2016 ANNUAL REPORT

ENCORP PACIFIC (CANADA)

ENCORP
Return-It
DEPOT

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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**

2016 RECOVERY RATE

75%	78%	81%
Regulated Requirement	Actual Recovery Rate	Encorp's Plan Target

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%.

Product environmental impact reduction, reusability and recyclability

- Encorp's activities in 2016 contributed to the reduction of about 101.9 thousand tonnes of CO_2 equivalent being released into the atmosphere, compared to 98.8 thousand tonnes in 2015.

Product sold and collected and recovery rate

- Total Sales in units: 1,282,922,473
- Total Product Collected in units: 1,000,749,811
- Recovery Rate: 78% compared to target of 81%
- Provincial Per Capita Recovery is 210.6 units

See regional breakdown on page 26.

Collection system and facilities

- Encorp's collection network consists of 172 Return-It depots. One depot was opened and three depots were closed in 2016. *(Closures were Bridesville, McBride and Steveston)*
- Five depots sold during 2016.

Pollution prevention hierarchy and product/component management

- Material collected by Encorp is shipped to recyclers for further processing into new material in accordance with Section 8 of the Recycling Regulation. See End Fate information on page 22.

Summary of deposits, refunds, revenues and expenses

- Deposits collected: $87,629,905
- Refunds issued: $70,167,158
- Total revenue: $85,245,957
- Total expenses: $91,547,821

See Financial Statements on page 42.

Encorp Pacific (Canada)
100 – 4259 Canada Way, Burnaby, BC V5G 4Y2
Tel: 1-800-330-9767 www.return-it.ca

EXECUTIVE SUMMARY

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 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 59, Collection Systems and Facilities*). When we add the retail return points the access level increases to 99.4%. This is 2.4% above the target.

Consumer awareness

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

Cooperation with other stewardship agencies

As a founding member and past chair of the Stewardship Agencies of British Columbia (SABC) group, Encorp's contributions were instrumental to the development of a common public website, location finder and consumer handbook. Encorp currently participates in the BC Recycles ambassador tour. bcrecycles.ca

Carbon footprint

Benchmarking measurements and standardizing the tool Encorp uses has been the goal for several years. In 2016, we calculated results and compared them to the 2015 data. See table on page 21.

Depot capabilities

Encorp strives to enhance depot capabilities and build efficiencies into the collection network. For example, the launch of our big bag program reduces the handling of materials at all levels: depots, transporters and processors.

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 2016 we added 5 more locations for a total of 10 Express sites in the Lower Mainland.

Recovery rate

The 2016 recovery rate is 78%, 3% above the regulated requirement of 75%.

Encorp Pacific (Canada)
100 – 4259 Canada Way, Burnaby, BC V5G 4Y2
Tel: 1-800-330-9767 www.return-it.ca

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PROGRAM OUTLINE

Message from the Chair and CEO, successes and struggles in 2016.

Our vision, mission statement and strategic business model.

The four key principles of industry product stewardship.

2.1 MESSAGE FROM THE CHAIR

The past year extended our streak of accomplishments and improvements in the return system for used beverage containers and other recyclables in British Columbia.

Throughout the year, we either completed or significantly advanced key initiatives to improve the efficiency and performance of the Return-It depot network and to gain greater access and insight into hard-to-penetrate channels such as public spaces and the Industrial, Commercial & Institutional (IC&I) sector. Collectively, these initiatives constitute a series of base hits that drive overall system effectiveness and create a more convenient, satisfying experience for our customers. If there was one cloud in the sky, it was the year-end recovery rate which took a modest hit owing to some extraordinary circumstances, as Scott Fraser explains in his CEO's report. We hope and expect that the return to a 'normal' environment will be reflected in the recovery rate for 2017.

Consumer research confirms that the Return-It network stands out at a time when British Columbians are faced with multiple stewardship programs and collection systems. Our investments in the brand and collection infrastructure, coupled with the ongoing support of our depot operator-partners, keeps the Return-It system highly-regarded and top-of-mind amongst B.C. consumers. It also enables Encorp to meet the provincial government's expectations with respect to Extended Producer Responsibility (EPR) and, in doing so, to be one of the leading stewardship organizations in Canada.

Of course, none of this would be possible without the commitment of our partners – the processors who convert used beverage containers, waste electronics and other collected goods into new products and materials, the transporters who move the goods in bulk from point to point, the depot operators who collect them and interface with B.C. consumers, and the brand owners who undergird the entire system. Together we have fashioned a unique supply chain that responds to the needs and expectations of British Columbia consumers.

Within this system, the Board of Directors is responsible for ensuring that Encorp is both environmentally and economically sustainable. Accordingly, the board monitors the corporation's business and financial performance throughout the year and ensures that reserves are maintained at levels sufficient to meet ongoing cash flow requirements without generating unnecessary accumulations. In 2016 the corporation's planned operating deficit brought reserves into the targeted range.

A further responsibility for the board is to ensure Encorp's sustainability over the long run, a theme that occupies much of our attention at annual strategic planning sessions. In this light, we are confident that we have the right business model to thrive as the world of product stewardship evolves. Over the years Encorp has built a robust depot-based beverage container return system that ensures that our stakeholders' interests will be well looked after in the future.

Our management team continues to do an outstanding job of interpreting British Columbians' recycling behaviour and identifying ways to make the Return-It experience more efficient, effective and memorable. Our sincere thanks go to all staff, as well as to our depot and supply chain partners for their roles in these important initiatives. And as always, we thank our members for their ongoing support of Encorp Pacific (Canada) and all its activities.

Dan Wong
Board Chair

Encorp Pacific (Canada)
100 – 4259 Canada Way, Burnaby, BC V5G 4Y2
Tel: 1-800-330-9767 www.return-it.ca

2.2 MESSAGE FROM THE CEO

It was a two-steps-forward, one-step-back year in 2016. While we made great headway with some of our key initiatives, in the end we didn't achieve the results we wanted on our primary goal, increasing the recovery rate.

Unusually snowy and icy conditions in the Lower Mainland and on Vancouver Island stopped consumers from visiting depots. Through November we were tracking to increase our recovery rate for the year. In December, though, returns dropped by 15 percent, or more than 10 million units, turning an increase into a decline.

Despite the setback, there were numerous areas of encouragement in the year.

For the first time since 2010 we collected and recycled over 1 billion containers. This eliminated the need for the extraction of virgin resources, reduced greenhouse gases by eliminating the production and transportation of new materials, and made B.C. a more attractive place to live through litter reduction.

At the same time, we increased efficiency and cost-effectiveness in the system. Over the past two years, through projects focused on materials handling and logistics, we have driven over $2 million in costs from the system. We have also upgraded key IT and logistics systems to reduce paperwork and provide timely information internally and to our partners.

All the while, we have remained focused on customer convenience and experience at Return-It depots, developing a new version of our point-of-return software, adding five new Return-It Express locations in the Lower Mainland and certifying six new depots in our Stars program, which rewards depots that invest in their customer environment.

As always, we thank our dedicated team at Encorp Pacific, the Return-It depots, and our transporters and processors for making it all happen, and to all the dedicated British Columbians who bring their containers back to us.

Scott Fraser
President and CEO

2.3 WHAT DRIVES US

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.

2.4 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.

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2.5 KEY PRINCIPLES OF THE INDUSTRY PRODUCT STEWARDSHIP MODEL

The Industry Product Stewardship (IPS) model was first set out in a 1997 regulation called the Beverage Container Stewardship Program Regulation (BCSPR).

Our corporate structure, as a federally incorporated not-for-profit organization, was chosen specifically because it meets the requirements of this new style of regulation.

In September 2002, the provincial government further codified the principles to be followed in its Industry Product Stewardship Business Plan. In 2004, these principles were carried forward into the Recycling Regulation that replaced the 1997 beverage regulation and all others that existed at that time. The Recycling Regulation is a "framework" regulation enacted to apply to all extended producer responsibility (EPR) programs in British Columbia. Today, there are upwards of 25 approved EPR programs.

The key principles are:

Producer/User Responsibility – Responsibility for waste management is shifted from general taxpayers to producers and users. Responsibility is not shifted to other levels of government without consent.

Level Playing Field – All brand-owners for a particular product category are subject to the same stewardship responsibilities (including historical waste). All consumers have reasonable access to product collection facilities.

Results-based – Programs focus on results and provide brand owners flexibility with minimal government involvement. Programs are tailored for individual products and encourage continued innovation by producers to minimize environmental impacts during all stages of the product lifecycle, from product design to end-of-life management.

Transparency and Accountability – The program development process is open and provides all stakeholders the opportunity for input. Industry is accountable to both government and consumers for environmental outcomes and allocation of revenue from fees/levies.

3

PUBLIC EDUCATION MATERIALS AND STRATEGIES

Insights from our current research on B.C.'s 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.

For full detailed consumer awareness report, please download here:
https://www.return-it.ca/ar2016/public-education.php

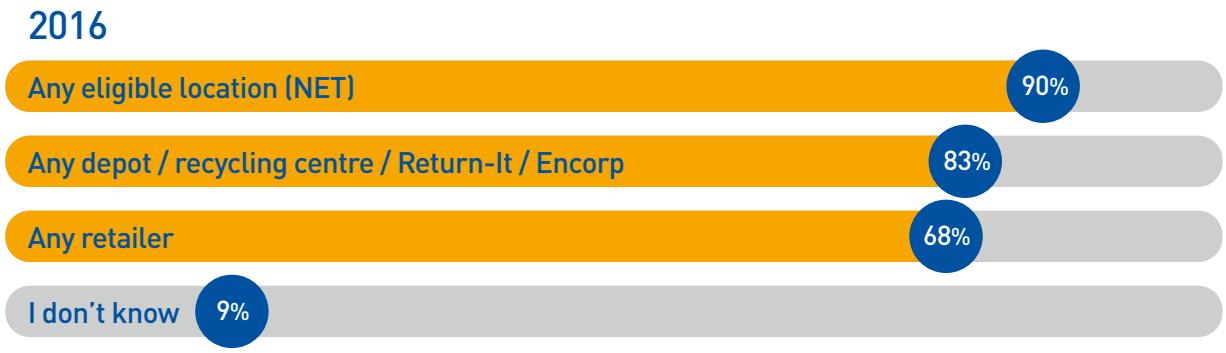
3.1 RESEARCH BENCHMARK STUDY - 2016

Each year, since 1999, Encorp tasks a professional research company to survey over a thousand B.C. consumers about their recycling knowledge, attitudes and behaviours. These results are then compared to previous years and are used to benchmark and track changes over time. The research, combined with statistical data, has proven to be an integral part of building strategy and targeting efforts to recycle refundable beverage containers and keep them out of landfills.

