

# 2017 ANNUAL REPORT

ENCORP PACIFIC (CANADA)





# DEPOT

112

OPEN



Return-It logo with an upward arrow and the text "PLEASE KEEP MIRRORS CLEAR".

AUTOMATIC SLIDING DOOR

Return-It logo with a leftward arrow and the text "DEPOT".



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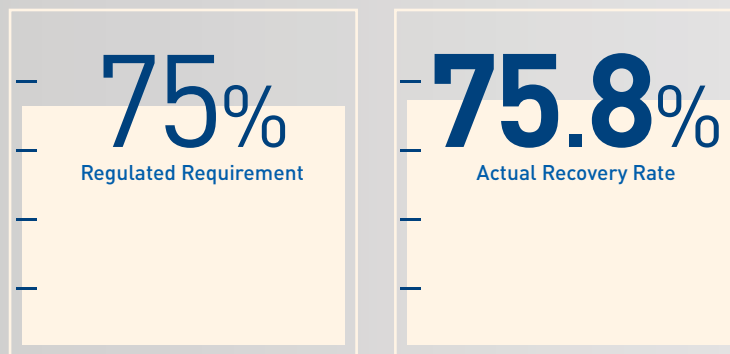
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# EXECUTIVE SUMMARY

Encorp Pacific (Canada) is the not-for-profit stewardship agency appointed to fulfill the requirements of the Recycling Regulation, Schedule 1, Beverage Container Product Category (BC Reg.449/2004). The Encorp Stewardship Plan covers all ready-to-drink beverage containers for soft drinks, juice, water, wine, coolers and spirits, plus non-refillable beer bottles sold in British Columbia. [return-it.ca](http://return-it.ca)

## 2017 RECOVERY RATE



81.5% ENCORP'S PLAN TARGET

## 1.1 PROGRAM PERFORMANCE SUMMARY



### Public education materials and strategies

A multi-million dollar, year-round, province-wide, multi-pronged consumer awareness campaign with strategic action plans and activities resulted in a net consumer awareness level of 99%.



### Collection system and facilities

Encorp's collection network consists of 171 Return-It depots. One depot was closed in 2017. *(Tofino Bottle Depot)*  
Seven depots sold during 2017.



### Product environmental impact reduction, reusability and recyclability

Encorp's activities in 2017 contributed to the reduction of about 103.8 thousand tonnes of CO<sub>2</sub> equivalent being released into the atmosphere, compared to 101.9 thousand tonnes in 2016.



### Pollution prevention hierarchy and product/component management

Containers collected by Encorp in 2017 were shipped to recyclers for further processing into new material in accordance with Section 8 of the Recycling Regulation. See End Fate information on page 21.



**Product sold and collected and recovery rate**

- Total Sales in units: 1,349,149,437
  - Total Product Collected in units: 1,023,306,039
  - Recovery Rate: 75.8% compared to 78.0% last year
  - Provincial Per Capita Recovery: 212.4 units
- See regional breakdown on page 25.



**Summary of deposits, refunds, revenues and expenses**

- Deposits collected: \$90,881,053
  - Refunds issued: \$71,214,417
  - Total revenue: \$100,668,093
  - Total expenses: \$93,444,783
- See Financial Statements on page 39.

## 1.2 COMPARISON OF KEY PERFORMANCE TARGETS



**Consumer access**

98.6% of B.C.'s population has access to a beverage container return facility compared to the target in our Stewardship Plan of 97%. This target is based on drive times set out in the Stewardship Agencies of British Columbia (SABC) accessibility standard (*Auditor's report reference on page 55, Collection Systems and Facilities*). When we add the retail return points the access level increases to 99.4%. This is 2.4% above the target.



**Consumer awareness**

A 95% net awareness level is the goal set for container types and beverage types which carry a deposit. Research results report a 99% net awareness level has been reached. Awareness of locations to which containers can be returned is targeted at 90%. Encorp has reached a high of 92% awareness of return locations.



**Carbon footprint**

Benchmarking measurements and standardizing the tool Encorp uses has been the goal for several years. In 2017, we calculated results and compared them to the 2016 data. See table on page 20.



**Consumer convenience**

In-depot Express kiosks provide a superior level of consumer convenience by removing the need for customers to sort their containers and wait in line for the refund. Customers just tag their bags, drop them off and are on their way within minutes. The compact Express kiosk reduces the space required for customer sorting. In 2017 we added 10 more locations for a total of 20 Express sites in the province.



**Recovery rate**

The 2017 recovery rate is 75.8%, 0.8% above the regulated requirement of 75%.

# PROGRAM OUTLINE

Our vision, mission statement  
and strategic business model.

Message from the Chair and CEO,  
successes and struggles in 2017.

2

Nutrition Facts  
Val  
Per 25  
par 25  
Amount  
Teneur  
Calories  
Fat / Lip  
Sati  
Chol  
Sodi

## 2.1 WHAT DRIVES US

Encorp Pacific (Canada) is the not-for-profit stewardship agency appointed to fulfill the requirements of the Recycling Regulation, Schedule 1, Beverage Container Product Category (BC Reg.449/2004). The Stewardship Plan covers all ready-to-drink beverage containers for soft drinks, juice, water, wine, coolers and spirits, plus non-refillable beer bottles sold in British Columbia. [return-it.ca](http://return-it.ca)

### Vision

To be the model Industry Product Stewardship organization in a province where every beverage container is recycled.

### Mission

To deliver convenient, cost-effective and responsible collection and recycling systems for beverage containers and offer strategic service provision for compatible consumer packaging and end-of-life products.

### Role

Our role as a stewardship agency is to facilitate brand owner/producer compliance with the Recycling Regulation by organizing recycling programs from collection and transportation through to final recycling into a variety of end-of-life packaging and products.

## ENCORP'S BUSINESS MODEL

Since its inception, the Encorp business model has utilized outsourcing as the key component for delivering on its mandate.

Encorp has developed and maintained a set of core competencies within a small managerial and administrative team responsible for strategic planning, financial management, consumer awareness, infrastructure development, information technology and public transparency. All other operational activities are delivered through a network of independent contractors such as depot operators, transporters and processors. This contract management model allows Encorp to regularly test the market for cost competition without having to support any capital investments of its own.

The advantages of this model include:

**Market-based costs** – Regular reviews of costs ensure that any recent improvements in efficiency and technology can be exploited.

**Scalability** – Changes in demand can be accommodated rapidly.

**Flexibility** – Changes in market behaviour can be quickly adapted to.

**Innovation** – New ideas can be tested, assessed and, where feasible, incorporated into the overall business model.

In essence, the Encorp model is similar to that of many manufacturing industries which retain their key strategic strengths in-house but outsource most aspects of producing their products. The flexibility of this model makes it possible for Encorp to continue adapting to changing market trends.



## 2.2 MESSAGE FROM THE CHAIR

**In sports and entertainment, they say that staying on top is harder than getting there in the first place. At Encorp Pacific (Canada), we're extremely proud of what we've accomplished as a stewardship organization and as a provider of convenient, effective recycling services to the citizens of British Columbia.**

And we're determined to continue doing the things that have made us a leader in the field of Extended Producer Responsibility while constantly pushing ourselves to be even better, even as expectations evolve and grow.

As the Board of Directors, our ongoing task is to make sure we maintain the high standards of accountability and high levels of performance that have been the hallmark of our corporation for the past twenty-three years. The Board's primary responsibility is to ensure that through Encorp, beverage producers and marketers are able to fulfill their stewardship obligations under Schedule 1 of British Columbia's Recycling Regulation. To that end, thanks to the outstanding work of our management and staff, to the ongoing commitment of the beverage industry, and above all to the collaboration and mutual support of our many stakeholders and business partners, we now provide convenient access to recycling services for more than 99% of the province's population through Return-It depots and collection sites. We collect and recycle more than 90 million tonnes of aluminum, plastic, glass and other used beverage container material, and we manage more than \$146 million in deposits and recycling fees every year. In addition, we provide collection services for used electronics and other used packaging materials through contractual arrangements with other stewardship agencies.

In recent years our challenge has been to address a declining recovery rate, precipitated by a confluence of exogenous factors, not least of which is a robust provincial economy. The Board continues to be attentive to this challenge and actively supports key initiatives aimed at reversing the trend, including investments in new technologies, the implementation of statistical counting systems and the deployment of targeted marketing campaigns. In addition, the Board ensures that financial reserves are managed prudently in the face of recovery rate softening and that all regulatory obligations are addressed to the satisfaction of the Ministry of Environment.

Going forward, meeting the requirements of the Recycling Regulation on behalf of beverage brand owners, staying focused on key strategies and providing the right kind of leadership, direction and support to management remain the preoccupation of Encorp's Board. Fortunately, we have an accomplished team of Directors, talented and dedicated staff, and strong relationships with our business partners and stakeholders, to each of whom we extend our thanks and appreciation.



**Dan Wong**  
Chair



## 2.3 MESSAGE FROM THE CEO

**Very strong industry sales growth helped to drive up the total volume Encorp collected in 2017 to well over 1 billion containers, a level not seen since 2010. That is a positive outcome for our depots, transporters, processors and, ultimately, the environment.**

Despite that strong volume growth our recovery rate posted a disappointing drop. One notable contributor were the unusually snowy and icy conditions in the Lower Mainland and on Vancouver Island in late January and early February, during and after which we saw a significant decline in returns which were not made up for in subsequent months.

We invest every year in consumer research and carry out market analysis to understand trends and forces (beyond the weather) that affect our recovery performance and we use that analysis to design initiatives to target areas of underperformance.

Ironically, that analysis shows that the booming B.C. economy and market for packaged beverages is itself a hurdle to recovery – strong economic growth tends to push recovery rates down, not just in B.C., but in other jurisdictions as well. The reason is that a higher portion of beverages get consumed away from home, where they are more likely to end up in the trash, and by tourists, who may not have the same culture or incentive to recycle their containers.

As a result, away-from-home recovery has been a focus for us. We have extended our streetscape and provincial park bin programs across the province and continue to seek new communities to participate. We developed innovative programs with large venues and entertainment sites including arenas and the PNE to dramatically increase collection. And we

support the Binners' Project, who are helping to build the profile, reputation and capacity of a key segment of our collection network.

At the same time, we continue to focus on customer convenience and experience at Return-It depots. Last year we rolled out our new point-of-return software in parts of the province, a project that will continue through the next two years. We also added ten new Return-It Express locations last year, including two in Prince George, the first Express locations outside of the Lower Mainland.

Collecting and responsibly recycling over a billion beverage containers is a huge undertaking. We thank our dedicated team at Encorp Pacific, the Return-It depots, and our transporters and processors for making it all happen. Thank you also, of course, to all the dedicated British Columbians who bring their containers back to us.



