

DEPOT

CONNECTING WITH CONSUMERS



2018

ANNUAL REPORT

ENCORP PACIFIC (CANADA)



Match Game



Recycling 101



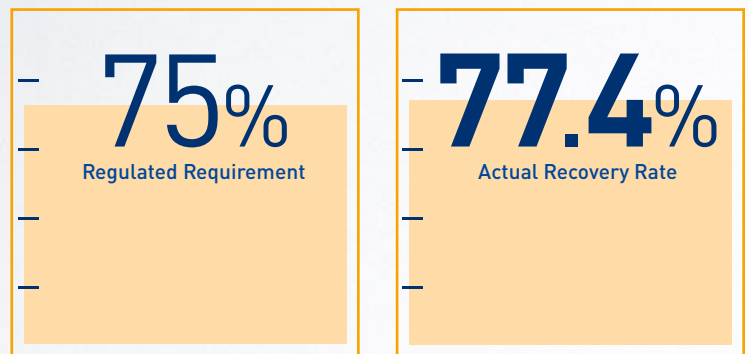
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EXECUTIVE SUMMARY

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

2018 RECOVERY RATE



82% 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 170 Return-It depots. One depot was closed in 2018. (*Joe's Bottle Depot in Queen Charlotte*) Eight depots sold in 2018.



Product environmental impact reduction, reusability and recyclability

Encorp's activities in 2018 contributed to the reduction of about 102.6 thousand tonnes of CO₂ equivalent being released into the atmosphere, compared to 103.8 thousand tonnes in 2017.



Pollution prevention hierarchy and product/component management

Containers collected by Encorp in 2018 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: 1,350,852,403
 - Total Product Collected in units: 1,045,466,471
 - Recovery Rate: 77.4% compared to 75.8% last year
 - Provincial Per Capita Recovery: 209.4 units
- See regional breakdown on page 25.



Summary of deposits, refunds, revenues and expenses

- Deposits collected: \$90,379,585
 - Refunds issued: \$72,181,564
 - Total revenue: \$94,617,619
 - Total expenses: \$94,110,805
- See Financial Statements on page 38.

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 52, Collection Systems and Facilities*). When we add the retail return points the access level increases to 99.5%. This is 2.5% above the target.



Consumer awareness

We set a goal to reach a 95% net awareness level for container types and beverage types which carry a deposit. Research results show that a 98% awareness level has been reached. The Return-It brand has reached a 90% awareness level with residents in British Columbia.



Carbon footprint

Benchmarking measurements and standardizing the tool Encorp uses has been the goal for several years. In 2018, we calculated results and compared them to the 2017 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 2018 we added 11 more locations for a total of 31 Express sites in the province and we are planning to have over 60 locations across the Lower Mainland.



Recovery rate

The 2018 recovery rate is 77.4%, 2.4% above the regulated requirement of 75%.



2018 ANNUAL REPORT

PROGRAM OUTLINE

Our vision, mission statement
and strategic business model.

Message from the Chair and CEO,
successes and struggles in 2018.



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

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

Entering 2018, Encorp's Board of Directors was preoccupied with the erosion of our recovery rate, which had reached a ten-year low despite still-robust collection numbers. Various factors had contributed to the softening of the rate, from a strong provincial economy to bad winter weather. Nevertheless, the organization was resolute in its commitment to improve performance in this area – all the more so in light of our Stewardship Plan and the recovery rate targets contained therein.

With this in mind, we were very pleased to see a significant improvement in our recovery rate by year end, the product of some key initiatives started in 2017 and new initiatives in 2018. We remain even more optimistic for the year to come following the approval of an aggressive operational and financial plan that includes the accelerated expansion of the Return-It Express program and a new Depot Renovation program.

At the same time, we finished the year with a small operating surplus thanks mainly to higher commodity values and lower operating costs. As a result, our cumulative reserve balance is slightly above our optimal reserve guideline. The Board understands that year-to-year fluctuations do occur and is satisfied that the financial plan for 2019 will bring the reserve back in line with the guideline.

By far our biggest achievement as a Board of Directors in 2018 was the recruitment of a new Chief Executive Officer. Outgoing CEO Scott Fraser left some big shoes to fill and we are grateful to him for five years of outstanding service and leadership. In July, we welcomed Allen Langdon to the fold as our new CEO. Allen brings a wealth of experience in the field of Extended Producer Responsibility (EPR) as well as an energy and enthusiasm that will be instrumental in helping us face the challenges and opportunities that lie ahead. We are delighted to have him on board.

Many of the challenges and opportunities I refer to are a reflection of the changing face of EPR in Canada and around the world. As the language of "product stewardship" gives way to holistic imperatives like the "circular economy," organizations like Encorp will be expected to apply new and even higher standards to their traditional businesses. Not only will we continue to operate a convenient, efficient collection system with our depot operator-partners, but we can also expect to be caught up in the dialogue over issues such as resource utilization (plastics being the current focus), climate change and various aspects of corporate social responsibility.

Fortunately, the team we have in place is up to the task. Thank you again to our Board, our staff, our business partners and our community of stakeholders for your ongoing support and counsel.



Dan Wong
Chair

A handwritten signature in black ink, appearing to read 'Dan Wong'.

2.3 MESSAGE FROM THE CEO

The last year marked a turning point for Return-It as we reported the first increase in our recovery rate in five years. In the coming year we will build on that momentum through a variety of initiatives designed to improve the customer experience and convenience of the Return-It network. We are focused on making changes to our system to further increase the collection and recycling of used beverage containers.

Beginning on July 1st 2019, we will formally roll out the Return-It Express service, which represents a significant change in our business philosophy to increase the convenience of using our depot network and attract new customers. Rather than asking customers to sort the containers and wait in line, they will be able to drop off their unsorted containers and have their refunds uploaded to an online account. I am excited about the potential for this new service delivery model to not only increase our recovery rate in the short-term but ensure the sustainability of both our program and the network over the long-term.

In addition to this new service, we have implemented a program to renovate more than 100 depots over the next three years. These renovations include a shift to standard signage that makes it easier to see what products or materials are accepted within the depots. This standard signage and icons mirror the approach that is used on our recently updated website.

We have expanded our public collection program to service large venues and entertainment sites such as Rogers Arena and the University of BC. And in 2018 we continued to support the Bidders' Project and the development of their Universal Cart Project,

as a partner that is working to provide support and infrastructure to a key segment of our collection network within the City of Vancouver.

We also continue to evaluate the opportunities to expand the range of products accepted at our depots. As a starting point, we have already launched a pilot project for textiles collection with a small number of depots in the Lower Mainland, while we determine if this could be a long-term fit within our network.

The year ahead will be full of challenges and opportunities as we look to transition our business model, our infrastructure and the mix of material collected at our depots. I want to thank all of the employees at Return-It as well as our depot operators, transporters and processors for their continued dedication to making Return-It the premier stewardship agency in North America.



