



ANNUAL REPORT 2011

ENCORP PACIFIC (CANADA)



Recycling by the Numbers

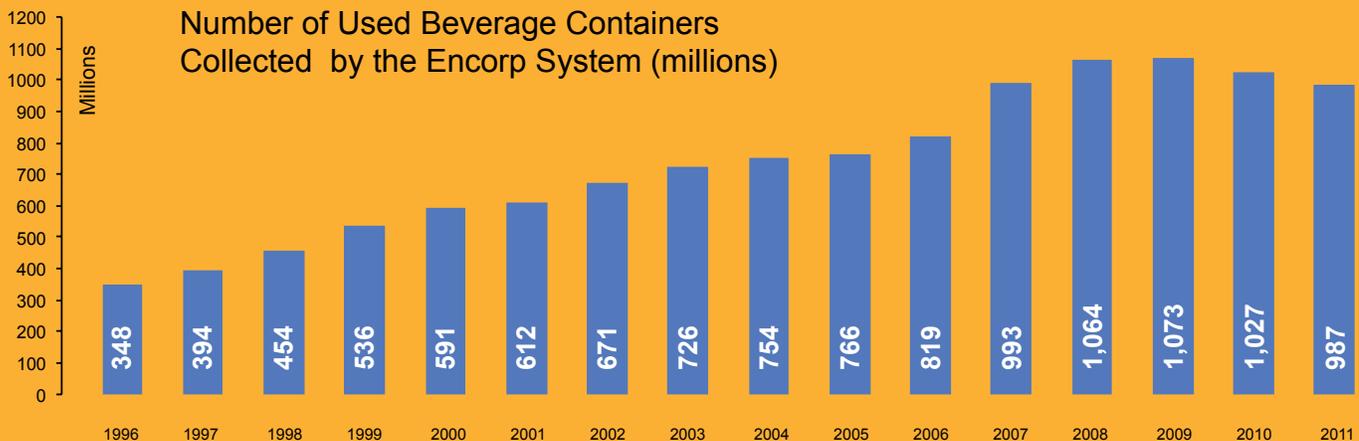
In 2011, Encorp Pacific (Canada) recovered just under one billion containers and continued to demonstrate why we are one of the most effective industry product stewardship corporations in North America.

987

Millions Containers Collected

79.8%

Recovery rate



Type	Containers Sold		Containers Recovered		% Recovery Rate		Metric Tonnes of Material Recycled		Recovery Rate by Weight	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Aluminum	430,987,552	437,430,646	361,675,086	365,461,828	83.9%	83.5%	5,096	5,131		
Plastic ≤ 1L	368,331,888	369,292,651	269,691,474	281,903,999	73.2%	76.3%	5,812	7,035		
Plastic > 1L	66,029,546	68,772,192	58,058,049	60,396,885	87.9%	87.8%	4,081	4,460		
Glass ≤ 1L	29,506,414	35,919,952	23,833,807	28,364,800	80.8%	79.0%	7,009	8,602		
Glass > 1L	147,396	160,136	171,979	164,823	116.7%	102.9%	180	163		
Bi-Metal ≤ 1L	3,211,863	3,286,487	2,340,382	2,289,901	72.9%	69.7%	122	107		
Bi-Metal > 1L	862,953	949,211	459,214	500,264	53.2%	52.7%	67	72		
Pouches	8,616,083	13,424,429	4,345,312	6,061,228	50.4%	45.2%	26	36		
Drink Box ≤ 500ML	93,509,617	96,107,029	51,073,805	52,916,025	54.6%	55.1%	540	559		
Drink Box 501 ML - 1L	22,721,342	25,726,235	17,264,153	18,929,689	76.0%	73.6%	724	795		
Gable Top ≤ 500ML	996,731	1,549,829	295,354	408,024	29.6%	26.3%	4	6		
Gable Top 501 ML - 1L	879,828	928,206	268,785	270,642	30.5%	29.2%	9	15		
Gable Top > 1L	12,201,353	12,351,720	8,621,796	9,442,391	70.7%	76.4%	676	756		
NRBC ≤ 1L	96,948,756	108,792,080	96,803,996	107,737,117	99.9%	99.0%	21,401	25,832		
NRBC > 1L	462,419	575,957	429,743	474,878	92.9%	82.5%	233	256		
W & S ≤ 1L	73,022,080	72,838,434	67,473,957	67,212,566	92.4%	92.3%	33,942	35,195		
W & S > 1L	11,458,982	11,650,801	10,552,800	10,596,539	92.1%	91.0%	7,927	7,812		
W & S Plastic ≤ 1L	10,749,166	11,512,727	8,989,360	9,238,612	83.6%	80.2%	355	421		
W & S Plastic > 1L	3,982,110	3,812,338	3,678,719	3,659,399	92.4%	96.0%	307	266		
Bag-in-Box - Alcohol	2,556,327	2,425,280	1,158,754	1,075,712	45.3%	44.4%	275	248		
Totals	1,237,182,406	1,277,506,339	987,186,525	1,027,105,322	79.8%	80.4%	88,788	97,767	89.3%	88.5%

Message from the Chair



In the past, Encorp Pacific (Canada) would have considered 2011 to have been a completely satisfying year. Overall recovery performance was an enviable 79.8%. Financial reserves stabilized at planned levels following measures implemented in 2010 to combat the effects of the global recession. Throughout, customer satisfaction remained high and the overall caliber of our depots continued to improve. These accomplishments are a credit to management, staff and our depot operators and they deserve to be recognized.

Still, we could not help but be preoccupied with external developments taking place in the realm of product stewardship both in British Columbia and across Canada. Among other things, the provincial government's addition of packaging and printed paper to Schedule 5 of the Recycling Regulation portends the most ambitious stewardship program yet undertaken, and could well have a significant impact on Encorp's operations in the future. The big question heading into 2012 was what kind of impact, and what changes – if any – would it have on our business, the business of our brand owners and the business of our depots?

In addition to packaging and printed paper, British Columbia is aggressively expanding stewardship obligations in other product categories. It is anticipated that the province will have mandated some twenty discrete programs by mid-2012. The

sheer number and breadth of these programs puts considerable stress upon industry and government, and will test the province's unique approach to stewardship regulation. This approach has served British Columbians well as far as existing programs are concerned, but it may challenge the newer, smaller programs, many of which have less familiarity with government expectations.

In October, while in the midst of these deliberations, the Ministry of Environment initiated a review of 'prescriptive measures' in the beverage container stewardship program regulation, asking in particular whether existing deposit levels were appropriate, whether existing return-to-retail options were appropriate, and whether existing prohibitions against energy from waste as a disposal option for certain materials were appropriate. The timing of the review struck us as peculiar given all of the activity that is currently underway in other areas of product stewardship. We await the Ministry's conclusions and follow-up on this review.

With all of this in mind, the Board of Directors focused its attention in 2011 on mid and longer-term strategic issues as it is becoming increasingly clear that the business model under which we have operated for the past seventeen years is bound to undergo some measure of change. Again, the big question is 'how' and to what degree?

In contemplating these changes, the Board has identified the following key priorities for Encorp in the year(s) ahead:

- To optimize the depot infrastructure and support increased productivity at our Return-It™ depots, which continue to be our strongest and most important assets.
- To expand the collection infrastructure in densely-populated, hard to access areas of the province, particularly within the City of Vancouver.
- To continue to show leadership in the application of and support for the Industry Product Stewardship model, on which the existing regulation is based.

- To pursue continuous improvement in recovery performance and, in that pursuit, to consider innovative new formats and configurations of the collection infrastructure.

A significant amount of forward thinking (and to a degree, crystal ball gazing) is required to plan for and address these priorities, but we expect the picture to be much clearer by mid-2012, particularly with respect to packaging and printed paper. In the meantime, senior management is doing some excellent work to model various scenarios, often in collaboration with other stewardship agencies as current and future programs become increasingly interconnected.

We appreciate the opportunity to work cooperatively with these agencies and with the Ministry of Environment as British Columbia enters the next phase in the evolution of industry product stewardship.

It is a credit to management and staff that the day-to-day operations of the corporation and the beverage container recycling system continue to be conducted smoothly and that the Board is able to concentrate on longer term strategic issues. I would again like to thank the team for all its efforts in making Encorp Pacific one of the most respected stewardship agencies in North America. And as always, I would like to thank the Board of Directors for its dedication and thoughtful guidance as we prepare for the changes that lie ahead.



Dan Wong
Board Chair

Message from Chief Executive Officer



Despite our past successes, we are intent on achieving even higher environmental performance. What lies ahead will challenge Encorp as we strive to increase the incremental performance – the ‘last mile’ is always the toughest – and overall benefits of our beverage stewardship program. After more than 18 years in operation, we have demonstrated that our industry self-managed model meets or exceeds expectations of most stakeholders.

We recover 80% of all the beverage containers sold in British Columbia and operate without any form of subsidy from any level of government. Each year the Encorp network of 172 Return It™ depots & their owners invest in new locations and upgrades all in keeping with our commitment to enhance the appeal and customer service for our citizens who are doing their part by returning containers for recycling.

Through our independent depot owners and our contract partners in transportation and processing, more than 750 British Columbians are employed.

Starting in 2012, we will accelerate our development of new Return It™ collection formats in order to service densely populated urban areas in the major cities of the province. At the same time we will commence pilot testing new methods of sorting containers to reduce the time and effort required by consumers and to achieve increased productivity for depot owners. In 2011, we partnered with the City of Richmond and the beverage industry to field a successful pilot program for beverage container recycling in public spaces. From this experience, we anticipate partnering with other municipal and regional governments to expand the accessibility and the number of beverage collection bins located on streetscapes and public areas. In 2011 we concluded a successful pilot program with Capilano University located in North Vancouver, and intend to extend this approach to other post-secondary institutions.

These initiatives; increased consumer accessibility to depots and expanded collection infrastructure in public spaces, are the underpinning of our drive to continue increasing our recovery rates over and above the high standards we now achieve. An analysis of our recovery rates yields some important details; namely, for alcohol containers primarily consumed indoors (15% of total sales) we achieve a recovery rate of 95%; for aluminum/plastic containers primarily consumed away from home (65% of total sales) we achieve a rate of 80% and for specialty glass and carton containers (20% of total sales) we achieve a rate of 70%. Therefore we intend to invest in expanding our collection infrastructure to increase our capture of containers consumed away from home.

As we approach our 20th anniversary in 2014, I believe we have assisted in the development and success of industry-led stewardship in British Columbia; a success that has pioneered the most profound expansion of extended producer responsibility anywhere in North America. Citizens, governments and producers have been helped to secure their interest in environmental sustainability. The entrepreneurs who operate depots, transporters, processors have partnered with our dedicated staff and our professional board of directors to fashion a made-in-BC success story.

Sincerely,



Neil Hastie
President & CEO

What Drives Us

“I am proud to be associated with a stewardship organization that is making such an important contribution to maintaining British Columbia’s reputation as the best place in the world to live, work and play.”

Dale Parker, Board Member

Vision

Encorp Pacific (Canada) will be a leader in British Columbia in the design and delivery of a highly effective stewardship program across a targeted range of end-of-life consumer products and packaging.

Mandate

Encorp Pacific (Canada) will be the leading stewardship agency in British Columbia with a continuous focus on beverage containers as our core business.

Role

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

Recycling!



Encorp Pacific Business Model

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

The company has developed and maintained a set of core competencies in 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, processors and others. 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 behaviours can be quickly incorporated under the contract management system.

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.



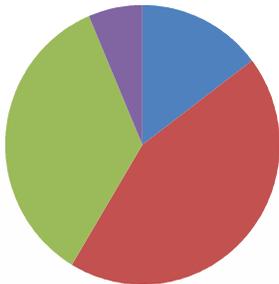
Depots Achieve All-Time Highs Customer Satisfaction and 5 Star Certification

We have record high recognition and record high recovery rates.

Today, this network of privately owned Return-It™ Depots operating under license from Encorp has become the collection network backbone for many recycling programs. Stewardship programs for domestic beer containers, residual household hazardous waste and end-of-life electronics/ electrical equipment all utilize our network. Driven by the depot owners' increased commitment to customer service, the depot has become a one-stop drop for regulated consumer products and packaging.