**Scott Fraser**  
President and CEO

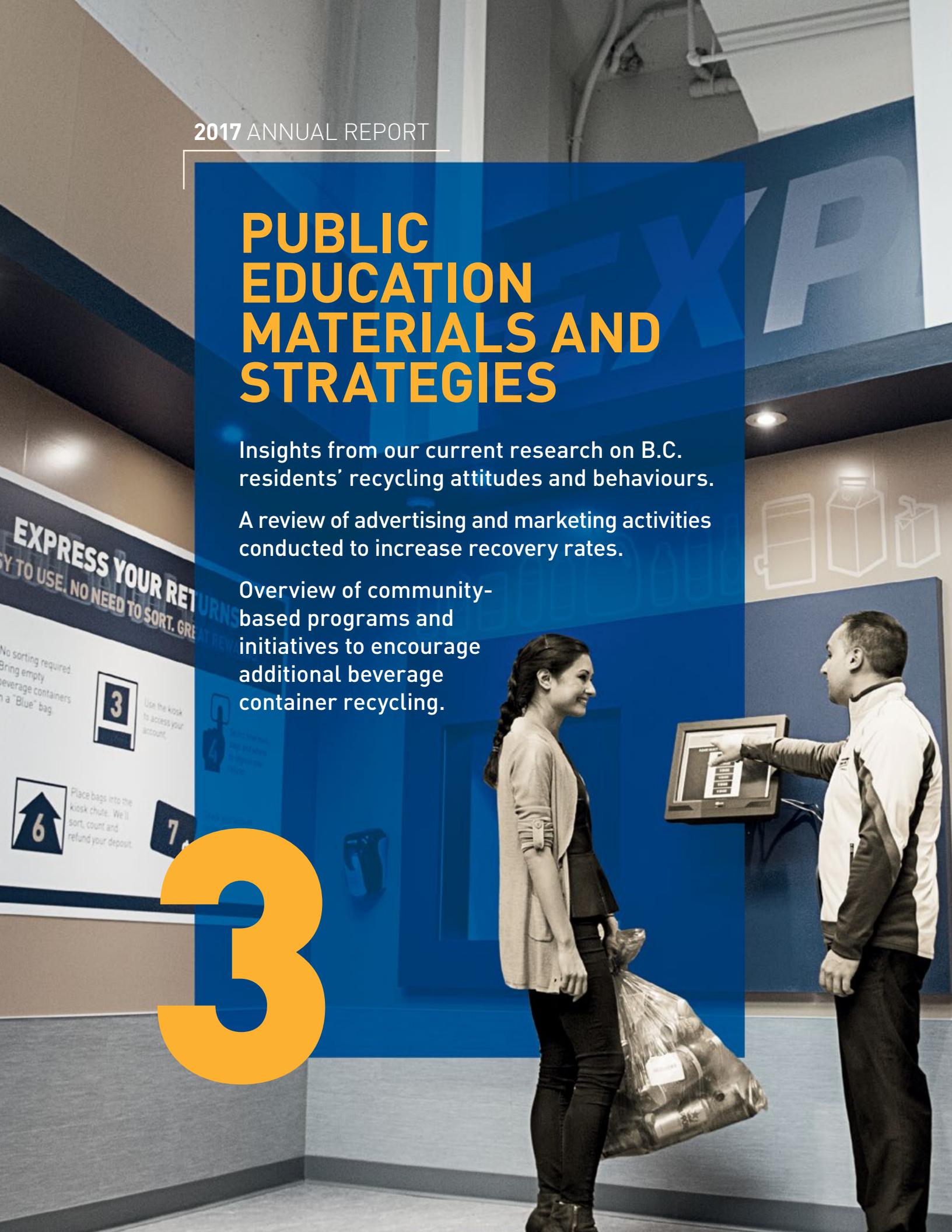
# PUBLIC EDUCATION MATERIALS AND STRATEGIES

Insights from our current research on B.C. residents' recycling attitudes and behaviours.

A review of advertising and marketing activities conducted to increase recovery rates.

Overview of community-based programs and initiatives to encourage additional beverage container recycling.

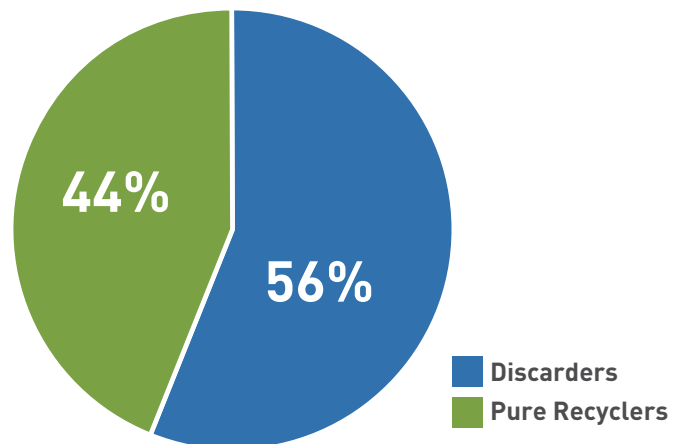
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## 3.1 RESEARCH, SEGMENTATION ANALYSIS

Benchmark studies have been conducted annually since 1999. In 2017, a new segmentation analysis was conducted across British Columbia to better understand the scale and behaviour of those who throw refundable beverage containers away in the garbage – *Discarders*.

In the research study, a Discarder was defined as an adult (Age 15–65) that throws in the garbage, regularly or occasionally, intentionally or unintentionally, any refundable beverage container within the last 12 months. With a sample of over 5,500 participants taking the online survey, there was an incidence of 56% of Discarders as defined above. Based on a 56% incidence of *Discarders* from the research study, there are a total of 1,740,300 *Adult Discarders* in the province.



Q1: In the last 12 months, how many times did you throw each type of refundable beverage / drink container in the garbage in your own home? Please give your best guess.

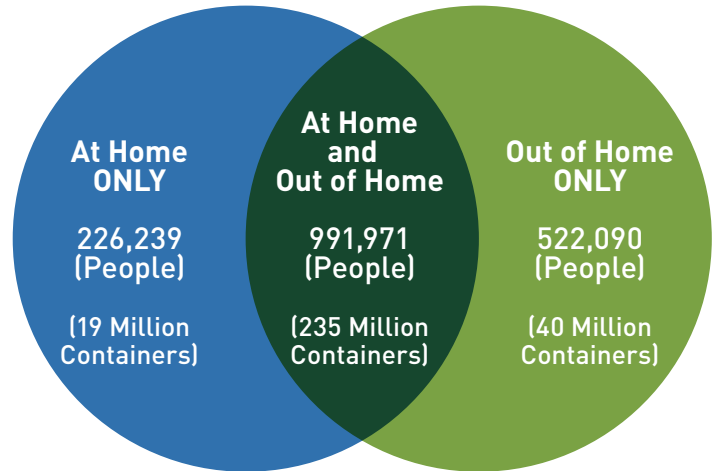
Q2: In the last 12 months, how many times did you throw a refundable beverage / drink container in the garbage when you were outside or away from your home? Please give your best guess.

To validate Discarder behaviour, an analysis was completed to project out the self-reported volume of containers thrown away to the actual quantity of unrecovered containers.

Total Projected (self-reported) Containers Thrown Away	Total Actual Containers Thrown Away	Unit Variance	Percent Variance
295,238,726	282,172,662	13,066,064	5%
<ul style="list-style-type: none"> <li>At home: 142,917,926</li> <li>Out of home: 152,320,800</li> </ul>			

# 3.1 RESEARCH, SEGMENTATION ANALYSIS

The research also revealed that among *Adult Discarders* there is significant overlap in discarding behaviour at home and when out of home.



When further segmentation is applied to people who throw refundable beverage containers in the garbage, five distinct segments are identified differing in behaviour, size of segment and quantity of containers thrown away.

Segment	Discarding Behaviour
Trash Bag	100% of containers discarded at home
Mostly Trash Bag	83% of containers discarded at home
Habitual Discarders	49% of containers discarded at home, 51% of containers discarded out of home
Mostly Trash Can	87% of containers discarded out of home
Trash Can	100% of containers discarded out of home

TOTAL NUMBER OF ADULT DISCARDERS IN B.C.  
**1,740,300**

226,239 Adults	400,269 Adults	295,851 Adults	295,851 Adults	522,090 Adults
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TOTAL NUMBER OF CONTAINERS DISCARDED IN B.C.  
**295,238,726** (self-reported)  
actual number of containers unredeemed in 2016 = 282,172,662

Segment	Total Containers Discarded
Trash Bag	19,476,696
Mostly Trash Bag	52,340,311
Habitual Discarders	153,510,371
Mostly Trash Can	28,991,104
Trash Can	40,920,244

% OF DISCARDERS



% OF CONTAINERS

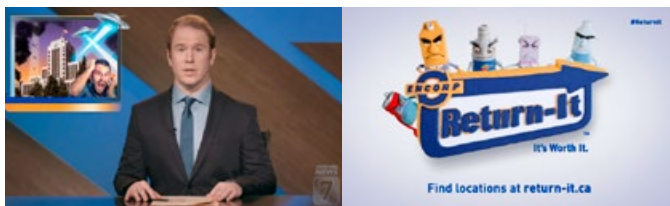




Support for the Return-It program continues through various advertising mediums, helping to maintain the 99% program awareness level. Where possible, our efforts focused on having contextual messaging—serving up the right message when it was relevant and meaningful. Targeted media such as television, radio, out of home, digital and social media were purchased.

**TV**

We use television to reach a broad mass audience across the province and maintain a strong level of awareness with consumers. In 2017 we created a new 30 second spot featuring the collective grumpiness of the puppets. The spot reminded viewers of the many depot locations across the province and the importance of recycling.



**Radio**

Our radio campaign featured our puppets using their unique personalities to remind people of the 3 Rs: “React to non-recyclers by ROLLING your eyes, RAISING your eyebrows and REMINDING them to Return-It.” In 2017, to extend the reach of the spots, ads were purchased on the popular music streaming service Spotify.

**Cineplex Pre-show, Timeplay & Fresh Air Cinema**

To get consumers in the habit of recycling their beverage containers, we set up a fun virtual “gamification” experience with Cineplex using their TimePlay program. Our TV ads also ran prior to movies at both Cineplex theatres and the outdoor Fresh Air Cinema events that took place in summer months.

**Out of Home**

Exterior bus wraps were an important way to reinforce consumer awareness in targeted communities. We also used targeted transit shelter

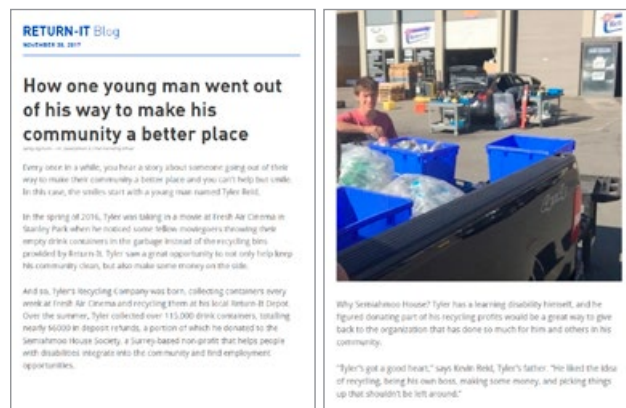
ads to call out the fact that a Return-It bin was located nearby.

**Consumer Brochures**

Each year, we print a detailed consumer brochure that provides an overview of the Return-It system: what it is, how it works, and how it’s making a difference.

**Advertorials and Special Coverage**

We place advertorials in various newspapers and magazines throughout the province. These help to highlight key statistics and recovery trends, and provide information about specific recycling programs we’re running. We also share relevant community information through our public platforms to local media outlets, stewards, and influencers to help spread the word.



**Return-It.ca and Return-It Blog**

The website and blog give consumers a quick and convenient place to find important information such as depot locations and the latest recycling news. Visit: [return-it.ca/blog](http://return-it.ca/blog)



## 3.2 CONSUMER AWARENESS

### Corporate Videos

Corporate videos were used to further educate consumers about the recycling process for the various types of beverage containers.

### Special Focus: Underperforming Containers

Four animated information videos and targeted social media posts were promoted in order to provide an extra marketing “boost” to underperforming container types such as drink pouches and bi-metal cans.

### Social Media

We continue to use social media as support for our outreach programs and to raise awareness about the recycling of specific containers. The “Return-It Gang” puppets provide a voice and personality that is well-suited to social media, allowing us to engage our audience in a lighthearted, slightly “cheeky” tone and at the same time we communicate our serious message about beverage recycling.



### Annual Report

The annual report provides a comprehensive overview of Encorp Pacific operations. It is available on our website for online viewing, and also as a downloadable PDF. [return-it.ca/ar2017](http://return-it.ca/ar2017)

### Digital Ads

We know our target audience spends a lot of time online. We developed an online ad campaign to reach them where and when they surfed the internet. Our Contobox (Content Box) was a mini microsite that delivered an educational experience, while our mobile ads served highly contextual messages that aligned with the actions of our target.



