

#### Stakeholder Review Surveyed manufacturers and depots on which **Board Governance** products should and Reduced the size of the should not be part of Board of Directors from the beverage container 16 members to 13 to recycling system. improve the efficiency and effectiveness of board governance and reduce costs. In 2019, we focused on key initiatives and changes that are allowing us to successfully achieve those identified areas of improvement and position the industry to be able Handling to manage the future of recycling in Alberta. **Commission Review** Started the Handling Compliance Commission Review Continued to improve process to determine the depot compliance Registration the amount paid to depots and inspection processes. **Portal Update** for each type of beverage This included the Updated the Beverage container collected. implementation of a Container Registration pilot for self-inspections Portal to accommodate for high performing depots the future transition of and a shift in focus to alcohol and cannabis helping any depots not registration from the operating at acceptable Alberta Gaming, Liquor standards better meet and Cannabis Commission those standards. (AGLC) to the BCMB.



## Letter to the Minister

June 17, 2020

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 (BCMB), I am pleased to present our Annual Report for the fiscal year ended December 31, 2019, in accordance with Section 5 of the Beverage Container Recycling Regulation (Alta. Reg. 101/1997 as amended).

As you will read in the report, the success of Alberta's beverage container recycling system can be attributed to strong partnerships, innovation and a willingness and ability to adapt to global trends in recycling. Albertans return about two billion beverage containers to depots each year for a refund and our return rate continues to sit above the Government of Alberta goal of 85% (85.3% for 2019).

The Directors and staff of the BCMB appreciate the ongoing support we receive from you and department staff in our role as regulator for Alberta's beverage container recycling industry. This support has been particularly important as we collaborate with all of our stakeholders to manage the implications of the COVID-19 pandemic on Alberta's beverage container system. We will continue to work together to address the challenges brought by a global pandemic while still ensuring a safe environment for the public and our system's employees. While our environmental outcomes may suffer in the short term, we are confident that we will gain new insights on how to further enhance our system's performance.

We look forward to continuing to work with the Government of Alberta to ensure our province remains a leader in recycling and environmental protection.

Yours truly,

Andrew Stephens

Chair

Beverage Container Management Board



#### **Our Vision**

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

#### **Our Mandate**

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

#### **Our Value Statements**

The BCMB values:

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

#### **Outcomes and Key Strategies**

The BCMB's vision and mandate are achieved through five interconnected and desired outcomes for Alberta's beverage container system. Key strategies help us achieve those outcomes and performance indicators and measures are used to assess our progress. For more detailed information on the BCMB's desired outcomes, key strategies and performance results for 2019, please see the Performance Reporting section on page 16.

# Our Role as a Delegated Administrative Organization

The BCMB is a Delegated Administrative Organization (DAO) of the Government of Alberta. That means we are an arms-length, self-funded organization that has delegated government authority under the Ministry of Environment and Parks to impose requirements on recycling program stakeholders. DAOs are unique – a range of stakeholders are encouraged to participate including industry, government and the public. These parties are primarily involved in program stewardship through appointments to the Board of Directors.

"The Ministry of Environment and Parks represents the interests of Albertans in delivering a balanced, common-sense and results-based approach to the stewardship of Alberta's environment while enabling sustainable resource development that supports social and economic well-being."

The BCMB understands the importance of balancing efforts to steward beverage containers in every community in Alberta with sustainable practices. As a DAO, we aim to help Alberta Environment and Parks and the Government of Alberta achieve their stewardship goals through efforts to increase the return rate for beverage containers and to include as many containers as possible in the beverage container recycling system.

"Environment and ecosystem health and integrity are indispensable to the well-being of Albertans. Part of achieving and sustaining this outcome includes leadership and leveraging effective consultation, collaboration and partnerships."<sup>2</sup>

To achieve our vision to be the leader in stewarding beverage containers to minimize their impact on the environment, the BCMB uses industry collaboration and awareness programs to enhance the public's knowledge about recycling and to provide Albertans with convenient access to depots where they can return their used beverage containers for a refund.

To this end, the BCMB encourages innovation and continuous improvement; demonstrates responsiveness to changing needs; operates a system that is cost effective; and works to satisfy stakeholder expectations.

<sup>&</sup>lt;sup>1</sup> Alberta Environment and Parks 2020-2023 Business Plan, p. 69.

<sup>&</sup>lt;sup>2</sup> Alberta Environment and Parks 2020-2023 Business Plan, p. 70.

#### **Board of Directors and Executive Team**

The BCMB's 13-member Board includes representation from a cross-section of stakeholders:

- 4 representatives of beverage manufacturers
- 4 representatives of Alberta depots
- 4 public representatives (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 BCMB's Annual General Meeting and board meeting held in June each year.

The Board of Directors is supported by the BCMB's Executive Team, led by BCMB President Blaire Charlton-Gaalaas. The Executive Team oversees the regulatory functions of operations and compliance, product registrations, policy and finance.

#### MANUFACTURER REPRESENTATIVES



Nicholas Kissel Treasurer Nominated by the Alberta Gaming, Liquor and Cannabis Commission



Cheryl McLaughlin Nominated by the Canadian Beverage Association



Brian Moore Nominated by the Western Dairy Council



Usman Valiante Nominated by the Alberta Beer Container Corporation

#### **DEPOT REPRESENTATIVES**



Tom Marr-Laing
Nominated by the Alberta
Bottle Depot Association



Farid Remtulla Nominated by the Alberta Bottle Depot Association



Jerry Roczkowsky Nominated by the Alberta Bottle Depot Association



Brenda Smith Secretary Nominated by the Alberta Bottle Depot Association

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#### **GOVERNMENT REPRESENTATIVE**



Patrick Kane
Non-voting
Nominated by Alberta
Environment and Parks

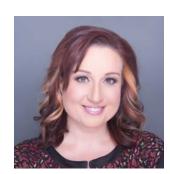
#### **PUBLIC REPRESENTATIVES**



Owen Edmondson Nominated by the Beverage Container Management Board



Trina Jones
Nominated by the
Alberta Urban
Municipalities Association



Patricia McLeod
Nominated by the
Beverage Container
Management Board



Andrew Stephens Chair Nominated by the Beverage Container Management Board

#### **Chair's Report**

"Alone we can do so little; together we can do so much." It's an often quoted saying from Helen Keller that can certainly be applied to any aspect of life or business and one I think speaks particularly well to our industry and the strength that comes from partnerships and a common vision.

