

YEARS



2019

ANNUAL REPORT

Encorp Pacific (Canada)



EXPRESS SYSTEM FOR REFUNDABLE BEVERAGE CONTAINERS ONLY

1. Tap the screen to see the instructions and return information.
2. If the unit is not up to speed, please see the instructions for more details. A return receipt will be provided at the end of the process.
3. The scanning system is the Return-It Express & Go system. All items are scanned and the return amount is displayed on the screen.
4. All items are scanned and the return amount is displayed on the screen.

ACCEPTED REFUNDABLE BEVERAGE CONTAINERS

ALUMINUM CANS, PLASTIC BOTTLES, GLASS BOTTLES, METAL CANS, OTHER PLASTIC BOTTLES, STEAK BOTTLES & TAP WATER, BOTTLES IN A BOX & OTHER PACKAGES.

DO NOT ACCEPT: CANS WITH NO LABELS, BOTTLES WITH NO LABELS, BOTTLES WITH NO CAPS, BOTTLES WITH NO LIDS.



MONDAY TO SUNDAY
7:00 AM to 10:00 PM

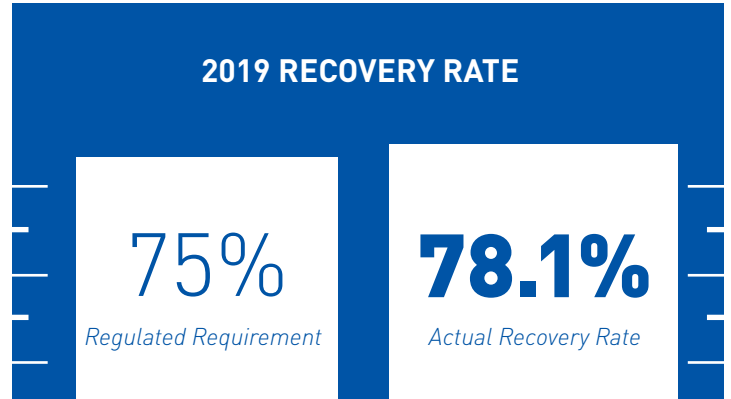
MONDAY TO SUNDAY
7:00 AM to 10:00 PM

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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 nonrefillable beer bottles sold in British Columbia.

Encorp has 25 years of leading extended producer responsibility performance in Canada and diverting more than 20 billion beverage containers from the landfill. **return-it.ca**



1.1 PROGRAM PERFORMANCE SUMMARY



PUBLIC EDUCATION MATERIALS AND STRATEGIES

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



COLLECTION SYSTEM AND FACILITIES

The Return-It™ network consists of independently owned and operated Return-It depot collection facilities that have collection agreements with Encorp, as well as corporate Return-It Express Plus™ locations and Express & GO™ unstaffed stations.

Encorp's collection network consist of 168 Return-It depots, 1 Return-It Express Plus location and 2 Express & GO stations.

One depot was closed in 2019. (Rosedale Grocery & Video in Rosedale)



PRODUCT ENVIRONMENTAL IMPACT REDUCTION, REUSABILITY AND RECYCLABILITY

Encorp's activities in 2019 contributed to the reduction of about 104.8 thousand tonnes of CO₂ equivalent being released into the atmosphere, compared to 102.6 thousand tonnes in 2018.



POLLUTION PREVENTION HIERARCHY AND PRODUCT/ COMPONENT MANAGEMENT

Containers collected by Encorp in 2019 were shipped to recyclers for further processing into new material in accordance with Section 8 of the Recycling Regulation. See End Fate information on page 24.



PRODUCT SOLD AND COLLECTED AND RECOVERY RATE

- Total Sales in units: 1,348,921,360
- Total Product Collected in units: 1,053,684,532
- Recovery Rate: 78.1% compared to 77.4% last year
- Provincial Per Capita Recovery: 207.8 units
See regional breakdown on page 31.



SUMMARY OF DEPOSITS, REFUNDS, REVENUES AND EXPENSES

- Deposits collected: \$90,315,218
- Refunds issued: \$77,587,390
- Total revenue: \$84,236,942
- Total expenses: \$96,091,448
See Financial Statements on page 46.

1.2 COMPARISON OF KEY PERFORMANCE TARGETS



CONSUMER ACCESS

98.6% of B.C.'s population has access to a beverage container return facility compared to the target in our Stewardship Plan of 97%. This target is based on drive times set out in the Stewardship Agencies of British Columbia (SABC) accessibility standard (*Auditor's report reference on page 56. Collection Systems and Facilities*). When we add the retail return points the access level increases to 99.5%. This is 2.5% above the target.



CONSUMER AWARENESS

We set a goal to reach a 95% net awareness level for container types and beverage types which carry a deposit. Research results show that a 99% awareness level has been reached. The Return-It brand has reached a 91% awareness level with residents in British Columbia.



CARBON FOOTPRINT

Benchmarking measurements and standardizing the tool Encorp uses has been the goal for several years. In 2019, we calculated results and compared them to the 2018 data.

See table on page 23.



CONSUMER CONVENIENCE

The express system provides 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. In 2019 we added 37 more locations for a total of 68 Express sites in the province. In 2019 Encorp launched Express & GO, unstaffed drop-off stations where consumers are still able to benefit from the ease and convenience of Express. 2 Express & GO stations were opened in 2019, one in Tofino and at a second one in SFU Burnaby Campus.



RECOVERY RATE

The 2019 recovery rate is 78.1%, 3.1% above the regulated requirement of 75%.

ENCORP
Return-It

Social Purpose
IDEATION SESSION • September 17, 2019

2019 ANNUAL REPORT

PROGRAM OUTLINE

Our vision, mission statement
and strategic business model.

Message from the Chair and CEO,
successes and opportunities in 2019.

2



GUIDING PRINCIPLES

STAKEHOLDER FEEDBACK

2.1 WHAT DRIVES US

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

Encorp has 25 years of leading extended producer responsibility performance in Canada and diverting more than 20 billion beverage containers from the landfill. return-it.ca

Vision

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

Mission

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

Role

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

ENCORP'S BUSINESS MODEL

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

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

The advantages of this model include:

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

Scalability – Changes in demand can be accommodated rapidly.

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

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

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

2.2 MESSAGE FROM THE CHAIR

The year 2019 was Encorp Pacific (Canada)'s twenty-fifth anniversary. This is a tremendous milestone and we are immensely proud of what we have accomplished over the past quarter century of operations. What began as a pragmatic solution to the obligations imposed on beverage manufacturers and retailers by an outdated regulation has since become one of the leading beverage container collection systems in North America and a vital element of British Columbia's forward-looking approach to Extended Producer Responsibility (EPR). That we've come such a long way is a credit to all the stakeholders – brand owners, retailers, depot operators, transporters, material processors, industry partners and myriad service providers – who've participated with us on this journey. On behalf of our Board of Directors, thanks to all of you for your support.

In the future, we may also look upon 2019 as a pivotal year – an inflection point – in the evolution of beverage container recycling in B.C. For in 2019, our management team implemented numerous system improvements and innovations to enhance the collection experience for B.C. consumers and increase the volume of containers collected, not least of which was adjusting the deposit level for non-alcoholic containers up to one litre in size. The fruits of these labours are reflected in our recovery rate, which in 2019 increased for the second consecutive year, to 78.1%, following a period of relative stagnation.

Details of these initiatives are described elsewhere in this annual report, but whether through the accelerated rollout of Return-It Express locations in urban areas or new initiatives to increase consumer access to recycling services in remote locations, the Board of Directors and management team is determined to take Encorp Pacific and its unique business model to the next level of performance, in conjunction with our depot partners and other stakeholders.

As the world of EPR matures, not only in British Columbia but also across Canada and throughout the world, there is convergence among waste management strategies and broader environmental paradigms. At Encorp Pacific, it is important for us to stay abreast of, and where appropriate, to engage in broader activities under the umbrellas of the Circular Economy and Corporate Social Responsibility. At the same time, we are aware that our collection system provides a unique infrastructure that is of interest to others in the pursuit of their own stewardship goals.

As an organization, we are open to exploring program diversification and partnerships where it makes sense to do so. But we will always look at the opportunities through the lens of our core business – providing convenient, effective, cost-based collection services for used beverage containers in British Columbia. It's a fine balance, to which the Board devotes much time and attention.

Late in the year, British Columbia's Ministry of Environment and Climate Change Strategy launched its Clean BC Plastics Action Plan. It is likely that certain policy changes emanating from the Action Plan will have a bearing on Encorp's future business. This, along with the extraordinary external developments taking place this winter and spring, suggests that 2020 will be an unusually challenging year.

I am certain we are up for the challenge. We have a strong and dedicated staff, a tremendous network of operators and a Board of Directors that, year after year, provides us with sound direction and guidance through what are sometimes uncharted waters. Together, we look forward to the next twenty-five years of successful, responsible product stewardship.

Stay safe.



Dan Wong
Chair

2.3 MESSAGE FROM THE CEO

This past year marked the 25th anniversary of Encorp Pacific (Canada). Since 1994, our organization has been a leading stewardship agency committed to innovative practices and collaborative partnerships. We have a proven track record of engaging with our customers and developing, managing and improving systems to recover used packaging and end-of-life products to create a more sustainable world and economy.

Our success is grounded in our commitment to make it easy and convenient for our customers to recycle. And we are proud of the results - over the past 25 years, we have diverted more than 20 billion beverage containers from B.C.'s landfills, oceans and waterways. Furthermore in 2019, we recorded the second consecutive increase in our recovery rate.

The innovative programs we launched in 2019 will keep this momentum growing. In 2019, we began the large-scale rollout of Return-It Express, which now includes 68 locations across the Lower Mainland. Return-It Express is a transformative shift in our delivery model and makes it even easier to recycle. Registered customers can simply drop off their labelled bag of beverage containers at a Return-It Express location and receive their deposit refund in their online account. This popular and easy-to-use service has brought new customers into our system, with more than 50,000 customers registered since inception.

