverage container recycling system, the BCMB strives to ensure our system remains one of the most progressive, efficient and responsive in North America.



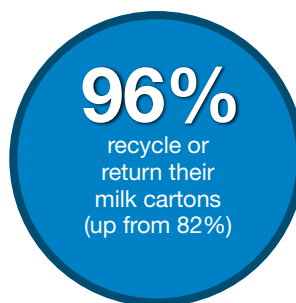
In 2018, we achieved success in a number of areas as we worked toward the desired outcomes in our Business Plan.

- Signed the first Collection System Agent (CSA) Operating Agreement with performance standards and compliance measures agreed to by the CSA (the Alberta Beverage Container Recycling Corporation) and the BCMB.
- Completed a comprehensive review and update of all BCMB bylaws and compliance frameworks which were effective February 1, 2019.
- Developed and passed a new bylaw for Collection Service Providers (CSP). The CSP By-law requires a service agreement with depots and an operating agreement with the BCMB. A Service Agreement with the Alberta Beer Container Corporation (Brewers Distributor Ltd.), the largest CSP, was signed in 2018 and effective February 1, 2019.
- Once again had the highest return rate of all provinces (86%) and the lowest net system cost per container as reported in “Who Pays What,” the biannual report on the performance of Canada’s beverage container recycling system (results in the 2018 report are based on 2016 data).
- Approved a new Handling Commission Review (HCR) process and bylaw, which provides interested parties the opportunity to extend HCRs to every seven years from every three years.
- Four new depots opened in Alberta: one in Saddle Lake, one in Springbank and two in Calgary – in East Hills and Point Trotter Industrial Park. One depot closed in Morley, bringing the total number of depots in Alberta to 221.

What Albertans Have to Say About Beverage Container Recycling

The most recent biannual survey of Albertans’ beverage container recycling habits, awareness and level of satisfaction with depots was conducted in February 2018. The BCMB also conducts a Depot Exit Interview survey each year. The survey location changes each year and in 2018 it covered 20 depots in Calgary, Lethbridge and surrounding areas. Results for both surveys can be found on our website at www.bcmb.ab.ca.

- 86% of Albertans believe recycling beverage containers is a significant or very significant benefit to the environment.
- Customers said the top three factors that would make them want to return to a depot are fast and efficient service, the location and the staff.
- The most important factor when deciding which depot to go to is the accuracy of the refundable deposit (73% view this as very important) and the second most important factor is convenience of the location (67% very important).
- 82% of customers indicated they are highly satisfied with their depot experience.
- 49% of customers are aware that depots in Alberta are regulated but 80% feel it is important or very important.
- 63% of those surveyed at depots remembered seeing the depot logo/brand.



CHAIR'S REPORT



Success for the BCMB and the system we regulate took many forms in 2018 as we tackled a number of large initiatives that are important to ensuring the BCMB is in the best position possible to manage beverage container recycling in the future.

We completed a three-year project to review our bylaws and policies for consistency, fairness and transparency. In November 2018, the Board of Directors adopted a new series of bylaws that took effect on February 1, 2019. In all but two cases, the new bylaws replace previous bylaws.

Another significant accomplishment in 2018 was the signing of the new Collection System Agent (CSA) Operating Agreement. This is the first agreement between the BCMB and the CSA, the Alberta Beverage Container Recycling Corporation (ABCRC) with performance standards and compliance measures agreed to by both organizations.

The Board also approved a new Handling Commission Review process that provides interested parties with the opportunity to extend Handling Commission Reviews from every three years to every seven years. This change, should it be utilized, will reduce review costs for the parties involved by 30-40% or an estimated \$800,000 a year. The BCMB will save approximately \$200,000 a year alone, and as an industry those savings will be an estimated \$2.4 million over four years.

Collaboration with our stakeholders is at the heart of everything the BCMB does and crucial to the success of our organization and the industry. I commend the ABCRC and the Alberta Bottle Depot Association (ABDA) for their work in helping to achieve the results we are seeing in our

province's beverage container recycling system. We also continue our collaboration with Alberta Recycling and the Recycling Council of Alberta.

In 2018, the BCMB welcomed two new Board members: Trina Jones from the Town of Legal, who is representing the Alberta Urban Municipalities Association, and Jerry Roczkowsky, President of the ABDA. Kulwant Dhillon's term was complete in 2018 and I want to thank him for his nine years of commitment and contributions to the BCMB and wish him well in his new role as Chair of the Board of Directors for the ABDA.

We are fortunate to have Directors with a wide range of expertise, all of whom are committed to a successful beverage container recycling system in Alberta. The work we do is supported by the BCMB's Executive Team and their staff who are also dedicated to ensuring the success of our organization and the system we oversee.

As I look back on our accomplishments in 2018 and to what lies ahead, I am pleased that the BCMB understands what success looks like and I am confident we have a model and approach to beverage container recycling that will guide Alberta's recycling efforts and maintain our reputation as a leader in managing beverage container recycling.

A handwritten signature in black ink that reads "Andrew Stephens". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

Andrew Stephens
Board Chair

PRESIDENT'S REPORT



While recycling and sustainability efforts have evolved and strengthened significantly around the world in recent years, 2018 was perhaps one of the most pivotal years to date for the recycling industry.

An agreement was reached in the European Union to reduce plastic products in the environment and to collect 90% of single-use plastic bottles with caps and lids by 2029. That move, along with China's ban on imports of plastics, is reshaping many industries like beverage container recycling and prompting a shift to Extended Producer Responsibility (EPR). In fact, the EU directive also requires its member states to have EPR schemes in place by 2021 and 30% recycled content in all plastic bottles by 2030.

Deposit return systems like Alberta's successful beverage container system are being acknowledged worldwide as the suggested method to recover and recycle manufactured products such as plastic containers. A well-regulated deposit return system that is supported by the public, innovation and stakeholder involvement are key factors in EPR systems and Alberta currently has all of those factors in its beverage container system.

We are achieving an 82.5% return rate on plastic beverage containers, which equates to over 665 million plastic containers being returned for recycling each year. Eighty-eight per cent of Albertans report they have returned

beverage containers to a depot for a refund of the deposit in the last six months and 82% say they are highly satisfied with the deposit return system and beverage container recycling in our province.

This level of success to date and our commitment to excellence will serve us well in future discussions and decisions on the recycling industry and what we need to do to progress even further in Alberta.

In 2018, the work of the BCMB continued to focus on moving our beverage container system forward in a way that will leverage the benefits EPR offers stakeholders and support a natural progression to EPR if we are asked to do so.

With new bylaws and associated compliance frameworks approved and effective February 1, 2019, a new agreement with our CSA with performance standards and compliance measures, a new bylaw for our CSPs, and a new Handling Commission Review process, the BCMB is well positioned to continue its role as the system regulator and implement whatever changes or enhancements are needed to ensure continued success.

A handwritten signature in black ink, appearing to read 'J. Linton', with a stylized flourish at the end.

Jeff Linton
President

PERFORMANCE REPORTING

The ultimate outcome of beverage container recycling is the minimization of waste through the reuse and recycling of beverage containers. Meaningful social and economic outcomes are also achieved through beverage container recycling.