Here is an overview of the 172 depots in the network today:

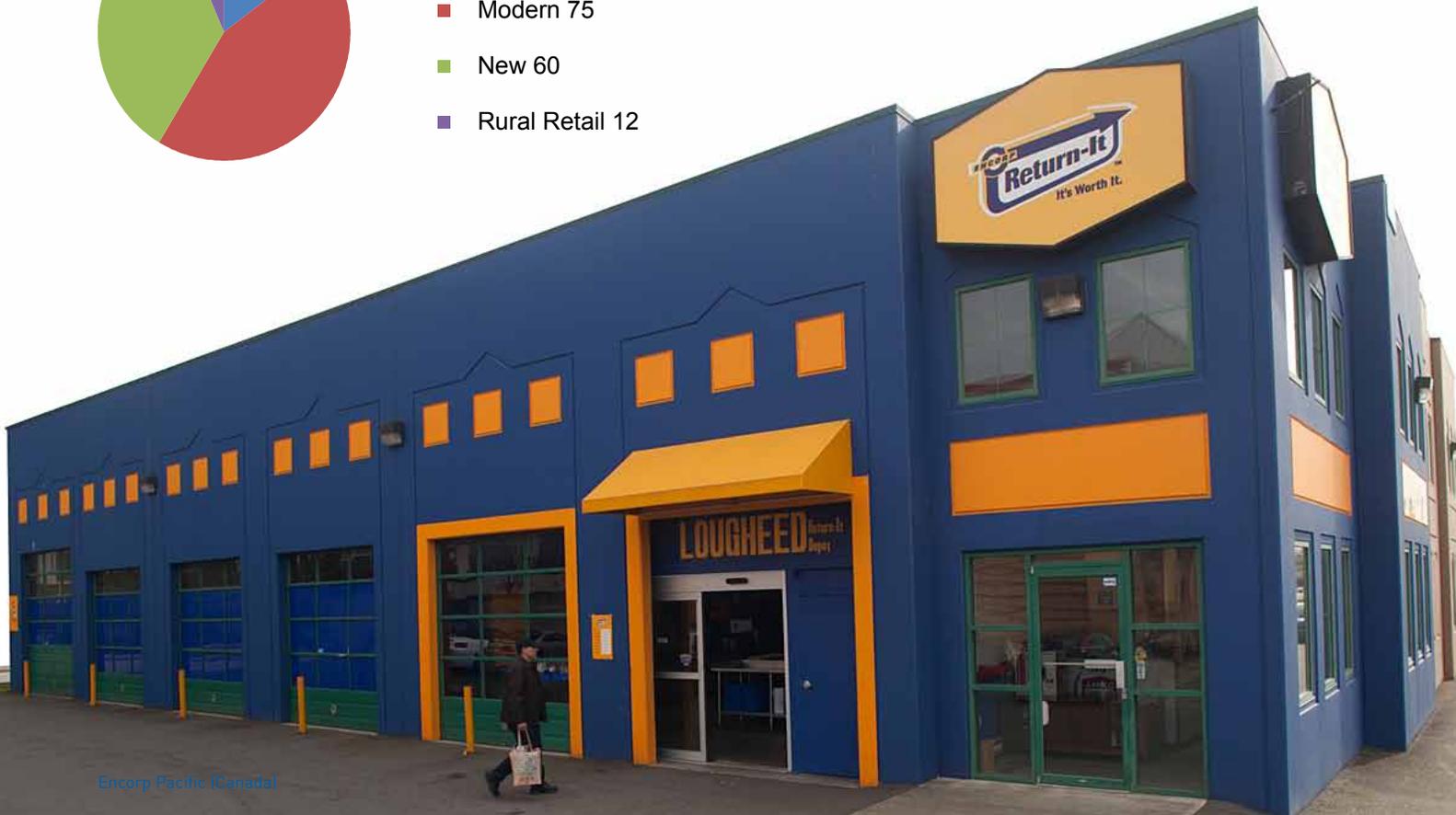
Return-It™ Network by Type



- Industrial 25
- Modern 75
- New 60
- Rural Retail 12

Here are some of the business metrics for the Return-It™ network:

1. Median volume: 5.0 million units of Encorp material + 1.5 million units of Brewers Distributor Limited (BDL) material = 6.5 million total
2. Depots share of all collected containers: 91% (9% go to grocery retailers)
3. Depots share of alcohol containers: 84% (16% goes to government liquor stores)
4. Depots collecting electronics: 84
5. Total estimated employees: 700 full-time equivalents
6. Total Encorp fee for service payments to depots: \$51.4 million/year





There's a Story in Every Depot

With over 20 years of recycling experience, Hanif Devji opened the Langley Bottle Depot in 2001. After arriving in Nanaimo from Kenya in 2000, nine months later he found the Langley Bottle Depot. Hanif quickly realized it was the perfect business for him and his family. The Langley Bottle Depot is a centrally located 5-Star Depot with plenty of parking and extended hours. His philosophy is simple: By providing a clean, comfortable recycling facility with the best customer service, he can reward those who are making the effort to keep waste out of our landfills. The formula has worked. Hanif's success has allowed him to expand his business - he is now the proud owner of Enderby Bottle Depot located in the Okanagan.

LANGLEY
BOTTLE
DEPOT

604-530-0131

Return-It DEPOT

Return-It
EST. 1988

LANGLEY BOTTLE



Keeping Things Moving

Encorp keeps the system moving through productive relationships with 33 transporters who move material into 17 central processing sites.

Encorp has a solid group of transportation partners, many of which have been working with us for up to 17 years. We have also added in new contractors in the North where we have had some gaps in service.

Our processor continue to assist Encorp in identifying new end markets for our materials. These partners sort, process and compact various glass, plastic, aluminum, and bi-metal materials and are key in the recycling process.

Encorp's transportation contractors continue to have added pressures of higher fuel prices. We consistently monitor these prices across our network working with our partners to minimize these costs wherever possible. Fuel prices have at times hit peaks in cost during 2007 and 2008.

Encorp's contractors continue to look at alternative fuel technologies such as low burning sulfur vehicles, hybrid diesel trucks, and even natural gas engines. Much of this technology is still in its infancy, or has provided difficulties for many of our contractors to implement, such as low sulfur burning trucks resulting in lower fuel efficiency.

Through 2011, transportation traffic has been difficult in the Metro Vancouver region due to ongoing road construction from the North Shore through to Abbotsford and is expected to continue until 2014. We have also seen construction and traffic challenges through parts of Okanagan.

To assist in these traffic concerns, Encorp and its transportation contractors are working with our depot network to lengthen hours for pick up, as well as assisting depot operators to relocate to buildings that make the loading of Encorp's trucks easier and more efficient.

Eighteen years ago, Jason Webb was working in the grocery industry when a coworker introduced him to Encorp Pacific. Before Jason knew it, he had discovered his career and had become one of Encorp's contract transporters. He brings used beverage containers from locations across the Lower Mainland to processors such as Merlin Plastics in Delta, BC. On a typical day, Jason starts at 5am and hauls several loads per day between grocery stores, bottle depots and processors. With a part-time employee and the use of his independently owned single truck, Jason estimates he moves 5,600 bags per week. That's about 1.1 million containers that are recycled and kept from our landfills each week.



Recycling is Worth It



Aluminum

Aluminum is the most valuable commodity collected by Encorp. Baled aluminum cans are sent to a major re-melt facility and turned back into sheet stock for new cans.



Plastic

The two key plastic resins collected by Encorp, PET and HDPE, are sent to separate facilities to be cleaned and pelletized for sale into the open market. End uses for these plastics include new containers, strapping materials and fibres. Encorp has signed a multi-year contract with Merlin Plastics to ensure long-term markets for these commodities.



Glass

United Concrete, Encorp's contracted glass processor has continued to find end markets for glass in Airdrie, Alberta and Seattle, Washington. Long-term arrangements for utilizing glass collected on Vancouver Island have been made with Emterra, formally known as International Paper Industries. End uses for recycled glass include new bottles, pink insulation, sandblasting materials and construction aggregates.



Polycoat

Drink boxes and gable top cartons continue to be sold into markets primarily in Asia. The high quality paper fibre that comprises the bulk of these containers is recovered and used to make cardboard boxes and tissue paper.





Regional Weights and Per Capita Container Returns

In 2011, decreased beverage sales across BC resulted in decreased per capita returns.

Returns by Region Summary. Alcohol and Non-Alcohol containers: January – December 2011

Region Name		Aluminum	Plastic	Glass	Polycoat	Other	Total	Jan. - Dec. 2011 Per Capita	Jan. - Dec. 2010 Per Capita
Bulkley / Nechako	Units(000)	4,636	3,337	1,146	698	54	9,870	250.7	254.2
Bulkley / Nechako	Tonnes	65.3	97.1	414.0	15.0	3.1	594.6	15.1 kg	16.3 kg
Cariboo	Units(000)	7,262	5,582	2,291	1,208	97	16,440	249.7	267.1
Cariboo	Tonnes	102.3	167.2	768.0	24.7	6.9	1,069.2	16.2 kg	18.4 kg
Central Coast	Units(000)	292	166	87	49	4	598	188.0	183.6
Central Coast	Tonnes	4.1	5.7	36.0	1.0	0.2	47.1	14.8 kg	15.2 kg
Fraser - Fort George	Units(000)	11,496	9,581	4,010	2,172	165	27,425	282.9	294.7
Fraser - Fort George	Tonnes	162.0	281.1	1,312.4	47.2	8.6	1,811.2	18.7 kg	21.3 kg
Kitimat - Stikine	Units(000)	4,492	3,349	928	714	79	9,561	237.3	250.0
Kitimat - Stikine	Tonnes	63.3	99.2	347.7	16.2	3.6	530.0	13.2 kg	14.7 kg
Skeena - Queen Charlotte	Units(000)	2,786	1,867	677	372	48	5,750	295.1	311.2
Skeena - Queen Charlotte	Tonnes	39.3	56.2	244.8	8.0	2.2	350.5	18.0 kg	20.0 kg
Northern Rockies	Units(000)	1,013	1,322	215	153	6	2,710	428.5	361.0
Northern Rockies	Tonnes	14.3	31.5	66.6	3.2	0.2	115.7	18.3 kg	20.2 kg
Peace River	Units(000)	6,810	6,316	2,253	1,013	113	16,505	256.8	265.5
Peace River	Tonnes	95.9	179.0	723.1	23.7	3.6	1,025.3	15.9 kg	17.7 kg
Capital Regional District	Units(000)	30,056	26,688	20,113	5,362	530	82,747	220.9	232.0
Capital Regional District	Tonnes	423.5	873.4	7,306.1	165.1	46.9	8,815.1	23.5 kg	26.8 kg
Cowichan Valley	Units(000)	9,177	6,808	3,625	1,443	172	21,226	254.8	268.6
Cowichan Valley	Tonnes	129.3	213.7	1,353.9	37.3	11.9	1,746.0	21.0 kg	23.1 kg
Alberni / Clayoquot	Units(000)	3,995	3,067	1,506	544	73	9,185	290.1	306.1
Alberni / Clayoquot	Tonnes	56.3	93.1	545.8	13.7	3.5	712.5	22.5 kg	24.9 kg
Comox	Units(000)	6,898	5,343	3,226	1,176	119	16,763	258.7	270.6
Comox	Tonnes	97.2	171.4	1,206.8	32.1	10.5	1,517.9	23.4 kg	25.5 kg
Mount Waddington	Units(000)	1,649	1,029	441	199	9	3,326	276.4	265.9
Mount Waddington	Tonnes	23.2	32.4	166.9	4.5	1.4	228.5	19.0 kg	20.5 kg
Nanaimo	Units(000)	12,488	10,922	7,646	2,067	242	33,365	221.5	230.2
Nanaimo	Tonnes	176.0	347.5	2,711.7	60.4	24.0	3,319.5	22.0 kg	23.9 kg

Units (000)
Tonnes
Per Capita totals (kg)

987,197
88,787.7
215.9

Region Name		Aluminum	Plastic	Glass	Polycoat	Other	Total	Jan. - Dec. 2011 Per Capita	Jan. - Dec. 2010 Per Capita
Strathcona	Units(000)	2,893	2,084	1,238	478	49	6,742	151.5	152.3
Strathcona	Tonnes	40.8	66.1	461.7	12.7	4.5	585.8	13.2 kg	13.6 kg
Greater Vancouver	Units(000)	152,843	159,958	98,365	39,599	4,756	455,520	189.4	200.2
Greater Vancouver	Tonnes	2,153.6	4,979.1	34,838.0	997.3	228.0	43,196.0	18.0 kg	19.9 kg
Fraser Valley	Units(000)	27,071	23,490	10,047	5,980	641	67,227	234.3	249.2
Fraser Valley	Tonnes	381.4	736.0	3,445.5	132.4	29.3	4,724.5	16.5 kg	18.7 kg
Powell River	Units(000)	1,940	1,420	822	279	35	4,497	219.1	229.8
Powell River	Tonnes	27.3	45.9	312.2	7.7	4.0	397.0	19.3 kg	20.7 kg
Squamish - Lillooet	Units(000)	3,429	3,539	3,669	616	51	11,305	273.2	301.2
Squamish - Lillooet	Tonnes	48.3	108.4	1,299.2	16.6	3.2	1,475.8	35.7 kg	40.7 kg
Sunshine Coast	Units(000)	2,288	1,916	1,810	428	41	6,482	213.5	225.2
Sunshine Coast	Tonnes	32.2	64.4	684.8	12.8	5.9	800.1	26.4 kg	28.6 kg
Central Okanagan	Units(000)	16,374	15,959	9,702	3,849	233	46,116	246.3	252.0
Central Okanagan	Tonnes	230.7	487.7	3,517.6	89.5	22.3	4,347.9	23.2 kg	25.3 kg
North Okanagan	Units(000)	9,761	9,535	4,323	2,096	146	25,861	311.4	319.6
North Okanagan	Tonnes	137.5	301.2	1,514.6	57.2	13.2	2,023.8	24.4 kg	26.5 kg
Okanagan - Similkameen	Units(000)	7,943	7,356	4,531	1,373	132	21,335	258.2	262.2
Okanagan - Similkameen	Tonnes	111.9	229.0	1,709.3	35.1	13.0	2,098.3	25.4 kg	26.9 kg
Columbia Shuswap	Units(000)	5,359	4,822	3,038	854	69	14,143	263.1	274.9
Columbia Shuswap	Tonnes	75.5	142.5	1,023.3	21.8	6.7	1,269.7	23.6 kg	26.4 kg
Thompson - Nicola	Units(000)	14,530	13,263	6,362	2,567	233	36,955	279.2	292.0
Thompson - Nicola	Tonnes	204.7	389.4	2,171.8	59.8	17.1	2,842.8	21.5 kg	24.5 kg
Central Kootenay	Units(000)	4,983	3,627	3,017	858	76	12,561	207.0	218.3
Central Kootenay	Tonnes	70.2	117.0	1,030.6	22.5	7.1	1,247.4	20.6 kg	22.9 kg
East Kootenay	Units(000)	6,292	5,680	3,011	879	79	15,941	264.4	274.7
East Kootenay	Tonnes	88.7	167.1	1,052.2	23.5	5.6	1,337.0	22.2 kg	24.6 kg
Kootenay Boundary	Units(000)	2,920	2,393	1,167	498	53	7,031	220.7	222.9
Kootenay Boundary	Tonnes	41.1	73.1	427.4	12.8	4.1	558.5	17.5 kg	18.8 kg

Quality Assurance



“It is a pleasure to partner with Encorp for over 15 years to provide processing and baling from a number of our processing facilities throughout BC. This helps maximize the weight of each commodity and ensures the final product being sent to market meets specification.”

