

Brewers Distributor Limited

Annual Report to the Director

2012 Calendar Year

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Table of Contents

1. Executive Summary	3
2. Program Outline	5
3. Public Education Materials and Strategies	6
4. Collection System and Facilities	7
5. Product Environmental Impact Reduction, Reusability and Recyclability	8
6. Pollution Prevention Hierarchy and Product / Component Management	9
7. Product Sold and Collected and Recovery Rate	11
8. Summary of Deposits, Refunds, Revenues and Expenditures	14
9. Plan Performance	15
Appendices / Additional Information and Third Party Assurance	16

BDL 2012 Product Stewardship Report to Director, Waste Management

1. Executive Summary

Products within plan	Refillable Glass Beer, Cider and Cooler Containers and Aluminum Beverage Alcohol Cans
Program website	http://www.envirobeerbc.com

Recycling Regulation Reference	Topic	Summary (5-bullet maximum)
Part 2, section 8(2)(a)	Public Education Materials and Strategies	<ul style="list-style-type: none"> • March 2011 consumer survey shows 98% of consumers know about the deposit on beer containers and satisfaction with return options is over 90% • Began social media strategy in March 2012 (@EnviroBeerGuy on Twitter) • Continued advocacy for strengthening of deposit-return system through the regulatory review of Schedule 1 of the <i>Recycling Regulation</i> • Spoke at over 6 conferences with attendance in excess of 3,500 people in 2012 • BDL joined Executive Committee of Stewardship Agencies of BC (driving overall consumer awareness of product stewardship in BC)
Part 2, section 8(2)(b)	Collection System and Facilities	<ul style="list-style-type: none"> • BDL delivers beer to all retail locations and licensed establishments and collects containers at retail locations, licensed establishments and container depots. • 5 warehouse/cross dock facilities and 44 delivery vehicles. • There are 1,313 container redemption facilities for beer containers in the province
Part 2, section 8(2)(c)	Product Environmental Impact Reduction, Reusability and Recyclability	<ul style="list-style-type: none"> • 20 % of containers are refillable glass containers: <ul style="list-style-type: none"> ○ 90% reduction in energy use; • 80 % of containers are recyclable aluminum cans; <ul style="list-style-type: none"> ○ 95% reduction in energy use; • All associated secondary packaging is returnable • Waste diversion of 34,442 tonnes; • Avoided energy = 736,000 gigajoules
Part 2, section 8(2)(d)	Pollution Prevention Hierarchy and Product / Component Management	Avoided Pollutants: <ol style="list-style-type: none"> 1. GHG Emissions = 70,990 MTCO₂E; 2. 237 tonnes of nitrogen oxides; 3. 742 tonnes of sulfur oxides; 4. 303 tonnes of particulate matter; 5. 28,690 tonnes of solid waste production.
Part 2, section 8(2)(e)	Product Sold and Collected and	<ol style="list-style-type: none"> 1. 592 million containers sold; 2. 92.8 % recovery rate.
Part 2, section 8(2)(e.1)	Recovery Rate	See Section 7 for breakdown per regional district

BDL 2012 Product Stewardship Report to Director, Waste Management

Recycling Regulation Reference	Topic	Summary (5-bullet maximum)
Part 2, section 8(2)(f)	Summary of Deposits, Refunds, Revenues and Expenses	Deposits Received: \$59,709,307 Deposits Refunded: \$56,863,271 Audit of B.C. Brewers' Recycled Container Collection Council Financial Statements and Third Party Test procedures in accordance with Sections 8(2)(b), (d) and (e) of the Recycling Regulation conducted by KPMG LLP.

Comparison of Key Performance Targets		
Part 2 section 8(2)(g); See full list of targets in Plan Performance		
Priority Stewardship Plan Targets (as agreed with ministry file lead)	Performance	Strategies for Improvement
1. 85 % return rate in all container categories	92.9 % return rate for aluminum cans; 92.6 % return rate for refillable glass bottles.	N/A

2. Program Outline

Brewers Distributor Limited (BDL) is a joint venture company owned by Molson Breweries and Labatt Breweries of Canada tasked with distribution of beer throughout Western Canada.

BDL operates warehousing and distribution facilities throughout British Columbia and distributes beer to all types of provincial liquor stores including government-run LDB outlets, private licensee retail stores (LRS) and LDB rural agency stores (private businesses authorized by the LDB to sell liquor with other goods in smaller or remote communities) as well as bars, restaurants, and other licensed establishments.