The performance of the system has been broadly measured using the return rate as the key performance indicator. Other performance indicators (PIs) and certain performance measures (PMs) are used for internal management (auditing and improvement), external comparisons (benchmarking), and transparency (public reporting).



To increase consistency in performance reporting and to better align with Government of Alberta reporting standards, the BCMB has identified both performance indicators and performance measures in the 2018 Annual Report, as defined below. All measures will be adjusted accordingly in the 2020-2022 Business Plan and that format will be used with all future annual reports and business plans. This will include the removal of targets from all Pls. Progress on the targets currently stated in the 2018-2020 and 2019-2021 Business Plans will be reported in this annual report and the 2019 Annual Report for consistency and to complete the reporting cycle.

Performance measures track our progress toward achieving results that reflect the influence the BCMB has on Albertans' recycling behaviors, awareness, knowledge and attitudes. These measures can be attributed to the influence of our operation and our role as the system regulator. Relevant targets have been set for performance measures.

Performance indicators track our progress in achieving ultimate outcomes like environmental, social and economic sustainability. Performance indicators are highly influenced by numerous external factors, so performance targets are not set. However, results for three years are reported to provide a comparison and snapshot of progress on those indicators.

As noted earlier, what we have previously referred to as goals and objectives are now called outcomes and key strategies in keeping with language used in Government of Alberta business plans and annual reports.

The BCMB is continuing its work to develop new measures of progress related to our five outcomes and associated key strategies. It is anticipated that these new measures will be included in the 2020-2022 Business Plan.



OUTCOME 1 – Environmental Protection

The BCMB recognizes the importance of protecting and enhancing Alberta’s environment through sustainable practices. We will reduce the impact of beverage containers on the environment by minimizing the number of beverage containers discarded as litter, diverting beverage containers from the waste stream, enabling the reuse of containers, and protecting and ensuring the use of recycled container materials.

Key Strategy – Minimize Impact

Performance Indicator

RETURN RATE

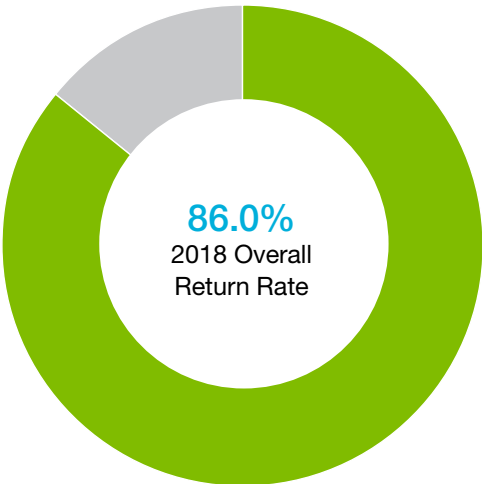
For the past several years, the efforts of the industry to improve awareness and recovery of used beverage containers has been focused on the poorer performing materials and depot location or the public’s access to a depot. The return rate is forecasted based on historical returns compared to sales and adjusted for the expansion in the network of depots over the course of the next 36 months.

2018 Results

- The overall return rate for 2018 was 86%, up 0.5% from 2017 and the 2018 target. The return rate continues to exceed the Government of Alberta’s 85% goal. A decline in sales the past few years has resulted in a decline in total volume but an increase in the return rate. The industry will continue to look for ways to protect this improved performance as the economy recovers.
- While the total number of containers returned to depots for a refund in 2018 (almost 2.02 billion) was consistent with returns in 2017, total container sales were down 0.55%. The slight increase in the return rate for 2018 could be attributed to consistent returns when sales were lower, as well as the economy (returns tend to be higher when the economy is not strong).

Overall Return Rate (%)

Number of containers returned through depots compared to sales reported by manufacturers for the same period.

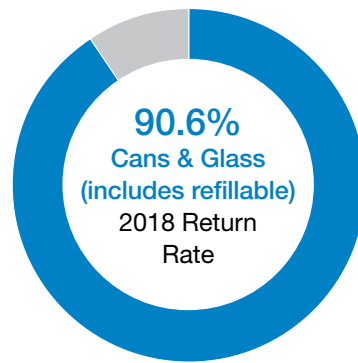


- Containers Returned 86.0%
- Containers Not Returned 14.0%

| | | |
|------|-------------------|-------|
| 2016 | <div></div> | 86.2% |
| 2017 | <div></div> | 85.5% |
| 2018 | <div></div> | 86.0% |
| 2018 | <div>TARGET</div> | 85.5% |

Performance Indicator

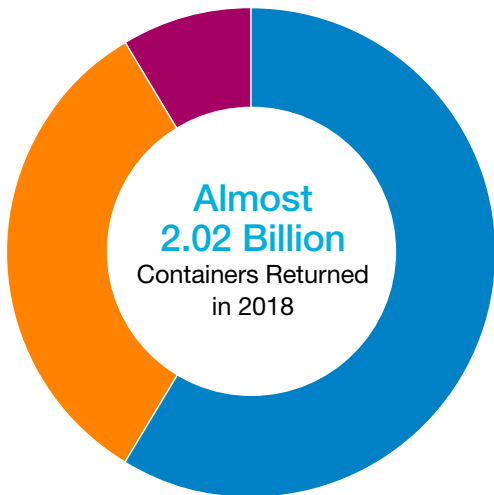
Return Rate by Container Type (%)



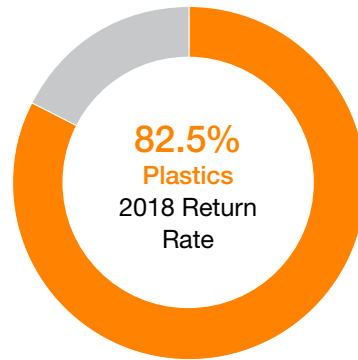
| | | |
|------|--------|-------|
| 2016 | | 91.8% |
| 2017 | | 90.3% |
| 2018 | | 90.6% |
| 2018 | TARGET | 90.0% |

■ Containers Returned **90.6%**
■ Containers Not Returned **9.4%**

Total Number of Containers Returned to Depots by Container Type (%)

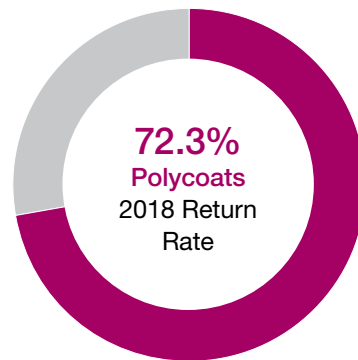


■ Cans & Glass (includes refillable) **58.7%**
■ Plastics **32.9%**
■ Polycoats **8.4%**



| | | |
|------|--------|-------|
| 2016 | | 81.0% |
| 2017 | | 81.9% |
| 2018 | | 82.5% |
| 2018 | TARGET | 81.4% |

■ Containers Returned **82.5%**
■ Containers Not Returned **17.5%**



| | | |
|------|--------|-------|
| 2016 | | 72.3% |
| 2017 | | 71.3% |
| 2018 | | 72.3% |
| 2018 | TARGET | 73.6% |

■ Containers Returned **72.3%**
■ Containers Not Returned **27.7%**

Key Strategy – Sustainability

| Performance Indicator | 2016 Actual | 2017 Actual | 2018 Actual | 2018 Target |
|---|---|---|------------------|--|
| Reporting of sustainability measures in annual report and business plan | 0.0112 tonnes CO ₂ e/tonnes freighted ¹ | 0.01086 tonnes CO ₂ e/tonnes freighted | n/a ² | New measures introduced and benchmarked in annual report |

¹ A total of 1,385.59 tonnes CO₂e was produced from identified and selective emissions sources and a standardized footprint of 0.0112 tonnes CO₂e/tonnes freighted was found. (Source: Beverage Container Management Board – Annual Carbon & Sustainability Report, Instep, October 24, 2016).

