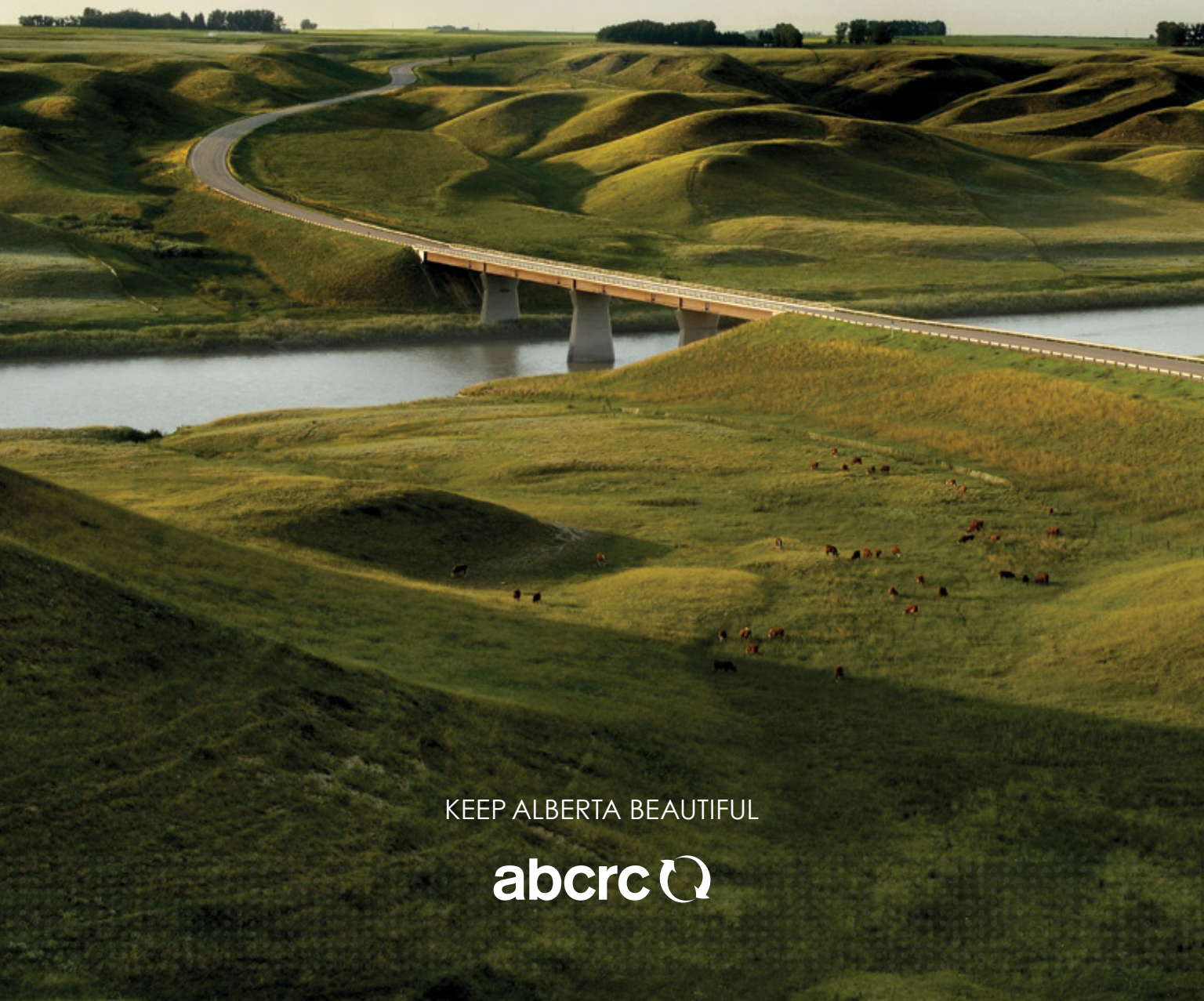


SUSTAINABILITY REPORT ²⁰₁₆



KEEP ALBERTA BEAUTIFUL

abcrc 



WELCOME

ABCRC is pleased to highlight continued environmental, social and financial stewardship in its annual sustainability report. For ABCRC, meeting and exceeding its regulated responsibilities under the Regulation as the approved collection system agent appointed by beverage manufacturers in Alberta, is of utmost importance across its operations.



■ Vong Rous



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EXECUTIVE SUMMARY

Alberta is a beautiful province, and Albertans are proud to live here. When Albertans work together to divert beverage containers from landfill, their efforts reduce the emissions and greenhouse gases (GHG) that contribute to climate change. Albertans are working together to keep Alberta beautiful and protect the health, environment and economy of our province.

The collection and recycling of Beverage Containers in Alberta diverts them from landfills. When waste decomposes in a landfill it produces a gas which is composed primarily of methane, a GHG contributing to climate change that produces twenty-one times as much warming effect on the climate as CO₂ does. In 2016, Albertans returned 1,945,699,000 Beverage Containers to Alberta Depots which diverted 97,604,900 kilograms of material away from landfills so the materials can be used again. As a percentage of the total Beverage Containers sold in Alberta, this volume exceeded the provincial beverage container return rate target of 85%, and set a new record of 85.7%. This means that, on average, each Alberta household returned approximately 1,191 Beverage Containers in 2016, reduced the amount of kilograms in a

landfill by about 61 kilograms per household and saved 116 kilograms of GHGs per Alberta household. Well done, Alberta! Let's keep the momentum going throughout 2017.

Reducing our carbon footprint has always been at the forefront of ABCRC operations. Over the past year we have seen an increased focus to reduce carbon emissions in Alberta. With government mandated decreases in those emissions, ABCRC is making significant progress in its tracking and reduction strategies. In 2016, ABCRC increased the quantity of collected Beverage Containers per trip, which resulted in 189,229 less kilometres driven and 59 tonnes of carbon dioxide, another GHG contributing to climate change, emitted.

In an era of rapidly expanding and evolving technology, paperless options not only make processes more efficient, they're environmentally friendly too. ABCRC saved 33,802 pieces or 180 kilograms of paper in 2016 by implementing electronic Depot invoicing. ABCRC also offers an electronic paystub option and electronic T4 tax slips for employees eliminating the need for a paper copy.

In 2016, ABCRC became the first processing facility in Canada to commission and implement TOMRA automated counting machines. This technology results in increased performance related to ABCRC's auditing of Beverage Containers shipped from Alberta Depots.

In addition to the goal of landfill waste diversion and emissions reduction, consumer awareness and social sustainability are crucial components to the success of beverage container recycling. ABCRC works with its stakeholders to continually improve Albertans' awareness of and access to beverage container recycling wherever possible. In 2016, ABCRC collaborated with our industry partners, the BCMB and the ABDA, to create an industry website and new social media channels that educate Albertans on the Common Collection System in Alberta. Further efforts to reach and educate more Albertans in 2016 included an advertising campaign entitled The Beauty of Recycling that included a large tree sculpture made using recycled beverage containers. The sculpture was created by three local artists and represents the positive impact of Alberta's continued commitment to beverage

container recycling. It has been travelling to various Alberta cities and towns since the fall of 2016 and will continue its tour around Alberta in 2017.

Financial stewardship is a matter that ABCRC has taken seriously throughout its twenty-four years of operation. With clean third-party financial audits throughout its existence, ABCRC maintains high standards in transparent and accountable governance practices. In 2016, ABCRC continued to analyze operational processes for potential efficiencies, and ensured that its Directors are offered education in regard to best governance practices.

With the balance between operational efficiencies and consumer awareness, it means that ABCRC not only seeks to educate Albertans about the importance of beverage container recycling, but also applies those same principles to its daily operations.

“ABCRC’s continued success as an environmental steward for beverage manufacturers in Alberta, ensures the beverage container recycling industry meets and exceeds the obligations set by the government to reduce the environmental impact of beverage container disposal. Our strategies align with these responsibilities to reduce landfill waste and climate changing emissions in Alberta.”

Ken White, ABCRC Board Chair

“In addition to operational efficiencies to improve the Common Collection System, ABCRC focuses on consumer awareness and educating Albertans on the positive impact they make by taking their beverage containers to an Alberta Depot.”

Guy West, President, ABCRC



2016 KEY OUTCOMES



EXCEEDED the provincial return rate target and set a new record with a return rate of 85.7%, processing 1,945,699,123 Beverage Containers which diverted 97,604,900 kilograms of materials away from landfills.



LAUNCHED a new collaborative industry website and social media channels educating Albertans on the positive impact of beverage container recycling in Alberta.



ASSISTED 149 community groups and schools with infrastructure grant programs resulting in 69,130 items such as recycling bins and bags used to promote and facilitate recycling programs.



CONTINUED to refine the shipping container strategy, improving the quality and efficiencies of bags and pallets shipped to Alberta Depots.



IMPLEMENTED new quality control equipment to increase efficiencies being the first in Canada to install TOMRA counting machines in a processing facility.



AWARDED a Certificate of Recognition (COR) by the Manufacturing Health and Safety Association (MHSA).



DEVELOPED processes to increase employee awareness of corporate health and safety programs.



AMENDED the CRF to ensure the financial sustainability of the Common Collection System.

ABOUT ABCRC

ABCRC operates the largest Beverage Container collection system in Canada based on the number of material types and quantity of Beverage Containers recovered and is responsible for the collection and recycling of more than 130,000 different types of Beverage Containers sold in Alberta. In 2016, this involved transporting and processing nearly 2 billion Beverage Containers from 217 independently owned Alberta Depots.

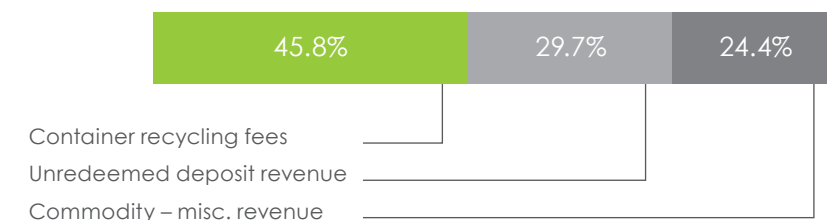
ABCRC operates in Alberta with not-for-profit provisions as the appointed and approved agent for beverage manufacturers in Alberta whose Beverage Containers are regulated under the Regulation.

ABCRC does not receive funding from any government source. ABCRC operates two processing facilities in Edmonton and Calgary, employing 165 Albertans amounting to 138 full time equivalent hours in 2016.