### Outdoor Advertising & Mainstream Media Effectiveness Test

Through July and August we conducted the second year of a media effectiveness test pilot in Surrey. We purchased most of the local advertising spaces (transit shelters; billboards; posters in and around Skytrain stations; etc.) and used them to promote all 13 Surrey Return-It depots. In 2016, recovery volume increased in participating depots by 12.2%, in 2017 recovery volume increased by 7.4%.

### SmartMoves Direct Mail

We targeted Surrey, Langley, Coquitlam, Port Coquitlam, Burnaby, and Aldergrove through a Canada Post program called SmartMoves to ensure new residents knew the location of their local Return-It depot. The program helped deliver a direct mail piece to everyone who had recently moved into these communities. On the card: a map to their local depot along with a coupon redeemable for a durable, reusable recycling bag to hold their empty beverage containers. During the redemption period, participating depots had over 600 brand new households visit their depots to recycle beverage containers.

## 3.3 RECYCLING PROGRAMS AND INITIATIVES

Over 1 billion containers were kept out of landfills in the past year. The majority of beverage containers sold in B.C. were recovered and recycled through the Return-It depot network and mobile collectors across the province. There's always room for improvement, that's why Encorp continues to run pilot initiatives and annual specialty programs to increase the recovery and recycling of beverage containers.

### Return-It to Win-It

To help drive visits to Return-It depots, an annual consumer contest was implemented across B.C. To build on the success of last year's contest, we improved the prize structure so that more prizes could be available for customers to win. Customers had a chance to instantly win gift card prizes and also enter into the grand prize draw of \$25,000 cash.



### Return-It Express

The expansion of the Return-It Express program continues to provide consumers with an easy and convenient way to recycle beverage containers. There are currently 20 depots that operate the Return-It Express program with over 11,000 registered users. In 2017 we leveraged social media and influencers to help spread the word about the ease and convenience of Express.

### Return-It School

Since 2000, elementary and high schools across B.C. have had the opportunity to promote recycling and environmental stewardship via our school program, Return-It School. In 2017 we overhauled the program, introducing a new theme, storytelling contest and school presentation to make learning about recycling fun for students.



### Ambassador Team

This year we updated the look and theme of our ambassador team and introduced the Recycling 101 Ambassadors. They are a team of super smart "recycling scientists" that use their expert knowledge to teach kids and parents the basic "101" of recycling. The team attended 95 community events throughout 2017.





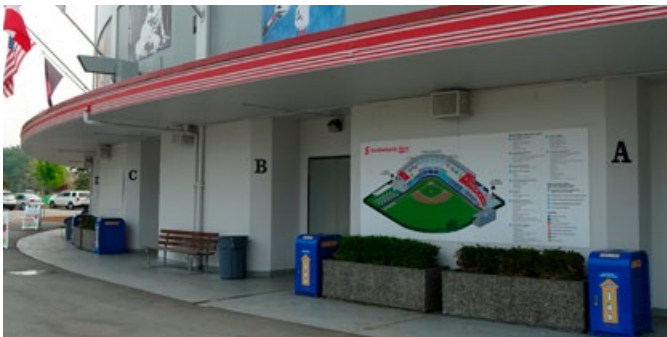
## 3.3 RECYCLING PROGRAMS AND INITIATIVES

### B.C. Parks & Municipal Outdoor Spaces

B.C. parks and other municipal spaces that attract large amounts of pedestrian traffic continue to be a focus. The success of the program is contingent on being able to work closely with the different regional and municipal districts and B.C. Ministry of Forests, Land and Natural Resource Operations. There are well over 2,000 dedicated beverage container recycling bins for use throughout B.C.

### Industrial, Commercial & Institutional Sector (IC&I)

Many containers not being collected through the Return-It system are discarded within the IC&I sector, primarily at large-scale venues with a high concentration of people. We've partnered with institutions like the Sea to Sky Gondola, Nat Bailey Stadium, Cypress and Seymour Mountain to either provide or improve upon their existing recycling programs.



### Multifamily Action Team

The team continues to target multifamily buildings through grassroots marketing. Face-to-face meetings with strata and building managers allowed our team to install collection bins, post signage and distribute tenant information to increase beverage recycling within buildings. In 2017, we added 22 large multifamily buildings to the program spanning across the Lower Mainland, Victoria and even Squamish. The program serves more than 10,000 dwellings throughout B.C.

### Independent Return-It Depots Marketing and Promotion Commitments

Return-It depots submit their intended Marketing & Promotional Plans to Encorp. Combined, the investments from depots, if fulfilled, would add

approximately \$1.4 million in additional advertising spending. There were 161 plans submitted in 2017.

### Stewardship Agencies of BC (SABC)

In 2017, Encorp's Recycling 101 Ambassadors created a brand presence for BC Recycles at various events, helping to promote extended producer responsibility.

### Corus Partnership

To help raise awareness and profile of the important work that Encorp is doing, we partnered with Corus Entertainment to leverage their broadcast media and credibility. Through PSAs and interviews with subject matter experts Scott Fraser and Craig Wisehart, Lynda Steele helped to explain who Encorp is, the environmental impacts of recycling, and answer any misconceptions consumers may have about beverage and electronic recycling.



### Waste Reduction Week

To support the Recycling Council of BC's (RCBC) Waste Reduction Week efforts, we aligned our Corus media partnership and social media posts during this timeframe.

### Carton Council

In partnership with the Carton Council, four posts were created and shared across social media. The posts helped customers better understand what types of cartons were recyclable and the deposit that each container carries.

### Science World

Return-It is a presenting sponsor of the BC Green Games. The Green Games is Science World's digital eco-storytelling contest that supports B.C. teachers and promotes place-based environmental education. Return-It is proud to offer the Return-It Trip, a travel bursary prize for schools outside the Lower Mainland that help fund field trip-related travel.



# COLLECTION SYSTEM AND FACILITIES

The success of the Return-It depot network.

How the collection system works after consumers return their empty containers.

Map of British Columbia pinpointing the depots and the processing sites.

4

## 4.1 BUILDING ON OUR SUCCESS

**Encorp's collection network consists of 171 privately owned Return-It depots. Over the past several years, this network has become the backbone for many community-based recycling programs around the province.**

Nine approved stewardship programs utilize our successful Return-It depot network for collecting and managing their recyclables. From electronics and batteries to used paint and motorized yard tools, our depots have become the recycling hub of their respective communities.

The stewardship plan sets a standard for depot coverage of 97% of B.C.'s population. Encorp Return-It depots provide services to 98.6% of the British Columbian population and when the beverage retail collection locations are included, coverage increases to 99.4%. To view the coverage maps visit [return-it.ca/locations/coverage-2017](http://return-it.ca/locations/coverage-2017)

Our integrated transportation system uses 37 transporters to move our material into 12 processing sites throughout the province. Within urban centres, we use dedicated transporters that pick up from depots, retailers and other collection sites. In rural areas, Encorp utilizes transporters that provide back-hauling resulting in environmental, logistical and financial savings.

Encorp is responsible for managing a large volume of valuable containers and significant funds in the form of deposits and fees. We take this responsibility very seriously, so a key function in our day-to-day operations is continuously monitoring the integrity of our systems.

Our Quality Assurance division is a central part of this, sampling bags of containers collected across the system to ensure that container counts are correct and that only acceptable containers are present.

We also monitor trends and activity within our depot, logistics and processing network and share tools and experience with other beverage container stewardship organizations across the country. Finally, we use an independent auditor to carry out both financial and non-financial audits, presented in this annual report, to test the integrity of our reporting.



# 4.2 HOW THE COLLECTION SYSTEM WORKS

Consumers take their empty containers to a variety of places to collect the deposit refund, and ensure they are recycled.

## WHERE ARE CONTAINERS RETURNED?

### EMPTY NON-ALCOHOL CONTAINERS



### EMPTY ALCOHOL CONTAINERS

(Except domestic beer bottles and beer cans)



Return-It™ Depot

### BEVERAGE RETAILERS





# 4.3 COLLECTION, TRANSPORTATION AND PROCESSING MAP

Encorp contracts collection, transportation and processing through a regularly reviewed request for proposal (RFP) procedure. Routes are consistently monitored and adjusted for optimal efficiencies. Transporters pick up beverage containers from depots and deliver them to the nearest approved processor. They are then compacted and prepared for shipping to various recyclers. This step ensures that on a weighted basis, 81% of the kilometers a container travels will be in a compacted state keeping the greenhouse gas (GHG) emissions at a minimum.



Note: Map outlines collection, transportation and processing for all commodities except glass.



# ENVIRONMENTAL IMPACT

Detailed report on the reduction in greenhouse gas emissions, energy savings, and CO<sub>2</sub> equivalent reduced from recycling.

End Fate report for aluminum, plastic, glass, polycoat and other materials.

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## 5.1 ENVIRONMENTAL REPORT

The Government of British Columbia has adopted public policies intended to promote a low carbon economy. As a stewardship agency operating under a provincial regulation, Encorp compiles applicable data, analyzes and reports on the impacts of its stewardship activities.

In 2017, Encorp recycled 93,828 metric tonnes of used beverage containers. The energy saved through the recycling of these materials has been converted into tonnes of carbon dioxide equivalent (CO<sub>2e</sub>) the common measure of greenhouse gases (GHGs), based on the US Environmental Protection Agency's Waste Reduction Model (WARM). The avoided emissions published in this report were calculated using the WARM version 13 [06/14] (Refer to End Fate table on page 21).

**In total, Encorp's activities in 2017 contributed to the reduction of about 103.8 thousand tonnes of CO<sub>2</sub> equivalent being released into the atmosphere, compared to 101.9 thousand tonnes in 2016. The increase in reduction is primarily due to the increase in volume of material recycled.**

While recycling has an overall net benefit in terms of energy and emissions savings, the recycling process itself requires energy and thus has GHG emissions associated with it. When estimating net savings Encorp calculates the GHG emissions specifically associated with its stewardship activities.

Since Encorp is not a manufacturing company, the majority of our associated GHG emissions come as a result of transporting materials as well as heating and powering our network of facilities.

Therefore, we define Encorp's GHG inventory boundary from the point that empty containers enter into the Encorp system at either a depot or retailer, right through to when the materials are

delivered to the end processors for recycling into new products.

Greenhouse gas emissions (GHGs) are estimated using conversion factors and methodologies developed by the World Resource Institute's Greenhouse Gas Protocol (WRIGGP). The collection, transportation and processing services provided to Encorp are done through third party independent contractors and the emissions produced by those activities are classified as Indirect Scope 3 GHG emissions in accordance with the WRIGGP. As there is limited data available for Scope 3 emissions we accept that our information may be less accurate.

Emission calculations from electricity purchased were based on data gathered from a number of depots and processors in each region of the province. Results were used to estimate the energy use per metric tonne of material collected, then extrapolated to the total weight of used beverage containers collected in the province.

The estimated energy consumption in kWhs was then converted into the carbon dioxide emissions using the calculators offered by the WRIGGP. For estimated emissions inventory refer to the table on page 20.

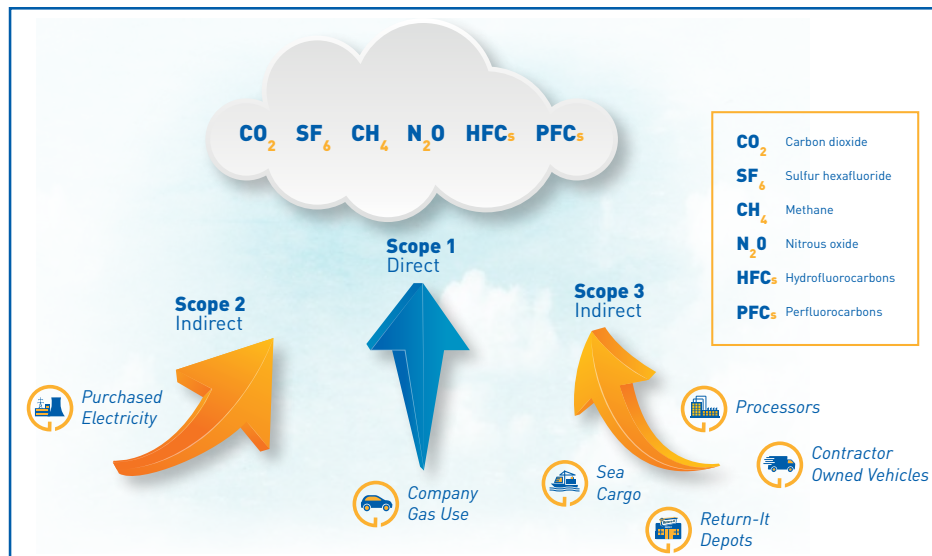
We attribute the reduction in emissions from all sources to changes in the mix of material collected and quantities shipped during the year.

