



BDL

BREWERS DISTRIBUTOR LTD.

Annual Report to the Director 2013 Calendar Year

Submitted to: David Ranson
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BDL 2013 Product Stewardship Report to the Director, Waste Management

1. Executive Summary

Products within plan:	Refillable Glass Beer, Cider & 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 & Strategies	<ul style="list-style-type: none"> • December 2013 consumer survey shows that 96% of consumers know about the deposit on beer containers and satisfaction with return options is over 91% • Continued online and social media strategy on Twitter (@EnviroBeerGuy), increased following by 170 users (545 total) • New branding and posters distributed for display at all authorized locations
Part 2, Section 8(2)(b)	Collection Systems & 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. • BDL operates 5 warehouses/cross-dock facilities and 44 delivery vehicles. • There are 1,130 container redemption facilities for BDL program containers in the province
Part 2, Section 8(2)(c)	Product Environmental Impact Reduction, Reusability & Recyclability	<ul style="list-style-type: none"> • 17% of containers are refillable glass containers: these have a 90% reduction in energy use; • 83% of containers are recyclable aluminum containers: these have a 95% reduction in energy use; • All associated secondary packaging is returnable; • Waste diversion of 32,286 tonnes; • Avoided energy = 750,222 gigajoules
Part 2, Section 8(2)(d)	Pollution Prevention Hierarchy & Product Component Management	<p><u>Avoided Pollutants:</u></p> <ol style="list-style-type: none"> 1. GHG Emissions = 73,398 MTCO2E; 2. Nitrogen Oxide Emissions = 251 tonnes 3. Sulphur Oxide Emissions = 758 tonnes 4. Particulate Matter Emissions = 305 tonnes 5. Solid Waste Production = 30,019 tonnes
Part 2, Section 8(2)(e)	Product Sold and Collected & Recovery Rate	<ol style="list-style-type: none"> 1. 606 million containers sold 2. 92.6% recovery rate
Part 2, Section 8(2)(e.1)		See Section 7 for breakdown per regional district.
Part 2, Section 8(2)(f)	Summary of Deposits, Refunds, Revenues & Expenses	<p>Deposits Received: \$ 60,614,118 Deposits Refunded: \$ 56,105,320 Audit of B.C. Brewers' Recycled Container Collection Council Financial Statements and Third Party Test procedures in accordance with Sections 8(2)(b), and (e) of the Recycling Regulation conducted by KPMG LLP.</p>

Comparison of Key Performance Targets

Part 2 – Section 8(2)(g); See full list of targets in Plan Performance

Priority Stewardship Target (as agreed with Ministry File Lead)	Performance	Strategies for Improvement
1. <u>Container Return Rates</u> 85% return rate in all container categories and overall return rate	<u>Targets Achieved:</u> <ul style="list-style-type: none"> • 95.9% return rate for refillable industry standard bottles (ISB) • 87.6% return rate for refillable proprietary glass bottles • 92.3% return rate for aluminum cans • 92.5% overall return rate for BDL containers 	N/A
2. <u>Consumer Accessibility:</u> Improve consumer access to BDL authorized locations from 181 to 347 by 2014 (42 bottle depots, 305 licensee retail stores)	<u>Targets Partially Achieved:</u> <ul style="list-style-type: none"> • Surpassed 2014 depot target by +50% (65); • Added 12 LRS locations since 2008 (163) • 228 total locations 	<ul style="list-style-type: none"> • Increased focus on LRS locations; • Revise handling requirements to accommodate limited space locations
3. <u>Consumer Awareness</u> Improve consumer awareness. Maintain 85% awareness levels, expansion of BDL branded informational materials	<u>Targets Achieved:</u> <ul style="list-style-type: none"> • 96% aware of beer container deposits; • 91% satisfied with container return options • BDL branded posters distributed for display at all authorized return locations 	N/A
4. Benchmark secondary packaging	<u>Targets Partially Achieved:</u> <ul style="list-style-type: none"> • Tracking of keg containers in place; Secondary packaging plan including detailed tracking methodology submitted to BC MOE via Schedule 5 plan	<ul style="list-style-type: none"> • Implement methodology pending government approval

2. Program Outline

Brewers Distributor Limited (BDL) is a joint venture company owned by Molson Coors Canada and Labatt Breweries of Canada tasked with distribution of beer throughout Western Canada. BDL operates warehouses 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 small or remote communities) as well as bars, restaurants, and other licensed establishments.

In addition to the distribution of full goods, Brewers Distributor Limited (BDL) collects refillable domestic beer, cider, and cooler glass bottles and imported & domestic 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 movements 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 a Liquor Distribution Branch (LDB) approval to sell their products into British Columbia.

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.