² Indicator no longer being used.

SUSTAINABILITY

In 2017, the BCMB developed a transportation-related measure of greenhouse gas (GHG) emissions as part of our consideration of sustainability reporting (based on 2016 data). The intent with the measure was to report tonnes CO₂e/tonnes freighted (carbon footprint).

However, the BCMB has determined that as the beverage container recycling system regulator, we have insufficient information to fully measure the GHG impact of the system. We have detailed knowledge of and information on the benefit of recycling the material streams we manage.

We also know, but have not fully measured, the benefits that beverage container recycling provides to litter control (ie., municipal costs, health care costs). For that reason and to not duplicate the sustainability reporting already done annually by the ABCRC, a decision was made to not move forward with reporting GHG emissions.

Instead, the BCMB is currently involved in a review of environmental, economic and social measures that may provide relevant metrics that we can use, beginning in the 2020-2022 Business Plan.

Key Strategy – Reduce Footprint

| Performance Indicators | 2016 Actual | 2017 Actual | 2018 Actual |
|------------------------|----------------|----------------|----------------|
| Distance per container | 1.41 metres | 1.35 metres | 1.45 metres |
| Landfill space saved | 469,086 tonnes | 465,593 tonnes | 451,435 tonnes |

DISTANCE PER CONTAINER

A comparison of the distance a container travels to end up in the landfill to the distance it travels to get recycled offers us a broad metric that incorporates several aspects of sustainability. Localized access to recycling services (or improved access/convenience) will reduce the distance required to recycle as will the use of local markets for salvage of materials. Conversely, if a landfill gets farther from the waste generator then that too will improve the performance of recycling on this measure with the ultimate goal of having the distance be a negative value. For example, making it more difficult to landfill containers, either through greater distance or lack of accessibility, and making it more convenient to recycle containers should increase the recycling rate.

For now, the measure is limited to the average distance a container travels from the depot to the processing plant: the total distance kilometers for all loads from depots, divided by the number of containers that made the trip.

2018 Results

- The distance per container has increased in part due to the declining return rate within the metro centres of Edmonton and Calgary.

LANDFILL SPACE SAVED

Used beverage containers are not typical of the municipal solid waste (MSW) stream when it comes to the space they occupy in a landfill. Materials such as plastic and aluminum have densities far less than the average MSW. This means that when a tonne of material that is lighter and fluffier than the rest of the waste stream is removed from that mix of waste, it can make room for more than the equivalent weight of the rest of the material needing to be landfilled. Our metric considers all materials included in our system, compared to the typical density of MSW.

2018 Results

- The amount of landfill space saved has decreased due in part to the lightweighting of containers and the migration by manufacturers from heavier containers such as glass to lighter containers such as aluminum.



OUTCOME 2 – Fiscal Stewardship

Key Strategy – Accountability

The BCMB is accountable to its stakeholders, the government and the public. To this end, the Executive Team works with the Board to develop and approve an annual operating budget and three-year business plan that are submitted to the Ministry of Environment and Parks on an annual basis. The Board undertakes a full review of all outcomes, key strategies and value statements every second year. The BCMB undergoes an external audit each year and the Board reviews and approves financial statements and applicable policies quarterly. Accountability measures also include the responsibility of the BCMB to identify and mitigate risk for the beverage container system in Alberta. As part of this accountability, BCMB senior management undertake quarterly risk reviews and maintain a risk register that is reviewed and updated by the Board on an annual basis.

2018 Results

- The BCMB's annual operating budget and 2019-2021 Business Plan were approved by the Board and provided to the Ministry of Environment and Parks in November 2018.
- The top 10 system risks were presented to the Board at its business planning session in September 2018.
- A one-day business planning session was held with the Board in September 2018. A strategic planning session is held biannually with the Board and industry stakeholders. The next one is scheduled in 2019.

Key Strategy – Reporting & Transparency

| Performance Indicators | 2016 Actual | 2017 Actual | 2018 Actual |
|---|-------------|-------------|-------------|
| Net System Cost | | | |
| Net System Cost Total of all costs and offsetting revenues in dollars per container | \$0.0315 | \$0.0280 | \$0.0263 |
| Net System Cost by Container Type Cans and glass | \$0.0207 | \$0.0154 | \$0.0140 |
| Plastics | \$0.0468 | \$0.0465 | \$0.0452 |
| Polycoats | \$0.0339 | \$0.0438 | \$0.0445 |

NET SYSTEM COST

The system is funded in three ways:

- Container Recycling Fee (CRF) paid by consumers at the point of purchase (which may be zero)
- unredeemed deposits forfeited by consumers who paid it at point of purchase and abandoned the container
- the salvage value of the materials recovered and recycled.

These three revenues are designed to pay for the system. The true net cost is the CRF since the other revenues are derived from the system's activities. Several factors are beyond the control of the system that make this metric a performance indicator rather than a measure such as the exchange rate and scrap value of materials, both of which can be volatile. This metric also must consider that as the return rate increases, funding provided by unredeemed deposits decreases. This means that the consumer must pay a higher CRF where the container is consumed in order to protect the environment.

2018 Results

- Alberta continues to have the lowest cost per container for consumers, as reported in "Who Pays What," the biannual report on the performance of Canada's beverage container recycling system (2018 report based on 2016 data; next report to be published in 2020).

| Performance Measures | 2016 Actual | 2017 Actual | 2018 Actual | 2018 Target |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Collection System Agent (CSA) Compliance | | | | |
| Payment Compliance The percent of all payments made to depots within the industry standard | 99.9% ³ | 99.9% ⁴ | 99.7% | 100% |
| Collection Compliance The number of reported loads not picked up from depots within the industry standard | 27 | 12 | 14 | 12 |
| Operating Compliance The inspection score based on agreed performance standards (Calgary/Edmonton) | 91% (Calgary) 90% (Edmonton) | 92% (Calgary) 93% (Edmonton) | 81% (Calgary) 85% (Edmonton) | 95% (Calgary) 95% (Edmonton) |

³ 2016 actual updated from 99% reported in 2018-2020 Business Plan.

⁴ Payment compliance and operating compliance (Calgary) revised slightly from numbers reported in the 2017 Annual Report.