Methodology
Between September 12th to 25th of 2016, Insights West collected data from over 1,200 participants using an online survey. The sample was weighted by age, gender and region according to Census Canada figures—this ensures the results are representative of British Columbia's general population. Quotas were also put into place by region, and in Metro Vancouver, by city, to ensure appropriate samples were gathered for accurate analysis.

Awareness Levels of Places to Return Beverage Containers
Return-It depots continue to be the top-of-mind location for recycling of beverage containers in the province.

Q: When it comes to the various places you can return beverage containers for recycling or for a refund on deposit, what places come to mind?



Base: All respondents (n=1,208)
Over 90% of the population can name at least one place to return beverage containers for recycling.

Source: Insights West – Beverage Container Return Study 2016

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100 – 4259 Canada Way, Burnaby, BC V5G 4Y2
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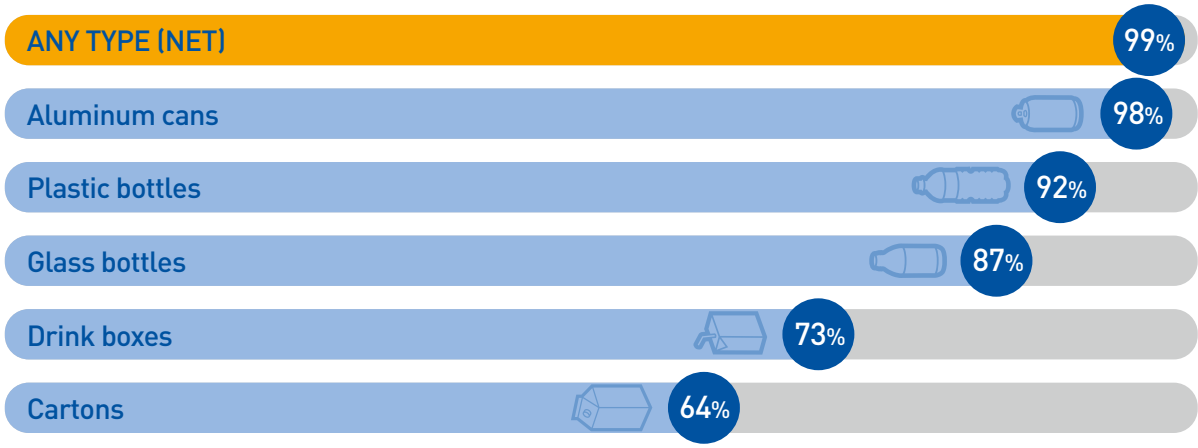
Knowledge of Refundable Beverage Types and Container Types
We continuously focus our marketing efforts to ensure residents of B.C. know what can be returned for deposit refund and recycling. Public awareness levels of the types of beverages and containers registered in the Return-It system remains very high. Research shows that almost everyone in B.C. is aware of the deposit system and which of the beverages they consume/use need to be taken back to a Return-It depot.

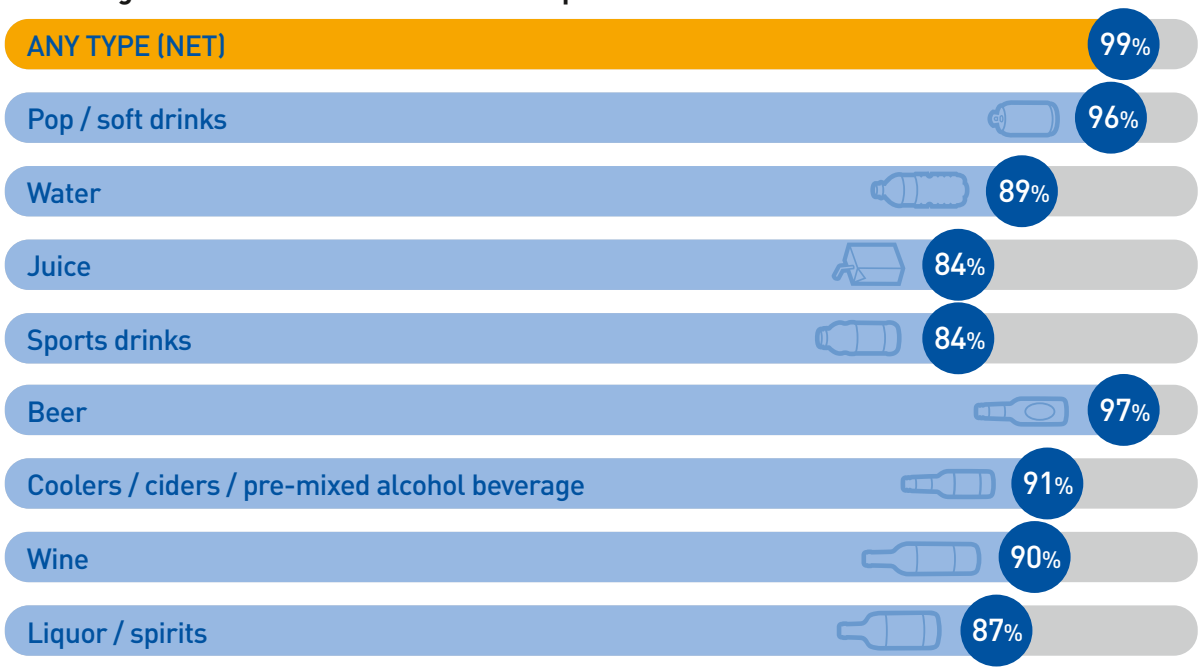
Q: To the best of your knowledge, can the following types of containers be returned for a refund on deposit?

2016



Base: All respondents (n=1,208)

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



Base: All respondents (n=1,208)

3.2 CONSUMER AWARENESS

To maintain the high awareness levels we have reached and increase awareness of the Return-It depot network, advertising messages were included in relevant programming on television, radio, out of home, digital and social media. Where possible, our efforts focused on having contextual messaging—serving up the right message when it was relevant and meaningful.

In 2016 our efforts were focused on the "On-the-Go Discarder" and the "Habitual Trasher", two key demographics with the highest discard behaviour. These segments are generally younger in age, and discard behaviour often happens when they are out-and-about.

TV
We use television to reach a broad mass audience across the province and maintain a strong level of awareness with consumers.

Radio
Our radio campaign featured our puppets using their unique personalities to remind people of the 3 Rs: "React to non-recyclers by ROLLING your eyes, RAISING your eyebrows and REMINDING them to Return-It."

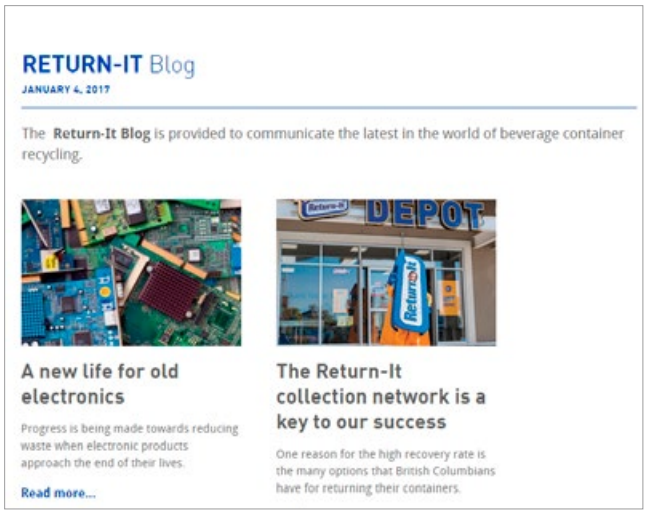
Cineplex Pre-show & Fresh Air Cinema
Our TV ads also run prior to movies at both Cineplex theatres and the outdoor Fresh Air Cinema events that take place in the summer months.

Out of Home
Exterior bus wraps continued to be an important piece for reinforcing consumer awareness. We've seen incremental gains in year-over-year research results, and awareness levels far exceed benchmarks, reaching as high as 46% among regular transit users in Surrey.

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

Advertorials
We place advertorials in various newspapers and magazines throughout the province. These help to highlight key statistics and recovery trends, and provide information about specific recycling programs we're running.

Return-It.ca and Return-It Blog
The website and blog give consumers a quick and convenient place to find important information such as depot locations and the latest recycling news. Visit: return-it.ca/blog



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Corporate Videos
We created new corporate videos to further educate consumers about the recycling process of the various types of beverage containers.

Videos Promoting Underperforming Containers
Four new animated information videos were created in order to give an extra marketing "boost" to two underperforming container types, drink pouches and bi-metal cans.

Social Media
Social media is used to support our outreach programs and 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 at the same time we communicate our serious message about beverage recycling.

Digital Ads
We know our target audience spends a lot of time online. We developed an online ad campaign to reach them where and when they surfed the internet. Mobile ads deliver highly contextual messages that aligned with the actions of "Habitual Trashers" and "On-the-Go Discarders".

Outdoor Advertising & Mainstream Media Effectiveness Test
During July and August we conducted a media effectiveness test pilot in Surrey. We purchased most of the local advertising spaces (transit shelters; billboards; posters in and around Skytrain stations; etc.) and used them to promote all 13 Surrey Return-It depots. By blanketing a single community with a location-specific message, we encouraged residents to visit depots they might not have been aware of and return more containers. Results were impressive: during our advertising period, recovery volume for the 13 Surrey Return-It depots was up 12%, compared to a 2% increase in other community depots in Greater Vancouver.

SmartMoves Direct Mail
To ensure new residents of Surrey, Langley and Richmond knew the location of their local Return-It depot, we partnered with Canada Post on a program called SmartMoves, delivering a direct mail piece to everyone who had recently moved into these communities. On the card: a map to their local depot along with a coupon redeemable for a welcome gift of either a Return-It Gang movie-themed calendar or a durable, reusable recycling bag to hold their empty beverage containers. The Return-It depots that participated in our three pilot communities welcomed 495 brand new households to their depots during the redemption period.