The BCMB places great value and emphasis on working strategically with our partners in beverage container recycling, and in a world of rapidly changing technology, environmental policies and consumer expectations, it is becoming increasingly necessary to be on the same page when it comes to recycling.

Our Board of Directors is constantly challenged with decisions on how to grow Alberta's beverage container recycling system in a way that is strategic, collaborative and able to adapt to new approaches to recycling. We need to learn, grow and succeed as an industry, not just as individual entities. Our continuing success is critical, because Alberta's beverage container recycling system creates over 2,300 direct, indirect and induced jobs and returns \$30 million annually to more than 900 charitable organizations across the province.

That's why the BCMB carried out a significant amount of strategic work in 2019 aimed at talking to and working with our industry stakeholders to determine how we can collectively improve and advance the system. This included our first ever survey of manufacturers and depots on which products to include in the beverage container recycling system and collaboration with the Alberta Gaming, Liquor and Cannabis Commission on transitioning the registration of alcohol and cannabis to the BCMB's system.

The consultations we began with stakeholders in 2019 will continue in 2020. This input will guide our efforts to make the program more convenient for consumers as we review what beverage containers are included in the system.

Further improvements were made to our depot compliance and inspection processes, and our registration portal in 2019. We also collaborated once again with Alberta Recycling on a public awareness campaign tied to Environment Week.



The most important link in our industry is Albertans. Without their support and participation, we would not have a beverage container recycling system. With 98% of Albertans recycling or returning their beverage containers to a depot in 2019 and a return rate of 85.3%, the value placed on recycling and the environment is clear. While plastic waste continues to generate negative headline news around the world, Alberta's return rate for plastics continues to be the highest in North America at over 82%.

From a governance perspective, we reduced the size of the Board of Directors from 16 to 13 members and increased our focus on training and development for Directors and staff, as well as encouraging them to share their training and development experiences with their colleagues. With the reduction in the Board size in 2019 we did not have any new Directors join us; however, we did have three Directors leave the Board. On behalf of the Board and BCMB staff, I would like to thank Ivonne Martinez, Marilyn Martin and Anne Auriat for their years of service, their input and their passion for beverage container recycling. Our Board and the staff of the BCMB, led by President Blaire Charlton-Gaalaas, are second to none and I am grateful for their vision, commitment and ability to implement the systems and policies that guide our industry.

We are seeing significant change in recycling worldwide and a growing emphasis on Extended Producer Responsibility, the 'circular economy' and deposit return schemes like ours in Alberta. Thanks to our close working relationship with many stakeholders, the BCMB, and Alberta's beverage container recycling industry as a whole, is in a great position to manage future change and growth. I am excited to see what this will look like as we continue to work together for success.

Andrew Stephens Board Chair





The overarching, desired outcome of beverage container recycling is the minimization of waste and the utilization of beverage containers as a resource through their reuse and recycling. This aligns directly with Alberta Environment and Parks' desired outcomes<sup>3</sup> of environment and ecosystem health and integrity, sustainable economic development and public well-being.

Albertans are proud of their beverage container recycling system and the benefits it provides to the environment. The performance of the system has broadly been measured using a single key performance indicator – the return rate. While the return rate provides all stakeholders, at all levels, with a useful metric on the state of the system, it only tells part of the story. In addition to the environmental benefits of the system, Albertans also enjoy economic and social benefits. Other performance indicators (PIs) and performance measures (PMs) are used by the BCMB for internal management (auditing and improvement), external comparisons (benchmarking) and transparency (public reporting).

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; therefore, performance targets are not set. However, results for five years (where available) are reported to provide a comparison and snapshot of progress on those indicators.

The BCMB began the process of shifting its performance reporting methods and terms in the 2018 Annual Report to increase consistency and better align with Government of Alberta reporting standards. We have identified both Pls and PMs, as defined above, and included the methodology for each measure. The actuals for the last three years and the target for the coming year have been provided for PMs and where available, five years of actuals have been reported for all Pls. This also aligns with the new performance reporting in our 2020-2022 Business Plan.

<sup>&</sup>lt;sup>3</sup> Alberta Environment and Parks 2020-2023 Business Plan

PERFORMANCE REPORTING: Outcome 1 - Environmental Protection



## **Outcome 1 – Environmental Protection**

The BCMB recognizes the importance of protecting and enhancing Alberta's environment through sustainable practices. Our key strategies related to environmental protection are aimed at minimizing the environmental impact of beverage containers through reuse and recycling, improving the sustainability of the beverage container system, and reducing the environmental footprint of the system.

#### **Key Strategy – Minimize Impact**

#### Performance Indicators

#### **RETURN RATE**

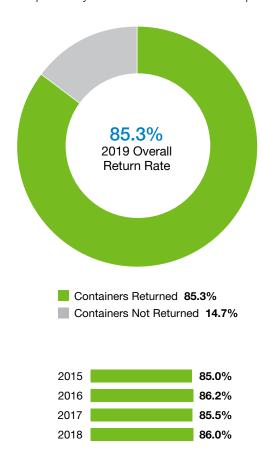
The return rate is the primary measure of success in the beverage container recycling industry. Albertans are strong supporters of beverage container recycling and the vast majority return their containers to depots for refunds. This level of engagement, combined with the focus depots place on customer service and system efficiences, is what makes our system in Alberta so successful.