In addition to distribution of full goods, Brewers Distributor Limited (BDL) collects refillable domestic beer, cider and cooler glass bottles and imported & domestic beverage alcohol cans sold in British Columbia on behalf of beer stewards. Much of this container recovery occurs as a closed loop with container returns piggy-backing on in bound movement of trucks that have finished delivering full goods.

Beer stewards are comprised of breweries and other beverage manufacturers operating in the province as well as import brewers who designate BDL as their product steward when they obtain Liquor Distribution Branch (LDB) approval to sell their products into British Columbia.

A list of brewers and other manufacturers that subscribe to the BDL system is included in Appendix A.

The stewards use glass containers that include the industry standard brown refillable glass beer bottle as well as non-standard proprietary refillable beer, cider and cooler bottles. BDL also distributes and collects beer kegs.

Brewers that subscribe to BDL fund its product stewardship functions through a cost recovery mechanism established by the British Columbia Brewers' Recycled Container Collection Council (the Council). The Council is a not-for-profit society comprised of domestic and import beer industry representatives. Costs incurred by brewers in funding the container recovery system are internalized in brewers' cost-of-doing-business and are not levied to consumers as an additional visible eco-fee separate from the shelf price.

Consumers can return beer containers to retail locations where beer is purchased or to container return depots. BDL collects its containers from licensees, retail locations and selected container return depots. Refillable bottles collected by BDL are returned to manufacturers for reuse. Aluminum cans are compressed and sent to ALCOA in the United States to be recycled into new cans and other products.

Information on BDL's product stewardship system can be found at www.beerbottlerfund.com.

3. Public Education Materials and Strategies

BDL continues to enjoy strong consumer awareness and satisfaction with our stewardship program.

In 2012, BDL's public education strategy has focused on:

- Educating stakeholders, including the public, about how BDL's stewardship system operates and the environmental benefits it delivers to BC's environment.; and,
- Promoting the authorized return locations in our stewardship plan (more on this below).

Public opinion research has shown that once stakeholders have a better understanding of the performance of BDL's stewardship program, they become ambassadors of the BDL stewardship program, driving greater awareness and participation as the system strives to achieve 100% recovery, reuse and recycling.

In 2012 BDL participated in the regulatory review of Schedule 1 of the *Recycling Regulation* where brewers advocated strongly in favour of strengthening BC's robust deposit-return system through higher deposit levels and strengthening return-to-retail (measures that dramatically increase environmental performance at minimal economic cost).

BDL is an advocate of system efficiency and continued requirements for beverage containers to be utilized at higher levels on the pollution prevention hierarchy (i.e. not allow waste-to-energy in this product category).

Throughout the operation of its system and as part of its advocacy of British Columbia's most effective EPR program BDL cultivates relationships with commercial partners, municipal governments, environmental groups and other stakeholders using every opportunity to educate and engage these groups.

BDL's public education strategies included stakeholder engagement through public speeches at sustainability conferences and meetings. In total, BDL representatives spoke at over half a dozen conferences with attendance in excess of 3,500 people in 2012. BDL also strengthened and/or developed relationships with a number of significant stakeholder groups, including UBCM, the David Suzuki Foundation and GLOBE.

In March 2012, BDL began a social media strategy. Canada's National Brewers' Director of Sustainability is now tweeting regularly (@EnviroBeerGuy) about Canadian brewers' stewardship programs and activities across Canada, including BC. By the end of 2012, @EnviroBeerGuy had over 375 followers, with many tweets regarding BDL's BC program being retweeted.

In 2012, BDL joined the Executive Committee of the Stewardship Agencies of BC (SABC). Through the executive BDL is involved in all discussions and collaborative efforts with other stewardship agencies to effect public education and awareness strategies regarding product stewardship in BC.

BDL 2012 Product Stewardship Report to Director, Waste Management

In 2012 SABC successfully developed and distributed a brochure detailing the product stewardship programs in BC.

In March 2011 BDL conducted consumer opinion research as part of its stewardship plan commitments. Having received 1,250 responses, the poll revealed that 98% of consumers are aware there is a deposit on beer container at purchase. Consumers expressed high satisfaction (well over 90%) with the return options available to them. The research indicates that almost everyone buying beer in British Columbia ensures their containers are reused and recycled – only 1% of British Columbians put their containers in the garbage. Many British Columbians who do not return their containers themselves donate them to bottle drives, bottle collectors or other avenues through which the bottles will be collected for reuse and recycling, rather than discarded in landfill.