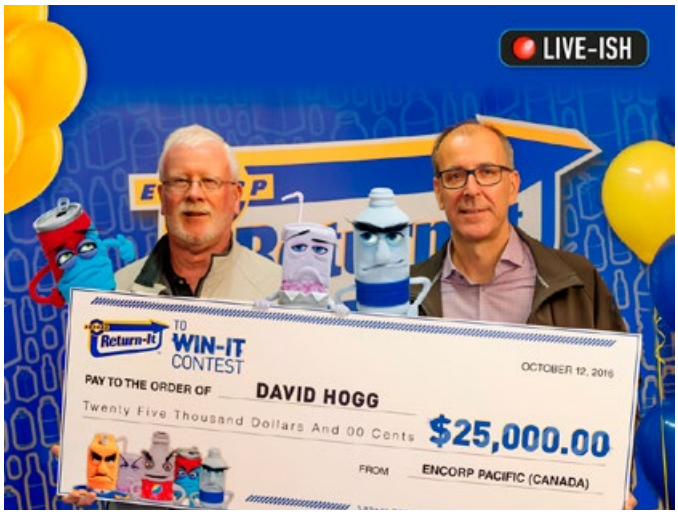
Annual Report
The annual report provides a comprehensive overview of Encorp Pacific operations. It is available on our website for online viewing, and also as a downloadable PDF. return-it.ca/ar2016

3.3 RECYCLING PROGRAMS AND INITIATIVES

Through the network of 172 Return-It depots and many certified mobile collectors across B.C., 78% of the beverage containers sold in the province were recovered and recycled. That's over one billion containers that were kept out of our landfills in the past year. But there's always room for improvement. That's why Encorp continues to run its annual specialty programs and pilot initiatives to find new ways to increase the recovery and recycling of beverage containers.

Return-It to Win-It

To help drive visits to Return-It depots, an annual consumer contest was implemented across B.C. In 2016 we introduced a new scratch-and-win gameplay and prize structure. Customers had a chance to instantly win gift card prizes and also enter into the grand prize draw of $25,000 cash.



Return-It Express

The expansion of the Return-It Express program continues to provide consumers with an easy and convenient way to recycle beverage containers without having to sort them first.

There are currently 10 depots that operate the Return-It Express program and it has been well received by consumers. There are over 1,000 registered users.

Return-It School

Since 2000, elementary and high schools across B.C. have had the opportunity to promote recycling and environmental stewardship via our school program, Return-It School. In 2016, schools had a choice how they wanted to participate in the program. Similar to previous years, schools could choose to track the number of containers recycled and compete against other schools to win cash prizes. Alternatively, they could choose to be recognized formally for their beverage recycling and environmental stewardship by becoming a Certified Return-It School.

BCCPAC

As an official partner of the BC Confederation of Parent Advisory Councils, Encorp created specific Return-It School material to share with all PAC groups across B.C.

Encorp Pacific (Canada)
100 – 4259 Canada Way, Burnaby, BC V5G 4Y2
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Ambassador Team
Return-It Man and our ambassador team attended over 125 events throughout the province during the year, encouraging people to recycle while on-the-go.

BC Soccer Grant
The partnership with BC Soccer provides free collection bins for soccer fields and clubs across B.C., along with an annual scholarship awarded to an outstanding student athlete pursing continuing education.

Industrial, Commercial & Institutional Sector (IC&I)
Many containers not being collected through the Return-It system are discarded within the IC&I sector, primarily at large-scale venues with a high concentration of people. In 2016, we partnered with institutions such as BC Place, the PNE, The Victoria Royals and the University Neighbourhoods Association (UNA) at UBC to install almost 400 bins throughout B.C.

Multifamily Action Team
The team continues to target multifamily buildings through grassroots marketing. Face-to-face meetings with strata and building managers allowed our team to install collection bins, post easy-to-understand signage and distribute tenant information to increase collection of refundable containers within buildings. In 2016, we added 21 large multifamily buildings to the program, representing over 1,000 housing units.

Independent Return-It Depots Marketing and Promotion Commitments
Return-It depots submit their intended Marketing & Promotional Plans to Encorp. Combined, the investments from depots, if fulfilled, would add approximately $1.4 million in additional advertising spending. Over 150 plans were submitted in 2016.

Stewardship Agencies of BC (SABC)
In 2016, Encorp was one of many stewards who participated in the BC Recycles Ambassador Tour program, which promoted extended producer responsibility (EPR) in B.C.

Depot Operators Regional Workshops
Annually Encorp organizes and finances a regular conference for depot owners and operators. We use this event to introduce new programs, share knowledge and report on recycling initiatives.

Waste Reduction Week
To support the Recycling Council of BC's (RCBC) Waste Reduction Week efforts, Encorp provided educational material to schools on how they could help reduce waste with programs such as Return-It School.

4

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.

4.1 BUILDING ON OUR SUCCESS

Encorp's collection network consists of 172 privately owned Return-It depots. Over the past several years, this network has become the backbone for many community-based recycling programs around the province.

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

The stewardship plan sets a standard for depot coverage of 97% of B.C.'s population. Encorp Return-It depots provide services to 98.6% of the British Columbian population and when the beverage retail collection locations are included, coverage increases to 99.4%. To view the coverage maps visit return-it.ca/locations/coverage-2016

Encorp's authorized return locations exceed both the target within the approved plan and the SABC Accessibility Standard. The SABC standard is recognized by all of the member stewardship agencies as the minimum standard for access to recycling for communities in B.C. To view the full standards, visit bcrecycles.ca

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

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

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

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

Encorp Pacific (Canada)
100 – 4259 Canada Way, Burnaby, BC V5G 4Y2
Tel: 1-800-330-9767 www.return-it.ca

4.2 HOW THE COLLECTION SYSTEM WORKS

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

WHERE ARE CONTAINERS RETURNED?

EMPTY NON-ALCOHOL CONTAINERS

EMPTY ALCOHOL CONTAINERS
(Except domestic beer bottles and beer cans)

Return-It™ Depot

95%

95% of all containers are collected through Return-It Depots

BEVERAGE RETAILERS

Corner Store

Supermarket

Government Liquor Stores

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4.3 COLLECTION, TRANSPORTATION, 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 GHG emissions at a minimum.

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

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5

ENVIRONMENTAL IMPACT

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

Detailed report on the reduction in greenhouse gas emissions, energy savings, and CO_2 equivalent reduced from recycling.

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 2016, Encorp recycled 92,910 metric tonnes of used beverage containers. The energy saved through the recycling of these materials has been converted into tonnes of carbon dioxide equivalent (CO_2e) 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 22).*

In total, Encorp's activities in 2016 contributed to the reduction of about 101.9 thousand tonnes of CO_2 equivalent being released into the atmosphere, compared to 98.8 thousand tonnes in 2015.

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 these 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 21.

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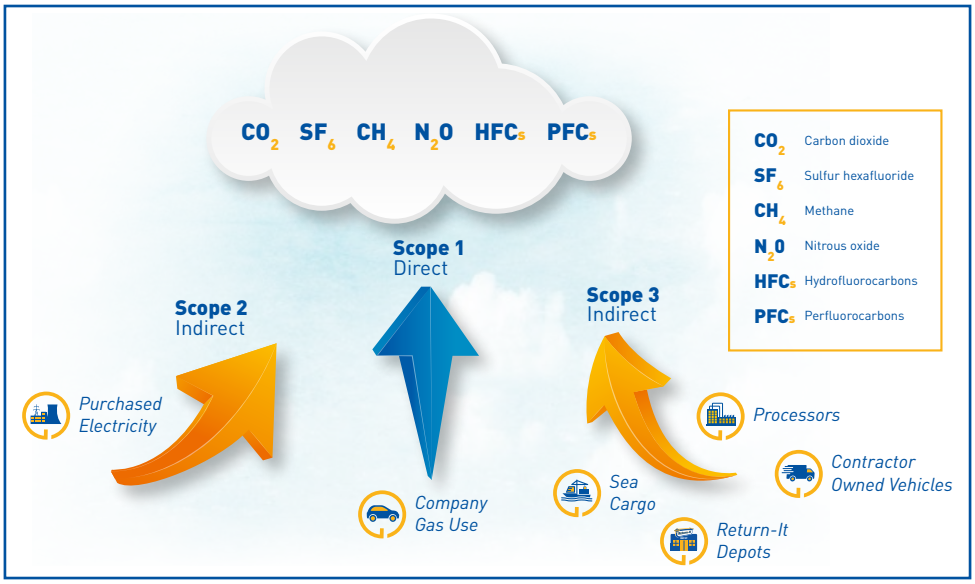
EMISSIONS INVENTORY SUMMARY

Type of Emission	2016 (tonnes CO_2)	2015
Direct emissions are emissions from sources that are owned or controlled by Encorp		
Employee travel – gas use	14	28
Indirect emissions 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]		
Offices (excluding head office)		
Purchased electricity in leased buildings (excluding head office)	1	1
Employee domestic air travel/business ferry travel	11	9
Depots – all purchased electricity/all natural gas consumed in owned or leased buildings	209	170
Processors – all purchased electricity/gas consumed in owned or leased buildings	65	48
Transportation – depots to processors		
Diesel fuel (trucks)	3,657	3,738
Transportation – processors to end markets		
Diesel fuel (trucks)	2,335	1,108
Rail (based on metric tonne km)	–	363
Sea Cargo (based on metric tonne km)	3,042	2,954
Total Emissions from all sources	**9,334**	**8,420**

[i] All indirect emissions except for office use were calculated based on the sample data provided by selected Depots, Processors, and Transporters.



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5.2 CONTAINER RECYCLING END FATE REPORT

Material collected by Encorp is shipped to recyclers for further processing into new material in accordance with Section 8 of the Recycling Regulation.

Material Type	Fate of Material (2016)	Containers Sold (% of total)	Recovery % (by weight)	Energy savings	Weight diverted from landfill (mt)	Tonnes CO_2 reduced
Aluminum	Aluminum cans collected in 2016 were sold and shipped to a re-melt facility in the USA and turned back into sheet stock for new cans.	33.5%	82.2%	93%	5,023.5	50,645
Plastic	Plastic containers collected in 2016 were sold to Merlin Plastics and shipped to their two separate facilities in British Columbia and Alberta to be cleaned and pelletized to become new raw material and fibres.	38.5%	75.8%	86%	10,534.5	12,441
Glass	Glass containers collected in 2016 were processed in British Columbia and shipped to various end markets including a plant that produces fibreglass insulation in Alberta; a facility that produces new glass bottles in Seattle USA; a facility that manufactures sandblasting materials in Quesnel B.C.; and municipal sites that use crushed glass as construction aggregates.	18.2%	88.3%	34%	74,710.4	25,977
Polycoat	Polycoat containers collected in 2016 were sold to ICF International and shipped to manufacturing plants in South Korea, Thailand and India for material recovery and production of tissue paper from the recovered fibre.	8.7%	67.3%	53%	1,842.0	9,745
Pouches	Stand up pouches made of layers of plastic and aluminum foil did not find end markets in 2016 and were stored in Delta. Testing conducted to turn them into septic tanks failed as the shredded material had too much aluminum content. Encorp continues to explore potential end markets and continues to send material for testing and evaluation to potential end recyclers.	0.3%	37.7%	53%	8.2	43
Bag-In-Box	The plastic bladders inside the Bag-In-Box containers were shipped to a manufacturing plant in South Korea where the recycled plastic was made into reservoir tanks. Cardboard was recycled by local processors.	0.3%	47.9%	53%	444.6	2,357
Bi-Metal	Bi-Metal containers collected were sold to scrap metal dealers for metal recovery.	0.5%	78.9%	82%	347.1	707
2016 TOTAL		**100%**	**85.4%**		**92,910.3**	**101,915**
2015 TOTAL			**87.4%**		**92,702.8**	**98,801**