Allen Langdon
President and CEO



OCTOBER 18, 2018

TO
WIN-IT
CONTEST

TO THE ORDER OF **ANDREA JABS**

Twenty Five Thousand Dollars And 00 Cents

\$25,000.00

FROM **ENCORP PACIFIC (CANADA)**



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2018 ANNUAL REPORT

PUBLIC EDUCATION MATERIALS AND STRATEGIES

3

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.

3.1 RESEARCH, SEGMENTATION ANALYSIS

Since 1999, Encorp Pacific has undertaken market research on an annual basis to evaluate program knowledge, assess consumer behaviour and measure levels of brand equity for Encorp and Return-It across the province.

Research results are used to track changes over time as well as to provide information that is required by the provincial government.

One of the most critical pieces of understanding is to determine how to further reduce the level of throw-away behaviour (approximately 20% of beverage containers are known to not be recycled in B.C.).

An online survey was undertaken in September of 2018 among adults 18+ in B.C. We achieved a 98% awareness level for all container types that can be returned to a depot for deposit, and a 98% awareness level for all beverage container types that can be returned to a depot for deposit.

2018 (n=1,204)	2016 (n=1,208)	2015 (n=1,572)	2014 (n=1,500)
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Question: To the best of your knowledge, can the following types of containers be returned for a refund on deposit?

Net Awareness



Question: To the best of your knowledge, in British Columbia, can containers with the following beverages be returned for a refund on deposit?

Net Awareness

Pop/Soft drink, water, juice, sports drinks



2018 (n=1,204)	2016 (n=1,208)	2015 (n=1,572)	2014 (n=1,500)
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When respondents were asked if they were aware of the Return-It/Encorp Pacific brand, levels remained consistent with past years.

Brand Awareness

Return-It/Encorp Pacific



Source: Insights West's Brand Reputation Insights norm, excluding restaurant and entertainment brands.

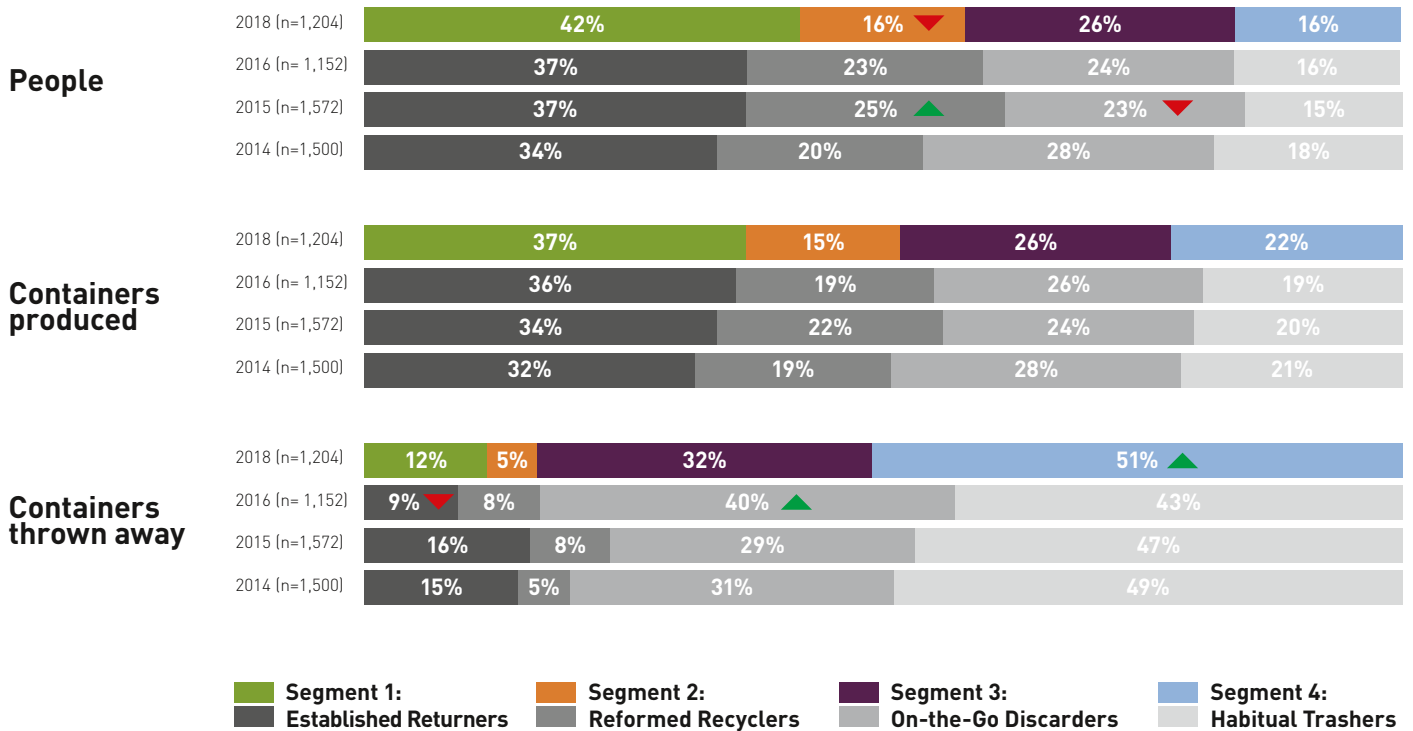
3.1 RESEARCH, SEGMENTATION ANALYSIS

The annual studies conducted help us understand throw-away behavior in as much depth as possible. We have seen significant success in reducing the number of beverage containers that end up in the landfill, however a small percentage are still not recycled. We continue to work hard to target this minority behaviour.

In 2018, we conducted our annual segmentation study to better understand the behaviours of

discarders. Within the study, questions based on discard location, beverage container type, and frequency were asked.

This segmentation study produced a workable and interesting 4-segment solution (Established Returners, Reformed Recyclers, On-the-Go Discarders, Habitual Trashers), which was described and profiled in detail in last year's report.

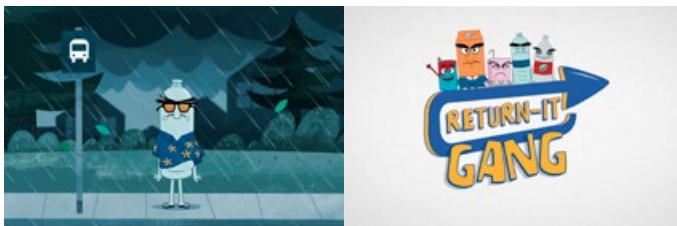


3.2 CONSUMER AWARENESS

Support for the Return-It program continues through various advertising mediums, helping to maintain the 99% program awareness level by 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. Our 15 second TV spots let viewers know that in B.C., recycling is just what we do. To tie this message together, the TV spots featured many different B.C. landmarks and events.