Our Express & GO pilot program is another example of how we are making it easier for British Columbians to recycle their beverage containers. These unstaffed drop-off stations are designed for underserved areas where it can be challenging to set up a traditional depot. In 2019, we piloted two Express & GO sites - one in Tofino and one at Simon Fraser University in Burnaby - offering a convenient option for our customers. We're pleased with the results and plan to expand to additional communities in 2020.

Another exciting initiative was the launch of a collection program to reduce the volume of textiles that end up in our landfills. It's estimated that textiles account for five percent of Metro Vancouver's municipal solid waste. What began as a pilot program at 13 locations in the Lower Mainland last summer expanded to approx. 30 depot locations by year-end.

To provide an additional incentive for consumers to return their beverage containers, on November 1st we raised the deposit on all non-alcoholic beverage containers registered in the Return-It system (under and including 1 litre) from 5 cents to 10 cents. We worked closely with stakeholders and B.C. consumers to both inform and ensure there were minimal system impacts as a result. This transition was implemented seamlessly with positive stakeholder feedback. These initiatives speak to our proven ability to develop, implement and enhance systems to meet our customers' evolving needs and to take a leadership role in diverting materials from our landfills for recycling and reuse. We're dedicated to advancing the conversation about recycling, sustainability and the circular economy. In the fall of 2019 we began our Closing the Loop podcast series, which brings together industry leaders to share their innovative approaches to some of our world's environmental challenges. Topics range from advice for companies wanting to prioritize sustainability to strategies for shifting to a circular economy and ending plastic pollution. To listen to these conversations visit <https://www.return-it.ca/about/podcast/>

As the need for recycling solutions for material streams continue to grow at a rapid pace, in the year ahead, we look forward to continuing to be at the forefront of providing innovative solutions to reduce waste. I welcome you to read more about these and other initiatives in this report.

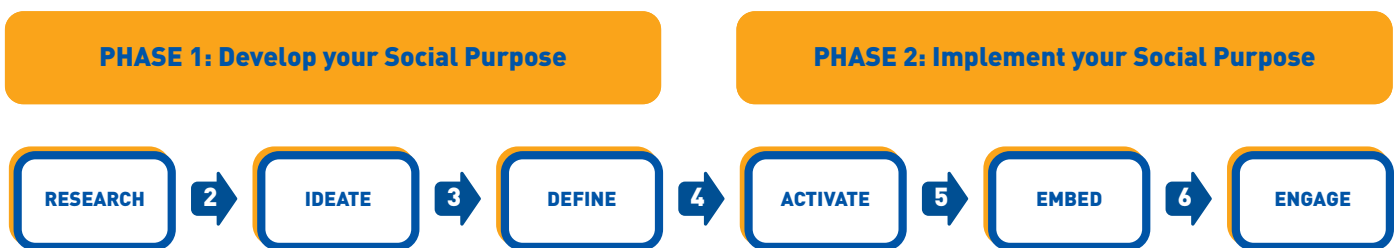


Allen Langdon
President and CEO

2.4 DEFINING OUR SOCIAL PURPOSE

In 2019, we joined the United Way of the Lower Mainland's Social Purpose Institute to define our 'why' – why we exist for the betterment of society and our stakeholders. The Social Purpose Initiative is a unique program designed by the United Way of the Lower Mainland to help companies uncover or hone their distinctive, 'best fit' social purpose through peer collaboration with expert facilitators and senior leaders from a small group of values-based businesses.

As we celebrate 25 years and look at the next 25 years ahead, defining our social purpose is a very important part of our journey in building an authentic and purposeful business. There are two phases and six steps to developing and implementing our Social Purpose:



In 2019, we completed Phase 1 where we conducted research to identify those areas we feel we can make a difference, and engaged in extensive consultations with our employees and over 30 external stakeholders.

We also conducted an Ideation session to engage key partners, experts and visionaries to explore, challenge and extend our initial social purpose ideas. The purpose of this session was to explore the need in the world our company can fulfill. This process has given us a new perspective on how we view our role as a company and will help shape our thinking as we set out to make a bigger difference for our employees, customers, consumers, communities and the world around us.

We will be defining and implementing Phase 2 in 2020. Our Social Purpose statement will illuminate

a path forward that will unite us in our ambition to engage our employees, create a better world and contribute positively to society. We're excited to begin the next stage of our work as we begin to define and implement this statement across our organization.



2019 ANNUAL REPORT

PUBLIC EDUCATION MATERIALS AND STRATEGIES

3

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

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

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



3.1 RESEARCH, SEGMENTATION ANALYSIS

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

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

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

An online survey was undertaken in September of this year among adults 18+ in B.C. We achieved a 99% awareness level for all container types that can be returned to a depot for deposit, and a 99% awareness level for all non-alcohol beverage container types that can be returned to a depot for deposit.

2019 (n=1,186)	2018 (n=1,204)	2016 (n=1,208)	2015 (n=1,572)
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Question: To the best of your knowledge, can the following types of containers be returned for a refund on deposit?

Net Awareness



99%	98%	99%	99%
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Question: To the best of your knowledge, in British Columbia, can containers with the following beverages be returned for a refund on deposit?

Net Awareness

Pop/Soft drink, water, juice, sports drinks

99%	98%	99%	99%
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2019 (n=1,186)	2018 (n=1,204)	2016 (n=1,208)	2015 (n=1,572)
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When respondents were asked if they were aware of the Return-It/Encorp Pacific brand, levels remained consistent with past years.

Brand Awareness

Return-It/Encorp Pacific

91%	90%	91%	90%
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Source: Insights West's Brand Reputation Insights norm, excluding restaurant and entertainment brands.

3.1 RESEARCH, SEGMENTATION ANALYSIS

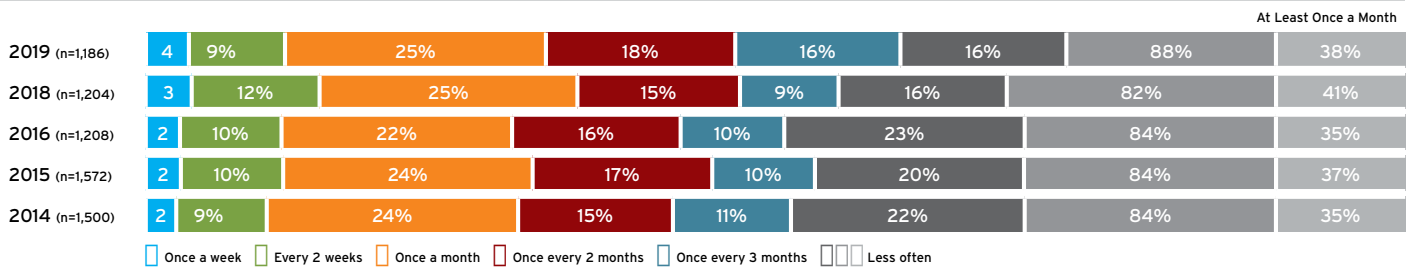
The annual studies conducted help us understand throw-away behaviour in as much depth as possible. We have seen significant success in reducing the number of beverage containers that end up in the landfill, however a small percentage are still not recycled. We continue to work hard to target this minority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

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

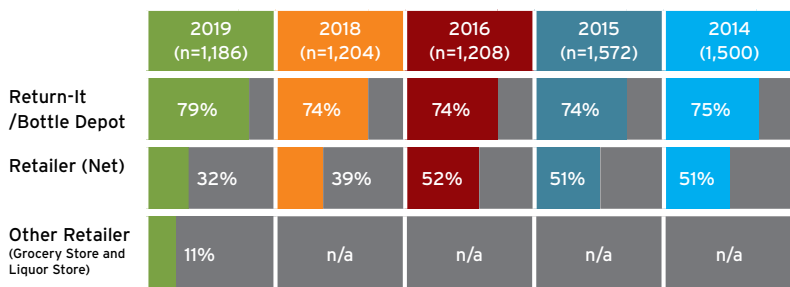
This segmentation study allowed us to understand the impact of the Express system towards frequency of visits and preferred method of return.

In 2019, we conducted our annual segmentation study to better understand the behaviours of

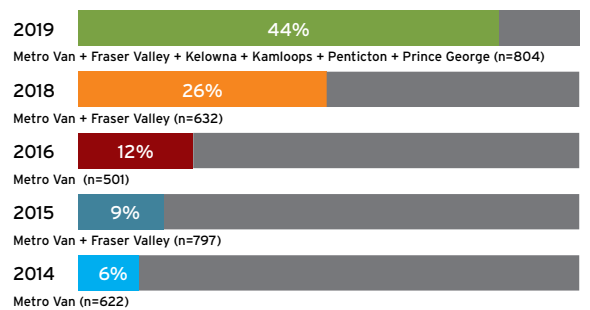
RETURN-IT DEPOT VISIT FREQUENCY



METHODS FOR RETURNING BEVERAGE CONTAINERS



PEOPLE HEARD OF RETURN-IT EXPRESS



3.2 CONSUMER AWARENESS

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

TV

We use television to reach a broad mass audience across the province and maintain a strong level of awareness with consumers. Our 15 second TV spots let viewers know that in B.C., recycling is just what we do. In 2019 an Express specific TV spot was added to explain and promote the system.



Radio

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

Music Streaming

The music streaming service Spotify was identified as a new way to reach one of our specific target audiences. New 15 second audio spots were created that spoke uniquely to Millennials.

Consumer Brochures

Each year, we print a detailed consumer brochure in several languages. British Columbians can find these brochures at Return-It depots, major grocery stores, regional districts, and municipal offices across the province. Brochures are also available for download.

www.return-it.ca/beverage/recycling/brochures

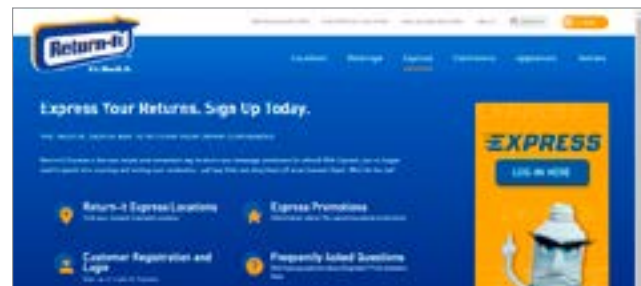
Special Coverage

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



Return-It.ca and Return-It Blog

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



3.2 CONSUMER AWARENESS

Corporate Videos

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

Special Focus: Underperforming Containers

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

Bus Shelter Ads

To remind people about the importance of recycling, we used transit bus stops in Victoria and a unique poster with eyes that appear to follow you as you walk past them.