Brandon Rogers, Cascades Recovery Inc.



Our Quality Assurance site purchased and installed the Anker Andersen (AA) equipment from Denmark, which is a high speed automated sorting machine dedicated to counting used beverage containers.

The AA equipment has been in place in Europe for over 10 years and it is the first instance where this technology will be used in North America. The AA machine counts and sorts the containers by reading the Universal Product Code (UPC) on the containers. It uses a series of belts and 8 scanners and optical cameras to read the UPC codes. With Encorp’s system the AA equipment will scan and sort aluminum cans at an average of 200 cans per minute and 120 plastic containers per minute.

The AA equipment has been very beneficial by substantially increasing the counts with automation, reducing human error in manual counting and by continuing to increase the integrity of our Quality Assurance site.

Encorp was successful in completing the task of registering the UPC codes of thousands of products and integrating the technology from Europe by modifying our procedures and software to Encorp’s application.



A large, grey industrial machine with multiple compartments and a control panel, likely used for processing or packaging materials.

A yellow metal frame structure, possibly a support for the conveyor system or a workbench.

A long, metal conveyor system with multiple stations, each equipped with a hopper and a discharge chute, used for distributing material into the bags.

A row of white bags, each with a blue and orange logo that reads "Return-It" and "It's Worth It." Below the logo, the phone number "1-800-530-7767" and the website "www.return-it.com" are visible.

A person wearing a plaid shirt and blue jeans, standing near a workbench in the background.

A yellow metal workbench with a grey plastic bin on it, used for various tasks in the factory.

A black bag or container on the floor near the person in the background.

A green-painted concrete floor with yellow safety lines, indicating a specific area or lane in the factory.

Recyclers to the Core



Encorp was established in 1994 to recover and recycle deposit-bearing beverage containers. This remains Encorp's core business interest.

The flexibility of the Industry Product Stewardship model, however, permits the addition of other product recycling programs, providing they meet key business case requirements:

Additional services should complement and not interfere with Encorp's core business.

Each contract must provide some benefit to existing brand owners – typically through the sharing of overhead costs.

Each additional program must be completely self financing.

Under service provider contracts, Encorp does not assume product stewardship agency responsibilities as defined under provincial legislation.

In 2007, Encorp undertook two service provider contracts that met the above criteria: RETURN-IT ELECTRONICS™ and RETURN-IT MILK™.



RETURN-IT ELECTRONICS™

The program is operated by Encorp under contract from the Electronics Stewardship Association of BC (ESABC), which is the product stewardship agency for electronics. ESABC produces a public annual report on the program that can be viewed at www.esabc.ca

Electronic Stewardship Association of BC (ESABC)

Under a contract with ESABC, Encorp has operational management of a system that collects, and transports to recyclers, End-of-Life Electronics (EOL) covered by the provincial regulation. At the end of 2011, there were over 125 permanent sites throughout the province to which consumers and businesses could return designated EOL electronics at no charge; up from 111 in 2010.



RETURN-IT MILK™

Since Encorp depots already accept beverage containers, adding milk and soy containers was a natural.

BC Dairy Council (BCDC)

The contract with BCDC covers a voluntary (non-deposit) recovery system for all milk and soy beverage containers. At the end of 2011, there were 166 Encorp depots that accept milk and soy jugs and cartons. Although the Return-It Milk™ program is not covered by provincial regulation, and BCDC is not a product stewardship agency, it does produce an annual public report on the program's results, which can be found at www.milkcontainerrecycling.com

Raising Consumer Awareness Brings a Rise in Returns

A major part of a smoothly functioning Encorp system is a consumer base with a clear understanding and appreciation of the value of recycling. To keep consumer awareness and recycling numbers high, it is important that the right messaging reaches the right people. That's why every year we commit a significant budget to encourage consumers to keep returning and recycling containers. We get that educating consumers is essential – and it's one of the most important jobs we do.

With five beverage container types, Encorp has to make sure it connects with each specific audience at their place of consumption, whether it's at home, at work, or somewhere of leisure. Plus there's a mix of

individuals that fall into each target group – children, teenagers, adults, and families. Yet, even with so many variables, we arrange messages that are directed to these consumers both individually and through a mass audience. Every year, numerous approaches are used to be as relevant and timely as possible. These methods include promotions, public relations, community involvement, as well as general and specific advertising through many types of media.

At the start of 2011, Encorp set a number of objectives for the year, and by the end of the year, we're proud to say each of those goals was reached. This of course, would not have been possible without a strong foundation of supportive consumers.

“Encorp is a shining example of how you can make consumer awareness fun and informative. The “Karma” video clips were hilarious and to the point. There is no question that Encorp knows how to get the message out.”

Allen Lynch, North Shore Recycling Program

2011 Objectives:

- Increase the recovery rates and the number of containers collected over last year.
- Introduce new media components and target key areas, specifically the City of Vancouver.
- Create strategic partnerships and implement pilot programs with specific communities.
- Re-introduce the Karma campaign to encourage British Columbians to always return their beverage containers for recycling.

5 Star Return-It Depots Set the Standard



Encorp Pacific's Return-It Program is the public face of one of the most important recycling programs in North America. It is a consumer awareness program that has been successful in encouraging recycling in British Columbia. It is a program that has been successful in encouraging recycling in British Columbia. It is a program that has been successful in encouraging recycling in British Columbia.

What distinguishes Encorp Pacific (Canada)

Return-It has a long history and a commitment to excellence. We are proud to be a part of the community and to provide a service that is both efficient and effective. We are committed to providing a service that is both efficient and effective. We are committed to providing a service that is both efficient and effective.

Encorp Pacific (Canada)

One billion containers are recycled every year



Encorp Pacific's Return-It Program is the public face of one of the most important recycling programs in North America. It is a consumer awareness program that has been successful in encouraging recycling in British Columbia. It is a program that has been successful in encouraging recycling in British Columbia. It is a program that has been successful in encouraging recycling in British Columbia.

Principles for Product Development

As a result of recycling your beverage containers, you contribute to the reduction of 113,000 tonnes of carbon dioxide equivalent being released into B.C.'s atmosphere. That's like saving enough energy to power 63,000 B.C. homes annually or taking the equivalent of 19,000 cars off B.C.'s roads for a year.

BOTTLE DRIVES



"IN ONE BOTTLE DRIVE, MANY SEE BOTTLES FROM BURLAND MADE UPWARDS OF \$1,700 FOR HER HIGH SCHOOL DRAMA CLUB."

"I THOUGHT A BOTTLE DRIVE WOULD BE A HUGE PAIN, BUT WITH A LITTLE PLANNING AND ORGANIZATION, IT WAS EASY."

SURPRISINGLY EASY AND DEFINITELY WORTHWHILE

RAISE FUNDS WITH REFUNDS!

RETURN-IT.CA/LOCATIONS

Encorp's efforts in continuously raising consumer awareness and recycling numbers are evident in their various advertising tactics.

Advertorials – Newspaper advertorials, including an Earth Day version, and a special feature in the Vancouver Sun, provided high-impact exposure in local communities where they were distributed.

Karma Commercials – These commercials were found on TV, radio and online, and encouraged British Columbians to do the right thing in recycling responsibly.

Trade Show & Events – The Encorp branded booth travelled to multiple events over the year. With this booth, the Encorp Ambassador team was able to interact with many new recyclers, and to also communicate the campaign messaging.

Regional District Calendars – Encorp had information included in these municipal calendars as they were the perfect opportunity to encourage individuals and families to recycle on a regular basis, right from within people's homes.

TV Spots with Wesla Wong – Wesla Wong from Global BC hosted four energetic TV spots to help build awareness and recognition of Encorp Pacific.

Website Re-Design – Return-It.ca got a facelift in 2011 with streamlined information in an organized layout, a responsive Locations application, as well as a fresh new look.

Trailer Trashed Spots – In 2011, Encorp was a sponsor for the Recycle Council of British Columbia's Trailer Trashed contest. This environmental short film competition gave people a fun opportunity to create original trailers and win cool prizes.

Consumer Brochure – This general brochure includes information on who Encorp Pacific is, what it does as a Product Stewardship Corporation, and other important details for consumers.

Bottle Drive Promotion Handout – Encorp's Bottle Drive Promotion Handout provides consumers with helpful tips and hints on how to host a successful event.

5 Star Depot Ads – Encorp's voluntary 5 Star Program has been developed to help increase Return-It™ Depots' used beverage container collection by helping set the highest standards of customer service, cleanliness and overall appeal. Encorp rewards each dedicated depot with a substantial financial benefit and newspaper ad.



Revealing Research



Beverage Container Return Study 2011

We are results oriented. Every year Encorp engages a professional research company to survey hundreds of BC consumers to measure their awareness, attitude and behaviour. The results are compared to previous years to measure our progress and are also used as a guide in developing consumer awareness programs.

Our detailed research studies are a valuable tool in our drive to keep recyclable materials out of our landfills. This year we focused a portion of the study on the Discarder - the person who is most likely to throw containers into the trash. What we've learned will help us refine and target our message. The goal is to transform today's Discarder into tomorrow's Recycler.

- 85% of people are aware of Return-It™ Depots and 63% are aware of grocery stores as a location to return beverage containers for recycling or for a refund.
- 98% are aware of the types of beverages able to be returned for a deposit refund.
- 99% are aware of the types of containers able to be returned for a deposit refund.
- 78% are aware of Encorp Pacific and Return-It™.
- 91% are satisfied with the Return-It™ Depot they visit most often.

HEAVY DISCARDERS (HD)

Those who typically discard at least 2 containers/week (any type, any location).



BC POPULATION 10%
CONTAINERS EMPTIED 19%
CONTAINERS DISCARDED 87%

Where and How Much

First, these are the heaviest generators of empty containers (their households account for 19% of all containers generated; they create, on average, more than double the number of containers a non-discarder does).

Second, they discard the largest proportion of containers they empty (19% of all their containers are discarded compared to 4% for BC consumers in general). They account for an incredible 87% of all containers discarded in BC. On average, an HD household discards about 11 containers/week, which adds up to more than 46 per month and more than 550 per year.

HD discard containers more often in all locations; HD discarded containers are split almost equally between all three locations (30% at home, 31% at work and 39% at leisure). Because of heavy consumption there, they strongly over-index on discards at work (94% of all containers discarded at work in BC are by HD compared to 87% of those discarded at home and 83% of those discarded at leisure).

Who They Are

More male (65%). Urban (25% City of Vancouver vs. 14% general population) and therefore more in multi-family dwellings (48% vs. 37% general population). Younger (56% 18-34 compared to just 28% of the general population), they are naturally more likely to be employed outside of the home (70% vs. 54%) or students (8% vs. 4%) and very predominantly single (46% vs. 23%).

How to Target

Make it easy for them.
 Appeal to their selfish side.

MODERATE DISCARDERS (MD)

Those who typically discard between 0.4 and 2 containers/ week (any type, any location).



BC POPULATION 14%
CONTAINERS EMPTIED 17%
CONTAINERS DISCARDED 11%

Where and How Much

Above-average generators of empty containers (their households account for 17% of all containers generated; they create, on average, about one and a half times the number of containers a non-discarder does). Still they produce far fewer (each household produces about 1/3 less empty containers) than HD do.

They are also above-average discarders, but again, on a far smaller scale than HD (they discard less than 3% of their containers and account for just 17% of all containers discarded in BC). On average, an MD household discards about 1 container/week, which adds up to about 4 per month and close to 50 per year.

Leisure is where MD do most of their damage, with work secondary (33% at home, just 15% at work but fully half, 52% at leisure). Still, because HD are responsible for so much of the discard, MD account for only 14% of total containers discarded at leisure, 12% at home and just 6% at work.

Who They Are

More balanced in gender than HD, more MD are still male (60%). These are largely suburbanites (45% Metro Vancouver outside of Vancouver vs. 36% general population) and therefore over-index on being in single-family dwellings (57%). They are more often young families; not as young as HD, they are nonetheless younger than low or nondiscarders. Nearly all (79%) are under 54 years of age (vs. 65% of the general population). Most are married (60%) and are strongly families with children (36% vs. 24%).

How to Target

Make it fast for them.

Provide the means to recycle while at leisure.

LOW DISCARDERS (LD)

Those who typically discard between 0.1 and 0.3 containers/ week (any type, any location).



BC POPULATION 11%
CONTAINERS EMPTIED 11%
CONTAINERS DISCARDED 2%

Where and How Much

More like an average British Columbian in the number of empty containers they produce, they over-index only slightly relative to those who discard nothing (their households account for 11% of all containers generated; they create, on average, about 15% more containers than a non-discarder).

Discards are very, very occasional (they discard less than 1% of their containers and account for just 2% of all containers discarded in BC). On average, an LD household discards fewer than 1 container/month, which adds up to less than 10 per year.

At leisure is really the only place where LD need to mend their ways (68% of all containers discarded by LD are at leisure, just 20% at home and 12% at work).

Who They Are

They are roughly like the average British Columbian on all demographics: where they live (equally urban and rural), gender, age, life stage, employment, dwelling status and marital status.