Brewers have continued their sponsorship and participation in various recycling and stewardship conferences and organizations in BC. Once again, BDL sponsored the Recycling Council of British Columbia (RCBC) annual conference in Whistler, as well as Recyclepedia – RCBC’s recycling hotline (for the 13th consecutive year). In addition, BDL sponsored the Coast Waste Management Association’s annual conference in Victoria.

The Full Refund Program continues to be promoted to private licensee liquor retail stores through their industry association, ABLE BC. Additionally, ABLE BC regularly informs their members of the program through newsletters, publications and surveys. BDL also continues to provide its collection partners with point-of-sale signage to let consumers know that they are patronizing a full-deposit return location and continues to run its website that since the beginning of 2012 has operated under the new address www.envirobeerbc.com. A revamp of www.envirobeerbc.com is scheduled for this year.

4. Collection System and Facilities

Consumers can take back BDL containers for redemption to LDB stores, LRS stores, rural agency stores and bottle depots. BDL also collects containers from licensed establishments (i.e. bars and restaurants). BDL utilizes 2 warehouses and 3 cross-docking facilities for the collection, storage and sorting of containers and utilizes a fleet of 44 vehicles for the distribution of product and collection of containers. All secondary packaging associated with BDL’s containers is also accepted for return and recycling.

Table 1: BC Container Redemption Locations for Beer Containers

Return Location Type	2011	2012
Depots	178	213
Licensee Retail Stores	658	659
Government Liquor Stores	210	210
Rural Agency Stores	231	231
Total	1,277	1,313

BDL 2012 Product Stewardship Report to Director, Waste Management

British Columbians have wide access to container returns with 1,313 retail and depot redemption locations across the province. In addition BDL collects containers from several thousand licensed establishments.

Seventy-eight percent of consumers live within 2 kilometers of a return location that accepts unlimited returns and 92% of consumers live within 5 kilometers of unlimited return locations.

BDL's product stewardship website also directs consumers to the nearest return locations.

5. Product Environmental Impact Reduction, Reusability and Recyclability

BC brewers have taken back containers and packaging ever since they started brewing in the province well over 130 years ago. Getting back containers efficiently and maximizing return rates is as important a business strategy for BDL shareholders today as it was before the introduction of government product stewardship regulations and requirements.

To that end, BDL's efficient closed loop distribution system, with product delivery and container pickup at licensed establishments and retail locations, continues to generate high packaging return rates in a cost effective manner. Coordinating delivery and container pickups also minimizes distribution fuel costs and related environmental impacts.

The system has enabled the brewing sector to maintain a significant amount of production in refillable containers and maintain its exceptional return rates as the B.C. liquor retailing system has evolved.

Twenty percent of packaged beer is sold in refillable containers in BC. New entrants into the BC beer market have a ready-made platform available to market and recover product in refillable containers.

Consider that to get 15 reuses of a refillable bottle requires that 94% of all refillable bottles sold to be returned and reused. As return rates drop to 75%, refillable bottle "trippage" drops to just 4 reuses effectively wiping out the cost savings associated with using refillable bottles.

The use of refillable beer containers recovered at high return rates avoids the production of over 90 million one-way glass or other containers annually.

Of course, reuse through refilling supports environmental outcomes by dramatically reducing the overall amount of packaging necessary to sell a given amount of product. The use of refillable glass containers in comparison to production of one-way glass from virgin materials reduces energy and pollution associated with manufacturing by approximately 90%.

Similarly, recovering aluminum cans at high rates and recycling them efficiently and effectively offsets the production costs of buying aluminum cans for the packaging of beer. BDL's container redemption system generates one of North America's highest return rates for aluminum can

BDL 2012 Product Stewardship Report to Director, Waste Management

containers. Recycling aluminum generates enormous energy and pollution savings in comparison to manufacturing aluminum from virgin materials. Approximately 95% less energy is utilized when making aluminum from recycled material in comparison to original aluminum manufacturing.

In Canada, the beer industry has further enhanced the efficiencies of refillable containers by developing an industry standard bottle (ISB) which is open to any brewer operating in the country. The ISB is leading example of design for the environment. The ISB reduces the cost of sorting empty containers, minimizes inventory storage requirements and improves production efficiencies by eliminating the need for brewers to perform costly packaging line changeovers. At present, ten British Columbia breweries are signatories to the Industry Standard Bottle Agreement and use the ISB bottle as their principal glass container.