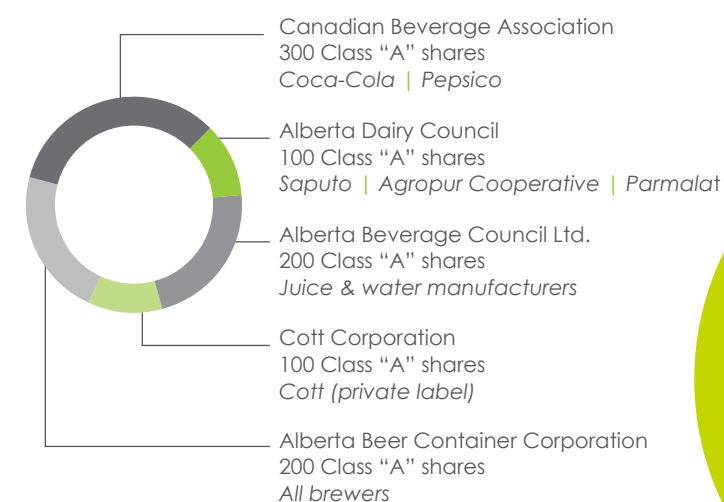
REGULATORY STRUCTURE



REVENUES BY SOURCE



ABCRC SHAREHOLDERS



ABCRC operates the largest Beverage Container collection system in Canada





VISION AND STRATEGY

ABCRC STRIVES FOR CONTINUOUS IMPROVEMENT BY CONSTANTLY EXAMINING ITS PRACTICES, COMPARING ITSELF TO OTHER ENVIRONMENTAL ORGANIZATIONS AND BY WORKING COLLABORATIVELY WITH ITS STAKEHOLDERS.

MISSION

To collect and recycle non-refillable beverage containers.

VISION

ABCRC will be a leading Extended Producer Responsibility (EPR) organization that improves the efficiency and effectiveness of the Alberta collection system for non-refillable beverage containers.

In addition to its mission and vision, ABCRC operates according to several guiding principles:

- Ensure high standards of transparency and accountability
- Promote and encourage Beverage Container recovery
- Ensure each Beverage Container type (material/size) is self-funding
- Minimize the cost of Beverage Container recycling
- Strive for continuous improvement in operations
- Maintain a safe and healthy environment for employees
- Provide a culture of honesty and integrity

In Canada, both extended producer responsibility (EPR) and product stewardship programs are used to manage products at their end-of-life

An EPR program specifically identifies end-of-life management of products as the responsibility of producers (examples are brand owners, first importers or manufacturers), whereas a product stewardship program generally allocates responsibility to provincial or municipal governments.

*Government of Canada, Environment and Climate Change Canada.
“Environment and Climate Change Canada – Pollution and Waste –
Extended Producer Responsibility.”*

2013-2016 STRATEGIC PRIORITIES

The 2013-2016 strategic priorities were approved by ABCRC’s Board of Directors. They provide strategic direction over four years, but are subject to annual review and amendment. A full review of the strategic priorities is scheduled for 2017 which includes setting sustainability goals for 2017 and beyond.

Governance

- Practice effective corporate risk management
- Provide effective director development and training
- Improve governance practices on a continual basis

Sustainability

- Ensure decision making balances economic, social and environmental metrics
- Prioritize improvement and identify specific metrics to achieve

Stakeholder Relations

- Communicate the value of ABCRC to stakeholders
- Engage in regulatory review processes to enable a successful EPR model
- Improve the consumer experience with the Common Collection System in Alberta

Financial Management

- Improve manufacturer sales verification processes
- Maintain appropriate surplus targets and reserves
- Achieve fair and balanced results from handling commission reviews

Operational Management

- Increase transportation efficiencies
- Improve processing efficiencies
- Evaluate and improve control processes and metrics

2017 SUSTAINABILITY GOALS

ABCRC will be reviewing the following types of sustainability goals in 2017 and will provide full details in the 2017 Sustainability Report.

- Waste reduction potentials
- Lighting options, such as LED
- Documentation processes that could save more paper
- Increasing the average pack amount per trailer
- Green energy options
- Expanding employee training opportunities
- Quality control efficiencies



BOARD OF DIRECTORS



KEN WHITE
Chairman



BRIAN ZEILER-KLIGMAN
Canada's National Brewers



NEIL ANTYMIS
Vice Chairman
The Pepsi Bottling Group
(Canada) Ltd.



TONY GUSIKOSKI
Parmalat Canada Inc.



CHERYL MCLAUGHLIN
Treasurer
Cott Corporation



RON SOREANU
Coca-Cola Refreshments
Canada



NICOLE RACH
Coca-Cola Refreshments
Canada



NICHOLAS KISSEL
Alberta Gaming and
Liquor Commission



JENNIFER BARBAZZA
The Beer Store and
Brewers Distributor Ltd.

ABCRC's Board of Directors consists of representatives of beverage manufacturers. They include nominees from shareholders and the Alberta Gaming and Liquor Commission as the deemed manufacturer of all alcoholic beverages. The Directors, and non-director committee members, do not receive any remuneration for their time and talent provided to ABCRC.

EXECUTIVES



GUY WEST, MBA
President



COLIN CARTER, MBA
Vice President
Operations



JIM BRENT, CMA, CPA
Vice President
Finance & IT



ANGELA WILES
Vice President
Communications
& Marketing

ABCRC's executive team are committed to providing effective leadership to ensure the continued success of the organization. The board and management are linked through the President of ABCRC who is in turn supported by the Vice President of Finance and IT, the Vice President of Operations and the Vice President of Communications and Marketing, along with each of their respective teams.

INCREASED BOARD OF DIRECTOR EDUCATION

Director education is a vital component of operational excellence and good public governance. Through ABCRC, each Director has become a member of the Institute of Corporate Directors (ICD) and participates in ongoing Director education programs and events. In 2016, two ABCRC Directors were enrolled into the ICD's Directors Education Program. This program is designed to promote the principles, standards and practices which inspire good public governance. Additional ABCRC Directors attended various seminars and training sessions through the ICD in 2016.

		2016	2015	2014
	Travel and accommodation	\$13,051	\$22,024	\$20,030
	Education	\$14,338	\$7,057	\$8,615
	TOTAL	\$27,388	\$29,082	\$28,645
 BOARD EXPENSES				





ENVIRONMENTAL STEWARDSHIP

THE EPEA IS THE PRIMARY ACT IN ALBERTA THROUGH WHICH REGULATORY REQUIREMENTS RELATED TO AIR QUALITY ARE MANAGED. THE PURPOSE OF THE EPEA IS TO SUPPORT, AND PROMOTE THE PROTECTION, ENHANCEMENT AND WISE USE OF THE ENVIRONMENT BY DESIGNATING PROPOSED ACTIVITIES FOR WHICH AN APPROVAL OR REGISTRATION IS REQUIRED.¹

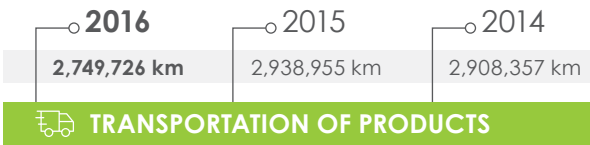
Several regulations are issued under the EPEA that provide more detail on topics related to the Alberta Air Management System. One of these acts is the Regulation, under which the BCMB is established as a Delegated Administrative Organization. The BCMB's role is to regulate and enhance a leading beverage container system, that protects Alberta's environment.

Under the Regulation, manufacturers who sell Beverage Containers in Alberta have a responsibility to divert Beverage Containers from landfills and to appoint a collection system agent to operate the Common Collection System. This led to the formation and appointment of ABCRC as the steward for Beverage Container recycling in Alberta for manufacturers.

Over the past twenty years, the focus on protecting Alberta's health, environment and economy has increased. In addition to helping municipalities and the provincial government meet their waste diversion and carbon reduction goals, ABCRC focuses on reducing its own environmental footprint and operating in an environmentally conscious manner that exceeds what is required under the Regulation.

REDUCED TRANSPORTATION EMISSIONS

Product transportation was reduced by a total of 189,229 less kilometers in 2016, due to the implementation of compaction technology at some Alberta Depots and improved shipping container efficiencies – meaning less trips taken to Alberta Depots. That translates to 59 tonnes of carbon dioxide diverted from the atmosphere. Ten Alberta Depots who compacted their materials, resulted in 1,341 fewer loads and 151,554 fewer kilometres driven in 2016. Those ten Alberta Depots also reduced carbon dioxide emissions associated with baling activities by 40,292 kilograms and tractor-trailer fuel carbon dioxide by 166,499 kilograms in 2016.



COMPACTION UPDATE

In 2015 ABCRC committed to providing an update to an industry strategy with regard to compaction technology. Based on both financial and environmental considerations, it was

collectively determined by the leaders of the BCMB, ABDA and ABCRC that the compaction trailer technology would not yield positive results.

It was further determined that in-depot compaction technology installed in some Alberta Depots could continue to be a viable option to reduce the impact of transportation. By compacting Beverage Containers in-depot, more material is able to be delivered to ABCRC on each truck. This results in a reduction in the number of trips required to pick up Beverage Containers from the Alberta Depots.

The industry is presently undertaking a review of its compaction strategy to understand the results to date and to identify how a greater number of Alberta Depots can be motivated to implement compaction technology.

An R-Bill is a paper or electronic invoice that indicates specific product types and quantities that Alberta Depots are shipping to ABCRC

PAPERLESS INVOICING AND PAYSTUBS

Implementing more paperless options is efficient, easy and environmentally friendly. As ABCRC seeks to find more ways in which to increase environmental and economical efficiencies in its operations, paperless options are one initiative in which both can be achieved. In 2016, ABCRC handled 16,958 electronically submitted R-Bills, avoiding the use of 33,802 pieces of paper amounting to 180 kilograms. This result represents a 274% increase in electronic R-Bill submissions over 2015 and means that 49.9% of the 33,962 total R-Bills submitted by Alberta Depots in 2016 were completed electronically. Each year more Alberta Depots are adapting paperless invoicing as an efficient and environmentally-conscious means of invoicing.

In addition to paperless invoicing, in 2016 ABCRC implemented electronic paystubs and annual T4 tax slips for employees eliminating the need for a paper copy. As ABCRC looks to continue reducing paper use, plans for an employee intranet in 2017 will help to reduce the need for paper copies of forms, policies and procedures. An update regarding the intranet will be provided in the 2017 Sustainability Report.

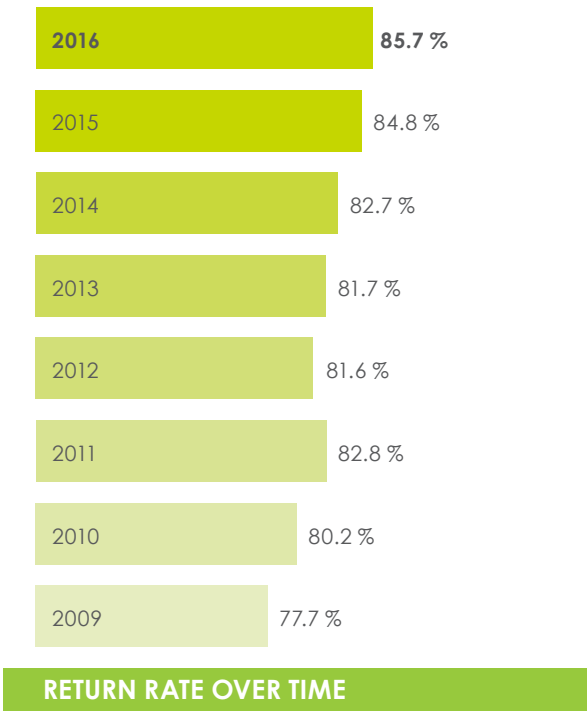
1. <http://aep.alberta.ca/air/legislation/default.aspx>

CLIMATE CONTROLLED IRRIGATION AND COMPOSTED LANDSCAPE MATERIAL

In alignment with initiatives to reduce its environmental impact, ABCRC utilizes a climate controlled irrigation system to maintain the grass and landscaping at its Calgary facility. This climate controlled irrigation system monitors weather information to automatically apply the optimum amount of water required depending on the weather conditions. This maximizes the water efficiency of the system ensuring only the minimum amount of water required is used. In addition, ABCRC contracts a landscaping service provider that ensures all landscaping material, such as grass clippings, taken from ABCRC property is environmentally disposed of by means of composting.