#### 2019 Results

- The overall return rate for 2019 was 85.3%, down slightly from 86% in 2018 but still above the Government of Alberta's 85% goal for the industry.
- The total number of containers sold and returned to depots for a refund in 2019 were both down from 2018 with sales at 2.34 billion (2.35 billion in 2018) and returns at 1.99 billion (2.02 billion in 2018). The small decreases are most likely due to the economic downturn in Alberta.

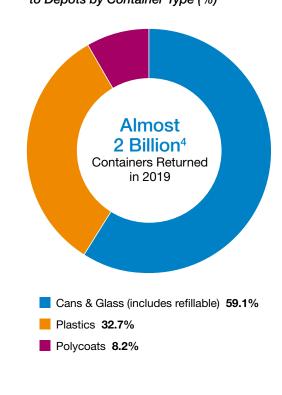
#### Overall Return Rate (%)

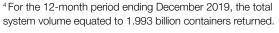
Number of containers returned through depots compared to sales reported by manufacturers for the same period.



#### Performance Indicators

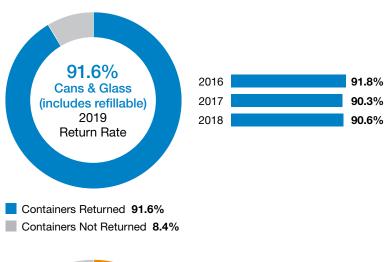


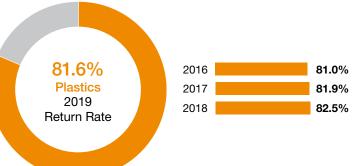


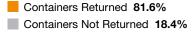


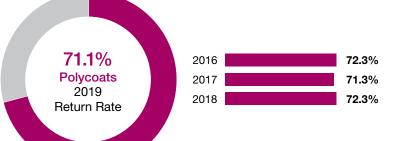
<sup>&</sup>lt;sup>5</sup> Actuals for 2015 are not included for this indicator due to the regrouping of the container categories in 2017.

#### Return Rate by Container Type (%)5









Containers Returned 71.1%

Containers Not Returned 28.9%

#### **Key Strategy - Reduce Footprint**

Performance Indicators	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual <sup>6</sup>
Distance per container	1.74 metres	1.41 metres	1.35 metres	1.45 metres	1.45 metres
Landfill space saved <sup>7</sup>		469,086 tonnes	465,593 tonnes	451,435 tonnes	451,435 tonnes

<sup>&</sup>lt;sup>6</sup>The 2019 actuals for both indicators have not changed from 2018. Both indicators are currently under review and will be addressed in the 2021-2023 Business Plan.

#### **DISTANCE PER CONTAINER**

A comparison of the distance a container travels to end up in the landfill and the distance it travels to get recycled offers a broad metric that incorporates several aspects of sustainability. Localized access to recycling services (or improved access or 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 will also improve the performance of recycling with the goal of having the distance a negative value. For now, the measure is limited to the average distance a container travels from the depot to the processing plant or the total distance for all loads from depots divided by the number of containers that made the trip.

#### 2019 Results

• The distance per container remained at 1.45 metres in 2019. This indicator is currently under review.

#### 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. This metric considers all materials included in the system compared to the typical density of MSW.

#### 2019 Results

 The amount of landfill space saved remained the same in 2019 as the 2018 amount. This indicator is currently under review.



## Outcome 2 – Fiscal Stewardship

#### **Key Strategy - Accountability**

The BCMB is accountable to its stakeholders. To this end, senior management worked with the Board to develop and approve an annual operating budget and three-year business plan that is submitted to the Ministry of Environment and Parks on an annual basis. The Board undertakes a full review of all value statements, outcomes and key strategies 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.

#### 2019 Results

- The BCMB's annual operating budget and 2020-2022 Business Plan were approved by the Board and provided to the Ministry of Environment and Parks in November 2019.
- The top 10 system risks were presented to the Board at its business planning session in September 2019.
- The strategic planning session with the Board and industry stakeholders is held biannually. The most recent session was held in September 2019 and proved to be a valuable platform for industry partners to collaborate, learn from one another and share a growing excitement for the future of the industry.

<sup>&</sup>lt;sup>7</sup>Tracking of this performance indicator did not begin until 2016.

#### **Key Strategy - Reporting & Transparency**

Performance Indicators	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual
Net System Cost					
Net System Cost Total of all costs and offsetting revenues in dollars per container	\$0.0267	\$0.0315	\$0.0280	\$0.0263	\$0.0294
Net System Cost by Container Type Cans and glass	\$0.0276	\$0.0207	\$0.0154	\$0.0140	\$0.0170
Plastics	\$0.0438	\$0.0468	\$0.0465	\$0.0452	\$0.0464
Polycoats	\$0.0276	\$0.0339	\$0.0438	\$0.0445	\$0.0502

#### **NET SYSTEM COST**

The system is funded in three ways:

- Container Recycling Fees (CRF) paid by consumers at the point of purchase (which may be zero)
- the 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

The true net cost is the CRF as the other revenues are derived from the system's activities. Several factors are beyond the control of the system such as the exchange rate and scrap value of materials, both of which can be volatile. This metric also considers that as the return rate increases, funding provided by unredeemed deposits decreases. This means that the consumer must pay a higher CRF to protect the environment where the container is consumed.

#### 2019 Results

 As reported in Who Pays What (2018), a biannual report on the performance of Canada's beverage container recycling system, Alberta continues to have the lowest cost per container for consumers. The next report will be published in 2020.