Driven by cost internalization, the economic efficiency of the British Columbia brewing industry reuse and recycling system accrues as savings to consumers and to the environment.

6. Pollution Prevention Hierarchy and Product / Component Management

BDL records the number of refillable glass bottles shipped to brewers for re-use as well as the weight of broken or culled glass shipped directly by BDL to glass recyclers. Aluminum cans are crushed into “biscuits” which are weighed prior to shipment to an aluminum recycler. Third party test procedures related to BDL obligations under sections 8(2)(b), (d) and (e) of the Recycling Regulation were conducted by KPMG LLP.

Table 4 shows the percentage of BDL’s container mix by both container type sold and collected and the weight of packaging diverted by the BDL product stewardship system.

Table 2: Percentage: Containers Managed: Weight of Materials Diverted

Container Type	Percent of Containers Sold and Collected	Percent of Packaging Weight Diverted
Aluminum Cans	80 %	18 %
Refillable Glass Bottles	20 %	82 %

As Table 3 below shows, the energy savings and reduced greenhouse gas (GHG) emissions associated with BDL’s product stewardship system are significant. GHG reductions are equivalent to pulling close to 15,000 cars off of provincial roads.

Table 3: Energy and Greenhouse Gas Savings BDL Container Recovery 2012¹

	Glass Reuse	Aluminum Recycling	Total
Tonnes Diverted	28,202 ²	6,240	34,442
Avoided GHG Emissions (MTCO₂E)	10,716	60,278	70,994
Avoided Energy (Gigajoules)	191,773	545,126	736,899

Table 4 provides examples of selected pollutant reductions associated with the management of beer containers under the pollution prevention hierarchy.

Table 4: Reduced Pollutants Associated with BDL Container Recovery 2012³

	Nitrogen Oxides	Sulfur Oxides	Particulate Matter	Solid Waste
Reduced kg of pollutant per Tonne: Recycled versus Virgin Aluminum	31.4	91.3	31.7	4,297
Recycled BDL Aluminum 2010: Metric Tonnes	6,240	6,240	6,240	6,240
Tonnes Avoided Pollutants Cans	196	570	198	26,813
Pollutants (kg) Glass: Production per Tonne	1.73	6.1	3.73	66.65
Diverted Glass Tonnes: BDL Refillable Glass Bottles	28,202	28,202	28,202	28,202
Tonnes Avoided Pollutants: Refillable Glass Bottles	49	172	105	1,880
Total Tonnes Avoided Pollutants	237	742	303	28,693

According to the EPA study, recycling aluminum results in significant reductions in atmospheric emissions. Nitrogen oxides, sulfur oxides and particulate matter emissions are reduced by over 60%, 90% and 95% respectively when aluminum is made from recycled materials. For 2012, total

¹ Source for avoided energy and emission multipliers: Determination of the Impact of Waste Management activities on Greenhouse Gas Emissions: 2005 Update Final Report, ICF Consulting for Environment Canada & Natural Resources Canada, October 2005 and GHG Calculator for Waste Management, Update Oct 2009, ICF Consulting for Environment Canada. Multipliers for avoided GHG Emissions (eCO₂/tonne) used were 0.38 for glass reuse and 9.66 for aluminum recycling. Avoided energy multipliers used (Gigajoules/tonne) were 6.8 for glass reuse and 87.36 for aluminum recycling. Avoided GHGs from glass bottle reuse (0.38) is not presented in the *Determination of the Impact of Waste Management Activities on Greenhouse Gas Emissions: 2005 Update Final Report*. This multiplier was provided in the previous version of the report from 2004.

² Includes 150 tonnes sent directly by BDL for recycling.

³ Pollutant reductions associated with recycled versus virgin aluminum production and glass production from Weitz, Keith A. et al. 2003. *Life-Cycle Inventory Data Sets for Materials Production of Aluminum, Glass, Paper, Plastic, and Steel in North America*. Report prepared by RTI International for the U.S. EPA, Office of Research and Development. EPA-600/Q-03-001. Research Triangle Park, NC.

BDL 2012 Product Stewardship Report to Director, Waste Management

reductions in emissions of nitrogen oxides, sulfur oxides and particulate matter from aluminum recycling and the use of refillable bottles in BC are estimated at 237, 742 and 303 metric tonnes respectively.

