

2021 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 5, 2022

The financial statements of Encorp Pacific (Canada) have been prepared by management in accordance with Canadian accounting standards for not-for profit organizations ("ASNPO"). 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).



John Nixon
Interim President and CEO



Elena Zevakhina, CPA, CGA, MBA
CFO

9.2 INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Deloitte.

Independent Auditor's Report

Deloitte LLP
939 Granville Street
P.O. Box 2177 Vancouver Main
Vancouver BC V6Z 1L3
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, 2021, 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, 2021, 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 10, 2022
Vancouver British Columbia

STATEMENT OF OPERATIONS

Encorp Pacific (Canada)

Statement of operations

Year ended December 31, 2021

	Notes	2021 \$	2020 \$
Revenue			
Deposits on containers		147,082,849	144,731,701
Deposit refunds		(111,612,630)	(109,062,260)
		35,470,219	35,669,441
Container recycling fees		44,930,041	42,815,156
Contract fees		10,433,412	11,574,633
Sale of recyclable materials		20,698,896	13,652,828
Other		150,634	307,261
		111,683,202	104,019,319
Operating expenses			
Collection		60,104,686	62,451,992
Transportation and processing		27,986,310	28,228,807
		88,090,996	90,680,799
Other expenses			
General and administrative	7 and 9	7,227,484	7,446,009
Consumer awareness		3,870,622	3,758,474
Amortization		772,078	882,416
Foreign exchange (gain) loss		(236,636)	375,239
		11,633,548	12,462,138
Excess of revenue over expenses		11,958,658	876,382

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, 2021

	Notes	Internally restricted reserve \$	Investment in Tangible capital assets \$	Unrestricted \$	2021 Total \$	2020 Total \$
Net assets, beginning of year		1,309,952	2,315,352	19,363,955	22,989,259	22,112,877
Excess of revenue over expenses		—	(772,078)	12,730,736	11,958,658	876,382
Purchase of tangible capital assets, net of disposals and long-term debt		—	3,510,836	(3,510,836)	—	—
Transfer to internally restricted reserve	4	6,157,596	—	(6,157,596)	—	—
Net assets, end of year		7,467,548	5,054,110	22,426,259	34,947,917	22,989,259

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

STATEMENT OF FINANCIAL POSITION

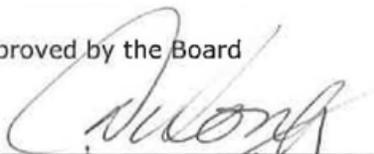
Encorp Pacific (Canada) Statement of financial position

As at December 31, 2021

	Notes	2021 \$	2020 \$
Assets			
Current assets			
Cash		50,794,092	36,065,497
Accounts receivable	5	9,937,360	8,889,202
Prepaid expenses		2,782,507	1,390,481
		63,513,959	46,345,180
Tangible capital assets	3	6,825,352	2,315,352
		70,339,311	48,660,532
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		21,724,434	16,460,289
Deferred revenue		10,162,517	9,206,510
Advance payment from brand owners		1,733,201	4,474
Current portion of long-term debt	7	51,158	—
		33,671,310	25,671,273
Long-term debt	7	1,720,084	—
		35,391,394	25,671,273
Commitments	8		
Net assets		34,947,917	22,989,259
		70,339,311	48,660,532

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, 2021

	2021	2020
	\$	\$
Operating activities		
Excess of revenue over expenses	11,958,658	876,382
Items not affecting cash		
Amortization	772,078	882,416
Loss on disposal of tangible capital assets	4,390	284
	12,735,126	1,759,082
Changes in non-cash operating working capital		
Accounts receivable	(1,048,158)	(2,875,048)
Prepaid expenses	(1,392,026)	(1,031,578)
Accounts payable and accrued liabilities	5,264,145	3,874,535
Deferred revenue	956,007	266,847
Advance payment from brand owners	1,728,727	—
	18,243,821	1,993,838
Investing activities		
Purchase of tangible capital assets	(5,290,696)	(1,860,632)
Proceeds from sale of tangible capital assets	4,228	—
	(5,286,468)	(1,860,632)
Financing activities		
Proceeds from long term debt	1,800,000	—
Repayments of long term debt	(28,758)	—
	1,771,242	—
Net change in cash	14,728,595	133,206
Cash, beginning of year	36,065,497	35,932,291
Cash, end of year	50,794,092	36,065,497

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, 2021

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 owns 100% of a wholly owned subsidiary, through a bare trust agreement, and all benefits accrue to the Corporation and the balances, gains and losses are included in these financial statements. 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.

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The Corporation has been monitoring the COVID-19 situation closely and working with its employees, independently owned depot businesses, logistics providers and related stakeholders to ensure precautionary measures are put in place to protect employees and the community, consistent with the Provincial Health Authorities, The Centers for Disease Control and Prevention and BC Centre of Disease Control guidelines. In support of these measures, there have been changes in the Return-It network, including modified depot operating hours and temporary closures. The Corporation has been regularly sharing these updates and directing consumers to visit their website for the most up to date information.