WATER RECLAMATION UPDATE






In 2015, ABCRC discovered complications with its wastewater drainage system and quickly implemented a solution in its Beverage Container processing areas in both Calgary and Edmonton. ABCRC made the decision to seal all drains and pump out and deliver wastewater by means of sanitary trucks, directly to treatment facilities until it found a sustainable long-term solution to manage the environmental impact of the wastewater. In 2016, ABCRC commissioned an independent consultant to investigate the situation and assist ABCRC in devising a practical and responsible path forward. As a result of the work completed by the consultant, ABCRC gained a more comprehensive understanding of the composition of the wastewater generated by its operations and more specifically some of the elements that were outside of compliance with city standards. ABCRC has proposed an initial solution to the City of Calgary and plans to continue working closely with the city and other jurisdictions to ensure safe wastewater handling.



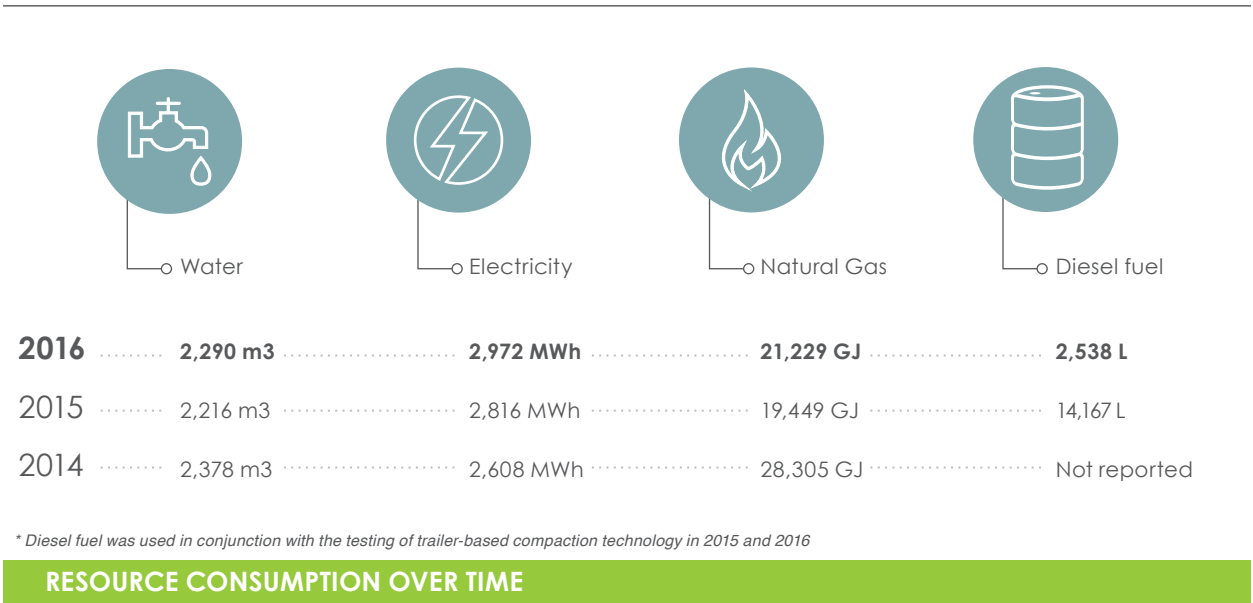
Item	Total Weight (Kg)
Black and white bags	150,978
Blue bags	23,466
C Bills (paper)	564
R Bills (paper)	404
Wire	189,013
Blank bale tags	126,552
Clear poly bags	1,036
Pallets	343,528
Strapping	557
Airline tags	8,221
TOTAL	844,320 Kg

TRACKING OUR CARBON FOOTPRINT

ABCRC's employee and director travel includes the distance travelled by all staff. In 2016, a new policy encouraging carpooling and a reduction in personal vehicle travel for business resulted in 43,273 less kilometres driven by personal vehicles. Directors travelled less in 2016, with a reduction of 19,995 less kilometres of air travel due to the implementation of more teleconference meetings.

		2016	2015	2014
EMPLOYEES				
	Air	82,564 km	70,983 km	81,424 km
	Rentals/Taxi/Bus	60,349 km	82,876 km	88,702 km
	Owned vehicles	35,537 km	78,810 km	Not Reported
DIRECTORS				
	Air	9,057 km	29,052 km	21,054 km
	Rentals/Taxi/Bus	2,011 km	2,001 km	3,177 km

TRACKING OUR CARBON FOOTPRINT



* Diesel fuel was used in conjunction with the testing of trailer-based compaction technology in 2015 and 2016



SOCIAL STEWARDSHIP

SOCIAL STEWARDSHIP CAN ALSO BE CALLED SOCIAL SUSTAINABILITY, REFERRING TO BUSINESS PRACTICES INTENDED TO INCREASE BENEFITS TO SOCIETY.

Consumer awareness is a crucial component to social stewardship. In 2016, ABCRC focused on raising awareness of beverage container recycling in the province and making information more readily available through a new website, social media channels and an advertising campaign. These new communication channels were designed to celebrate Albertan's efforts to keep Alberta beautiful and to continue to increase beverage container recycling awareness.

While social stewardship is in large part about philanthropy, ABCRC also believes it should be reflected in an organization's own practices. ABCRC is proud to be contributing to the province's economy, employing a diverse group of Albertans in meaningful work and generating economic value through its operations. ABCRC's employees play a crucial part to the success of its operations. With that in mind, in 2016 ABCRC initiated a succession planning program to ensure that individual employee talent and knowledge are communicated throughout each of its teams and departments, and cross training employees to better understand the full breadth of the organization.

The new communication channels were designed to celebrate Albertan's efforts to keep Alberta beautiful



	Type	Contract	No.
CALGARY	Full time – plant	Permanent	52
	Full time – office	Permanent	36
	Full time – seasonal	Temporary	1
EDMONTON	Full time – plant	Permanent	57
	Full time – office	Permanent	19
	Full time – seasonal	Temporary	0
TOTAL			165
TOTAL FULL TIME EQUIVALENT			138
TOTAL WORKFORCE IN 2016			

NEW INDUSTRY WEBSITE AND SOCIAL MEDIA CHANNELS

In 2016, a collective effort between the BCMB, ABCRC and the ABDA agreed that Alberta Depot will be the brand used to communicate any information to the public using a new website at AlbertaDepot.ca and new Alberta Depot social media channels on Twitter, Facebook, Instagram and YouTube.

ABCRC worked collaboratively with the BCMB and the ABDA to create the new website that consolidates information previously found on three different websites into one. The website is designed to provide easy access to information about the Common Collection System for consumers. It includes information about what to expect when going to an Alberta Depot for the first time, and a useful Alberta Depot locator tool, allowing users to pinpoint the closest Alberta Depot to their current location. Additional information includes access to community grant programs and ABCRC's school program to educate the younger generation of Albertans on the benefits of beverage container recycling. Education materials regarding recycling facts and the lifecycle of a Beverage Container are easily accessible from the website homepage. In addition to the website, ABCRC worked with its partners to align new social media channels, also branded Alberta Depot, that are used to push information out to consumers and link those consumers back to the Alberta Depot website. Weekly blog posts on the industry website correspond to the social media content, directing traffic to the website.

- www.facebook.com/albertadepot
- www.twitter.com/albertadepot
- www.instagram.com/albertadepot
- www.youtube.com/albertadepot

RETURN AND THE BEAUTY OF RECYCLING

Alberta Depot’s Beauty of Recycling marketing campaign was launched in the summer of 2016, promoting the environmental, economic and social benefits of returning Beverage Containers to 217 Alberta Depots located throughout Alberta. In celebration of the efforts made by Albertans to reduce landfill waste, and keep our province beautiful, Alberta Depot unveiled a stunning large tree sculpture entitled *Return*, which was created by local artists Jeff de Boer, Cory Barkman and Christine Pedersen. Made using recycled beverage containers, and standing at an impressive 11 plus feet tall, the sculpture represents the positive community impact from Alberta’s continued commitment to beverage container recycling. The sculpture will be continuing its tour around Alberta throughout 2017.

ABCRC CORPORATE PHILANTHROPY

Each year, ABCRC seeks to support Alberta charities, not-for-profit and community organizations and has provided support to many organizations including:

- The Alberta Children’s Hospital
- Boys and Girls Club of Canada
- The Alberta Emerald Foundation
- Leukemia & Lymphoma Society of Canada
- Cerebral Palsy Association in Calgary
- Winnefred Stewart Association
- The Calgary YWCA

ABCRC participated in the 2016 September challenge – a friendly competition amongst employees in both its Calgary and Edmonton offices to raise money and awareness for Cerebral Palsy. Employees voluntarily participated and sought out personal sponsorships. The challenge involved taking 10,000 steps each day for twenty-eight days in September and logging those steps each day to track progress. Sixteen ABCRC employees participated and collectively raised over \$2,000 for Cerebral Palsy, taking more than three million steps.

ABCRC employees participated and collectively raised over **\$2,000** for Cerebral Palsy



STRENGTHENED CORPORATE HEALTH AND SAFETY PROCESSES

In 2016, ABCRC started the process of increasing employee awareness of corporate health and safety programs by developing better communication processes and offering more safety training opportunities. This included improved processes for health and safety investigations and corrective measures as well as reporting those investigation results back to the health and safety committee. Full results of the 2016 initiatives will be available in the 2017 Sustainability Report.



ABCRC started the process of increasing employee awareness of corporate health and safety programs

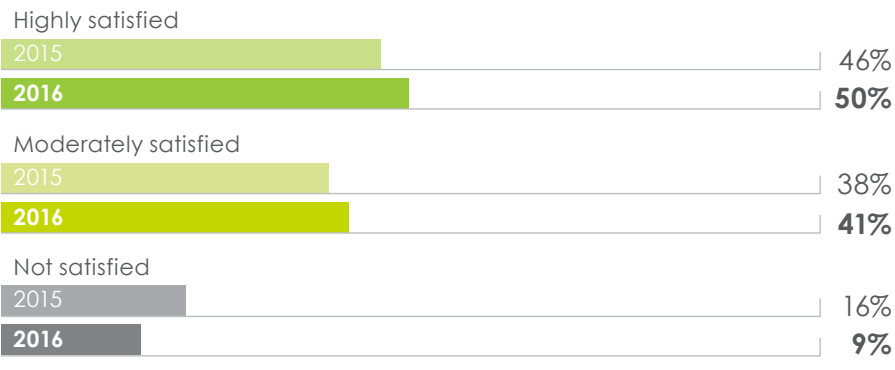
DEPOT SATISFACTION SURVEY

The Depot Satisfaction Survey measures the performance of the collection service agent (ABCRC), the collection service provider (Alberta Beer Container Corporation) and the regulator (BCMB). The survey was conducted by the BCMB in October 2016 and the depot network was asked to evaluate all three parties on a series of service questions.