This means that many LD are middle aged or older empty nesters (71% are 35 or older, 34% 55 or older); many are post-family (44% households are composed of older adults only), married couples (65%), who are retired (22%), or still working (56%).

How to Target

Prove it matters.

Provide the means and motivation at leisure

2011 Major Consumer Programs

The 172 Return-It Depots and five mobile collectors across BC recover and recycle approximately 80% of the beverage containers sold in the province. That's almost one billion containers that were kept out of our landfills this past year. But there's always room for improvement. That's why every year Encorp encourages even more beverage container recycling through specialty programs.



School Recycling Program

For ten years, this program has helped elementary and high schools promote environmental action and also raise money. In the 2011 school year, Encorp provided more than 530 recycling bins to schools. With 129,000 students participating in this friendly competition to collect the most containers, over \$249,500 in deposit refunds was collected. To reward these students for their hard work, \$13,500 in prizes was awarded to the winning schools.



BC Parks Pilot Program

Expanding on a successful pilot launch in 2009, Encorp continued its efforts towards keeping BC parks clean in 2011 by providing 61 new bear-proof recycle bins to 4 popular BC Parks: Paul Lake, Wells Gray, Manning and Golden Ears. The parks receive the deposit refunds through these bins, responsible recycling is promoted, and most proceeds are given to their favorite charities. To date, Encorp has contributed 121 recycling bins to the program with a total value of \$184,000.



Outdoor Spaces Events

Equally important to recycling at home, is also recycling away from home. Encorp promotes people to do both by having their street team and mascot, Return-It Man attend major events. In 2011, the team attended 50 trade shows and outdoor events, reaching more than 255,000 people.



Science World

Science World's sustainability-themed gallery opened in its new prime location on the first floor in Fall 2011 after undergoing renovations. Encorp was a key supporter in funding and providing valuable information for the Waste & Recycling Exhibit. As one of seven Industry Production Stewardship agencies involved in the project, Encorp helped navigate the exhibit development team through BC's extensive, North American-leading recycling program.



Open Air Cinemas

To further encourage people to recycle away from home, Encorp provided recycle bins at Open Air Cinemas throughout the summer of 2011. The Karma Activations Team attended these events in order to reach movie-goers and the Karma spots were also aired on the big screens.



Return-It to Win-It™

Encorp's annual Return-It to Win-It™ Depot Promotion was back in 2011 to increase awareness of local depots. It also provided incentive for new customers to visit, and for existing customers to visit more often. Last year, one lucky grand prize winner drove off in a brand new 2011 Smart Car. Two other lucky customers won a pair of Vespa Scooters and a pair of mountain bikes.

Capilano University Pilot Program



In Fall 2011, Encorp partnered with Capilano University to host a two-month long pilot project that focused on two desired outcomes:

1. Find out why students throw away items rather than recycle them, in particular, refundable beverage containers.
2. Develop an effective on-campus beverage recycling program that could be extended to other schools.

After a couple of waste audits were completed, it was discovered that students at Capilano did not understand the connection between throwing something 'away' in the garbage and knowing where that item eventually ends up. They simply did not understand the impact of tossing away their beverage containers. Another key discovery was that Capilano did not have an organized and systematic recycling process in place. When one of the waste audits was done, approximately 50 refundable collection bins were counted, but they varied in size and color.

Since this project took place, waste management at Capilano has been brought into the spotlight and students have shifted their perception of recycling on campus. Through the efforts of a significant number of students and faculty members, a more regulated recycling system with new standardized collection bins has been put in place. Classes such as Business Leadership, Geography, and Psychology of the Environment have incorporated the challenge of waste reduction into their curriculum. As well, the diversity of the Campus Sustainability Network has also been strengthened through this pilot project. And it doesn't stop here. Capilano University plans to execute a third waste audit, which they hope to turn into an annual event in order to keep improving campus-wide recycling efforts.

Richmond Public Spaces Recycling

Recycling in public spaces is an important step toward producing less waste. There are many reasons why it's so important – it reminds people of recycling behaviors that are normally practiced at home; it highlights the significance of recycling in communities; and there's positive reflection on environmental responsibility and a sense of community pride.

Last year, a public spaces recycling pilot program named 'Go Recycle!' was undertaken between July and October. It included the efforts of Encorp Pacific, The Canadian Beverage Association, Nestlé Waters Canada, and the City of Richmond. Go Recycle! was created to help design a model for public spaces recycling programs and to also further develop the city's waste diversion efforts. After just three months, Go Recycle! successfully resulted in a 27% reduction of beverage containers found in the waste stream. It also saw a 25% decline in recyclable non-beverage containers found in the waste stream. Together, this amounted to a 35% reduction in waste going to landfills.

The Canadian Beverage Association, Encorp Pacific and Nestlé Waters Canada funded the cost of purchasing new recycling containers for this pilot project. They also helped with the overall management of Go Recycle!, including the before and after measurements of the program. The City of Richmond hosted, installed, serviced and maintained the containers provided by the sponsors. They also took on the cost of branding the pilot program as "Go Recycle!" This is unique to the City of Richmond.

In a short period of time, this project was able to capture items that would have otherwise been abandoned by consumers at various outdoor locations, such as park spaces, recreational facilities, and streetscapes. Because of this achievement, the City of Richmond even announced its commitment to grow this pilot project into a city-wide program in 2012 to further encourage the public to recycle in its public places.



A Look at the Key Principles of the Industry Product Steward Model

The Industry Product Stewardship (IPS) model was first set out in the 1997 regulation called Beverage Container Stewardship Program Regulation (BCSPR). Encorp Pacific, originally established in 1994, was reorganized in 1998.

Our new corporate architecture – federal incorporation under Part II of the Canada Corporations Act – was chosen specifically because it met the requirements of this new style of regulation.

In September 2002, the provincial government further codified the principles to be followed in its Industry Product Stewardship Business Plan.

The key principles are:

Responsibility for waste management is shifted from general taxpayers to producers and users. All brand owners for a particular product category are subject to the same stewardship responsibilities. All consumers have reasonable access to collection facilities.

Programs focus on results and provide brand owners with the flexibility to determine the most cost-effective means of achieving desired outcomes with minimum government involvement.

Programs encourage continued innovation by producers to minimize environmental impacts during all stages of the product life cycle, from product design to end-of-life management.

Industry is accountable to both government and consumers for environmental outcomes and allocation of revenues from fees/levies.

We strive to maintain consistent stakeholder support for Industry Product Stewardship (IPS) and for the way in which Encorp operates its recycling programs.

The IPS model provides Encorp with the optimum flexibility, allowing us to retain control of financial management and governance. Support for this model is fundamental and of the highest strategic importance. The way we operate our recycling programs further validates the IPS model as it demonstrates that industry will meet both public and private policy imperatives.

Brand owners, on behalf of their customers, want to minimize the costs of mandatory compliance schemes consistent with achieving acceptable environmental performance. Recycling, and in particular collection, for most materials is not self-sufficient and requires a subsidy – a cost borne by producers and consumers.



Regulatory Review

Recently, the British Columbia Ministry of Environment undertook a review of the beverage regulation which specifically focused on three policy areas:

- The amount of the minimum deposit (currently five cents for non-alcohol containers).
- The requirement for mandatory return-to-retail for those selling beverages.
- The prohibition against waste to energy as an allowable product management option for beverage containers.

During the consultation process it became apparent that most stakeholders share a common view: B.C. beverage stewardship programs are very successful. Despite this success there is still a disconnect between science and fact-based analysis of benefits and costs when making environmental policy and the positions of some advocates who participated in the consultation.

Here are some examples:

1. The presumption that increasing the minimum deposit for non-alcohol containers from the current five cents to ten cents will assure higher recovery rates: For the containers being managed by Encorp the analysis would look like this:

Assume that all containers with a 5 cent deposit would over time reach a recovery rate 5 points higher than current rates.

This would increase the recovered units by 48 million.

To put this into perspective, these 48 million containers would have a total weight of 1,240 metric tonnes (an increase of 1.4%). That equals a resource value of \$800,000 (a 5% increase) and an avoided GHG of 3900 metric tonnes (a 4% increase).

Set against these benefits would be the costs.

Our best estimate of the system wide impacts is as follows:

- (a) Increase in initial consumer outlay of \$50 million.
- (b) Financing costs of \$10 million.
- (c) Increase in operating costs of \$10 million.

The science demonstrates that the environmental benefit is remarkably small compared to the economic costs.

2. Allowing for voluntary return-to-retail to replace the current requirement for mandatory take back. For containers being managed by Encorp the analysis would look like this:

- Grocery retail volume would be reduced by 50 million units with system wide savings of \$2 million.
- Depot volumes would be increased by 45 million units with an increase in depot revenues of \$2 million.
- Overall recovered volumes could decline by 5 million as some consumers might not switch from return-to-retail to return to depot (However, Alberta is an exclusive return to depot model and recovery rates are similar if not higher than BC). This amount is insufficient to justify the current blanket return-to-retail policy which places the same requirement on all retailers regardless of size or beverage volumes.

This analysis demonstrates that maintaining the current policy cannot be supported on either an environmental or an economic basis.

3. Allowing for waste-to-energy for those containers where there is no known commercially viable mechanical recycling option: For containers being managed by Encorp, the analysis would look like this:

- Annual accumulation of these laminate type containers has a cost of storage of \$10,000.
- Weight of these containers is 26 (Annual) metric tonnes - 0.3% of total.
- Resource recovery value as a substitute fuel is \$250,000.
- There would be no net change in air emissions.

This analysis demonstrates that there is no net environmental benefit to offset the economic costs of prohibiting waste-to-energy for these container types.

Using the science/fact-based approach begs the real question - What is the basis for the opposition to maintaining the current deposit levels, allowing for voluntary return-to-retail and permitting waste-to-energy as a final option for a small fraction of the containers collected?

On evidence there is neither environmental nor economic rationale. While we understand the protective instincts of certain stakeholder groups who see their policy positions as a defense against a weakening of the system, this rationale is not sufficient in the forming of balanced environmental and economic policy.

We believe we can deliver even higher standards of performance at current deposit levels and are committing significant resources in that pursuit. With fewer than 10% of our containers being returned to retail stores; now is the time to permit retailers and their customers to choose the option best for them. Finally, we believe that a waste-to-energy option should be allowed for beverage containers as it is in all other product stewardship schedules to the Recycling Regulation.



Stewardship Agencies of British Columbia



Stewardship Agencies of British Columbia

Organization

There are currently 13 active stewardship organizations operating in British Columbia, with more slated to start operation in the coming years. The increase in product stewardship agencies is primarily due to the BC government's commitment to the Canadian Council of Ministers of the Environment (CCME) Canada-Wide Action Plan. The next two to five years could see a total of 20 to 25 stewardship agencies operating in BC.

Stewards in British Columbia are fortunate in having a flexible, performance-based regulatory framework within which to operate.

BC Stewards recognize that with the ability to set fees and have minimal provincial government involvement, in operational details, comes a responsibility to work together.

Mission

Without limiting the authority and jurisdiction of each BC Stewardship Agency, the mission of the BC Stewards Group is to:

- Provide a forum for the Ministry of Environment, local governments and BC Stewards to approach each other and engage in dialogue on issues of common interest and concern.
- Provide support to prospective BC Stewards in the development and implementation of their Stewardship Plans.
- Develop policies on issues such as service levels in remote areas.



- Develop a one-stop avenue for information brochures, videos and other communication tools to provide a common message to local governments and provide the public with a website and toll-free hotline for finding the nearest collection facility and information on all BC's stewardship programs.
- Create a forum of support, knowledge and expertise for our members to optimize the delivery of cost-effective and environmentally sustainable stewardship programs in BC.
- Cooperatively work with other provinces and states in North America to minimize the impact and optimize the benefits for brand owner members who operate in most or all of North America.

Deliverables to date:

The BC Stewards group has actively been providing consumer awareness, educational tools and voluntarily collaborating on a variety of initiatives including:

1. **The BC Recycling Handbook** – an easy, convenient guide for consumers to find out what and where to recycle products that fall under industry stewardship programs. Along with the handbook we provide a retailer rack card, and poster for Multifamily dwelling notice boards.
2. **www.bcstewards.com** – a website that has consumer information, posts upcoming events such as consultation meetings, links to every steward's website and provides a forum for the group to communicate with each other. There is also a direct link to the RCBC Recyclepedia,

and the download for the iPhone & android Recyclepedia app, both funded by a subset group of stewards.

3. **The EPR Video** – the Industry Product Stewardship model is explained in this short video.

4. Participated with Stewards from across Canada in the Bi-Annual Conference on Canadian Stewardship to help facilitate the development of stewardship across Canada and to minimize the impact on consumers and brand-owner members.

5. Developed a service delivery guideline for consideration when developing new Product Stewardship Plans or amending existing plans. The guideline recognizes that over 98% of rural British Columbians live within a 45 minute driving radius of communities with a population of 4,000 residents. Service levels tied to community populations can maximize coverage and create a level playing field for all residents of rural regional districts.