COLLECTION SYSTEM AGENT (CSA) COMPLIANCE

The depot is required by regulation to refund the deposit value of containers when presented with them by the public. The CSA is also required by regulation to operate according to standards set by the industry for collection from and payment to depots. The standard set by the industry for payment is nine days.

The standard set by the industry for collection is determined based on the volume of the depot, the scheduling of appointments and adherence to that schedule by the carriers who act on behalf of the CSA. The number of reported loads not picked up from depots has increased since 2017 due to issues in the first two quarters of 2018 with the implementation of new software (known as NAV).

An Operating Agreement signed by the CSA commits them to performance standards regarding service to depots and operations. BCMB regularly inspects both Calgary and Edmonton CSA plants for adherence to these standards. This is a collaborative process that is intended to reduce risk and provide a feedback mechanism to the CSA in an effort to improve efficiency.

2018 Results

- In 2018, payment compliance was at 99.7% with 105 late payments on more than 33,000 loads due mainly to challenges created by the implementation of the new NAV software.
- The first CSA Operating Agreement with performance standards and compliance measures agreed to by the CSA (ABCRC) and the BCMB was signed.
- A new bylaw for Collection Service Providers was developed and approved by the Board of Directors. The CSP By-law requires a service agreement with depots and an operating agreement with the BCMB. The Service Agreement was effective February 1, 2019.



OUTCOME 3 – Governance Excellence

The BCMB is committed to effective oversight of all aspects of the life cycle of beverage containers in Alberta, from registration of new containers through to end of life. Through a management system framework, we will strive for a standard of excellence and ensure performance measures deliver outcomes consistent with this standard by all stakeholders.

Key Strategy – Compliance

| Performance Indicators | 2016 Actual | 2017 Actual | 2018 Actual | 2018 Target |
|---|-------------|-------------|-------------|-------------|
| Depot Compliance | | | | |
| Refund Compliance The % of audits conducted that were refunded within industry standard | 87% | 88% | 79% | 90% |
| The % of audits conducted that were refunded within the industry standard of excellence | 77% | 79% | 70% | 80% |
| Quality Compliance Shipments of containers from depots within industry standard | 90% | 91% | 87% | 90% |
| Inspection Compliance⁵ The % of depots scoring above the industry standard based on industry approved criteria | 87% | 80% | 76% | 95% |
| Average actual depot inspection score of the poorest performing depots (bottom 25%) | 74% | 87% | 90% | 85% |

⁵ The inspection compliance results for 2016 and 2017 changed from those reported in the 2018-2020 Business Plan due to the introduction of a new inspection form.

REFUND COMPLIANCE

Anonymous audits are conducted on depots to ensure consumers are receiving the correct refund value for the containers they return. A depot must return the refund to the auditor within +/- \$0.50 of the actual amount to be within industry standard. To achieve the industry standard of excellence a depot must refund an audit within +/- \$0.25 of the actual refund amount.

2018 Results

- 219 audits were performed in 2018 compared to 198 in 2017, an increase of about 10%.
- In 2017 and 2018, 177 depots were audited. There were 42 repeat audits at depots in 2018 compared to 21 in 2017, an increase of 50%. The increase was due mainly to the need for subsequent audits for lower performing depots.

QUALITY COMPLIANCE

The CSA audits approximately 30,000 or about 2% of the more than 1.5 million megabags shipped annually from depots. The results of these audits are reported to the BCMB to work with the depots when elevated variances occur (expected number of containers vs. actual count of containers in the bag). The performance indicator reflects the number of audits that are reported as outside of industry standard compared to whole loads shipped over the same period.

INSPECTION COMPLIANCE

To ensure a high degree of compliance to standards, depot inspections are conducted regularly throughout the province. Typically, more than 200 inspections are conducted each year that will include repeat inspections focused on the poorest 25% of performers based on previous inspections. The desired outcome of these inspections is to respond to consumer feedback and realize a continuously improving network of accessible and safe service points. Scoring is based on several metrics with an industry standard score of 95% or higher.

2018 Results

- Average inspection scores across the depot network dipped slightly in 2018, largely due to the focus placed on depots that had been performing lower than the industry standard of 95%. In 2018, 76% of depots scored above the standard.
- The 5% increase in the average inspection score for poor performing depots in 2018 can be attributed to the improvement of the bottom 25% of the depot network.

| Performance Measures | 2016 Actual | 2017 Actual | 2018 Actual | 2018 Target |
|--|-------------|-------------|-------------|-------------|
| Depot Compliance | | | | |
| UCA Filing Compliance The % of depots that filed required financial documents to the Data Collection Agent | 99% | 100% | 99% | 100% |
| Manufacturer Compliance | | | | |
| Sales Verification The % of all container sales remitted to CSA and verified by manufacturers for prior year | 99.8% | 99.2% | 98.7% | 100% |

UCA FILING COMPLIANCE

Depots are paid a handling commission for each container handled and shipped properly to the manufacturer or their agent. These handling commissions are set by a utility-like process that depends on depots reporting their costs annually using a Uniform Code of Accounts (UCA). The Board has set criteria for the remittance of this information much like the process for reporting taxes that includes such information as that reported to the CRA, WCB or Employment Standards. Depots must report annually within six months of their year end to an independent body hired to manage and report on this information as part of the process used to set handling commissions.

2018 Results

- Enhanced focus on depot UCA filing compliance over the past two years has resulted in an almost 100% compliance rate. The BCMB will work to maintain this compliance rate over the next 36 months.

SALES VERIFICATION

In the same way depots are required to submit a UCA annually to verify their costs, manufacturers are required to verify their total sales for the prior year within six months of year end. This ensures an accurate accounting of sales across sales periods and sales jurisdictions and is an important accountability step for the CSA. It also informs different calculations such as the Container Recycling Fee and the return rate by material stream.

2018 Results

- CSA performance in this area continues to be excellent, with a reported compliance rate of 98.7% in 2018. The BCMB will work to maintain this compliance rate over the next 36 months.

Key Strategy – Integration, Alignment & Communication

| Performance Measure | 2016 Actual | 2017 Actual | 2018 Actual | 2018 Target |
|---|--|--|---|---|
| Review, mapping and alignment of by-laws, policies and SOPs | Development of framework for bylaws and compliance structure began | Development of by-laws, policies, compliance structure continued | Bylaws, policies, compliance structure complete | Bylaws, policies, compliance structure complete |

BYLAW ALIGNMENT

Over a three-year period from 2016 to 2018, the BCMB developed a framework to identify bylaws, policies, compliance and processes within the BCMB. The goal was to align all functions and create consistency, transparency and increased compliance in the industry.

2018 Results

- In November 2018, the BCMB approved a new bylaw structure, amalgamating 13 bylaws into six bylaws and introducing compliance frameworks for depots, manufacturers and retailers.
- In 2018, the BCMB completed the transition of its website from focusing on providing public information on the beverage container recycling industry to a regulatory communication tool for its stakeholders (that is still public facing). This followed the development of an industry website for public use, launched in 2016 (partnership between ABCRC, ABDA and BCMB).