Annual Report

Our comprehensive and interactive Annual Report can be found on our website (www.return-it.ca/ar2019). Visitors can view the Annual Report either on our website or choose to download a PDF file.

Social Media

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



Customer Service

Encorp expanded its Customer Relations Team which manages all customer and stakeholder inquiries. Its Customer Relations team maintains a continuous focus on the customer and stakeholder experience and identifies improvement opportunities and solutions. Customer inquiries and trends are tracked, analyzed and evolved, as needed. To support the increasing number of customers through Return-It Express and other programs, Encorp continues to optimize its tools to enhance the customer and stakeholder experience.

3.3 RECYCLING PROGRAMS AND INITIATIVES

Over 1 billion containers were kept out of landfills in the past year. The majority of beverage containers sold in B.C. were recovered and recycled through the Return-It depot network, Return-It Express and Return-It Express & GO across the province. Initiatives and annual specialty programs to increase the recovery and recycling of beverage containers.

Return-It Express

Ease and convenience continue to be one of the biggest barriers to getting consumers to recycle their beverage containers; the Return-It Express program addresses both. Last year marked the program's first large scale rollout, increasing the number of Return-It Express depots to over 60 locations across the Lower Mainland. Customers simply set up an online account at express.return-it.ca, place their empty beverage containers into transparent bags and take them to a Return-It Express depot. Once there, using the touch screen terminal provided, a customer enters their phone number to log in, prints off a label to attach to their bags, and drops them in the designated area. The empty containers are then sorted and counted for the customer. The refund on deposit is credited to their online account and can be redeemed for a cheque or Interac e-Transfer.

To ensure the successful launch of the new Express program, a series of partnerships were strategically chosen to help generate buzz and promote the launch. City TV and radio partnerships were used as mass media tactics to reach target audience. With the proven success of direct mail, over 700,000 households in the Lower Mainland received a new direct mail brochure. Social media was also used to target specific communities and neighborhoods.



Welcome Package

If the Express program wasn't easy enough, to remove any barriers for new customers who sign-up, a Welcome Package was mailed to make their first visit even easier. The Welcome Package included recycling bags for their empty containers and pre-printed tags for their account.



Express Promotion

Since the introduction of the Return-It Gang back in 2011, there have been many requests for plush versions of these lovable characters. The expansion of the Express was the perfect time to finally introduce plush versions of the Return-It Gang. In addition to the deposit refund that customers receive when they return their empties through the Express program, each container is counted as one Plush promotion credit.



3.3 RECYCLING PROGRAMS AND INITIATIVES

Return-It School

Since 2000, elementary and high schools across B.C. have had the opportunity to promote recycling and environmental stewardship via our school program, Return-It School. As part of the program, schools get to share their recycling stories in a contest format, in hopes of winning the grand prize of \$5,000 or secondary prize of \$2,500 for their school.

The winners of the 2019 Return-It School contest were Tsi Deldel Elementary and Aubrey Elementary School.



Ambassador Team

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

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

B.C. Parks & Municipal Outdoor Spaces

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

Industrial, Commercial & Institutional Sector (IC&I)

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

Sports Team Partnerships

In 2019, we developed new partnerships with three of Vancouver’s local sports franchises: Vancouver Canucks, Vancouver Whitecaps FC and Vancouver Canadians. The partnerships have been beneficial on a variety of fronts; ensuring the proper beverage recycling bins at each venue, expanding our outreach program to new audiences and deepening the connection with our customers and community.



3.3 RECYCLING PROGRAMS AND INITIATIVES

Independent Return-It Depots Marketing and Promotion Commitments

Return-It depots submit their intended Marketing & Promotional Plans to Encorp. In 2019, the combined investment from depots adds approximately \$1 million additional advertising expenditures.

Stewardship Agencies of BC (SABC)

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

Corus Partnership

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



Recycling Roundtable Interview

As Return-It expands its partnership with other recycling programs, it provided the opportunity to bring three experts from the recycling field and have a roundtable discussion on various topics and the successes of each program. The roundtable discussion was moderated by Lynda Steele and featured Allen Langdon of Return-It, Craig Wisehart of Electronic Products Recycling Association (EPRA) and Michael Zarbl of Major Appliances Recycling Roundtable (MARR).



Waste Reduction Week

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



3.3 RECYCLING PROGRAMS AND INITIATIVES

Ocean Ambassadors

Encorp Pacific (Canada) sponsored the expansion of the Ocean Ambassadors program so that 165 elementary school students can learn about how plastics affect the marine environment and become life-long ambassadors who can make a meaningful impact in their schools and communities.



Shoreline Cleanup

To contribute during International Coastal Cleanup Day Encorp Pacific (Canada) team conducted a shoreline clean up and collected 13.8 kilograms of waste and recyclables from the coastline at Old Orchard Park in Port Moody, B.C.



Closing the Loop Podcast

Encorp's new podcast series "Closing the Loop, a conversation about recycling, sustainability and the circular economy" provides an ideal outlet for thought leadership as President & CEO Allen Langdon speaks with industry leaders around the globe to bring awareness to environmental challenges and innovations.

Return-It published the first 4 episodes of Closing the Loop in 2019 – listeners can find the podcast on all major streaming platforms. Closing the Loop episodes were downloaded 549 times in 2019, with the most listeners (38%) tuning in on Apple Podcast. Allen welcomed many exciting and knowledgeable guests onto 2019's podcast episodes from organizations like the Ellen MacArthur Foundation, Coca-Cola, Amcor Ltd., Metro Vancouver, and Salvation Army.



EXPRESS

EXPRESS
EASY TO USE
GREAT RETURNS

2019 ANNUAL REPORT

COLLECTION SYSTEM AND FACILITIES

4

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.



Sign up for free at express.return-it.ca.



your bags of beverage
ainers in the Express
Marketing required.



Your work is done!
We refund the deposit
to your online account.



4.1 COLLABORATION PLUS CONVENIENCE

Encorp's collection network consists of 168 Return-It depots, 1 Return-It Express Plus location and 2 Express & GO stations. Over the past several years, this network has become the backbone for many community-based recycling programs around the province.

The Return-It™ network consists of independently owned and operated Return-It depot collection facilities that have collection agreements with Encorp, as well as corporate Return-It Express Plus locations and Express & GO unstaffed stations.

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

The stewardship plan sets a standard for depot coverage of 97% of B.C.'s population. Encorp Return-It depots provide services to 98.6% of the British Columbian population and when the beverage retail collection locations are included, coverage increases to 99.5%. To view the coverage maps visit return-it.ca/locations/coverage-2019

Our integrated transportation system uses 38 transporters to move our material into 15 processing sites throughout the province. Within urban centres, we use dedicated transporters that pick up from depots, retailers and other collection sites. In rural areas, Encorp utilizes transporters that provide back-hauling resulting in environmental, logistical and financial savings.

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

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

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

Express & GO

Express & Go is a newly developed unstaffed station that can be easily placed in high-density urban areas and hard to service rural areas where siting a traditional depot is challenging if not impossible. The unstaffed station provides all the ease and convenience of Express plus a security level to meet Encorp's stringent audit and controls. Encorp will further develop this style of service provision to expand our reach and customer convenience levels.



4.2 HOW THE COLLECTION SYSTEM WORKS

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

WHERE ARE CONTAINERS RETURNED?

EMPTY NON-ALCOHOL CONTAINERS



EMPTY ALCOHOL CONTAINERS



Return-It™ Depot

BEVERAGE RETAILERS



4.3 COLLECTION, TRANSPORTATION AND PROCESSING MAP

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



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

2019 ANNUAL REPORT

ENVIRONMENTAL IMPACT

5

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

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



5.1 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 2019, Encorp recycled 93,763 metric tonnes of used beverage containers. The energy saved through the recycling of these materials has been converted into tonnes of carbon dioxide equivalent (CO₂e) the common measure of greenhouse gases (GHGs), based on the US Environmental Protection Agency's Waste Reduction Model (WARM). The avoided emissions published in this report were calculated using the WARM version 13 [06/14] [Refer to End Fate table on page 23].

In total, Encorp's activities in 2019 contributed to the reduction of about 104.8 thousand tonnes of CO₂ equivalent being released into the atmosphere, compared to 102.6 thousand tonnes in 2018. The higher CO₂ reduction is primarily attributed to the increase in the volume of aluminum containers that contributes to higher emission savings by recycling.

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 not be as complete.

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 Kw Hs 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 23.

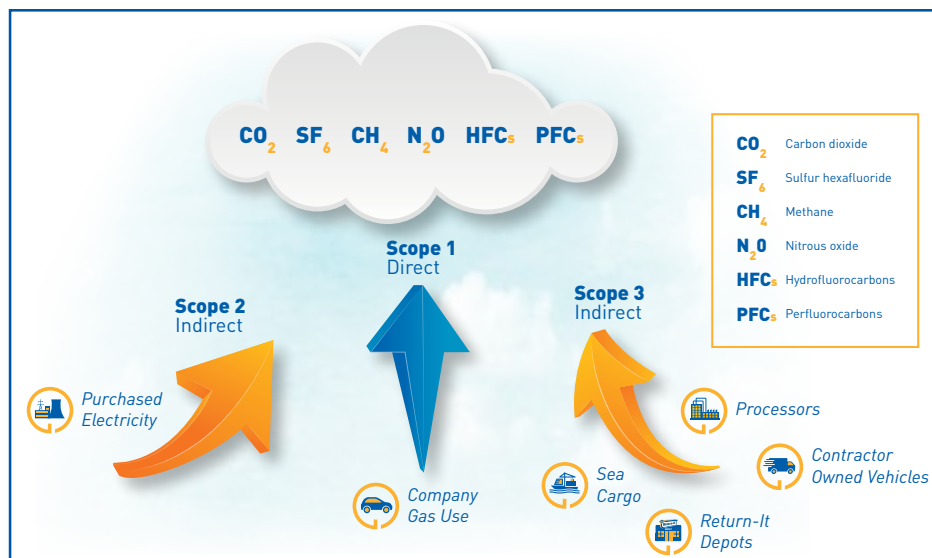
We report the reduction in emissions from all sources further to the change in the mix of material collected and, therefore, end markets.

