



2012 ANNUAL REPORT ENCORP PACIFIC (Canada)

BC'S BEVERAGE CONTAINER RECYCLING NETWORK, STARTS HERE.

973

Millions Containers Collected

78.7%

Recovery rate

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EXECUTIVE SUMMARY

Encorp Pacific (Canada) is British Columbia's, not-for-profit, product Stewardship Corporation with beverage container management as our core business. Our mandate is to develop, manage and improve systems to recover used packaging and end-of-life products from consumers and ensure that they are properly recycled and not land-filled or incinerated. All data refers to January 1, 2012 to December 31, 2012.

Public Education Materials and Strategies

- \$3.5 Million, 12 month, full province, multi-pronged, target specific consumer awareness campaign implemented
- New mobile website launched compatible with all smartphones. Platinum winner in the 2012 MarCom Awards competition
- Research reports a net 99% awareness level of container types and beverage types in the Return-It™ system

Collection System and Facilities

- 171 Encorp Return-It™ Depots: No additions and one closure during 2012
- 5 mobile collectors certified in Metro Vancouver
- More than one half of the depots offer collection services to the IC&I sector
- Elementary & High School program collected 2,800,000 containers
- Public space pilot in Vancouver and specialty bins in 14 BC Parks

Product Environmental Impact, Reduction, Reusability and Recyclability

- Beverage producers have achieved near maximum light weighting of containers and are implementing zero landfill requirements at their production facilities
- Encorp stewarded containers are all "one way" containers and are not reused
- All containers are recyclable with laminate type containers being stored pending market demand

Pollution Prevention Hierarchy and Product/Component Management

- All Encorp stewarded containers are recycled except as noted under Product Environmental Impact section
- All Encorp containers are sold into recycling markets with 97% going to North American destinations

Product Sold and Collected and Recovery Rate (the 12 months ended December 31, 2012)

- Sales are 1,237,108,765
- Products collected are 973,327,078
- Recovery Rate is 78.7%

Summary of Deposits, Refunds, Revenues and Expenses

(the 12 months ended December 31, 2012)

- Deposits are \$85,181,918
- Refunds issued are \$69,160,311
- Total Revenues are \$94,831,249
- Total Expenses are \$87,763,676
- Excess of revenue over expenses is \$7,067,573



Plan target: 75%
2012 Results: 78.7%

Comparison of Key Performance Targets

Recovery Rates

2011

- 79.8%

2012

- 78.7%

Consumer Accessibility

2011

- 79% of consumers surveyed are aware of the nearest Return-It™ Depot location to return containers. 90% are aware of a Depot or Retail location to return containers.

2012

- 85% of consumers surveyed are aware of the nearest Return-It™ Depot location to return containers. 92% are aware of a Depot or Retail location to return containers.

Consumer Accessibility – Vancouver Area

2011

- 68% of consumers surveyed are aware of the nearest Return-It™ location to return containers.

2012

- 76% of consumers surveyed are aware of the nearest Return-It™ location to return containers.

Multifamily Collection

2011

- Pilot Program with 67 buildings with collection service in place.

2012

- Multifamily moved from a pilot program to regular day-to-day collection network with service contracts in place. Service provided primarily within the City of Vancouver.

Elementary and High School Program

2011

- 313 schools registered
- \$249,500 in deposit refunds
- 3.5 million containers recycled

2012

- 288 schools registered
- \$173,000 in deposit refunds
- 2.8 million containers recycled

Event and Public Places

2011

- Encorp participated in 50 events over 42 days including a pilot program at Capilano College.

2012

- Encorp participated in 45 events over 61 days including the 2nd year with Capilano
- Encorp participated with the City of Vancouver in a 60 bin pilot program

MESSAGE FROM THE CHAIR



By traditional indicators, 2012 can be counted as another successful year for Encorp Pacific (Canada) and its partners. Financially, we continued to strengthen our balance sheet as decisions made two years ago restored a level of comfort in the wake of the global recession. Operationally, we witnessed further upgrades to our depot network. The quality of Return-It™ centres continues to rise and customer satisfaction is at an all-time high.

We did experience a modest decline in our recovery rate. There are many possible reasons for this, but we do not think the final number represents a serious drop in performance. Still, from a broader perspective it does shed light on the challenges of attaining incremental gains against a single performance indicator in what can now be classified as a mature collection system.

Recognizing this, the Board of Directors has endorsed a new Strategic Plan, a major component of which is to re-tool certain elements of the existing collection system. The main features of this initiative are described in Neil Hastie's message elsewhere in this report. What is clear is that the traditional collection model - now almost twenty years old -

is in need of some fine tuning if it is to meet the current and future expectations of British Columbia consumers.

Many of the new collection mechanisms are unconventional and 'leading edge.' The pilot tests will be critical, but after much review we are excited about their ability to deliver greater convenience to BC consumers and greater value to both depot operators and brand owners.

We are also pleased to have worked through some of the barriers that exist with respect to the siting of new depots in the City of Vancouver. The challenges of siting depots in densely populated urban areas are many and complex, and our ability to achieve incremental gains in Vancouver will go a long way to moving the needle on the overall recovery rate. The recent completion of an application protocol with city staff, coupled with the new depot formats referred to above, should help provide more services to Vancouver residents, tailored to the unique needs of the urban environment.

All of these developments take place within a dynamic policy context. In many ways we are at a tipping point in product stewardship, where new thinking is required to get us to higher ground in terms of program performance and economic sustainability. Here, sustainability means not just affordability for consumers - although that remains paramount - but also ensuring that all segments of the supply chain can earn a decent return on their investments while providing even more convenience - and clarity - for BC consumers.

To date, British Columbia has done a good job of creating purpose-built programs to deal with specific products. In the future, the operators of those programs will be challenged to cooperate amongst one another, to collaborate where it makes sense

and above all, to be innovative in their approach to collecting and recycling designated products.

One of the signal developments of 2012 was the provincial government's go-ahead on Packaging and Printed Paper stewardship. The formation of a new stewardship agency and the hard work being done on behalf of non-beverage packaging stewards are welcome developments for what is probably the most ambitious initiative of its kind. It remains to be seen whether Encorp has a direct role in program delivery or whether we are indirectly involved as a leading member of the stewardship fraternity in British Columbia. In any event, we continue to support industry efforts to achieve a successful program.

Encorp's own success is built on a foundation of relationships. Many years ago our Board of Directors chose a business model that was light on owned assets and heavy on mutually beneficial business relationships between an array of stakeholders.

The ongoing support of all our partners - depot operators, transporters, material processors and the larger community of stewardship agencies, local governments and public interest groups - is vital to making the Encorp system one of the most admired in North America. It is greatly appreciated, as are the continued guidance of our Board and the outstanding work of our staff.

After fifteen years at the helm, Neil Hastie retires as Chief Executive Officer of Encorp Pacific this summer. It is impossible to fully measure Neil's imprint on product stewardship in British Columbia - and Canada - so far. Under Neil's leadership, Encorp has evolved from a simple organization formed to discharge brand owner obligations under the old Beverage Container Stewardship Program Regulation into one of the most respected stewardship agencies on the continent. I have

no doubt that he will continue to have a profound influence on the industry for many years to come. On behalf of the Board of Directors, I extend our sincere appreciation and thanks for Neil's contribution.



Dan Wong
Board Chair

MESSAGE FROM CHIEF EXECUTIVE OFFICER



I am pleased to present the 2012 Annual Report. Our financial performance is in keeping with our goal of strengthening our reserves in anticipation of more aggressive investments in the near future. These investments focus in particular on consumer education, as well as technology and innovation in our collection infrastructure.

We are reporting a reduction in our recovery rate from 79.8% in 2011 to 78.7% last year. We do not believe this to be a trend as we have seen improvements in both January and February of 2013. However, the results for 12 months ending December 31, 2012 confirm the challenges that lie ahead as Encorp strives to achieve recovery rates greater than 80%.

There are several building blocks necessary for us to achieve continuous improvement in recovery volumes and rates. In this report I would like to outline our key strategies and provide an update on the status of several new initiatives. As well, I bring particular focus to the continued evolution of the Return-It™ depots as many are becoming the key full service recycling depots for their communities.

New Generation of Return-It™ Collection Locations

In the major cities in the province, population is increasingly concentrated in urban localities or town centres. As well, most new housing is taking the form of either high rise or other multifamily buildings. Together these trends mean we must adapt the size

and operating style of our standard bottle depots. After all, the current model was developed almost 15 years ago when occupancy costs and good quality commercial/industrial locations of 3-4,000 square feet were within reach of most owners and in most areas.

In addition to the diminishing availability of good locations, a second trend is creating its own unique pressure on the traditional bottle depot. The significant diversification in end-of-life consumer products and packaging being collected at bottle depots began in 2007 with the addition of electronics, followed in 2011 by small appliances and in 2012 by other products such as electronic toys, power tools and lighting. I anticipate that even more types of traditional packaging material will be collected by depots starting in 2014. This diversity is a response to the consumer's clearly expressed desire for the convenience of a "one stop drop" collection facility or, in product stewardship terminology, a multi-program depot that accepts virtually all stewarded products (except those returned to a retail location in exchange for a replacement product, namely, tires, car batteries, oil filters, etc.).

Our strategy to manage the business ahead of these trends has three (3) key elements:

1. Launch two new urban depot formats: Return-It™ MINI with a compact footprint of less than 1,000 square feet; and Return-It™ RVM, a reverse vending machine format with a footprint of less than 250 square feet.
2. Offer consumers a Return It™ EXPRESS choice at traditional depots and as the sole option at the MINI depot. With Return-It™ EXPRESS, consumers would be able to "bag and drop" their containers without the requirement for sorting in advance. Sorting would be completed later as would the processing of refunds.
3. Retool beverage container handling methods in depots to enable more of the available space and staff time to be used to manage the collection of other stewarded products and packaging.

Our goal in offering consumers the choice of EXPRESS service is to dramatically reduce the amount of time consumers must spend at the depot sorting their containers and, during busy periods, waiting in line to receive their deposit refunds. We believe this increase in convenience will encourage even more visits to the depot. An additional benefit will be a reduction in staff time and floor space required to handle beverage containers. Hence the EXPRESS system will enhance beverage container collection while creating opportunities to collect a broader range of stewarded products and packaging.

Status of Pilot Tests

The initial consumer testing of the EXPRESS concept will commence this year at an existing Return-It™ depot(s). We intend to pilot test the RVM concept at a new location this year as well.

An option in support of the EXPRESS system is to undertake the counting of the unsorted containers at a central plant location using high speed bar code recognition technology. We have already installed this technology and successfully completed preliminary trials in anticipation of the rollout of the pilot test of the EXPRESS system.

Multi Program Return-It™ Depots

The Return-It™ bottle depot is the natural foundation for a multi-program depot. Return-It™ depots are generally well located throughout the province and are visited by consumers on a regular basis to return refundable beverage containers. Each year Encorp makes fee payments of \$50 million to this network creating a solid financial foundation that can support other stewardship programs as appropriate.

In concert with Electronics Products Recycling Association (EPRA) and Canadian Electrical Stewardship Association (CESA), we have identified 75 or more depot locations which are currently under contract to collect Encorp beverage containers, electronics and small appliances. There are opportunities to expand the number of these “one stop drop” locations. Fundamental to the growth in the number of these depots is the principle that each stewardship agency utilizing these shared facilities must pay its full share of the costs to handle the designated products.

For some time certain beer containers (i.e., beer in refillable glass bottles and in aluminum cans covered by the Brewers Distributors Limited (BDL) - approved stewardship plan in British Columbia have been collected by depots from consumers where the payments by BDL or their agents do not compensate the depots for the full costs of handling these products. In some cases no direct payment is offered at all. In these situations, the depot is left with no alternative but to make only a partial refund (i.e. less than the 10 cent deposit paid) to the consumer.

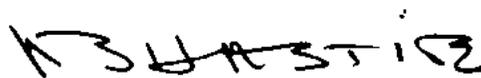
As the consumer appeal of the multi-program depot concept takes hold, the next phase is to expand the range of products taken back under agreement with other stewardship agencies. In particular, there is an opportunity for BDL to expand the number of depots that directly receive payment for collecting beer containers on a full cost recovery basis.

New Location(s) in City of Vancouver

There are currently nine depots in the City of Vancouver. Our analysis indicates that there should be at least 14, five more than present, to achieve appropriate levels of consumer convenience. In concert with city staff, we have developed a permitting protocol for 5 STAR Return-It™ depots that will further encourage entrepreneurs to come forward with new locations.

CEO Succession

It has been a privilege serving as the CEO for the past 15 years. Encorp is an amazing company, clearly capable of continuing leadership in environmental stewardship and recycling. My successor will enjoy working with our many partners, our employees and Directors. I know I have.



Neil Hastie
President & CEO

WHAT DRIVES US

Thank You for Recycling!



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 brand owner/producer compliance with the Recycling Regulation by organizing recycling programs from collection and transportation through to the final recycling of a variety of end-of-life packaging and products.

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 within a small managerial and administrative team responsible for strategic planning, financial management, consumer awareness, infrastructure development, information technology and public transparency. All other operational activities are delivered through a network of independent contractors such as depot operators, transporters, 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 behaviour 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.