Overall, ABCRC saw an improvement in 2016 over 2015. Comparing similar questions year over year there was an increase in those who were highly satisfied and moderately satisfied with 91% of Alberta Depot operators at least moderately satisfied with the overall service of ABCRC. When asked if there were any comments depot operators would like to make about ABCRC service in 2016, a number of comments submitted were positive about the service they receive. Potential improvements identified by the depots included some communication gaps and that some shipments were not matching orders.

The BCMB will continue to annually survey Alberta Depots and seek opportunities to improve services to Alberta Depots, and by extension, to consumers who use them.

OVERALL SATISFACTION WITH ABCRC



BEING A COMMUNITY CHAMPION – CEREBRAL PALSY

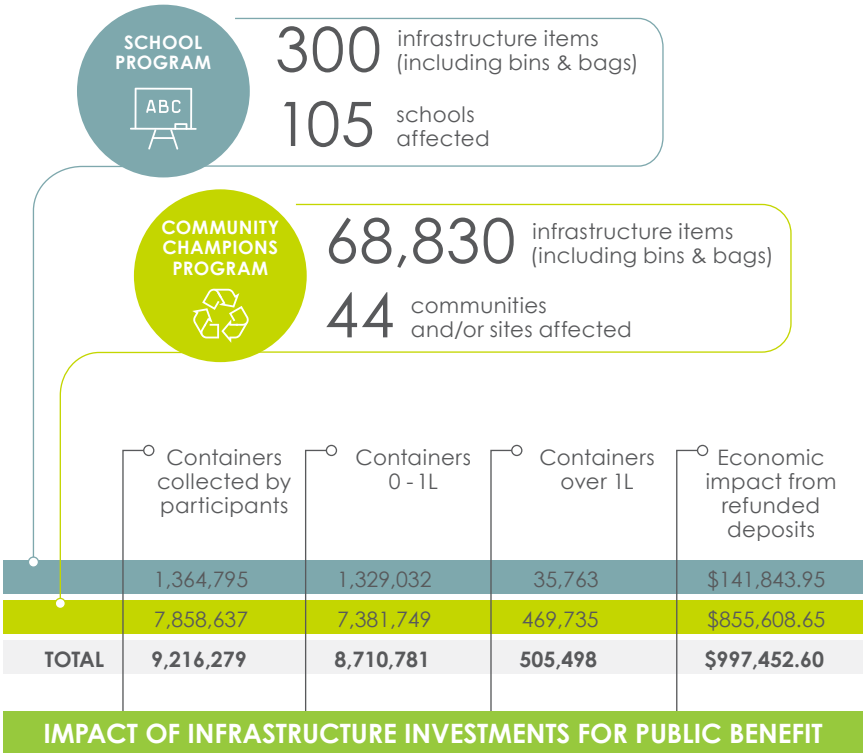
The Cerebral Palsy Association of Alberta (CPAA) is a registered non-profit organization that supports people affected by cerebral palsy and other disabilities in the province of Alberta. Cerebral Palsy is a term used to describe a group of conditions affecting body movement and muscle coordination. CPAA exists to provide Albertans with the assistance and services they require to enable them to live a life without limits.

CPAA joined the Community Champions Program in 2009. The funding they received was used to purchase bins and place them with companies throughout the province. Proceeds from their beverage container collection go directly to their community programs, which offer Albertans with cerebral palsy and other disabilities social interaction and healthy activities in nurturing environments.

Since joining the program, CPAA has returned over 1.7 million beverage containers – what an amazing impact to both the environment and to the programs that help people living with cerebral palsy!

“Through ABCRC funding we’ve been able to add indoor beverage container recycling infrastructure to a number of our community partners. We’ve also created branded green bags which clearly identify to people that we accept beverage containers in addition to clothing. So far, we’ve distributed approximately 2,000 of these bags and are just starting to see the results of the promotion. In 2015 we recycled nearly 550,000 bottles, saving over 56,000 kg of GHG!”

Breanne O'Reilly
Communications & Marketing Manager
Cerebral Palsy Association in Alberta



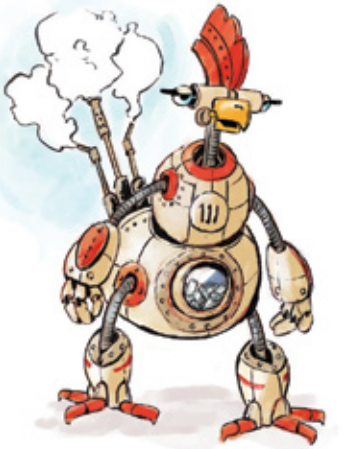
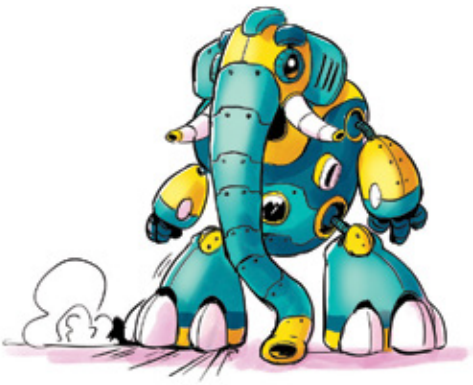
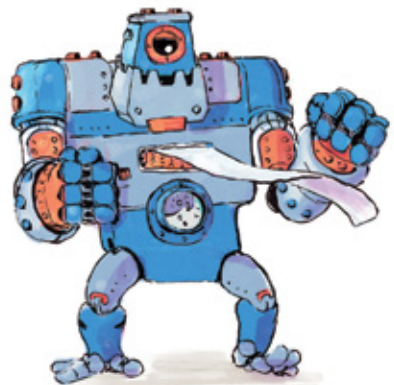
2016 COMMUNITY ENGAGEMENT INITIATIVES

After reviewing community engagement initiatives for areas of improvement, ABCRC identified enhancements which will continue to be implemented throughout 2017. From this review, ABCRC is creating a new school program that includes fun recycling robot characters to keep children engaged while learning about the benefits of Beverage Containers recycling. The first classroom presentations will begin in early 2017. This review also included establishing a new Depot Event team that focuses on partnering with Alberta Depots and like-minded community events to educate Albertans about the importance of beverage container recycling.

ABCRC provides funding through its Community Champions Program to municipalities and community groups for specialized recycling bins and other program support so that organizations can collect Beverage Containers on an on-going basis. In 2016, ABCRC provided funding to forty-four Community Champions, sending out 68,830 items such as recycling bins, labels and bags.

EMPLOYEE RECOGNITION AND APPRECIATION

Recognizing employees for excellence and thanking them for their service, ABCRC staff are acknowledged each year with service milestone awards. ABCRC staff are also treated to several barbecues throughout the summer, promoting camaraderie while enjoying delicious food. During the winter, an annual pot luck luncheon showcases many employee’s diverse culinary skills in a fun and easy-going atmosphere.



	Amount
DIRECT ECONOMIC VALUE GENERATED	
Net regulated deposit revenue	\$35,921,052
Sale of processed materials and other revenue	\$29,140,953
Container recycling fees	\$54,706,914
Total economic value generated	\$119,768,953
DIRECT ECONOMIC VALUE DISTRIBUTED	
Operating costs	\$114,198,387
Employee wages and benefits	\$10,615,651
Payment to capital providers	\$212,812
Payments to governments	\$186,179
Community investments	\$1,161,489
Total economic value distributed	\$126,374,518
Economic value generated 2016 – regular earnings	(\$6,605,599)
2016 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED	

CERTIFICATE OF RECOGNITION RE-CERTIFICATION FOR HEALTH AND SAFETY

ABCRC conducts yearly internal or external health and safety audits in conjunction with the Manufacturers' Health & Safety Association (MHSA) Certificate of Recognition (COR) program. The COR is a government-approved safety program that awards employers who develop health and safety management safety systems that meet established provincial standards.

In 2016, ABCRC received re-certification in the COR program ensuring its health and safety processes and procedures help to create a safe work environment for ABCRC employees.

In 2016, ABCRC
received re-certification
in the COR program



LIST OF 2016 COMMUNITY CHAMPIONS PARTNERSHIP GRANT RECIPIENTS

- Alberta Parks – Government of Alberta
- Alexandra Centre Society
- Aquatera Utilities Inc.
- Arabian Muslim Association
- BluPlanet Recycling
- Bottles4Diabetes
- Brittany Lane Housing Coop Ltd.
- Cerebral Palsy Association of Alberta
- City of Edmonton/ Community and Recreation Facilities
- Clean Conscience Recycling
- County of Grande Prairie No. 1
- Fairmont Chateau Lake Louise
- Fort Macleod and District Fish and Game Association
- Goose Lake Campground
- Green Event Services Inc.
- Kneehill County
- Little Big Recycling Ltd.
- Municipality of Jasper
- Olds College
- Recycle For Life
- South West Arena Society
- Spruce Point Park Association
- Strathcona County
- The Community Lunch Box Society
- The Lake Louise Ski Area Ltd.
- The McMahon Stadium Society
- Town of Devon
- Town of Edson
- Town of Strathmore
- Town of Taber
- Vecova Centre for Disability Services and Research
- Vegreville in Bloom
- West Yellowhead Recycling Society
- Whispering Pines Golf and Country Club
- Whitecourt Woodlands Winter Recreation Park Society
- Winnifred Stewart Association
- Woodlands County
- Yellowhead County

■ Rouen Hem

FINANCIAL STEWARDSHIP

OPERATING WITH NOT-FOR-PROFIT PROVISIONS AS THE COLLECTION SYSTEM AGENT APPOINTED BY BEVERAGE CONTAINER MANUFACTURERS, ABCRC FOCUSES ON MANAGING ITS OPERATIONAL COSTS AND TAKES COST MANAGEMENT SERIOUSLY.

ABCRC undergoes an annual financial audit publicly available in its annual sustainability report. These audits are conducted by a third party and have been completed in accordance with the Canadian accounting standards for not-for-profit organizations throughout the existence of ABCRC. In 2016, ABCRC continually analyzed operational activities to identify and implement potential efficiencies.

Revenue sources used to operate the Common Collection System in Alberta come from three main sources.

1 UNREDEEMED DEPOSITS

Deposits collected for Beverage Containers that are purchased but not returned to an Alberta Depot within the same fiscal year.

2 SALE OF PROCESSED MATERIALS

ABCRC receives sales proceeds when it sells recycled Beverage Containers that have been processed into bales of material to various recyclers.

3 CONTAINER RECYCLING FEE

A fee beverage manufacturers are required to pay per Beverage Container sold by them in Alberta. Beverage manufacturers may independently choose to pass on the costs of the CRF to their customers. The CRF is established by ABCRC's Board of Directors for each container type and covers the net cost to recycle each Beverage Container. The CRF is subject to review regularly and any required adjustments are generally done on an annual basis.



GOVERNANCE

ABCRC seeks to maintain transparent and accountable governance practices across its operations. Decisions and strategic priorities are clearly identified and available on the ABCRC corporate website and within each annual sustainability report. Those decisions and strategic priorities clearly identify how decisions are made, and who makes those decisions. This means consumers can find readily available and up-to-date information on how ABCRC manages costs to fund operational activities. Transparency and accountability are key components to the ABCRC governance model.