5.1 ENVIRONMENTAL REPORT

EMISSIONS INVENTORY SUMMARY





Type of Emission	2019 (tonnes CO ₂)	2018
<u>Direct emissions</u> are emissions from sources that are owned or controlled by Encorp		
Employee travel – gas use	6	9
<u>Indirect emissions</u> occur as a consequence of Encorp’s activities, but are from sources not owned or controlled by Encorp. Included are emissions from purchased electricity consumed by Encorp’s offices, depots, processors and transporters. ⁱ		
<u>Offices</u> (excluding head office)		
Purchased electricity / Gas in leased buildings	5	4
Employee domestic air travel / ferry travel	10	12
<u>Depots</u> – all purchased electricity / gas consumed in owned or leased buildings	228	237
<u>Processors</u> – all purchased electricity / gas consumed in owned or leased buildings	57	60
<u>Transportation</u> – depots to processors (diesel fuel)	3,596	3,600
<u>Transportation</u> – processors to end markets (diesel fuel)	1,924	2,358
Sea Cargo (based on metric tonne km)	2,407	2,682
Total Emissions from all sources	8,233	8,962

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






5.2 CONTAINER RECYCLING END FATE REPORT

All containers collected by Encorp in 2019 were shipped to recyclers for further processing into new material in accordance with Section 8 of the Recycling Regulation.

Material Type	Fate of Material (2019)	Containers Sold (% of total)	Recovery % (by weight)	Energy savings	Weight diverted from landfill (mt)	Tonnes CO ₂ reduced
Aluminum 	Aluminum cans collected were sold and shipped to a re-melt facility in the USA and turned back into sheet stock for new cans.	37.40%	80.80%	93%	5,547	55,914
Plastic 	Plastic containers were sold to Merlin Plastics and shipped to their two separate facilities BC and AB to be cleaned and pelletized to become new raw material for manufacturers of various plastic products including new containers, strapping material and fibres.	37.90%	76.80%	86%	10,594	12,511
Glass 	Glass containers were processed in British Columbia and shipped to manufacturing 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.	15.90%	91.00%	34%	75,172	26,138
Polycoat 	Polycoat containers collected were sold to ICF International and shipped to manufacturing plants in South Korea, Thailand and Japan for material recovery and production of tissue paper from the recovered fibre. Encorp also shipped polycoat containers to a second supplier, Continuous Material Recovery, in 2019. Continuous Material Recovery receives drink box containers at their facility in Des Moines, Iowa where they produce building boards which are used as an alternative to traditional wallboards, roofing, floor underlayment, ceiling tiles and structured insulated panel.	7.50%	67.80%	53%	1,729	9,154

5.2 CONTAINER RECYCLING END FATE REPORT

Material Type	Fate of Material (2019)	Containers Sold (% of total)	Recovery % (by weight)	Energy savings	Weight diverted from landfill (mt)	Tonnes CO ₂ reduced
 <p>Pouches</p>	In 2017 stand up pouches made of layers of plastic and aluminum foil as well as the laminated plastic bags used inside bag-in-a-box containers were shipped to ICF International. They are in the process of conducting tests to determine the viability of using them within a thermal process to make a lumber product which can be used in the manufacture of furniture, ceiling tiles and wallboard. More recently Encorp has found (in 2018) a viable end market through TerraCycle in New Jersey who is using this material to make various products such as; composite decking, buckets, storage totes, non-food grade container & trays.	0.70%	26.30%	53%	13	15
 <p>Bag-In-Box</p>	The plastic bladders inside the Bag-In-Box containers are shipped to TerraCycle in New Jersey for using it for making products such as; composite decking, buckets, storage totes, non-food grade containers & trays. Cardboard from the outer layer of the box was recycled by local processors.	0.30%	52.10%	53%	486	574
 <p>Bi-Metal</p>	Other metal containers including Bi-Metal were sold to scrap metal dealers in BC for metal recovery.	0.30%	81.30%	82%	222	453
2019 TOTAL		100%	87.60%		93,763	104,759
2018 TOTAL			87.00%		95,966	102,646

2019 ANNUAL REPORT

DEPOSITS, REFUNDS AND RECOVERY RATES

Detailed statistics on the weight and number of containers recovered.

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



6

6.1 DEPOSIT CHANGE

As the industry-owned not-for-profit stewardship agency, Encorp is responsible for managing B.C.'s beverage container system and implementing deposit increases.

Encorp has been operating B.C.'s beverage container system for 25 years and focused on providing a convenient, efficient and environmentally sustainable network for everyone in B.C. In 2018, Encorp increased its recovery rate to 77.4% and focused on finding ways to improve the recovery rate even further. Diverting beverage containers from landfills, oceans and waterways remains one of Encorp's highest priorities and has informed its mandate over the years.

Encorp is aligned with the goals of the B.C. Government to protect our environment and divert even more plastic and other waste from landfills and the ocean. With the intention of providing an additional incentive for consumers to return their beverage containers on November 1st, 2019, Encorp raised the deposit on all non-alcoholic beverage containers registered in the Return-It system (under and including 1 litre) from 5 cents to 10 cents. This deposit increase applies to 80% of the containers in our system – including ready-to-drink beverage containers such as soft drinks, juice, energy and sport drinks, and water.

Container Type	Deposit Refund before Nov1, 2019	Deposit Refund after Nov1, 2019
Aluminum	5.0 cents	10.0 cents
Plastic ≤ 1L	5.0 cents	10.0 cents
Plastic > 1L	20.0 cents	20.0 cents
Polystyrene	5.0 cents	10.0 cents
Glass ≤ 1L	5.0 cents	10.0 cents
Glass > 1L	20.0 cents	20.0 cents
Bi-Metal ≤ 1L	5.0 cents	10.0 cents
Bi-Metal > 1L	20.0 cents	20.0 cents
Bag-In-Box	20.0 cents	20.0 cents
Drink Boxes ≤ 500 ml	5.0 cents	10.0 cents
Drink Boxes 501 ml - 1L	5.0 cents	10.0 cents
Drink Boxes > 1L	20.0 cents	20.0 cents
Gable Top ≤ 1L	5.0 cents	10.0 cents
Gable Top > 1L	20.0 cents	20.0 cents
Drink Pouches	5.0 cents	10.0 cents

6.1 DEPOSIT CHANGE

Encorp led the change in deposit rates to ensure the increase was managed efficiently and effectively for all British Columbians and the businesses that were impacted by this change. The announcement was made public during Waste Reduction Week through a press release and to help inform the public of this system change, a short but effective marketing campaign throughout B.C. including TV, radio, online video, newsprint and social media.

TV

One 15 second TV spot was created to let viewers know about the deposit increase on beverage containers in B.C. The spot was broadcasted on premium sites like Global TV, CTV and CBC across the province.

Total impressions: 2,603,500



Radio

One 10 second radio spot was created to announce the change. The spot ran in the Lower Mainland and Capital Regional District.

Total impressions: 3,894,310

Social Media

Two social media posts were shared through all of our networks and boosted with the objective of informing users of the system change and where they could find more information.

Total Impressions: 1,191,627

Pre-Roll

15-second spot ran on YouTube, Bell Media, Rogers Network, Corus Entertainment, CBC and Tremor Video.

Total Impressions: 442,425

Newspaper

8 newspaper insertions across the major Vancouver and Victoria Publications, with ¼ page, full colour ads. Newspapers included Vancouver Sun, The Province, Victoria Times Colonist and Globe & Mail.

Total Impressions: 1,987,000



6.2 RECYCLING BY THE NUMBERS

We prevented over 1 billion containers from going to landfills in 2019, 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 | **78.1%** Recovery Rate | **\$77,587,390** Deposits Refunded

Container Type	Containers Sold		Containers Recovered		% Recovery Rate	
	2019	2018	2019	2018	2019	2018
Aluminum	504,502,096	474,732,423	407,845,669	382,480,812	80.8%	80.6%
Plastic ≤ 1L	449,480,508	461,921,701	328,589,138	332,821,372	73.1%	72.1%
Plastic > 1L	61,743,716	63,350,585	52,873,013	53,531,363	85.6%	84.5%
Plastic Total	511,224,224	525,272,286	381,462,151	386,352,735	74.6%	73.6%
Glass	215,052,960	227,783,448	196,909,028	206,528,437	91.6%	90.7%
Drink Box	91,402,170	97,501,144	52,939,195	55,438,624	57.9%	56.9%
Gable Top	10,179,965	10,520,053	6,951,325	7,339,722	68.3%	69.8%
Bi-Metal	3,794,610	4,402,779	3,187,644	3,650,435	84.0%	82.9%
Bag-In-Box	3,990,418	4,089,087	2,077,558	2,006,502	52.1%	49.1%
Pouches	8,774,917	6,551,183	2,311,962	1,669,204	26.3%	25.5%
Totals	1,348,921,360	1,350,852,403	1,053,684,532	1,045,466,471	78.1%	77.4%

Note: Calculations may show slight variances due to rounding.

6.2 RECYCLING BY THE NUMBERS

RECOVERY BY WEIGHT

In 2019, Encorp Pacific recovered over 93.76 thousand metric tonnes of containers.