In addition to reductions in atmospheric emissions, BDL container management also generates significant solid waste reductions associated with material production. Aluminum cans are light, but making aluminum from virgin material creates solid waste that is four and half times heavier than the aluminum itself. There were 28,693 less metric tonnes of solid waste generated in 2012 related to aluminum recycling and the use of refillable glass bottles. This reduced tonnage is in addition to the 34,442 tonnes of packaging materials diverted from provincial landfills in 2012 as a result of BDL's container recovery system. When these totals are combined, BDL's product stewardship program reduces solid waste production by approximately 63,135 tonnes annually - equivalent to \$6.8 million in Vancouver tipping fees.⁴

Although not reported in Table 4 - recycling aluminum also generates significant reductions in waterborne waste. Production of heavy metals such as cadmium and mercury are reduced by more than 99% when aluminum is manufactured from recycled materials.

In summary BDL's EPR program continues to deliver outstanding results to British Columbia's environment.

7. Product Sold and Collected and Recovery Rate

BDL return rates in all product categories exceeded the 85% performance target established under its 5-year plan and are well in excess of the 75% target mandated under *Environmental Management Act* regulations.

In 2012 BDL collected close to 550 million containers under its product stewardship plan and its overall container return rate was 92.8%. This is the fifth consecutive year that the overall return rate has exceeded 92%.

⁴ Based on a Vancouver 2012 tipping fee of \$107 per tonne for waste disposal.

Table 5: BDL Container Recovery Rates: 2012⁵

	Sales Dozens	Returns Dozens	Recovery Rate
Cans	39,671,270	36,854,355	92.9 %
Refillable Glass Containers			
Industry Standard Bottles	7,122,224	6,960,761	
Non-Standard Bottles	2,564,014	2,004,241	
Total Refillables	9,686,238	8,965,002	92.6 %
Total All Containers	49,357,508	45,819,357	92.8 %

Secondary Packaging and Other Containers

In addition to managing the containers designated under its stewardship plan, BDL also sells and collects beer kegs and collects and facilitates recycling with respect to a number of secondary packaging materials including cardboard cases, can flats and plastic shrink wrap. In fact, BDL collects and recycles all of the packaging that it uses and sells – meaning BDL has been implementing its obligations under Schedule 5 of the Act (Packaging and Printed Paper) for decades prior to its enactment.

In 2012 BDL sold approximately 327,000 kegs primarily to licensed establishments. Given the efficiencies of the closed loop system related to keg sales, returns are extremely high for these containers with a return rate of over 99 % in 2012. This volume is equivalent to over 4.6 million cases of packaged beer. The volume of beer sold in kegs is equivalent to diversion of approximately 815 tonnes of aluminum or 15,350 tonnes of glass bottles.

Estimates for 2012 indicate that BDL collected and diverted approximately 1,750 tonnes of cardboard. BDL is working on the development a monitoring and reporting process that will enable the estimation of return rates related to these packaging streams.

Table 6 provides an estimate of program diversion (for stewardship containers only) by regional district. As BDL does not compile sales or collection data by Regional District, diversion estimates were assumed to be the same on a per capita basis in each district. Regional District population estimates for 2012 were obtained from the BCStats website.

(<http://www.bcstats.gov.bc.ca/StatisticsBySubject/Demography/PopulationEstimates.aspx>).

⁵ Container data reviewed by KPMG LLP. Sales for non-industry standard refillable bottles were provided by the BC Liquor Distribution Branch.