As the collection system agent for beverage manufacturers in Alberta, ABCRC is responsible for promoting the effective, efficient collection and recycling of Beverage Containers and complying with the Regulation and BCMB bylaws. This includes submitting reports to the BCMB that identify how ABCRC operational processes are managed, and identifying potential efficiencies within those operations.

TRANSPARENCY

Disclosing operational information about an organization that allows the public easy access to current information

ACCOUNTABILITY

Assurance that an organization is evaluated on its performance and responsible for its actions

NEW CRF INTRODUCED IN OCTOBER

Alberta has one of the most innovative and effective beverage container recycling programs in North America. Some of the money to operate the Common Collection System comes from the sale of recyclable material from the returned Beverage Containers. The rest comes from unredeemed deposits and the CRF. In May of 2016, ABCRC's Board of Directors approved changes to the CRF in Alberta in order to account for a number of factors including higher return rates and lower commodity values for the sale of recyclable material. The new CRF took effect in mid-October 2016 and reflected the changes approved by the Board of Directors. The fee schedule is publicly available on ABCRC's website, indicating the CRF for each type of Beverage Container. Each Beverage Container has a different CRF because each has a different cost of recycling. Some manufacturers pass on the CRF to retailers and some retailers pass the CRF onto consumers. Any decisions by manufacturers to pass on the CRF to retailers and by retailers to pass on the CRF to consumers are made independently and some retailers may choose not to pass on the CRF or to show it separately on receipts.

QUALITY CONTROL – FIRST IN CANADA TO USE TOMRA'S COUNTING MACHINES

Every day, ABCRC conducts quality control audits to verify the accuracy of container counts received from Alberta Depots. These audits are supported by a computer generated random-bag selection system and the use of both manual and automated counting processes. Monitoring performance is part of the process of improvement. In 2016, ABCRC applied quality control audits to 32,657 of the 1,367,511 mega bags received from Alberta Depots.

In 2016 ABCRC became the first deposit system operator in Canada to implement TOMRA automated counting machines for quality control purposes. This technology resulted in increased performance related to auditing of material shipped from Alberta Depots. These machines take up less space, use less energy and allow for quicker, more accurate counts than the previous counting technology used by ABCRC. ABCRC plans to implement another two TOMRA machines in 2017, one at its Calgary facility and one at its Edmonton facility.



■ Above: Justin Seville (left) and Chuom Vichet Keo Right: Bo Krui



SHIPPING CONTAINER STRATEGY UPDATE

ABCRC explored different shipping container strategies throughout 2015, which resulted in the implementation of new processes in 2016. These improved processes resulted in increases in the quality and efficiency of the shipping of pallets and bags used in the container collection and delivery process. ABCRC, in partnership with its stakeholders, continued to develop and refine the shipping container strategy throughout 2016 and are pleased to report on the full results of the program. Shipment presentation has been improved in which pallets and shipping bags are counted, then shrink wrapped together prior to being shipped to Alberta Depots, where they will be used to ship Beverage Containers back to ABCRC. It helps to reduce potential damage to the shipping containers and keeps them together

in a neat and orderly package. Order confirmation is now also enforced, with an ABCRC supervisor verifying the shipment and C-Bill accuracy. Carrier signatures are required prior to the shipment leaving ABCRC, acknowledging the quantities outlined on the C-Bill. Once the shipment arrives at the Alberta Depot, a depot representative signs the C-Bill at the time of delivery verifying the contents of the shipment. A copy of the C-Bill is returned to the carrier verifying the delivery is complete. Inventory reporting continues to occur in the spring and fall of each year and places accountability on both ABCRC and the Alberta Depot to ensure shipping container counts are accurate.

ABCRC will be reporting semi-annually to the BCMB and ABDA with regard to the number and type of shipping containers shipped and any shipping supply deficiencies.

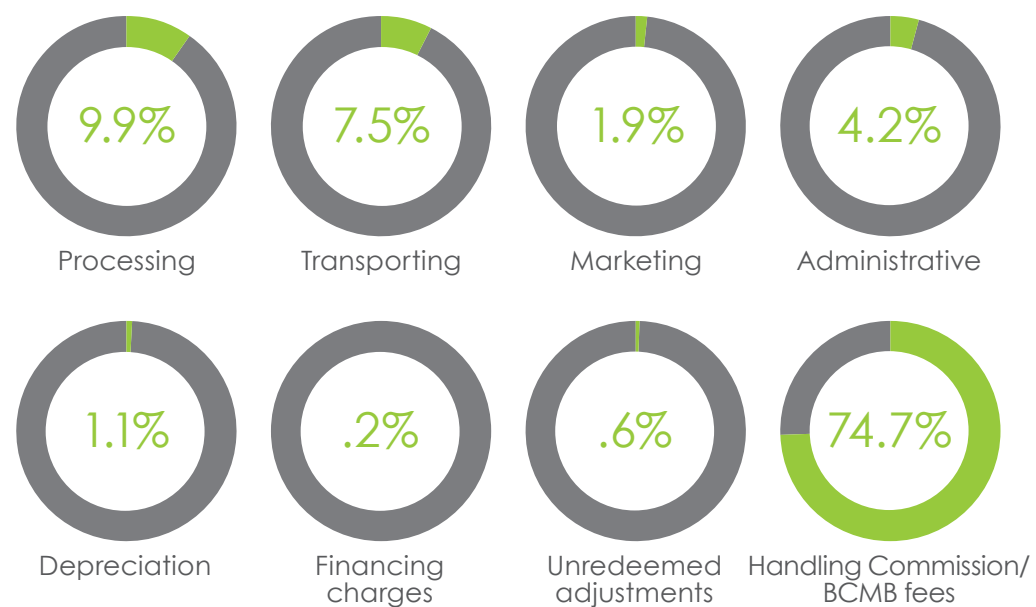
A C-bill is a receipt issued by ABCRC that lists empty shipping containers, such as pallets and bags, delivered to Alberta Depots

	Consolidated	Aluminum	Plastic	Glass	Polycoat	Bi-metal
Total expenditure	\$126,374,517.05	\$40,253,441.92	\$53,849,615.95	\$14,343,278.98	\$14,343,278.98	\$531,330.31
Recovered volume	1,945,699,123	942,559,185	650,525,160	175,251,410	172,032,927	5,330,441
Cost per container	\$0.0650	\$0.0427	\$0.0828	\$0.0993	\$0.0834	\$0.0997

2016 COST PER CONTAINER

	2016	2015	2014	2013	2012	2011	2010	2009
Cost per container	\$0.065	\$0.064	\$0.064	\$0.060	\$0.060	\$0.060	\$0.062	\$0.060

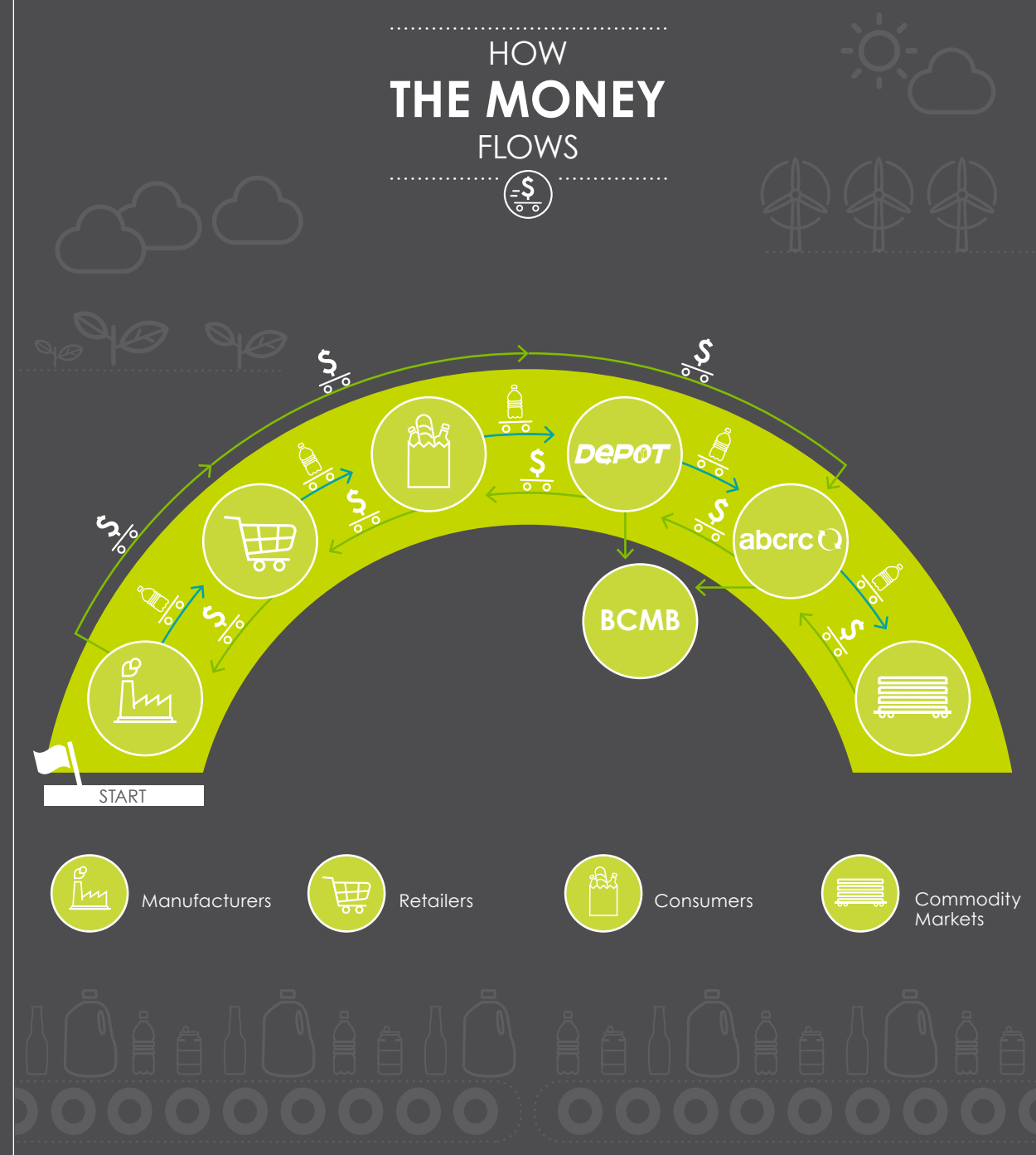
CONSOLIDATED COST PER CONTAINER OVER TIME



2016 SYSTEM COSTS



HOW THE MONEY FLOWS





INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Alberta Beverage Container Recycling Corporation

We have audited the accompanying financial statements of Alberta Beverage Container Recycling Corporation, which comprise the statement of financial position as at December 31, 2016, the statements of operations and changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these 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.