A LOOK AT THE KEY PRINCIPLES OF THE INDUSTRY PRODUCT STEWARDSHIP 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. This federal regulation is being amended, however, with core principles and requirements remaining the same.

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

The key principles are:

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 minimal government involvement.

Programs encourage continued innovation by producers to minimize environmental impact 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.



STEWARDSHIP AGENCIES OF BRITISH COLUMBIA



Stewardship Agencies of British Columbia

Organization

There are currently 16 active multi-producer 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, brings a responsibility to work together.

Mission

Without limiting the authority and jurisdiction of each BC Stewardship Agency, the mission of the Stewardship Agencies of British Columbia (SABC) 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.



BCUOMA
British Columbia Used Oil
Management Association



ElectrRecycle
SMALL APPLIANCE & POWER TOOL
RECYCLING PROGRAM



- 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.

SABC is organized with an Executive Committee; a secretariat and consumer response contract with the Recycling Council of BC and holds regular meetings with all its members.

Deliverables to date:

SABC 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 stewards' 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 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 the 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.



IT STARTS WITH RESEARCH

Beverage Container Return Study 2012

We are results oriented. That's why Encorp engages a professional research company each year 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.

Data was collected in late November and early December, 2012. A total of 1,839 British Columbians were surveyed. The data was weighted on age, gender, region and education to ensure that the results are representative of the British Columbian general population.

Awareness Levels of Container Types

BC residents are generally aware that most beverage containers can be returned for a refund on deposit, especially pop/soft drink, coolers, ciders & pre-mixed alcohol beverage types. Shifts since 2010 are minimal.

Research Overview

Data was collected from November 28th to December 6th, 2012. Previous waves were conducted between November 3rd to 18th in 2011, December 2nd to 20th in 2010 and December 1st to 18th in 2009.

Sample was obtained through the Angus Reid Forum, Canada's premier online panel of 100,000 Canadians.

Sample Details

A total of 1,839 British Columbians ages 18+ completed the survey, with regional quotas as follows:

REGION	FAMILY TYPE	#COMPLETES	MARGIN OF ERROR
City of Vancouver	Multifamily:	149	±6.4%
	Single family:	81	
Rest of Metro Vancouver	Multifamily:	215	±4.5%
	Single family:	253	
Fraser Valley/Squamish/Whistler		234	±6.4%
Vancouver Island		224	±6.5%
Okanagan		228	±6.5%
Kootenays		225	±6.5%
Northern BC		230	±6.4%
Total		1,836	±2.2%

VISIONCRITICAL®

Awareness Levels of Beverage Types

BC residents are generally aware that most beverage containers can be returned for a refund on deposit, especially pop/soft drink, beer and coolers, ciders & pre-mixed alcohol beverage containers. Shifts since 2010 are minimal.

	2012	2011	2010	2009
Any Types of Beverages	100%	98%	n/a	n/a
Any Non-Alcohol	99%	98%	n/a	n/a
Pop/soft drinks	98%	98%	97%	96%
Juice	85%	86%	86%	86%
Water	85%	85%	85%	86%
Sport drinks	80%	78%	78%	80%
Any Alcohol	99%	97%	n/a	n/a
Beer	98%	97%	97%	95%
Coolers, ciders, pre-mixed alcohol bev.	92%	91%	90%	88%
Wine	88%	87%	86%	84%
Liquor or spirits	86%	85%	83%	83%

Base: All respondents: 2012 (n=1,839), 2011 (n=1,656), 2010 (n=1,713), 2009 (n=2,083).

Q1. To the best of your knowledge, in British Columbia, can containers with the following beverages be returned for a refund on deposit?

Awareness Levels of Container Types

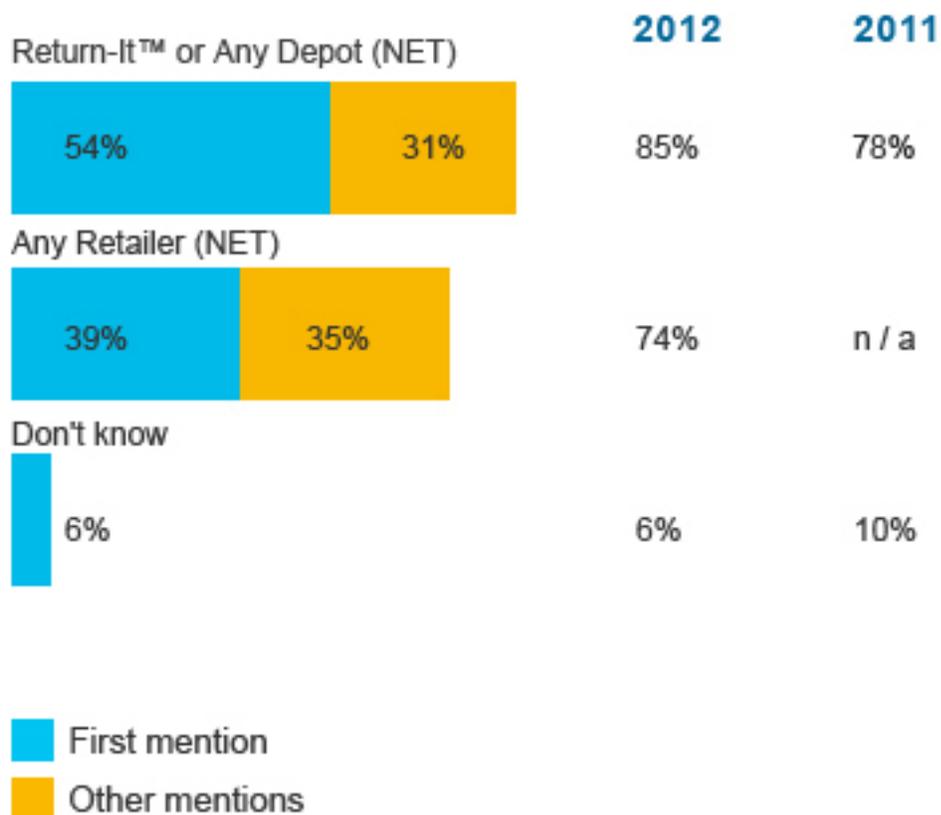
Awareness of aluminum cans and glass bottles eligible for a refund on deposit is highest, and both increased compared to last year. However, there is a slight decline for plastic bottles and cartons.

	2012	2011	2010	2009
Aluminum cans	99%	98%	99%	97%
Glass bottles	98%	93%	80%	83%
Plastic bottles	78%	88%	89%	89%
Drink boxes	72%	74%	75%	74%
Cartons	51%	57%	59%	58%

Base: All respondents: 2012 (n=1,839), 2011 (n=1,656), 2010 (n=1,713), 2009 (n=2,083)
 Q2. To the best of your knowledge, can the following types of containers be returned for a refund on deposit?

Awareness Levels of Places to Return

Grocery stores and Return-It™ depots are top-of-mind for beverage container recycling. Awareness for Encorp Return-It™ Depot continues to increase over time.



Base: All respondents: 2012 (n=1,839), 2011 (n=1,656), 2010 (n=1,713), 2009 (n=2,083)

Q4. When it comes to the various places you can return beverage containers for recycling or for a refund on deposit, what places come to mind?

Market Segmentation

Using cluster analysis to categorize respondents into groups, there were 4 segments that emerged:

Non-Recyclers

Try to recycle but usually don't bother; tend to be younger, single and rent multifamily dwellings

> **Most discards**

Enviro-Skeptics

Feel that the environment and recycling is not of their concern; tend to be older, with families and own homes

> **Moderate discards**

Environmentally Friendly

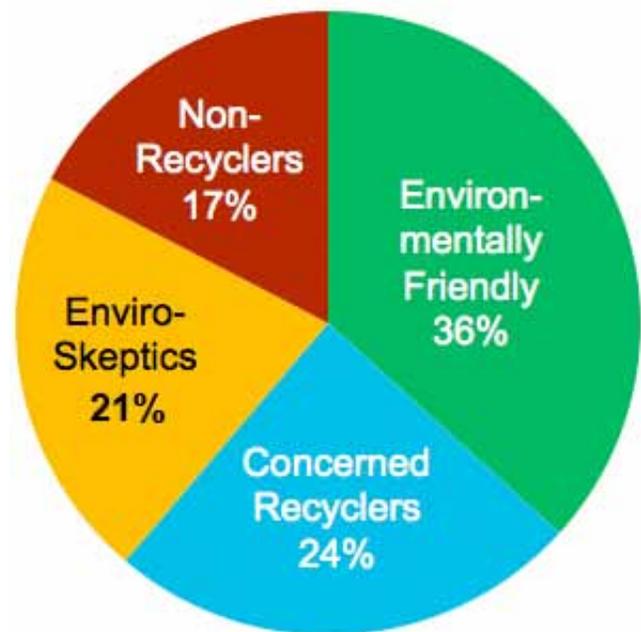
The most environmentally aware and proactive; tend to be urban, single females

> **Fewest discards**

Concerned Recyclers

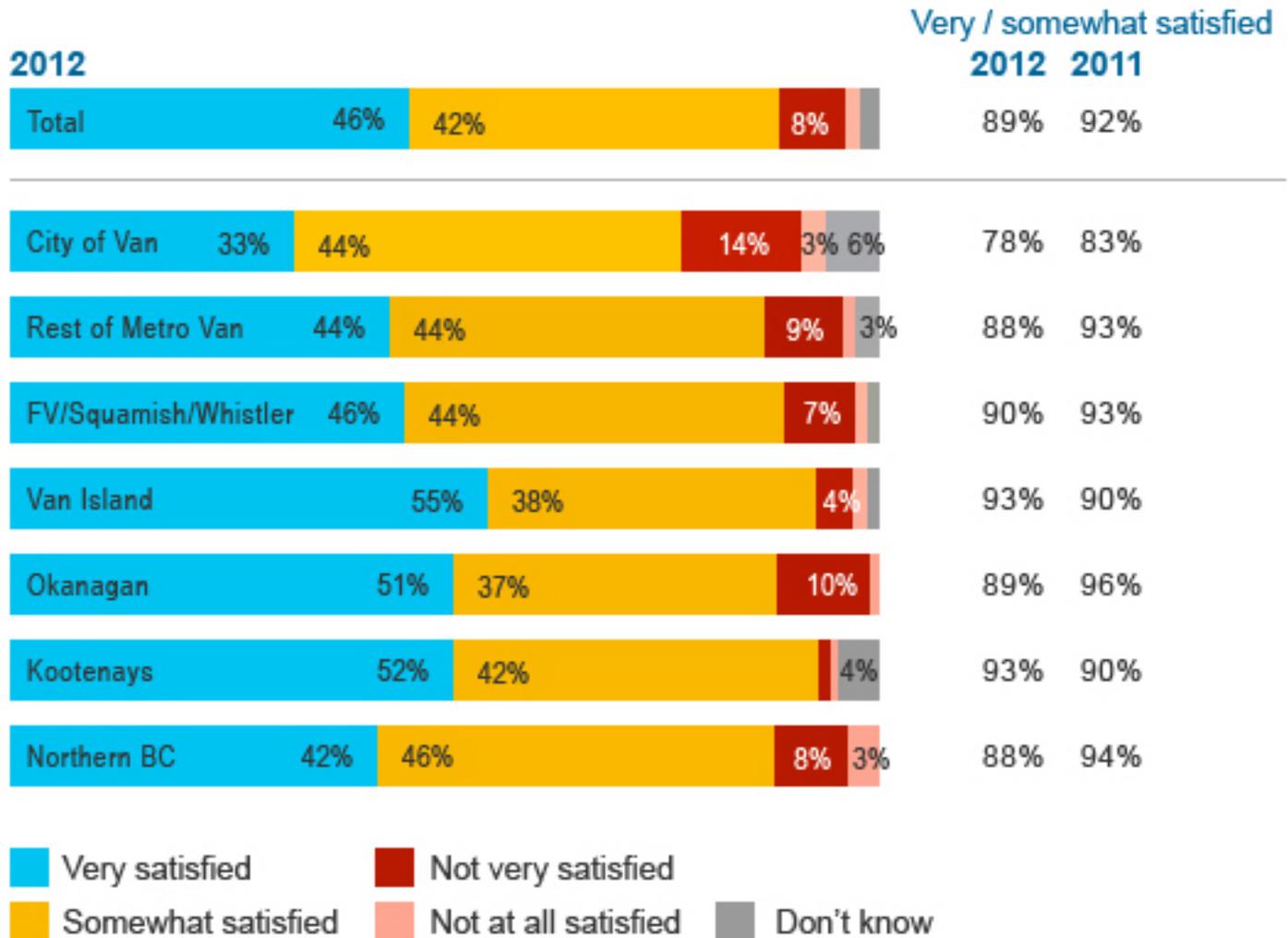
Also concerned with the environment; tend to be males with families

> **Moderate discards**



Depot Satisfaction Levels

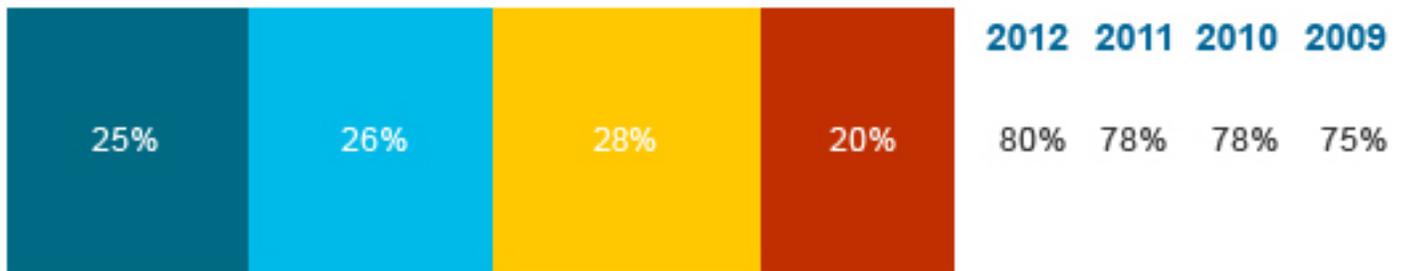
Nine-in-ten British Columbians are satisfied with the bottle depot they visit most often, slightly less than a year ago. Regionally, residents in the City of Vancouver are the least satisfied.