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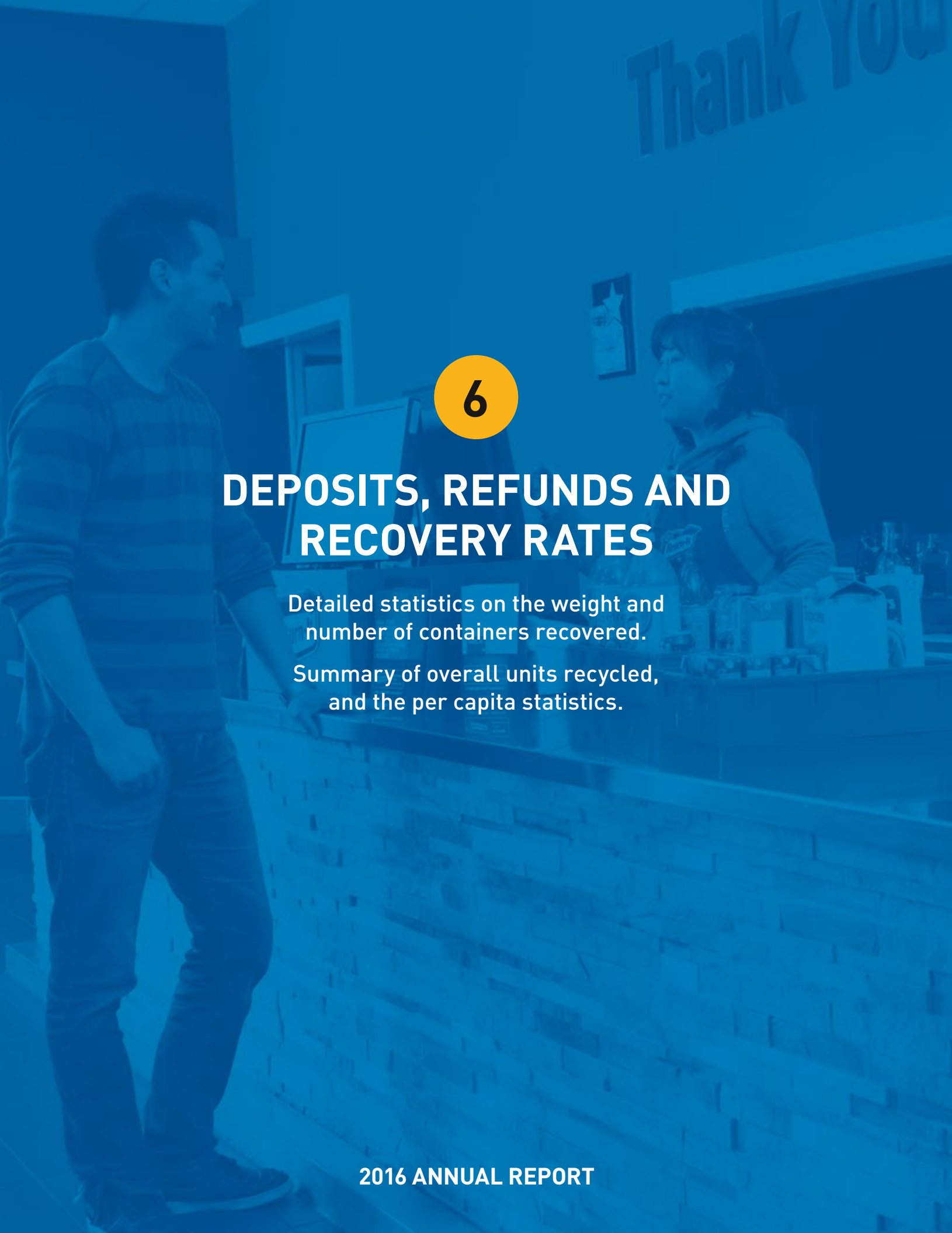


6

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.

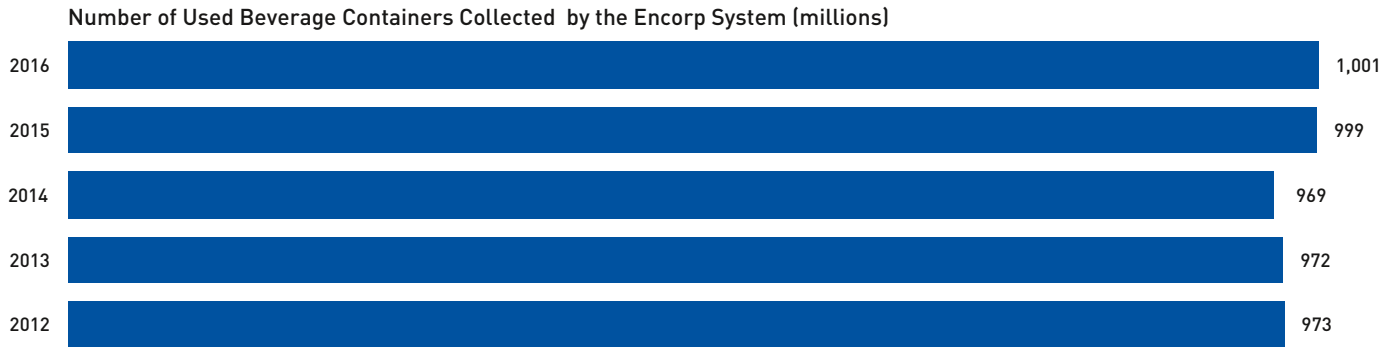
6.1 RECYCLING BY THE NUMBERS

We prevented over 1 billion containers from going to landfills in 2016, 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

78% Recovery Rate

$70,167,158 Deposits Refunded



RECOVERY BY WEIGHT

In 2016, Encorp Pacific (Canada) recovered over 92.9 thousand metric tonnes of containers.

85.4% 2016 Recovery Rate by Weight

87.4% 2015 Recovery Rate by Weight

TYPE	ESTIMATED WEIGHT OF CONTAINERS SOLD (mt)	ESTIMATED WEIGHT OF CONTAINERS RECOVERED (mt)	RECOVERY BY WEIGHT %
Aluminum	6,108.2	5,023.5	82.2%
Plastic	13,889.5	10,534.5	75.8%
Glass	84,651.2	74,710.5	88.3%
Polycoat	2,735.3	1,842.0	67.3%
Pouches	21.8	8.2	37.7%
Bag-In-Box	928.6	444.6	47.9%
Bi-Metal	439.7	347.1	78.9%
Totals	**108,774.3**	**92,910.4**	**85.4%**

Note: Calculations may show slight variances due to rounding.

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RECOVERY RATE

Container Type	Containers Sold		Containers Recovered		% Recovery Rate	
	2016	2015	2016	2015	2016	2015
Aluminum	**430,155,054**	**425,545,707**	**353,768,128**	**352,555,076**	**82.2%**	**82.8%**
Plastic ≤ 1L	420,650,153	407,451,458	303,231,561	300,221,486	72.1%	73.7%
Plastic > 1L	57,697,661	60,791,309	48,553,178	50,242,998	84.2%	82.6%
Plastic Liquor ≤ 1L	11,250,454	11,259,701	9,146,498	8,963,252	81.3%	79.6%
Plastic Liquor > 1L	4,509,439	4,471,504	4,104,838	4,088,334	91.0%	91.4%
Plastic Total	**494,107,707**	**483,973,972**	**365,036,075**	**363,516,070**	**73.9%**	**75.1%**
Glass ≤ 1L	29,823,595	27,057,998	21,982,082	21,711,312	73.7%	80.2%
Glass > 1L	86,126	87,743	98,701	142,237	114.6%	162.1%
Glass NRBC ≤ 1L	105,066,119	105,802,406	98,021,404	100,120,627	93.3%	94.6%
Glass NRBC > 1L	272,677	301,966	317,637	367,690	116.5%	121.8%
Glass W&S ≤ 1L	87,319,276	82,939,545	77,263,087	75,170,894	88.5%	90.6%
Glass W&S > 1L	11,210,732	10,951,728	9,772,402	9,814,217	87.2%	89.6%
Glass Total	**233,778,525**	**227,141,386**	**207,455,313**	**207,326,977**	**88.7%**	**91.3%**
Drink Box ≤ 500 mL	74,348,463	77,028,689	38,878,199	39,670,850	52.3%	51.5%
Drink Box 501 mL - 1L	25,333,617	25,316,163	19,148,806	18,551,364	75.6%	73.3%
Gable Top ≤ 500 mL	740,497	612,158	292,905	243,465	39.6%	39.8%
Gable Top 501 mL - 1L	934,198	898,680	419,396	442,742	44.9%	49.3%
Gable Top > 1L	10,334,927	10,588,765	7,654,011	7,995,320	74.1%	75.5%
Polycoat Total	**111,691,702**	**114,444,455**	**66,393,317**	**66,903,741**	**59.4%**	**58.5%**
Bi-Metal ≤ 1L	4,972,017	5,820,162	4,500,712	4,706,433	90.5%	80.9%
Bi-Metal > 1L	776,573	760,737	404,782	372,376	52.1%	48.9%
Bi-Metal Total	**5,748,590**	**6,580,899**	**4,905,494**	**5,078,809**	**85.3%**	**77.2%**
Bag-In-Box Liquor	3,791,788	3,532,430	1,815,240	1,670,513	47.9%	47.3%
Pouches	3,649,106	4,808,990	1,376,243	2,239,268	37.7%	46.6%
Bag-In-Box and Pouches Total	**7,440,894**	**8,341,420**	**3,191,483**	**3,909,781**	**42.9%**	**46.9%**
Totals	**1,282,922,473**	**1,266,027,839**	**1,000,749,811**	**999,290,454**	**78.0%**	**78.9%**

Note: Calculations may show slight variances due to rounding.