Radio

Our two new radio spots this year had a focus on plastic beverage container recycling. Listen to our new radio spots here: www.youtube.com/user/EncorpPacific

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 in several languages. British Columbians can find these brochures at Return-It depots, major grocery stores, regional districts, and municipal offices across the province. Brochures are also available for download. www.return-it.ca/beverage/recycling/brochures

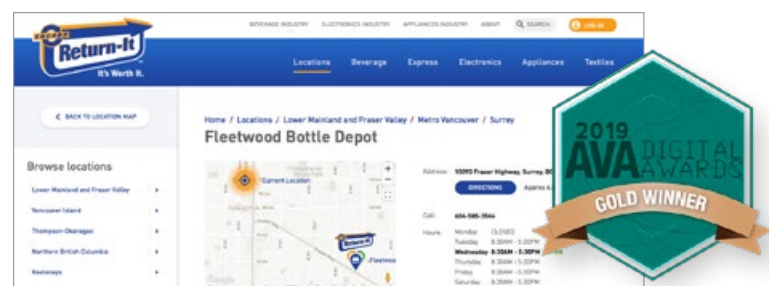
Special Coverage

Relevant community information is distributed to the public through various platforms. The content is posted to the Encorp website and shared through our social channels. It is also sent out to stewards and influencers to help spread the word.



Return-It.ca and Return-It Blog

This year Return-It.ca was completely overhauled with a modernized design and easier more consumer friendly navigation. The new website won a Gold Award from the AVA Digital Awards for the redesign.



3.2 CONSUMER AWARENESS

Corporate Videos

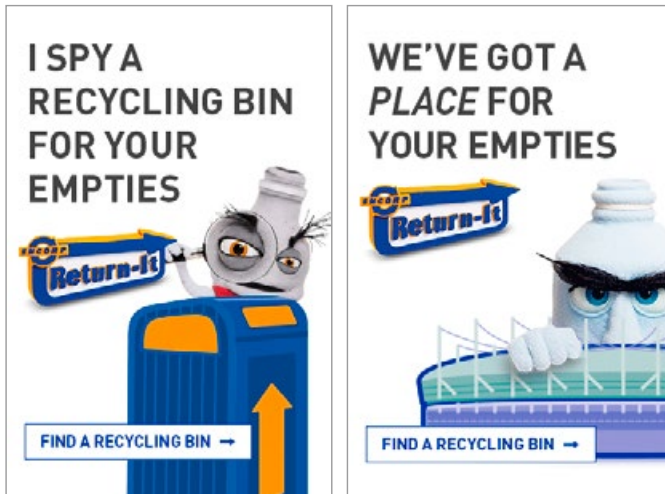
Corporate videos were used to further educate consumers about the recycling process for the various types of beverage containers.

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.

Digital Ads

To extend our reach to our audience while they were out and about, we utilized digital mobile ads. These geo-fenced ads helped remind our audience that Return-It bins were nearby and accessible for their used beverage containers. There’s no excuse not to recycle when a bin is nearby!



Annual Report

Our comprehensive and interactive Annual Report can be found on our website (www.return-it.ca/ar2018). Visitors can view the Annual Report either on our website or choose to download a PDF file.

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.



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, Encorp conducted a consumer contest at participating depots across B.C. Much like the previous year, the contest focused on scratch and win gameplay with prizes 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 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. As part of the program, schools get to share their recycling stories in a contest format, in hopes of winning the grand prize of \$5,000 or secondary prize of \$2,500 for their school.

The winners of the 2018 Return-It School contest were Rutland Elementary and Stanley Humphries Secondary.



Return-It Express

Ease and convenience continue to be one of the biggest barriers to getting consumers to recycle their beverage containers; the Return-It Express program addresses both. Last year the program expanded, increasing the number of Return-It Express depots to 31 by the end of 2018.

To help promote the Express program in 2018, Return-It partnered with QMFM host Erin Davis who helped spread the word on-air and through social media. We mailed out approximately 247,000 brochures to surrounding households within a 3-5 minute drive time radius of Express locations. The direct mail pieces had helpful maps to direct recipients to their nearest location. Other items like e-blasts, social posts, and wild postings were also used to bring awareness and registrations to the program.



Ambassador Team

Our Recycling 101 Ambassadors are a team of super smart "recycling scientists" complete with glasses and white lab coats. They use their expert knowledge to teach kids and parents the basic "101" of recycling.

The team attended over 70 high profile events, with focus on key areas with low return rates, including Surrey, Richmond, Victoria and Vancouver.

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 in outdoor spaces and out of home venues throughout B.C.

Industrial, Commercial & Institutional Sector (IC&I)

The Industrial, Commercial & Institutional (IC&I) sector is another area of interest for Encorp as large scale venues can account for a significant number of unredeemed beverage containers. We've partnered with institutions like the Sea to Sky Gondola, Nat Bailey Stadium, PNE, Cypress, and Seymour Mountain to either provide or improve upon their existing recycling programs.



Independent Return-It Depots Marketing and Promotion Commitments

Return-It depots submit their intended Marketing & Promotional Plans to Encorp. In 2018, the combined investment from depots adds approximately \$1.4 million additional advertising expenditures.

Stewardship Agencies of BC (SABC)

Encorp Pacific (Canada) is a founding member of SABC. We have led the way in the development of a group website, video profile and handbook aimed at consumers. Those who are looking to recycle additional materials outside of beverage containers are encouraged to visit www.bcrecycles.ca.

Corus Partnership

To help raise awareness of the important work Encorp is doing, we partnered with Corus Entertainment to leverage their broadcast media. By partnering with Corus we're able to leverage the credibility of a third party to help us deliver our message. Lynda Steele, a well-known news personality, was featured throughout our messaging. Messaging also included President and CEO Allen Langdon who provided expertise on beverage container recycling. These interviews and segments opened an avenue where we were able to talk to the public about the challenges of single-serve plastic bottles and how the Return-It Express system will help ease the returning of these types of containers.



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.



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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 170 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 99.5%. To view the coverage maps visit return-it.ca/locations/coverage-2018

Our integrated transportation system uses 38 transporters to move our material into 15 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



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.



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ENVIRONMENTAL IMPACT

Detailed report on the reduction in greenhouse gas emissions, energy savings, and CO₂ equivalent reduced from recycling.

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

5

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 2018, Encorp recycled 95,966 metric tonnes of used beverage containers. The energy saved through the recycling of these materials has been converted into tonnes of carbon dioxide equivalent (CO₂e) 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 2018 contributed to the reduction of about 102.6 thousand tonnes of CO₂ equivalent being released into the atmosphere, compared to 103.8 thousand tonnes in 2017. The decrease in reduction is primarily due to the change in material mix 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.