Base: Depot visitors: 2012 (n=1,492), 2011 (n=1,265), 2010 (n=1,157), 2009 (n=1,409)
 Q17. Overall, how satisfied are you with the bottle depot that you visit most often?

Brand Awareness

NET: Encorp / Encorp Pacific / Return-It™



- Aware and very familiar
- Aware and somewhat familiar
- Aware, but not very familiar
- Not aware

Base: All respondents: 2012 (n=1,839), 2011 (n=1,656), 2010 (n=1,713), 2009 (n=2,083)
 Q22. How aware and familiar are you with each of the following companies?



Nutrition Facts
valeur quotidienne

	% Daily Value	valeur quotidienne
160	0 %	
0 mg	2 %	
14.0 g	14 %	
14.0 g		
of saturated fat		
vitamin A		
vitamin A		

0 678290 0
TEISSEROT
100g

0 673190 6

LE 10 10
122041022222

Fait à partir de vrai

JUICE
NATURE

RETOURNEZ-LES
Ces canettes et emballages en aluminium et en plastique sont recyclables. Ils doivent être déposés dans les conteneurs de collecte appropriés.

“SPEAKING” OF RECYCLING . . .

Every single container that was recycled in British Columbia had the same thing in common: It was brought into the system thanks to a consumer with a clear understanding and appreciation for the value of recycling. We understand to keep consumer awareness and recycling numbers constantly improving, it is important 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. Educating consumers is essential – and it’s one of the most important jobs we do.

Using our annual research survey as a base, each year we identify who discards the most containers, what kind of containers are being discarded, and where are they most likely to be discarded. That allows us to develop targeted advertising campaigns that reach exactly the right people at exactly the right time. And each year we strive to develop new and creative ways of reaching our consumers both individually and through a mass audience. Methods include advertising, promotions, public relations and community involvement.

2012 was identified as a key year in the evolution of Encorp’s consumer awareness programs. Some of the key highlights were:

- A brand new consumer campaign was launched throughout the province
- Soon after launch, Encorp’s new mobile website quickly won Platinum in the international 2012 MarCom Awards competition
- A new public spaces recycling program was launched in the City of Vancouver.

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

New Campaign Launch – In 2012, Encorp identified young males aged 18 – 34 as the heaviest discarder of beverage containers. The main reason? Laziness.

A new campaign was needed and the goal was to appeal to the most important thing in a young man’s life—his social life. We had to tell young men that by not recycling, their peers would think less of them. Plus, it’s a message that could also be appreciated by everyone else—younger, older, male or female. We did this by creating a campaign that visually was appealing to everyone, but written with young males in mind. Who better to express their dissatisfaction at being discarded than the container itself? A set of four puppets were designed and built, each one representing a recyclable container. And each one upset over the fact they hadn’t been recycled—so they had come back to judge the one who threw them away.

In addition to TV spots, the characters were found online, in transit stations, on campus, on vending machines, at summer festivals, even in locker rooms at the local gym.

Advertorials – Newspaper advertorials, including an Earth Day version, provided exposure and detailed information about Encorp’s activities in local communities where they were distributed.

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 includes recycling information in these municipal calendars as they provide ideal context to encourage individuals and families to recycle on a regular basis, right from within people’s homes.

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

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.

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.



RECYCLING PROGRAMS

The 171 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.



Outdoor Spaces Events

Equally important to recycling at home, is also recycling away from home. Encorp encourages people to do both by having their street team and mascot, Return-It™ Man attend major events. In 2012, the team and mascot attended 45 trade shows and outdoor events, over 61 activation days, reaching more than 9,762 people. Key highlights included Festival of Lights, Crankworx, Alcan Dragon Boat Festival, and Surrey Canada Day.



School Recycling Program

For 11 years, this program has helped elementary and high schools promote environmental action and also raise money. In the 2012 school year, 288 schools across the province registered in this program. 113,384 students participated in a friendly competition to collect the most containers. More than 2.8 million containers were recycled by students and over \$173,000 in deposit refunds were collected. Plus, an additional \$20,250 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 2012 by providing 55 new bear-proof recycle bins to 5 popular BC Parks. This brings the total number of bins to 176 in 14 parks: Rath Trevor Beach, Alice Lake, Wells Gray, Kokanee Creek, Little Qualicum Falls, Cultus Lake, Syringa, Englishman River, Sproat Lake, Paul Lake, Stawamus Chief, Golden Ears, Manning and Goldstream. 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 176 recycling bins to the 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 2012. The Activations Team attended these events in order to reach movie-goers and the spots were also aired on the big screens.



Artist Response Team

Encorp Pacific is proud to be the first sponsor of The Voices of Nature School Music Program which draws on a library of eco-songs created by the Artist Response Team (ART). The songs are about oceans, rivers, forests, bears, salmon, climate change, endangered species and related social issues.



Return-It to Win-It™

Encorp's annual Return-It to Win-It™ Depot Promotion was back in 2012 to increase awareness of local depots. It also provided incentive for new customers to visit and for existing customers to visit more often. Because of the overwhelming success in 2011, customers once again were given the opportunity to win a brand new 2012 Smart fortwo. Another lucky customer won a pair of Vespa Scooters while a third customer took home a set of brand new mountain bikes. With over 231,000 ballots submitted throughout the contest period, once again the contest proved to be a favourite with customers.

Voices of Nature is an integrated, cross-curricular, project-based approach to ecological learning through music. ART provides customized rehearsal CDs; students learn songs over 6-12 weeks. Holly Arntzen and Kevin Wright arrive in the school for a 4-day Artist In Residency to rehearse with students. Students write about the issues raised in the songs, and what they believe people can do to help. The culmination is a professional concert for families and friends, where every child is put in a leadership role to sing out and speak up for nature!

The educational foundation is highly developed and effective. Teachers are given ART's award-winning Educators' Handbooks; they provide activities in many subjects that are linked to the song lyrics and fulfill Prescribed Learning Outcomes. Handbooks and CDs are available in English and French, and are Provincially Recommended by the BC Ministry of Education.

CAPILANO UNIVERSITY UPDATE



Back in the fall of 2011, Encorp Pacific (Canada) partnered with North Vancouver-based Capilano University to launch the Waste Audit pilot project. Our goal was simple: to better understand the recycling habits of post-secondary students, and improve those habits if possible.

Last year, the project evolved from information-gathering to a series of interactive events that helped students recognize the value of resource recovery. Hundreds of students donned safety equipment and analyzed one day of campus waste, educating the campus community about the importance of recycling—and more importantly, about the consequences of not recycling. To raise awareness and encourage participation, an interactive installation of “sample” waste was also displayed in the university’s main courtyard.

Judging from the numbers, the pilot project was a huge success. In the Spring of 2012, the Waste Audit recovered a total of 466 refundable beverage containers from the trash. After implementing changes in the placement and quantity of beverage collection containers around campus, that number decreased by 80% in the Fall audit.

Needless to say, that’s the kind of success that attracts attention. John Yap, Minister of Advanced Education, Innovation, and Technology and as Minister Responsible for Multiculturalism, visited the campus for the Fall audit, as part of the ongoing events related to Waste Reduction Week in Canada.

Going forward, Capilano will be conducting another Waste Audit in the Fall of 2013. And it won’t be the last. The university intends to hold similar audits annually, in order to monitor whether the positive changes and awareness built over the past year have been incorporated into daily practices on campus.

VANCOUVER PUBLIC SPACES RECYCLING

Vancouver wants to be one of the greenest cities in the world. Last year, Encorp Pacific (Canada) helped the city take a giant step toward that goal.

As part of the city's Greenest City 2020 Action Plan, Encorp partnered with the City of Vancouver and the Vancouver Board of Parks and Recreation to provide dedicated beverage recycling bins across the city. Our goal was to make it easy and convenient for residents and visitors to recycle their beverage containers.

Launched last August, the program saw the installation of 60 new beverage container recycling bins at high-traffic areas, including Kitsilano Beach, English Bay, Stanley Park, Commercial Drive, and many other locations. Each bin will be able to carry an estimated 288 aluminum cans or 150 plastic bottles.

For the design of the bins, we consulted with United We Can, a downtown organization that promotes the collection of recyclables. By giving each bin an open access panel, we were able to support the needs of the United We Can community.

So far, the bins have been a big hit with both our partners and the public alike. Awareness of the program is high, and use is climbing steadily. In August of 2013, Encorp and its partners will conduct a full review of the Vancouver pilot program, assessing its impact and suggesting possible changes and improvements. Those improvements will allow Vancouver's pilot program to serve as a model for similar programs in other B.C. municipalities.

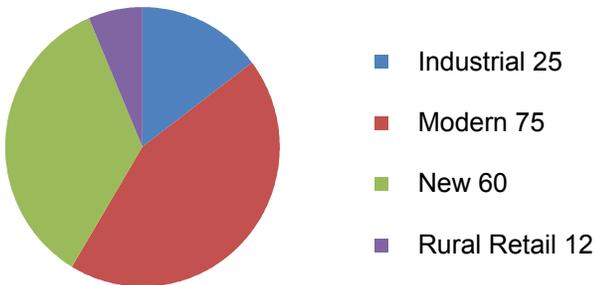


CELEBRATING SUCCESS

We have record high recognition and record high recovery rates. Encorp's collection network consists of 171 Return-It™ Depots.

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 171 depots in the network today:



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

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



DEPO



OPEN



EVERY DEPOT TELLS A STORY

When Jay Son got a call from Encorp back in 2010, he was more than a little excited. Here was a chance to start something brand-new: a new recycling business, in a completely new location. And so it was that Panorama Village Return-It™ Depot was born.

Jay remembers that at the time, there wasn't much of anything in the area—a few stores, some and residential development. That's changed. Now, Jay's 5-Star Depot is located in the middle of a fast-growing community that's growing by leaps and bounds.

Jay reports impressive growth since the Depot's opening. The secret to this success? A super-clean, convenient location along with a “service-first” approach. Even though his business is recycling, Jay believes in treating his customers like royalty. We couldn't agree more.

ONS

ou!



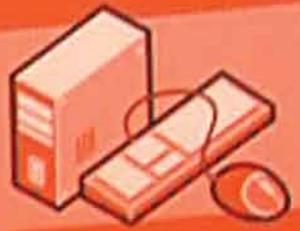
20¢
Over 1 Litre



TAINERS

Dear customers
are
Although t

RETURN



DESKTOP COMPUTERS & ACCESSORIES

- CPU
- Keyboard
- Mouse
- Cable



VIDEO GAMING SYSTEMS & ACCESSORIES

- Joystick
- Game console
- Controller with cable

full list of accepted electronic it

IT.OA/ELECT





8500
HT530

CD
DI

GOING WITH THE FLOW

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 Encorp since 1994.

Encorp's transportation contractors have seen some positive improvements in how materials are handled as well as changes to Encorp processors over the last year. We have seen transportation and handling efficiencies with the continued roll out of "Big Bags". "Big Bag" shipping container holds over 1800 beverage containers per large bag. Further, some of our transportation companies have gained efficiencies based upon new processor contract arrangements that have been signed over the last year.

Fuel prices have remained relatively stable over the long term, although with periodic fluctuations. We continue to monitor fuel price impact on our transportation network. Our overall spending on

transportation services was \$16 million in 2012 with \$4 million allocated to electronics.

Through 2012, transportation delays continued in the Metro Vancouver region due to ongoing highway and road construction. With the completion of the new Port Mann Bridge we have not seen a reduction in traffic volumes. Much of the traffic has diverted around paying bridge tolls, impacting other non-toll bridges across the Fraser River. Traffic volume issues continue in and around the Metro Vancouver region in local areas.

On Vancouver Island, transportation delays are minor with the exception of some major bridge construction in the Downtown Victoria area, impacting transportation routes in peak travel times.