87.6% 2019 Recovery
Rate by Weight

87.0% 2018 Recovery
Rate by Weight

TYPE	ESTIMATED WEIGHT OF CONTAINERS SOLD (KG)	ESTIMATED WEIGHT OF CONTAINERS RECOVERED (KG)	RECOVERY BY WEIGHT %
Aluminum	6,861.2	5,546.5	80.8%
Plastic	13,790.6	10,594.0	76.8%
Glass	82,606.6	75,172.6	91.0%
Polycoat	2,552.3	1,729.6	67.8%
Pouches	49.0	12.9	26.3%
Bag-in-Box	933.3	485.9	52.1%
Bi-Metal	272.3	221.5	81.3%
Totals	107,065.3	93,763.0	87.6%

Note: Calculations may show slight variances due to rounding.



6.3 REGIONAL PER CAPITA RETURNS

Provincial Totals:

Units Returned	1,053,684,532
Weight Collected (Tonnes)	93,763.0
Per Capita Units Returned	207.8
Per Capita Weight Collected (Kilograms)	18.5

Regional Breakdown:

Region Name		Aluminum	Plastic	Glass	Polycoat	Other	Total	Jan.-Dec.2019 Per Capita	Jan.-Dec.2018 Per Capita	Change to Per Capita Container Returns / Units (000)
Bulkley / Nechako	Units(000)	4,280	3,813	978	544	45	9,660	243.8	249.8	(6.0) dec.
	Tonnes	58.2	100.4	359.7	13.1	4.9	536.3	13.5 kg	14.2 kg	
Cariboo	Units(000)	7,483	7,187	2,032	869	121	17,692	270.3	277.4	(7.1) dec.
	Tonnes	101.8	192.9	749.1	23.2	10.9	1,077.9	16.5 kg	17.8 kg	
Central Coast	Units(000)	288	205	83	37	3	616	172.3	182.1	(9.8) dec.
	Tonnes	3.9	6.3	30.5	0.9	0.4	42.0	11.7 kg	12.3 kg	
Fraser - Fort George	Units(000)	13,114	12,025	3,273	1,752	180	30,344	293.5	297.9	(4.4) dec.
	Tonnes	178.3	315.9	1,219.6	42.3	14.5	1,770.6	17.1 kg	18.2 kg	
Kitimat - Stikine	Units(000)	4,759	4,554	973	634	75	10,995	275.7	262.7	13.0 inc.
	Tonnes	64.7	120.9	369.7	15.8	5.3	576.4	14.5 kg	14.3 kg	
Skeena - Queen Charlotte	Units(000)	2,699	2,945	657	300	53	6,654	344.7	316.0	28.7 inc.
	Tonnes	36.7	76.6	244.0	8.2	2.8	368.3	19.1 kg	19.4 kg	
Northern Rockies	Units(000)	496	821	93	54	4	1,468	296.3	242.4	53.9 inc.
	Tonnes	6.7	20.1	35.9	1.3	0.4	64.4	13.0 kg	11.3 kg	
Peace River	Units(000)	6,743	8,350	1,660	921	103	17,777	265.8	261.8	4.0 inc.
	Tonnes	91.7	216.1	607.8	23.5	5.6	944.7	14.1 kg	14.8 kg	
Capital Regional District	Units(000)	35,538	27,476	18,974	4,448	583	87,019	207.9	207.6	0.3 inc.
	Tonnes	483.3	800.8	7,354.3	140.7	72.3	8,851.4	21.1 kg	22.2 kg	
Cowichan Valley	Units(000)	10,760	8,307	4,011	1,163	188	24,429	270.1	264.0	6.1 inc.
	Tonnes	146.3	232.6	1,563.0	34.2	21.9	1,998.0	22.1 kg	22.1 kg	
Alberni / Clayoquot	Units(000)	4,629	3,816	1,695	458	75	10,673	320.4	308.7	11.7 inc.
	Tonnes	63.0	106.1	636.8	14.0	6.7	826.6	24.8 kg	24.7 kg	
Comox	Units(000)	7,708	6,167	3,495	886	151	18,407	253.5	261.9	(8.4) dec.
	Tonnes	104.8	174.2	1,358.7	27.7	20.2	1,685.6	23.2 kg	24.6 kg	
Mount Waddington	Units(000)	1,878	1,408	414	174	19	3,893	333.7	328.9	4.8 inc.
	Tonnes	25.5	39.6	158.2	4.7	2.7	230.7	19.8 kg	19.8 kg	

Note: Calculations may show slight variances due to rounding.

6.3 REGIONAL PER CAPITA RETURNS

Regional Breakdown:

Region Name		Aluminum	Plastic	Glass	Polycoat	Other	Total	Jan.-Dec.2019	Jan.-Dec.2018	Change to Per
								Per Capita	Per Capita	Capita Container
										Returns / Units
										(000)
Nanaimo	Units(000)	15,845	13,164	7,218	1,839	286	38,352	225.7	224.9	0.8 inc.
	Tonnes	215.5	367.9	2,819.4	54.9	40.8	3,498.5	20.6 kg	21.4 kg	
Strathcona	Units(000)	4,226	3,167	1,508	441	73	9,415	191.8	176.5	15.3 inc.
	Tonnes	57.5	89.3	591.6	13.3	9.5	761.2	15.5 kg	14.9 kg	
Greater Vancouver	Units(000)	168,227	167,780	98,346	29,973	3,619	467,945	173.9	175.5	(1.6) dec.
	Tonnes	2,287.9	4,709.7	37,215.0	871.6	282.6	45,366.8	16.9 kg	17.4 kg	
Fraser Valley	Units(000)	32,404	29,829	10,259	4,695	593	77,780	234.6	241.6	(7.0) dec.
	Tonnes	440.7	818.3	3,831.6	126.4	47.6	5,264.6	15.9 kg	16.9 kg	
Powell River	Units(000)	2,211	1,581	898	240	46	4,976	235.8	228.0	7.8 inc.
	Tonnes	30.1	46.1	346.9	7.6	6.4	437.1	20.7 kg	20.7 kg	
Squamish - Lillooet	Units(000)	4,365	4,195	4,134	524	74	13,292	286.7	296.2	(9.5) dec.
	Tonnes	59.4	116.5	1,555.5	16.2	6.7	1,754.3	37.8 kg	41.1 kg	
Sunshine Coast	Units(000)	2,775	1,798	1,954	325	55	6,907	217.1	216.6	0.5 inc.
	Tonnes	37.7	53.6	769.7	10.8	8.9	880.7	27.7 kg	28.3 kg	
Central Okanagan	Units(000)	19,496	19,363	10,252	2,524	324	51,959	239.2	251.7	(12.5) dec.
	Tonnes	265.1	526.7	4,076.9	73.7	37.8	4,980.2	22.9 kg	24.4 kg	
North Okanagan	Units(000)	10,125	9,983	4,174	1,292	157	25,731	283.2	280.6	2.6 inc.
	Tonnes	137.7	274.7	1,642.5	38.9	19.2	2,113.0	23.3 kg	23.6 kg	
Okanagan - Similkameen	Units(000)	9,743	9,457	5,203	1,098	171	25,672	288.2	288.4	(0.2) dec.
	Tonnes	132.5	259.6	2,095.2	33.2	25.2	2,545.7	28.6 kg	29.0 kg	
Columbia Shuswap	Units(000)	6,072	5,558	2,893	732	99	15,354	275.0	276.1	(1.1) dec.
	Tonnes	82.6	151.7	1,075.9	21.5	12.7	1,344.4	24.1 kg	25.2 kg	
Thompson - Nicola	Units(000)	16,514	16,003	5,644	2,145	255	40,561	277.6	283.0	(5.4) dec.
	Tonnes	224.6	428.5	2,121.3	58.4	26.9	2,859.7	19.6 kg	21.0 kg	
Central Kootenay	Units(000)	5,716	3,991	2,544	688	93	13,032	205.8	204.0	1.8 inc.
	Tonnes	77.7	115.4	962.0	20.2	11.4	1,186.7	18.7 kg	19.3 kg	
East Kootenay	Units(000)	6,592	6,050	2,539	728	81	15,990	247.2	255.6	(8.4) dec.
	Tonnes	89.6	164.3	990.6	21.4	9.4	1,275.3	19.7 kg	20.7 kg	
Kootenay Boundary	Units(000)	3,160	2,469	1,005	407	51	7,092	212.1	210.8	1.3 inc.
	Tonnes	43.0	69.2	391.2	11.9	6.6	521.9	15.6 kg	15.8 kg	
Total Units	Units(000)	407,846	381,462	196,909	59,891	7,577	1,053,685	207.8	209.4	(1.6) dec.
Total kg	Tonnes	5,546.5	10,594.0	75,172.6	1,729.6	720.3	93,763.0	18.5 kg	19.2 kg	

Note: Calculations may show slight variances due to rounding.

2019 ANNUAL REPORT

PLAN PERFORMANCE

7

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

Revenue and Expenditure detail.