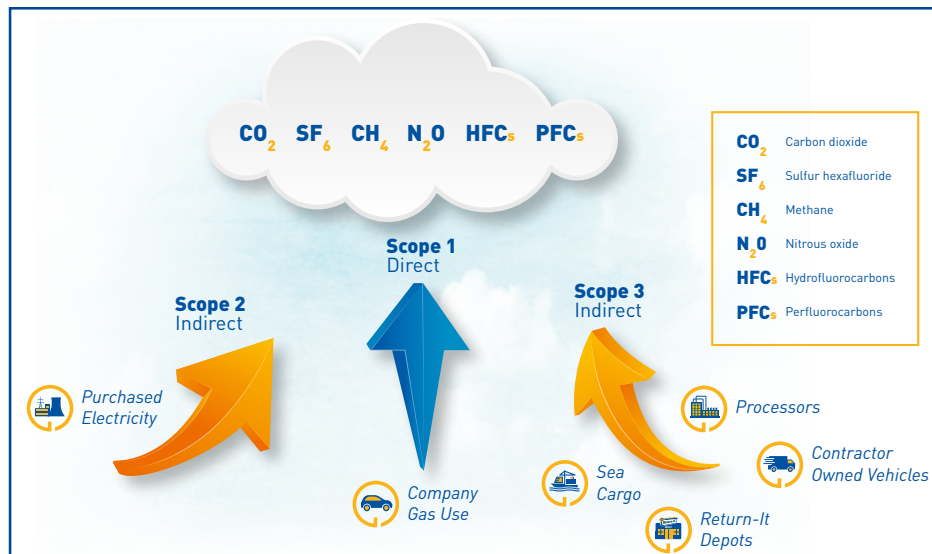
We attribute the reduction in emissions from all sources to changes in the mix of material collected and, therefore end market distribution.

5.1 ENVIRONMENTAL REPORT

EMISSIONS INVENTORY SUMMARY








Type of Emission	2018 (tonnes CO ₂)	2017 (tonnes CO ₂)
<u>Direct emissions</u> are emissions from sources that are owned or controlled by Encorp		
Employee travel – gas use	9	10
<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. ⁱ		
<u>Offices</u> (excluding head office)		
Purchased electricity / Gas in leased buildings	4	4
Employee domestic air travel / ferry travel	12	17
<u>Depots</u> – all purchased electricity / gas consumed in owned or leased buildings	237	232
<u>Processors</u> – all purchased electricity / gas consumed in owned or leased buildings	60	46
<u>Transportation</u> – depots to processors (diesel fuel)		
Trucks	3,600	3,617
<u>Transportation</u> – processors to end markets (diesel fuel)		
Trucks	2,358	2,276
Sea Cargo (based on metric tonne km)	2,682	2,884
Total Emissions from all sources	8,962	9,086

ⁱ 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 2018 were shipped to recyclers for further processing into new material in accordance with Section 8 of the Recycling Regulation.

Material Type	Fate of Material (2018)	Containers Sold (% of total)	Recovery % (by weight)	Energy savings	Weight diverted from landfill (mt)	Tonnes CO ₂ reduced
Aluminum 	Aluminum cans collected were sold and shipped to a re-melt facility in the USA and turned back into sheet stock for new cans.	35.1%	80.6%	93%	5,202	52,447
Plastic 	Plastic containers were sold to end markets in British Columbia and shipped to their two separate facilities in 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.	38.9%	75.8%	86%	10,719	12,659
Glass 	Glass containers were processed in British Columbia and shipped to a manufacturing plant that produces fiberglass insulation in Alberta; a facility that produces new glass bottles in Seattle, USA; a facility that manufactures sandblasting materials in Quesnel, BC; and municipal sites that use crushed glass as construction aggregates.	16.9%	90.4%	34%	77,520	26,954
Polycoat 	Polycoat containers collected were sold to ICF International and shipped to manufacturing plants in South Korea, Thailand and Japan for materials recovery and production of tissue paper from the recovered fibre.	8.0%	67.5%	53%	1,797	9,510
Pouches 	Stand-Up pouches made of layers of plastic and aluminum foil, as well as the laminated plastic bags used inside bag-in-a-box containers were shipped to a manufacturing company in South Korea for production into composite decking.	0.5%	25.4%	53%	9	11
Bag-In-Box 	Cardboard from the outer layer of the box was recycled by local processors.	0.3%	49.1%	53%	469	554
Bi-Metal 	Other metal containers including Bi-Metal were sold to scrap metal dealers in BC for metal recovery.	0.3%	80.9%	82%	250	511
2018 TOTAL		100%	87.0%		95,966	102,646
2017 TOTAL			84.1%		93,828	103,810



2018 ANNUAL REPORT

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 2018, 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 | **77.4%** Recovery Rate | **\$72,181,564** Deposits Refunded

Container Type	Containers Sold		Containers Recovered		% Recovery Rate	
	2018	2017	2018	2017	2018	2017
Aluminum	474,732,423	450,794,458	382,480,812	362,645,595	80.6%	80.4%
Plastic ≤ 1L	461,921,701	471,268,072	332,821,372	327,640,804	72.1%	69.5%
Plastic > 1L	63,350,585	62,579,952	53,531,363	52,648,960	84.5%	84.1%
Plastic Total	525,272,286	533,848,024	386,352,735	380,289,764	73.6%	71.2%
Glass	227,783,448	237,436,479	206,528,437	207,709,038	90.7%	87.5%
Drink Box	97,501,144	99,689,278	55,438,624	56,445,160	56.9%	56.6%
Gable Top	10,520,053	11,582,300	7,339,722	8,029,254	69.8%	69.3%
Bi-Metal	4,402,779	5,201,822	3,650,435	4,213,666	82.9%	81.0%
Bag-In-Box	4,089,087	3,928,995	2,006,502	1,890,317	49.1%	48.1%
Pouches	6,551,183	6,668,081	1,669,204	2,083,245	25.5%	31.2%
Totals	1,350,852,403	1,349,149,437	1,045,466,471	1,023,306,039	77.4%	75.8%

Note: Calculations may show slight variances due to rounding.

6.1 RECYCLING BY THE NUMBERS

RECOVERY BY WEIGHT

In 2018, Encorp Pacific recovered over 95.96 thousand metric tonnes of containers.

87.0% 2018 Recovery
Rate by Weight

84.1% 2017 Recovery
Rate by Weight

TYPE	ESTIMATED WEIGHT OF CONTAINERS SOLD (mt)	ESTIMATED WEIGHT OF CONTAINERS RECOVERED (mt)	RECOVERY BY WEIGHT %
Aluminum	6,456.4	5,201.7	80.6%
Plastic	14,148.7	10,718.7	75.8%
Glass	85,734.0	77,519.9	90.4%
Polycoat (Drink Box & Gable Top)	2,664.2	1,797.3	67.5%
Bi-Metal	308.6	249.8	80.9%
Bag-In-Box	956.4	469.3	49.1%
Pouches	36.6	9.3	25.4%
Totals	110,304.9	95,966.0	87.0%

Note: Calculations may show slight variances due to rounding.