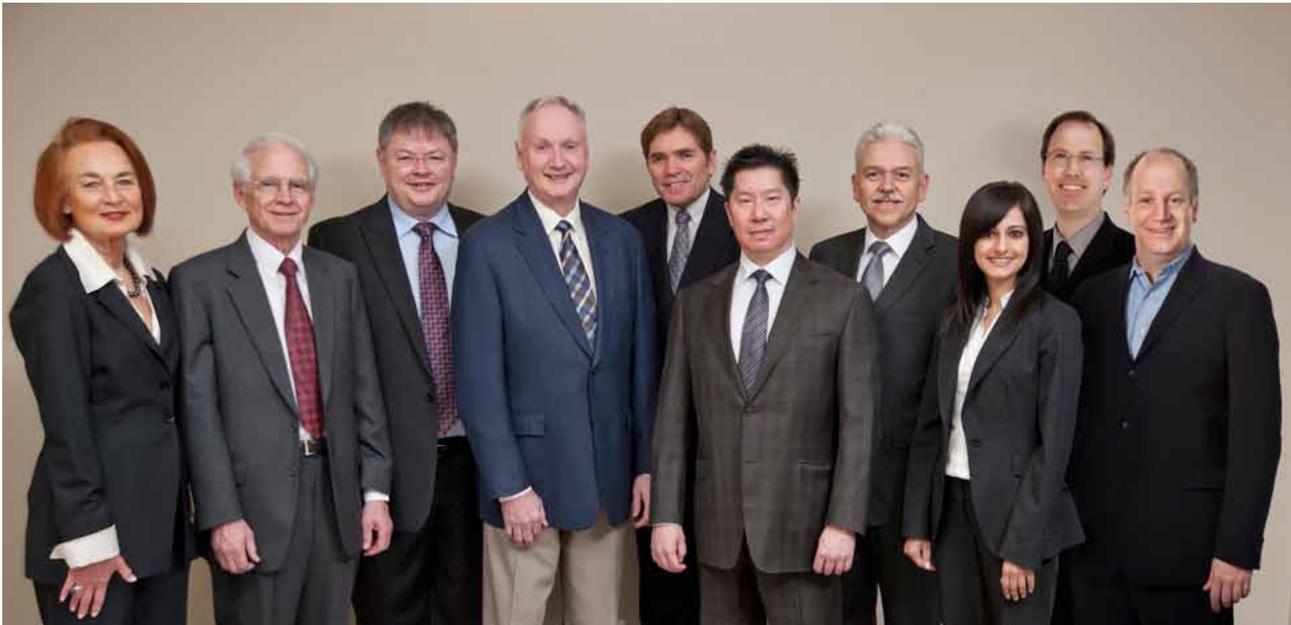
6. Seven of the stewards provided funding and expertise to the update, re-design and new construction of the Science World recycling exhibit. They moved "Our World", the sustainability-themed gallery, from its traditional second floor location down to a prime position on the first floor.

7. Stewards who use Drop-off Events as part of their collection infrastructure joined forces and held 21 events, six were joint conducted in the following communities: Cache Creek, Valemount, Clearwater (twice), Mackenzie, and Invermere.



A Governance Model Built on Accountability and Transparency

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



L-R: Liisa O'Hara, Dale Parker, John Nixon, Neil Hastie, John Challinor, Dan Wong, Neil Antymis, Baljit Lalli, John Graham, Allen Langdon

Neil Antymis

Director, Government Affairs, PepsiCo. Encorp Affiliation – Canadian Beverage Association. Committees – Audit/ Compensation. Term of office – Commenced 2005

Neil Antymis is a Certified General Accountant with 20 years of experience in the beverage industry. He is the Chair of the Canadian Beverage Association's Environmental and Packaging Stewardship Committee and sits on several stewardship Boards and committees.

John B. Challinor II APR

Director of Corporate Affairs, Nestlé Waters Canada. Encorp affiliation – BC Bottled Water Association. Committee – Audit. Term of office – Commenced 2008

John Challinor has had executive and senior advertising and public affairs roles with leading technology and health industry companies over the last 28 years. He began his career as a newspaper and television reporter and editor. He served as a part-time municipal councillor for 15 years in Milton, Ontario, Canada's fastest-growing community. He holds a Bachelor of Applied Arts degree in Journalism from Ryerson University, an Accredited Public Relations (APR) designation from the Canadian Public Relations Society and a Certificate in Advertising from the Institute of Canadian Advertising. He is a member of the Board of Directors of Alberta Beverage Container Recycling Corporation, Alberta Beverage Council and the Canadian Beverage Container Recycling Association.

John Graham

Director of Public Affairs & Government Relations, Canada Safeway Limited. Encorp Affiliation - Retail Council of Canada. Committee - Governance. Term of office - Commenced 2011.

For the past 17 years John has represented Canada Safeway's interests on a broad range of issues impacting the grocery chain's retail stores and plants. His current responsibilities include directing the company's government and media relations across the Canadian Division as well as overseeing Canada's public relations endeavours.

A graduate of Manitoba's I.H. Asper School of Business, John sits on a number of industry, corporate and community boards including Chair of Marketing and Lotteries for St. Boniface Hospital and Research Foundation.

Neil Hastie

President and CEO, Encorp Pacific (Canada). Encorp Affiliation – Inside Director. Term of office – Commenced 1998.

Neil Hastie has been the President and CEO of Encorp Pacific since 1998. He has extensive senior executive experience with a variety of companies. He holds a Masters degree in Business Administration from York University in Toronto.

Baljit Lalli

Public Affairs and Communications Manager, Western Canada, Coca-Cola Refreshments Canada. Encorp Affiliation – Canadian Beverage Association. Committee – Governance. Term of office – Commenced 2009.

Baljit Lalli has held corporate communications positions with companies such as James Hoggan and Associates for the Sea-To-Sky Highway Improvement Project, Labatt Breweries and the Provincial Government. She is a former Director of Room to Read Canada.

Allen Langdon

Vice President, Sustainability, Retail Council of Canada. Encorp Affiliation – Retail Council of Canada. Committee – Governance. Term of office – Commenced 2008.

Allen Langdon has been Director, Spirit of BC for 2010 legacies and an Associate Vice-President for a national public affairs consulting firm. He is also a member of the Board of Directors for the Housing Foundation of BC.

John Nixon

Secretary, Beverage Alcohol Containers Management Council of BC. Encorp Affiliation – Beverage Alcohol Containers Management Council of BC. Committees – Audit/ Governance. Term of Office – Commenced 2009.

John Nixon, a graduate of UBC, is an independent public affairs consultant who is also General Manager of the BC Wine Authority. He has had extensive experience in the beverage industry and was a founding member of the Board of Encorp Pacific (Canada).

Liisa O'Hara

Commissioner, British Columbia Utilities Commission. Encorp Affiliation – Unrelated Director. Committee – Audit. Term of office – Commenced 1999.

Liisa O'Hara has been a senior executive with a major pipeline company with responsibilities on its Executive Management Committee and as Chair of its Pension Committee. She is a Director of the Terminal City Club, a graduate of the ICD Corporate Governance College and a Certified General Accountant.

Dale Parker

Chairman, Pacific Parkinson's Research Institute. Encorp Affiliation – Unrelated Director. Committees – Compensation/ Governance. Term of office – Commenced 2002.

Dale Parker has been the President and CEO of the Bank of British Columbia and the Workers' Compensation Board of BC. He is also Chair of the Board of Directors of TransLink, a member of the Board of GrowthWorks BC and the UBC Investment Management Trust and is a graduate of the Graduate School of Business Administration, Harvard University.

Dan Wong - Chair

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

Dan Wong currently serves as the Executive Director of the Juice Council of BC. He has been Vice-President, Corporate Affairs, BC Ferries as well as heading the Corporate Relations practice for western Canada's largest food manufacturer. He holds a Bachelor and Master degree in Political Science from UBC.

Governance

Board of Directors

Board Structure – The 10-person Board is made up of nominees of the five key industry sectors and two unrelated directors. Two directors are appointed by the Canadian Beverage Association representing the major bottlers, one each is appointed by the Canadian Bottled Water Association, the Juice Council of BC and the Beverage Alcohol Containers Management Council of BC, and two are appointed by the Retail Council of Canada representing the major retail grocery stores. Two directors are unrelated to any aspect of the beverage industry. Encorp's President and CEO is also a director.

The Board determines the company's strategy and policies, sets objectives for the CEO, approves budgets and fees, and discharges its fiduciary obligations to the brand owners and other stakeholder groups. It provides oversight of Encorp's operations through quarterly Board meetings and an annual strategic planning session.

In addition to its structure, Encorp's governance model incorporates a number of values and processes that guide the functioning of the Board.

Accountability

A fundamental part of Encorp's commitment to accountability is a set of policies and practices codified in a Board Manual for Directors prepared by one of Canada's leading experts on corporate and not-for-profit governance.

The policies in the Board manual cover such key items as terms of reference for the Board, the Chair, Directors and the CEO, as well as a Code of Conduct for Directors, including conflict-of-interest guidelines. The policies also set out how committee memberships are to be established, lay out terms of reference for Encorp's Board committees and specifies important review processes that the Board must undertake of the CEO and of its own performance.

Transparency

Encorp provides a comprehensive public explanation of its operations through this annual report, its Advisory Committee and other methods. This transparency exceeds the requirements of regulation and is designed to provide as much information as possible to the general public.

SORTING INSTRUCTIONS

The better you sort, the faster we can serve you!

BEVERAGES FULL DEPOSIT REFUND



5¢

Up to and including 1 Litre



20¢

Over 1 Litre



ALCOHOL FULL DEPOSIT REFUND



10¢

Up to and including 1 Litre



20¢

Over 1 Litre



BEER CANS & REFILLABLE BOTTLES

10¢



PLACE ALUMINUM CANS



Advisory Committee

Encorp Advisory Committee Report to the Board of Directors – 2011

The Advisory Committee met twice in 2011, on April 28 and November 4 with agenda items that included consumer awareness, annual draft budget, audited financial statements, reappointments for Advisory Committee members and the draft 2012 Stewardship Plan. We also had a very informative tour of the Quality Assurance Centre.

At the November 4 meeting we had a presentation on mandatory return-to-retail by Allen Langdon of the Retail Council of Canada. There was excellent discussion with the committee agreeing that the concept had merit. A motion was passed that the Committee is open to examining and providing input on a phased system that moves away from mandatory return to retail which considers the impact on consumers, the industry and other stakeholders.

The revised Advisory Committee Terms of Reference were approved

The Committee received verbal reports from Neil Hastie on a number of items including how the 13 existing stewardship agencies had come together to explore ways to coordinate efforts and to reduce consumer confusion.

The committee thanked Encorp for the opportunity to meet with the Board of Directors at the October Strategic Planning Session and to comment on the draft Stewardship Plan.

The Committee members continue to offer advice and direction to Encorp management and to the Board of Directors based on the input they receive from their respective sectors.

Respectfully submitted



A. Lynch, Chair

Advisory Committee Members



Al Lynch – Chair
Manager, North Shore Recycling Program, North Vancouver On Advisory committee since 2000

Al has been in his present position at North Shore Recycling since 1990. He has written an Integrated Solid Waste Management plan and has implemented a variety of recycling programs. He is Vice-President of the BC Chapter of the Solid Waste Association of North America.



Linda Barnes
Councillor, City of Richmond On Advisory committee since 2006

Linda has been a council member for the City of Richmond since 1999. She is a former classroom assistant for children with special needs and a former president of the Richmond School Board Employees Union.



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

In addition to his duties as Executive Director he also runs a consulting business. Will has been the Project Manager for the largest metal recycler on Vancouver Island and is a past Board member of the Victoria Esquimalt Harbour Society.



Ken Lyotier
Founder and Executive Director, United We Can Bottle Depot On Advisory committee since 2005

Ken founded United We Can, a non-profit bottle depot, in 1995 in order to provide work experience opportunities and income for residents of the Downtown Eastside Vancouver. He was awarded a Medal for Meritorious Service by the Governor-General of Canada.



Robert Knall
Senior Development Planner, Township of Langley, Community Development Division, Development Planning Section. On Advisory committee since 2010

Robert has been a planner with the Township of Langley since 1988, and is the Planning Institute of BC's representative on the Advisory Committee.



Brock Macdonald
Executive Director, Recycling Council of BC On Advisory committee since 2007

Brock was RCBC's Director of Communications prior to his role as Executive Director. Formerly he was Communications Manager for Product Care, an industry product stewardship agency, an educator and award-winning journalist.



Janice Song
Owner/operator, Ironwood Bottle Depot On Advisory committee since 2006

In addition to the Ironwood Depot, Janice owns the Coquitlam Depot, which are 3 Star and 5 Star designated, respectively. She has been a certified depot operator trainer for Encorp since 2007 and has trained over 75 new depot operators.



Alan Stanley
Director of Environmental Services, Regional District of Kootenay-Boundary On Advisory committee since 2008

Alan manages a regional integrated solid waste management system that includes recycling collection programs, recycling depots, landfills and waste transfer stations.



Catarina Wong
Senior Director, Tax Operations and Government Affairs, Core-Mark International On Advisory committee since 2000

Catarina has a Master Degree in International Tax Law from Regent University, School of Law and is a Certified Management Accountant.

Encorp Pacific 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 has an opportunity to disclose the impacts of its stewardship activities. In addition to informing our stakeholders, our benchmarking of our green house gas emissions opens a window for improved efficiency and the potential to reduce energy consumption in the future. We believe there is a sound business case for these initiatives.

Reduction in Greenhouse Gas Emissions from Recycling

In 2011, Encorp collected and had over 88,000 metric tonnes of material recycled. The energy saved through the recycling of materials collected by Encorp 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 model calculates net emission reductions based on the average distribution of fuels consumed along the entire lifecycle production process¹. While calculating avoided emissions for

2011, Encorp became aware that the new Waste Reduction Model (WARM) version 12 released in February 2012 yields different GHG reduction results when compared to version 10 used by Encorp in 2010. The review indicated that the discrepancy is due to the updated methodology and emissions factors employed by WARM.

The avoided emissions published in this report were calculated using the up-to-date WARM v.12 that has several emission factors revised to reflect the updated life cycle data as well as factors in industry specific electricity grid mix assumptions for plastic and aluminum containers. As the models improve each year, Encorp would restate the prior year avoided emissions using the updated WARM model to track performance against the base line chosen.