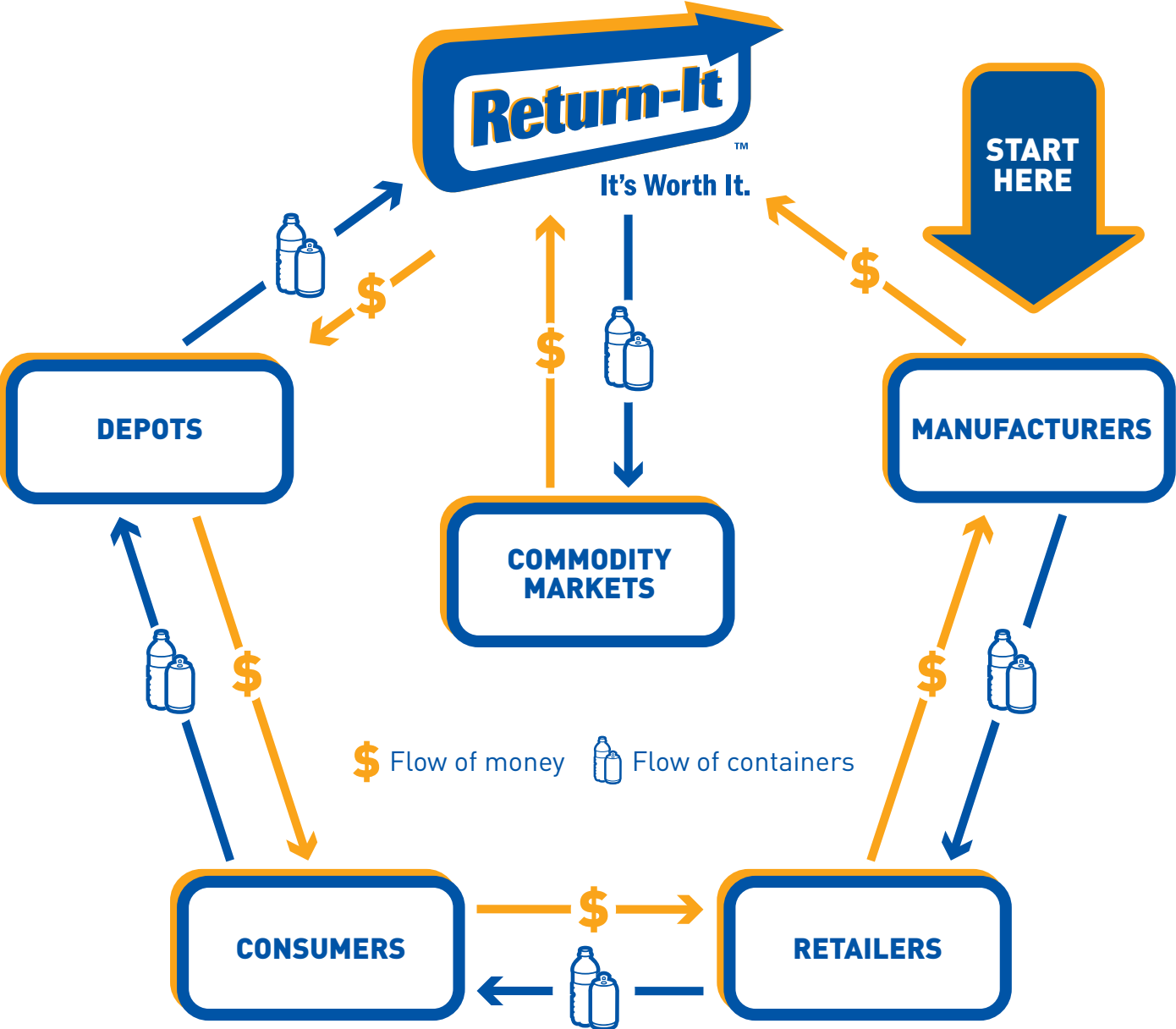
Purpose of operating reserves, how they are determined, and why they're important.

Container recycling fees by product type.



7.1 HOW MONEY FLOWS

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



7.2 FOLLOW THE MONEY

REVENUES

Container Recycling Fees

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

Other Fees

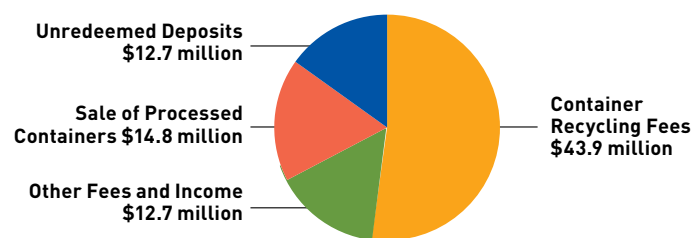
Revenues from service provider contracts.

Sale of Processed Containers

A portion of the cost of recovering aluminum and plastic containers, the two largest product categories, is covered by the value of the commodity collected. The prices for aluminum declined while the prices for plastic increased slightly in 2019 compared to the original forecast. The lower prices for aluminum partially contributed to the decline in our operating reserve levels in 2019. The average price for aluminum was \$0.85 per pound (\$1.05 in 2018) and plastic was \$0.19 per pound (\$0.18 in 2018).

Unredeemed Deposits

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



Where the money comes from

Container Recycling Fees	\$43.9 million	52.2%
Other Fees and Income*	12.7 million	15.1%
Sale of Processed Containers	14.8 million	17.6%
Unredeemed Deposits	12.7 million	15.1%

Total Revenues **84.1 million** **100%**

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

Note: Calculations may show slight variances due to rounding.

EXPENDITURES

Transportation and Processing

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

Administration

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

Consumer Education & Awareness

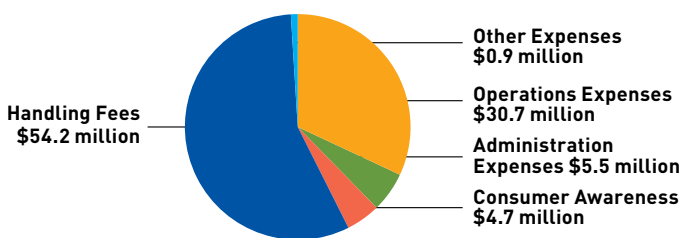
Programs that encourage consumers to return containers for recycling.

Container Handling Fees

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

Deposit Refunds

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



Where the money is spent

Operations Expenses	\$30.7 million	32.0%
Administration Expenses	5.5 million	5.7%
Consumer Awareness	4.7 million	4.9%
Handling Fees	54.2 million	56.4%
Other Expenses**	0.9 million	1.0%

Total Expenditures **96 million** **100%**

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

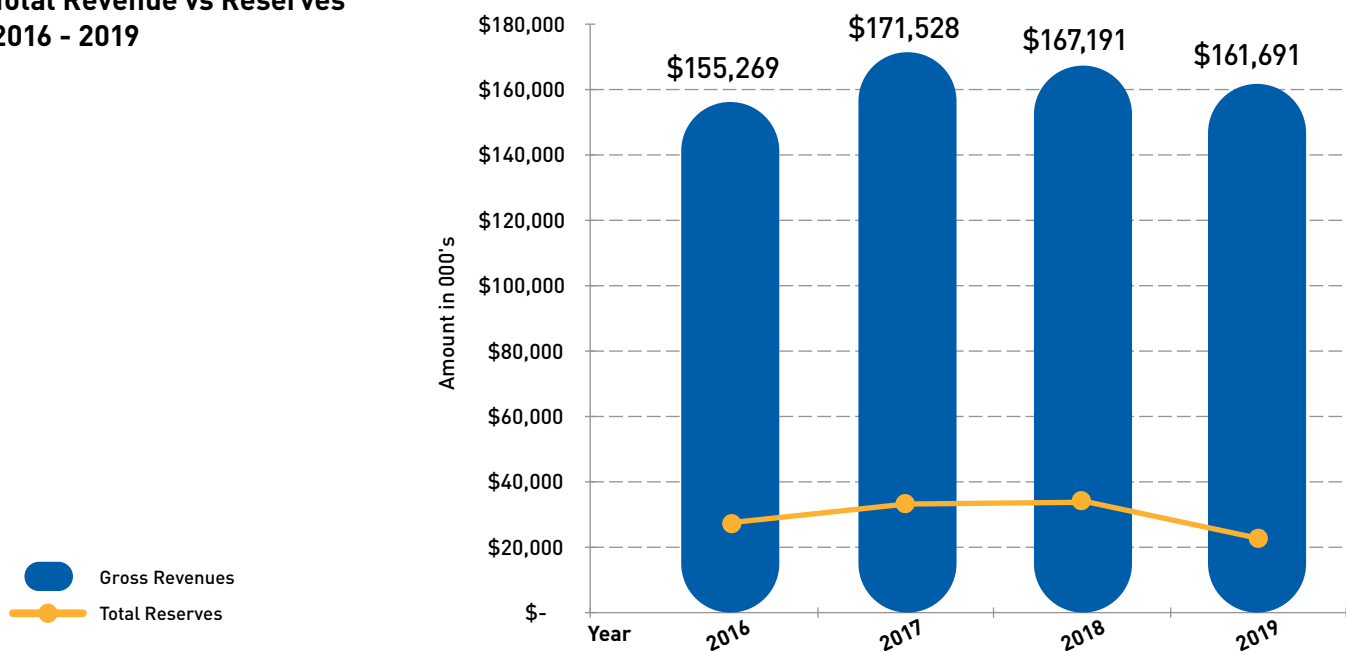
7.3 OPERATING RESERVES

Purpose of the Operating Reserves

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

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

Total Revenue vs Reserves 2016 - 2019



Reserves	2016 BALANCE	2017 YEAR	2017 BALANCE	2018 YEAR	2018 BALANCE	2019 YEAR	2019 BALANCE
OPERATING RESERVE / (DEFICIT)	\$24,955,738	\$7,438,787	\$32,394,525	\$743,243	\$33,137,768	\$(11,902,129)	\$21,235,639
RESTRICTED RESERVE / (DEFICIT)	1,281,521	(215,477)	1,066,044	(236,429)	829,615	47,623	877,238
TOTAL RESERVE / (DEFICIT)	\$26,237,259	\$7,223,310	\$33,460,569	\$506,814	\$33,967,383	\$(11,854,506)	\$22,112,877

7.3 OPERATING RESERVES

Management of the Operating Reserves

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

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

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

On average, we pay about \$3 million per week to customers, depots, transporters and processors. Experience shows that our reserve level needs to be based on the cash flow requirements for six weeks during the peak season. This year, the operating reserve was reduced by 11.8 million.