# MEASURES

Performance Measures	2017 Actual	2018 Actual	2019 Actual	2019 Target
Collection System Agent (CSA) Compliance				
Payment Compliance The percent of all payments made to depots within the industry standard	99.9%	99.7%	99.9%	100%
Collection Compliance The number of reported loads <b>not</b> picked up from depots within the industry standard	12	14	10	12
Operating Compliance The inspection score based on agreed performance standards (Calgary/Edmonton)	92% (Calgary) 93% (Edmonton)	81% (Calgary) 85% (Edmonton)	87% (Calgary) 89% (Edmonton)	86% (Calgary) 89% (Edmonton)

#### **COLLECTION SYSTEM AGENT (CSA) COMPLIANCE**

All depots are required by regulation to refund the deposit value of containers when returned by the public. The CSA is also required to operate according to standards set by the industry for collection from and payment to depots, which includes the refund of the deposit and a handling commission paid to each depot for each container collected. The standard set by the industry for payment is nine days. The CSA has continued to improve their performance in recent years, achieving near perfect payment compliance for 2019.

The standard set by the industry for collection is determined based on the volume of the depot, the scheduling of appointments and the adherence to that schedule.

Operating agreements signed by the CSA and CSPs commit them to performance standards regarding service to depots and operations. The BCMB regularly inspects both Calgary and St. Albert CSA plants for adherence to these standards. This is a collaborative process that is intended to reduce risk and serves as a feedback mechanism to enhance efficiencies.

#### 2019 Results

- In 2019, payment compliance was 99.9% with only 105 late payments on 32,631 loads.
- Of the 32,631 loads in 2019, only 10 were reported as not picked up, down from 14 in 2018 and below the target of 12 non-compliant loads.

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## 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 <sup>8</sup>	2018 Actual	2019 Actual
Depot Compliance				
Refund Compliance The % of audits conducted that were refunded within industry standard	87%	88%	79%	91%
The % of audits conducted that were refunded within the industry standard of excellence	77%	79%	70%	83%
Quality Control Compliance Shipments of containers from depots within industry standard	90%	91%	87%	91%
Inspection Compliance <sup>9</sup> The % of depots scoring above the industry standard based on industry approved criteria	87%	80%	76%	
Average actual depot inspection score of the poorest performing depots (bottom 25%)	74%	87%	90%	
Operational Compliance <sup>10</sup> The % of depots with deficiencies that were corrected prior to entering the Compliance Framework				56%
The % of depots inspected that did not enter the Compliance Framework				70%

<sup>&</sup>lt;sup>8</sup> A new inspection process was implemented in 2017 that ties scoring directly to bylaw compliance and raised the industry standard from 80% to 95%. The 2016 Actuals provide context prior to the implementation of the new depot metrics.

#### **REFUND COMPLIANCE**

Anonymous audits are conducted on depots to measure the accuracy of the refund provided by depots to the public. To meet industry standard, a depot must provide a refund to the auditor within  $\pm \$0.50$  of the actual (pre-counted) amount. To achieve the industry standard of excellence, a depot must refund an auditor within  $\pm \$0.25$  of the actual refund amount.

The BCMB anticipated increasing the number of audits performed in 2019. However, unanticipated difficulty in securing and retaining auditors resulted in fewer refund compliance audits being performed than planned. To address the issue for 2020, the creation of a memorandum of understanding with ABCRC for the acquisition of containers has been developed and the BCMB is working with a new organization that has access to more auditors across Alberta.

#### 2019 Results

- 46 audits were performed in 2019 compared to 219 in 2018.
- There were eight repeat audits performed in 2019.

#### **QUALITY CONTROL 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 so it can work with the depots when elevated variances occur. 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. Future reporting on quality may include an assessment of the impact from a financial perspective.

## INSPECTION COMPLIANCE (OPERATIONAL 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 with a targeted focus (or repeat inspections) on the poorest 25% of performers based on previous inspections. The desired outcome of these inspections is to have all depots achieving the standards in bylaw, to see continuous improvement (where appropriate), and to respond to customer feedback requiring accessible and safe service points. Historically, scoring has been based on several metrics with an industry standard score of 80% or higher. In March 2019, the BCMB introduced a new inspection process to reflect its new bylaws. The new Operational Compliance process focuses on individual deficiences rather than percentage based scores. Depots that are found to have deficiences are given a timeline for correction that takes the nature of the deficiency into account. As with the previous inspection process, the BCMB focuses on the lowest performing depots.

#### 2019 Results

 2019 saw the introduction of a new approach to scoring that focuses on deficiencies rather than percentages.
 See page 24 and the methodology outlined above.

<sup>&</sup>lt;sup>9</sup> A new inspection process with new compliance standards was implemented in 2019 that more directly reflects the BCMB's new bylaws. Scoring is tied directly to deficiences and whether or not they are corrected in an assigned time frame which takes the nature of the deficiency into account. As a result, the two performance indicators for Inspection Compliance have been changed to Operational Compliance indicators as of 2019 and will be added to the 2021-2023 Business Plan.

<sup>&</sup>lt;sup>10</sup>The new Compliance Framework includes the following four levels: Level 1 – warning letter is issued; Levels 2 & 3 – fines are issued; Level 4 – goes directly to Compliance Director for a decision.

Performance Measures	2017 Actual	2018 Actual	2019 Actual	2019 Target
Depot Compliance				
UCA Filing Compliance The % of depots that filed required financial documents to the Data Collection Agent	100%	99%	99.5%	100%
Manufacturer Compliance				
Sales Verification The % of all container sales remitted to CSA and verified by manufacturers for prior year	99.2%	98.7%	TBD <sup>11</sup>	100%

<sup>&</sup>lt;sup>11</sup> The BCMB anticipates an excellent compliance rate for the CSA again in 2019. However, due to COVID-19, the deadline for reporting in 2019 was extended to June 30, 2020. The result will be reported in the 2021-2023 Business Plan.