In total, Encorp's activities in 2011 contributed to the reduction of about 94.7 thousand tonnes of CO₂ equivalent being released into the atmosphere, a slight decline of 5.2 thousand tonnes or 5% from the restated 2010 numbers. This came as a result of the decrease in weight of material collected due to the decline in beverage sales in 2011 from 2010.

Material	% Energy Savings from Use of Recycled Inputs for Manufacturing of Material	2011 tonnes CO ₂ equivalent reduced	2010 tonnes CO ₂ equivalent reduced (restated Note 1)
Aluminum	92%	50,159	50,504
Plastic	87%	11,873	13,703
Pouches/Bag-in-Box	53%	1,017	959
Glass	34%	24,698	27,202
Bi-Metal	82%	384	363
Polycoat	53%	6,596	7,193
Total		94,726	99,924

Greenhouse Gas Emissions Associated with Encorp's Stewardship Activities

While recycling has an overall net benefit in terms of energy and emissions savings, the recycling process itself does require energy and thus has GHG emissions associated with it. While the Waste Reduction Model does factor in the typical energy use associated with recycling when estimating net savings, Encorp has committed to specifically estimating the GHG emissions associated with its stewardship activities. By doing so, we hope to identify ways in which we can minimize our carbon footprint.

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, to when the materials are delivered to the end processors for recycling into new products. Emissions were estimated using conversion factors and methodologies developed by the World Resource Institute's Greenhouse Gas Protocol.

The 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 World Resource Institute's Greenhouse Gas Protocol. With limited data availability for Scope 3 emissions we accept that data accuracy is lower.

Accounting and Reporting on Scopes

Consistent with prior years, emission calculations from purchased Electricity were based on a survey of a number of depots and processors in each Region. These depots and processors were asked to provide their purchased electricity and natural gas consumption during the year. The sample was used to estimate the energy use per metric tonne of material collected which then was extrapolated to the total weight of used beverage containers collected in the Province.

The estimated energy consumption in KwHs was converted into the carbon dioxide emissions using the calculators offered by the Greenhouse Gas Protocol.

Starting 2010, the British Columbia Electricity Intensity factors retrieved from the Environment of Canada Website were used to calculate emissions from the purchased electricity to better reflect the proper mix of the low emission public utilities in BC. In 2011, we continued reporting on other GHG gases (CH₄ and N₂O) in the calculation to provide reporting on the CO₂ equivalent (CO₂e) to better match the reported emissions avoided into the atmosphere as a result of our recycling activities.

Emissions Sources Exclusions

Emissions associated with heating and powering the Encorp head office are not included in the GHG inventory since the office is part of a shared lease facility for which heat and power is controlled centrally by the landlord.

Staff commuting to work in personal cars was excluded as this is considered to fall under the personal carbon footprint of the employee and Encorp has little control over where people choose to live. Staff commuting and travel on BC Ferries was also excluded as we were unable to quantify BC Ferry fleet GHG emissions for public.

Finally, emissions associated with the handling of materials outside of Encorp's core stewardship activities of deposit bearing beverage containers, such as milk cartons and electronics, were excluded since such activities fall out the scope of Encorp's core recycling stewardship activities for BC

Encorp Pacific Environmental Report

Emissions Inventory Summary (tonnes CO₂)

Type of Emission	2011 ⁱⁱ	2010
<u>Direct emissions</u> are emissions from sources that are owned or controlled by Encorp		
Employee travel - gas use	37	34
<u>Indirect emissions</u> occur as a consequence of the activities of Encorp, but are from sources not owned or controlled by Encorp. Inclusions are emissions from purchased electricity consumed by Encorp offices, depots, processors and transporters, as well as the transportation of the beverage containers by contracted transporters. ⁱⁱⁱ		
Offices (excluding head office)		
Purchased electricity in leased buildings	5	4
Employee domestic air travel	16	16
Depots		
All purchased electricity in owned or leased buildings	86	104
All natural gas consumed in owned or leased buildings	66	68
Processors		
All purchased electricity in owned or leased buildings	44	40
All purchased gas consumed in owned or leased buildings	6	10
Transportation – depots to processors		
Diesel fuel	4,149	4,172
Transportation – processors to end markets		
Diesel fuel	1,274	1,381
Rail (based on metric tonne km)	366	368
Sea Cargo (based on metric tonne km)	4,483	4,216
Total Emissions all sources	10,325	10,188

Note 1:

2010 avoided emissions were restated using WARM v. 12 to provide comparative baseline figures for performance evaluation.

ⁱ US EPA, Waste Reduction Model, Version 12 (02/12); US EPA, Solid Waste Management and Greenhouse Gases (Exhibits 2-3 to 2-6) were used to calculate 2011 and restate 2010 avoided emissions of CO₂.

ⁱⁱ GHG Emissions from purchased electricity worksheet V 4.1. (Jun 2009) and GHG emissions from transport or mobile sources V 2.0 (Jun 2009) from the Greenhouse Gas Protocol Initiative were used to calculate emissions for 2011 and 2010.

ⁱⁱⁱ All indirect emissions except for Office use were calculated based on the sample data provided by selected Depots, Processors, and Transporters. Electricity Intensity Table for BC provided for 2008 retrieved from <http://www.ec.gc.ca/ges-ghg/default.asp?lang=En&n=EAF0E96A-1> on April 13, 2012

Emissions Reduction Strategies

Encorp will continue to consider opportunities for GHG reductions and integrate environmental sustainability objectives in the annual operational plans and initiatives.

Carbon Data Collection and Management

Encorp will continue working on improving the data collection process from all its suppliers to improve accuracy of the reporting for Scope 3 GHG emissions. Encorp will also evaluate other methodologies and tools available for calculation of the GHG emissions to ensure that region specific emissions factors are used in future years.

“Encorp’s environmental reporting is outstanding. The information is relevant and concise and the presentation is user-friendly and easy to navigate. The reports are useful at many levels and really help clarify the real purpose of the beverage container recycling program.”

Alan Stanley, Director of Environmental Services at Regional District of Kootenay Boundary

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.

EMPTY NON-ALCOHOL CONTAINERS



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

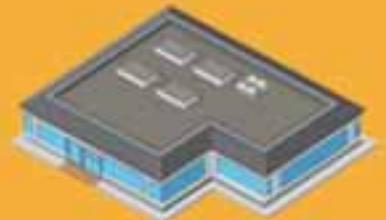


CORNER STORE

RETURN-IT DEPOT

GOVERNMENT LIQUOR STORE

SUPERMARKET



0.4%
NON-ALCOHOL

91%
NON-ALCOHOL

8.6%
NON-ALCOHOL

85%
ALCOHOL

15%
ALCOHOL



ALUMINUM



BI-METAL



PLASTIC



GLASS



POLYCOAT



ALUMINUM

To a remelt facility in the US

New Aluminum Cans

BI-METAL

To a scrap metal processor in Vancouver

Rebar and Wire Fencing

PLASTIC

To plastic recycling plants in Calgary and Vancouver

New Containers

GLASS

To glass recycling plants in BC, Alberta and Washington State

Wine Bottles, Fibreglass Insulation, and Sandblasting Material

POLYCOAT

To a paper recycling mill

New Cardboard Boxes and Toilet Paper

Follow the Money

Commodity Prices and their Impact on Encorp

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 received for these commodities are subject to market forces, and variations can have a significant financial impact on Encorp. In 2011, the commodity prices remained strong (reached its highest since 2009) for both aluminum and plastic at US\$0.80 and US\$0.32 respectively.

Deposit Refunds

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

Container Handling Fees

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

Transportation & Processing

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

Consumer Education & Awareness

Programs that encourage consumers to return containers for recycling.

Administration

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

Unredeemed Deposits

Encorp is paid a deposit on every container sold. Deposits unclaimed are used as revenue.

Sale of Processed Containers

All the collected aluminum, plastic, glass, etc. is sold on the open market.

Container Recycling Fees

When the revenue from unclaimed deposits and from sales of collected material are insufficient to cover the costs 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.

Where the money is spent

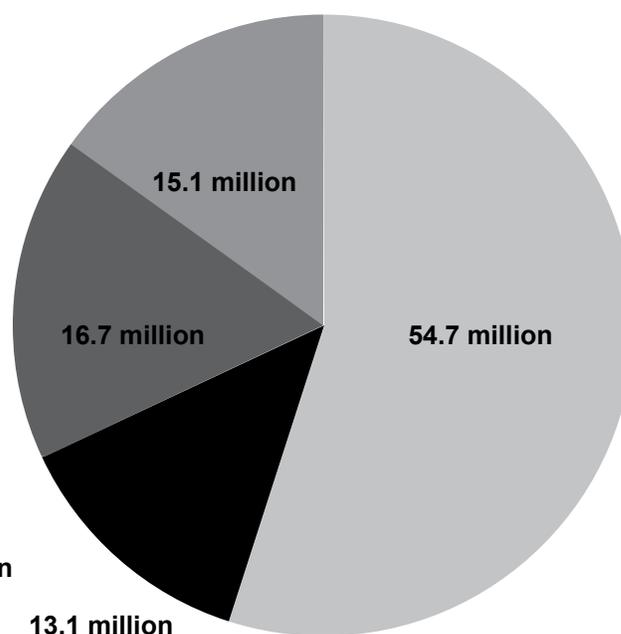
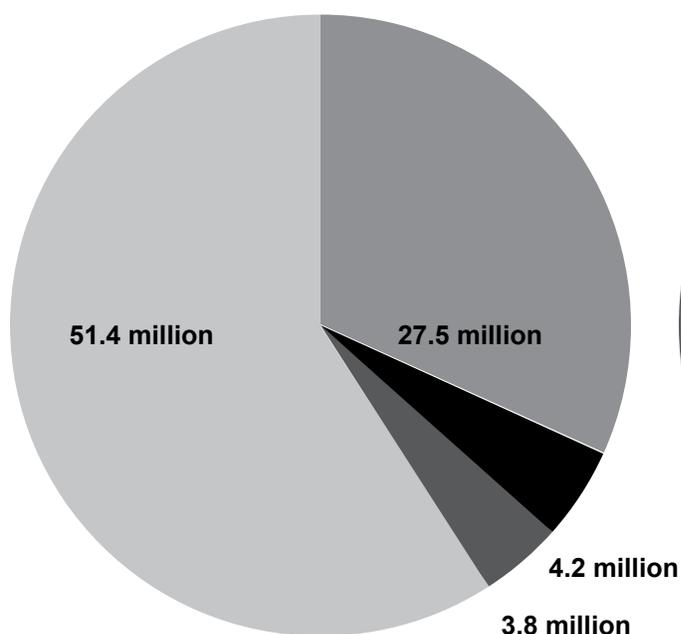
EXPENDITURES

Operations Expenses:	27.5 million
Handling Fees:	51.4 million
Consumer Awareness:	3.8 million
Administration Expenses:	4.2 million

Where the money comes from

REVENUES

Unredeemed Deposits:	15.1 million
Sale of Processed Containers:	16.7 million
Container Other Fees and Income:	13.1 million
Recycling Fees:	54.7 million



Financing the System



Plastic ≤ 1L Account

Deposits	18.4 Million
Sale of Collectible Material	4.5 Million
CRF	11.7 Million
Other Revenue	0.2 Million
Total Revenue	34.8 Million

Total Expenses for this Container 32.1 Million

Surplus 2.7 Million

Total Expenses Breakdown

Deposit Refund	13.5 Million
Handling Fee	13.2 Million
Transportation and Processing	3.8 Million
Administration	1.0 Million
Consumer Awareness	0.6 Million
Total	32.1 Million

Surplus end of 2010 \$5.5 Million
 Surplus 2011 \$2.7 Million
 Surplus end of 2011 \$8.2 Million

Note: based on 2011 Financial Statements



Wine & Spirits ≤ 1L Account

Deposits	7.3 Million
Sale of Collectible Material	0.0 Million
CRF	10.8 Million
Other Revenue	0.0 Million
Total Revenue	18.1 Million

Total Expenses for this Container 16.5 Million

Surplus 1.6 Million

Total Expenses Breakdown

Deposit Refund	6.7 Million
Handling Fee	4.0 Million
Transportation and Processing	5.3 Million
Administration	0.4 Million
Consumer Awareness	0.1 Million
Total	16.5 Million

Deficit end of 2010 (1.3) Million
 Surplus 2011 \$1.6 Million
 Surplus end of 2011 \$0.3 Million

Note: based on 2011 Financial Statements



Aluminum

Deposits	21.5 Million
Sale of Collectible Material	8.6 Million
CRF	8.7 Million
Other Revenue	0.2 Million
Total Revenue	39.0 Million