6.2 REGIONAL PER CAPITA RETURNS

Provincial Totals:

Units Returned	1,000,749,811
Weight Collected (Tonnes)	92,910
Per Capita Units Returned	210.6
Per Capita Weight Collected (Kilograms)	19.6

Regional Breakdown:

Region Name		Aluminum	Plastic	Glass	Polycoat	Other	Total	Jan.– Dec. 2016 Per Capita	Jan.– Dec. 2015 Per Capita	Change to Per Capita Container Returns / Units (000)
Bulkley / Nechako	Units(000)	4,061.0	3,846.0	1,199.0	606.0	39.0	9,751.0	241.5	236.0	5.5
	Tonnes	57.7	105.9	411.9	13.8	4.8	594.1	14.7 kg	14.6 kg	
Cariboo	Units(000)	7,148.0	6,474.0	2,410.0	981.0	71.0	17,084.0	270.7	272.9	(2.2)
	Tonnes	101.5	182.9	836.0	23.6	10.0	1,154.0	18.3 kg	18.8 kg	
Central Coast	Units(000)	343.0	204.0	71.0	42.0	4.0	664.0	204.2	175.7	28.5
	Tonnes	4.9	6.5	26.8	1.1	0.3	39.6	12.2 kg	10.8 kg	
Fraser - Fort George	Units(000)	11,719.0	11,286.0	4,010.0	2,031.0	139.0	29,185.0	321.0	323.2	(2.2)
	Tonnes	166.4	309.7	1,372.5	47.5	14.7	1,910.8	21.0 kg	21.6 kg	
Kitimat - Stikine	Units(000)	4,421.0	4,102.0	1,090.0	676.0	48.0	10,337.0	279.8	273.3	6.5
	Tonnes	62.7	114.8	396.3	16.1	5.5	595.4	16.1 kg	15.6 kg	
Skeena - Queen Charlotte	Units(000)	2,539.0	2,213.0	752.0	342.0	31.0	5,877.0	338.0	331.0	7.0
	Tonnes	36.1	62.7	266.4	8.5	3.3	377.0	21.7 kg	21.3 kg	
Northern Rockies	Units(000)	532.0	817.0	129.0	72.0	3.0	1,553.0	259.0	302.2	(43.2)
	Tonnes	7.6	20.9	46.2	1.6	0.4	76.7	12.8 kg	15.1 kg	
Peace River	Units(000)	6,337.0	7,696.0	1,998.0	970.0	83.0	17,084.0	256.9	275.0	(18.1)
	Tonnes	90.0	205.9	683.6	23.8	5.5	1,008.8	15.2 kg	17.2 kg	
Capital Regional District	Units(000)	29,630.0	26,709.0	21,301.0	5,177.0	644.0	83,461.0	218.1	215.7	2.4
	Tonnes	420.7	807.3	7,796.7	155.5	77.5	9,257.7	24.2 kg	24.0 kg	
Cowichan Valley	Units(000)	9,109.0	7,618.0	4,004.0	1,275.0	170.0	22,176.0	264.0	259.0	5.0
	Tonnes	129.4	222.2	1,485.4	35.0	21.3	1,893.3	22.5 kg	22.2 kg	
Alberni / Clayoquot	Units(000)	4,054.0	3,538.0	1,768.0	501.0	63.0	9,924.0	323.0	321.8	1.2
	Tonnes	57.6	101.8	628.5	14.4	6.7	809.0	26.3 kg	26.2 kg	
Comox	Units(000)	6,951.0	6,559.0	3,668.0	986.0	154.0	18,318.0	282.5	281.3	1.2
	Tonnes	98.8	189.1	1,359.2	29.4	20.3	1,696.8	26.2 kg	25.6 kg	
Mount Waddington	Units(000)	1,591.0	1,302.0	413.0	187.0	17.0	3,510.0	315.1	300.2	14.9
	Tonnes	22.6	38.1	153.7	4.7	2.3	221.4	19.9 kg	20.0 kg	

Note: Calculations may show slight variances due to rounding.

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Regional Breakdown:

Region Name		Aluminum	Plastic	Glass	Polycoat	Other	Total	Jan.– Dec. 2016 Per Capita	Jan.– Dec. 2015 Per Capita	Change to Per Capita Container Returns / Units (000)
Nanaimo	Units(000)	13,298.0	12,310.0	7,785.0	1,939.0	300.0	35,632.0	226.1	231.4	(5.3)
	Tonnes	188.8	358.3	2,858.4	57.8	41.7	3,505.0	22.2 kg	22.7 kg	
Strathcona	Units(000)	3,185.0	2,625.0	1,409.0	434.0	60.0	7,713.0	167.1	161.3	5.8
	Tonnes	45.2	76.8	521.5	12.5	8.2	664.2	14.4 kg	14.1 kg	
Greater Vancouver	Units(000)	145,738.0	162,416.0	99,049.0	32,909.0	4,409.0	444,521.0	173.8	178.4	(4.6)
	Tonnes	2,069.4	4,720.1	35,596.2	929.1	351.3	43,666.1	17.1 kg	17.5 kg	
Fraser Valley	Units(000)	28,312.0	28,976.0	11,022.0	5,685.0	513.0	74,508.0	247.3	246.4	0.9
	Tonnes	402.1	832.7	3,848.7	143.8	52.6	5,279.9	17.5 kg	17.4 kg	
Powell River	Units(000)	1,912.0	1,488.0	885.0	237.0	44.0	4,566.0	224.6	232.0	(7.4)
	Tonnes	27.2	45.1	330.0	7.2	6.5	416.0	20.5 kg	21.3 kg	
Squamish - Lillooet	Units(000)	3,639.0	4,382.0	4,725.0	599.0	91.0	13,436.0	323.5	328.3	(4.8)
	Tonnes	51.7	124.7	1,657.4	17.3	7.9	1,859.0	44.8 kg	44.6 kg	
Sunshine Coast	Units(000)	2,360.0	2,027.0	2,097.0	389.0	63.0	6,936.0	237.2	230.2	7.0
	Tonnes	33.5	62.0	778.7	12.8	9.8	896.8	30.7 kg	29.6 kg	
Central Okanagan	Units(000)	16,725.0	18,117.0	11,116.0	2,866.0	331.0	49,155.0	249.4	243.9	5.5
	Tonnes	237.6	514.1	4,099.5	79.0	40.6	4,970.8	25.2 kg	24.5 kg	
North Okanagan	Units(000)	8,952.0	9,258.0	4,550.0	1,411.0	130.0	24,301.0	285.4	313.6	(28.2)
	Tonnes	127.0	265.1	1,659.7	40.9	17.7	2,110.4	24.8 kg	25.8 kg	
Okanagan - Similkameen	Units(000)	8,470.0	8,862.0	5,439.0	1,147.0	161.0	24,079.0	298.7	279.2	19.5
	Tonnes	120.3	254.4	2,042.7	33.3	24.1	2,474.8	30.7 kg	28.7 kg	
Columbia Shuswap	Units(000)	5,358.0	5,698.0	3,218.0	804.0	90.0	15,168.0	291.6	298.7	(7.1)
	Tonnes	76.0	159.5	1,130.7	22.3	12.3	1,400.8	26.9 kg	27.0 kg	
Thompson - Nicola	Units(000)	14,047.0	14,471.0	6,349.0	2,211.0	211.0	37,289.0	276.1	274.8	1.3
	Tonnes	199.4	405.8	2,217.6	57.8	26.2	2,906.8	21.5 kg	21.5 kg	
Central Kootenay	Units(000)	4,764.0	3,696.0	2,986.0	697.0	112.0	12,255.0	201.6	201.0	0.6
	Tonnes	67.6	110.9	1,044.7	19.8	13.5	1,256.5	20.7 kg	20.8 kg	
East Kootenay	Units(000)	5,873.0	6,030.0	2,939.0	817.0	71.0	15,730.0	266.8	272.7	(5.9)
	Tonnes	83.4	169.4	1,065.3	22.2	9.0	1,349.3	22.9 kg	23.5 kg	
Kootenay Boundary	Units(000)	2,699.0	2,316.0	1,074.0	402.0	46.0	6,537.0	218.4	226.1	(7.7)
	Tonnes	38.3	67.8	396.1	11.2	5.9	519.3	17.4 kg	18.2 kg	
Total Units	**Units(000)**	**353,767.0**	**365,036.0**	**207,456.0**	**66,393.0**	**8,098.0**	**1,000,750.0**	**210.6**	**213.4**	**(2.8)**
Total kg	**Tonnes**	**5,023.5**	**10,534.5**	**74,710.4**	**1,842.0**	**799.9**	**92,910.3**	**19.6 kg**	**19.8 kg**	

Note: Calculations may show slight variances due to rounding.

7

PLAN PERFORMANCE

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

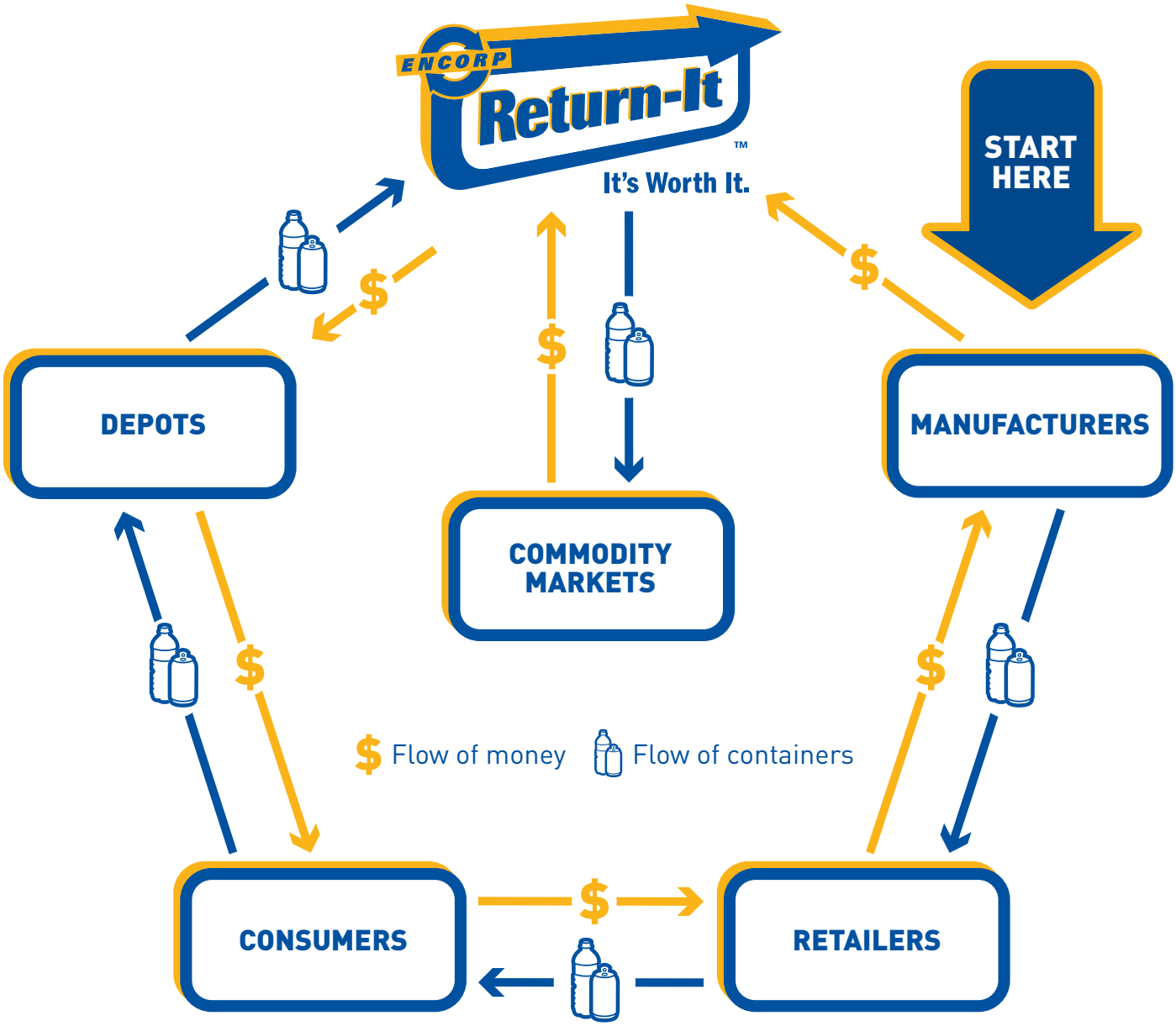
Revenue and Expenditure detail.