AUDITOR'S RESPONSIBILITY

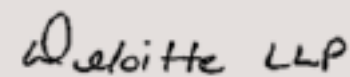
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alberta Beverage Container Recycling Corporation as at December 31, 2016 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Professional Accountants
May 11, 2017

Deloitte LLP
700 Bankers Court
850 Second Street SW Calgary AB T2P 0R8 Canada
Tel: 403-267-1700 Fax: 403-213-5791
www.deloitte.ca

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2016

	2016	2015
REVENUE		
Regulated deposits	\$ 253,708,406	\$ 263,483,570
Container recycling fees	54,706,914	43,968,742
Deposits refunded	(217,787,354)	(223,350,621)
	90,627,966	84,101,691
Sale of processed containers	28,980,069	32,893,997
Other income and expenses	258,876	314,160
Loss (Gain) on foreign exchange	(97,992)	603,809
	119,768,919	117,913,657
REGULATED EXPENSES		
Handling commissions	(93,656,858)	(96,496,839)
Beverage container management board fees	(1,260,082)	(1,117,503)
	(94,916,940)	(97,614,342)
EXPENSES		
Warehouse	12,560,325	12,518,577
Transportation	9,516,496	10,555,778
Administration	5,317,947	4,600,900
Marketing and technology	2,413,644	2,391,947
Amortization	1,436,355	1,482,903
Finance charges	212,812	227,124
	31,457,579	31,777,229
Deficiency of revenue over expenses	(6,605,600)	(11,477,914)
Net assets, beginning of year	19,083,124	30,561,038
NET ASSETS, END OF YEAR	\$ 12,477,524	\$ 19,083,124

The accompanying notes to the financial statements are an integral part of this financial statement.



STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 14,639,388	\$ 8,532,876
Short-term investments	–	10,004,109
Accounts receivable (Note 3)	33,226,034	33,493,906
Prepaid expenses	170,640	191,387
	48,036,062	52,222,278
Tangible capital assets (Notes 2 and 4)	16,225,054	16,822,753
	64,261,116	69,045,031
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 3 and 5)	45,814,095	43,546,268
Current portion of obligations under capital lease	–	3,393
Current portion of mortgage loan (Note 7)	5,968,597	442,749
	51,782,692	43,992,410
Mortgage loan (Note 7)	–	5,968,597
	51,782,692	49,961,007
Commitments (Note 11)		
Contingent liabilities (Notes 5 and 6)		
Share capital (Note 8)	900	900
NET ASSETS		
Investment in tangible capital assets (Note 2)	10,256,457	10,408,014
Unrestricted net assets	2,221,067	8,675,110
	12,477,524	19,083,124
	\$ 64,261,116	\$ 69,045,031

The accompanying notes to the financial statements are an integral part of this financial statement.

Approved by the Board

Director

Director



STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	\$ (6,605,600)	\$ (11,477,914)
Items not affecting cash and cash equivalents		
Amortization	1,436,355	1,482,903
Loss on disposal of tangible capital assets	18,992	5,212
Impairment of tangible capital assets	–	26,724
Gain (loss) on foreign exchange	97,992	(603,809)
	(5,052,261)	(10,566,884)
Changes in non-cash working capital		
Accounts receivable	267,872	(1,174,119)
Prepaid expenses	20,747	3,467,657
Accounts payable and accrued liabilities	2,267,827	(4,978,736)
	(2,495,815)	(13,252,082)
FINANCING ACTIVITIES		
Repayment of obligations under capital lease	(3,393)	(9,591)
Repayment of mortgage loan	(442,749)	(428,454)
	(446,142)	(438,045)
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(872,533)	(540,302)
Proceeds on disposal of tangible capital assets	14,885	10,972
Sale of short term investments, net of purchases	10,004,109	10,023,918
	9,146,462	9,494,588
Effect of foreign currency fluctuations on U.S. dollar-denominated cash and cash equivalents	(97,992)	603,809
Net increase (decrease) in cash and cash equivalents	6,106,513	(3,591,730)
Cash and cash equivalents, beginning of year	8,532,876	12,124,606
Cash and cash equivalents, end of year	14,639,388	8,532,876
REPRESENTED BY		
Cash	657,005	379,090
Cash equivalents	13,982,384	8,153,786
	\$ 14,639,388	\$ 8,532,876

The accompanying notes to the financial statements are an integral part of this financial statement.



NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. NATURE OF BUSINESS

Alberta Beverage Container Recycling Corporation (the “Corporation”) is amalgamated under the Business Corporations Act (Alberta). The Corporation has a not-for-profit provision which exempts the Corporation from taxes under Section 149 (1) (l) of the Income Tax Act, subject to certain requirements.

The Corporation has been appointed by participating beverage manufacturers (the “Participants”) in the province of Alberta to collect non-refillable registered containers from depots and cause them to be recycled as required under the Beverage Container Recycling Regulation. The Corporation’s guiding principles require that container recycling fees are determined so that each container type is self-funding.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”) and include the following significant accounting policies:

Revenue recognition

Container recycling fees and regulated deposits are recognized upon the sale of product by the Participants. Revenue arising from the sale of processed containers is recognized when shipped.

Cash and cash equivalents

Cash and cash equivalents include the amounts held in current and money market accounts maintained by the Corporation. Any amount included as cash and cash equivalents will have a maturity of 90 days or less from inception.

Short-term investments

The Corporation considers certificates of deposit, Guaranteed Investment Certificates and short-term investments with original maturities of one year or less from the financial statement date as short-term investments.

Financial instruments

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently recorded at fair value. All other financial instruments are recorded at cost or amortized cost, unless management has elected to record at fair value. The Corporation has not elected to carry any such financial instruments at fair value.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. For all other financial instruments, the transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations and changes in net assets.

With respect to financial assets measured at cost or amortized cost, the Corporation recognizes in the statement of operations and changes in net assets an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the statement of operations and changes in net assets in the period the reversal occurs.



Tangible capital assets

Tangible capital assets are recorded at cost and amortized using the straight-line method over their estimated useful lives as follows:

Warehouse building	20 years
Plant equipment	5 and 10 years
Warehouse building improvements	Remaining life of the warehouse building
Computer and communication equipment	3 years
Leased land improvements	Term of lease
Office equipment	5 years
Vehicles	3 years
Leasehold improvements	Term of lease

Assets not yet in use are not subject to depreciation until development is complete.

Tangible capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be fully recoverable. An impairment loss is recognized when and to the extent that management assesses the future useful life of an asset to be less than originally estimated.

Liability for unreturned containers

The amount recorded as a liability for unreturned containers is based on managements' estimates of future container return rates and associated costs and is included in accounts payable and accrued liabilities.

Foreign currency

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the statement of financial position date, and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Foreign exchange gains and losses are included in the statement of operations and changes in net assets against the line item they relate to.

Use of estimates

The preparation of financial statements in conformity with ASNPO require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Specific items subject to estimation include the allowance for doubtful accounts, estimated useful lives and potential impairment of tangible capital assets, liability for unreturned containers, and accrued liabilities.

These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the statement of operations and changes in net assets in the year in which they become known. Actual results could differ from those estimates.

Investment in tangible capital assets

Net assets invested in tangible capital assets are composed of:

	2016	2015
Net book value of tangible capital assets	\$ 16,225,054	\$ 16,822,753
Obligations under capital lease	-	(3,393)
Mortgage loan	(5,968,597)	(6,411,346)
Investment in tangible capital assets	\$ 10,256,457	\$ 10,408,014

3. RELATED PARTY TRANSACTIONS

Of the Corporation's total revenue, 75.7% (2015 - 71.3%) is from the deposits and fees charged and collected by Participants in the selling of their beverages in non-refillable containers.

At December 31, 2016, the accounts receivable balance included \$30,515,028 (2015 - \$29,490,775) due from the Participants in the normal course of business.

At December 31, 2016, the accounts payable and accrued liabilities balance included \$2,725,509 (2015 - \$1,492,649) payable to the Participants in the normal course of business.

These transactions have been recorded at the exchange amount, which represents the amount of consideration established and agreed to by the related parties.

4. TANGIBLE CAPITAL ASSETS

2016	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Land	\$ 3,831,850	\$ -	\$ 3,831,850
Warehouse building	6,772,850	1,015,865	5,756,985
Plant equipment	7,762,256	4,818,299	2,943,957
Warehouse building improvements	3,039,968	446,837	2,593,131
Computer and communication equipment	1,698,020	1,616,873	81,147
Leased land improvements	763,109	224,040	539,069
Office equipment	409,275	283,950	125,325
Vehicles	-	-	-
Leasehold improvements	641,442	446,631	194,811
Assets not yet in use	158,779	-	158,779
	\$ 25,077,549	\$ 8,852,495	\$ 16,225,054

2015	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Land	\$ 3,831,850	\$ -	\$ 3,831,850
Warehouse building	6,772,850	677,223	6,095,627
Plant equipment	7,281,362	4,388,725	2,892,637
Warehouse building improvements	3,037,154	294,600	2,742,554
Computer and communication equipment	1,641,916	1,529,840	112,076
Leased land improvements	763,109	147,564	615,545
Office equipment	402,104	230,402	171,702
Vehicles	54,100	46,586	7,514
Leasehold improvements	607,020	357,102	249,918
Assets not yet in use	103,330	-	103,330
	\$ 24,494,795	\$ 7,672,042	\$ 16,822,753

Tangible capital assets not yet in use of \$158,779 (2015 – \$103,330) are not subject to depreciation until development is complete. The vehicles included in the above disclosure were financed by obligations under capital lease which expired in the month of May 2016 and were accordingly terminated.



5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Liability for unreturned containers

Included in the accounts payable and accrued liabilities is the amount for a liability of \$37,276,106 (2015 - \$37,985,545) that the Corporation has accrued for. The liability is based off of the deposit refunds, handling commissions and BCMB fees that relate to the estimated number of containers that have been sold by the Participants as of December 31, 2016. These amounts are expected to be paid after year-end, based on expected return rates.

Management has estimated this liability based on existing knowledge, and changes in future conditions may require a material change in the recognized amount of this liability.

6. OPERATING LINE OF CREDIT

The Corporation has an operating line of credit, (including letters of credit to a maximum of \$500,000) not to exceed the lesser of \$5,000,000 and 90% of certain accounts receivable and 75% of all other receivables value net of over 45-day accounts, from a Canadian chartered bank bearing interest at the bank’s prime interest rate plus 0.05% per annum. The line of credit is secured by a general security agreement representing a first charge over all of the assets of the Corporation.

The Corporation has issued a \$100,000 standby letter of credit as security for the Edmonton building lease. As at December 31, 2016, the outstanding balance of the operating line of credit was \$Nil (2015 - \$Nil).

7. MORTGAGE LOAN

	2016		2015	
Fixed-rate term loan from Canadian chartered bank				
Mortgage loan bearing interest at the bank’s fixed-term rate of 3.45% per annum, expiring on November 20, 2017 based on the agreed amortization period of 180 months, repayable in monthly blended payments of \$54,668 towards principal and interest due on the 20th day of each month				
Principal amount outstanding	\$	5,968,597	\$	6,411,346
Less: current portion		5,968,597		442,749
		–		5,968,597

It is expected that the loan will be renewed for another five-year period subsequent to its maturity in November 2017.

The mortgage loan is secured by a general security agreement and a collateral mortgage representing first charge on real property located at 901-57th Avenue, N.E., Calgary, Alberta in the principal amount of \$7,687,000, beneficially owned by and registered in the name of the Corporation. The net book value of the real property acquired is \$12,181,965 (2015 - \$12,670,031).

