

# 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

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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:

	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, 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.

*Deloitte LLP*

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.