Encorp continues to work with our transportation and depot partners to look at alternative times to run transport routes, assist in depot relocations to make it easier to pick up at relocated depots, as well as continue to work with depot operators for lengthening hours of pick up at these locations.

Dave Dugan has been fascinated by trucks and trucking since he was old enough to remember. So when his father started Central Island Distributors (CID) way back in 1991, Dave knew working for the family business was his destiny.

Originally, CID was involved in distributing beer for some of the smaller breweries on the Island. The company also operated a small bottle depot as a side business. When Encorp formed in 1994, CID was one of the first operators to join the Encorp family.

Today, CID is Encorp's transporter of choice on Vancouver Island. Based in Nanaimo, the company's trucks travel all the way from Victoria right up to Campbell River, transporting everything from used beverage containers to plastic and aluminum to end-of-life electronics—amounting to almost 15,000 metric tonnes of recyclables a year.

COMMITTED TO QUALITY



Encorp's Quality Assurance site has been using the Anker Andersen (AA) equipment from Denmark, which is a high speed automated sorting machine dedicated to counting used beverage containers. Building on the successful implementation and use of the AA equipment, Quality Assurance continued using technology to increase the integrity of Quality Assurance. A sorting component was added to the AA equipment. The sorting component provided the

ability to sort out non-cylindrical used beverage containers and other containers that could not be passed through the AA equipment.

The sorting component uses conveyors, bar code scanners, light curtain and PLC technology to keep track of the audits and counts. These additions further the continuing automation, reducing human errors and continued integrity of our QA site.





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Return-It
™
It's Worth It.
1-800-330-9767 encorp.ca

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Return-It
™
It's Worth It.
1-800-330-9767 encorp.ca

A BUSINESS MODEL THAT WORKS



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 EPRA BC, Electronic Product Recycling Association, British Columbia, which is the product stewardship agency for electronics. EPRA produces a public annual report on the program that can be viewed at www.esabc.ca

Electronic Products Recycling Association (BC)

Under a contract with EPRA (BC), 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 2012, there were over 143 permanent sites throughout the province to which consumers and businesses could return designated EOL electronics at no charge; up from 125 in 2011.

RETURN-IT MILK™

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

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 2012, there were 165 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

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)

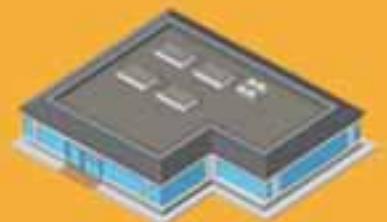


CORNER STORE

RETURN-IT DEPOT

GOVERNMENT
LIQUOR STORE

SUPERMARKET



0.4%
NON-ALCOHOL

91.5%
NON-ALCOHOL

85%
ALCOHOL

15%
ALCOHOL

8.1%
NON-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

Various plastic products including new containers, strapping material and fibres.

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 Tissue

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 greenhouse 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.

Avoided Greenhouse Gas Emissions from Recyclingⁱ

In 2012, Encorp collected and recycled over 88,000 metric tonnes of used beverage containers. 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.

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 2012 contributed to the reduction of about 94.3 thousand tonnes of CO₂ equivalent being released into the atmosphere, a slight decline of 0.4 thousand tonnes from the 2011 numbers. This came as a result of the slight decrease in weight of material collected due to the decline in beverage sales in 2012 from 2011.

Material	% Energy Savings from Use of Recycled Inputs for Manufacturing of Material	2012 tonnes CO ₂ equivalent reduced	2011 tonnes CO ₂ equivalent reduced (restated Note 1)
Aluminum	92%	49,469	50,159
Plastic	87%	12,242	11,873
Pouches/Bag-in-Box	53%	1,093	1,017
Glass	34%	24,460	24,698
Bi-Metal	82%	523	384
Polycoat	53%	6,529	6,596
Total		94,316	94,727

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 then converted into the carbon dioxide emissions using the calculators offered by the Greenhouse Gas Protocol.

In 2012, we used the British Columbia electricity intensity factors retrieved from Table 3 of the Ministry of Environment's methodology for reporting B.C. public sector greenhouse emissions to calculate emissions from the purchased electricity to better reflect the proper mix of the public utilities in BC³. Therefore, we have restated the GHG emissions of 2011 for better comparison. We continued reporting on other GHG gases (CO₂, 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.

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

ENCORP PACIFIC ENVIRONMENTAL REPORT

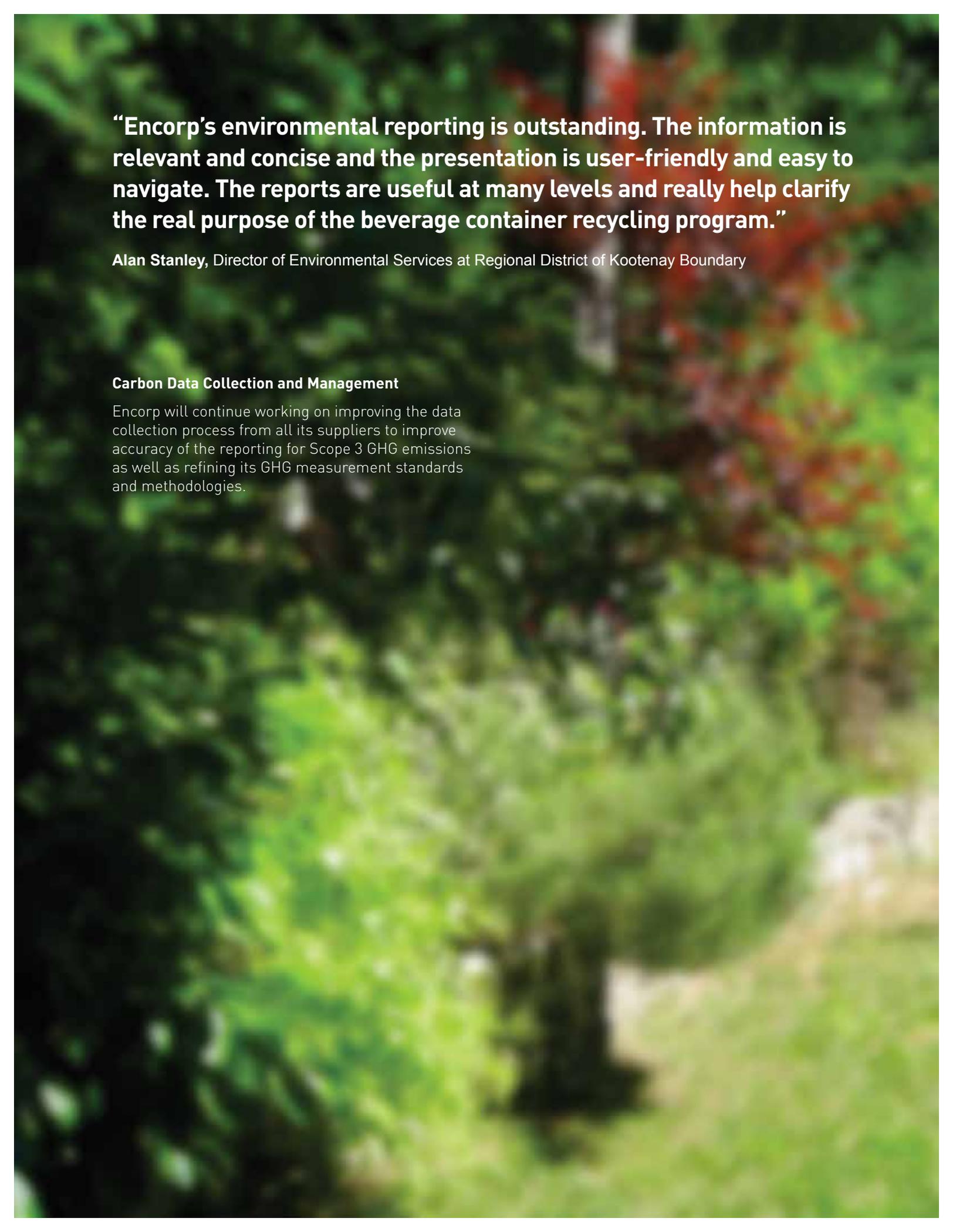
Emissions Inventory Summary (tonnes CO2)

Type of Emission	2012 ⁱⁱ	2011
<u>Direct emissions</u> are emissions from sources that are owned or controlled by Encorp		
Employee travel - gas use	28	37
<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. ² .		
Offices (excluding head office)		
Purchased electricity in leased buildings	4	5
Employee domestic air travel	10	16
Depots		
All purchased electricity in owned or leased buildings	120	107
All natural gas consumed in owned or leased buildings	74	82
Processors		
All purchased electricity in owned or leased buildings	58	54
All purchased gas consumed in owned or leased buildings	7	7
Transportation – depots to processors		
Diesel fuel	3,910	4,149
Transportation – processors to end markets		
Diesel fuel	1,212	1,274
Rail (based on metric tonne km)	370	366
Sea Cargo (based on metric tonne km)	4,354	4,483
Total Emissions all sources	10,174	10,580

¹ 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 2012 avoided emissions of CO2.

² All indirect emissions except for Office use were calculated based on the sample data provided by selected Depots, Processors, and Transporters.

³ Electricity intensity table for B.C. was referred from 2012 B.C. best practices, methodology for quantifying greenhouse gas emissions including guidance for public sector organizations, local governments <http://www.env.gov.bc.ca/cas/mitigation/pdfs/bc-best-practices-methodology-for-quantifying-greenhouse-gas-emissions.pdf>



“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

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 as well as refining its GHG measurement standards and methodologies.

GOOD FOR ALL OF US



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

Encorp Pacific (Canada) processing on Vancouver Island and in Prince George region went through a Request for Proposal process. The outcome was a change in how Encorp glass on Vancouver Island and Encorp non-glass in Prince George are managed. In Victoria, the existing glass processor, Emterra Environmental continued to process glass for Encorp. The crushed glass continue to be shipped to Vitreous in Alberta where it will be recycled into glass sand for producing fibreglass insulation material.

In Nanaimo, the glass processing was awarded to United Concrete & Gravel Ltd. in Abbotsford. Glass mega bags are cross docked at the transporter and shipped to UCG in Abbotsford. At UCG, the glass are emptied out of the mega bags and color sorted. The glass is shipped to e-cullet in Seattle, where it will be recycled into new glass bottles.

In Prince George, Cascades Recovery, which had already been handling Encorp glass product, was awarded the non-glass processing. The change in processor provided improved efficiencies in processing and with the transporters.



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.





RECYCLING BY NUMBERS

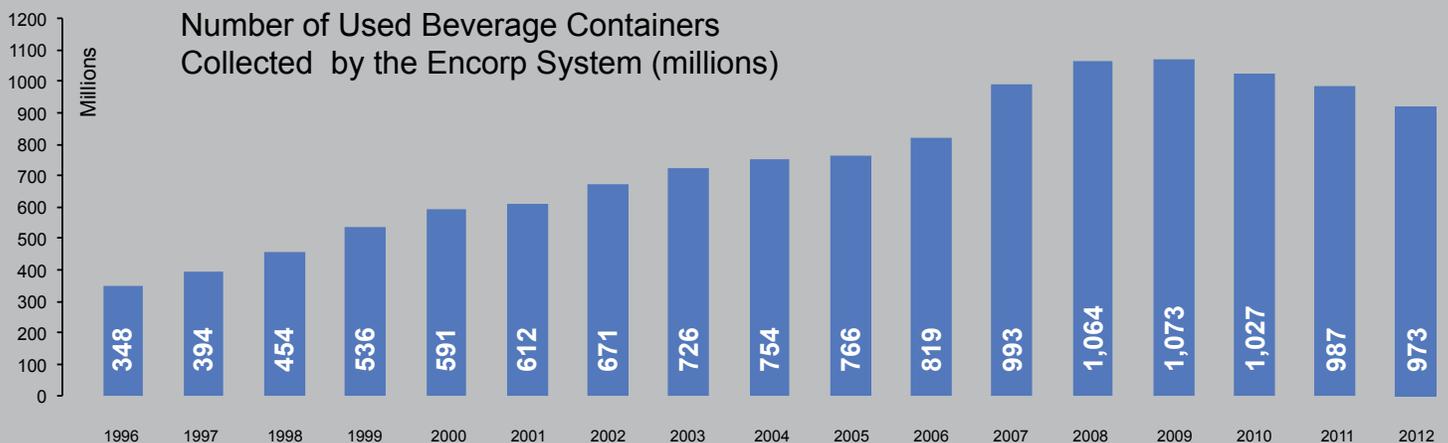
In 2012, Encorp Pacific (Canada) recovered just under one billion containers and continued to demonstrate why we are one of the most effective industry product stewardship corporations in North America.