	Gross Revenue Including Deposits (millions)	Total Expenses Including Deposit Refunds (millions)	Results / (Deficit) (millions)	Operating Reserves Year end (millions)
2014	162.7	159.6	3.1	33.8
2015	162.0	163.3	(1.3)	32.5
2016	155.4	161.7	(6.3)	26.2
2017	171.5	164.3	7.2	33.4
2018	167.2	166.7	0.5	33.9
2019	161.7	173.5	(11.8)	22.1

7.4 CONTAINER RECYCLING FEES

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

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

Container Type	2018	2019
Aluminum	1.0 cent	–
Plastic ≤ 1L	3.0 cents	3.0 cents
Plastic > 1L	4.0 cents	5.0 cents
Polystyrene	3.0 cents	3.0 cents
Glass ≤ 1L	8.0 cents	6.0 cents
Glass > 1L	16.0 cents	17.0 cents
Bi-Metal ≤ 1L	5.0 cents	4.0 cents
Bi-Metal > 1L	–	–
Bag-In-Box	5.0 cents	7.0 cents
Drink Boxes ≤ 500 ml	1.0 cent	–
Drink Boxes 501 ml - 1L	5.0 cents	5.0 cents
Drink Boxes > 1L	–	–
Gable Top ≤ 1L	–	–
Gable Top > 1L	6.0 cents	5.0 cents
Drink Pouches	–	–
Glass Wine & Spirits ≤ 1L	12.0 cents	13.0 cents
Glass Wine & Spirits > 1L	16.0 cents	17.0 cents
Non-Refillable Beer, Cider, Cooler Glass ≤ 1L	9.0 cents	9.0 cents
Non-Refillable Beer, Cider, Cooler Glass > 1L	16.0 cents	17.0 cents
Liquor Plastic ≤ 1L	4.0 cents	4.0 cents
Liquor Plastic > 1L	9.0 cents	7.0 cents
Liquor Bag-In-Box	5.0 cents	7.0 cents

2019 ANNUAL REPORT
GOVERNANCE

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

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

8



8.1 BOARD OF DIRECTORS

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

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

Chairman of the Board

Dan Wong

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

Neil Antymis, ICD.D, CPA, CGA

Director, Government Affairs,
PepsiCo Beverages Canada
Encorp Affiliation – Canadian Beverage Association
Committees – Governance

Stephen Chesman

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

Julie Dickson

Managing Director, Corporate Services
& Public Affairs – Save-On-Foods
Encorp Affiliation – Retail Council
Committee – Governance

Jim Goetz

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

John Irving

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

John Nixon

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

Liisa O'Hara, CPA, CGA

Encorp Affiliation – Unrelated Director
Committees – Audit / Governance

Greg Wilson

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

8.2 ADVISORY COMMITTEE

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

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

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

Bud Fraser
Senior Planning and Sustainability Engineer, University of British Columbia

Brock Macdonald
Chief Executive Officer, Recycling Council of BC

Louise Schwarz
Co-owner, Recycling Alternative

Meghan Woods
Environmental Initiatives Manager, BC Liquor Distribution Branch

Tera D. Grady
Supervisor of Solid Waste Management, Cariboo Regional District

Vince Spronken
Owner, Island Return-It Depot



2019 ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

9

Independent auditor's report and financial statements from Deloitte.

Independent Reasonable Assurance report for non-financial information.



9.1 MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

May 6, 2020

The financial statements of Encorp Pacific (Canada) have been prepared by management in accordance with Canadian accounting standards for not-for profit organizations ("ASNPO"). Any financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

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

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



Allen Langdon
President & CEO



Elena Zevakhina, CPA, CGA, MBA
CFO

9.2 INDEPENDENT AUDITOR'S REPORT & FINANCIAL STATEMENTS



Independent Auditor's Report

Deloitte LLP
939 Granville Street
P.O. Box 2177 Vancouver Main
Vancouver BC V6Z 1L3
Canada

Tel: 604-669-4466
Fax: 604-685-0395
www.deloitte.ca

To the Members of
Encorp Pacific (Canada)

Opinion

We have audited the financial statements of Encorp Pacific (Canada) (the "Corporation"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Deloitte LLP

Chartered Professional Accountants
May 6, 2020
Vancouver British Columbia

STATEMENT OF OPERATIONS

Encorp Pacific (Canada)

Statement of operations

Year ended December 31, 2019

	2019 \$	2018 \$
Revenue		
Deposits on containers	90,315,218	90,379,585
Deposit refunds	(77,587,390)	(72,181,564)
	12,727,828	18,198,021
Container recycling fees	43,913,653	48,224,790
Contract fees	11,958,032	11,365,089
Sale of recyclable materials	14,827,334	16,171,146
Other	810,095	658,573
	84,236,942	94,617,619
Direct operations expenses		
Handling fees	54,203,040	55,134,162
Transportation and processing fees	29,722,624	29,191,598
Depot operations	1,011,999	944,914
	84,937,663	85,270,674
Other expenses		
General and administrative	5,470,226	4,679,848
Consumer awareness	4,746,320	3,803,942
Amortization	804,176	748,376
Foreign exchange loss (gain)	133,063	(392,035)
	11,153,785	8,840,131
(Deficiency) excess of revenue over expenses	(11,854,506)	506,814

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

STATEMENT OF CHANGES IN NET ASSETS

Encorp Pacific (Canada)
Statement of changes in net assets
 Year ended December 31, 2019

	Notes	2019			2018
		Internally restricted reserve \$	Unrestricted \$	Total \$	Total \$
Net assets, beginning of year		829,615	33,137,768	33,967,383	33,460,569
(Deficiency) excess of revenue over expenses		—	(11,854,506)	(11,854,506)	506,814
Transfer to internally restricted reserve	5	47,623	(47,623)	—	—
Net assets, end of year		877,238	21,235,639	22,112,877	33,967,383

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

STATEMENT OF FINANCIAL POSITION

Encorp Pacific (Canada)
Statement of financial position
As at December 31, 2019

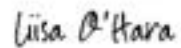
	Notes	2019 \$	2018 \$
Assets			
Current assets			
Cash		35,932,291	41,868,382
Accounts receivable	7	6,014,154	6,018,793
Prepaid expenses		358,903	59,139
		42,305,348	47,946,314
Tangible capital assets			
	4	1,337,420	1,657,766
		43,642,768	49,604,080
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		12,544,202	8,358,537
Deferred revenue		8,939,663	7,238,680
Advance payment from brand owners		46,026	39,480
		21,529,891	15,636,697
Commitments			
Subsequent event	11		
Net assets			
Internally restricted reserve	5	877,238	829,615
Unrestricted	5	21,235,639	33,137,768
		22,112,877	33,967,383
		43,642,768	49,604,080

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

Approved by the Board



_____, Director



_____, Director

STATEMENT OF CASH FLOWS

Encorp Pacific (Canada)
Statement of cash flows
 Year ended December 31, 2019

	2019	2018
	\$	\$
Operating activities		
Excess of revenue over expenses	(11,854,506)	506,814
Items not affecting cash		
Amortization	804,176	748,376
(Gain) loss on disposal of tangible capital assets	(759)	39,812
	(11,051,089)	1,295,002
Changes in non-cash operating working capital		
Accounts receivable	4,639	(84,425)
Prepaid expenses	(299,764)	(7,895)
Accounts payable and accrued liabilities	4,185,665	1,359,399
Deferred revenue	1,700,983	(323,187)
Advance payment from brand owners	6,546	3,738
	(5,453,020)	2,242,632
Investing activities		
Purchase of tangible capital assets	(499,221)	(1,185,935)
Proceeds from sale of tangible capital assets	16,150	54,200
	(483,071)	(1,131,735)
Net change in cash	(5,936,091)	1,110,897
Cash, beginning of year	41,868,382	40,757,485
Cash, end of year	35,932,291	41,868,382

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

NOTES TO FINANCIAL STATEMENTS

Encorp Pacific (Canada) **Notes to the financial statements** December 31, 2019

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. Adoption of new and revised accounting standards for not-for-profit organizations ("ASNPO")

New and revised ASNPO adopted in 2019

The Corporation has adopted the following new and revised accounting standards in these financial statements:

(a) Adoption of Section 4433, Tangible Capital Assets Held by Not-for-Profit Organizations

Effective January 1, 2019, the Corporation adopted Section 4433, on a prospective basis. The standard outlines how to account for the cost of contributed tangible capital assets, the amortization of tangible capital assets, the recognition of partial impairments of tangible capital assets and the disclosure of impairment losses.

The Corporation elected not to apply the requirements for componentization of tangible capital assets held at January 1, 2019 and hence did not allocate the costs of tangible capital assets and related amortization to the component parts of tangible capital assets held at January 1, 2019.

The Corporation has determined that the adoption of this standard did not have a material impact on the financial statements.

(b) Adoption of Section 4434, Intangible Assets Held by Not-for-Profit Organizations

Effective January 1, 2019, the Corporation adopted Section 4434, on a prospective basis. The standard outlines how to account for the recognition of partial impairments of intangible assets and the disclosure of impairment losses.

The Corporation holds computer software as an intangible asset. The Corporation has determined that the adoption of this standard did not have a material impact on the financial statements.

NOTES TO FINANCIAL STATEMENTS

Encorp Pacific (Canada) Notes to the financial statements December 31, 2019

3. Significant accounting policies

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

(a) *Revenue*

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

Contract fees are recorded when the services are provided.

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

(b) *Deferred revenue*

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

(c) *Direct operations expenses and other expenses*

Handling fees to depots, and transportation and processing fees, are recorded on the date the containers are collected by transporters. Other expenses are recorded in the period the related goods or services are received.

(d) *Foreign currency translation*

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

(e) *Tangible capital assets*

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

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

Assets under development are not subject to amortization until development is complete.

Tangible capital assets are tested for recoverability whenever events or changes in circumstances indicate that the asset no longer has any long-term service potential to the Corporation. An impairment loss is recognized to the extent that the carrying value of the asset exceeds its fair value.

NOTES TO FINANCIAL STATEMENTS

Encorp Pacific (Canada)

Notes to the financial statements

December 31, 2019

3. Significant accounting policies (continued)

(f) *Leases*

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

(g) *Use of estimates*

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Specific items subject to estimation include the allowance for doubtful accounts, estimated useful lives and potential impairment of tangible capital assets, deferred revenue and accrued liabilities.

These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the statement of operations in the year in which they become known. Actual results could differ from those estimates.

(h) *Financial instruments*

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

Transaction costs related to financial instruments measured at fair value are expensed as incurred. For all other financial instruments, the transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations.

With respect to financial assets measured at cost or at amortized cost, the Corporation recognizes in the statement of operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written down asset decreases, and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the statement of operations in the period the reversal occurs.