OUTCOME 4 – Customer Excellence

The BCMB understands the importance that continuous improvement has relative to customer satisfaction and the achievement of our other desired outcomes. We will have clear expectations of high levels of quality assurance for all stakeholders involved, in all areas of service delivery, and will hold ourselves accountable to those expectations.

Key Strategy – Satisfies/Quality

| Performance Indicators | 2016 Actual | 2017 Actual | 2018 Actual |
|--|--|--|--|
| Public Satisfaction | | | |
| Participation | 89% | 88% | 88% |
| Average travel time to a depot | <ul style="list-style-type: none"> • 49% < 10 min. • 35% = 11-20 min. | <ul style="list-style-type: none"> • 52% < 10 min. • 35% = 11-20 min. | <ul style="list-style-type: none"> • 52% < 10 min. • 35% = 11-20 min. |
| Customer Satisfaction | | | |
| Overall satisfaction rated as very satisfied | 82% | 86% | 82% |
| Average time spent in a depot | 8.7 min. | 9.2 mins | 10.1 mins |
| Depot Satisfaction | | | |
| The BCMB conducts an annual survey of depot operators both online and in person. | | | |
| Depot overall satisfaction with the CSA | 91% (50% were highly satisfied) | 98% ⁶ (52% were highly satisfied) | 87% (43% were highly satisfied) |

⁶The 2017 Actual is as reported in the 2017 Annual Report and updated from the result reported incorrectly in the 2018-2020 Business Plan.

PUBLIC SATISFACTION

The BCMB assesses public satisfaction through a biannual survey conducted by Ipsos Reid. The survey targets approximately 1000 Albertans and provides data based on a representative sample of Albertans aged 18 and older. The survey was conducted in January 2018 with 1,006 online interviews being completed and will be conducted again in January 2020.

2018 Results

- 88% of Albertans are satisfied with the convenience of their depot location and 86% with the hours.
- 85% of those surveyed are satisfied that the refundable deposit they get back is accurate.

CUSTOMER SATISFACTION

The BCMB assesses depot customer satisfaction through our annual Depot Exit Interviews. Customers are surveyed as they are leaving a depot after returning beverage containers. In 2017, the surveys captured 1,180 Albertans in Edmonton and area. In 2018, the surveys captured 1,212 Albertans in the Calgary and Lethbridge areas. The BCMB will continue to survey depot customers around the province.

2018 Results

- The 2018 Depot Exit Interviews found overall customer satisfaction remains high at 82%. It was at the same level in 2016 when the survey was done in the same part of the province (south). The 2017 result from the northern part of the province was higher at 86%.
- Surveyed customers were highly satisfied with their overall experience at the depot, as well as their time spent in depots. They were most satisfied with the close location of the depot, followed by fast and efficient service, and friendly staff.

DEPOT SATISFACTION

The annual Depot Satisfaction Survey measures the performance of the Collection System Agent (Alberta Beverage Container Recycling Corporation), the Collection Service Provider (Brewers Distributor Limited), the regulator (Beverage Container Management Board) and the Alberta Bottle Depot Association. The survey is conducted annually to evaluate industry partners on a fiscal year cycle and provide ABCRC, BCMB, ABDA and Brewers Distributor Ltd. with an appropriate timeline for action plans.

2018 Results

- Overall satisfaction with the ABCRC dipped in 2018 with fewer depots highly satisfied and a significant increase in the low satisfaction rating. This was expected due to the challenges with the NAV software rollout. However, improvements were noted in the timeliness of communication and the communication of payment adjustments.
- The BCMB had improvements in all assessed areas, particularly response times, the Quality Control Compliance process (formerly Progressive Action Policy) and the permit renewal process.

Key Strategy – Awareness

| Performance Indicators | 2016 Actual | 2017 Actual ⁷ | 2018 Actual | 2018 Target |
|--|-------------|--------------------------|-------------|-------------|
| Public Awareness | | | | |
| Individuals aware of the deposit refund program | 97% | 98% | 98% | 97% |
| Individuals who believe that recycling beverage containers has a significant impact on the environment | 72% | 67% | 67% | 75% |
| Individuals aware of the deposit amount | 50% | 52% | 52% | 55% |
| Customer Awareness | | | | |
| Individuals aware of the industry brand | 68% | 61% | 63% | 70% |

⁷ 2017 actuals are updated from the 2018-2020 Business Plan as the IPSOS survey was conducted after the business plan was finalized.

PUBLIC AWARENESS

Captured through the biannual Ipsos Reid survey, 98% of Albertans are aware that they can return beverage containers to a depot for recycling and a refund; however, only 52% are aware of the actual refund amount for containers based on their size (10 cents for containers 1 L and under and 25 cents for containers over 1 L). The BCMB hopes to maintain a 98% awareness of the deposit refund program in Alberta. Through marketing initiatives, education, the industry website and other communication activities, the industry continues to target regular increases in awareness surrounding deposit values and the environmental benefits of recycling beverage containers.

2018 Results

- 67% of Albertans surveyed believe that beverage container recycling has a significant impact on the environment.
- 97% of Albertans are aware of some benefit to the environment through recycling beverage containers.
- Those surveyed ranked the environmental importance of recycling beverage containers as second only to ensuring toxins are not poured down the drain to protect our water systems.
- Although only 49% of Albertans are aware that the beverage container industry is regulated, 80% indicated that regulation is important or very important to them.

CUSTOMER AWARENESS

In 2015, the CSA, the entity in the Alberta system in charge of marketing initiatives, employed a new marketing strategy focused solely on branding the DEPOT logo. The decrease in branding awareness from 2016 to 2017 may be attributed to regional difference as the 2016 surveys were completed in southern Alberta and the 2017 surveys were completed in and around the Edmonton area.

2018 Results

- Branding awareness increased from 61% in 2017 to 63% in 2018. The BCMB will continue to promote the DEPOT brand and logo in an effort to reach targeted increases in brand awareness.
- The BCMB partnered with two other Delegated Administrative Organizations – the Alberta Used Oil Management Association and Alberta Recycling – on a digital marketing campaign during Environment Week (June 2018). The goal was to create awareness and direct people to the three websites from the campaign website, both of which were accomplished:
 - Campaign website – 4,900 sessions; 682 clicked through to DAO websites (find a depot/recycling centre/ collection site);
 - Search click through rate was 6.57% (above average);
 - Over 5.8 million impressions (number of times people have the opportunity to see the advertising, whether they click on it or not); and
 - An Eweek challenge on Instagram had about 130 followers.

Key Strategy – Accessible

| Performance Measures | 2016 Actual | 2017 Actual | 2018 Actual | 2018 Target |
|--|-------------|-------------|-------------|-------------|
| Number of universal depots in Alberta ⁸ | 217 | 218 | 221 | 224 |
| Number of permits in development | 10 | 8 | 6 | 7 |

⁸ Revised development schedules and municipal requirements that are out of the BCMB's control make it difficult to set targets, resulting in adjustments to the targets reported in the 2018-2020 and 2019-2021 business plans.