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.



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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 declined in 2016 and remained weak. However, the weakening dollar helped to offset the negative effect of the low commodity prices denominated in US dollars. The average price for aluminum was $0.76 per pound ($0.85 in 2015) and plastic was $0.13 per pound ($0.18 in 2015).

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

EXPENDITURES

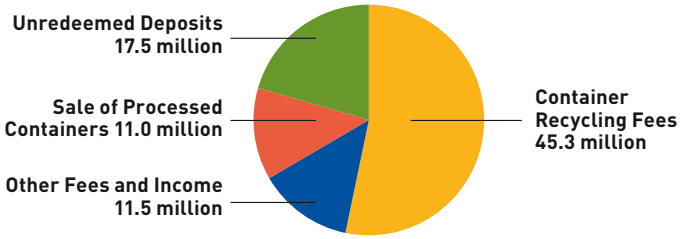
Transportation and Processing
Contracted trucking companies collect containers from depots and grocery retailers and take them to processors where they are compacted for shipment.

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.

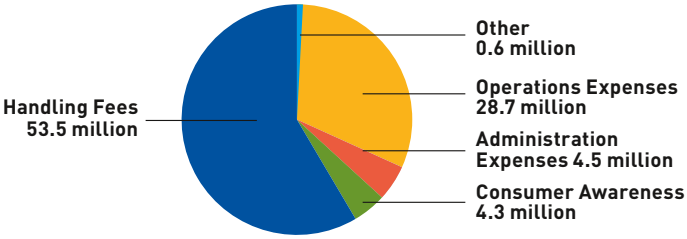
Deposit Refunds
Paid to depots and grocery retailers to reimburse them for the deposits they have refunded to consumers.



Where the money comes from

Container Recycling Fees	**45.3 million**	**53.3%**
Other Fees and Income*	**11.5 million**	**13.3%**
Sale of Processed Containers	**11.0 million**	**12.9%**
Unredeemed Deposits	**17.5 million**	**20.4%**
Total Revenues	**85.3 million**	**100%**

*Other Fees includes Electronics, Packaging & Printed Paper and interest income.



Where the money is spent

Operations Expenses	**28.7 million**	**31.3%**
Administration Expenses	**4.5 million**	**4.9%**
Consumer Awareness	**4.3 million**	**4.7%**
Handling Fees	**53.5 million**	**58.4%**
Other Expenses**	**0.6 million**	**0.7%**
Total Expenditures	**91.6 million**	**100%**

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

Note: Calculations may show slight variances due to rounding.

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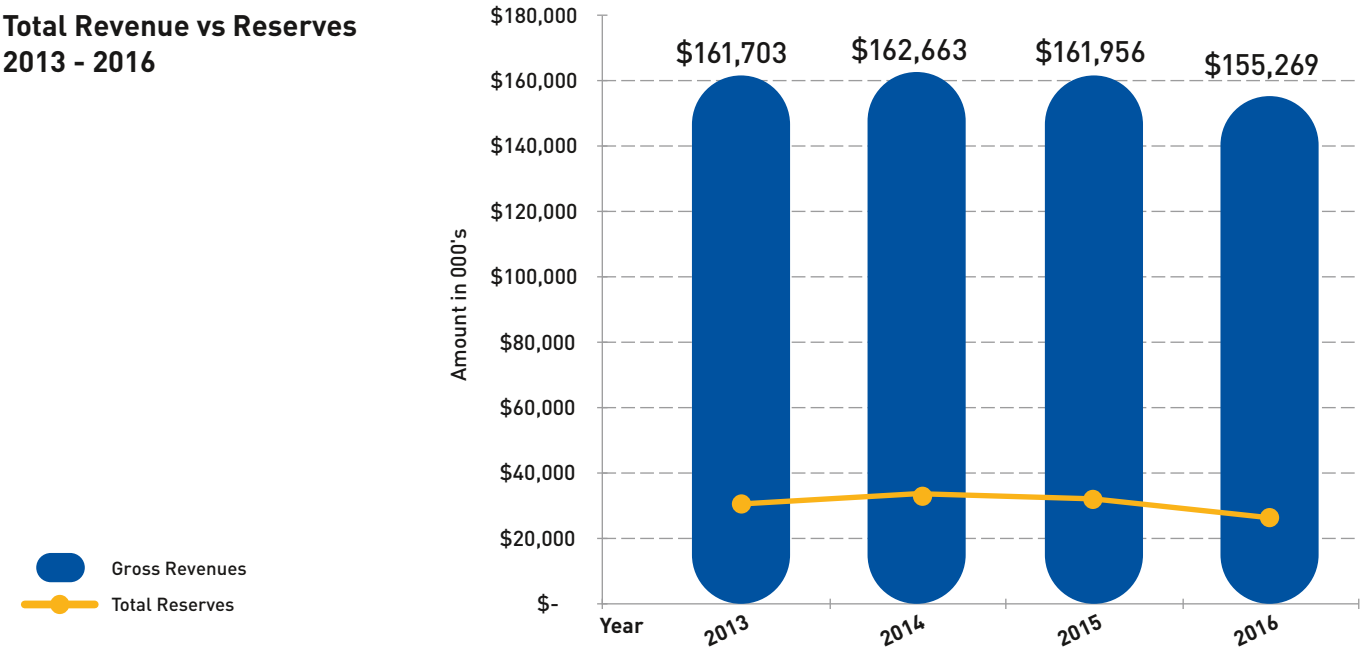
7.3 OPERATING RESERVES

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 the past years.

Total Revenue vs Reserves 2013 - 2016



Reserves	2013 BALANCE	2014 YEAR	2014 BALANCE	2015 YEAR	2015 BALANCE	2016 YEAR	2016 BALANCE
OPERATING RESERVE / (DEFICIT)	$29,540,350	$3,085,401	$32,625,751	$(1,267,354)	$31,358,397	$(6,402,659)	$24,955,738
RESTRICTED RESERVE / (DEFICIT)	1,198,440	(18,058)	1,180,382	344	1,180,726	100,795	1,281,521
TOTAL RESERVE / (DEFICIT)	**$30,738,790**	**$3,067,343**	**$33,806,133**	**$(1,267,010)**	**$32,539,123**	**$(6,301,864)**	**$26,237,259**

Encorp Pacific (Canada)
100 – 4259 Canada Way, Burnaby, BC V5G 4Y2
Tel: 1-800-330-9767 www.return-it.ca

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. This year, the operation reserve was reduced by $6.3 million.

	Gross Revenue Including Deposits (millions)	Total Expenses Including Deposit Refunds (millions)	Results (millions)	Operating Reserves/ (Deficit) Year end (millions)
2009	158.9	162.1	(3.2)	(1.4)
2010	168.6	159.5	9.1	7.7
2011	170.1	157.4	12.7	20.4
2012	164.0	156.9	7.1	27.4
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**

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7.4 FREQUENTLY ASKED QUESTIONS

Our Reserves

Encorp's reserve guideline is built upon two core principles: (a) we do not "cross-subsidize" container types or fee categories; and (b) we treat brand owners equally.

Our operating reserves provide stability to our depot system by providing adequate cash flow for day-to-day operations. They also help us avoid cross-subsidization of container types and help smooth out revenue in the event of container recycling fee changes.

Question: Why does Encorp need reserves?
Our weekly expenses including paying for deposit refunds, handling fee payments to depots, transportation and processing costs must be met without interruption. The many small businesses that rely on our cash payments could not be viable if there was any kind of disruption or delay in our regular and predictable pattern of payments. However, our revenues are not as reliable, as they depend on the volatility of the beverage and recycling markets. The reserves are the cushion we need to ride through the up and down cycles in these markets.

Question: How does Encorp create reserves?
Each year we forecast the expected sales of beverages in the province and our rate of collection of containers to estimate our revenues and expenses. To ensure that we can cover our costs, we determine the level of fees we will have to charge our brand owners. By setting the appropriate fees, we can create, increase or decrease a reserve for each type of container. The individual container reserves combined represent our total overall reserves.

Question: What size of reserve is required?
On average we pay out 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. The board of directors has set Encorp's appropriate reserve range between $21 and $31 million. The optimum reserve level has been established at $26 million. Actual reserves will fluctuate above and below the average because of the volatility of key influences on our cash flow, including recovery rates, commodity prices, beverage sales and exchange rates.