The Corporation's financial results and conditions have not been materially impacted in terms of revenues and costs. However, due to temporary closures and reduced hours of operations within its collection network throughout 2021, the Corporation's beverage container recovery rate declined by 0.3% from 2020. As of the date of the financial statements, the Corporation's operations have remained open and continued to operate as normal.

2. Significant accounting policies

These financial statements have been prepared in accordance with ASNPO, incorporating the following significant accounting policies:

(a) 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.

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NOTES TO FINANCIAL STATEMENTS

Encorp Pacific (Canada) Notes to the financial statements December 31, 2021

2. Significant accounting policies (continued)

(a) Revenue (continued)

Contract fees are recorded when the services are provided.

Recyclable materials revenue is recorded when the containers are shipped to recyclers.

(b) 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.

(c) 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 in the period the related goods or services are received.

(d) 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.

(e) 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:

Building	10 years
Office equipment	5 years
Computer hardware	3 years
Computer software	3 years
Leasehold improvements	3-5 years
Express & Go stations	3 years
Mobile Compaction	10 years

Assets under development 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 fair value.

NOTES TO FINANCIAL STATEMENTS

Encorp Pacific (Canada) Notes to the financial statements December 31, 2021

2. Significant accounting policies (continued)

(f) 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.

(g) 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.

(h) 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.

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.

NOTES TO FINANCIAL STATEMENTS

Encorp Pacific (Canada) Notes to the financial statements December 31, 2021

3. Tangible capital assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
	\$	\$	\$	\$
Land	3,697,497	—	3,697,497	—
Mobile Compaction	1,775,984	146,798	1,629,186	891,868
Express & Go stations	601,430	70,555	530,875	345,682
Computer hardware	3,362,749	2,854,622	508,127	804,457
Office equipment	1,154,002	833,302	320,700	150,365
Leasehold improvements	465,403	371,073	94,330	92,274
Computer software	58,672	45,828	12,844	30,706
Building	33,823	2,030	31,793	—
	11,149,560	4,324,208	6,825,352	2,315,352

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 \$6,157,596 was transferred from the unrestricted reserve to restricted reserve during the current year (\$432,714 was transferred from the unrestricted reserve to restricted reserve in 2020).

5. Government remittances

Government remittances consist of amounts (such as payroll withholdings, sales taxes, employer health tax 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 \$81,769 (receivable of \$205,370 in 2020).

6. 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	1,000,000	—

The revolving demand facility bears interest at the bank's prime rate plus 0.25% per annum. The bank facilities 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, 2021

7. Long-term debt

Long-term debt consists of a non-revolving term facility with Royal Bank of Canada with related monthly principal and interest payments, interest rate and maturity date.

Monthly blended payments	Interest rate	Maturity	2021	2020
\$	%		\$	\$
8,356	2.81	June 2046	1,771,242	—
Less: current portion			(51,158)	—
Long-term portion			1,720,084	—

The interest related to long-term debt, which is included in the general and administrative expenses, is \$29,734 (\$Nil in 2020). The long-term debt is secured by all property (unless subject to prior charges) of the Corporation.

The aggregate minimum amount of principal payments based on scheduled repayment terms required in each of the next five years and thereafter are as follows:

	\$
2022	51,158
2023	52,614
2024	53,981
2025	55,648
2026 and thereafter	<u>1,557,841</u>
	<u>1,771,242</u>

8. 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 and thereafter are as follows:

	\$
2022	749,778
2023	751,404
2024	724,723
2025	720,354
2026 and thereafter	<u>604,179</u>
	<u>3,550,438</u>

NOTES TO FINANCIAL STATEMENTS

Encorp Pacific (Canada)

Notes to the financial statements

December 31, 2021

9. 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

The Corporation owns 100% of 1304620 B.C. Ltd. and, through a bare trust agreement dated May 20, 2021, is the beneficial owner of 100% of the real property to which 1304620 B.C. Ltd. holds legal title.

During the year, the Corporation paid \$188,047 (\$181,938 in 2020) in Directors' fees.

10. 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, 2021, the net US dollar exposure on cash, accounts receivable, accounts payable and accrued liabilities was US\$14,953,363 (US\$6,360,235 in 2020).

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in interest rates and the degree of volatility of these rates. The Corporation is primarily exposed to interest rate risk through long-term debt. The Corporation does not use derivative instruments to reduce its exposure to interest rate risk.

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 consists 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.

Liquidity risk

The Corporation's objective is to have sufficient liquidity to meet its liabilities when due. The Corporation monitors its cash balances and cash flows generated from operations to meet its requirements. As at December 31, 2021, the most significant financial liabilities are accounts payable and accrued liabilities and long-term debt.