ACCESSIBILITY TO DEPOTS

A primary objective of the BCMB is to ensure an accessible beverage container system through the maintenance of current infrastructure and through targeted expansion. New locations are developed based on anticipated population increases in areas of growth and in time with that growth. New permits also target technological advancement and best practices to further enhance customer satisfaction.

2018 Results

- One depot closed in Morley and four new depots opened in 2018: one in Saddle Lake, one in Springbank and two in Calgary – in East Hills and Point Trotter Industrial Park. That brought the total number of depots in Alberta to 221 at the end of 2018.



OUTCOME 5 – System Efficiency and Effectiveness

The BCMB is dedicated to finding ways of increasing system efficiency and effectiveness, and reducing costs. The system will be enhanced through the encouragement and facilitation of innovation and adaptation among its stakeholders, and research technology available to support this outcome.

Key Strategy – Innovation

| Performance Indicators ⁹ | 2016 Actual | 2017 Actual | 2018 Actual |
|---|-------------|-----------------|-------------|
| Seedbed Activity | | | |
| Depot pilot project participants | 21 | 0 ¹⁰ | 3 |
| Investment in Technology (return on investment >1 demonstrated) | | | |
| Anker Andersen sorting technology ¹¹ | ✓ | ✓ | ✓ |
| Tomra sorting technology | | | ✓ |
| Point of Return software | ✓ | ✓ | ✓ |
| In-depot compaction | ✓ | ✓ | ✓ |
| Beverage container registration database | | ✓ | ✓ |
| Collection System Agent enterprise resource software | | ✓ | ✓ |
| Mobile compaction | ✓ | | |

⁹ These are mainly information-based indicators. Where possible, indicators of modernization and system advancement are noted.

¹⁰ The 2017 Actual is as reported in the 2017 Annual Report and updated from the result reported incorrectly in the 2018-2020 Business Plan.

¹¹ While individual manufacturers were identified in the 2018-2020 Business Plan, technology will be reported more generically going forward (i.e. sorting technology).

SEEDBED ACTIVITY

The BCMB values innovation and new technology that has a positive effect on system efficiency and effectiveness. The industry works collaboratively to assess needs and opportunities. From these assessments, pilot projects may be developed to measure the effectiveness of different technologies or innovative improvements. All stakeholders are able to make independent decisions about the technology they choose to invest in. The industry supports the advancement of technology when there is a reasonable prospect that the investment will provide a positive return to the operator and or the system or in some cases, when warranted, the BCMB mandates it. Varying levels of automation are employed in the industry. These are a few examples of large-scale applications that have been or are expected to be part of a pilot.

2018 Results

- Investment in technology was focused on system improvements in 2018 that did not include a pilot phase at the depot level.

INVESTMENT IN TECHNOLOGY

Automated sorting equipment was evaluated in 2012 and 2013 through a pilot project at two depots. The sorting equipment is designed to replace manual labor at the depot, improving the efficiency and accuracy of sorting containers. The pilot found that over time, the return from manual labour cost savings exceeded the investment costs of acquiring and maintaining the Anker Andersen automated sorting equipment. The return from manual labor cost savings through use of the equipment increases when there is a higher hourly wage paid to staff as well as with a larger number of containers sorted annually at the depot.

Point of Return (POR) software is distributed and supported by several independent vendors and all have generally demonstrated improved efficiency in several areas of depot operations and in improved customer satisfaction. It remains mandatory that all new depots and those handling more than 10 million containers annually use a POR.

The online Beverage Container Registration database lists over 160,000 products that are registered in Alberta including information regarding the brand, flavour, size, material and UPC. The BCMB continues to populate the database with images for all registered products in Alberta. There are currently over 13,000 images in the system. An unregistered beverage container product list has been added to the database as well. These unregistered beverage containers are brought to depots by customers and identified to the BCMB by depots through the Quality Monitoring System (QMS). The BCMB uses this information to work with the manufacturers selling these products in Alberta to register their containers. This new feature assists depots in identifying containers/products that will not be registered in Alberta and should not be accepted at a depot, as well as those that will be registered (but are not currently).

The Collection System Agent, the Alberta Beverage Container Recycling Corporation, is upgrading their current enterprise resource software. This will create greater efficiency within the industry while offering enhanced reporting and integration with industry technology initiatives such as electronic R-Bill reporting and the QMS.

2018 Results

- Tomra sorting technology has been recently installed in Alberta. Although testing and evaluation is not yet complete, early indications are that it demonstrates similar benefits to the Anker Andersen technology.
- ABCRC rolled out new enterprise resource software (NAV) in 2018. There have been challenges with the new system that are being addressed. Many of the reports previously provided to the industry – depots and partners – were not available through the software initially and had to be prepared manually until they were developed. This required dedicated manpower that was not readily available.

Key Strategy – Technology

| Performance Measures | 2016 Actual | 2017 Actual | 2018 Actual | 2018 Target |
|--|-------------|-------------|-------------|-----------------------------|
| Depots utilizing eR-bill reporting | 33% | 45% | 55% | 55% |
| Percentage of reporting that uses eR-bill | 49% | 59% | 69% | 75% |
| Depots utilizing Quality Monitoring System (QMS) | 75% | 79% | 81.5% | No target set ¹² |

¹² The BCMB is targetting 85% for 2020 with the planned introduction of a QMS app.

ELECTRONIC R-BILL REPORTING (eR-BILL)

Utilizing electronic methods to compute and report shipments of containers from depots significantly reduces the number of errors on R-bills and the time required to process shipments at both ends. To encourage innovation and continuous improvement, the BCMB is working towards increasing eR-bill reporting at the depot level.

2018 Results

- In 2018, 55% of depots reported using eR-bills, which represents 69% of all R-bill reporting.

QUALITY MONITORING SYSTEM (QMS)

The QMS is an online database used to report, track and resolve operational issues in the industry. Depots, the BCMB, the CSA and CSPs are required to use the QMS. It was first introduced to the network in 2014. For the purposes of the performance measure, depot utilization of the QMS is considered to be those depots that have either submitted a ticket to address a concern and/or those depots that have responded to a ticket submitted to them by another industry partner. The QMS captures hundreds of tickets per month. The data is benchmarked and trending is identified to address issues or successes in the industry.

2018 Results

- The number of depots submitting or responding to a ticket through the QMS in 2018 increased to 81.5%. Although increased comfort with and use of the QMS is indicative of a successful program, a decrease in submitted tickets and use could reflect fewer issues in the industry. An increase in overall use may be a result of new topics and/or issues being introduced into the QMS.

Key Strategy – Cost Effectiveness

| Performance Indicators | 2012 | 2014 | 2016 | 2018 |
|--|------|------|------|------|
| Net cost for the recycling consumer in cents per container ¹³ | 2.06 | 1.26 | 1.80 | 2.40 |
| Ranking of comparable deposit jurisdictions | 1 | 1 | 1 | 1 |

¹³ All net cost values are based on data from two years previous (i.e. 2018 value is based on data from 2016).