973

Millions Containers Collected

78.7%

Recovery rate



Type	Containers Sold		Containers Recovered		% Recovery Rate		Metric Tonnes of Material Recycled		Recovery Rate by Weight	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Aluminum	438,695,423	430,987,552	360,293,697	361,675,086	82.1%	83.9%	5,026	5,096	
Plastic ≥ 1L	370,779,045	368,331,888	271,113,400	269,691,474	73.1%	73.2%	6,694	5,812		
Plastic > 1L	63,625,776	66,029,546	54,360,230	58,058,049	85.4%	87.9%	3,497	4,081		
Plastic Liquor ≤ 1L	10,606,658	10,749,166	8,920,451	8,989,360	84.1%	83.6%	401	355		
Plastic Liquor > 1L	4,197,899	3,982,110	3,849,007	3,678,719	91.7%	92.4%	292	307		
Plastic	449,209,378	449,092,709	338,243,088	340,417,602	75.3%	75.8%	10,884	10,555		
Glass ≥ 1L	26,915,497	29,506,414	21,739,255	23,833,807	80.8%	80.8%	7,044	7,009		
Glass > 1L	101,281	147,396	143,497	171,979	141.7%	116.7%	158	180		
Glass NRBC ≤ 1L	93,530,107	96,948,756	93,487,587	96,803,996	100.0%	99.9%	20,389	21,401		
Glass NRBC > 1L	425,693	462,419	393,936	429,743	92.5%	92.9%	259	233		
Glass W&S ≤ 1L	75,483,285	73,022,080	69,090,185	67,473,957	91.5%	92.4%	34,459	33,942		
Glass W&S > 1L	11,077,929	11,458,982	10,184,677	10,552,800	91.9%	92.1%	7,702	7,927		
Glass	207,533,792	211,546,048	195,039,137	199,266,282	94.0%	94.2%	70,011	70,692		
Bi-Metal ≥ 1L	5,390,484	3,211,863	3,333,842	2,340,382	61.8%	72.9%	193	122		
Bi-Metal > 1L	787,626	862,953	437,762	459,214	55.6%	53.2%	65	67		
Bag-in-Box	-	-	-	-						
Other Metals	6,178,110	4,074,816	3,771,604	2,799,596	61.0%	68.7%	258	189		
Pouches	7,313,005	8,616,083	3,606,795	4,345,312	49.3%	50.4%	21	26		
Drink Box ≥ 500 mL	88,014,911	93,509,617	45,200,414	51,073,805	51.4%	54.6%	507	540		
Drink Box 501 mL - 1L	22,896,298	22,721,342	16,650,493	17,264,153	72.7%	76.0%	711	724		
Gable Top ≥ 500 mL	647,516	996,731	218,226	295,354	33.7%	29.6%	3	4		
Gable Top 501 mL - 1L	1,200,018	879,828	212,427	268,785	17.7%	30.5%	8	9		
Gable Top > 1L	12,688,758	12,201,353	8,825,976	8,621,796	69.6%	70.7%	705	676		
Polycoat	125,447,501	130,308,871	71,107,536	77,523,893	56.7%	59.5%	1,934	1,954		
Bag-in-Box Liquor	2,731,556	2,556,327	1,265,221	1,158,754	46.3%	45.3%	303	275		
Totals	1,237,108,765	1,237,182,406	973,327,078	987,186,525	78.7%	79.8%	88,436	88,788	88.6%	89.3%

REGIONAL WEIGHTS AND PER CAPITA CONTAINER RETURNS

In 2012, decreased beverage sales across BC resulted in decreased per capita returns

Returns by Region Summary. Alcohol and Non-Alcohol containers: January – December 2012

Region Name		Aluminum	Plastic	Glass	Polycoat	Other	Total	Jan. - Dec. 2012 Per Capita	Jan. - Dec. 2011 Per Capita
Bulkley / Nechako	Units(000)	4,632	3,701	1,128	670	54	10,184	259.0	250.7
Bulkley / Nechako	Tonnes	64.6	112.3	401.9	14.8	3.4	597.0	15.2 kg	15.1 kg
Cariboo	Units(000)	7,381	5,824	2,280	1,134	106	16,725	254.3	249.7
Cariboo	Tonnes	103.0	182.3	773.2	24.6	7.4	1,090.6	16.6 kg	16.2 kg
Central Coast	Units(000)	297	155	78	48	5	583	180.9	188.0
Central Coast	Tonnes	4.1	5.4	31.1	1.1	0.2	41.9	13.0 kg	14.8 kg
Fraser - Fort George	Units(000)	11,668	9,954	3,947	1,966	147	27,683	284.1	282.9
Fraser - Fort George	Tonnes	162.8	304.8	1,300.4	45.8	9.3	1,823.0	18.7 kg	18.7 kg
Kitimat - Stikine	Units(000)	4,655	3,628	923	716	79	10,001	248.2	237.3
Kitimat - Stikine	Tonnes	64.9	111.9	350.8	16.9	4.1	548.7	13.6 kg	13.2 kg
Skeena - Queen Charlotte	Units(000)	2,777	1,862	692	350	37	5,718	295.1	295.1
Skeena - Queen Charlotte	Tonnes	38.7	59.0	254.0	8.2	2.3	362.2	18.7 kg	18.0 kg
Northern Rockies	Units(000)	1,134	1,627	196	167	2	3,127	489.5	428.5
Northern Rockies	Tonnes	15.8	42.6	63.3	3.1	0.2	125.1	19.6 kg	18.3 kg
Peace River	Units(000)	6,874	6,753	2,187	978	94	16,886	255.2	256.8
Peace River	Tonnes	95.9	200.3	712.3	23.8	3.9	1,036.3	15.7 kg	15.9 kg
Capital Regional District	Units(000)	29,744	25,734	19,504	5,153	531	80,666	214.3	220.9
Capital Regional District	Tonnes	414.9	869.8	7,163.4	166.8	54.6	8,669.5	23.0 kg	23.5 kg
Cowichan Valley	Units(000)	9,156	6,847	3,525	1,340	174	21,042	251.9	254.8
Cowichan Valley	Tonnes	127.7	223.3	1,340.7	35.7	14.1	1,741.5	20.8 kg	21.0 kg
Alberni / Clayoquot	Units(000)	4,053	3,011	1,460	486	70	9,081	287.8	290.1
Alberni / Clayoquot	Tonnes	56.5	95.7	534.3	13.8	4.6	704.9	22.3 kg	22.5 kg
Comox	Units(000)	6,999	5,408	3,170	1,118	124	16,818	258.5	258.7
Comox	Tonnes	97.6	177.7	1,203.4	32.3	12.6	1,523.6	23.4 kg	23.4 kg
Mount Waddington	Units(000)	1,548	1,016	412	192	9	3,177	269.8	276.4
Mount Waddington	Tonnes	21.6	32.9	157.1	4.6	1.6	217.8	18.5 kg	19.0 kg
Nanaimo	Units(000)	12,547	10,769	7,408	1,943	251	32,918	217.3	221.5
Nanaimo	Tonnes	175.0	355.1	2,671.2	59.3	27.1	3,287.6	21.7 kg	22.0 kg

Units (000)
Tonnes
Per Capita Totals (units)
Per Capita Totals (kg)

973,327
88,436.3
210.6
19.1

Region Name		Aluminum	Plastic	Glass	Polycoat	Other	Total	Jan. - Dec. 2012 Per Capita	Jan. - Dec. 2011 Per Capita
Strathcona	Units(000)	3,037	2,170	1,235	443	54	6,938	155.6	151.5
Strathcona	Tonnes	42.4	71.0	465.4	12.6	5.7	597.2	13.4 kg	13.2 kg
Greater Vancouver	Units(000)	151,828	156,331	95,741	36,028	5,163	445,091	182.1	189.4
Greater Vancouver	Tonnes	2,118.0	5,053.7	34,324.1	988.3	283.4	42,767.5	17.5 kg	18.0 kg
Fraser Valley	Units(000)	27,167	23,542	10,177	5,531	587	67,005	232.0	234.3
Fraser Valley	Tonnes	379.0	761.4	3,518.8	133.1	32.1	4,824.4	16.7 kg	16.5 kg
Powell River	Units(000)	1,897	1,335	792	261	33	4,317	210.1	219.1
Powell River	Tonnes	26.5	44.9	304.3	7.5	4.1	387.2	18.8 kg	19.3 kg
Squamish - Lillooet	Units(000)	3,464	3,760	4,139	576	68	12,008	283.0	273.2
Squamish - Lillooet	Tonnes	48.3	120.3	1,464.9	17.2	4.6	1,655.5	39.0 kg	35.7 kg
Sunshine Coast	Units(000)	2,212	1,871	1,798	382	52	6,315	206.4	213.5
Sunshine Coast	Tonnes	30.9	64.1	681.5	12.3	7.2	796.0	26.0 kg	26.4 kg
Central Okanagan	Units(000)	16,256	15,901	9,486	3,349	250	45,243	240.0	246.3
Central Okanagan	Tonnes	226.8	506.2	3,510.3	85.9	26.4	4,355.6	23.1 kg	23.2 kg
North Okanagan	Units(000)	9,727	9,624	4,195	1,895	145	25,586	307.1	311.4
North Okanagan	Tonnes	135.7	313.9	1,493.9	56.3	14.0	2,013.8	24.2 kg	24.4 kg
Okanagan - Similkameen	Units(000)	7,871	7,312	4,427	1,228	129	20,965	252.9	258.2
Okanagan - Similkameen	Tonnes	109.8	235.7	1,704.3	33.6	14.7	2,098.2	25.3 kg	25.4 kg
Columbia Shuswap	Units(000)	5,216	5,129	3,072	778	64	14,258	266.0	263.1
Columbia Shuswap	Tonnes	72.8	157.9	1,033.6	21.1	7.0	1,292.4	24.1 kg	23.6 kg
Thompson - Nicola	Units(000)	14,440	13,404	6,192	2,373	210	36,619	276.5	279.2
Thompson - Nicola	Tonnes	201.4	413.5	2,114.2	58.2	18.1	2,805.4	21.2 kg	21.5 kg
Central Kootenay	Units(000)	4,747	3,472	2,832	735	90	11,876	195.0	207.0
Central Kootenay	Tonnes	66.2	115.6	992.4	20.9	9.0	1,204.2	19.8 kg	20.6 kg
East Kootenay	Units(000)	6,011	5,671	2,917	801	72	15,473	255.9	264.4
East Kootenay	Tonnes	83.9	175.2	1,027.3	22.7	5.7	1,314.7	21.7 kg	22.2 kg
Kootenay Boundary	Units(000)	2,954	2,431	1,125	466	48	7,024	220.3	220.7
Kootenay Boundary	Tonnes	41.2	77.2	418.6	12.8	4.5	554.3	17.4 kg	17.5 kg

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 2012, the commodity prices declined from 2011 but remained relatively strong for both aluminum and plastic at US\$0.71 and US\$0.25 per pound 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 cost of recovering and recycling a specific container type, a non-refundable recycling fee is added to the container to make up for the shortfall.

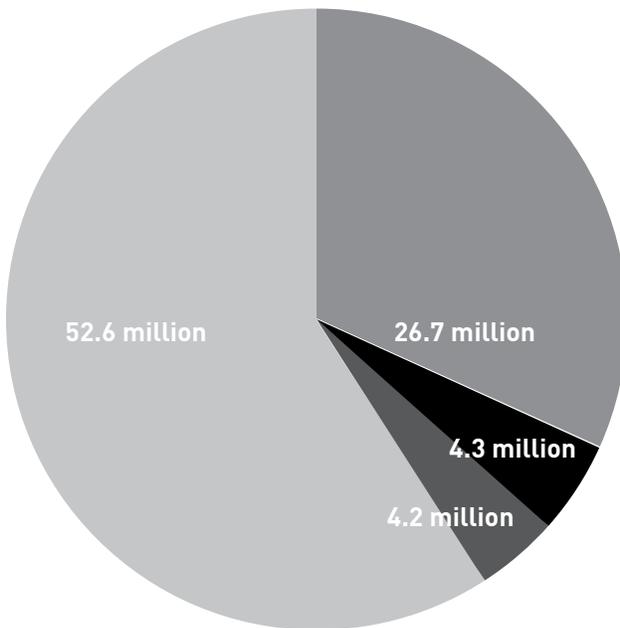
Other Fees

Revenues from service provider contracts.