Total Expenses for this Container 34.7 Million

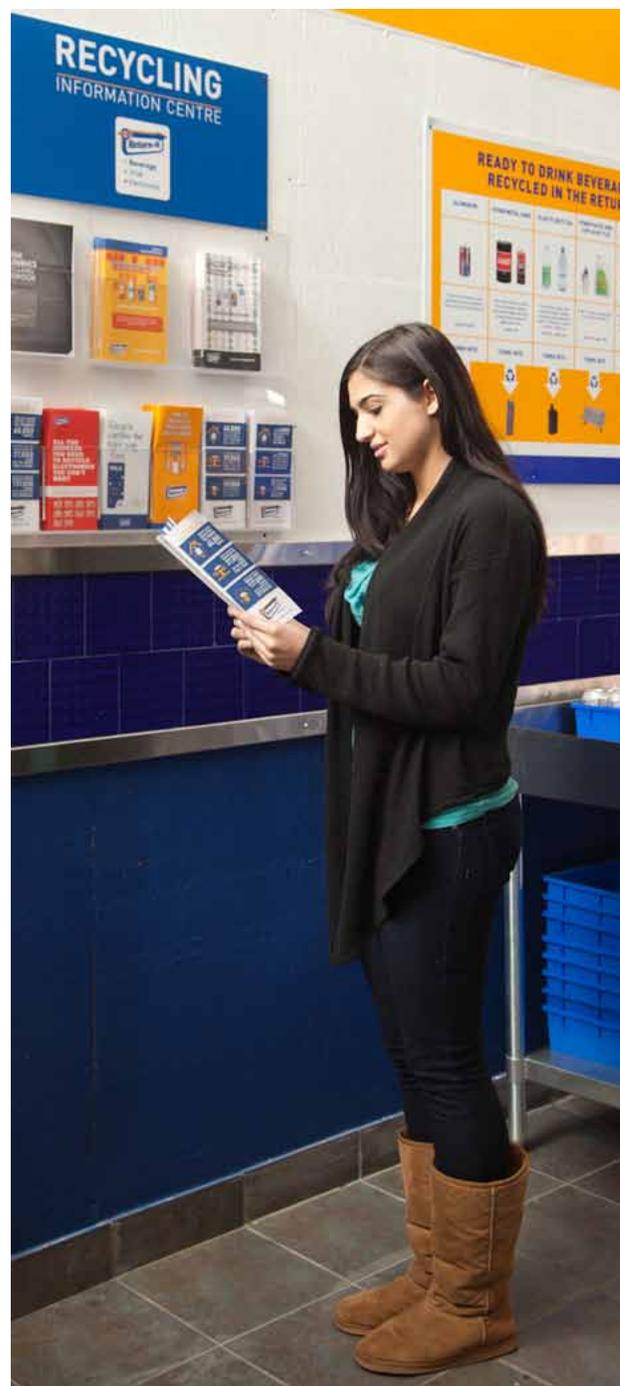
Surplus 4.3 Million

Total Expenses Breakdown

Deposit Refund	18.1 Million
Handling Fee	12.1 Million
Transportation and Processing	2.8 Million
Administration	1.0 Million
Consumer Awareness	0.7 Million
Total	34.7 Million

Surplus end of 2010	\$5.5 Million
Surplus 2011	\$4.3 Million
Surplus end of 2011	\$9.8 Million

Note: based on 2011 Financial Statements



Our Reserves Frequently Asked Questions

The recession had a significant negative impact on our revenues. On a positive note, our recovery of containers actually increased. At the end of 2009, our reserves created over the period of 2002 to 2006 had been depleted. Through prudent cash management, our day to day operations were not affected. We continued to handle all our obligations (\$2 million to \$3 million each week) without requiring any form of debt financing.

All our public education programs were maintained as were important research and development activities such as compaction and new generations of information technology. These results bring into sharper focus the importance of adequate reserves. Starting in the 3rd quarter of 2009 and through 2011, we have been rebuilding our reserves. The chart on page 60 demonstrates our progress.

These results bring into sharper focus the importance of adequate reserves. Here are the most frequently asked questions:

Question: Why does Encorp need reserves?

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

Question: How does Encorp create reserves?

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

Question: What size of reserve is required?

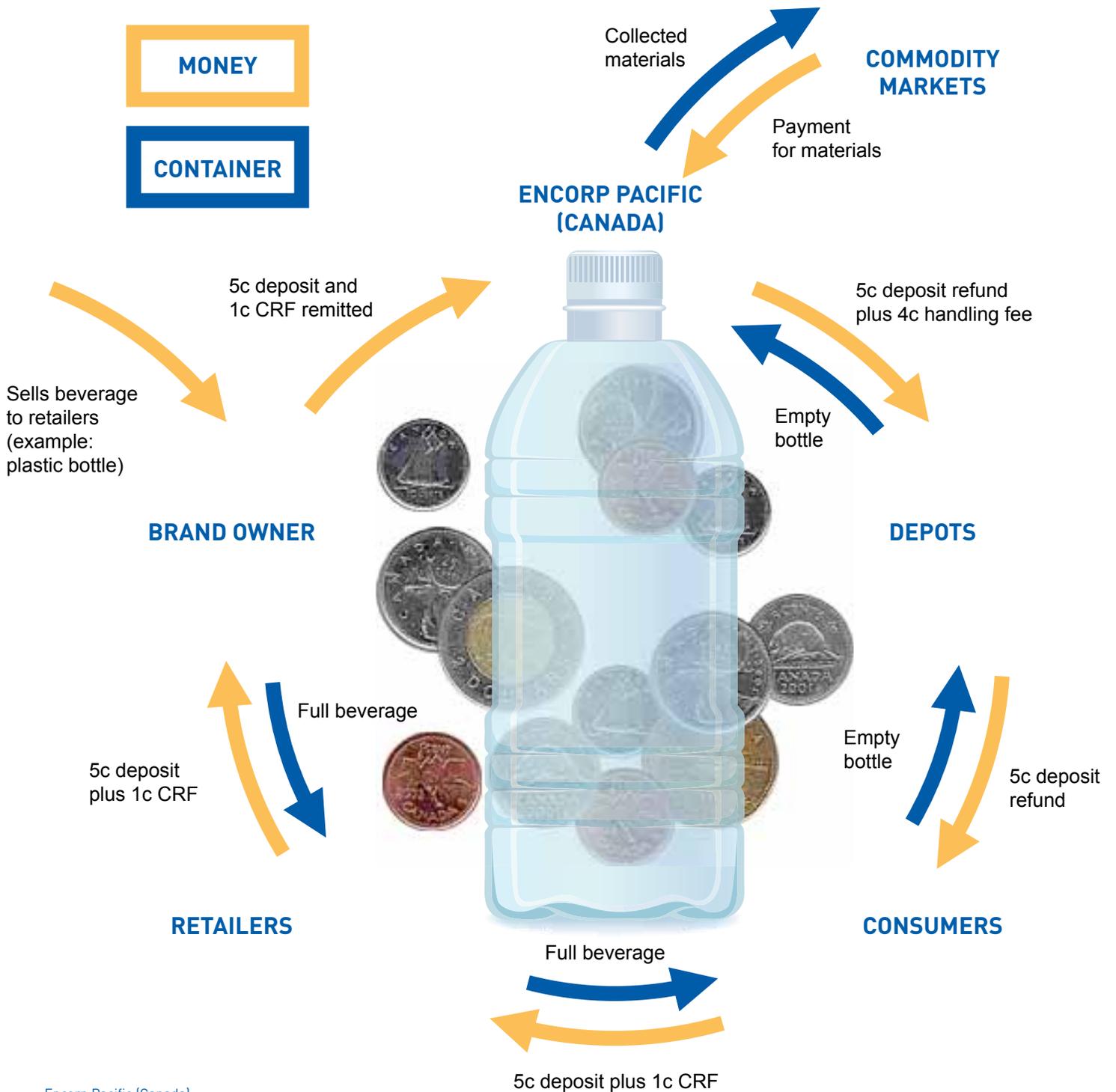
From experience, we should have a minimum reserve equal to at least 4-6 week's worth of the \$2-3 million per week outgoing cash payments. This cushion allows us to tolerate the cycles in the beverage and recycling markets.

Container Recycling Fees (CRF)

Container Type	01-Feb-09	01-Oct-09	01-Feb-11
Aluminum	1.0 cents	2.0 cents	2.0 cents
Plastic ≤ 500 ml	4.0 cents	4.0 cents	3.0 cents
Plastic 501 ml - 1L	4.0 cents	4.0 cents	3.0 cents
Plastic > 1L	3.0 cents	5.0 cents	6.0 cents
Polystyrene	4.0 cents	4.0 cents	3.0 cents
Glass ≤ 500 ml	7.0 cents	10.0 cents	12.0 cents
Glass 501 ml - 1L	7.0 cents	10.0 cents	12.0 cents
Glass > 1L	7.0 cents	10.0 cents	15.0 cents
Bi-Metal ≤ 500 ml	-	-	3.0 cents
Bi-Metal 501 ml - 1L	-	-	3.0 cents
Drink Boxes ≤ 500 ml	-	-	2.0 cents
Drink Boxes 501 ml - 1L	4.0 cents	4.0 cents	6.0 cents
Gable Top > 1L	-	-	3.0 cents
Glass Wine & Spirits ≤ 1L	12.0 cents	14.0 cents	15.0 cents
Glass Wine & Spirits > 1L	14.0 cents	16.0 cents	19.0 cents
Non-Refillable Beer, Cider, Cooler Glass ≤ 1L	8.0 cents	10.0 cents	11.0 cents
Non-Refillable Beer, Cider, Cooler Glass > 1L	8.0 cents	10.0 cents	11.0 cents
Liquor Plastic ≤ 1L	4.0 cents	4.0 cents	4.0 cents
Liquor Plastic > 1L	7.0 cents	8.0 cents	9.0 cents

The arrows show the direction of payments for deposits and container recycling fees (CRF) and the movement of a plastic bottle.

How Money Flows



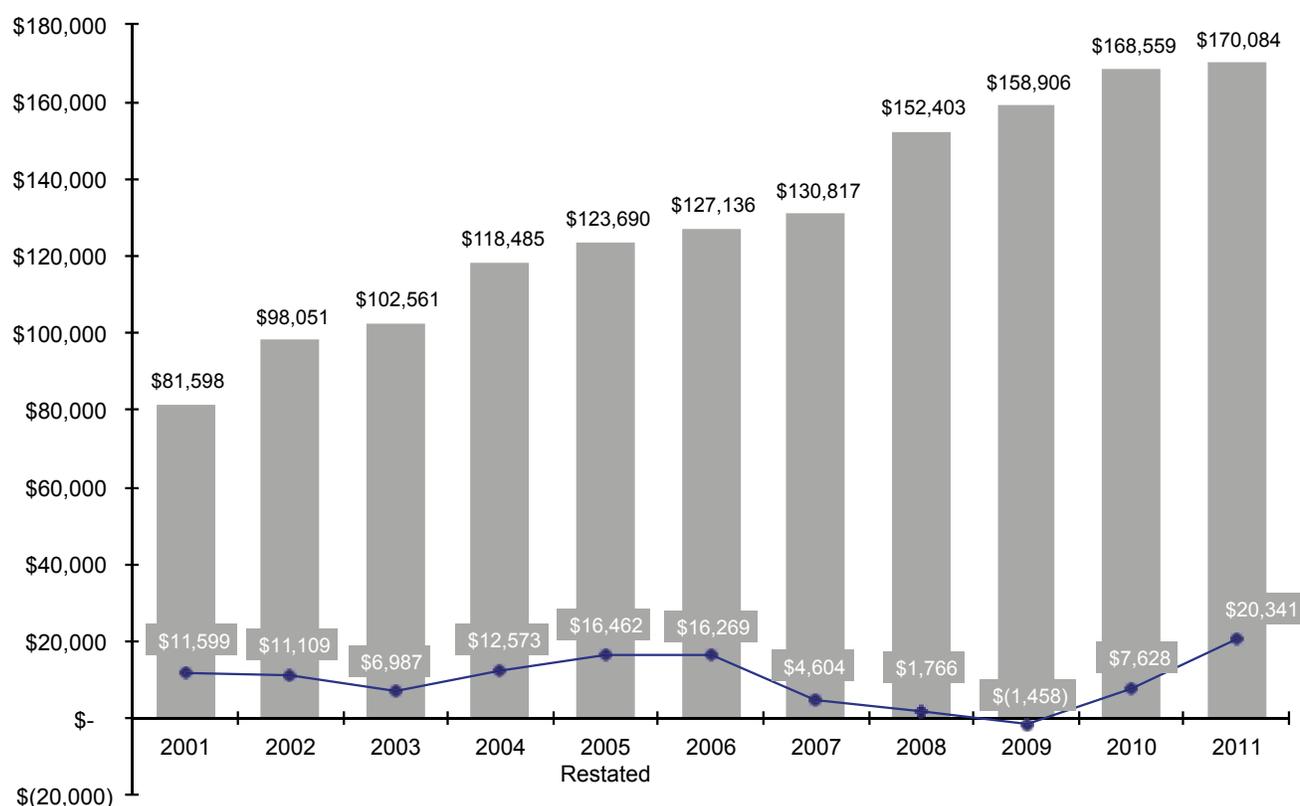


Purpose of Operating Reserves

After all expenses are paid any funds remaining are placed into reserves. Encorp acts as a clearinghouse for the funds required to reimburse consumers for deposits and pay the costs of running the system. Encorp strives to maintain a minimum level of reserves to maintain the system's financial visibility over the long term. If these reserves build up beyond reasonable levels, actions are taken to bring them back into line.

These actions can include reduction or elimination of Container Recycling Fees until the reserve is reduced.

Or we can reduce the reserve by increasing spending on activities designed to improve the recovery rate for a specific container type. The table shows the changes in the reserves over the past years.



	2008 BALANCE	2009 YEAR	2009 BALANCE	2010 YEAR	2010 BALANCE	2011 YEAR	2011 BALANCE
Operating Reserve / (Deficit)	\$(3,955,815)	\$(1,779,477)	\$(5,735,292)	\$11,118,757	\$5,383,465	\$13,432,676	\$18,816,141
Restricted Reserve / (Deficit)	5,722,019	(1,444,715)	4,277,304	(2,032,624)	2,244,680	(720,123)	1,524,557
Total Reserve / (Deficit)	\$1,766,204	\$(3,224,192)	\$(1,457,988)	\$9,086,133	\$7,628,145	\$12,712,553	\$20,340,698

Management of 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.

As indicated in the chart, reserves were reduced and in fact depleted by the end of 2009. These reserves have been used to fund system costs that may otherwise have been reflected in consumer prices.