RECYCLING CONSUMER

Consumers can be categorized into two groups: those who recycle their beverage containers and those who do not. Both groups pay the deposit and fee associated with the purchase of the container, but the consumer who does not recycle also funds the system through their contribution of the deposit. The system further benefits from the salvage value of the material recovered from the recycling consumer. This number is affected by several factors including the salvage value of the material and the exchange rate of the country of destination of that material. This cost is paid in the form of a Container Recycling Fee that is added at point of purchase and can range from 0 cents to more than 10 cents depending on the material stream.

2018 Results

- In 2016, the recycling consumer paid on average 2.4 cents for each container to fund the system¹⁴. The 2018 *Who Pays What* report was published in October 2018 and is based on 2016 data. The next report in 2020 will use 2018 data.

RANKING

Comparable deposit programs exist in British Columbia, Saskatchewan, New Brunswick, Northwest Territories and Nova Scotia. CM Consulting compared the net cost of our system against other provinces. Alberta ranked first in cost per container paid by the recycling consumer, having the lowest system costs among comparable systems. Alberta ranked fifth out of six jurisdictions when comparing the cost to the “wasting consumer” in the same report.

¹⁴ Who Pays What: An Analysis of Beverage Container Collection and Costs in Canada, 2018, CM Consulting.

| Performance Indicator | 2008 | 2010 | 2013 | 2015 | 2016 | 2018 |
|--|------|------|------|------|------|------------------------|
| Labour seconds per container at depots ¹⁵ | 5.30 | 5.25 | 5.13 | 4.91 | 4.77 | To be reported in 2019 |

¹⁵ Results have been updated for all years to correct errors in reporting in the 2018-2020 Business Plan and 2017 Annual Report. Results are based on the year the data was collected, not the year the report is published. The next report will be published in 2019 and provide data for the year ending 2018.

LABOUR EFFICIENCY

Labour is a significant cost to the system. One of the ways that the system has become more efficient is through the handling of large numbers of containers. As technology is introduced and best practices are applied, the system has benefitted from reduced overall labour. Reporting on the number of seconds per container (total number of labour hours, reported on depot Uniform Code of Accounts, divided by total number of containers that labour handled), progress towards efficiency can be tracked by isolating it from the cost of that labour which has increased over the same period. The most dramatic improvements have been realized recently with the introduction of technological aids to labour within the depot processes.

2018 Results

- The next data for labour seconds per container at depots will not be available until 2019 (2018 data) due to the Handling Commission Review cycle.

FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT



To the Directors of Beverage Container Management Board

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Beverage Container Management Board (the Organization) as at December 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Organization's financial statements comprise:

- the balance sheet as at December 31, 2018;
- the statement of changes in net assets for the year then ended;
- the statement of revenues and expenditures for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

INDEPENDENT AUDITOR'S REPORT



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Edmonton, Alberta

April 24, 2019


BALANCE SHEET


As at December 31, 2018

| | 2018 | 2017 |
|---|--------------|--------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 1,188,236 | \$ 1,275,490 |
| Accounts receivable | 57,375 | 72,910 |
| Prepaid expenses | 22,325 | 14,330 |
| | 1,267,936 | 1,362,730 |
| Investment | 714,442 | 601,368 |
| Restricted cash (note 8) | 1,297,325 | 1,434,417 |
| Property and equipment (note 3) | 86,937 | 47,621 |
| | 3,366,640 | 3,446,136 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 9) | 170,419 | 167,431 |
| Deposits | 125,000 | 175,000 |
| | 295,419 | 342,431 |
| Net Assets | | |
| Unrestricted | 1,773,896 | 1,669,288 |
| Restricted (note 7) | 1,297,325 | 1,434,417 |
| | 3,071,221 | 3,103,705 |
| | 3,366,640 | 3,446,136 |

Commitments (note 4)

Approved by the Board of Directors

Director 

Director 

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 2018

| | 2018 | | | 2017 |
|--|--------------|--------------|--------------|--------------|
| | Restricted | Unrestricted | Total | Total |
| Balance – Beginning of year | \$ 1,434,417 | \$ 1,669,288 | \$ 3,103,705 | \$ 2,879,566 |
| Transfer (note 7) | (156,125) | 156,125 | – | – |
| Excess of revenues over expenditures (expenditures over revenues) for the year | 19,033 | (51,517) | (32,484) | 224,139 |
| Balance – End of year | 1,297,325 | 1,773,896 | 3,071,221 | 3,103,705 |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES AND EXPENDITURES

For the year ended December 31, 2018

| | 2018 | | 2017 |
|---|--------------------|---------------|---------------|
| | Actual | Budget | Actual |
| | (Unaudited) | | |
| Revenues | | | |
| Container fees | \$ 2,629,025 | \$ 2,618,699 | \$ 2,622,452 |
| Permit fees | 45,300 | 49,600 | 82,800 |
| Compliance fees | 8,440 | 25,400 | 4,488 |
| Product registration fees | 112,170 | 92,400 | 90,850 |
| Interest and other | 54,122 | 26,298 | 41,272 |
| | 2,849,057 | 2,812,397 | 2,841,862 |
| Operating expenditures | | | |
| Salaries and benefits | 1,404,126 | 1,427,730 | 1,351,824 |
| Professional fees | 778,398 | 670,990 | 315,313 |
| Office | 163,480 | 181,716 | 172,212 |
| Board of Directors' honoraria and expenses (note 5) | 109,662 | 247,406 | 117,480 |
| Communications | 108,715 | 110,080 | 91,887 |
| Information system maintenance | 87,497 | 93,035 | 77,768 |
| Meetings | 71,413 | 68,881 | 105,255 |
| Travel | 53,392 | 78,620 | 43,419 |
| Training and development | 50,561 | 96,500 | 33,598 |
| Depreciation | 34,216 | 42,275 | 20,157 |
| Insurance and licences | 15,283 | 15,000 | 12,773 |
| Miscellaneous | 3,756 | – | 5,343 |
| Bad debts | 1,042 | – | 6,831 |
| | 2,881,541 | 3,032,233 | 2,353,860 |
| Project expenditures | – | 45,000 | 263,863 |
| Excess of (expenditures over revenues) revenues over expenditures for the year | (32,484) | (264,836) | 224,139 |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

| | 2018 | 2017 |
|--|-------------|------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess of (expenditures over revenues) revenues over expenditures for the year | \$ (32,484) | \$ 224,139 |
| Item not affecting cash | | |
| Depreciation | 34,216 | 20,157 |
| | 1,732 | 244,296 |
| Net change in non-cash working capital items | (39,472) | (149,501) |
| | (37,740) | 94,795 |
| Investing activities | | |
| Purchase of property and equipment | (73,532) | (33,046) |
| Increase in investment | (113,074) | (308,499) |
| Decrease in restricted cash | 137,092 | 107,018 |
| | (49,514) | (234,527) |
| Decrease in cash during the year | (87,254) | (139,732) |
| Cash – Beginning of year | 1,275,490 | 1,415,222 |
| Cash – End of year | 1,188,236 | 1,275,490 |
| Supplementary information | | |
| Interest received | 50,462 | 43,788 |

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

1 Nature of operations

The Beverage Container Management Board (the Board) was incorporated under the Societies Act of the Province of Alberta on October 9, 1997. As a not-for-profit organization, no provision for corporate income taxes has been provided in these financial statements, pursuant to Section 149(1)(l) of the Income Tax Act. Pursuant to the Beverage Container Recycling Regulation, Alberta Regulation 101/97, the Board has been delegated responsibility to administer the regulation and supervision of the beverage container management system in the Province of Alberta.