Where the money is spent

EXPENDITURES

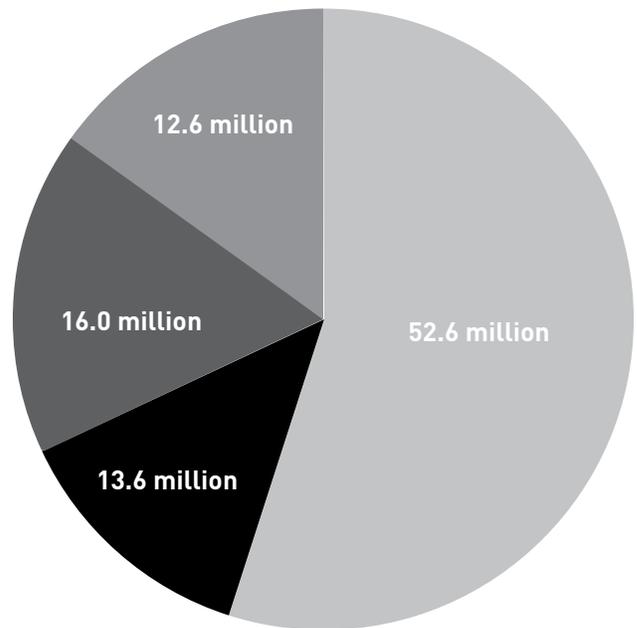
Operations Expenses:	26.7 million
Handling Fees:	52.6 million
Consumer Awareness:	4.3 million
Administration Expenses:	4.2 million



Where the money comes from

REVENUES

Unredeemed Deposits:	16.0 million
Sale of Processed Containers:	13.6 million
Other Fees and Income:	12.6 million
Container Recycling Fees:	52.6 million



FINANCING THE SYSTEM



Plastic ≤ 1L Account

Deposits	18.6 Million
Sale of Collectible Material	3.6 Million
CRF	11.1 Million
Other Revenue	0.1 Million
Total Revenue	33.4 Million

Total Expenses for this Container 33.1 Million

Surplus 0.3 Million

Total Expenses Breakdown

Deposit Refund	13.6 Million
Handling Fee	13.8 Million
Transportation and Processing	3.9 Million
Administration	0.9 Million
Consumer Awareness	0.9 Million
Total	33.1 Million

Surplus end of 2011	\$8.2 Million
Surplus 2012	\$0.3 Million
Surplus end of 2012	\$8.5 Million

Note: based on 2012 Financial Statements



Wine & Spirits ≤ 1L Account

Deposits	7.6 Million
Sale of Collectible Material	0.0 Million
CRF	11.3 Million
Other Revenue	0.0 Million
Total Revenue	18.9 Million

Total Expenses for this Container 16.9 Million

Surplus 2.0 Million

Total Expenses Breakdown

Deposit Refund	6.8 Million
Handling Fee	4.3 Million
Transportation and Processing	5.4 Million
Administration	0.3 Million
Consumer Awareness	0.1 Million
Total	16.9 Million

Surplus end of 2011	\$0.3 Million
Surplus 2012	\$2.0 Million
Surplus end of 2012	\$2.3 Million

Note: based on 2012 Financial Statements



Aluminum

Deposits	21.9 Million
Sale of Collectible Material	7.8 Million
CRF	5.4 Million
Other Revenue	0.1 Million
Total Revenue	35.2 Million

Total Expenses for this Container 35.3 Million

Deficit (0.1) Million

Total Expenses Breakdown

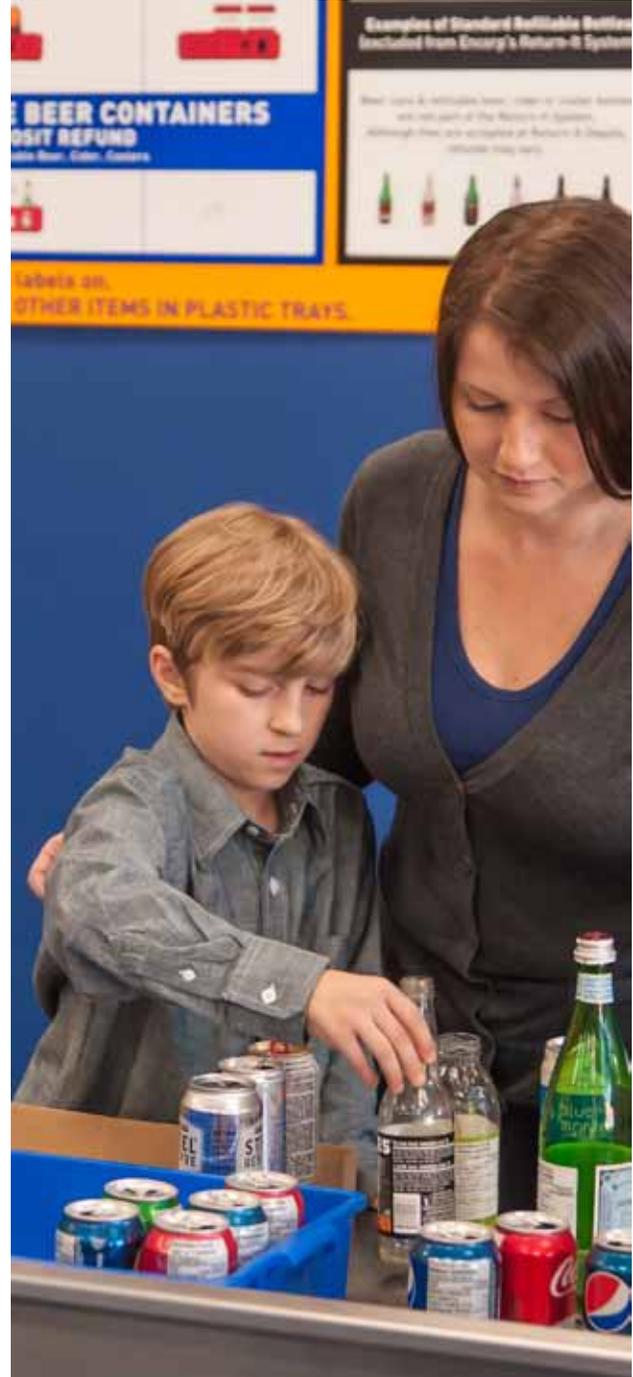
Deposit Refund	18.0 Million
Handling Fee	12.4 Million
Transportation and Processing	2.8 Million
Administration	1.1 Million
Consumer Awareness	1.0 Million
Total	35.3 Million

Surplus end of 2011 \$9.8 Million

Deficit 2012 (0.1) Million

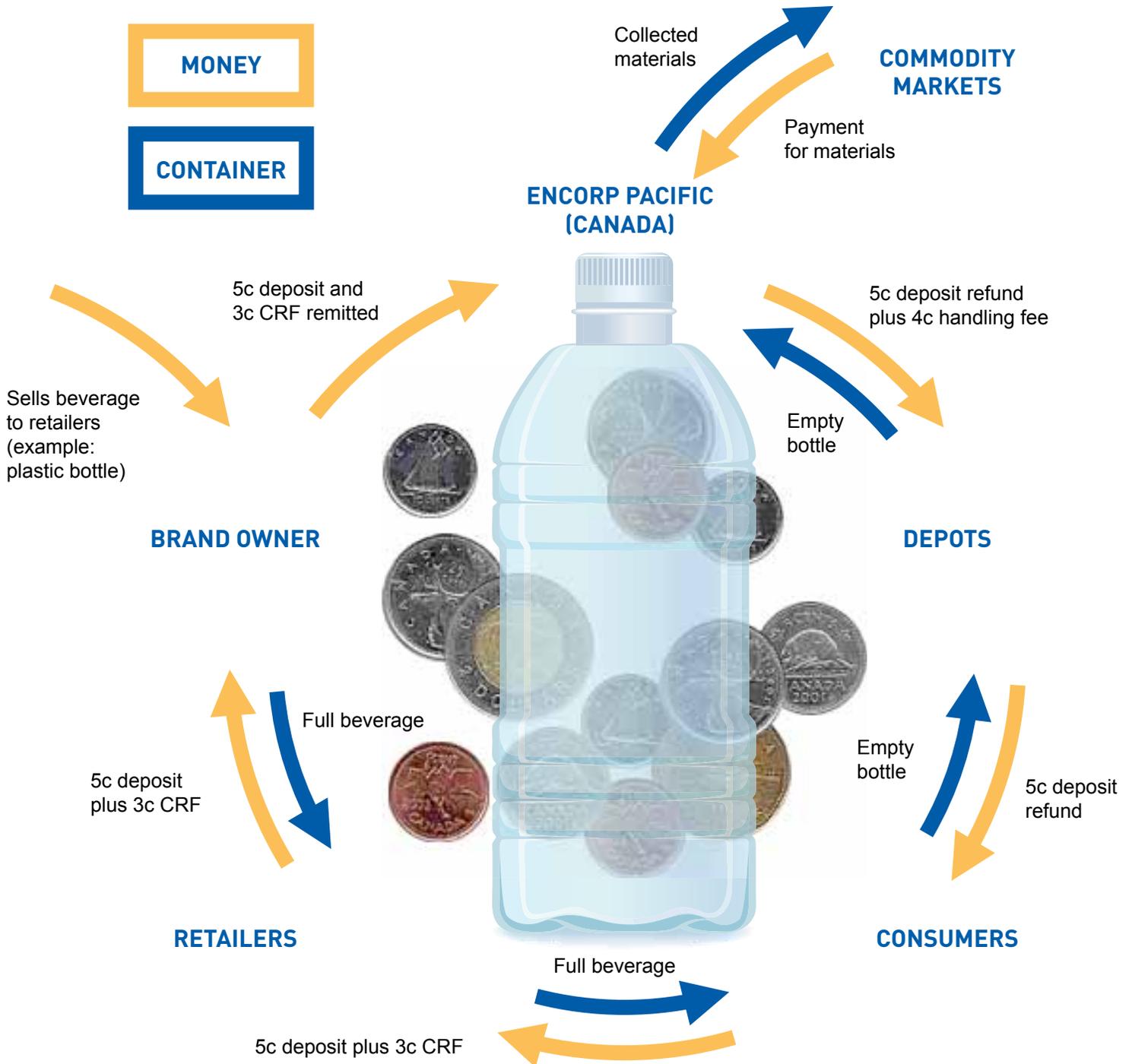
Surplus end of 2012 \$9.7 Million

Note: based on 2012 Financial Statements



HOW MONEY FLOWS

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





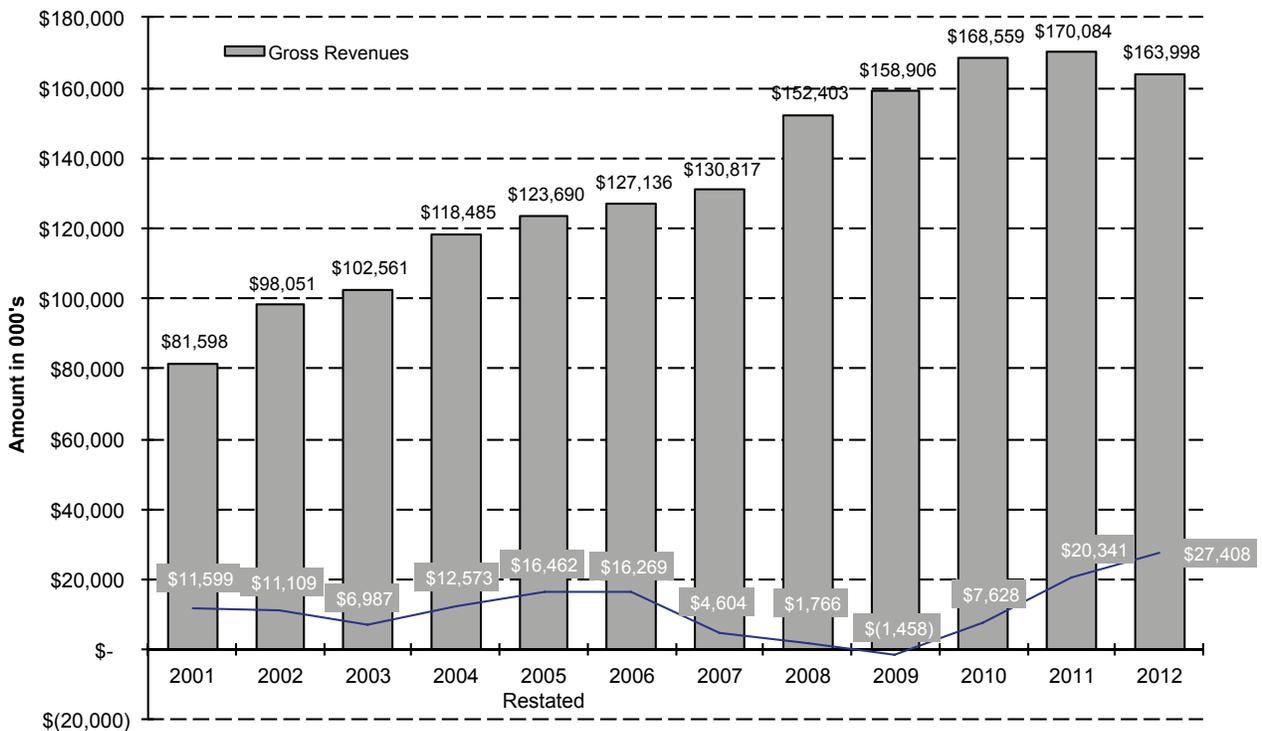
PURPOSE OF OPERATING RESERVES

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 viability 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.

Encorp Pacific (Canada) Total Revenue vs Reserves Year 2001 - 2012



	2009 YEAR	2009 BALANCE	2010 YEAR	2010 BALANCE	2011 YEAR	2011 BALANCE	2012 YEAR	2012 BALANCE
Operating Reserve / (Deficit)	\$(1,779,477)	\$5,735,292	\$11,118,757	\$5,383,465	\$13,432,676	\$18,816,141	\$7,397,210	\$26,213,351
Restricted Reserve / (Deficit)	(1,444,715)	4,277,304	(2,032,624)	2,244,680	(720,123)	1,524,557	(329,637)	1,194,920
Total Reserve / (Deficit)	\$(3,224,192)	\$(1,457,988)	\$9,086,133	\$7,628,145	\$12,712,553	\$20,340,698	\$7,067,573	\$27,408,271

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.