7.5 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 17 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	2015	2016
Aluminum	1.0 cent	1.0 cent
Plastic ≤ 1L	3.0 cents	3.0 cents
Plastic > 1L	4.0 cents	4.0 cents
Glass ≤ 1L	10.0 cents	9.0 cents
Glass > 1L	35.0 cents	40.0 cents
Bi-Metal ≤ 1L	4.0 cents	3.0 cents
Bi-Metal > 1L	4.0 cents	3.0 cents
Drink Boxes ≤ 500 ml	1.0 cent	1.0 cent
Drink Boxes 501 ml - 1L	6.0 cents	5.0 cents
Gable Top > 1L	6.0 cents	6.0 cents
Glass Wine & Spirits ≤ 1L	12.0 cents	11.0 cents
Glass Wine & Spirits > 1L	22.0 cents	16.0 cents
Non-Refillable Beer, Cider, Cooler Glass ≤ 1L	9.0 cents	7.0 cents
Non-Refillable Beer, Cider, Cooler Glass > 1L	15.0 cents	23.0 cents
Liquor Plastic ≤ 1L	4.0 cents	4.0 cents
Liquor Plastic > 1L	10.0 cents	8.0 cents
Liquor Bag-In-Box	—	1.0 cent

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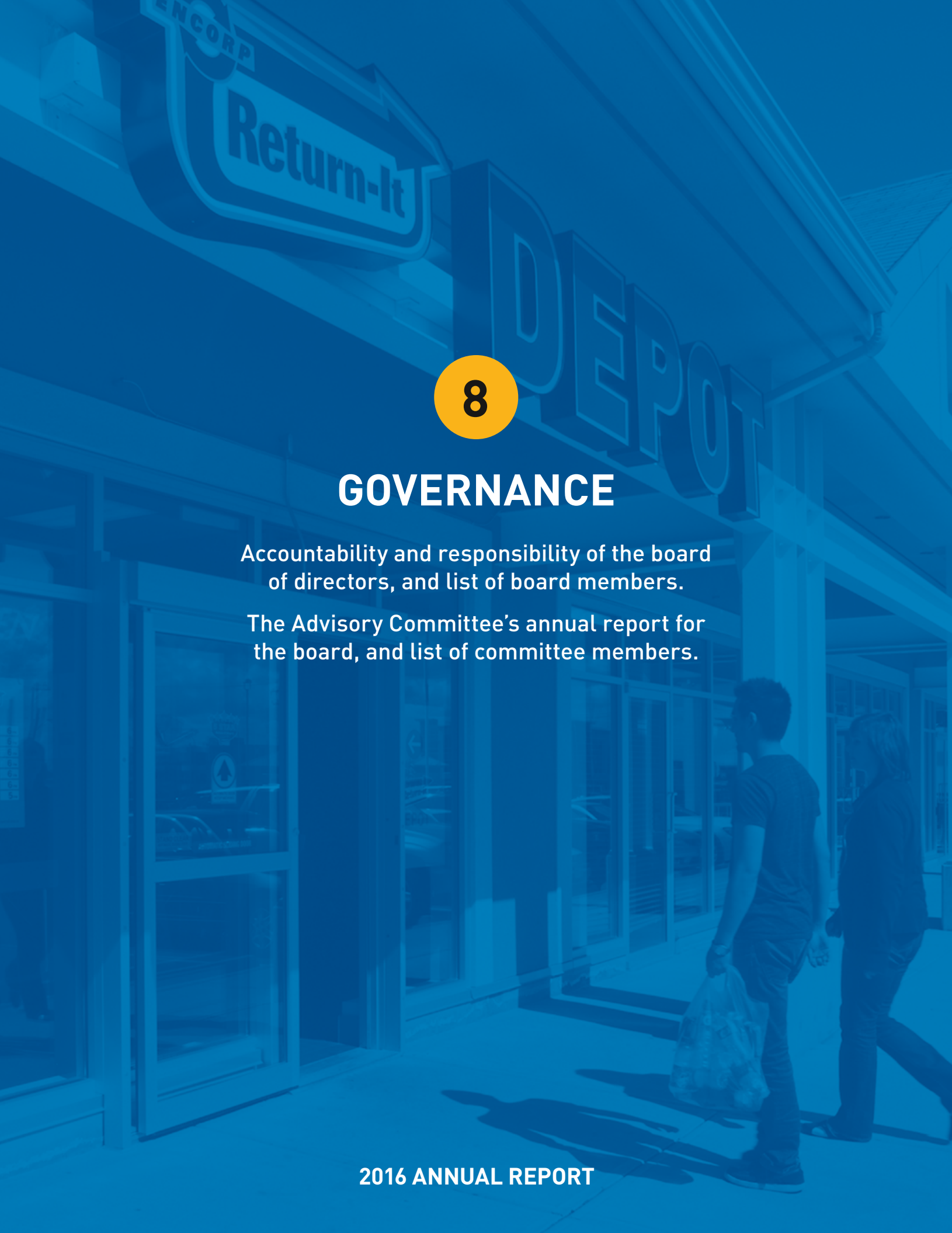

8

GOVERNANCE

Accountability and responsibility of the board of directors, and list of board members.

The Advisory Committee's annual report for the board, and list of committee members.

8.1 GOVERNANCE

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.

Board of Directors

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 BC and the Beverage Alcohol Containers Management Council of BC. 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.

The role of the board is to determine the company's corporate strategy and policies, set objectives for the CEO, approve budgets and fees, and discharge its fiduciary obligations to the brand owners and other stakeholder groups. The board provides oversight of Encorp's operations through quarterly board meetings and an annual strategic planning session.

Board members are senior executives with a broad range of experience in business generally and product stewardship specifically. Board members serve on corporate committees, including the audit, governance, human resources and compensation committees. Because of the particular importance of the governance and audit functions, those committees are chaired by the unrelated directors.

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 committee reviews our strategic and operating plans and our financial and operating results, and can make recommendations to the Governance Committee and the board.

Accountability

Our Board Manual for Directors codifies key practices for the board, including terms of reference for the board, the chair, board members and the CEO. It includes a code of conduct for directors, including conflict of interest guidelines. Directors are required to review and sign the code of conduct annually. We also use external reviews to assess our ongoing performance. These include annual financial and materials end-fate audits, regular Enterprise Risk Management reviews and reviews of our internal controls.

Transparency

We provide a comprehensive public explanation of our operations through this annual report, extensive information on our website, as well as through our Advisory Committee and other methods. Our reporting exceeds regulatory requirements and is intended to provide as much information as possible to the general public and stakeholders.

Encorp Pacific (Canada)
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8.2 BOARD OF DIRECTORS

Chairman of the Board
Dan Wong
President,
Right Hook Business Strategies Ltd

Encorp Affiliation – Juice Council of British Columbia
Committees – Audit / Compensation / Governance
Term of office – Commenced 1998

Greg Wilson
Director of Government Relations (B.C.),
Retail Council of Canada

Encorp Affiliation – Retail Council of Canada
Committee – Audit
Term of office – Commenced 2014

Jim Goetz
President,
Canadian Beverage Association

Encorp Affiliation – Canadian Beverage Association
Committee – Governance
Term of office – Commenced 2012

John Graham
John Graham Consulting

Encorp Affiliation – Retail Council of Canada
Committee – Governance
Term of office – Commenced 2011

John Irving

Encorp Affiliation – Unrelated Director
Committees – Governance / Compensation
Term of office – Commenced 2014

John Nixon
Secretary, Beverage Alcohol Containers
Management Council of BC

Encorp Affiliation – Beverage Alcohol Containers
Management Council of BC
Committees – Audit / Compensation
Term of office – Commenced 2009

Liisa O'Hara, CPA, CGA
Board Member,
Property Assessment Appeal Board

Encorp Affiliation – Unrelated Director
Committees – Audit / Governance
Term of office – Commenced 1999

Neil Antymis, ICD.D, CPA, CGA
Director, Government Affairs for
PepsiCo Beverages Canada

Encorp Affiliation – Canadian Beverage Association
Committees – Audit / Compensation
Term of office – Commenced 2005

Shelley Snider
Corporate Purchasing Manager,
Ice River Springs Water Co.

Encorp Affiliation – Canadian Bottled Water Association
Committee – Audit
Term of office – Commenced 2016

8.3 ADVISORY COMMITTEE

Encorp carries a public duty and with it an obligation to maintain high standards of transparency and accountability. While Encorp was established by member associations and the companies they represent, there are explicit outside interests to be considered. The Advisory Committee has been established to provide an avenue for these outside interests to be represented to the board.

Alan Stanley
General Manager of Environmental Services, Regional District of Kootenay Boundary
On Advisory Committee since 2008

Aly Mitha
Owner, Kensington Return-It Depot, Chairman of the Council of Depot Operators
On Advisory Committee since 2011

Brock Macdonald — Chairman of the Advisory Committee
Chief Executive Officer, Recycling Council of BC
On Advisory Committee since 2007

David McPhie
Manager of Environmental Initiatives, BCLDB
On Advisory Committee since 2015

Louise Schwarz
Co-owner, The Recycling Alternative
On Advisory Committee since 2016

Monica Kosmak
Project Manager, City of Vancouver
On Advisory Committee since 2015

Robert Knall
Manager, Development Planning, Township of Langley, Community Development Division
On Advisory Committee since 2010

Will Burrows
Executive Director, Coast Waste Management Association
On Advisory Committee since 2008

ADVISORY COMMITTEE'S REPORT TO THE BOARD

Date: February 2, 2017

TO: Canadian Bottled Water Association
Retail Council of Canada
Juice Council of British Columbia
Canadian Beverage Association
Beverage Alcohol Containers Management Council of British Columbia

FROM: Brock Macdonald, Committee Chair.

RE: Annual Report of the Advisory Committee for Fiscal Year – 2016

The Advisory Committee met on **April 21, 2016** and **November 9, 2016**. April 21st was the last meeting for longstanding members Ken Lyotier and committee Chair Al Lynch. Scott Fraser introduced Louise Schwarz, co-owner of Recycling Alternative, as the committee's newest member. It was also at this meeting that the committee elected Brock Macdonald as the next committee Chair, and Monica Kosmak as the Vice-Chair.

Agenda items during these two meetings included the following reports and presentations:

Scott Fraser:
- Recap of the 2015, 2016 outlook
- Accounting for containers returned through the materials recovery facility (MRF) stream
- Small changes in format to the Advisory Committee Terms of Reference
- Depot handling fee negotiations overview
- Container Recycling Institute (CRI) report on the BC deposit system and Encorp's response
- New depot opening in Surrey
- Ministry of Environment proposed minor changes to the Recycling Regulation in 2016

Blair Kennedy:
- Express roll out plan and update
- Internal and collection network efficiencies

Sandy Sigmund:
- Return-It to Win-It contest and radio spots, and revamp for 2016
- Marketing initiatives review role and control of social media

Elena Zevakhina:
- 2015 financial highlights and 2016 budget highlights designed to increase recovery and reduce reserves

Mario Anda:
- Institutional, commercial and industrial (IC&I) sector initiatives

The presentations and reports informed several discussions that followed. The Committee explored the marketing initiatives further with additional information from Sandy Sigmund.

Scott Fraser advised the committee on the status of MOE amendments to the Recycling Regulation, as well as issues in siting depots in urban areas.

Blair Kennedy answered a question that arose on the Express roll out plan, with some additional input from Scott Fraser.

Elena Zevakhina gave clarification on container categories and related markets.

Respectfully submitted,

Brock Macdonald
Chair, Advisory Committee

9

AUDITED STATEMENTS

Independent auditor's report and financial statements from Price Waterhouse Coopers LLP.

Independent Reasonable Assurance report for non-financial information.