#### **UCA FILING COMPLIANCE**

Depots are paid a handling commission for each container handled and shipped properly to the CSA or back to the manufacturer directly through an appointed CSP. These handling commissions are set by a utility-like process that depends on depots reporting their costs annually using a form called the Uniform Code of Accounts (UCA). The Board has set criteria for the remittance of this information, much like the process for reporting taxes. Depots are required to report annually and within six months of their fiscal year end. The information is collected by an independent third-party (a Data Collection Agent) that analyzes and processes the information for purposes of setting handling commissions.

#### 2019 Results

• With enhanced focus on depot UCA filing compliance over the past few years, compliance in 2019 is at 99.5%.

#### **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.

#### 2019 Results

• See footnote above.

#### **Key Strategy - Integration, Alignment & Communication**

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Performance Measure	2017 Actual	2018 Actual	2019 Actual	2019 Target
Review, mapping and alignment of bylaws, policies and SOPs	Development of bylaws, policies, compliance structure continued	Development of bylaws, policies, compliance structure complete	Review and enhancements	Review and enhancements

#### **BYLAW ALIGNMENT**

In November 2018, the BCMB approved a new bylaw structure, amalgamating 14 bylaws into seven and introducing compliance frameworks for depots, manufacturers and retailers.

#### 2019 Results

- The new bylaws became effective on February 1, 2019.
- The BCMB will continue to report on outcomes of compliance frameworks.





## Outcome 4 - Customer Excellence

The BCMB understands the importance that continuous improvement has relative to customer satisfaction and the achievement of our other goals. We have clear expectations of high levels of quality assurance for all stakeholders in all areas of service delivery.

#### **Key Strategy - Satisfies/Quality**

Performance Indicators	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual
Public Satisfaction					
Participation <sup>12</sup>	89%	89%	88%	88%	92%
Average travel time	49% < 10 min.	49% < 10 min.	52% < 10 min.	52% < 10 min.	51% < 10 min.
to a depot	35% = 11-20  min.	35% = 11-20  min.	35% =11-20 min.	35% = 11-20  min.	35% =11-20 min.
Customer Satisfaction					
Overall satisfaction rated as very satisfied	80%	82%	86%	82%	78.5%
Average time spent in a depot <sup>13</sup>		8.7 min.	9.2 min.	10.1 min.	13.7 min.
Depot Satisfaction	,				
The BCMB conducts an ar	nnual survey of depo	ot operators both or	nline and in person.		
Depot overall satisfaction with the CSA	84% (moderately to highly satisfied)	91% <sup>14</sup> (50% highly satisfied)	98% <sup>15</sup> (52% highly satisfied)	87% (43% highly satisfied)	98% (64% highly satisfied)

<sup>12</sup> Participation refers to the percentage of respondents to the biannual Ipsos survey who state that they return beverage containers to depots.

#### **PUBLIC SATISFACTION**

The BCMB assesses public satisfaction through a biannual survey conducted by Ipsos. The survey targets approximately 1,000 Albertans and provides data based on a representative sample of Albertans aged 18 and older. The survey was conducted in February 2020 with 1,001 online interviews completed.

#### 2019 Results

• The most recent survey saw the highest proportion of Albertans returning beverage containers for a refund since tracking began (92%).

#### **CUSTOMER SATISFACTION**

The BCMB assesses depot customer satisfaction through annual Depot Exit Interviews. Customers are surveyed as they are leaving a depot after returning beverage containers. In 2019, the surveys captured approximately 1,000 Albertans at 15 rural and urban depots in the Edmonton area. The BCMB will continue to survey depot customers around the province. Although individual rural depots have been included in past studies, a wide-scale effort was made in 2019 to gain data and insight from rural locations.

Based on the data gathered since 2011, we know the strongest correlation to customer satisfaction at a depot is related to their confidence in the accuracy of the refund they receive. We also know that if the customer spends less than 10 minutes at a depot, the perception of that experience is better than if they spend more than 10 minutes at a depot. The BCMB focused on both urban and rural locations for the 2019 survey and the fact that smaller depots in rural areas usually have less staff serving customers with larger loads compared to metro depots may be reflected in longer wait times.

#### 2019 Results

- The 2019 Depot Exit Interviews found that overall customer satisfaction remains high at 78.5% but dropped from 82% in 2018 and 86% in 2017. Results are expected to vary as the interviews are conducted at different depots in different parts of the province each year, making it difficult to compare year-to-year results.
- Overall, customers were highly satisfied with their time spent in the depots and their overall experience with the depot. They were most satisfied with the locations of the depots, fast and efficient service, and friendly staff.

#### **DEPOT SATISFACTION**

The annual Depot Satisfaction Survey measures the performance of the CSA, the primary CSP for refillable beer (Brewers' Distributor Ltd.), the regulator (BCMB) and the Alberta Bottle Depot Association (ABDA). The survey is conducted annually by the BCMB and completed by depots. It provides stakeholders with an appropriate timeline to implement action plans to address survey results.

#### 2019 Results

- Overall satisfaction with the CSA increased significantly in 2019, with those depots highly satisfied rising from 43% in 2018 to 64%. This increase can be attributed to the CSA correcting issues with its enterprise resource software that led to lower satisfaction in 2018 and saw them return to 2017 satisfaction levels.
- Satisfaction with BCMB communication also increased with high satisfaction ratings for the ability to contact BCMB staff and the timeliness of communication growing from 67% to 72%.

<sup>&</sup>lt;sup>13</sup>This measure was new beginning in 2016.

<sup>&</sup>lt;sup>14</sup> Percentage highly satisfied broken out as of 2016.

<sup>&</sup>lt;sup>15</sup> Actual for 2017 updated from 2019-2021 Business Plan and as reported in 2018 Annual Report.