Table 6: Program Diversion Estimates by Regional District

Regional District	Aluminum		Glass		Total	
	Units (000)	Tonnes	Units (000)	Tonnes	Units	Tonnes
Alberni-Clayoquot	3,051	43	727	192	3,779	235
Bulkley-Nechako	3,803	53	907	240	4,709	293
Capital	36,405	508	8,679	2,297	45,085	2,805
Cariboo	6,360	89	1,516	401	7,876	490
Central Coast	312	4	74	20	386	24
Central Kootenay	5,890	82	1,404	372	7,294	454
Central Okanagan	18,231	254	4,346	1,150	22,577	1,404
Columbia-Shuswap	5,184	72	1,236	327	6,420	399
Comox Regional District	6,291	88	1,500	397	7,791	485
Cowichan Valley	8,080	113	1,926	510	10,006	622
East Kootenay	5,847	82	1,394	369	7,241	450
Fraser Valley	27,933	390	6,659	1,762	34,592	2,152
Fraser-Fort George	9,425	132	2,247	595	11,672	726
Greater Vancouver	236,346	3,299	56,346	14,909	292,692	18,208
Kitimat-Stikine	3,842	54	916	242	4,758	296
Kootenay-Boundary	3,084	43	735	195	3,819	238
Mount Waddington	1,139	16	272	72	1,410	88
Nanaimo	14,653	205	3,493	924	18,146	1,129
North Okanagan	8,058	112	1,921	508	9,979	621
Northern Rockies	618	9	147	39	765	48
Okanagan-Similkameen	8,018	112	1,912	506	9,930	618
Peace River	6,399	89	1,526	404	7,925	493
Powell River	1,987	28	474	125	2,461	153
Skeena-Queen Charlotte	1,874	26	447	118	2,321	144
Squamish-Lillooet	4,103	57	978	259	5,081	316
Stikine	56	1	13	4	69	4
Strathcona Regional Dist.	4,312	60	1,028	272	5,341	332
Sunshine Coast	2,958	41	705	187	3,664	228
Thompson-Nicola	12,811	179	3,054	808	15,865	987
British Columbia	447,070	6,240	106,584	28,202	553,654	34,442

8. Summary of Deposits, Refunds, Revenues and Expenditures

Costs related to BDL's container collection system are managed by the British Columbia Brewers' Recycled Container Collection Council which operates the program on a cost-recovery basis.

Refillable bottles

In the case of refillable bottles the Council establishes rates of charge for the collection, sorting and return of containers based on projected and audited costs. Costs associated with cleaning and reusing refillable bottles are borne by the manufacturer. In the case of refillable bottles, manufacturers retain unredeemed deposits and use these funds to offset container management costs.

Recycled Cans

BDL retains unredeemed deposits with respect to can sales and retains revenues from aluminum material sales to offset, administration, transportation, collection and sorting fees and infrastructure costs. In 2012 there was no container cost recovery for cans under the program.

BDL revenues collected from both cans and bottles pay return location partners for the collection, sorting and return of BDL containers. In the case of the Liquor Distribution Branch, BDL has entered into a 5-year agreement with the agency to pay it fees for each container collected from its stores. Licensee retail stores that sign up as collection partners are also paid a fee for each container collected. BDL has also entered into service agreements with several container return depots for collection and sorting services.

Table 7: BDL Deposit Summary 2012

	Cans	Industry Standard Bottle (ISB)	Non-ISB Refillable Bottle⁶	Total
Deposits Received	\$46,972,319	\$9,749,568	\$2,987,420	\$59,709,307
Refunds Paid	\$43,347,088	\$9,389,374	\$2,650,258	\$56,863,271

The Council's year end financial surplus decreased from \$8,829,178 in 2011 to \$7,649,159 in Fiscal 2013 (year ending March 31, 2013).⁷

⁶ Sales for non-industry standard refillable bottles were provided by the BC Liquor Distribution Branch.

⁷ BC Brewers Recycled Container Collection Council Financial Statements

BDL 2012 Product Stewardship Report to Director, Waste Management

9. Plan Performance

Plan Target	20xx Results	Strategies for Improvement
1. 85% Return Rate in each container category	<p>Target Achieved:</p> <ul style="list-style-type: none"> a. 92.9 % Return Rate Cans b. 92.6 % Return Rate Refillable Glass Containers 	N/A
2. Improve Consumer Awareness: Maintain 85% awareness levels	<p>Targets Achieved:</p> <ul style="list-style-type: none"> • 98 % of consumer aware of beer container deposits • 90 % satisfied with container return options 	N/A
3. Increase the number of contracted collection partners to 275	<p>Target Partially Achieved:</p> <ul style="list-style-type: none"> • 202 contracted collection partners 	<ul style="list-style-type: none"> - Increased attendance at industry conferences; - Funding to ABLE BC to promote awareness of BDL programs for licensees; - Continued provision of LRS point of sale deposit materials.
4. Benchmark secondary packaging	<p>Target Partially Achieved:</p> <ul style="list-style-type: none"> • Tracking of keg containers in place; • Secondary packaging tracking and reporting processes under review. 	<ul style="list-style-type: none"> - Review of secondary packaging reporting in light of impending MOE requirements re consumer packaging; - Review of BDL management structure re: packaging reporting and monitoring responsibilities.