The fixed-rate term loan facility is subject to a specific financial covenant as defined by the financial institution. As at December 31, 2016, the Corporation was in compliance with the aforementioned covenant.

Principal payment required in the next year is as follows:

2017 Current Portions	\$	420,017
2017 Expiring		5,548,580
	\$	5,968,597

8. SHARE CAPITAL

Authorized, unlimited number

Class A shares without nominal or par value. The shares have voting rights but no dividend rights.

Class B shares without nominal or par value. The shares have no voting rights but have dividend rights. The Class B shares may only be issued with the unanimous consent of the holders of the Class A shares.

The authorized share structure results in the Corporation being a not-for-profit corporation as long as no Class B shares are issued and profits are restricted to the operations of the Corporation.

ISSUED AND OUTSTANDING				
	2016	2015	2016	2015
	Units	Units	\$	\$
Class A shares	900	900	900	900

9. FINANCIAL INSTRUMENTS

Credit risk

The Corporation is exposed to credit risk on its accounts receivable from its customers. The majority of the accounts receivable are in respect of container recycling fees and regulated deposits. The Corporation generally extends unsecured credit to the Participants, and therefore the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by the size and reputation of the companies to which they extend credit, and the net aged accounts receivable balance greater than 60 days is not material to the financial statements as a whole.

Liquidity risk

The Corporation’s objective is to have sufficient liquidity to meet its liabilities when due. The Corporation monitors its cash balances and cash flows generated from operations to meet its requirements.

Interest rate risk

The mortgage loan bears interest at a fixed rate. Consequently, the cash flow exposure is not significant. However, the fair value of the debt at a fixed rate of interest could fluctuate because of changes in market interest rates.

The Corporation is exposed to interest rate risk on its operating line of credit, obligations under capital lease, cash and cash equivalents and short-term investments. Due to the short-term nature of the financial instruments, management believes this risk is not significant. A change of 25 basis points in interest rates would have increased (decreased) the deficiency of revenue over expenses and changes in net assets, for the year ended December 31, 2016 by \$28,989 (2015 - \$59,678).

Foreign currency risk

The Corporation undertakes revenue and purchase transactions in foreign currencies and is subject to gains and losses due to fluctuations in foreign currency exchange rates. Gains and losses due to foreign currency based transactions are not expected to be material to the financial statements. As at December 31, 2016, the Corporation had a net exposure to U.S. currency of C\$2,294,336 (2015 - C\$3,187,358) represented by US\$1,708,748 (2015 - US\$2,303,005), and the Corporation has no option or any forward commitments to sell additional U.S. currency. A change of 1% on the foreign currency rate would have increased (decreased) revenue, for the year ended December 31, 2016 by \$22,726 (2015 - \$32,243).



10. COMMITMENTS

The Corporation has lease commitments for plant space in Edmonton; a quality control facility in Edmonton; the adjacent piece of land to the Calgary plant; and other operating lease agreements, which expire at various dates. The lease agreement for the Edmonton plant facility expires in November 2019. The Quality Control facility lease expires in September 2019. The land lease agreement expires in December 2023, and the Corporation has the option to extend the term of the lease for 10 years.

Future minimum lease rental payments aggregate \$4,660,932 and the annual lease payments for the next five years and thereafter are as follows:

2017	\$	741,306
2018		746,272
2019		629,698
2020		183,404
2021		178,882
Thereafter		2,181,370
	\$	4,660,932

GLOSSARY OF TERMS

- ABCRC** – Alberta Beverage Container Recycling Corporation
- ABDA** – Alberta Bottle Depot Association
- Alberta Depot** – one of 217 collection sites that refunds deposits paid by consumers for Beverage Containers returned by them to that depot
- Beverage Container** – means a used non-refillable container as defined in the Regulation that has not previously entered the Common Collection System
- BCMB** – Beverage Container Management Board
- Common Collection System** – means a container collection system that does not distinguish containers of similar size and material from each other based on the manufacturer of the container
- CRF** – Container Recycling Fee
- EPEA** – Environmental Protection and Enhancement Act (Alberta)
- Regulation** – refers to the Beverage Container Recycling Regulation under the EPEA



APPENDICES

ORGANIZATIONAL PROFILE

NAME OF ORGANIZATION

Alberta Beverage Container Recycling Corporation

PRIMARY SERVICES

ABCRC is a provincial product stewardship corporation incorporated under the Business Corporations Act (Alberta) and operating with not for profit provisions. Its mandate is to be the agent for the beverage manufacturers to operate the Common Collection System for registered containers; be responsible for recycling Beverage Containers; comply with the Regulation and BCMB bylaws; and to promote the economic and efficient collection of Beverage Containers.

ABCRC is responsible for the collection of Beverage Containers from 217 independently owned Alberta Depots. ABCRC outsources 100% of transportation services to facilitate this collection, and contracts with a regional processor in Lethbridge for a small portion of processing capacity. The majority of processing activity is conducted in ABCRC-operated facilities located in Edmonton and Calgary.

LOCATION OF HEADQUARTERS

901 57 Avenue NE, Calgary Alberta

GEOGRAPHIC SCOPE

ABCRC operates solely within the province of Alberta, Canada.

MARKETS SERVED

ABCRC serves Alberta's non-refillable beverage container recycling market.

AWARDS

ABCRC was not the recipient of any awards in 2016.

REPORTING PERIOD

ABCRC's Sustainability Report is limited in scope to performance between January 1 – December 31, 2016.

CONTACT PERSON

Angela Wiles, Vice President Communications & Marketing
(403) 264-0170 or awiles@abcrc.com.

BOUNDARY OF REPORT

The report includes all entities in which ABCRC exercises control, and generates significant sustainability impacts. ABCRC also considers its organizational boundary to include its transportation suppliers, who are wholly independent of ABCRC but significant to overall organizational performance.

RE-STATEMENTS FROM PREVIOUS REPORTS

ABCRC does not have any re-statements to provide from previous reports.

SIGNIFICANT CHANGES FROM PREVIOUS REPORTS

ABCRC does not have any significant changes to from previous reports to disclose.

ACTIVE MANUFACTURERS AS OF DECEMBER 31, 2016

1117750 Alberta Inc. O/A Serengeti Edmonton | 1272227 Ontario Inc. O/A Cdc Foods | 1612133 Alberta Ltd. O/A The Right Water Bottling Company | 1735221 Alberta Ltd. | 1852884 Ontario Inc. O/A Nutrition Club | 1923556 Alberta Inc./Catalia Import Export | 1999196 Alberta Inc. | A Good Taste Of Britain 1995 | A. Lassonde Inc. | Abbott Nutrition | ABC Cork Co. | Acklands-Grainger Inc. | Afod Ltd. | Agropur Cooperative | Alberta Gaming & Liquor Commission | All 4 Water Corp. | All Market Inc. | Allcity Importers Ltd. | Altra Foods Inc. | Amway Canada Corporation | Anchor Foods International Ltd. | Aquaterra Corporation | Arctic Chiller Ltd. | Arizona Beverages of Canada ULC | ASM Canada - Sales and Logistics | Atkins Nutritionals Inc. | Avalon Dairy Ltd. | Awakened Living Inc. O/A The Light Cellar | Bass Pro Shops Canada ULC | Best Brands Marketing | Beverage World Inc. | Bioforce Canada Inc. | Biosteel Sports Nutrition Inc. | Bolthouse Farms | Brewsters Brewing Company and Restaurant | British Pantry | Brutus Beverages Inc. | Buderim Ginger Ltd. | Bulk Barn Foods Ltd. | Buy-Low Foods LP DBA Associated Grocers | Cabela's Retail Canada Inc. | Caissen Water Technologies Inc. | Calgary Co-Operative Association Ltd. | Calkins & Burke Ltd. | Campbell Company of Canada | Canada Dry Mott's Inc. | Canada Pure Water Co. Ltd. | Canadian Choice Wholesalers | Canadian Tire | Canada Six Fortune Enterprise Co. Ltd. | Cannalife USA Ltd. | Car-Net Import & Export Corp. | Carbon Diamond Beverages Inc. | Cascadia Specialties Inc. | Casseroles Cora Inc. | Cherry Pit Inc. | Christmas Natural Foods | Coca Cola Refreshments | Coca-Cola Ltd. | Community Natural Foods Ltd. | Concord Sales Ltd. | Core-Mark International, Inc. | Corinthian Distributors Ltd. | Costco Wholesale Canada Ltd. | Cott Beverages Canada | Country Fresh Water | Cows Inc. | Cru Juice Inc. | D3 Brand Delivery Solutions | Danone Inc. | Dattani Wholesalers | Dehnamar Inc. | Distribution Missum Inc. | Dole Packaged Foods Co. | Dollar Tree Stores Canada | Dollarama L.P. | Dong Phuong Oriental Market Ltd. | Donia Farms Foods Ltd. | Double D Beverage Co. | Dovre Import & Export Ltd. | Dreamwater Products Canada Inc. | DSI Food Corporation | Earth's Own Food Company Inc. | Eaux Vives Water Inc. | Ecotrend Ecologics Ltd. | Edoko Food Importers Ltd. | Elco Fine Foods Ltd. | Elite International Foods Inc. | Exclusive Candy and Novelty Dist. Ltd. | Fairwinds Farm Ltd. | Far East North America Food Ltd. | Fastenal Canada Ltd. | Federated Coop Ltd. | Ferma Import & Export | Fiji Water Canada Ltd. | Fok's Trading (Canada) Ltd. | Freelif International Canada Corp. | Fresh Squeeze Inc., The | Fukuda Trading Co. Ltd. | Gagan Foods International Ltd. | Galvanina Canada Ltd. | General Mills Canada Corporation | General Nutrition Centers | Genesis Marketing Group Inc. | Genesis Today Inc. | Genki Foods | Glencar Food & Beverages Inc. | Good Water Company, The | Gordon Food Service Canada Ltd. | Gourmet Trading Co. | GraceKennedy (Ontario) Inc. | Great Canadian Water Company Ltd. | Greenworld Food Express Inc. | Grimmway Enterprises Inc. | Grizzly Paw Brewing Company, The | Gummi Confections & Novelties Inc. | Guru Beverage Inc. | Hain-Celestial Canada, ULC | Happy Days Dairies Ltd. | Happy Planet Foods Inc. | Hbs International Corp. | Heart Smart Foods Ltd. | Hi-Bridge Consulting Co. | Hilary's Salesmaster Inc. | Hillsboro Corp Inc. O/A True Buch Kombucha | Hongdao Business Development Ltd. | Horizon Distributors | Hormel Canada Ltd. | Hp Hood LLC | Hung Gay Enterprises Ltd. | I-D Foods Corporation