6.2 REGIONAL PER CAPITA RETURNS

Provincial Totals:

Units Returned	1,045,466,471
Weight Collected (Tonnes)	95,966
Per Capita Units Returned	209.4
Per Capita Weight Collected (Kilograms)	19.2

Regional Breakdown:

Region Name		Aluminum	Plastic	Glass	Polycoat	Other	Total	Jan.-Dec.2018 Per Capita	Jan.-Dec.2017 Per Capita	Change to Per Capita Container Returns / Units (000)
Bulkley / Nechako	Units(000)	4,229	4,054	1,075	606	43	10,007	249.8	218.9	30.9 inc.
	Tonnes	57.5	106.0	388.1	14.5	4.6	570.7	14.2 kg	12.9 kg	
Cariboo	Units(000)	7,424	7,361	2,296	921	114	18,116	277.4	268.1	9.3 inc.
	Tonnes	101.0	196.8	828.7	23.3	10.6	1,160.4	17.8 kg	17.7 kg	
Central Coast	Units(000)	304	209	85	38	3	639	182.1	183.7	(1.6) dec.
	Tonnes	4.1	6.6	31.0	1.0	0.2	42.9	12.3 kg	10.8 kg	
Fraser - Fort George	Units(000)	12,331	11,995	3,543	1,869	160	29,898	297.9	327.4	(29.5) dec.
	Tonnes	167.7	314.4	1,288.0	44.7	14.2	1,829.0	18.2 kg	21.2 kg	
Kitimat - Stikine	Units(000)	4,528	4,272	993	637	72	10,502	262.7	274.8	(12.1) dec.
	Tonnes	61.6	114.9	375.9	16.0	5.3	573.7	14.3 kg	15.7 kg	
Skeena - Queen Charlotte	Units(000)	2,616	2,281	698	312	37	5,944	316.0	346.9	(30.9) dec.
	Tonnes	35.6	61.3	257.6	8.2	2.7	365.4	19.4 kg	22.0 kg	
Northern Rockies	Units(000)	440	751	95	51	3	1,340	242.4	235.3	7.1 inc.
	Tonnes	6.0	18.4	36.2	1.2	0.4	62.2	11.3 kg	11.6 kg	
Peace River	Units(000)	6,319	8,097	1,820	921	92	17,249	261.8	283.5	(21.7) dec.
	Tonnes	85.9	207.4	656.4	23.4	5.0	978.1	14.8 kg	16.8 kg	
Capital Regional District	Units(000)	32,487	27,793	20,241	4,694	592	85,807	207.6	214.4	(6.8) dec.
	Tonnes	441.8	811.8	7,713.2	146.9	73.5	9,187.2	22.2 kg	23.5 kg	
Cowichan Valley	Units(000)	10,207	8,183	4,091	1,207	172	23,860	264.0	267.7	(3.7) dec.
	Tonnes	138.8	230.1	1,568.1	34.7	21.2	1,992.9	22.1 kg	22.9 kg	
Alberni / Clayoquot	Units(000)	4,266	3,741	1,729	463	63	10,262	308.7	338.2	(29.5) dec.
	Tonnes	58.0	103.8	638.4	13.9	6.1	820.2	24.7 kg	27.3 kg	
Comox	Units(000)	7,409	6,499	3,733	951	141	18,733	261.9	283.8	(21.9) dec.
	Tonnes	100.8	182.5	1,429.0	28.8	19.6	1,760.7	24.6 kg	26.5 kg	
Mount Waddington	Units(000)	1,779	1,408	426	183	17	3,813	328.9	323.1	5.8 inc.
	Tonnes	24.2	39.3	159.4	4.8	2.3	230.0	19.8 kg	19.8 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.-Dec.2018	Jan.-Dec.2017	Change to Per
								Per Capita	Per Capita	Capita Container
Nanaimo	Units(000)	14,780	13,066	7,597	1,866	283	37,592	224.9	229.1	(4.2) dec.
	Tonnes	201.0	365.3	2,908.8	56.1	40.5	3,571.7	21.4 kg	22.3 kg	
Strathcona	Units(000)	3,619	2,911	1,467	430	65	8,492	176.5	173.1	3.4 inc.
	Tonnes	49.2	82.5	566.1	12.9	8.7	719.4	14.9 kg	15.0 kg	
Greater Vancouver	Units(000)	157,537	171,150	102,060	31,510	3,615	465,872	175.5	174.5	1.0 inc.
	Tonnes	2,142.5	4,805.6	38,115.2	913.2	299.2	46,275.7	17.4 kg	16.9 kg	
Fraser Valley	Units(000)	30,753	29,832	10,926	5,046	529	77,086	241.6	249.5	(7.9) dec.
	Tonnes	418.2	817.0	3,976.3	132.2	46.9	5,390.6	16.9 kg	17.9 kg	
Powell River	Units(000)	2,053	1,613	926	235	42	4,869	228.0	231.3	(3.3) dec.
	Tonnes	27.9	46.9	353.1	7.4	6.3	441.6	20.7 kg	21.5 kg	
Squamish - Lillooet	Units(000)	4,042	4,236	4,549	549	72	13,448	296.2	298.4	(2.2) dec.
	Tonnes	55.0	117.2	1,671.6	16.8	6.4	1,867.0	41.1 kg	40.6 kg	
Sunshine Coast	Units(000)	2,567	1,893	2,062	349	55	6,926	216.6	244.3	(27.7) dec.
	Tonnes	34.9	55.7	793.4	11.4	9.0	904.4	28.3 kg	31.3 kg	
Central Okanagan	Units(000)	18,167	20,740	10,731	2,625	310	52,573	251.7	262.1	(10.4) dec.
	Tonnes	247.1	556.7	4,173.4	76.7	37.9	5,091.8	24.4 kg	25.7 kg	
North Okanagan	Units(000)	9,489	9,923	4,300	1,327	140	25,179	280.6	297.6	(17.0) dec.
	Tonnes	129.0	272.8	1,661.5	39.4	17.8	2,120.5	23.6 kg	25.3 kg	
Okanagan - Similkameen	Units(000)	9,242	9,666	5,359	1,105	164	25,536	288.4	291.7	(3.3) dec.
	Tonnes	125.7	264.0	2,120.5	33.4	24.1	2,567.7	29.0 kg	29.2 kg	
Columbia Shuswap	Units(000)	5,660	5,696	3,111	757	93	15,317	276.1	295.9	(19.8) dec.
	Tonnes	77.0	153.8	1,132.2	21.7	12.1	1,396.8	25.2 kg	26.7 kg	
Thompson - Nicola	Units(000)	15,607	16,003	6,178	2,252	232	40,272	283.0	283.8	(0.8) dec.
	Tonnes	212.3	429.1	2,262.6	60.0	26.7	2,990.7	21.0 kg	21.8 kg	
Central Kootenay	Units(000)	5,299	4,031	2,689	673	95	12,787	204.0	210.5	(6.5) dec.
	Tonnes	72.1	115.2	989.6	19.7	11.7	1,208.3	19.3 kg	20.5 kg	
East Kootenay	Units(000)	6,399	6,395	2,702	788	75	16,359	255.6	278.8	(23.2) dec.
	Tonnes	87.0	173.0	1,030.0	23.3	9.1	1,322.4	20.7 kg	23.3 kg	
Kootenay Boundary	Units(000)	2,928	2,554	1,046	413	47	6,988	210.8	229.9	(19.1) dec.
	Tonnes	39.8	70.6	395.7	11.8	6.2	524.1	15.8 kg	17.9 kg	
Total Units	Units(000)	382,481	386,353	206,528	62,778	7,326	1,045,466	209.4	212.4	(3.0) dec.
Total kg	Tonnes	5,201.7	10,718.7	77,520.0	1,797.4	728.3	95,966.1	19.2 kg	19.5 kg	

Note: Calculations may show slight variances due to rounding.