# 5.1 ENVIRONMENTAL REPORT

## EMISSIONS INVENTORY SUMMARY

Type of Emission	2017 (tonnes CO <sub>2</sub> )	2016 (tonnes CO <sub>2</sub> )
<u>Direct emissions</u> are emissions from sources that are owned or controlled by Encorp		
Employee travel – gas use	10	14
<u>Indirect emissions</u> occur as a consequence of Encorp’s activities, but are from sources not owned or controlled by Encorp. Included are emissions from purchased electricity consumed by Encorp’s offices, depots, processors and transporters. <sup>i</sup>		
<u>Offices</u> (excluding head office)		
Purchased electricity in leased buildings	4	1
Employee domestic air travel/business ferry travel	17	11
<u>Depots</u> – all purchased electricity/all natural gas consumed in owned or leased buildings	232	209
<u>Processors</u> – all purchased electricity/gas consumed in owned or leased buildings	46	65
<u>Transportation</u> – depots to processors		
Diesel fuel (trucks)	3,617	3,657
<u>Transportation</u> – processors to end markets		
Diesel fuel (trucks)	2,276	2,335
Sea Cargo (based on metric tonne km)	2,884	3,042
<b>Total Emissions from all sources</b>	<b>9,086</b>	<b>9,334</b>








<sup>i</sup> All indirect emissions except for office use were calculated based on the sample data provided by selected depots, processors, and transporters.





## 5.2 CONTAINER RECYCLING END FATE REPORT

All containers collected by Encorp in 2017 were shipped to recyclers for further processing into new material in accordance with Section 8 of the Recycling Regulation.

Material Type	Fate of Material (2017)	Containers Sold (% of total)	Recovery % (by weight)	Energy savings	Weight diverted from landfill (mt)	Tonnes CO <sub>2</sub> reduced
Aluminum 	Aluminum cans were sold and shipped to a re-melt facility in the USA and turned back into aluminum sheet stock for new cans.	33.4%	80.4%	93%	5,149.6	52,045
Plastic 	Plastic containers were sold to end markets in British Columbia (B.C.) and shipped to their two separate facilities in B.C. and Alberta to be cleaned and pelletized to become new raw material for manufacturers of various plastic products including new containers, strapping material and fibres.	39.6%	73.5%	86%	10,888.0	12,338
Glass 	Glass containers were processed in British Columbia and shipped to various end markets including a plant that produces fibreglass insulation in Alberta; a facility that produces new glass bottles in Seattle, USA; a facility that manufactures sandblasting materials in Quesnel, B.C.; and municipal sites that use crushed glass as construction aggregates.	17.6%	87.3%	34%	75,200.1	26,169
Polycoat 	Polycoat containers collected in 2017 were sold to end markets in the USA and shipped to manufacturing plants in South Korea and USA for material recovery and production of tissue paper from the recovered fibre.	8.2%	66.7%	53%	1,813.2	12,102
Pouches 	Stand up pouches made of layers of plastic and aluminum foil as well as the laminated plastic bags used inside bag-in-box were stored in Delta, B.C. Samples of this material were sent to a manufacturing company in South Korea for material testing. More recently (2018) Encorp has found an end market for stand up pouches in the USA. The material will be used to make composite decking.	0.5%	31.2%	53%	12.4	21
Bag-In-Box 	Cardboard from the outer layer of the box was recycled by local processors.	0.3%	48.1%	53%	463.0	517
Bi-Metal 	Other metal containers including bi-metal were sold to scrap metal dealers in B.C. for metal recovery.	0.4%	76.9%	82%	301.2	618
<b>2017 TOTAL</b>		<b>100%</b>	<b>84.1%</b>		<b>93,827.5</b>	<b>103,810</b>
<b>2016 TOTAL</b>			<b>85.4%</b>		<b>92,910.3</b>	<b>101,915</b>

# DEPOSITS, REFUNDS AND RECOVERY RATES

Detailed statistics on the weight and number of containers recovered.

Summary of overall units recycled, and the per capita statistics.



# 6.1 RECYCLING BY THE NUMBERS

We prevented over 1 billion containers from going to landfills in 2017, ensuring that they were recycled into useful new materials and products. That's a big win for British Columbia's environment.

**1 Billion** Containers Collected | **75.8%** Recovery Rate | **\$71,214,417** Deposits Refunded

Container Type	Containers Sold		Containers Recovered		% Recovery Rate	
	2017	2016	2017	2016	2017	2016
<b>Aluminum</b>	<b>450,794,458</b>	<b>430,155,053</b>	<b>362,645,595</b>	<b>353,768,128</b>	<b>80.4%</b>	<b>82.2%</b>
Plastic ≤ 1L	471,268,072	431,900,607	327,640,804	312,378,059	69.5%	72.3%
Plastic > 1L	62,579,952	62,207,100	52,648,960	52,658,016	84.1%	84.6%
<b>Plastic Total</b>	<b>533,848,024</b>	<b>494,107,707</b>	<b>380,289,764</b>	<b>365,036,075</b>	<b>71.2%</b>	<b>73.9%</b>
Glass	237,436,479	233,778,525	207,709,038	207,455,314	87.5%	88.7%
Drink Box	99,689,278	99,682,081	56,445,160	58,027,005	56.6%	58.2%
Gable Top	11,582,300	12,009,623	8,029,254	8,366,312	69.3%	69.7%
Bi-Metal	5,201,822	5,748,590	4,213,666	4,905,494	81.0%	85.3%
Bag-In-Box	3,928,995	3,791,788	1,890,317	1,815,240	48.1%	47.9%
Pouches	6,668,081	3,649,106	2,083,245	1,376,243	31.2%	37.7%
<b>Totals</b>	<b>1,349,149,437</b>	<b>1,282,922,473</b>	<b>1,023,306,039</b>	<b>1,000,749,811</b>	<b>75.8%</b>	<b>78.0%</b>

Note: Calculations may show slight variances due to rounding.



# 6.1 RECYCLING BY THE NUMBERS

## RECOVERY BY WEIGHT

In 2017, Encorp Pacific recovered over 93.8 thousand metric tonnes of containers.

**84.1%** 2017 Recovery Rate by Weight

**85.4%** 2016 Recovery Rate by Weight

TYPE	ESTIMATED WEIGHT OF CONTAINERS SOLD (mt)	ESTIMATED WEIGHT OF CONTAINERS RECOVERED (mt)	RECOVERY BY WEIGHT %
Aluminum	6,401.3	5,149.6	80.4%
Plastic	14,820.0	10,887.8	73.5%
Glass	86,185.1	75,199.8	87.3%
Polycoat	2,719.7	1,813.2	66.7%
Bi-Metal	391.6	301.1	76.9%
Bag-In-Box	962.3	463.0	48.1%
Pouches	39.9	12.5	31.3%
<b>Totals</b>	<b>111,519.9</b>	<b>93,827.0</b>	<b>84.1%</b>

Note: Calculations may show slight variances due to rounding.



# 6.2 REGIONAL PER CAPITA RETURNS

## Provincial Totals:

Units Returned	1,023,306,039
Weight Collected (Tonnes)	93,828
Per Capita Units Returned	212.4
Per Capita Weight Collected (Kilograms)	19.5

### Regional Breakdown:

Region Name		Aluminum	Plastic	Glass	Polycoat	Other	Total	Jan.-2017 Per Capita	Jan.-2016 Per Capita	Change to Per Capita Container Returns / Units (000)
Bulkley / Nechako	Units(000)	4,019	3,953	1,141	666	47	9,826	218.9	241.5	(22.6)
	Tonnes	57.1	108.0	395.5	14.9	5.2	580.7	12.9 kg	14.7 kg	
Cariboo	Units(000)	6,764	6,944	2,285	898	96	16,987	268.1	270.7	(2.6)
	Tonnes	96.1	192.1	799.3	22.3	10.0	1,119.8	17.7 kg	18.3 kg	
Central Coast	Units(000)	310	175	64	38	3	590	183.7	204.2	(20.5)
	Tonnes	4.4	5.7	23.4	1.0	0.2	34.7	10.8 kg	12.2 kg	
Fraser - Fort George	Units(000)	11,692	11,769	3,970	1,921	158	29,510	327.4	321.0	6.4
	Tonnes	166.0	320.1	1,368.1	45.5	14.6	1,914.3	21.2 kg	21.0 kg	
Kitimat - Stikine	Units(000)	4,373	3,988	1,045	667	71	10,144	274.8	279.8	(5.0)
	Tonnes	62.1	112.2	382.3	16.5	5.6	578.7	15.7 kg	16.1 kg	
Skeena - Queen Charlotte	Units(000)	2,529	2,224	734	318	38	5,843	346.9	338.0	8.9
	Tonnes	35.9	62.5	261.6	8.1	3.2	371.3	22.0 kg	21.7 kg	
Northern Rockies	Units(000)	466	745	111	57	3	1,382	235.3	259.0	(23.7)
	Tonnes	6.6	19.2	40.6	1.3	0.4	68.1	11.6 kg	12.8 kg	
Peace River	Units(000)	6,301	8,226	2,086	936	94	17,643	283.5	256.9	26.6
	Tonnes	89.5	217.6	709.4	22.9	5.4	1,044.8	16.8 kg	15.2 kg	
Capital Regional District	Units(000)	30,308	27,324	20,911	4,887	626	84,056	214.4	218.1	(3.7)
	Tonnes	430.4	822.2	7,754.7	148.3	76.0	9,231.6	23.5 kg	24.2 kg	
Cowichan Valley	Units(000)	9,381	7,961	4,130	1,224	184	22,880	267.7	264.0	3.7
	Tonnes	133.2	231.0	1,532.2	34.1	22.4	1,952.9	22.9 kg	22.5 kg	
Alberni / Clayoquot	Units(000)	4,207	3,725	1,818	478	72	10,300	338.2	323.0	15.2
	Tonnes	59.7	106.7	645.0	14.4	6.7	832.5	27.3 kg	26.3 kg	
Comox	Units(000)	7,097	6,754	3,801	975	152	18,779	283.8	282.5	1.3
	Tonnes	100.8	194.3	1,409.5	29.3	20.8	1,754.7	26.5 kg	26.2 kg	
Mount Waddington	Units(000)	1,657	1,331	407	183	17	3,595	323.1	315.1	8.0
	Tonnes	23.5	38.8	151.2	4.8	2.4	220.7	19.8 kg	19.9 kg	

Note: Calculations may show slight variances due to rounding.