Encorp has been able to restore its operating reserves to an appropriate level by the end of 2012 and will continue to manage its operating reserves within an optimal pre-determined range over a span of three years.

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.

	Gross Revenue Including Deposits (million)	Total Expenses Including Deposit Refunds (million)	Results Surplus/(Deficit) (million)	Operating Reserves/ (Deficit) Year end (million)
2010	\$168.6	159.5	9.1	\$ 7.7
2011	170.1	157.4	12.7	20.4
2012	164.0	156.9	7.1	27.4

OUR RESERVES

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 2012, we have been rebuilding our reserves. The chart on page 58 demonstrates our progress.

These results bring into sharper focus the importance of adequate reserves.

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-Oct-09	01-Feb-11	01-Feb-12	01-Feb-13
Aluminum	2.0 cents	2.0 cents	1.0 cents	1.0 cents
Plastic ≤ 500 ml	4.0 cents	3.0 cents	3.0 cents	3.0 cents
Plastic 501 ml - 1L	4.0 cents	3.0 cents	3.0 cents	3.0 cents
Plastic > 1L	5.0 cents	6.0 cents	6.0 cents	6.0 cents
Polystyrene	4.0 cents	3.0 cents	3.0 cents	3.0 cents
Glass ≤ 500 ml	10.0 cents	12.0 cents	12.0 cents	12.0 cents
Glass 501 ml - 1L	10.0 cents	12.0 cents	12.0 cents	12.0 cents
Glass > 1L	10.0 cents	15.0 cents	20.0 cents	25.0 cents
Bi-Metal ≤ 500 ml	-	3.0 cents	6.0 cents	6.0 cents
Bi-Metal 501 ml - 1L	-	3.0 cents	6.0 cents	6.0 cents
Drink Boxes ≤ 500 ml	-	2.0 cents	2.0 cents	2.0 cents
Drink Boxes 501 ml - 1L	4.0 cents	6.0 cents	7.0 cents	7.0 cents
Gable Top > 1L	-	3.0 cents	6.0 cents	6.0 cents
Glass Wine & Spirits ≤ 1L	14.0 cents	15.0 cents	15.0 cents	15.0 cents
Glass Wine & Spirits > 1L	16.0 cents	19.0 cents	22.0 cents	23.0 cents
Non-Refillable Beer, Cider, Cooler Glass ≤ 1L	10.0 cents	11.0 cents	11.0 cents	11.0 cents
Non-Refillable Beer, Cider, Cooler Glass > 1L	10.0 cents	11.0 cents	11.0 cents	11.0 cents
Liquor Plastic ≤ 1L	4.0 cents	4.0 cents	4.0 cents	4.0 cents
Liquor Plastic > 1L	8.0 cents	9.0 cents	10.0 cents	10.0 cents

April 1, 2013

2012 BOARD OF DIRECTORS

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



L-R: Neil Antymis, Dale Parker, Liisa O'Hara, Dan Wong, Neil Hastie, John Nixon, John B. Challinor II, John Graham, Jim Goetz

Dale Parker

Dale G. Parker, is a Corporate Director; prior to January 1998, President & CEO of Workers' Compensation Board of British Columbia; prior to November 1994, President of White Spot Limited and Executive Vice-president of Shato Holdings Ltd.; prior to November 1992, Chairman and CEO of British Columbia Financial Institutions Commission. Mr. Parker is a former President & CEO, Bank of British Columbia and Executive Vice-president, Bank of Montreal. He serves as Board Chair, UBC Investment Management Trust, a director Matrix Asset Management Inc.,

Encorp Pacific [Canada] and Transit Police Services. Past directorships include: TransLink (Chair), Talisman Energy Inc, Industrial-Alliance Pacific Life

Insurance Co and CPP Investment Board. He also serves as Code of Conduct Advisor to BC Hydro. Mr. Parker is active with a number of charitable and non-profit organizations, including; Chair, Pacific Parkinson's Research Institute and a director Fraser Basin Council. Recent past community work includes: Chair, BC Cancer Agency, Vice-Chair, BC Cancer Foundation, Chair, Four Corners Community Savings, Vice-President Kidney Foundation of Canada, Vice-President, BC Lions Society for Children with Disabilities, Vice-Chair, Vancouver Police Department, Vice-Chair, Vancouver Board of Trade and Chair, Industry Training and Apprenticeship Commission of British Columbia. He is a former member of the UBC Faculty of Commerce & Business, Advisory Board.

Mr. Parker is a graduate of the Advanced Management Program of the Graduate School of Business Administration, Harvard University.

Neil Hastie

Neil Hastie is President & CEO of Encorp Pacific (Canada).

He is the cofounder of the Conference on Canadian Stewardship, member of the Recycling Council of British Columbia, past chairman of the Stewardship Agencies of BC, sustaining partner of the Product Stewardship Institute (Boston) and a member of the executive committee of both the Canadian Product Stewardship Council and the Global Product Stewardship Council (Sydney, Australia).

Previously, Mr. Hastie had been in the retail industry for more than 35 years. During that period he has held senior operating positions with several multi outlet chains. He has a B.Sc. from Bishop's University (Lennoxville, Quebec) and an MBA (honours) from York University (Toronto). Mr. Hastie joined Encorp in 1998.

Jim Goetz

President
Canadian Beverage Association

Jim Goetz assumed the role of President of the Canadian Beverage Association in May 2012. The Canadian Beverage Association is the national association representing the broad spectrum of brands and companies that manufacture and distribute the majority of non-alcoholic beverages consumed in Canada. His industry career accomplishments include serving as Vice President, Government Affairs with the Canadian Beverage Association and Vice President, Provincial Affairs with Food and Consumer Products of Canada. Prior to this, Jim served as Senior Special Advisor - Ontario to Prime Minister Paul Martin as well as for the Government of Canada as a Senior Communications Advisor to the Treasury Board and the Privy Council Office. Jim has also managed several successful political campaigns at both the local and provincial level. Jim holds an Honours Bachelor Degree in Political Science from Wilfrid Laurier University and a postgraduate certificate from Moscow State University.

Neil Antymis

Neil Antymis ICD.D, CGA

Neil is a Certified Corporate Director and Certified General Accountant. He is currently employed as Director, Government Affairs for Pepsico Beverages Canada. He serves on the boards of seven environmental stewardship organizations across Canada and is a director on the Canadian Beverages Association board where he serves as Treasurer, Audit Committee Chair and Environmental Committee Chair.

Prior to his work in governmental affairs and environmental stewardship, Neil was the Planning Manager – Western Canada for Pepsi Bottling Group. As Planning Manager, Neil leveraged his skills and experience to develop strategies, action plans and performance management systems in partnership with the senior leadership team in the areas of production, distribution, sales, warehousing, fleet and service.

Neil has worked in the Pepsi system for twenty-three years and before that for eight years in a variety of finance positions in the refining and marketing divisions of Turbo Resources Ltd.

Liisa O'Hara

Commissioner, British Columbia Utilities Commission

Liisa O'Hara serves as a Commissioner for British Columbia Utilities Commission, specializing in energy matters. In this capacity, since 2005, she has been closely associated with major energy developments in the province.

During her corporate career Mrs. O'Hara held a number of senior executive positions with a major pipeline company with focus on finance and regulatory affairs. Her regulatory expertise is multi-jurisdictional including Canadian federal (NEB), provincial (BCUC) and the U.S. federal (FERC) jurisdictions.

Liisa O'Hara is a Corporate Director, certified with the ICD.D designation in 2006 and serves on a number of Boards in that capacity.

2012 BOARD OF DIRECTORS

Ms. O'Hara holds a Master of Science degree in Business Administration from University of British Columbia and is a Certified General Accountant. She also served as Executive-in-Residence for the Sauder School of Business from 2004-2008.

John Graham

Director of Public Affairs & Government Relations
Canada Division, Canada Safeway Limited

For the past 18 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 endeavors.

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.

John B. Challinor II APR

Director, Corporate Affairs
2008-Present

John Challinor II is the Director of Corporate Affairs at Nestlé Waters Canada. He is also a member of the Company's leadership team.

Mr. Challinor is responsible for Nestlé Waters' day-to-day corporate communications and public affairs activities in the Canadian marketplace.

He joined Nestlé Waters in June 2008 in his current position. Mr. Challinor brings more than 24 years of corporate and marketing communications experience to the role, having served in executive and senior advertising, industry and government affairs and public relations roles with Amdahl Canada Limited, Compaq Canada Limited, IBM Canada Limited and Sony of Canada Limited. He began his career as a newspaper and television reporter and editor in the Southern Ontario market. He is a former part-time municipal councillor (15 years) with the Corporation of the Town of Milton, Canada's fastest growing community.

Mr. Challinor 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.

Professionally, he is Chairman of the Canadian Beverage Container Recycling Association; President of Alberta Beverage Council; and a member of the Board of Directors of Encorp Pacific Canada and the Alberta Beverage Recycling Corporation; Chairman, Environment Committee, Canadian Bottled Water Association; and a member, Environment Committee, Canadian Beverage Association.

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 represents the Beverage Alcohol Containers Management Council of BC, a group that represents the manufacturers and importers of beverage alcohol products packaged in non-refillable containers other than aluminum. He has extensive experience as a public affairs consultant serving different parts of the beverage industry and was a founding director of Encorp.

He recently became employed as the Director of Development for the Roman Catholic Archdiocese of Vancouver.

Dan Wong

Chair

Encorp Affiliation – Juice Council of British Columbia.

Committees – Audit/Compensation/ Governance.

Term of office – Commenced 1998.

Dan Wong is currently President of Right Hook Business Strategies Ltd. and serves as the Executive Director of the Juice Council of BC. He has been Vice-President, Corporate Development, BC Ferries as well as heading the Corporate Relations practice for western Canada's largest food manufacturer. He holds a Bachelors and Masters degree in Political Science from UBC.

A GOVERNANCE MODEL BUILT ON ACCOUNTABILITY AND TRANSPARENCY

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.

ADVISORY COMMITTEE

March 12, 2013

To:

Members of Encorp Pacific (Canada)

B.C. Bottled Water Association

Canadian Council of Grocery Distributors

Juice Council of BC

Refreshments Canada

Beverage Alcohol Containers Management Council of British Columbia

Annual Report of the Advisory Committee for Fiscal Year – 2012

The Advisory Committee met twice in 2012 on April 26 and November 6 with agenda items that included consumer awareness, annual draft budget, audited financial statements, and reappointments for Advisory Committee members. Committee member Janice Song tendered her resignation and the Committee recommended to the Nominating Committee that Return-It™ Centre owner-operator Aly Mitha be appointed to replace Janice.

The Committee had planned to focus on public consultation for the 2012 Stewardship Plan but the Ministry of Environment, after their review of the Beverage Container Schedule and the focus on the Packaging and Printed Paper EPR program decided to extend the current Beverage Container Stewardship Plan. Consultation on the new plan will now take place in 2013 for submission to the Ministry by November, 2013.

At its November 6 meeting the Committee received a presentation from Blair Kennedy of Encorp on the new depot options being developed. CEO Neil Hastie asked the Committee to continue providing input and advice as the plans develop. The Committee is supportive of these new options as a potential for increasing diversion in the City of Vancouver.

The Committee was very appreciative of the video spots aimed at the 18-34 year old male demographic.

The Committee received verbal reports from Neil Hastie on a number of items including the four working groups set up by the Ministry of Environment to find ways to encourage higher performance in all of the stewardship programs. Committee members provided comments on how to better inform and involve local governments in raising awareness of stewardship programs.

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 the Canadian Representative to the International Board of Directors of the Solid Waste Association of North America (SWANA) and Vice-President of the Pacific Chapter of SWANA as well.



Linda Barnes

Councilor, City of Richmond
On Advisory committee since 2006

Linda is chair of Public Works and Transportation Committee that oversees Richmond's roads, dykes, fleet, energy and environmental programs. She also sits on various committees and is well known for her support of environmental issues.



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

Manager, Development Planning, Township of Langley, Community Development Division
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

Chief Executive Office, Recycling Council of BC
On Advisory committee since 2007

Brock was RCBC's Director of Communications prior to his appointment as CEO in 2006. Formally he was Communications Manager for Product Care, an industry stewardship agency, an educator and award-winning journalist.



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.



Aly Mitha

Chairman of the Council of Depot Operators
On Advisory committee since 2011

Aly, took over the helm as Chairman of the Council of Depot Operators in 2011. He is celebrating 15 years of Kensington Return-It™ this November. As a progressive operator Aly and his family have been early adopters of new programs (5 Star) and pilots (compaction).

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

May 08 , 2013

INDEPENDENT AUDITOR'S REPORT

To the Members of Encorp Pacific (Canada)

We have audited the accompanying financial statements of Encorp Pacific (Canada), which comprise the statement of financial position as at December 31, 2012 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Encorp Pacific (Canada) as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.