Appendices / Additional Information and Third Party Assurance

Appendix A: Domestic Brewers and Suppliers (Refillable Bottles)

Brewer
Big Rock Brewery
Brick Brewing Company
Chilkoot Brewing Co. Ltd (Yukon)
Dead Frog Brewery
Fireweed Brewing Corporation
Garrison Brewing Company
Granville Island
Great Western Brewing Company
Labatt Breweries
Mark Anthony Group
McAuslan Brewing
Molson Breweries
Moosehead Breweries Ltd
Nelson Brewing
Okanagan Spring Brewery Ltd.
Phillips Brewing Co.
Russell Brewing
Sleeman Brewing Co.
The John Allen Brewing Co. Ltd.
Vancouver Island Brewing
Vincor International

BDL 2012 Product Stewardship Report to Director, Waste Management

Import and Domestic Suppliers (Cans)

Agent/Brewer
Amador Importers
Atlas Wine Merchants
Big Rock Brewery Limited
Bowen Island Brewing
Bruce Ashley Group
Calibrium International Limited
Cannery Brewing
Carlsberg Canada Inc.
Central City Brewing Company Limited
Charton-Hobbs Inc.
Culin Importers Ltd.
Diageo Canada Inc. (Dorval)
Diamond Estates Wines & Spirits B.C.
Fernie Brewing Company Limited
Fireweed Brewing Corporation
Granville Island Brewing Co. Limited
Great Western Brewing Company Ltd
Hell's Gate Brewing
Hi-Bridge Consulting Group
Independent Distillers (Canada) Limited
Innovative Commodity Imports Limited
Labatt Breweries Of British Columbia
Lighthouse Brewing Co. Ltd.
Lmp Wines Inc.
Lothar Heinrich Agencies Ltd.
M.J.S. Beverage Concepts Int'l
Mark Anthony Group Inc.
Mcclelland Premium Imports Inc.
Meagher's Distillery (B.C.) Ltd.
Molson Brewery B.C. Ltd.
Moosehead Breweries
Nelson Brewing Co.

BDL 2012 Product Stewardship Report to Director, Waste Management

Northam Brewery
Okanagan Spring Brewery Ltd.
Pacific Western Brewing Co. Ltd.
Premier Brands Limited
Premium Beer Company Inc.
Russell Brewing Company Ltd.
Sebucom International Corporation
Sleeman Breweries
Sunny Star Import Export Limited
The Barley Mill
The Cannery Brewing Company
The Kirkwood Group
United Distributors Of Canada
Vancouver Island Brewing Co.
Whitehall Agencies Ltd.



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INDEPENDENT AUDITOR'S REPORT TO BREWERS DISTRIBUTOR LIMITED

We have audited the following Sections within the Brewers Distributor Limited Annual Report to the Director 2013 Calendar Year (together the "Subject Matter"):

- Section 4 (Table 1) *collection facilities* – the location of collection facilities, and any changes in the number and location of collection facilities from the previous report in accordance with Section 8(2)(b) of BC Regulation 449/2004 (the Recycling Regulation);
- Section 7 (Table 4) *Product sold and collected and Recovery rate*– the Company's description of total amounts of product sold and collected and recovery rate in accordance with Section 8(2)(e) of the Recycling Regulation; *and,*
- Section 9 (Plan Target 1 and 3) *Regarding Return Rate and Contracted Collection Partners*– the Company's description of performance for the year in relation to targets associated with Section 8(2)(b) and (e) of the Recycling Regulation in the stewardship plan.

The objective of this Report is to disclose how the Stewardship Agency's management has discharged its responsibility to report on the Subject Matter in accordance with Sections 8(2)(b) and (e) of the Recycling Regulation.

The Subject Matter is the responsibility of Brewers Distributor Limited management who have prepared the Subject Matter in accordance with the evaluation criteria which are an integral part of the Subject Matter. Our responsibility is to express an opinion on this Subject Matter based on our audit. Our audit does not constitute a legal determination on compliance with the Recycling Regulation.

EVALUATION CRITERIA

The suitability of the evaluation criteria is the responsibility of management. The evaluation criteria presented in Appendix 1 are an integral part of the Subject Matter and address the relevance, completeness, reliability, neutrality and understandability of the Subject Matter.



SCOPE OF THE AUDIT

We carried out our audit in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000) published by the International Federation of Accountants. This Standard requires, amongst others, that the assurance team possesses the specific knowledge, skills and professional competencies needed to understand and audit the information included within the Subject Matter, and that they comply with specific requirements to ensure their independence.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures within the Subject Matter. An audit also includes assessing the evaluation criteria used and significant estimates made by management, as well as evaluating the overall presentation of the Subject Matter.