NOTES TO FINANCIAL STATEMENTS

Encorp Pacific (Canada) Notes to the financial statements December 31, 2019

4. Tangible capital assets

	Cost \$	Accumulated amortization \$	2019 Net book value \$	2018 Net book value \$
Computer hardware	3,084,248	2,115,577	968,671	1,262,061
Leasehold improvements	369,821	215,463	154,358	204,993
Office equipment	935,909	759,933	175,976	185,775
Computer software	125,965	87,550	38,415	4,937
	4,515,943	3,178,523	1,337,420	1,657,766

5. 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 \$47,623 was transferred from the unrestricted reserve to restricted reserve during the current year (\$236,429 was transferred from the restricted reserve to the unrestricted reserve in 2018).

6. 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:

	\$
2020	543,804
2021	533,154
2022	502,919
2023	508,056
2024	479,940
Thereafter	912,413
	3,480,286

7. Government remittances

Government remittances consist of amounts (such as payroll withholdings, sales taxes, employer health tax and Workers' Compensation Board remittances) required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, the net position is a receivable of \$188,894 (receivable of \$128,748 in 2018).

NOTES TO FINANCIAL STATEMENTS

Encorp Pacific (Canada)
Notes to the financial statements
 December 31, 2019

8. 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 \$159,494 (\$154,105 in 2018) in Directors' fees.

9. Bank facilities

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

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

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

10. Financial instruments

Foreign currency risk

The Corporation is exposed to foreign exchange risk through its cash, accounts receivable and accounts payable and accrued liabilities that arise on sales of recyclable materials denominated in US dollars. At December 31, 2019, the net US dollar exposure on cash, accounts receivable, accounts payable and accrued liabilities was US\$1,543,841 (US\$1,743,691 in 2018).

Interest rate risk

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

Credit risk

The Corporation's assets subject to credit risk consist of cash and accounts receivable. The Corporation maintains its cash with a major, reputable financial institution. Accounts receivable consists of amounts outstanding from brand owners and material recyclers. The Corporation monitors the creditworthiness of brand owners and material recyclers to minimize the risk of loss.

Liquidity risk

The Corporation's objective is to have sufficient liquidity to meet its liabilities when due. The Corporation monitors its cash balances and cash flows generated from operations to meet its requirements. As at December 31, 2019, the most significant financial liabilities are accounts payable and accrued liabilities.

NOTES TO FINANCIAL STATEMENTS

Encorp Pacific (Canada)

Notes to the financial statements

December 31, 2019

11. Subsequent event

Subsequent to the year-end, on March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Corporation in future periods.

The Corporation anticipates that the system may experience a temporary decline in the volume of used beverage containers returned over the next few weeks. The Corporation has been monitoring the COVID-19 situation closely and working with its employees, independently owned depot businesses, logistics providers and related stakeholders to ensure precautionary measures are put in place to protect employees and the community, consistent with The Centers for Disease Control and Prevention and BC Centre of Disease Control guidelines. In support of these measures, there have been changes in the Return-It network, including modified depot operating hours and temporary closures. The Corporation has been regularly sharing these updates and directing consumers to visit their website for the most up to date information.

9.3 INDEPENDENT REASONABLE ASSURANCE REPORT



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Independent Reasonable Assurance Report

To the Directors of Encorp Pacific (Canada) on selected non-financial information included in the Encorp 2019 Annual Report (the "Annual Report")

We have been engaged by Encorp Pacific (Canada) ("Encorp") to perform a reasonable assurance engagement in respect of the following information, referred to as the "Selected Information", detailed within Encorp's Annual Report to the Ministry of Environment and in Appendix A, for the year ended December 31, 2019:

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

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

Management's responsibility

Management is responsible for the preparation of the Selected Information in accordance with the evaluation criteria as listed in Appendix A. Management is also responsible for such internal control as management determines is necessary to enable the preparation of the Selected Information such that it is free from material misstatement. Furthermore, management is responsible for preparation of suitable evaluation criteria in accordance with the guide to third party assurance for non-financial information in annual reports - 2019 reporting year, dated November 2019 ("Assurance Requirements") as specified by the Director under Section 8(2)(h) of the Recycling Regulation of the Province of British Columbia.

Our responsibility

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

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

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

Our Independence and Quality Control

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

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

Applicable criteria and key assurance procedures

The applicable evaluation criteria are presented in an Appendix A to this report. The procedures we performed as the basis for our conclusion included the following:

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

Inherent limitations

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

Basis for qualified opinion

In the absence of government approved targets for the 2019 reporting year, Encorp has not provided disclosures on performance against targets required under Section 8(2)(g). As a result, we were not able to provide assurance over the following selected information:

- Performance for the year in relation to approved targets under Section 8(2), (b), (d) and (e) in accordance with Section 8(2)(g) of the Recycling Regulation.

Conclusion

In our opinion, except for the matters described in the preceding paragraph, the Selected Information of Encorp for the year ended December 31, 2019 is prepared, in all material respects, in accordance with the evaluation criteria listed in Appendix A to this report.

Other matters

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



Chartered Professional Accountants
Vancouver, British Columbia, Canada
June 10, 2020

Appendix A Assurance Requirements

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

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

Disclosure per the Annual Report	Reference
Encorp’s collection network consists of 171 collection facilities including 168 independently owned and operated Return-It™ Depots , one (1) corporate Return-It Express Plus and two (2) Express and Go unstaffed stations available to the public. Two (2) of the 171 collection facilities were opened during 2019.	Collection System and Facilities: Executive Summary on page 1.

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

Definitions:

- **Collection Facility** means a Return-It™ Depot that has an agreement for the collection of used beverage containers or operates as a corporate Return-It Express Plus™ or a Return-It Express & Go™ unstaffed station.
- **List of Return-It™ collection facilities** is a registry of Return-It™ Depots, Return-It Express Plus™ and Express & Go™ unstaffed stations containing contact information (location, contact and hours of operation) maintained by Encorp.

Evaluation criteria:

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

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

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

- All containers collected by Encorp in 2019 were shipped to recyclers for further processing into new material in accordance with Section 8 of the Recycling Regulation.
- Aluminium cans were sold and shipped to a re-melt facility in the USA and turned back into aluminium sheet stock for new cans.
- Plastic containers were sold to end markets in British Columbia (BC) and shipped to their two separate facilities in BC and Alberta (AB) to be cleaned and pelletized to become new raw material for manufacturers of various plastic products including new containers, strapping material and fibres.
- Glass containers were processed in British Columbia and shipped to various end markets including a plant that produces fibreglass insulation in Alberta; a facility that procures new glass bottles in Seattle, US; a facility that manufacturers sandblasting materials in Quesnel, BC; and municipal sites that use crushed glass as construction aggregates.
- Polycoat containers (Drink Box and Gable Top) were sold to manufacturing plants in South Korea, Thailand and Japan for material recovery and production of tissue paper from the recovered fibre. Some Drink Box containers were shipped to a facility in Des Moines, Iowa where they produce building boards which are used as an alternative to traditional wallboards, roofing, floor underlayment, ceiling tiles and structured insulated panel.
- Other metal containers including bi-metal were sold to scrap metal dealers in BC for metal recovery.
- Stand up pouches, made of layers of plastic and aluminium foil, as well as the laminated plastic bags used inside bag-in-a-box containers were shipped to a manufacturing company in New Jersey that is using this material to make composite decking, buckets, storage totes, non-food grade container & trays.
- Cardboard from the outer layer of the box was recycled by local processors for material recovery.

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.

<p>3. Section 8 (2) (e) the total amount of the producer’s product sold and collected and, if applicable, the producer’s recovery rate</p>					
<p>Specific Disclosures in the Annual Report for which evaluation criteria were developed:</p>					
<table border="1"> <thead> <tr> <th>Disclosure per the Annual Report</th> <th>Reference</th> </tr> </thead> <tbody> <tr> <td> Total Sales in units: 1,348,921,360 Total Product Collected in units: 1,053,684,532 Recovery Rate: 78.1% </td> <td> Recovery rate from the Executive Summary on page 3 </td> </tr> </tbody> </table>	Disclosure per the Annual Report	Reference	Total Sales in units: 1,348,921,360 Total Product Collected in units: 1,053,684,532 Recovery Rate: 78.1%	Recovery rate from the Executive Summary on page 3	
Disclosure per the Annual Report	Reference				
Total Sales in units: 1,348,921,360 Total Product Collected in units: 1,053,684,532 Recovery Rate: 78.1%	Recovery rate from the Executive Summary on page 3				
<p>The following evaluation criteria were applied to the assessment of the description of how total amounts of the producer’s product sold and collected and, if applicable, the producer’s recovery rate has been calculated in accordance with Section 8(2)(e).</p>					
<p>Definitions:</p> <ul style="list-style-type: none"> • Recovery Rate: A calculated value derived from dividing total units collected by total units sold and measured as percentage rounded to the first decimal point. • Product Sold: Number of units (beverage containers) reported by Brand Owners to Encorp. • Brand owners: Producers as defined in Schedule 1 of the Recycling Regulation. • Product Collected: Number of units (used beverage containers (UBC)) collected by Encorp. • Containers in Transit: Containers for which deposits were received but will be refunded subsequent to year-end. The estimated turnaround time for consumers returning used beverage containers for deposit refunds is estimated to be 7.5 weeks. • Movement Authorization (MA): A document indicating a number of containers and number of shipping containers (bags) collected by transporters on behalf of Encorp Pacific (Canada). 					
<p>Evaluation criteria:</p> <ul style="list-style-type: none"> • The recovery rate is determined by dividing the number of product units collected by the total number of product units sold. • The total product units sold is based on sales reports received by Encorp from their Brand owners in unit sales. • The reported units sold are adjusted at year-end to account for containers for which deposits were received but will be refunded subsequent to year-end. • The total number of product collected is based on the number of used beverage containers collected by Encorp as indicated in the movement authorization form during the calendar year. • The product units sold and collected, and the recovery rate reconcile to the numbers published in the Annual Report. 					

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

In absence of government approved targets for the 2019 reporting year, Encorp Pacific (Canada) has not provided disclosures on performance against targets required under Section 8 (2) (g).



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