2 Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for non-profit organizations. Because the precise determination of many assets, liabilities, revenues and expenses is dependent on future events, the preparation of financial statements for a period necessarily includes the use of estimates and approximations, which have been made using careful judgment. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

REVENUE RECOGNITION

Container fees represent a levy charged for each registered beverage container recycled in the Province of Alberta and are recorded when the Board receives a notice or agency statement from the Alberta Beverage Container Recycling Corporation (ABCRC) or Brewers Distributor Ltd. (BDL) acknowledging collection of the containers. Product registration and permitting and compliance fees are recorded as the related service is performed.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation on these assets is provided for using the straight-line method as follows:

| | |
|------------------------------------|----------|
| Office equipment | 5 years |
| Leasehold improvements | 10 years |
| Computer equipment and accessories | 3 years |
| Furniture and fixtures | 5 years |

INVESTMENTS

Investments are recorded at fair value with any changes in fair value recorded in the statement of revenues and expenditures. As at December 31, 2018, the investments consisted of guaranteed investment certificates that mature in 2019 and earn interest between 1.49% and 2.17% (2017 – guaranteed investment certificates that mature in 2018 and earn interest between 1.35% and 1.60%).

FINANCIAL INSTRUMENTS

The Board records cash, restricted cash, accounts receivable and accounts payable and accrued liabilities at amortized cost. Investments are recorded at fair value. Any changes in value are recorded in the statement of revenues and expenditures.

Financial assets are tested for impairment at the end of each reporting period when there are indications the assets may be impaired.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

3 Property and equipment

| | 2018 | | | 2017 |
|------------------------------------|----------|--------------------------|----------|--------|
| | Cost | Accumulated depreciation | Net | Net |
| Office equipment | \$ 5,151 | \$ 3,452 | \$ 1,699 | \$ 506 |
| Leasehold improvements | 67,631 | 19,459 | 48,172 | 15,073 |
| Computer equipment and accessories | 64,984 | 42,643 | 22,341 | 28,403 |
| Furniture and fixtures | 35,459 | 20,734 | 14,725 | 3,639 |
| | 173,225 | 86,288 | 86,937 | 47,621 |

4 Commitments

Under the terms of operating lease agreements, the Board is required to make the following annual payments:

| | |
|------|-----------|
| 2019 | \$ 69,339 |
| 2020 | 68,706 |
| 2021 | 62,787 |

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

5 Board member and management remuneration

The Board has expensed honoraria, if claimed, which includes training and travel time, but not travel or other expenses, paid to its Directors and President as follows:

| | 2018 | 2017 |
|---|-----------|-----------|
| Board Chairperson | | |
| Mr. A. Stephens (a, c, g, h) | \$ 21,500 | \$ 23,425 |
| Board Members | | |
| Ms. B. Smith (c) | 4,200 | 5,250 |
| Mr. T. Marr-Laing (c, h) | 6,930 | 7,245 |
| Ms. M. Martin, Chair – Compliance Committee (c, h) | 9,275 | 9,511 |
| Ms. E. Noel Bentley | – | 3,045 |
| Mr. K. Dhillon, Chair – Governance and Compensation Committee (g) | 1,225 | 7,420 |
| Mr. K. Dossa | – | 1,505 |
| Mr. P. Kane | – | – |
| Ms. P. McLeod, Chair – Governance and Compensation Committee (g) | 8,417 | 5,810 |
| Ms. A. Auriat (a) | 3,220 | 4,095 |
| Mr. A. Chabot | – | 525 |
| Mr. O. Edmondson, Chair – Handling Commission Review Committee (a, h) | 6,160 | 3,640 |
| Mr. F. Remtulla (a, h) | 9,678 | 4,165 |
| Ms. T. Jones | 2,415 | – |
| Mr. J. Roczowsky (g) | 1,575 | – |
| Ms. C. McLaughlin (c, g) | – | – |
| Mr. U. Valiante (c, h) | – | – |
| Mr. N. Kissel, Chair – Audit Committee (a) | – | – |
| Mr. B. Moore (a) | – | – |
| Ms. I. Martinez (g) | – | – |
| | 74,595 | 75,636 |
| The President was paid the following gross compensation: | | |
| President | 202,084 | 216,253 |
| | 276,679 | 291,889 |

Member of Audit Committee (a)

Member of Compliance Committee (c)

Member of Governance and Compensation Committee (g)

Member of Handling Commission Review Committee (h)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

5 Board member and management remuneration – continued

The following table summarizes the Board of Directors' honoraria and expense amounts:

| | 2018 | 2017 |
|---|-----------|-----------|
| Honoraria paid (not including training) | \$ 70,370 | \$ 75,636 |
| Canada pension plan benefits | 2,898 | 2,987 |
| Travel | 34,759 | 36,350 |
| Directors' meals | 1,635 | 2,507 |
| | 109,662 | 117,480 |

In the year, the Board of Directors also received honoraria for training and development with a cost of \$4,225 (2017 – \$nil).

In 2018 and 2017, the travel expense amount was reimbursed directly to the Board of Directors.

6 Budget amounts

The budget amounts have been presented for information purposes and have not been audited.

7 Internally restricted surplus

The Board of Directors has established a reserve fund to cover the costs of winding up the Board's programs, should the Board of Directors decide this to be necessary. During the year, \$156,125 was transferred from restricted to unrestricted surplus (2017 – \$128,784 was transferred from restricted to unrestricted surplus). This transfer, along with income earned of \$19,033 (2017 – \$21,766), brings the balance of restricted surplus to \$1,297,325 (2017 – \$1,434,417), which is management's estimate of the costs to wind up the Board.

8 Restricted cash

Restricted cash is comprised of guaranteed investment certificates in the amount of \$1,138,736 (2017 – \$1,269,704) maturing in 2019 as well as \$158,589 (2017 – \$164,713) allocated from the operating cash account. This cash has been restricted and includes amounts related to the internally restricted surplus of \$1,297,325 (2017 – \$1,434,417) (note 7).

9 Government remittances

Government remittances consist of amounts such as sales taxes required to be paid to government authorities and are recognized when the amounts come due. In respect of government remittances, \$14,472 (2017 – \$13,598) is included in accounts payable and accrued liabilities.

10 Financial instruments

CREDIT RISK

The Board's exposure to credit risk is indicated by the carrying value of its accounts receivable. The Board's receivables are from long-standing organizations and management believes the credit risk to be low.

FAIR VALUES

The carrying value of cash and restricted cash, accounts receivable and accounts payable and accrued liabilities approximates their fair values due to the relatively short-term maturities or nature of these instruments.

11 Comparative balances

Certain balances have been reclassified to conform to the current year's presentation.



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