# 6.2 REGIONAL PER CAPITA RETURNS

## Regional Breakdown:

Region Name		Aluminum	Plastic	Glass	Polycoat	Other	Total	Jan.-2017 Per Capita	Jan.-2016 Per Capita	Change to Per Capita Container Returns / Units (000)
Nanaimo	Units(000)	13,869	12,874	7,932	1,892	299	36,866	229.1	226.1	3.0
	Tonnes	196.9	372.7	2,928.1	56.1	42.0	3,595.8	22.3 kg	22.2 kg	
Strathcona	Units(000)	3,297	2,778	1,488	432	64	8,059	173.1	167.1	6.0
	Tonnes	46.8	81.2	550.9	12.6	8.6	700.1	15.0 kg	14.4 kg	
Greater Vancouver	Units(000)	149,810	167,228	98,799	32,171	4,302	452,310	174.5	173.8	0.7
	Tonnes	2,127.3	4,832.6	35,660.5	919.8	328.5	43,868.7	16.9 kg	17.1 kg	
Fraser Valley	Units(000)	29,282	29,192	11,441	5,296	563	75,774	249.5	247.3	2.2
	Tonnes	415.8	831.9	4,004.9	137.0	50.0	5,439.6	17.9 kg	17.5 kg	
Powell River	Units(000)	1,899	1,534	925	228	44	4,630	231.3	224.6	6.7
	Tonnes	27.0	45.8	344.2	7.0	6.5	430.5	21.5 kg	20.5 kg	
Squamish - Lillooet	Units(000)	3,696	4,133	4,421	586	77	12,913	298.4	323.5	(25.1)
	Tonnes	52.5	118.0	1,564.6	16.8	6.8	1,758.7	40.6 kg	44.8 kg	
Sunshine Coast	Units(000)	2,500	2,071	2,153	397	59	7,180	244.3	237.2	7.1
	Tonnes	35.5	62.4	798.6	12.8	9.4	918.7	31.3 kg	30.7 kg	
Central Okanagan	Units(000)	17,217	20,605	11,245	2,778	338	52,183	262.1	249.4	12.7
	Tonnes	244.5	573.1	4,184.5	78.2	39.6	5,119.9	25.7 kg	25.2 kg	
North Okanagan	Units(000)	9,186	10,389	4,621	1,383	146	25,725	297.6	285.4	12.2
	Tonnes	130.4	293.4	1,700.9	40.2	18.5	2,183.4	25.3 kg	24.8 kg	
Okanagan - Similkameen	Units(000)	8,850	9,727	5,540	1,131	174	25,422	291.7	298.7	(7.0)
	Tonnes	125.7	274.8	2,088.8	33.8	25.5	2,548.6	29.2 kg	30.7 kg	
Columbia Shuswap	Units(000)	5,560	6,022	3,215	797	96	15,690	295.9	291.6	4.3
	Tonnes	78.9	167.4	1,133.0	22.6	12.6	1,414.5	26.7 kg	26.9 kg	
Thompson - Nicola	Units(000)	14,486	15,786	6,543	2,239	233	39,287	283.8	276.1	7.7
	Tonnes	205.7	437.5	2,292.3	58.9	27.3	3,021.7	21.8 kg	21.5 kg	
Central Kootenay	Units(000)	5,071	4,011	2,911	702	106	12,801	210.5	201.6	8.9
	Tonnes	72.0	118.3	1,024.3	20.1	13.1	1,247.8	20.5 kg	20.7 kg	
East Kootenay	Units(000)	6,063	6,387	2,896	792	77	16,215	278.8	266.8	12.0
	Tonnes	86.1	178.1	1,056.0	22.7	9.3	1,352.2	23.3 kg	22.9 kg	
Kootenay Boundary	Units(000)	2,757	2,434	1,077	400	48	6,716	229.9	218.4	11.5
	Tonnes	39.2	70.2	395.4	11.2	6.0	522.0	17.9 kg	17.4 kg	
<b>Total Units</b>	<b>Units(000)</b>	<b>362,647</b>	<b>380,290</b>	<b>207,710</b>	<b>64,472</b>	<b>8,187</b>	<b>1,023,306</b>	<b>212.4</b>	<b>210.6</b>	<b>1.8</b>
<b>Total kg</b>	<b>Tonnes</b>	<b>5,149.6</b>	<b>10,887.8</b>	<b>75,199.8</b>	<b>1,813.2</b>	<b>776.6</b>	<b>93,827.0</b>	<b>19.5 kg</b>	<b>19.6 kg</b>	

Note: Calculations may show slight variances due to rounding.





# PLAN PERFORMANCE

The movement of containers and how the money flows through the Return-It network.

Revenue and Expenditure detail.

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

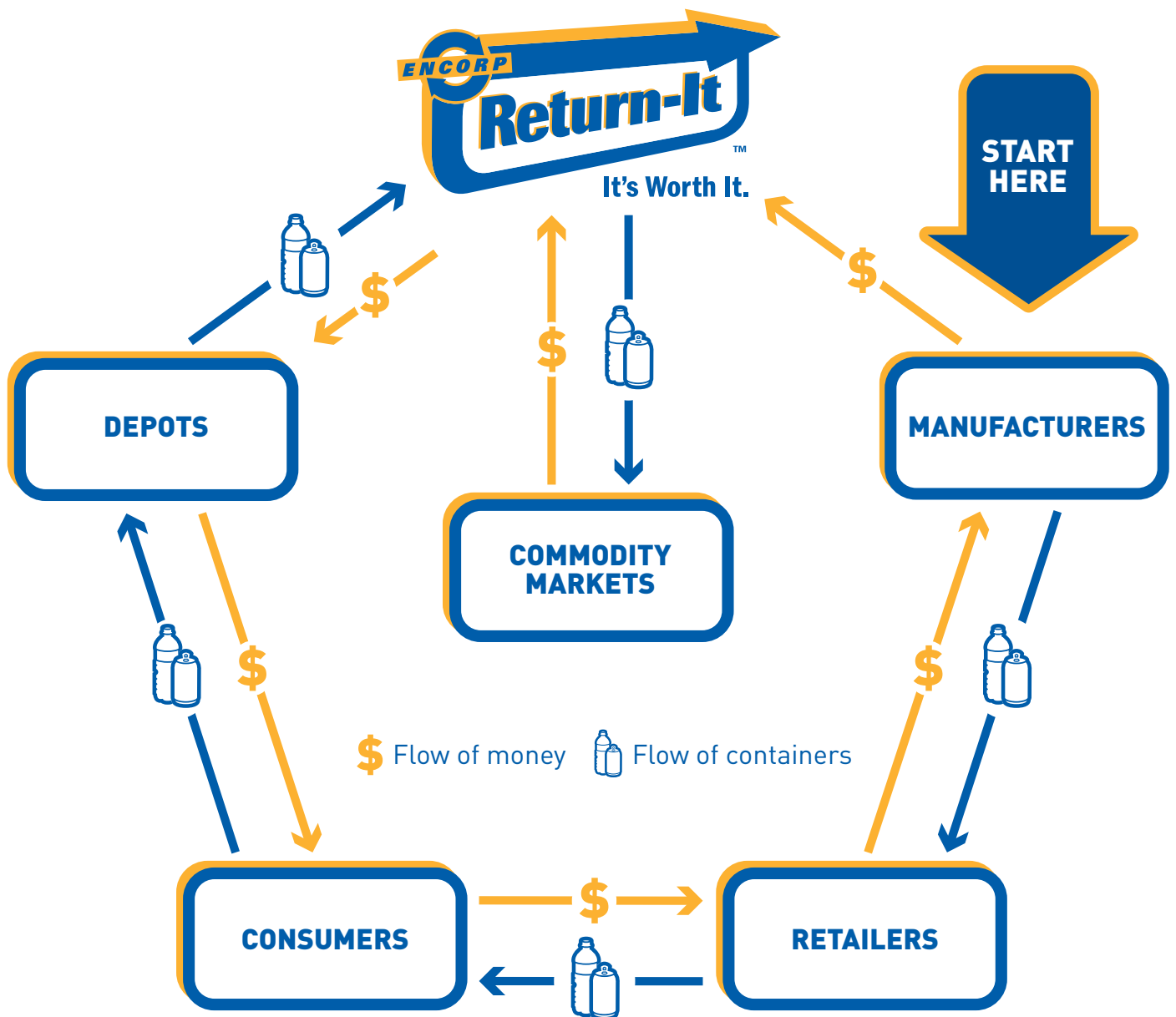
Container recycling fees by product type.

7



# 7.1 HOW MONEY FLOWS

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



# 7.2 FOLLOW THE MONEY

## REVENUES

### Container Recycling Fees

When the revenue from unclaimed deposits and from sales of collected material are insufficient to cover the cost of recovering and recycling a specific container type, a non-refundable recycling fee is added to the container to make up for the shortfall.

### Other Fees

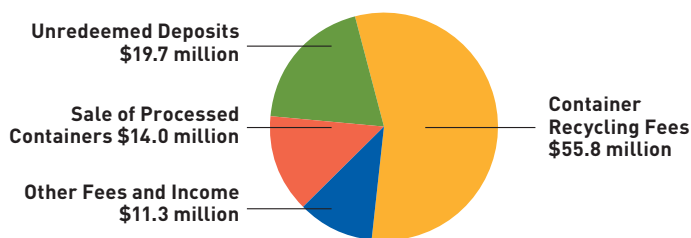
Revenues from service provider contracts.

### Sale of Processed Containers

A portion of the cost of recovering aluminum and plastic containers, the two largest product categories, is covered by the value of the commodity collected. The prices for aluminum and plastic were strong and combined with the favourable exchange rate from USD to CAD in 2017, commodity revenue was higher than forecast which partially contributed to the rise in our operating reserve levels. The average price for aluminum was \$0.91 per pound (\$0.76 in 2016) and plastic was \$0.17 (\$0.13 in 2016).

### Unredeemed Deposits

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



### Where the money comes from

Container Recycling Fees	<b>\$55.8 million</b>	<b>55.4%</b>
Other Fees and Income*	<b>11.3 million</b>	<b>11.2%</b>
Sale of Processed Containers	<b>14.0 million</b>	<b>13.9%</b>
Unredeemed Deposits	<b>19.7 million</b>	<b>19.5%</b>

**Total Revenues** **100.8 million** **100%**

\*Other Fees includes electronics, packaging & printed paper and interest income.

Note: Calculations may show slight variances due to rounding.

## EXPENDITURES

### Transportation and Processing

Contracted trucking companies collect containers from depots and grocery retailers and take them to processors where they are compacted for shipment.

### Administration

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

### Consumer Education & Awareness

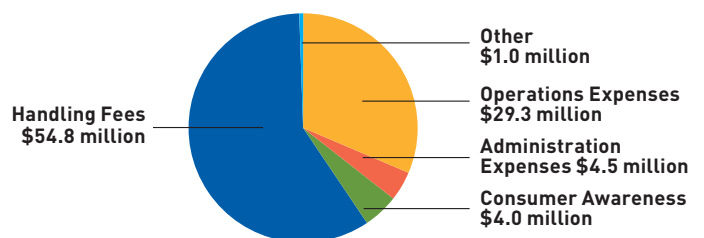
Programs that encourage consumers to return containers for recycling.

### Container Handling Fees

Per-unit fees paid, in addition to deposit reimbursement, to depots for collecting containers.

### Deposit Refunds

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



### Where the money is spent

Operations Expenses	<b>\$29.3 million</b>	<b>31.3%</b>
Administration Expenses	<b>4.5 million</b>	<b>4.8%</b>
Consumer Awareness	<b>4.0 million</b>	<b>4.3%</b>
Handling Fees	<b>54.8 million</b>	<b>58.5%</b>
Other Expenses**	<b>1.0 million</b>	<b>1.1%</b>

**Total Expenditures** **93.6 million** **100%**

\*\*Other Expenses include amortization and foreign exchange gain/loss.