#### **Key Strategy – Awareness**

Performance Indicators	2015 Actual	2016 Actual	2017 Actual <sup>16</sup>	2018 Actual	2019 Actual
Public Awareness					
Individuals aware of the deposit/refund program	97%	97%	98%	98%	98%
Individuals who believe that recycling beverage containers has a significant impact on the environment	72%	72%	67%	67%	60%
Individuals aware of the deposit amount	57%	50%	52%	52%	52%
Customer Awareness			'		
Individuals aware of the industry brand	51%	68%	61%	63%	59%

<sup>&</sup>lt;sup>16</sup> 2017 actuals are updated from the 2019-2021 Business Plan as the Ipsos survey was conducted after the business plan was finalized.

#### **PUBLIC AWARENESS**

Captured through the biannual Ipsos survey, 98% of Albertans are aware that they can return beverage containers to a depot for 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, a joint public website (ABCRC, BCMB, and ABDA) and other communications activities, the industry continues to target regular increases in awareness surrounding deposit values and the environmental benefits of recycling beverage containers.

#### 2019 Results

- 60% of Albertans believe that beverage container recycling has a significant impact on the environment.
- 81% 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.
- 52% of Albertans are aware that the beverage container industry is regulated (up from 49% in 2018) and 85% (up from 80% in 2018) indicated that regulation is important or very important to them.

#### **CUSTOMER AWARENESS**

The "Depot, It's Worth It" logo was introduced in 2015 and is part of the CSA's (ABCRC) ongoing marketing strategy for Alberta's beverage container recycling industry. The BCMB continues to help promote the depot brand and logo.

#### 2019 Results

- Branding awareness dipped slightly in 2019 to 59% from 63% in 2018.
- The BCMB and Alberta Recycling partnered on a digital marketing campaign for Environment Week 2019.
   The campaign was aimed at creating awareness for Environment Week, educating and motivating Albertans to recycle, and congratulating them on their recycling efforts.
- Campaign website:
- » almost tripled page views from 2018
- Google ads campaign:
- » 9.95 million impressions and 6,500 clicks
- Social media:
- » added a Facebook page in 2019
- » increased Instagram followers from 126 to 439
- » over 1,000 engagements on Instagram
- » 283 entries in social media contest
- » social media advertising resulted in almost 485,000 impressions and over 4,400 clicks

#### **Key Strategy - Accessible**

Performance Measures	2017 Actual	2018 Actual	2019 Actual	2019 Target
Number of universal depots in Alberta <sup>17</sup>	218	221	221	227
Number of permits in development	8	6	5	5

<sup>&</sup>lt;sup>17</sup> 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 2019-2021 and 2020-2022 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 increases in population in areas of expansion and in time with that growth. New permits also target technological advancement and best practices to further enhance customer satisfaction.

#### 2019 Results

- The number of depots in Alberta remained at 221 in 2019 with two closures and two openings. Depots in Grande Cache and Morley closed, while two new depots opened, Green Bottle Depot Harvest Hills in Edmonton and Bottle Refund Depot in Calgary.
- In 2019, six depots were under development: one did not go ahead and the BCMB decided not to re-issue a Request for Applications; two new depots opened; and three are still in development.



## 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 through research technology available to support this outcome.

#### **Key Strategy – Innovation**

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Performance Indicators	2016 Actual	2017 Actual	2018 Actual	2019 Actual
Seedbed Activity <sup>18</sup> Depot pilot project participants	21	0	3	
Investment in Technology (return on investment >1 dem	nonstrated)			'
Automated sorting technology <sup>19</sup>	1	✓	✓	1
Point of Return software	1	/	/	1
In-depot compaction	1	✓	/	1
Beverage container registration database		/	/	1
Collection System Agent enterprise resource software		✓	✓	✓

<sup>&</sup>lt;sup>18</sup> Actuals for 2017 and 2018 have been updated from those reported in the 2019-2021 Business Plan and reflect the results reported in the 2018 Annual Report. The indicator of seedbed activity in the beverage container recycling system is no longer being used as the BCMB has determined it has insufficient information to accurately report on this.

<sup>&</sup>lt;sup>19</sup> While individual manufacturers were identified in the 2019-2021 Business Plan, technology is now reported more generically (ie., automated sorting technology).

#### **INVESTMENT IN TECHNOLOGY**

Automated sorting equipment is designed to replace manual labor at the depot, improving the efficiency and accuracy of sorting containers. Pilots of the technology found that over time, the return from manual labor cost savings exceeded the investment costs of acquiring and maintaining the equipment. The return from manual labor cost savings through use of automated sorting 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 now used throughout the depot system as a means to electronically connect the industry which creates efficiences and improves communication, payments and the tracking of supplies. It is mandatory that depots handling six million or more containers annually use a POR system.

The online BCMB Beverage Container Registration database lists over 160,000 products that are registered in Alberta and includes information regarding the brand, flavor, 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 manufacturers selling these products in Alberta to register their containers. This new feature assists depots in identifying products as registered, pending or unregistered.

The CSA is upgrading its 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.

#### 2019 Results

- The beverage container registration database is being streamlined so manufacturers will be able to directly register alcohol and cannabis products rather than the AGLC needing to register the products and then upoad them to the BCMB database.
- The CSA addressed issues with its software upgrade that occurred in 2018. The resolution was reflected in much higher depot satisfaction levels with the CSA in 2019.
- Development of the QMS app was completed in 2019 and was in the testing stage before being put on hold due to the COVID-19 pandemic in early 2020.

#### **Key Strategy – Technology**

MEASURES

Performance Measures	2017 Actual	2018 Actual	2019 Actual	2019 Target
Depots utilizing Electronic R-bill Reporting	45%	55%	59%	55%
Percentage of reporting that uses eR-bill	59%	69%	79%	70%
Depots utilizing Quality Monitoring System (QMS)	79%	81.5%	93%	85%

#### **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.

#### 2019 Results

 In 2019, 59% of depots reported using eR-bills, which represented 79% of all R-bill reporting. This exceeded the 2019 target of 55% of depots reporting the use of eR-bills and 70% 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 ABDA, the CSA and the CSP are required to use the QMS. It was first introduced to the network in 2014. Depot utilization of the QMS covers 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 trends are identified to address issues and successes in the industry.