ACTIVE MANUFACTURERS AS OF DECEMBER 31, 2016 CONT'D

| Ice River Springs Water Co. Inc. | Icy Mountain Water Co. Ltd. | Idea Worldwide (Foods) | Ikea Canada Ltd. Partnership | Inform Brokerage Inc. | Iovate Health Sciences International Inc. | Italpasta Ltd. | Ito En (North America) Inc. | J.M. Smucker Company, The | Jan K. Overweel | Jardin Foods Ltd. | Jasmine Mediterranean Foods | JC Bunny Bunny Trading Co. Ltd. | Jet Trading Co. Ltd | Jeunesse Global Marketing Ltd. | JFC International (Canada) | Johanna Foods Inc. | Joriki Inc. | Juice Shop Ltd., The | Kanada Solutions Inc. | Karma Culture LLC | Kennelli Springs Ltd. | Kerry (Canada) Inc. | KO & C Enterprises Ltd. | Kohl & Frisch Ltd. | Kraft Heinz Canada ULC | La Mexicana Variety Store | Labatt Brewing Company Ltd. | Laboratoires C.O.P. Inc. | Le Kiu Importing Co. Ltd. | Leading Brands of Canada Inc. | Left Coast Naturals | Lekker Food Distributors Ltd. | Les Aliments Unique Food | Les Celliers Associés | Loblaw Companies | London Drugs Ltd. | Louis Dreyfus Commodities Canada Ltd. | Malinda Distributors Inc. | Mamma Chia LLC | Manzen LLC DbA Xyience | Martin Brower of Canada Ltd. | Mexican Family Store | MGA Management Ltd. | Minute Maid Company, The | Monashee Spring Water Distributors Ltd. | Morgan Williams West Inc. | Morinda Canada Co. | Mother Dairy | MW (Canada) Federal Ent. Ltd. | N.A.I.M. Canada Inc. O/A Aim Canada | Nanton Water & Soda Ltd. | Nationwide Natural Foods | Nature's Pop Sales | Nature's Sunshine Products Inc. | Naturo Group Investments Inc. | Nestle Canada Inc. | Nestle Waters Canada | Niagara Bottling LLC | No. 22 Foods Inc. | Noble Meadows Farm | North West Company, The | Northern Bottling | Nothing But Nature Inc. | Nu-Market Ltd. | Nutrifresh West Ltd. | Nutrisoya Foods Inc. | Nutrition Excellence Inc. | Nutrition Zone Products Inc. | Ocean Spray International Services Inc. | Office général des Eaux Minérales Ltée (Ogem) | Overwaitea Foods | P.A. Fine Foods & Distributors Ltd. | Pacific Bottleworks Company | Pacific Western Brewing Company Ltd. | Parmalat Canada | Peak Drive Beverages | Pepsi Bottling Group (Canada) Co. | Pharmx Rexall Drug Stores | Phillips Brewing Company Ltd. | Phoenixia Group Inc. | Pic A Pop Inc. | Pinnacle Distribution Inc. | PKE Water Store & More | Pom Wonderful | Pratts Wholesale (Sask.) Ltd. | Precision Design & Manufacturing | Pressed Juicery, LLC | Pure Water Oasis 2013 | Purearth Organics Inc. | Puresource Inc. | R.W. Packaging | Rafters Home Store | Raw Foods International | RE7 Global Industries Inc. | Red Apple Stores Inc. | Red Bull Canada Ltd. | Red Deer Bottling | Refined Management Inc. | Reinhart Foods Ltd. | Ripple FX Water Inc. | Rock Ridge Dairy Ltd. | Rocky Mountain Roasters Ltd. | Rona Inc. | Rubicon Food Products Ltd. | S.J. Decoys & Other Treasures Ltd. O/A Dovetale Collections | Safari Meat Shops Inc. | Santa Maria Foods Corp. | Saputo Dairy Products Canada G.P. | Sealand Natural Resources Inc. | Shoppers Drug Mart Inc. | Sky Blue Water Inc. | Sonray Sales Ltd. | Spa Springs Mineral Water Company Ltd. | Splash Juicery | Star Marketing Ltd. | Starbucks Coffee Co. | Stars Trading Co. Ltd. | Sun Orchard, LLC | SunRype Products Ltd. | SunRype Products (USA) Inc. | Sunrise Markets Inc. | Sunterra Quality Food Markets Inc. | Superior Tofu Ltd. | Sweet Fusion/Yuzda Investments Inc. | Sysco Food Services of Calgary | T & T Supermarket Inc. | TDL Group Limited, The | Temple Lifestyle Inc. | Terra International Food Inc. | TFB & Associates Ltd. | TFI Foods Ltd./Les Aliments TFI Ltée. | Thai United Food Trading Ltd. | Thee Baker's Catering Ltd. O/A Stoyles Wholesale | Thomas Canning (Maidstone) Ltd. | Thomas, Large & Singer Inc. | Ti Foods | Tonsell International Inc. | Tree of Life Canada ULC | Tree Top Inc. | Tri-Pure Water Ltd. | Trivita Living Ltd. | Ultima Foods Inc. | Uneek Brands Ltd. | Unfi Canada Inc. | Unisource Canada Inc. | Uno Foods Inc. | Usana Canada Co. | Van Dyk's Health Juice Products Ltd. | Vancouver Water Enterprises Canada Co. Ltd. | Verger Paul Jodoin Inc. | Vita Health Products Inc. | Vital Green Farms | Wal-Mart Canada Inc. | Wallace & Carey Ltd. | Water Pure & Simple - Lethbridge | Water Pure & Simple - Westlock | Water Pure & Simple - Minilake Dist. Ltd. | Water Pure & Simple - Wetaskiwin | Watermark Beverages Inc. | Weil's Food Processing Ltd. | Well Juicery | Whistler Water Inc. | Wild Sparkling Tea Ltd | Winning Combination Inc., The | Wismettac Asian Foods, Inc. | Worldwide Specialty Foods Ltd. | WWF Operating Co. | Yyoung Water Limited | Zevia LLC | Zing Zang Inc.

MATERIALS RECYCLED

MATERIAL	CUSTOMER	RECYCLING	SOLD CONTAINERS	REGULATED CONTAINERS	RETURN RATE	TONNES DIVERTED
ALUMINUM	Coca-Cola Recycling	<ul style="list-style-type: none">Recycled back into aluminum cans95 - 99% of weight shipped is recycled, with the remainder being moisture and contaminants	45.6%	48.4%	91.0%	12,995.0
POLYETHYLENE TEREPHTHALATE (PET) CLEAR	Merlin Plastics	<ul style="list-style-type: none">Recycled into pellets for use in manufacturer of new non-food bottles80+% recycled with less than 20% being sub-standard material or contaminants				
HI-DENSITY POLYETHYLENE (HDPE)	Merlin Plastics	<ul style="list-style-type: none">Recycled into pellets for use in manufacturer of new non-food bottles	35.4%	33.4%	81.0%	20,502.1
POLYETHYLENE TEREPHTHALATE (PET) GREEN		<ul style="list-style-type: none">80+% recycled with less than 20% being sub-standard material or contaminants				
OTHER PLASTICS						
GLASS	Vitreous Glass Inc.	<ul style="list-style-type: none">Manufacture of fibreglass 95% recycled with 5% waste including caps, corks and dust	8.2%	9.0%	93.7%	58,955.8
TETRA-BRIK	The Paper Tigers, Inc.	<ul style="list-style-type: none">Fibre extracted and used in the manufacture of paper productsResidual aluminum and plastics - undetermined at this time but potential fuel for gasification (energy recovery)80% by weight recycled	5.7%	5.0%	75.5%	1,851.4

MATERIALS RECYCLED (CONT.)

MATERIAL	CUSTOMER	RECYCLING	SOLD CONTAINERS	REGULATED CONTAINERS	RETURN RATE	TONNES DIVERTED
GABLE TOP	The Paper Tigers, Inc.	• Fiber extracted and used in the manufacture of paper products				
		• 80% by weight recycled.	4.4%	3.6%	69.9%	2,852.9
DRINK POUCHES BAG-IN-A-BOX (BLADDERS)	Merlin Plastics Waste Management (cardboard from Bag-In-A-Box)	• Energy recovery through gasification (incineration) due to low volumes and scarce end markets. • Boxes from Bag-In-A-Box are recycled as OCC	0.4%	0.3%	54.8%	143.0
BI-METAL	General Recycling Industries Ltd.	• Smelted down for recycling into construction re-bar, car parts, and grinding rods for mining • 95% of weight is recycled with 5% contaminants or moisture.	0.3%	0.3%	75.4%	304.7
CERAMICS AEROSOL CONTAINERS	Landfill	• No viable recycling markets for this material • Ceramics pre-date regulatory requirement for recycling • 12 aerosol containers in 2016 • 2,073 regulated ceramic bottles in 2016	0.0%	0.0%	0.0%	<0.0

RETURN SUMMARY BY MATERIALS

December 2016				Increase / Decrease v. 2015				
SALES (000'S)	REDEEMED (000'S)	RETURN RATE		SALES (000'S)	%	REDEEMED (000'S)	%	RETURN RATE
2,270,297	1,945,699	85.7%	CONSOLIDATED	(92,756)	(3.9%)	(51,412)	(2.6%)	1.2%
1,035,516	942,559	91.0%	ALUMINUM	(38,916)	(3.6%)	(24,928)	(2.6%)	1.0%
			PLASTICS					
671,258	530,922	79.10%	0 - 1L	(6,738)	(1.0%)	(5,039)	(0.9%)	0.0%
131,491	119,603	91.0%	Over 1L	(3,745)	(2.8%)	(3,269)	(2.7%)	0.1%
802,749	650,525	81.0%	Total Plastics	(10,482)	(1.3%)	(8,308)	(1.3%)	0.0%
			GLASS					
179,076	168,233	93.9%	0 - 1L	(16,192)	(8.3%)	(11,605)	(6.5%)	1.8%
7,969	7,019	88.1%	Over 1L	(330)	(4.0%)	(157)	(2.2%)	1.6%
187,045	175,251	93.7%	Total Glass	(16,522)	(8.1%)	(11,762)	(6.3%)	1.8%
			POLYCOAT					
127,386	96,032	75.4%	Tetra 0 - 1L	(24,164)	(15.9%)	(2,308)	(2.3%)	10.5%
954	875	91.7%	Tetra Over 1L	71	8.1%	173	24.6%	12.2%
8,231	4,666	56.7%	Drink Pouches 0 - 1L	(753)	(8.4%)	(2,824)	(37.7%)	(26.7%)
65,038	40,750	62.7%	Gable 0 - 1L	(1,206)	(1.8%)	1,231	3.1%	3.0%
35,049	29,176	83.2%	Gable Over 1L	(2,060)	(5.6%)	(1,878)	(6.0%)	(0.5%)
—	0	0.0%	Aerosol	—	0.0%	0	0.0%	0.0%
1,263	533	42.2%	Bag-In-Box	181	16.7%	36	7.3%	(3.7%)
237,921	172,032	72.3%	Total Polycoat	(27,932)	(10.5%)	(5,571)	(3.1%)	5.5%
			BI-METAL					
6,215	4,855	78.1%	0 - 1L	1,112	21.8%	(819)	(14.4%)	(33.1%)
851	476	55.9%	Over 1L	(16)	(1.8%)	(24)	(4.8%)	(1.8%)
7,066	5,330	75.4%	Total Bi-Metal	1,096	18.4%	(843)	(13.7%)	(28.0%)



■ Left: Troy Wilcox, Right: Vong Rous

THANK YOU

The results of the 2016 Sustainability Report would not be possible without our hardworking and committed team. Thank you to all ABCRC employees.



As part of ABCRC's commitment to reducing our environmental footprint, the 2016 Sustainability Report was printed using a carbon neutral printing program and Forest Stewardship Certified (FSC) paper