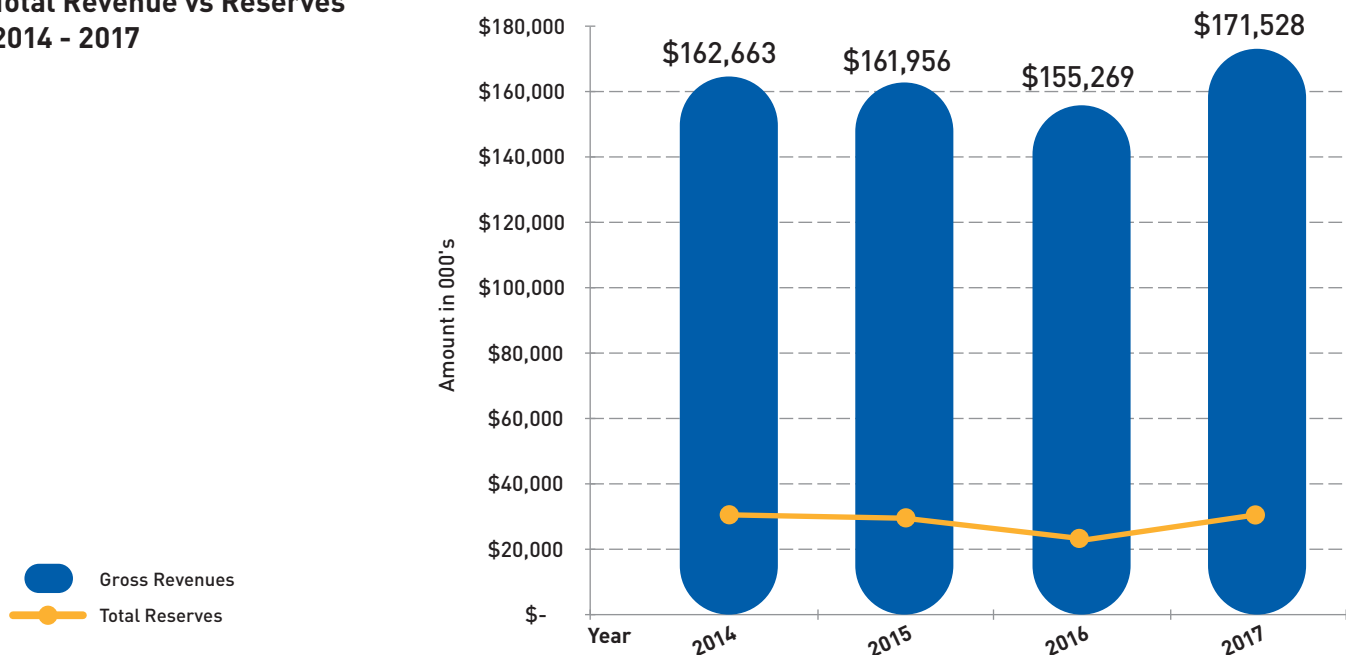
# 7.3 OPERATING RESERVES

## Purpose of the Operating Reserves

Encorp's reserves are built upon the corporation's fundamental principles of no cross-subsidization of container types and equitable treatment of brand owners. The operating reserves are required to provide stability to the system over the long-term, to avoid cross-subsidization of container types, and to facilitate and stabilize the frequency of Container Recycling Fee (CRF) changes.

CRF's may be raised, reduced or even eliminated in any given year to keep reserves within their targeted ranges. Reserves can also be reduced by increasing spending on activities designed to improve the recovery rate for a specific container type. The table shows the levels of reserves over recent years.

## Total Revenue vs Reserves 2014 - 2017



Reserves	2014 BALANCE	2015 YEAR	2015 BALANCE	2016 YEAR	2016 BALANCE	2017 YEAR	2017 BALANCE
OPERATING RESERVE / (DEFICIT)	\$32,625,751	\$(1,267,354)	\$31,358,397	\$(6,402,659)	\$24,955,738	\$7,438,787	\$32,394,525
RESTRICTED RESERVE / (DEFICIT)	1,180,382	344	1,180,726	100,795	1,281,521	(215,477)	1,066,044
<b>TOTAL RESERVE / (DEFICIT)</b>	<b>\$33,806,133</b>	<b>\$(1,267,010)</b>	<b>\$32,539,123</b>	<b>\$(6,301,864)</b>	<b>\$26,237,259</b>	<b>\$7,223,310</b>	<b>\$33,460,569</b>



## 7.3 OPERATING RESERVES

### Management of the Operating Reserves

Encorp's financial model requires a reasonable level of operating reserves to provide stability to the system. When these reserves rise above the amount deemed to be reasonable, measures are taken to reduce them to the appropriate level.

These reserves have been used to fund system costs that may otherwise have been reflected in consumer prices.

Encorp's operating reserves are maintained to meet the corporation's cash flow requirements, recognizing normal business volatility balanced over a period of three to five years.

On average, we pay about \$3 million per week to customers, depots, transporters and processors. Experience shows that our reserve level needs to be based on the cash flow requirements for six weeks during the peak season. This year, the operation reserve grew by \$7.2 million, well within the required level.

	Gross Revenue Including Deposits (millions)	Total Expenses Including Deposit Refunds (millions)	Results (millions)	Operating Reserves/ (Deficit) Year end (millions)
2013	161.7	158.4	3.3	30.7
2014	162.7	159.6	3.1	33.8
2015	162.0	163.3	(1.3)	32.5
2016	155.4	161.7	(6.3)	26.2
<b>2017</b>	<b>171.5</b>	<b>164.3</b>	<b>7.2</b>	<b>33.4</b>

## 7.4 CONTAINER RECYCLING FEES

**CRF stands for Container Recycling Fee. This is the fee Encorp charges to cover the net cost of recycling a beverage container type after any unredeemed deposits and commodity revenues for that container type have been used.**

CRFs have been in place for beverage containers in British Columbia for more than 18 years. The CRF varies for each beverage container category. As a not-for-profit product stewardship agency, Encorp Pacific only charges the net cost for recovering and recycling beverage containers. The CRF reflects current economic conditions such as commodity prices and beverage volumes.

Container Type	2016	2017
Aluminum	1.0 cent	2.0 cents
Plastic ≤ 1L	3.0 cents	4.0 cents
Plastic > 1L	4.0 cents	4.0 cents
Polystyrene	3.0 cents	4.0 cents
Glass ≤ 1L	9.0 cents	9.0 cents
Glass > 1L	40.0 cents	16.0 cents
Bi-Metal ≤ 1L	3.0 cents	4.0 cents
Bi-Metal > 1L	-	-
Bag-In-Box	-	-
Drink Boxes ≤ 500 ml	1.0 cent	1.0 cent
Drink Boxes 501 ml - 1L	5.0 cents	5.0 cents
Drink Boxes > 1L	-	-
Gable Top ≤ 1L	-	-
Gable Top > 1L	6.0 cents	6.0 cents
Drink Pouches	-	-
Glass Wine & Spirits ≤ 1L	11.0 cents	12.0 cents
Glass Wine & Spirits > 1L	16.0 cents	16.0 cents
Non-Refillable Beer, Cider, Cooler Glass ≤ 1L	7.0 cents	9.0 cents
Non-Refillable Beer, Cider, Cooler Glass > 1L	23.0 cents	16.0 cents
Liquor Plastic ≤ 1L	4.0 cents	3.0 cents
Liquor Plastic > 1L	8.0 cents	8.0 cents
Liquor Bag-In-Box	1.0 cent	1.0 cent

# GOVERNANCE

Accountability and responsibility of the Board of Directors, and list of Board members.

Public duty and transparency of the Advisory Committee, and list of Committee members.

8



	Return-It
MONDAY	9 <sup>am</sup>
TUESDAY	9 <sup>am</sup>
WEDNESDAY	9 <sup>am</sup>
THURSDAY	9 <sup>am</sup>
FRIDAY	9 <sup>am</sup>
SATURDAY	9 <sup>am</sup>
SUNDAY	10 <sup>am</sup>
HOLIDAYS	10 <sup>am</sup>



## 8.1 BOARD OF DIRECTORS

Encorp recognizes that its responsibilities as an Industry Product Stewardship (IPS) organization requires a governance model that places great emphasis on high standards of accountability and transparency.

Encorp's nine-person Board of Directors is composed of nominees from five member industry groups plus two unrelated directors. From the members, two directors are appointed by the Canadian Beverage Association, representing the major soft drink bottlers. One each is appointed by the Canadian Bottled Water Association, the Juice Council of B.C. and the Beverage Alcohol Containers Management Council of B.C. Two are appointed by the Retail Council of Canada, representing the major retail grocery stores. The two unrelated directors have no relationship to any part of the beverage industry.

Chairman of the Board

### **Dan Wong**

President,  
Right Hook Business Strategies Ltd.  
Encorp Affiliation – Juice Council of British Columbia  
Committees – Audit / Compensation / Governance

### **Greg Wilson**

Director of Government Relations (B.C.),  
Retail Council of Canada  
Encorp Affiliation – Retail Council of Canada  
Committee – Audit

### **Jim Goetz**

President,  
Canadian Beverage Association  
Encorp Affiliation – Canadian Beverage Association  
Committee – Governance

### **John Graham**

John Graham Consulting  
Encorp Affiliation – Retail Council of Canada  
Committee – Governance

### **John Irving**

Encorp Affiliation – Unrelated Director  
Committees – Governance / Compensation

### **John Nixon**

Secretary, Beverage Alcohol Containers  
Management Council of B.C.  
Encorp Affiliation – Beverage Alcohol Containers  
Management Council of B.C.  
Committees – Audit / Compensation

### **Liisa O'Hara, CPA, CGA**

Encorp Affiliation – Unrelated Director  
Committees – Audit / Governance

### **Neil Antymis, ICD.D, CPA, CGA**

Director, Government Affairs,  
PepsiCo Beverages Canada  
Encorp Affiliation – Canadian Beverage Association  
Committees – Audit / Compensation

### **Stephen Chesman**

Vice-President of Sales – Home & Office Segment,  
AquaTerra Corporation Canada  
Encorp Affiliation – Canadian Bottled Water  
Association  
Committee – Audit



## 8.2 ADVISORY COMMITTEE

Encorp carries a public duty and with it an obligation to maintain high standards of transparency and accountability.

Our Advisory Committee is independent of the Board, comprised of representatives of our diverse stakeholder groups, including depots, major retailers, regional districts and local governments. The Advisory Committee has been established to provide an avenue for these outside interests to be represented to the Board. The Committee reviews our strategic and operating plans and our financial and operating results, and can make recommendations to the Governance Committee and the Board.

### Alan Stanley

General Manager of Environmental Services, Regional District of Kootenay Boundary

**Brock Macdonald** — Chairman of the Advisory Committee  
Chief Executive Officer, Recycling Council of BC

### Bud Fraser

Senior Planning and Sustainability Engineer, University of British Columbia

### David McPhie

Environmental Initiatives Manager, BC Liquor Distribution Branch

### Louise Schwarz

Co-owner, Recycling Alternative

### Monica Kosmak

Program Manager, City of Vancouver

### Vince Spronken

Owner, Island Return-It Depot

### Will Burrows

Executive Director, Coast Waste Management Association

ENVIRONMENTAL  
ACCOUNTABILITY  
OPERATING PLANS  
GOVERNANCE  
TRANSPARENCY

SUSTAINABILITY  
STAKEHOLDER

STRATEGIC  
FINANCIAL

# AUDITED STATEMENTS

Independent auditor's report and  
financial statements from Deloitte.

Independent Reasonable Assurance  
report for non-financial information.





## 9.1 MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

May 8, 2018

The financial statements of Encorp Pacific (Canada) have been prepared by management in accordance with generally accepted accounting principles in Canada. Any financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial statements are prepared in a timely manner.

Encorp Pacific (Canada) maintains a system of internal accounting and administrative controls. They are designed to test the adequacy and consistency of internal controls, practices and procedures. Deloitte, the independent auditors appointed by the Board of Directors, has audited the financial statements of Encorp Pacific (Canada) in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of this independent audit and expresses an opinion on the financial statements of Encorp Pacific (Canada).