9.3 INDEPENDENT REASONABLE ASSURANCE REPORT



Deloitte LLP
939 Granville Street
Vancouver BC V6Z 1L3
Canada

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

INDEPENDENT REASONABLE ASSURANCE REPORT FOR SELECTED NON-FINANCIAL INFORMATION

To the Directors of Encorp Pacific (Canada)

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 Climate Change Strategy and in Appendix A, for the year ended December 31, 2021:

- 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 for the 2021 reporting year, dated November 2019 ("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.

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.

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.

Basis for qualified opinion

Targets were not agreed to until September 1, 2021 when the Ministry of Environment and Climate Change Strategy approved the Stewardship Plan. Accordingly, Encorp Pacific (Canada) has not provided disclosures on performance against targets required under Section 8(2)(g) for the year ended December 31, 2021. As a result, we were not able to provide assurance over the following selected information:

- 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.

Conclusion

In our opinion, except for the matter described in the preceding paragraph, the Selected Information of Encorp for the year ended December 31, 2021 is prepared, in all material respects, in accordance with the evaluation criteria listed in Appendix A to this report.

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 10, 2022

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 174 collection facilities including 163 independently owned and operated Return-It™ collection facilities, two (2) corporate Return-It Express Plus and nine (9) Express and Go unstaffed stations available to the public. Five (5) of the 174 collection facilities were opened during 2021.	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** means a Return-It™ Depots that has an agreement for the collection of used beverage containers or operates as a corporate Return-It Express Plus™ or a Return-It Express & Go™ unstaffed location.
- **List of Return-It™ collection facilities** is a registry of Return-It™ Depots, Return-It Express Plus and Express and Go unstaffed stations containing contact information (location, contact and hours of operation) maintained by Encorp.

Evaluation criteria:

- The number of collection facilities is obtained from the List of Return-It™ collection facilities as of December 31.
- The calculation of the number of Return-It™ collection facilities is done by adding up the total number of Return-It™ collection facilities in the 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 2021 were shipped to recyclers for further processing into new material in accordance with Section 8 of the Recycling Regulation.
- Aluminum cans were sold to a large recycler of aluminum and producer of flat rolled aluminum product, shipped to their production facilities in the USA and turned back into sheet stock for new cans.
- Plastic containers were sold to Canadian recycler of plastic material and shipped to their facilities in British Columbia and Alberta. The commodity is 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 manufacturing plant that produces fibreglass insulation in Alberta; a facility that procures new glass bottles in Seattle, USA; and a facility that manufacturers sandblasting materials in Quesnel, BC.
- 85.5% of polycoat containers collected were sold to a manufacturer of building boards which are used as an alternative to traditional wallboards, roofing, floor underlayment, ceiling tiles and structured insulated panel and shipped to their facility in Des Moines, Iowa. The remaining 14.5% of polycoat containers were sold to a Canadian recycler who shipped the material to end-recyclers in India and Mexico where the fiber from the polycoat was recycled and used to make the white top layer of boxboard. The plastic film and aluminum were used to make plastic lumber. In Mexico, the fiber was also recycled into tissue paper.
- Encorp has found a viable end market through a recycler in New Jersey who is using this material to make various products such as composite decking, buckets, storage totes, non-food grade container & trays.
- The plastic bladders inside the Bag-In-Box containers were also shipped to the end-recycler in New Jersey who is using this material to make composite decking, buckets, storage totes, non-food grade container & trays.
- Cardboard from the outer layer of the box was recycled by local processors for material recovery.
- Other metal containers including bi-metal were sold to scrap metal dealers in BC for metal recovery.

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.

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.

<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: 1,470,642,100</td> <td rowspan="3">Recovery rate from the Executive Summary on page 3</td> </tr> <tr> <td>Total Product Collected in units: 1,116,121,423</td> </tr> <tr> <td>Recovery Rate: 75.9%</td> </tr> </tbody> </table>	Disclosure per the Annual Report	Reference	Total Sales in units: 1,470,642,100	Recovery rate from the Executive Summary on page 3	Total Product Collected in units: 1,116,121,423	Recovery Rate: 75.9%	
Disclosure per the Annual Report	Reference						
Total Sales in units: 1,470,642,100	Recovery rate from the Executive Summary on page 3						
Total Product Collected in units: 1,116,121,423							
Recovery Rate: 75.9%							
<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) 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 collected is based on the number of used beverage containers covered by the approved Stewardship Plan and 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).

Targets were not agreed to until September 1, 2021 when the Ministry of Environment and Climate Change Strategy approved the Stewardship Plan. Accordingly, Encorp Pacific (Canada) has not provided disclosures on performance against targets required under Section 8(2)(g) for the year ended December 31, 2021.