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PLAN PERFORMANCE



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

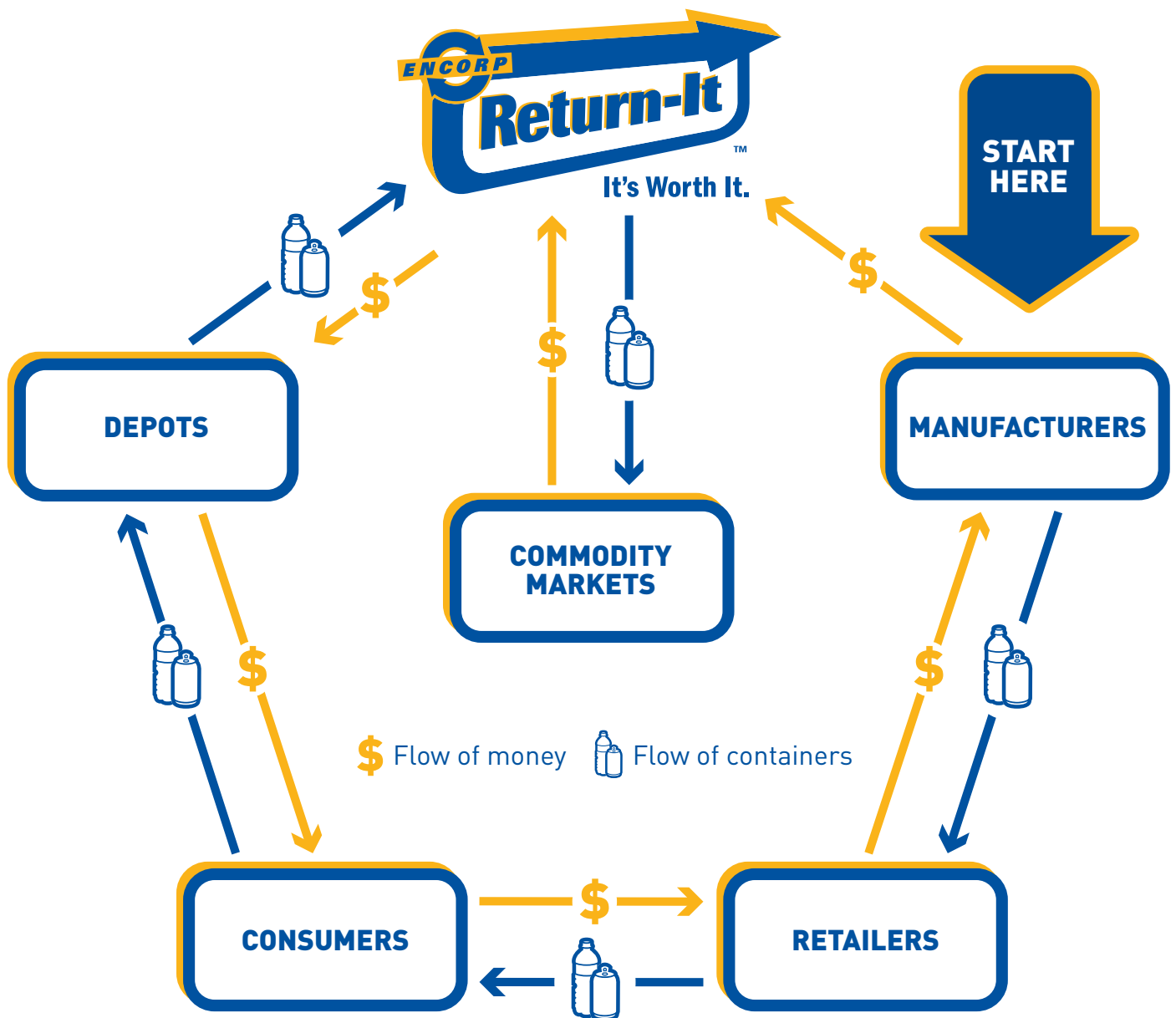
Revenue and Expenditure detail.

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

Container recycling fees by product type.

7.1 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

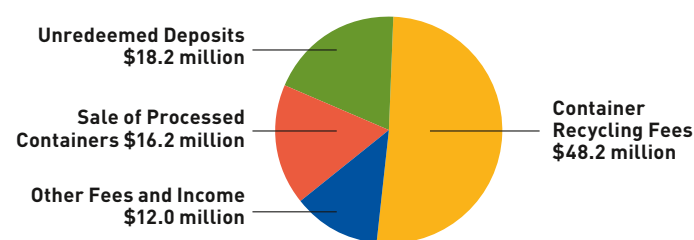
Revenues from service provider contracts.

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 2018, commodity revenue was higher than forecast which partially contributed to the rise in our operating reserve levels. The average price for aluminum was \$1.05 per pound (\$0.91 in 2017) and plastic was \$0.18 per pound (\$0.17 in 2017).

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	\$48.2 million	51.0%
Other Fees and Income*	12.0 million	12.7%
Sale of Processed Containers	16.2 million	17.1%
Unredeemed Deposits	18.2 million	19.2%
Total Revenues	94.6 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

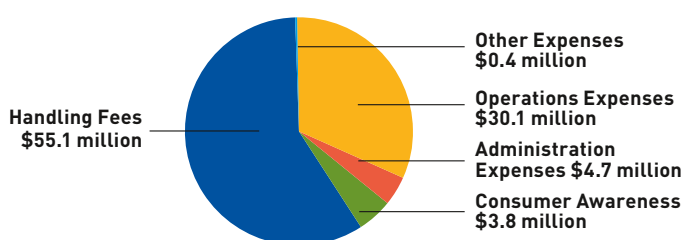
Programs that encourage consumers to return containers for recycling.