**Scott Fraser**  
Chief Executive Officer



**Bill Chan, CPA, CGA, MBA**  
Senior Vice-President & CFO



# 9.2 INDEPENDENT AUDITOR'S REPORT & FINANCIAL STATEMENTS

# Deloitte.

## Independent Auditor's Report

Deloitte LLP  
2800 - 1055 Dunsmuir Street  
4 Bentall Centre  
P.O. Box 49279  
Vancouver BC V7X 1P4  
Canada

Tel: 604-669-4466  
Fax: 778-374-0496  
www.deloitte.ca

To the Members of  
Encorp Pacific (Canada)

We have audited the accompanying financial statements of Encorp Pacific (Canada), which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes, which comprise 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 generally accepted accounting principles, 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 in our audit 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 Encorp Pacific (Canada) as at December 31, 2017 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.

### Other Matter

The financial statements of Encorp Pacific (Canada) as at December 31, 2016 and for the year then ended were audited by another firm of chartered professional accountants who provided an unmodified independent auditor's report dated May 4, 2017.

*Deloitte LLP*

Chartered Professional Accountants  
May 8, 2018  
Vancouver, British Columbia

Member of Deloitte Touche Tohmatsu Limited

# STATEMENT OF OPERATIONS

## Encorp Pacific (Canada)

### Statement of operations

Year ended December 31, 2017

	2017	2016
	\$	\$
<b>Revenue</b>		
Deposits on containers	<b>90,881,053</b>	87,629,905
Deposit refunds	<b>(71,214,417)</b>	(70,167,158)
	<b>19,666,636</b>	17,462,747
Container recycling fees	<b>55,763,022</b>	45,332,450
Contract fees	<b>10,962,234</b>	11,268,949
Sale of recyclable materials	<b>13,953,342</b>	10,981,112
Other	<b>322,859</b>	200,699
	<b>100,668,093</b>	85,245,957
<b>Direct operations expenses</b>		
Handling fees	<b>54,804,798</b>	53,460,984
Transportation and processing fees	<b>28,565,627</b>	27,568,671
Depot operations	<b>703,117</b>	1,129,546
	<b>84,073,542</b>	82,159,201
<b>Other expenses</b>		
General and administrative	<b>4,471,268</b>	4,455,940
Consumer awareness	<b>3,953,830</b>	4,305,188
Amortization	<b>591,447</b>	483,482
Foreign exchange loss	<b>354,696</b>	144,010
	<b>9,371,241</b>	9,388,620
<b>Excess (deficiency) of revenue over expenses</b>	<b>7,223,310</b>	(6,301,864)

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

# STATEMENT OF CHANGES IN NET ASSETS

## Encorp Pacific (Canada)

### Statement of changes in net assets

Year ended December 31, 2017

	Notes	2017			2016
		Internally restricted reserve	Unrestricted	Total	Total
		\$	\$	\$	\$
<b>Net assets, beginning of year</b>		<b>1,281,521</b>	<b>24,955,738</b>	<b>26,237,259</b>	32,539,123
Excess (deficiency) of revenue over expenses		—	<b>7,223,310</b>	<b>7,223,310</b>	(6,301,864)
Transfer to internally restricted reserve	4	<b>(215,477)</b>	<b>215,477</b>	—	—
<b>Net assets, end of year</b>		<b>1,066,044</b>	<b>32,394,525</b>	<b>33,460,569</b>	26,237,259

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

# STATEMENT OF FINANCIAL POSITION

## Encorp Pacific (Canada)



### Statement of financial position

As at December 31, 2017

	Notes	2017	2016
		\$	\$
<b>Assets</b>			
Current assets			
Cash		<b>40,757,485</b>	35,411,564
Accounts receivable	6	<b>5,934,368</b>	4,945,889
Prepaid expenses		<b>51,244</b>	63,714
		<b>46,743,097</b>	40,421,167
Tangible capital assets			
	3	<b>1,314,219</b>	1,308,790
		<b>48,057,316</b>	41,729,957
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		<b>6,999,138</b>	8,049,799
Deferred revenue	2	<b>7,561,867</b>	7,403,276
Advance payment from brand owners		<b>35,742</b>	39,623
		<b>14,596,747</b>	15,492,698
Commitments			
	5		
<b>Net assets</b>			
Internally restricted reserve	4	<b>1,066,044</b>	1,281,521
Unrestricted	4	<b>32,394,525</b>	24,955,738
		<b>33,460,569</b>	26,237,259
		<b>48,057,316</b>	41,729,957

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

Approved by the Board

 Director  
 Director



# STATEMENT OF CASH FLOWS

## Encorp Pacific (Canada)

### Statement of cash flows

Year ended December 31, 2017

	2017	2016
	\$	\$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	7,223,310	(6,301,864)
Items not affecting cash		
Amortization	591,447	483,482
Loss on disposal of tangible capital assets	56,538	28,868
	<b>7,871,295</b>	<b>(5,789,514)</b>
Changes in non-cash operating working capital		
Accounts receivable	(988,479)	50,712
Prepaid expenses	12,470	53,906
Accounts payable and accrued liabilities	(1,050,661)	1,007,128
Deferred revenue	158,591	939,800
Advance payment from brand owners	(3,881)	(162,020)
	<b>5,999,335</b>	<b>(3,899,988)</b>
<b>Investing activities</b>		
Purchase of tangible capital assets	(653,414)	(821,595)
Proceeds from sale of tangible capital assets	—	5,078
	<b>(653,414)</b>	<b>(816,517)</b>
Increase (decrease) in cash	5,345,921	(4,716,505)
Cash, beginning of year	35,411,564	40,128,069
<b>Cash, end of year</b>	<b>40,757,485</b>	<b>35,411,564</b>

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

# NOTES TO FINANCIAL STATEMENTS

## Encorp Pacific (Canada)

### Notes to the financial statements

December 31, 2017

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#### 1. Operations

Encorp Pacific (Canada) (the "Corporation") was incorporated without share capital pursuant to Part II of the Canada Corporations Act on October 1, 1998 and continued effective June 11, 2014 under the Canada Not-for-Profit Corporations Act. The Corporation is exempt from income taxes and carries on its operations without monetary gain to its members.

The Corporation has been appointed by participating brand owners to carry out its duties pursuant to the terms of the Recycling Regulation of the Environmental Management Act of British Columbia.

Under this appointment, the Corporation acts to develop a Stewardship Plan in the form prescribed by the Recycling Regulation for the collection and management of containers for and on behalf of the brand owners in an efficient, cost-effective, and socially and environmentally responsible manner. The appointment also allows the Corporation to establish charges for its services as required to generate fees sufficient to meet its current and future financial requirements, including deposit refunds and operating costs.

The objectives of the Corporation are to promote and facilitate the recycling of used beverage containers in British Columbia through education, public awareness and management under the Recycling Regulation. Although an excess or deficiency of revenue over expenses may occur on an annual basis, the Corporation's objective is to operate on a cost recovery basis.

Under contract, the Corporation also provides material handling with respect to recycling of certain consumer electronics and packaging and printed paper.

#### 2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations ("ASNPO"), incorporating the following significant accounting policies:

##### *Revenue*

Deposits on containers and container recycling fees are received from brand owners on each container sold in the province of British Columbia. The Corporation records revenue from deposits on containers net of deposit refunds, and container recycling fees as services are provided in relation to its obligations under the Stewardship Plan.

Contract fees are recorded when the services are provided.

Recyclable materials revenue is recorded when the containers are received by recyclers.

##### *Deferred revenue*

The Corporation defers revenue related to deposits and container recycling fees received or receivable prior to year-end for which the related deposit refunds, handling fees and transportation and processing fees will be paid for container returns received subsequent to year-end. The amount deferred is estimated based on the industry average rate of recovery. The determination of such a deferral is subject to estimates that reflect management's determination of the most probable set of economic conditions, including the estimated turnaround time for consumers returning used beverage containers for refunds. The turnaround time is estimated to be 7.5 weeks.

##### *Direct operations expenses and other expenses*

Handling fees to depots and transportation and processing fees are recorded on the date the containers are collected by transporters. Other expenses are recorded as they are incurred.

Page 6

# NOTES TO FINANCIAL STATEMENTS

## Encorp Pacific (Canada) Notes to the financial statements December 31, 2017

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### 2. Significant accounting policies (continued)

#### *Foreign currency translation*

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the statement of financial position date. Exchange differences are included in income as they arise. Revenues and expenses denominated in foreign currencies are translated at the exchange rate prevailing at the transaction date.

#### *Tangible capital assets*

The Corporation records tangible capital assets at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Office equipment	5 years
Computer hardware	3 years
Computer software	3 years
Leasehold improvements	3-5 years

Assets not yet used are not subject to amortization 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.

#### *Leases*

Leases are classified as either capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to ownership of the property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the present value of the lessee's minimum lease payments or the property's fair value at the beginning of the lease. All other leases are accounted for as operating leases.

#### *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, deferred revenue 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.

#### *Financial instruments*

The Corporation initially measures its financial assets and financial liabilities at fair value when the Corporation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments currently held are measured at amortized cost.



# NOTES TO FINANCIAL STATEMENTS

## Encorp Pacific (Canada) Notes to the financial statements December 31, 2017

### 2. Significant accounting policies (continued)

#### *Financial instruments (continued)*

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 at 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.

### 3. Tangible capital assets

	2017			2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment	865,593	579,819	285,774	330,486
Computer hardware	2,288,079	1,542,679	745,400	641,665
Computer software	81,738	73,533	8,205	16,227
Leasehold improvements	349,236	74,396	274,840	320,412
	<b>3,584,646</b>	<b>2,270,427</b>	<b>1,314,219</b>	1,308,790

### 4. Internally restricted reserve and unrestricted balance

The Board of Directors has established an internally restricted reserve in recognition of the principle that the costs of recycling each container type are to be borne independent of other container types. The objective of the reserve is to defer the implementation of the container recycling fee on container types for which the current unredeemed deposits exceed the net costs of recycling. The reserve level is reviewed annually. The reserve may also be used to develop and implement strategies to improve recovery rates of these specific containers. As a result of the annual review, an amount of \$215,477 was transferred from the restricted reserve to unrestricted reserve during the current year (\$100,795 was transferred from the unrestricted reserve to the restricted reserve in 2016).

# NOTES TO FINANCIAL STATEMENTS

**Encorp Pacific (Canada)**  
**Notes to the financial statements**  
 December 31, 2017

**5. Commitments**

The Corporation has entered into operating leases for its premises and certain equipment. The total future minimum lease payments and related minimum maintenance and services fees for the next five years are as follows:

	\$
2018	637,050
2019	610,414
2020	645,056
2021	648,481
2022	648,481
	<u>3,189,482</u>

**6. Government remittances**

Government remittances consist of amounts (such as payroll withholdings, sales taxes and Workers' Compensation Board remittances) required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, the net position is receivables of \$34,185 (receivables of \$106,202 in 2016).

**7. Related parties**

The Corporation owns 100% of Encorp Pacific Inc. ("EPI"). EPI is inactive and its balance sheet is as follows:

	\$
Cash	2
Shareholder's equity	2

During the year, the Corporation paid \$152,613 (\$133,225 in 2016) in Directors' fees.

**8. Bank facilities**

The Corporation has the following facilities with Royal Bank of Canada:

	<u>Limit</u>	<u>Used</u>
	\$	\$
Description		
Revolving demand facility	2,000,000	—
Revolving lease line of credit	<u>1,000,000</u>	<u>—</u>

The revolving demand facility and the revolving lease line of credit are secured by all property (unless subject to prior charges) of the Corporation.

# NOTES TO FINANCIAL STATEMENTS

## **Encorp Pacific (Canada)**

### **Notes to the financial statements**

December 31, 2017

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#### **9. Financial instruments**

##### *Foreign currency risk*

The Corporation is exposed to foreign exchange risk through its cash, accounts receivable and accounts payable and accrued liabilities that arise on sales of recyclable materials denominated in US dollars. At December 31, 2017, the net US dollar exposure on cash, accounts receivable, accounts payable and accrued liabilities was US\$1,389,372 (US\$1,657,475 in 2016).

##### *Interest rate risk*

The Corporation is not exposed to significant interest rate risk due to the short-term nature of its financial instruments.