(signed) PricewaterhouseCoopers LLP

Chartered Accountants

May 8, 2013

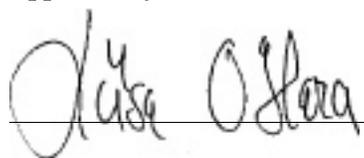


STATEMENT OF FINANCIAL POSITION

As at December 31, 2012

	2012 \$	2011 \$
Assets		
Current assets	38,683,366	28,244,114
Cash	4,842,098	6,571,464
Accounts receivable	39,374	30,722
Prepaid expenses and deposit	43,564,838	34,846,300
Capital assets (note 3)	986,320	806,089
	<u>44,551,158</u>	<u>35,652,389</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	7,688,127	7,490,323
Deferred revenue	6,986,543	7,007,636
Advance payment from brand owners	2,040,601	-
Current portion of obligations under capital lease (note 5)	275,065	386,117
	16,990,336	14,884,076
Obligations under capital lease (note 5)	152,551	427,615
	<u>17,142,887</u>	<u>15,311,691</u>
Net Assets		
Internally restricted reserve (note 4)	1,194,920	1,524,557
Unrestricted (note 4)	26,213,351	18,816,141
	<u>27,408,271</u>	<u>20,340,698</u>
	<u>44,551,158</u>	<u>35,652,389</u>
Commitments (note 6)		

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, 2012

			2012	2011
	Internally restricted reserve \$	Unrestricted \$	Total \$	Total \$
Balance - Beginning of year	1,524,557	18,816,141	20,340,698	7,628,145
Excess of revenue over expenses	-	7,067,573	7,067,573	12,712,553
Transfer from internally restricted reserve (note 4)	(329,637)	329,637	-	-
Balance - End of year	1,194,920	26,213,351	27,408,271	20,340,698

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

STATEMENT OF OPERATIONS

For the years ended December 31, 2012

	2012 \$	2011 \$
Revenue		
Deposits on containers	85,181,918	85,550,127
Deposit refunds	(69,160,311)	(70,492,350)
	<hr/> 16,021,607	<hr/> 15,057,777
Container recycling fees	52,632,569	54,684,227
Contract fees	12,229,629	12,607,595
Sale of recyclable materials	13,569,368	16,730,008
Other	378,076	274,846
	<hr/> 94,831,249	<hr/> 99,354,453
Direct operations expenses		
Handling fees	52,645,963	51,379,182
Depot operations	409,840	297,421
Transportation and processing fees	25,980,623	26,842,321
	<hr/> 79,036,426	<hr/> 78,518,924
Other expenses		
General and administrative	3,974,412	3,958,840
Consumer awareness	4,281,145	3,783,348
Amortization	478,529	617,854
Foreign exchange gain	(6,836)	(237,066)
	<hr/> 8,727,250	<hr/> 8,122,976
Excess of revenue over expenses	<hr/> <hr/> 7,067,573	<hr/> <hr/> 12,712,553

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

STATEMENT OF CASH FLOWS

For the years ended December 31, 2012

	2012	2011
	\$	\$
Cash flows from operating activities		
Excess of revenue over expenses	7,067,573	12,712,553
Items not affecting cash - amortization	478,529	617,854
	<hr/>	<hr/>
	7,546,102	13,330,407
Changes in non-cash operating working capital		
Accounts receivable	1,729,366	25,954
Prepaid expenses and deposit	(8,652)	(6,702)
Accounts payable and accrued liabilities	197,804	(383,564)
Deferred revenue	(21,093)	53,936
Advance payment from brand owners	2,040,601	-
	<hr/>	<hr/>
	11,484,128	13,020,031
Cash flows from investing activities		
Purchase of capital assets	(658,760)	(635,044)
	<hr/>	<hr/>
Cash flows from financing activities		
Advances under capital lease financing	-	539,585
Repayment of obligation under capital lease	(386,116)	(305,730)
	<hr/>	<hr/>
	(386,116)	233,855
	<hr/>	<hr/>
Increase in cash	10,439,252	12,618,842
Cash - Beginning of year	28,244,114	15,625,272
	<hr/>	<hr/>
Cash - End of year	38,683,366	28,244,114
	<hr/>	<hr/>
Supplemental cash flow information		
Interest paid	25,742	27,323
	<hr/>	<hr/>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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 Significant accounting policies

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

Revenue

Deposits on containers and container recycling fees are received from brand owners on each container sold in the province of 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.

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 or receivable prior to year-end for which the related deposit refunds, handling fees and transportation and processing fees will be paid for container returns received subsequent to year-end. The amount deferred is estimated based on the industry average rate of recovery. The determination of such a deferral is subject to estimates that reflect management’s determination of the most probable set of economic conditions, including the estimated turnaround time for consumers returning used beverage containers for refunds. The turnaround time is estimated to be 7.5 weeks.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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.

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, the Corporation does not separately disclose the net assets invested in capital assets.

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 allowance for uncollectible accounts, amortization rates for capital assets, and deferred revenue.

Financial instruments

Financial instruments comprise cash, 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 cost or amortized cost. Transaction fees are expensed as incurred.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

3 Capital assets

			2012	2011
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Office equipment	762,996	429,436	333,560	212,677
Computer hardware	1,728,261	1,219,080	509,181	502,735
Computer software	488,805	450,795	38,010	21,260
Leasehold improvements	268,310	162,741	105,569	69,417
	<u>3,248,372</u>	<u>2,262,052</u>	<u>986,320</u>	<u>806,089</u>

Net capital assets financed under capital lease:

	2012	2011
	\$	\$
Cost	1,144,427	1,390,491
Less: Accumulated amortization	<u>857,173</u>	<u>791,391</u>
	<u>287,254</u>	<u>599,100</u>

4 Internally restricted reserve and unrestricted balance

The Board of Directors has established an internally restricted reserve in recognition of the principle that the costs of recycling each container type are to be borne independent of other container types. The objective of the reserve is to defer the implementation of the container recycling fee on container types for which the current unredeemed deposits exceed the net costs of recycling. The reserve level is reviewed annually. The reserve may also be used to develop and implement strategies to improve recovery rates of these specific containers. As a result of the annual review, an amount of \$329,637 (2011 - \$720,123) was transferred from the reserve during the current year.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

5 Obligations under capital lease

Total minimum payments required under capital leases are as follows:

	\$
2013	286,493
2014	155,348
	<hr/>
	441,841
Less: Imputed interest (4% to 6%)	14,225
	<hr/>
Present value of minimum capital lease payments	427,616
Less: Current portion	275,065
	<hr/>
Long-term portion	152,551

Interest of \$25,742 (2011 - \$27,323) relating to capital lease obligations has been included in depot operations and general and administrative expense.

6 Commitments

The Corporation has entered into operating leases for its premises. The total future minimum lease payments for the years ending December 31 are as follows:

	\$
2013	310,499
2014	302,441
2015	221,930
2016	226,285
	<hr/>
Total	1,061,155

7 Government related outstanding amounts as at December 31

Government remittances consist of amounts (such as payroll withholdings, sales taxes and Workers' Compensation Board remittances) required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, the net position is a receivable of \$357,696 (2011 - payable of \$19,625).

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

8 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 \$106,839 (2011 - \$94,140) in Board expenses, which comprised fees for directors.

9 Capital disclosures

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

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

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

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

10 Currency, interest rate and credit riskmanagement

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, 2012, the net US dollar exposure on cash, accounts receivable and accounts payable was US\$1,808,203 (2011 - US\$2,182,946).

Interest rate risk

The Corporation is not exposed to significant interest rate risk.

Credit risk

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



To the Directors of Encorp Pacific (Canada) on selected non-financial information included in the Encorp 2012 Annual report

We have been engaged by Encorp Pacific (Canada) (“Encorp”) to perform a reasonable assurance engagement in respect of the following information, referred to as the “Selected Information”, detailed in Appendix A, and also included within Encorp’s Annual Report for the year ended December 31, 2012:

- the number of collection facilities, and any changes in the number of collection facilities from the prior year; and
- the total amount of the producers’ product sold and collected, and the recovery rate for the year ended December 31, 2012.

Our opinion does not constitute a legal determination on Encorp’s compliance with the British Columbia Regulation 449/2004 Recycling Regulation (“Recycling Regulation”).

Responsibilities

The preparation and fair presentation of the Selected Information in accordance with the evaluation criteria as listed in Appendix A is the responsibility of Encorp’s management. Management is also responsible for such internal control as management determines is necessary to enable the preparation of the Selected Information such that it is free from material misstatement. Furthermore, management is responsible for the preparation of suitable evaluation criteria in accordance with the “Third party assurance requirements for non-financial information in annual reports” dated July 31, 2012 (“Assurance Requirements”) as specified by the Director under section 8(2)(h) of the Recycling Regulation of the Province of British Columbia.

Our responsibility is to express an opinion on the Selected Information based on the procedures we have performed and the evidence we have obtained.

Methodology and Assurance Procedures

We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (“ISAE 3000”), “Assurance Engagements other than Audits or Reviews of Historical Financial Information” published by the International Federation of Accountants. This standard requires that we comply with independence requirements and plan and perform the engagement to obtain reasonable assurance about whether the Selected Information is free of material misstatement.

A reasonable assurance engagement includes examining, on a test basis, evidence supporting the amounts and disclosures within the Selected Information. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement in the Selected Information due to omissions, misrepresentation and errors. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the Selected Information in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the entity’s internal control. A reasonable assurance engagement also includes assessing the evaluation criteria used and significant estimates made by management, as well as evaluating the overall presentation of the Selected Information.

Independent Reasonable Assurance Report

May 8, 2013

The main elements of our work were:

- obtaining an understanding of the management systems, processes, and controls used to generate, aggregate and report the data;
- testing relevant controls, documents and records on a sample basis;
- testing and re-calculating quantitative information related to the Selected Information on a sample basis;
- reviewing the consistency of the Selected Information with the related disclosures in the Annual Report of Encorp.

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

Inherent limitations

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

Conclusion

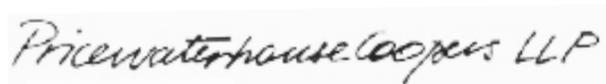
In our opinion, the Selected Information for the year ended December 31, 2012 presents fairly in accordance with the evaluation criteria, in all material respects:

- the number of collection facilities, and any changes in the number of collection facilities from the prior year; and
- the total amount of the producers' product sold and collected, and the producers' recovery rate for the year ended December 31, 2012.

Other matters

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

Chartered Accountant



PricewaterhouseCoopers LLP

Central City Tower, 13450 102 Avenue, Suite 1400, Surrey, British Columbia, Canada V3T 5X3

T: +1 604 806 7000, F: +1 604-806 7806, www.pwc.com/ca

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



Appendix A to the Assurance Report

1. The number of collection facilities, and any changes in the number of collection facilities from the prior year as presented in the Encorp Annual Report.

Selected Information:

Encorp's collection network consists of 171 Return-It™ Depots. No new depots were opened and one depot was closed during 2012.

Evaluation criteria:

- **Collection Facility** referred to as a Return-It™ Depot means a facility that has been identified in an approved stewardship plan for collection and redemption of used beverage containers.
- **Depots List** is a registry of Return-It™ Depots containing contact information (location, contact and hours of operation) maintained by Encorp.

The number of collection facilities is obtained from the Depot List of Return-It™ Depots as of December 31, 2012.

The calculation of the number of Return-It™ Depots is done by adding up the total number of Return-It™ Depots on the Depot List.

The listing is prepared on a monthly basis.

The changes in the number of collection facilities are highlighted in the monthly depot list with the summary provided at the end of the year.

A summary reconciliation is completed identifying the depots at the beginning of the year, changes during the year and the number of depots at the end of the year.

2. The total amount of the producers' product sold and collected, and the recovery rate for the year ended December 31, 2012 as presented in the Encorp Annual Report.

Selected Information:

In 2012, Encorp Pacific (Canada) achieved a recovery rate of 78.7% comprised of the sale of 1,237,108,765 units and recovery of 973,327,078 units of beverage containers.

Evaluation criteria:

- **Recovery rate:** A calculated value derived from dividing total units collected by total units sold and measured as a percentage rounded to the first decimal point.
- **Product sold:** Number of units (beverage containers) reported by brand owners to Encorp.
- **Brand owners:** Producers as defined in Schedule 1 of the Recycling Regulation that registered with Encorp.
- **Product collected:** Number of units (used beverage containers (UBC)) collected by Encorp.
- **Containers in transit:** Containers for which deposits were received but will be refunded subsequent to year-end. The turnaround time for consumers returning used beverage containers for deposit refunds is estimated to be 7.5 weeks.
- **Movement Authorization (MA):** A document indicating the number of containers collected.

The recovery rate is determined by dividing the number of product collected by the total number of product sold.

The total number of units of product sold is based on sales reports received by Encorp from the brand owners expressed in unit sales. The reported units sold are adjusted at year-end to account for containers in transit.

The total number of units of product collected is based on the number of used beverage containers collected by Encorp as indicated in the movement authorization form during the calendar year.



PRICEWATERHOUSECOOPERS 

Encorp Pacific (Canada) 206 - 2250 Boundary Road, Burnaby, BC, V5M 3Z3 T: 1.800.330.9767 www.encorp.ca