OPINION

In our opinion, the Subject Matter within the Brewers Distributor Limited Annual Report for the year ended December 31, 2013 presents fairly in accordance with the evaluation criteria, in all material respects:

- the number and the location of collection facilities, and any changes in the number and location of collection facilities from the previous report in accordance with Section 8(2)(b) of the Recycling Regulation;
- the description of total amounts of the producer's product sold and collected and, if applicable, the producer's recovery rate in accordance with Section 8(2)(e) of the Recycling Regulation; and,
- the description of performance for the year in relation to targets in the approved stewardship plan under Section 8(2)(b) and (e) of the Recycling Regulation.

Our report has been prepared solely for the purposes of management's stewardship under 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 Brewers Distributor Limited, and accordingly, we do not accept any responsibility for loss occasioned to any other party acting or refraining from acting based on this report.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Toronto, Canada

June 27, 2014



APPENDIX 1 TO THE AUDITOR'S REPORT

EVALUATION CRITERIA

COLLECTION FACILITIES

Specific Disclosures in the annual stewardship report for which evaluation criteria were developed	
Disclosure per annual report	Reference
Total Collection Sites – 1,130 locations	<i>4. Collection System and Facilities</i> table 1 on Page 6
Location of collection facilities -- coverage %	<i>4. Collection System and Facilities</i> last paragraph in the section on Page 6
Change in the number and locations of collection facilities in 2013 -- Comparison between 2013 and 2012 in Table 1	<i>4. Collection System and Facilities</i> table 1 on Page 6

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

1. Total number of collection facilities includes active government liquor stores, private retail liquor stores, and rural agency stores that are registered with Liquor Distribution Branch (LDB) as of December 31 as well as private bottle depots and their satellites that BDL has contractual relationship with.
2. Changes in the number of collection facilities are calculated based on comparison to the previous year's list.
3. Coverage % is calculated based on BC population in 2011 and addresses of BDL's contractual collection partners and Government Liquor Stores.



PRODUCT SOLD AND COLLECTED

Specific Disclosures in the annual stewardship report for which evaluation criteria were developed	
Disclosure per annual report	Reference (Page # / Table #)
BDL Container Recovery Rates 2013 (also including sales in dozens and returns in dozens) for the categories of cans and refillable bottles.	7. Product Sold and Collected and Recovery Rate Table 4 on Page 9

The following evaluation criteria were applied to the assessment of the description of how total amounts of the producer's product sold and collected and, if applicable, the producer's recovery rate has been calculated in accordance with Section 8(2)(e):

1. Product sold: The total number of bottles or cans sold is based on the sales figures received from the Liquor Distribution Branch (LDB)
2. Product collected--bottles:
 - a) The total number of bottle returns (product collected) is calculated as follows: Closing inventory balance - Opening inventory balance + Returns to brewers during the calendar year.
 - b) The quantity of bottles returned to brewers from BDL warehouses is based on records in the J.D.Edwards system.
 - c) Opening and closing inventory balances at BDL warehouses are based on year-end physical counts as recorded in the J.D. Edwards system.
3. Product collected--cans: Total number of can returns is based on the total recorded in the J.D. Edwards system during the calendar year.



TARGETS

Specific Disclosures in the annual stewardship report for which evaluation criteria were developed	
Disclosure per annual report	Reference (Page # / Table #)
(Target #1) 2013 Assertion – Target Achieved	<i>9. Plan Performance</i> on Page 12
(Target #3) 2013 Assertion --Targets Partially Achieved: <ul style="list-style-type: none">• 228 total locations	<i>9. Plan Performance</i> on Page 12

The following evaluation criteria were applied to the assessment of the description of performance for the year in relation to targets in the approved stewardship plan under Section 8(2)(b) and (e) of the Recycling Regulation.

1. Target: Recovery rate of 85%

Recovery rate is calculated as follows: total bottles and cans returned during the period ÷ total bottles and cans sold during the period

2. Target: 347 Contracted Collection Partners by 2014

Contracted Collection Partners are those locations active as of Dec 31 that have contractual relationship with BDL, and refund customers the full amount of the deposit per bottle or can.

3. The description of progress against targets to date is supported by records of progress maintained by the Company.