##### *Credit risk*

Accounts receivable consist of amounts outstanding from brand owners and material recyclers. The Corporation monitors the creditworthiness of brand owners and material recyclers to minimize the risk of loss.

# 9.3 INDEPENDENT REASONABLE ASSURANCE REPORT



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## Independent Reasonable Assurance Report

### To the Directors of Encorp Pacific (Canada) on selected non-financial information included in the Encorp 2017 Annual Report (the "Annual Report")

We have been engaged by Encorp Pacific (Canada) ("Encorp") to perform a reasonable assurance engagement in respect of the following information, referred to as the "Selected Information", detailed within Encorp's Annual Report to the Ministry of Environment and in Appendix A, for the year ended December 31, 2017:

- The location of collection facilities, and any changes in the number and location of collection facilities from the previous report in accordance with Section 8(2)(b) of B.C. Regulation 449/2004 (the "Recycling Regulation");
- The description of how the recovered product was managed in accordance with the pollution prevention hierarchy in accordance with Section 8(2)(d) of the Recycling Regulation;
- The total amount of the producer's product sold and collected and, if applicable, the producer's recovery rate in accordance with Section 8(2)(e) of the Recycling Regulation; and
- Performance for the year in relation to approved targets under Section 8(2), (b), (d) and (e) in accordance with Section 8(2)(g) of the Recycling Regulation.

Our opinion does not constitute a legal determination on Encorp's compliance with the British Columbia Regulation 449/2004 Recycling Regulation.

### Responsibilities

Preparation and fair presentation of the Selected Information in accordance with the evaluation criteria as listed in Appendix A is the responsibility of Encorp's management. Management is also responsible for such internal control as management determines is necessary to enable the preparation of the Selected Information such that it is free from material misstatement. Furthermore, management is responsible for preparation of suitable evaluation criteria in accordance with the guide to third party assurance for non-financial information in annual reports - 2017 reporting year, dated October 2017 ("Assurance Requirements") as specified by the Director under Section 8(2)(h) of the Recycling Regulation of the Province of British Columbia.

Our responsibility is to express an opinion on the Selected Information based on the procedures we have performed and the evidence we have obtained.

### Assurance standards and professional requirements

We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000), "Assurance Engagements other than Audits or Reviews of Historical Financial Information" published by the International Federation of Accountants. This standard requires that we comply with independence requirements and plan and perform the engagement to obtain reasonable assurance about whether the Selected Information is free of material misstatement.



## Appendix A | Assurance Requirement

**Assurance standards and professional requirements (continued)**

A reasonable assurance engagement includes examining, on a test basis, evidence supporting the amounts and disclosures within the Selected Information. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement in the Selected Information due to omissions, misrepresentation and errors. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the Selected Information in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the entity's internal control. A reasonable assurance engagement also includes assessing the evaluation criteria used and significant estimates made by management, as well as evaluating the overall presentation of the Selected Information.

**Applicable criteria and key assurance procedures**

The applicable evaluation criteria presented in an Appendix A to this report.

The procedures we performed as the basis for our conclusion included the following:

- Interviewing relevant Encorp management and staff responsible for data collection and reporting;
- Obtaining an understanding of the management systems, processes, and controls used to generate, aggregate and report the data;
- Testing relevant controls, documents and records on a sample basis;
- Testing and re-calculating quantitative information related to the Selected Information on a sample basis; and
- Reviewing the consistency of the Selected Information with the related disclosures in the Annual Report of Encorp.

**Inherent limitations**

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the Selected Information and the methods used for determining and calculating such information. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgments. Furthermore, the nature and methods used to determine such information, as well the evaluation criteria and the precision thereof, may change over time. It is important to read our report in the context of evaluation criteria.

**Conclusion**

In our opinion, the Selected Information for the year ended December 31, 2017 is presented fairly, in all material respects, in accordance with the evaluation criteria listed in Appendix A to this report.

**Emphasis of matter**

Without qualifying our opinion, we draw your attention to Appendix B which describes why certain items required by the Assurance Requirements to be included in the Appendix A have been excluded. Our opinion is not qualified in respect of this matter.

**Other matters**

Our report has been prepared solely for the purposes of Encorp's compliance with the reporting requirements relating to Sections 8(2), (b), (d), (e) and (g) of the Recycling Regulation and is not intended to be and should not be used for any other purpose. Our duties in relation to this report are owed solely to Encorp, and accordingly, we do not accept any responsibility for loss occasioned to any other party acting or refraining from acting based on this report.



Chartered Professional Accountants  
May 8, 2018  
Vancouver, British Columbia, Canada

## Appendix A Assurance Requirements

**1. Section 8 (2) (b) the location of its collection facilities, and any changes in the number and location of collection facilities from the previous report.**

***Specific Disclosures in the Annual Report for which evaluation criteria were developed***

Disclosure per the Annual Report	Reference
Encorp’s collection network consists of 171 Return-It™ Depots. One depot was closed during 2017.	Collection System and Facilities: Executive Summary on page 1.

The following evaluation criteria were applied to the assessment of the location of collection facilities, and any changes in the number and location of collection facilities from the previous report in accordance with Section 8(2)(b) of the Recycling Regulation:

***Definitions:***

- **Collection Facility** referred to as a Return-It™ Depot means an operation, facility that has an agreement for the collection of used beverage containers in the approved stewardship plan.
- **Depots List** is a registry of Return-It™ Depots containing contact information (location, contact and hours of operation) maintained by Encorp.

***Evaluation criteria:***

- The number of collection facilities is obtained from the Depot List of Return-It™ Depots as of December 31.
- The calculation of the number of Return-It™ Depots is done by adding up the total number of Return-It™ Depots in the Depot List.
- The listing is done on a monthly basis.
- The changes in the number of collection facilities are highlighted in the monthly depot list with the summary provided at the end of the year.
- A summary reconciliation is completed at year-end identifying the depots at the beginning of the year, changes during the year and the number of depots at the end of the year.

**2. Section 8 (2) (d) Product management in accordance with pollution prevention hierarchy**

**Specific Disclosures in the annual report for which evaluation criteria were developed**

- All containers collected by Encorp in 2017 were shipped to recyclers for further processing into new material in accordance with Section 8 of the Recycling Regulation.
- Aluminium cans were sold and shipped to a re-melt facility in the USA and turned back into aluminium sheet stock for new cans.
- Plastic containers were sold to end markets in British Columbia (BC) and shipped to their two separate facilities BC and AB to be cleaned and pelletized to become new raw material for manufacturers of various plastic products including new containers, strapping material and fibres.
- Glass containers were processed in British Columbia and shipped to various end markets including a plant that produces fibreglass insulation in Alberta; a facility that produces new glass bottles in Seattle, US; a facility that manufacturers sandblasting materials in Quesnel, BC; and municipal sites that use crushed glass as construction aggregates.
- Polycoat containers collected in 2017 were sold to end markets in the USA and shipped to manufacturing plants in South Korea and USA for material recovery and production of tissue paper from the recovered fibre.
- Other metal containers including bi-metal were sold to scrap metal dealers in BC for metal recovery.
- Stand up pouches made of layers of plastic and aluminium foil as well as the laminated plastic bags used inside bag-in-a-box were stored in Delta, BC. Samples of this material were sent to a manufacturing company in South Korea for material testing. More recently (2018) Encorp has found an end market for stand up pouches in the USA. The material will be used to make composite decking.
- Cardboard from the outer layer of the box was recycled by local processors.

**Definitions:**

- **Weight of material collected:** Weight obtained from processors invoices for the units collected and processed,
- **Weight of material recycled:** Weight of baled material as per shipments received by recyclers based on outbound Movement Authorizations /Commodity Revenue supporting documents.
- **End of life:** for used beverage containers is determined when the recovered containers are separated by material stream and delivered to the end recyclers approved by Encorp through a vendor certification process.
- **End Recycler:** a facility that uses processed used beverage containers to transform recovered material into other product.

Appendix A | Assurance Requirement

**Evaluation Criteria:**

- All non-refillable containers collected during the year are delivered to processing sites across the province of BC where the containers are grouped into six material categories defined in the Stewardship Plan: Aluminium, Plastic, Polycoat, Glass, Other metals, and Combination and baled for further processing with the exception of glass that is crushed.
- Once processed, each material stream is shipped to its own end recycler approved by Encorp through a vendor qualification program.
- Each shipment is documented with the weight of material shipped on the transporter document (waybill/movement authorization form, export declaration).
- The total weight of material recycled is obtained from the list of shipments to each end recycler in a calendar year by material type.
- The total weight recycled is compared to the total weight of material collected to assess reasonableness of the total recycled weight published in the Annual report. The calculation of weight of material collected is derived from the weight invoiced by processors for the units processed by material type. A comparison of past three years weight of units processed by commodity type is carried out every year. A significant variance between the weight processed year on year compared to units collected is investigated.



**3. Section 8 (2) (e) the total amount of the producer’s product sold and collected and, if applicable, the producer’s recovery rate**

**Specific Disclosures in the Annual Report for which evaluation criteria were developed:**

Disclosure per the Annual Report	Reference
Total Sales in units: 1,349,149,437 Total Product Collected in units: 1,023,306,039 Recovery Rate: 75.8%	Recovery rate from the Executive Summary on page 2

The following evaluation criteria were applied to the assessment of the description of how total amounts of the producer’s product sold and collected and, if applicable, the producer’s recovery rate has been calculated in accordance with Section 8(2)(e).

**Definitions:**

- **Recovery Rate:** A calculated value derived from dividing total units collected by total units sold and measured as percentage rounded to the first decimal point.
- **Product Sold:** Number of units (beverage containers) reported by Brand Owners to Encorp.
- **Brand owners:** Producers as defined in Schedule 1 of the Recycling Regulation.
- **Product Collected:** Number of units (used beverage containers (UBC)) collected by Encorp.
- **Containers in Transit:** Containers for which deposits were received but will be refunded subsequent to year-end. The estimated turnaround time for consumers returning used beverage containers for deposit refunds is estimated to be 7.5 weeks.
- **Movement Authorization (MA):** A document indicating a number of containers and number of shipping containers (bags) collected by transporters on behalf of Encorp Pacific (Canada).

**Evaluation criteria:**

- The recovery rate is determined by dividing the number of product units collected by the total number of product units sold.
- The total product units sold is based on sales reports received by Encorp from their Brand owners in unit sales.
- The reported units sold are adjusted at year-end to account for containers for which deposits were received but will be refunded subsequent to year-end.
- The total number of product units collected is based on the number used beverage containers collected by Encorp as indicated in the movement authorization form during the calendar year.
- The product units sold and collected, and the recovery rate reconcile to the numbers published in the Annual Report.

**4. Section 8 (2) (g) the performance for the year in relation to approved targets under Section 8 (2) (b), (d) and (e).**

**Specific Disclosures in the annual stewardship report for which evaluation criteria were developed:**

<b>Disclosure per the Annual Report</b>	<b>Reference</b>
2017 Assertion – Recovery rate of 75.8% (compared to target of 81.5%)	Recovery Rate: Executive Summary on page 2
2017 Assertion – 98.6% of the population covered by collection facilities (compared to 97% target)	Consumer Access: Executive Summary on page 2

The following evaluation criteria were applied to the description of performance targets for the year in relation to the specific targets associated with Section 8(2)(e) of the Recycling regulation in the approved stewardship plan:

**Evaluation criteria:**

- Targets in the stewardship plan have been identified and reported on by management in the Annual Report; and
- The description of the progress against targets to date is supported by records of progress maintained by Encorp.
- Reporting on the “coverage” of the collection network is based on the percentage on British Columbia residents living within 30 minutes (urban areas) or 45 min (rural areas) of a collection facility.

## **Appendix B**

### Emphasis of matter

Encorp has not reported its performance for the year in relation to approved targets under 8(2)(d) in accordance with 8(2)(g) of the Recycling Regulation for the year ended December 31, 2017 as there are no specific related targets in the approved stewardship plan.







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