The CSA has significantly improved its response times, the quality of responses and its commitment to the QMS as an industry tool since it was introduced.

#### 2019 Results

 The number of depots utilizing the QMS increased to 93% in 2019 from 81.5% in 2018 (206 of 221 total depots) and exceeded the 85% target for the year.

#### **Key Strategy - Cost Effectiveness**

Performance Indicators	2010 Actual	2012 Actual	2014 Actual	2016 Actual	2018 Actual
Net cost for the recycling consumer in cents per container <sup>20</sup>	1.1	2.06	1.26	1.80	2.40
Ranking of comparable deposit jurisdictions	1	1	1	1	1

<sup>&</sup>lt;sup>20</sup> All net cost values are based on data from two years previous (i.e., 2018 value is based on data from 2016). The 2020 report will not be published until fall 2020.

#### **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 in 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 ranged from zero cents to 12 cents in 2019.

#### 2019 Results

 In 2016, the recycling consumer paid on average 2.4 cents for each container to fund the system.<sup>21</sup> The 2018 Who Pays What report (most current available) was published in October 2018 and is based on 2016 data. The next report, to be published in late 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' (who does not recycle) in the same report.

# **NDICATOF**

	Performance Indicator	2010 Actual	2013 Actual	2015 Actual	2016 Actual	2018 Actual
)	Labour seconds per container at depots <sup>22</sup>	5.25	5.13	4.91	4.77	4.34

<sup>&</sup>lt;sup>22</sup> Results are based on the year the data was collected, not the year the report is published. The most recent report was published in 2019 and provides 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. By 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.

#### 2019 Results

 Labour seconds per container was 4.34 in 2018 (most recent data collected), down from 4.77 in 2016, in keeping with the aim of increased efficiency.

<sup>&</sup>lt;sup>21</sup> Who Pays What: An Analysis of Beverage Container Collection and Costs in Canada, 2018, CM Consulting.



## Management's Responsibility for Financial Reporting

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial reports are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Audit Committee reports to the Board of Directors prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the members, the engagement or re-appointment of the external auditors.

Metrix Group LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Board and management to discuss their audit findings. The accompanying financial statements are the responsibility of the management of Beverage Container Management Board.

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Blaire Charlton-Gaalaas President

Edmonton, Alberta April 2, 2020

## Independent Auditors' Report



To the Members of Beverage Container Management Board

#### Opinion

We have audited the financial statements of Beverage Container Management Board (the "Board"), which comprise the statement of financial position as at December 31, 2019, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2019, 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.

#### 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Board in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### 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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

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

(continues)

# Independent Auditors' Report (continued)



#### Auditors' 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 auditors' 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 Board'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 Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Board 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.



Chartered Professional Accountants

Edmonton, Alberta April 2, 2020

## **Statement of Financial Position**

As at December 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 665,837	\$ 1,188,236
Accounts receivable	34,129	57,375
Prepaid expenses	10,909	22,325
	710,875	1,267,936
RESTRICTED CASH (Note 2)	1,524,903	1,297,325
INVESTMENTS	935,563	714,442
PROPERTY AND EQUIPMENT (Note 3)	74,986	86,937
	3,246,327	3,366,640
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 4)	172,531	170,419
Deposits	100,000	125,000
	272,531	295,419
NET ASSETS		
Restricted (Note 6)	1,524,903	1,297,325
Unrestricted	1,448,893	1,773,896
	2,973,796	3,071,221
	3,246,327	3,366,640

Commitments (Note 7)

ON BEHALF OF THE BOARD

Director and Stephen

Directo

See notes to financial statements

## **Statement of Revenues and Expenditures**

For The Year Ended December 31, 2019

	2019 (Budget) (Note 8)	2019 (Actual)	2018 (Actual)
REVENUE			
Container fees	\$ 2,651,418	\$ 2,591,050	\$ 2,629,025
Product registration fees	110,000	120,980	112,170
Interest and other	58,326	70,002	54,122
Permit fees	42,700	48,800	45,300
Compliance fees	24,000	35,310	8,440
	2,886,444	2,866,142	2,849,057
EXPENSES			
Salaries and benefits	1,430,316	1,417,174	1,404,126
Professional fees	1,116,950	1,178,695	778,398
Office	170,210	163,522	163,480
Board of Directors' honoraria and expenses	130,468	104,416	109,662
Meetings	83,920	77,225	71,413
Communications	86,090	66,792	108,715
Information system maintenance	81,360	59,636	87,497
Travel	75,880	56,467	53,392
Amortization	48,843	40,589	34,216
Training and development	45,600	26,273	50,561
Insurance and licences	16,440	17,574	15,283
Miscellaneous	3,350	5,204	3,756
Bad debts		_	1,042
	3,289,427	3,213,567	2,881,541
DEFICIENCY OF REVENUE OVER EXPENSES			
FROM OPERATIONS	(402,983)	(347,425)	(32,484)
OTHER INCOME			
Legal settlement cost recoveries		250,000	
DEFICIENCY OF REVENUE OVER EXPENSES	(402,983)	(97,425)	(32,484)

See notes to financial statements

## **Statement of Changes in Net Assets**

For The Year Ended December 31, 2019

	Unrestricted	Restricted	2019	2018
NET ASSETS – BEGINNING OF YEAR	\$ 1,773,896	\$ 1,297,325	\$ 3,071,221	\$ 3,103,705
Deficiency of revenue over expenses	(97,425)	_	(97,425)	(32,484)
Transfers (Note 6)	(227,578)	227,578	_	_
NET ASSETS – END OF YEAR	1,448,893	1,524,903	2,973,796	3,071,221