9.1 MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

May 4, 2017

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. PricewaterhouseCoopers, 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

May 4, 2017

Independent Auditor's Report

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, 2016 and the statements of changes in net assets, operations, 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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Encorp Pacific (Canada) as at December 31, 2016 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

PricewaterhouseCoopers LLP
Central City Tower, 13450 102 Avenue, Suite 1400, Surrey, British Columbia, Canada V3T 5X3
T: +1 604 806 7000, F: +1 604 806 7806

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

STATEMENT OF FINANCIAL POSITION

Encorp Pacific (Canada)

Statement of Financial Position

As at December 31, 2016

	2016 $	2015 $
Assets		
Current assets		
Cash	35,411,564	40,128,069
Accounts receivable	4,945,889	4,996,601
Prepaid expenses	63,714	117,620
	40,421,167	45,242,290
Capital assets (note 3)	1,308,790	1,004,623
	41,729,957	46,246,913
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	8,049,799	7,042,671
Deferred revenue	7,403,276	6,463,476
Advance payment from brand owners	39,623	201,643
	15,492,698	13,707,790
Net Assets		
Internally restricted reserve (note 4)	1,281,521	1,180,726
Unrestricted (note 4)	24,955,738	31,358,397
	26,237,259	32,539,123
	41,729,957	46,246,913

Commitments (note 5)

Approved by the Board of Directors

_____ Director _____ Director

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

STATEMENT OF CHANGES IN NET ASSETS

Encorp Pacific (Canada)

Statement of Changes in Net Assets

For the year ended December 31, 2016

			2016	2015
	Internally restricted reserve $	Unrestricted $	Total $	Total $
Balance - Beginning of year	1,180,726	31,358,397	32,539,123	33,806,133
Deficiency of revenue over expenses	-	(6,301,864)	(6,301,864)	(1,267,010)
Transfer to internally restricted reserve (note 4)	100,795	(100,795)	-	-
Balance - End of year	1,281,521	24,955,738	26,237,259	32,539,123

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

STATEMENT OF OPERATIONS

Encorp Pacific (Canada)

Statement of Operations

For the year ended December 31, 2016

	2016 $	2015 $
Revenue		
Deposits on containers	87,629,905	87,024,402
Deposit refunds	(70,167,158)	(70,381,314)
	17,462,747	16,643,088
Container recycling fees	45,332,450	48,785,576
Contract fees	11,268,949	12,326,296
Sale of recyclable materials	10,981,112	12,547,295
Other	200,699	333,920
	85,245,957	90,636,175
Direct operations expenses		
Handling fees	53,460,984	54,955,583
Depot operations	1,129,546	776,459
Transportation and processing fees	27,568,671	27,226,075
	82,159,201	82,958,117
Other expenses		
General and administrative	4,455,940	4,925,942
Consumer awareness	4,305,188	4,381,382
Amortization	483,482	576,101
Foreign exchange loss (gain)	144,010	(938,357)
	9,388,620	8,945,068
Deficiency of revenue over expenses	(6,301,864)	(1,267,010)

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

STATEMENT OF CASH FLOWS

Encorp Pacific (Canada)

Statement of Cash Flows

For the year ended December 31, 2016

	2016 $	2015 $
Cash flows from operating activities		
Deficiency of revenue over expenses	(6,301,864)	(1,267,010)
Items not affecting cash		
Amortization	483,482	576,101
Loss on disposal of capital assets	28,868	-
	(5,789,514)	(690,909)
Changes in non-cash operating working capital		
Accounts receivable	50,712	(540,756)
Prepaid expenses	53,906	(67,419)
Accounts payable and accrued liabilities	1,007,128	(1,012,750)
Deferred revenue	939,800	(293,257)
Advance payment from brand owners	(162,020)	(60,167)
	(3,899,988)	(2,665,258)
Cash flows from investing activities		
Purchase of capital assets	(821,595)	(927,690)
Proceeds from sale of assets	5,078	-
	(816,517)	(927,690)
Decrease in cash	(4,716,505)	(3,592,948)
Cash - Beginning of year	40,128,069	43,721,017
Cash - End of year	35,411,564	40,128,069
Supplemental cash flow information		
Interest paid	-	-

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

Encorp Pacific (Canada)

Notes to Financial Statements

December 31, 2016

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, 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.

Encorp Pacific (Canada)

Notes to Financial Statements

December 31, 2016

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.

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.

Capital assets

The Corporation records capital assets at cost less accumulated amortization. Amortization is calculated as follows:

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

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.

Encorp Pacific (Canada)

Notes to Financial Statements

December 31, 2016

Use of estimates

A precise determination of many assets and liabilities is dependent upon future events, and therefore, the preparation of financial statements requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and the 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. Actual results could differ from those estimates. Areas requiring estimates include deferred revenue, allowance for uncollectible accounts, and amortization rates for capital assets.

Financial instruments

Financial instruments comprise cash, accounts receivable, and accounts payable and accrued liabilities.

Financial instruments are recorded on initial recognition at fair value. Subsequent to initial recognition, the Corporation records all financial instruments at cost or amortized cost. Transaction fees are expensed as incurred.

Financial assets are tested for impairment at the end of each reporting period when there are indications that the assets may be impaired.

3 Capital assets

			2016	2015
	Cost $	Accumulated amortization $	Net $	Net $
Office equipment	795,671	465,185	330,486	220,185
Computer hardware	2,079,948	1,438,283	641,665	743,070
Computer software	81,738	65,511	16,227	9,516
Leasehold improvements	327,444	7,032	320,412	31,852
	3,284,801	1,976,011	1,308,790	1,004,623

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 $100,795 (2015 - $344) was transferred from the unrestricted reserve to the restricted reserve during the current year.

(3)

Encorp Pacific (Canada)

Notes to Financial Statements

December 31, 2016

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:

	$
2017	502,079
2018	493,200
2019	466,564
2020	501,206
2021	502,918
Total	2,465,967

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 $106,202 (2015 - receivable of $120,244).

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 $133,225 (2015 - $117,859) in Directors' fees.

8 Bank facilities

Encorp Pacific (Canada) has the following facilities with Royal Bank of Canada:

Description	Limit $	Used $
Revolving demand facility	2,000,000	-
Revolving lease line of credit	1,000,000	-

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

(4)

Encorp Pacific (Canada)

Notes to Financial Statements

December 31, 2016

9 Capital disclosures

The Corporation defines its capital as the amounts included in its net asset balances.

When managing its net assets, the Corporation's objective is to safeguard its ability to continue as a going concern in order to fulfill its mandate as set out in note 1.

While its net assets are not subject to external restrictions, the Corporation has certain Board imposed restrictions on the use of its net assets as indicated in note 4. The Corporation has internal control processes to ensure that these internally imposed restrictions are met prior to the utilization of these net assets.

The Corporation manages the amount of net asset balances in proportion to risk and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

10 Currency, interest rate and credit risk management

Foreign currency risk

The Corporation is exposed to foreign exchange risk through its cash, accounts receivable and accounts payable that arise on sales of recyclable materials denominated in US dollars. At December 31, 2016, the net US dollar exposure on cash, accounts receivable and accounts payable was US$1,657,475 (2015 - US$1,646,556).

Interest rate risk

The Corporation is not exposed to significant interest rate risk.

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

May 4, 2017

Independent Reasonable Assurance Report

To the Directors of Encorp Pacific (Canada) on selected non-financial information included in the Encorp 2016 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, 2016:

- 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 - 2015 reporting year*, dated February 2016 ("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.

PricewaterhouseCoopers LLP
Central City Tower, 13450 102 Avenue, Suite 1400, Surrey, British Columbia, Canada V3T 5X3
T: +1 604 806 7000, F: +1 604-806 7806

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Methodology and assurance procedures
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.
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.

The main elements of our work were:
- 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.

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

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, 2016 presents fairly in accordance with the evaluation criteria, in all material respects:
- 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 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.

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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Encorp Pacific (Canada)
100 – 4259 Canada Way, Burnaby, BC V5G 4Y2
Tel: 1-800-330-9767 www.return-it.ca

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 annual report	*Reference*
Encorp's collection network consists of 172 Return-It™ Depots. One new depot was opened and three depots were closed during 2016.	Collection system and facilities: Executive summary on page 1

The following definitions 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: • Material collected by Encorp is shipped to recyclers for further processing into new material in accordance with Section 8 of the Recycling Regulation. • Aluminium cans collected in 2016 were sold and shipped to a re-melt facility in the USA and turned back into sheet stock for new cans. • Plastic containers collected in 2016 were sold to Merlin Plastics and shipped to their two separate facilities in British Columbia and Alberta to be cleaned and pelletized to become new raw material and fibres. • Glass containers collected in 2016 were processed in British Columbia and shipped to various end markets including a plant that produces fibreglass insulation in Alberta; a facility that produces new glass bottles in Seattle, USA; a facility that manufactures sandblasting materials in Quesnel, BC; and municipal sites that use crushed glass as construction aggregates. • Polycoat containers collected in 2016 were sold to ICF International and shipped to manufacturing plants in South Korea, Thailand and India for material recovery and production of tissue paper from the recovered fibre. • Stand up pouches made of layers of plastic and aluminium foil did not find end markets in 2016 and were stored in Delta. Testing conducted to turn them into septic tanks failed as the shredded material had too much aluminium content. Encorp continues to explore potential end markets and continues to send material for testing and evaluation to potential end recyclers. • The plastic bladders inside the Bag-In-Box containers collected in 2016 were shipped to manufacturing plant in South Korea where the recycled plastic was made into reservoir tanks. Cardboard was recycled by local processors. • Bi-Metal containers collected in 2016 were sold to scrap metal dealers 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 are 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 annual report	*Reference*
Total Sales in units: 1,282,922,473 Total Product Collected in units: 1,000,749,811 Recovery Rate: 78.0%	Recovery rate from the Executive Summary on page 1

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 the 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 of used beverage containers collected by Encorp as indicated in the movement authorization forms 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:

Disclosure per annual report	*Reference*
2016 Assertion - Recovery rate of 78.0% (compared to target of 81%)	Recovery Rate: Executive Summary on page 1
2016 Assertion - 98.6% of the population covered by collection facilities (compared to 97% target)	Collection System and Facilities: 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.
- 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 of BC residents living within 30 minutes (urban areas) or 45 minutes (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, 2016 as there are no specific related targets in the approved stewardship plan.

Thank You for Recycling!

ENCORP Return-It™

It's Worth It.

ENCORP PACIFIC (CANADA)
100 – 4259 Canada Way, Burnaby, BC V5G 4Y2
Tel 1-800-330-9767 Fax 604-473-2411

Email: returnit@returnit.ca www.return-it.ca

@Return_It Return-It Return-It