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	\$30.1 million	32.0%
Administration Expenses	4.7 million	5.0%
Consumer Awareness	3.8 million	4.0%
Handling Fees	55.1 million	58.6%
Other Expenses**	0.4 million	0.4%
Total Expenditures	94.1 million	100%

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

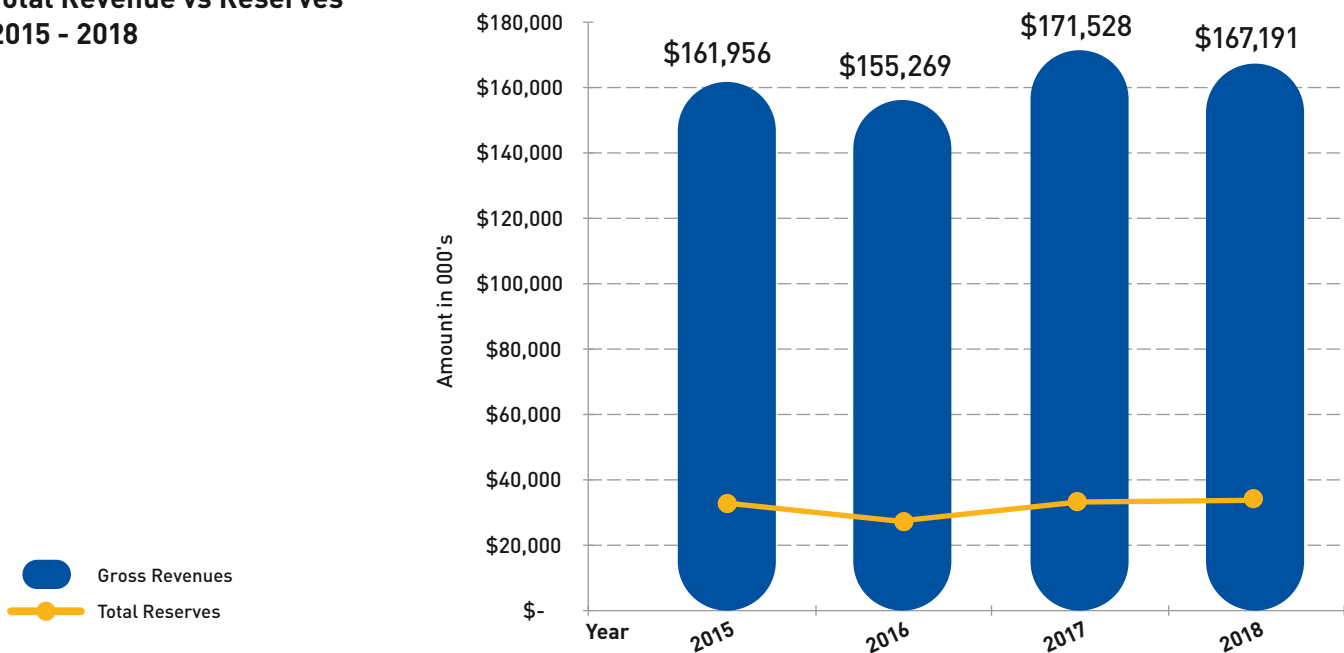
7.3 OPERATING RESERVES

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 2015 - 2018



Reserves	2015 BALANCE	2016 YEAR	2016 BALANCE	2017 YEAR	2017 BALANCE	2018 YEAR	2018 BALANCE
OPERATING RESERVE / (DEFICIT)	\$31,358,397	\$(6,402,659)	\$24,955,738	\$7,438,787	\$32,394,525	\$743,243	\$33,137,768
RESTRICTED RESERVE / (DEFICIT)	1,180,726	100,795	1,281,521	(215,477)	1,066,044	(236,429)	829,615
TOTAL RESERVE / (DEFICIT)	\$32,539,123	\$(6,301,864)	\$26,237,259	\$7,223,310	\$33,460,569	\$506,814	\$33,967,383

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 \$0.5 million, well within the required level.

	Gross Revenue Including Deposits (millions)	Total Expenses Including Deposit Refunds (millions)	Results / (Deficit) (millions)	Operating Reserves 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
2017	171.5	164.3	7.2	33.4
2018	167.2	166.7	0.5	33.9

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	2017	2018
Aluminum	2.0 cents	1.0 cent
Plastic ≤ 1L	4.0 cents	3.0 cents
Plastic > 1L	4.0 cents	4.0 cents
Polystyrene	4.0 cents	3.0 cents
Glass ≤ 1L	9.0 cents	8.0 cents
Glass > 1L	16.0 cents	16.0 cents
Bi-Metal ≤ 1L	4.0 cents	5.0 cents
Bi-Metal > 1L	-	-
Bag-In-Box	1.0 cent	5.0 cents
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	12.0 cents	12.0 cents
Glass Wine & Spirits > 1L	16.0 cents	16.0 cents
Non-Refillable Beer, Cider, Cooler Glass ≤ 1L	9.0 cents	9.0 cents
Non-Refillable Beer, Cider, Cooler Glass > 1L	16.0 cents	16.0 cents
Liquor Plastic ≤ 1L	3.0 cents	4.0 cents
Liquor Plastic > 1L	8.0 cents	9.0 cents
Liquor Bag-In-Box	1.0 cent	5.0 cents



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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.



8.1 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 – Compensation

John Graham

Director of Government Relations (Prairie)
Retail Council of Canada
Encorp Affiliation – Retail Council of Canada
Committee – Governance

John Irving

Encorp Affiliation – Unrelated Director
Committees – Governance / Compensation / Audit

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 – Governance

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.

Brock Macdonald

Chief Executive Officer, Recycling Council of BC

Bud Fraser

Senior Planning and Sustainability Engineer, University of British Columbia

Louise Schwarz

Co-owner, Recycling Alternative

Meghan Woods

Environmental Initiatives Manager, BC Liquor Distribution Branch

Monica Kosmak — Chairman of the Advisory Committee
Program Manager, City of Vancouver

Vince Spronken

Owner, Island Return-It Depot





Thank You for Recycling!



9

2018 ANNUAL REPORT

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 15, 2019

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).



Allen Langdon
President & CEO



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: 604-685-0395
www.deloitte.ca

To the Members of
Encorp Pacific (Canada)

Opinion

We have audited the financial statements of Encorp Pacific (Canada) (the "Corporation"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Deloitte LLP

Chartered Professional Accountants
May 15, 2019
Vancouver, British Columbia

STATEMENT OF OPERATIONS

Encorp Pacific (Canada)

Statement of operations

Year ended December 31, 2018

	2018	2017
	\$	\$
Revenue		
Deposits on containers	90,379,585	90,881,053
Deposit refunds	(72,181,564)	(71,214,417)
	18,198,021	19,666,636
Container recycling fees	48,224,790	55,763,022
Contract fees	11,365,089	10,962,234
Sale of recyclable materials	16,171,146	13,953,342
Other	658,573	322,859
	94,617,619	100,668,093
Direct operations expenses		
Handling fees	55,134,162	54,804,798
Transportation and processing fees	29,191,598	28,565,627
Depot operations	944,914	703,117
	85,270,674	84,073,542
Other expenses		
General and administrative	4,679,848	4,471,268
Consumer awareness	3,803,942	3,953,830
Amortization	748,376	591,447
Foreign exchange (gain) loss	(392,035)	354,696
	8,840,131	9,371,241
Excess of revenue over expenses	506,814	7,223,310