## **Statement of Cash Flows**

For The Year Ended December 31, 2019

	2019	2018
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (97,425)	\$ (32,484)
Items not affecting cash:		
Amortization	40,589	34,216
Loss on disposal of property and equipment	917	_
	(55,919)	1,732
Changes in non-cash working capital:		
Accounts receivable	23,246	15,535
Prepaid expenses	11,416	(7,995)
Accounts payable and accrued liabilities	2,111	2,988
Deposits	(25,000)	(50,000)
	11,773	(39,472)
	(44,146)	(37,740)
INVESTING ACTIVITIES		
Purchase of property and equipment	(29,554)	(73,532)
Increase in investments	(221,121)	(113,074)
Change in restricted cash	(227,578)	137,092
	(478,253)	(49,514)
DECDEASE IN CASH ELOW	(E00.000)	(07.05.4)
<b>DECREASE IN CASH FLOW</b> CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	(522,399) 1,188,236	(87,254) 1,275,490
CASH AND CASH EQUIVALENTS - BEGINNING OF TEAR  CASH AND CASH EQUIVALENTS - END OF YEAR	655,837	1,188,236
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See notes to financial statements

See notes to financial statements

### **Notes to Financial Statements**

Year Ended December 31, 2019

#### **Nature of Operations**

The Beverage Container Management Board (the "Board") is 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)(I) of the Income Tax Act. Pursuant to the Beverage Container Recycling Regulation, Alberta Regulation 101/97, the Board has been delegated responsability to administer the regulation and supervision of the beverage container management system in the Province of Alberta.

# 1. Summary of Significant Accounting Policies

#### **BASIS OF PRESENTATION**

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

#### **MEASUREMENT UNCERTAINTY**

The preparation of financial statements in accordance with Canadian accounting standards for not- for-profit organizations requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management's estimates include the useful lives of tangible capital assets and the corresponding rates of amortization. All estimates are reviewed periodically and adjustments are made to the statements of operations as appropriate in the year they become known.

#### **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.

#### **CASH**

Cash includes an operating bank account. All amounts are readily converted into known amounts of cash and are subject to an insignificant change in value.

#### PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Amortization of these assets is provided for using the straightline method as follows:

Leasehold improvements	10 years
Office equipment	5 years
Furniture and fixtures	5 years
Computer equipment and accessories	3 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, 2019, the investments consisted of guaranteed investment certificates that mature in 2020 and earn interest between 2.12% and 2.51% (2018 – guaranteed investment certificates that mature in 2019 and earn interest between 1.49% and 2.17%).

#### **FINANCIAL INSTRUMENTS**

#### Measurement of 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.

#### Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment.

### **Notes to Financial Statements**

Year Ended December 31, 2019

#### 2. Restricted Cash

Restricted cash is comprised of guaranteed investment certificates in the amount of \$1,162,601 (2018 – \$1,138,736) maturing in 2020 as well as \$362,302 (2018 – \$158,589) allocated from the operating cash account. This cash has been restricted and includes amounts related to the internally restricted surplus of \$1,524,903 (2018 – \$1,297,325) (note 6).

#### 3. Property and Equipment

		Acc	umulated	2019 mulated Net book		2018 Net book
	Cost	amortization			value	value
Leasehold improvements	\$ 68,958	\$	37,221	\$	31,737	\$ 48,172
Furniture and fixtures	35,643		10,725		24,918	14,725
Computer equipment and accessories	68,013		50,873		17,140	22,341
Office equipment	5,804		4,613		1,191	1,699
	178,418		103,432		74,986	86,937

#### 4. 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, \$4,102 (2018 – \$14,472) is included in accounts payable and accrued liabilities.

## **Notes to Financial Statements**

Year Ended December 31, 2019

#### 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:

	2019	2018
Board Chairperson		
Mr. A. Stephens (a, c, g, h)	\$ 17,700	\$ 21,500
Board Members		
Ms. P. McLeod, Chair - Governance and Compensation Committee (g)	7,945	8,417
Mr. F. Remtulla (a, h)	5,600	9,678
Ms. T. Jones	4,760	2,415
Mr. T. Marr-Laing (c, h)	4,340	6,930
Mr. O. Edmondson, Chair - Handling Commission Review Committee (a, h)	4,200	6,160
Ms. B. Smith (c)	4,075	4,200
Mr. J. Roczkowsky (g)	3,535	1,575
Ms. M. Martin, Chair - Compliance Committee (c, h)	2,520	9,275
Ms. A. Auriat (a)	1,610	3,220
Mr. K. Dhillon, Chair – Governance and Compensation Committee (g)	_	1,225
	56,285	74,595
President	205,736	202,084
	262,021	276,679

Member of Audit Committee (a)
Member of Compliance Committee (c)
Member of Governance and Compensation Committee (g)

Member of Handling Commission Review Committee (h)

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

2019		2018
\$ 56,285	\$	70,370
2,004		2,898
44,759		34,759
1,368		1,635
104,416		109,662
	\$ 56,285 2,004 44,759 1,368	\$ 56,285 \$ 2,004 44,759 1,368

The Board of Directors also received honoraria for training and development with a cost of \$nil (2018 – \$4,225).

In 2019 and 2018, the travel expense amount was reimbursed directly to the Board of Directors.

## **Notes to Financial Statements**

Year Ended December 31, 2019

#### **6. 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, \$203,713 was transferred from restricted to unrestricted surplus (2018 – \$156,125 was transferred from restricted to unrestricted surplus). This transfer, along with income earned of \$23,865 (2018 – \$19,033), brings the balance of restricted surplus to \$1,524,903 (2018 – \$1,297,325), which is management's estimate of the costs to wind up the Board.

#### 7. Commitments

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

2020	\$ 68,706
2021	62,787
	\$ 131,493

#### 8. Budget Amounts

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

#### 9. Financial Instruments

The Board is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Board's risk exposure and concentration as of December 31, 2019.

#### (a) CREDIT RISK

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Board is exposed to credit risk related to the collection of accounts receivable from member entities.

#### (b) 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.