Encorp has been able to restore its operating reserves to an appropriate level by the end of 2011 and will continue to manage its operating reserves within an optimal pre-determined range over a span of three years.

	Gross Revenue Including Deposits (million)	Total Expenses Including Deposit Refunds (million)	Results Surplus/(Deficit) (million)	Operating Reserves/ (Deficit) Year end (million)
2009	\$158.9	162.1	(3.2)	(\$1.4)
2010	\$168.6	159.5	9.1	\$7.7
2011	\$170.1	157.4	12.7	\$20.4

Management's Responsibility for Financial Reporting

The financial statements of Encorp Pacific (Canada) have been prepared by management in accordance with generally accepted accounting principles in Canada. Any financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

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

Encorp Pacific (Canada) maintains a system of internal accounting and administrative controls. They are designed to test the adequacy and consistency of internal controls, practices and procedures. PricewaterhouseCoopers, the independent auditors appointed by the Board of Directors, have 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).



Neil Hastie
Chief Executive Officer



Bill Chan, CGA, MBA
Chief Financial Officer

April 23, 2011

Independent Auditor's Report

To the Members of Encorp Pacific (Canada)

We have audited the accompanying financial statements of Encorp Pacific (Canada), which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2011 and December 31, 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Encorp Pacific (Canada) as at December 31, 2011, December 31, 2010 and January 1, 2010 and the results of its operations and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with Canadian accounting standards for private enterprises.

(signed) PricewaterhouseCoopers LLP



Chartered Accountants
May 14, 2012

Statement of Financial Position

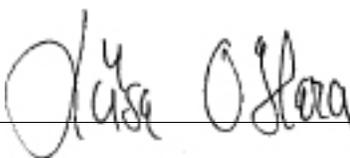
As at December 31, 2011

	December 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Assets			
Current assets			
Cash and cash equivalents	28,244,114	15,625,272	8,045,307
Accounts receivable	6,571,464	6,597,418	4,808,032
Prepaid expenses and deposit	30,722	24,020	23,262
	<u>34,846,300</u>	<u>22,246,710</u>	<u>12,876,601</u>
Capital assets (note 4)	806,089	788,899	977,786
	<u>35,652,389</u>	<u>23,035,609</u>	<u>13,854,387</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7,490,323	7,873,887	7,586,260
Deferred revenue	7,007,636	6,953,700	7,530,223
Current portion of obligations under capital lease (note 6)	386,117	235,810	77,031
	<u>14,884,076</u>	<u>15,063,397</u>	<u>15,193,514</u>
Obligations under capital lease (note 6)	427,615	344,067	118,860
	<u>15,311,691</u>	<u>15,407,464</u>	<u>15,312,374</u>
Net Assets			
Internally restricted reserve (note 5)	1,524,557	2,244,680	4,277,304
Unrestricted (note 5)	18,816,141	5,383,465	(5,735,291)
	<u>20,340,698</u>	<u>7,628,145</u>	<u>(1,457,987)</u>
	<u>35,652,389</u>	<u>23,035,609</u>	<u>13,854,387</u>
Commitments (note 7)			

Approved by the Board of Directors



Director



Director

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

Statement of Changes in Net Assets

For the years ended December 31, 2011 and 2010

	2011		
	Internally restricted reserve \$	Unrestricted \$	Total \$
Balance - Beginning of year	2,244,680	5,383,465	7,628,145
Excess of revenue over expenses	-	12,712,553	12,712,553
Transfer from internally restricted reserve (note 5)	(720,123)	720,123	-
Balance - End of year	1,524,557	18,816,141	20,340,698
	2010		
	Internally restricted reserve \$	Unrestricted \$	Total \$
Balance - Beginning of year	4,277,304	(5,735,291)	(1,457,987)
Excess of revenue over expenses	-	9,086,132	9,086,132
Transfer from internally restricted reserve (note 5)	(2,032,624)	2,032,624	-
Balance - End of year	2,244,680	5,383,465	7,628,145

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

Statement of Operations

For the years ended December 31, 2011 and 2010

	2011 \$	2010 \$
Revenue		
Deposits on containers	85,550,127	88,637,124
Deposit refunds	(70,492,350)	(73,511,315)
	<hr/> 15,057,777	<hr/> 15,125,809
Container recycling fees	54,684,227	55,541,226
Contract fees	12,607,595	10,721,017
Sale of recyclable materials	16,730,008	13,681,958
Other	274,846	133,666
	<hr/> 99,354,453	<hr/> 95,203,676
Direct operations expenses		
Handling fees	51,379,182	51,324,320
Depot operations	297,421	452,847
Transportation and processing fees	26,842,321	25,931,790
	<hr/> 78,518,924	<hr/> 77,708,957
Other expenses		
General and administrative	3,958,840	3,656,991
Consumer awareness	3,783,348	4,014,768
Amortization	617,854	580,898
Foreign exchange (gain) loss	(237,066)	155,930
	<hr/> 8,122,976	<hr/> 8,408,587
Excess of revenue over expenses	<hr/> <hr/> 12,712,553	<hr/> <hr/> 9,086,132

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

Statement of Cash Flows

For the years ended December 31, 2011 and 2010

	2011	2010
	\$	\$
		(note 12)
Cash flows from operating activities		
Excess of revenue over expenses	12,712,553	9,086,132
Items not affecting cash		
Amortization	617,854	580,898
Gain on disposal of capital assets	-	(10,296)
	<hr/>	<hr/>
Changes in non-cash operating working capital	13,330,407	9,656,734
Accounts receivable	25,954	(1,789,386)
Prepaid expenses and deposit	(6,702)	(758)
Accounts payable and accrued liabilities	(383,564)	287,627
Deferred revenue	53,936	(576,523)
	<hr/>	<hr/>
	13,020,031	7,577,694
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of capital assets	(635,044)	(414,050)
Proceeds from disposal of capital assets	-	32,335
	<hr/>	<hr/>
	(635,044)	(381,715)
	<hr/>	<hr/>
Cash flows from financing activities		
Advances under capital lease financing	539,585	560,346
Repayment of obligation under capital lease	(305,730)	(176,360)
	<hr/>	<hr/>
	233,855	383,986
	<hr/>	<hr/>
Increase in cash and cash equivalents	12,618,842	7,579,965
Cash and cash equivalents - Beginning of year	15,625,272	8,045,307
	<hr/>	<hr/>
Cash and cash equivalents - End of year	28,244,114	15,625,272
	<hr/>	<hr/>
Supplemental cash flow information		
Interest paid	27,323	28,354
	<hr/>	<hr/>

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

Notes to Financial Statements

December 31, 2011 and 2010

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. 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 of the Recycling Regulation. Although an excess or deficiency of revenue over expenses may occur on an annual basis, the Corporation's long-term goal is to operate on a cost recovery basis.

Under contract, the Corporation also provides material handling with respect to recycling of dairy containers and certain consumer electronics.

2 Transition to Accounting Standards for Private Enterprises in Canada

On January 1, 2011, the Corporation elected to adopt Canadian accounting standards for private enterprises (ASPE) as issued by the Canadian Accounting Standards Board with a transition date of January 1, 2010.

Section 1500 of these standards, First-time Adoption, requires that the accounting policies selected under this framework be applied retrospectively for comparative purposes, and that the resulting amount of each charge or addition to retained earnings at the date of transition be disclosed. The Corporation is required to provide a reconciliation of the excess of revenue over expenses reported in the most recent previously issued financial statements to the excess of revenue over expenses under ASPE for that year.

This standard also allows for elections and exemptions which preclude certain standards from being applied retrospectively to transactions or events occurring prior to January 1, 2010. The following elections were made by the Corporation on transition to ASPE:

- The Corporation has elected to continue to measure capital assets at their historical values.
- The Corporation has elected to not designate any financial asset or liability to be measured at fair value at January 1, 2010.
- The Corporation has elected to apply ASPE relating to related party transactions prospectively from January 1, 2010.

As a result of adopting these standards, there are no changes to retained earnings at January 1, 2010 and no differences in the excess of revenue over expenses or cash flows previously reported.

Notes to Financial Statements

December 31, 2011 and 2010

3 Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, incorporating the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with a maturity date of three months or less from the date of acquisition.

Revenue

Deposits on containers and container recycling fees are collected by brand owners on beverage containers sold in the province of BC. The Corporation records revenue from deposits on containers net of deposit refunds, and container recycling fees as services are provided in relation to its obligations under the Stewardship Plan.

Deposits and container recycling fees are recognized when there is reasonable assurance of collection, and the related services have been performed.

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

Contract fees are recorded when the services are provided.

Deferred revenue

The Corporation defers revenue related to deposits and container recycling fees received prior to year-end for which the related deposit refunds, handling fees and transportation and processing fees will be paid for container returns subsequent to year-end. The amount deferred is estimated based on the industry average rate of recovery. The determination of such a deferral is subject to estimates that reflect management's determination of the most probable set of economic conditions, including the estimated turnaround time for consumers returning used beverage containers for refunds. The turnaround time is estimated to be 7.5 weeks. A change in the estimated turnaround time could result in a material adjustment to revenue and deferred revenue.

Direct operations expenses and other expenses

Handling fees to depots and transportation and processing fees are recorded on the date the containers are collected by transporters. Other expenses are recorded as they are incurred.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet 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.

Notes to Financial Statements

December 31, 2011 and 2010

Capital assets

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

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

In accordance with Section 4400 of the Canadian Institute of Chartered Accountants (CICA) Handbook Part III, the Corporation does not separately disclose the net assets invested in property and equipment.

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 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 and lease payments are expensed as incurred.

Use of estimates

A precise determination of many assets and liabilities is dependent upon future events, and therefore, the preparation of financial statements requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Areas requiring significant estimates include deferral of container deposits and container recycling fees received prior to the year-end for which the related deposit refunds, handling fees and transportation and processing fees will be paid subsequent to the year-end.

Financial instruments

The Corporation applies the CICA Handbook Section 3856, Financial Instruments. This section provides comprehensive requirements for the recognition and measurement of financial instruments. Financial instruments comprise cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and obligations under capital lease.

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

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

Notes to Financial Statements

December 31, 2011 and 2010

4 Capital assets

	2011		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Office equipment	580,288	367,611	212,677
Computer hardware	1,834,526	1,331,791	502,735
Computer software	439,393	418,133	21,260
Leasehold improvements	207,266	137,849	69,417
	<u>3,061,473</u>	<u>2,255,384</u>	<u>806,089</u>
			2010
	Cost	Accumulated amortization	Net
	\$	\$	\$
Office equipment	367,424	303,007	64,417
Computer hardware	1,498,606	899,017	599,589
Computer software	438,132	313,239	124,893
Leasehold improvements	122,266	122,266	-
	<u>2,426,428</u>	<u>1,637,529</u>	<u>788,899</u>

Computer hardware and office equipment with a cost of \$1,390,491 (2010 - \$786,344) and accumulated amortization of \$791,391 (2010 - \$332,442) are financed under capital lease.

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 \$720,123 (2010 - \$2,032,624) was transferred from the reserve during the current year.

Notes to Financial Statements

December 31, 2011 and 2010

6 Obligations under capital lease

Total minimum payments required under capital leases are as follows:

	\$
2012	411,859
2013	286,493
2014	155,348
	<u>853,700</u>
Less: Imputed interest (rates vary from 4% to 6%)	39,968
	<u>813,732</u>
Less: Current portion	386,117
	<u>427,615</u>

Interest of \$27,323 (2010 - \$28,354) relating to capital lease obligations has been included in depot operations and general and administrative expense.

7 Commitments

The Corporation has entered into operating leases for its premises. The total future minimum lease payments for the next five years are as follows:

	\$
2012	304,110
2013	312,139
2014	302,441
2015	221,930
2016	226,285
	<u>1,366,905</u>

8 Government related outstanding amounts as at December 31

Government remittances consist of amounts (such as sales taxes and Workers Compensation Board remittances) required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, \$19,625 (2010 - \$8,928) is included within accounts payable and accrued liabilities.

Notes to Financial Statements

December 31, 2011 and 2010

9 Fair value of financial instruments

The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of the instruments. The obligations under capital lease are of a long-term nature and, as such, are impacted by changes in market yields, which can result in differences between carrying value and market value. Management estimates that these differences are not material and the carrying amount approximates fair value.

10 Related parties

The Corporation owns 100% of Encorp Pacific Inc. (EPI), an incorporated company. EPI is inactive and its balance sheet is as follows:

	\$
Cash	2
Shareholder's equity	2

During the year, the Corporation paid \$115,238 (2010 - \$119,055) in Board expenses, which comprise fees for directors and reimbursement of expenses.

11 Currency, interest rate and credit risk management

Foreign currency risk

The Corporation is exposed to foreign exchange risk through its cash, accounts receivable and accounts payable that arise on sales of recyclable materials denominated in US dollars. At December 31, 2011, the net US dollar exposure on cash, accounts receivable and accounts payable was US\$2,182,946 (2010 - US\$1,995,988).

Interest rate risk

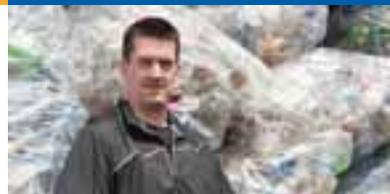
The Corporation is not exposed to significant interest rate risk. Obligations under capital lease bear fixed rates of interest.

Credit risk

Accounts receivable consist of amounts outstanding from brand owners and material recyclers. The Corporation monitors the creditworthiness of brand owners and material recyclers to minimize the risk of loss.

12 Comparative information

Certain comparative figures have been reclassified to conform with the current year's presentation.



Encorp Pacific (Canada)
206 - 2250 Boundary Road
Burnaby, BC V5M 3Z3
1-800-330-9767
www.encorp.ca



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