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, 2018

	Notes	2018			2017
		Internally restricted reserve \$	Unrestricted \$	Total \$	Total \$
Net assets, beginning of year		1,066,044	32,394,525	33,460,569	26,237,259
Excess of revenue over expenses		—	506,814	506,814	7,223,310
Transfer to internally restricted reserve	4	(236,429)	236,429	—	—
Net assets, end of year		829,615	33,137,768	33,967,383	33,460,569

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, 2018

	Notes	2018 \$	2017 \$
Assets			
Current assets			
Cash		41,868,382	40,757,485
Accounts receivable	6	6,018,793	5,934,368
Prepaid expenses		59,139	51,244
		<u>47,946,314</u>	<u>46,743,097</u>
Tangible capital assets	3	1,657,766	1,314,219
		<u>49,604,080</u>	<u>48,057,316</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		8,358,537	6,999,138
Deferred revenue	2	7,238,680	7,561,867
Advance payment from brand owners		39,480	35,742
		<u>15,636,697</u>	<u>14,596,747</u>
Commitments	5		
Net assets			
Internally restricted reserve	4	829,615	1,066,044
Unrestricted	4	33,137,768	32,394,525
		<u>33,967,383</u>	<u>33,460,569</u>
		<u>49,604,080</u>	<u>48,057,316</u>

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, 2018

	2018 \$	2017 \$
Operating activities		
Excess of revenue over expenses	506,814	7,223,310
Items not affecting cash		
Amortization	748,376	591,447
Loss on disposal of tangible capital assets	39,812	56,538
	1,295,002	7,871,295
Changes in non-cash operating working capital		
Accounts receivable	(84,425)	(988,479)
Prepaid expenses	(7,895)	12,470
Accounts payable and accrued liabilities	1,359,399	(1,050,661)
Deferred revenue	(323,187)	158,591
Advance payment from brand owners	3,738	(3,881)
	2,242,632	5,999,335
Investing activities		
Purchase of tangible capital assets	(1,185,935)	(653,414)
Proceeds from sale of tangible capital assets	54,200	—
	(1,131,735)	(653,414)
Increase in cash	1,110,897	5,345,921
Cash, beginning of year	40,757,485	35,411,564
Cash, end of year	41,868,382	40,757,485

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, 2018

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 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 shipped to 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 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.

NOTES TO FINANCIAL STATEMENTS

Encorp Pacific (Canada) Notes to the financial statements December 31, 2018

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 the asset no longer has any long-term service potential to the corporation. An impairment loss is recognized to the extent that the carrying value of the asset exceeds its residual value.

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 requires 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 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, 2018

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.

With respect to financial assets measured at cost or at amortized cost, the Corporation recognizes in the statement of operations 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 in the period the reversal occurs.

3. Tangible capital assets

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
	\$	\$	\$	\$
Computer hardware	2,798,622	1,536,561	1,262,061	745,400
Leasehold improvements	349,236	144,243	204,993	274,840
Office equipment	867,572	681,797	185,775	285,774
Computer software	85,332	80,395	4,937	8,205
	4,100,762	2,442,996	1,657,766	1,314,219

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 \$236,429 was transferred from the restricted reserve to unrestricted reserve during the current year (\$215,477 was transferred from the restricted reserve to the unrestricted reserve in 2017).

NOTES TO FINANCIAL STATEMENTS

Encorp Pacific (Canada) Notes to the financial statements

December 31, 2018

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:

	\$
2019	509,162
2020	509,162
2021	533,154
2022	502,919
2023	508,056
	<u>2,562,453</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 a receivable of \$128,748 (receivable of \$34,185 in 2017).

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	<u>2</u>

During the year, the Corporation paid \$154,105 (\$152,613 in 2017) in Directors' fees.

8. Bank facilities

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

	Limit	Used
	\$	\$
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, 2018

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, 2018, the net US dollar exposure on cash, accounts receivable, accounts payable and accrued liabilities was US\$1,743,691 (US\$1,389,372 in 2017).

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

The Corporation's assets subject to credit risk consist of cash and accounts receivable. The Corporation maintains its cash with a major, reputable financial institution. 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 2018 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, 2018:

- 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.

Management's responsibility

Management is responsible for the preparation of the Selected Information in accordance with the evaluation criteria as listed in Appendix A. 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 - 2018 reporting year, dated October 2018 ("Assurance Requirements") as specified by the Director under Section 8(2)(h) of the Recycling Regulation of the Province of British Columbia.

Our responsibility

Our responsibility is to express a reasonable assurance opinion on the Selected Information based on the evidence we have obtained. 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 plan and perform the engagement to obtain reasonable assurance about whether the Selected Information is free of material misstatement.

Reasonable assurance engagement is a high level of assurance, but is not a guarantee that an engagement conducted in accordance with this standard will always detect material misstatements when it exists. The nature, timing and extent of procedures selected depends on our professional judgment, including an assessment of the risks of material misstatement of the Selected Information, whether due to fraud or error, and requires obtaining audit evidence about the preparation of the Selected Information in accordance with evaluation criteria listed in Appendix A.

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

Applicable criteria and key assurance procedures

The applicable evaluation criteria are 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.

Our Independence and Quality Control

We have complied with the relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Canadian Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

In our opinion, the Selected Information of Encorp for the year ended December 31, 2018 is prepared, 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.

Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia, Canada
May 15, 2019

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 170 Return-It™ Depots. One depot was closed during 2018.	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 2018 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 procures 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 2018 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 containers were shipped to a manufacturing company in South Korea for production of 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 Requirements

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.

Appendix A | Assurance Requirements

<p>3. Section 8 (2) (e) the total amount of the producer’s product sold and collected and, if applicable, the producer’s recovery rate</p>							
<p>Specific Disclosures in the Annual Report for which evaluation criteria were developed:</p>							
<table border="1"> <thead> <tr> <th>Disclosure per the Annual Report</th> <th>Reference</th> </tr> </thead> <tbody> <tr> <td>Total Sales in units: 1,350,852,403</td> <td rowspan="3">Recovery rate from the Executive Summary on page 3</td> </tr> <tr> <td>Total Product Collected in units: 1,045,466,471</td> </tr> <tr> <td>Recovery Rate: 77.4%</td> </tr> </tbody> </table>	Disclosure per the Annual Report	Reference	Total Sales in units: 1,350,852,403	Recovery rate from the Executive Summary on page 3	Total Product Collected in units: 1,045,466,471	Recovery Rate: 77.4%	
Disclosure per the Annual Report	Reference						
Total Sales in units: 1,350,852,403	Recovery rate from the Executive Summary on page 3						
Total Product Collected in units: 1,045,466,471							
Recovery Rate: 77.4%							
<p>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).</p>							
<p>Definitions:</p> <ul style="list-style-type: none"> • 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). 							
<p>Evaluation criteria:</p> <ul style="list-style-type: none"> • 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. 							

Appendix A | Assurance Requirements

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:

Disclosure per the Annual Report	Reference
2018 Assertion – Recovery rate of 77.4% (compared to target of 82.0%)	Recovery Rate: Executive Summary on page 1
2018 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, 2018 as there are no specific related targets in the approved stewardship plan.



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