Customers 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 <http://www.EnviroBeerBC.com>

3. Public Education Materials & Strategies

BDL continues to enjoy strong consumer awareness and satisfaction with our stewardship program. Recent survey results indicate that nearly all (96%) British Columbians are aware that consumers pay a refundable deposit for their beer containers¹. In addition to high consumer awareness, program participation rates are also very high. Among respondents from households that consumed beer within the past year, 86% indicated that they collected and returned beer containers for the refund.² Importantly, consumer satisfaction with the current range of locations available to return beer containers for deposit is also high. More than 90% of respondents indicated that they were either 'very satisfied' (42%) or 'satisfied' (49%) with BDL's current stewardship network. These results remain consistent with those of previous surveys undertaken in 2011, 2006, 2000 and 1997.

¹ Ipsos Reid survey conducted on behalf of Canada's National Brewers between December 23, 2013 and January 2, 2014. 1,251 adult respondents (aged 19+ years) participated – generating an estimated margin of error of ±2.8 percentage points.

² 15% of respondents indicated that their household doesn't buy beer. Results listed above are extrapolated after removing these respondents from the results. 76% of total respondents indicated that they collected and returned beer containers for the refund.

In 2013, BDL's public education strategy has continued to focus on a) educating stakeholders, including the public, about how BDL's stewardship system operates and the environmental benefits it delivery to BC's environment; and b) promoting the authorized return locations in our stewardship plan (more on this below). BDL recognizes the importance of these efforts, as public opinion research has demonstrated that once stakeholders have an understanding of BDL's stewardship performance, they become ambassadors of our program; thus driving greater awareness and participation.

The Unlimited Return 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 BDL authorized return depot (see Figure 1).

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. Efforts are taken to both educate and engage these groups at every possible occasion. BDL's public education strategies included stakeholder engagement through public speeches at sustainability conferences and meetings and online advocacy via the Twitter account @EnviroBeerGuy. The account, managed by the Director of Sustainability for Canada's National Brewers, currently has 545 followers. This represents an increase of 170 followers since last year. In addition to promoting the benefits of recycling beer containers generally, tweets also specifically highlight BDL's BC program.

BDL is a member of the Stewardship Agencies of British Columbia (SABC) and part of its Executive Committee. As a member of SABC, BDL funds the Recycling Council of British Columbia's (RCBC) various consumer information vehicles, such as the Recycling Hotline, the RCBC website and the Recyclepedia. BDL updates the authorized return locations listed on these on a regular basis. In addition to its revamped website (launched in the 2014 calendar year), BDL directs consumers to the "BC Recycles" portal as a one-stop location for information on recycling in BC.

4. Collection System and Facilities

Consumers can take back BDL containers for redemption to LDB stores, LRS stores, rural agency stores and authorized bottle depots. BDL also collects containers from several thousand licensed establishments (i.e. bars and restaurants). In 2013, BDL utilized 2 warehouses and 3 cross-docking facilities for the collection, storage and sorting of containers. BDL also operated 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.



Figure 1 – BDL Authorized Recycling Depot Poster

Table 1 – BC Container Redemption Locations for Beer Containers

Return Location Type	2012	2013
BDL Authorized Depots ³	35	65
Licensee Retail Stores ⁴	659	646
Government Liquor Stores	210	197
Rural Agency Locations	231	222
Total Locations	1,135	1,130

British Columbians have wide access to container returns with 1,130 authorized retail and depot redemption locations across the province.

BDL updated its GIS data in late 2013. Approximately 46% of BC residents are within a 5 minute drive of an authorized BDL return location, with 75% of the population within a 10 minute drive and 92% of the population within a 15 minute drive of an authorized return location.

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. 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%. 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. In 2013, twelve British

³ The number of depots for 2012 is being re-stated, as BDL’s 2012 annual report incorrectly included non-authorized BDL depots locations.

⁴ The 2013 number of LRS only includes those that are active, not all available licenses (of which there are 653). The 2012 number stated includes all available licenses.

Columbia breweries were signatories to the Industry Standard Bottle Agreement and used 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.

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 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 virgin aluminum manufacturing.

6. Pollution Prevention Hierarchy and Product / Component Management

BDL brand owners utilize two types of containers under the Schedule 1 product stewardship plan: refillable glass bottles and recyclable aluminum cans. All BDL containers are 100% recyclable, non-toxic, and have established secondary markets. The refillable glass bottle has a long history of use and its track record as an environmentally preferable container is well established; especially when compared to the use of one-way glass containers. Reusing glass bottles, in comparison to making new ones, saves considerable energy and reduces CO2 emissions associated with container requirements. Energy requirements associated with washing and cleaning refillable bottles remain lower than those associated with producing new glass stock. For every ton of aluminum recycled, more than 200 GJ of energy are saved from avoided production processes including: bauxite mining, alumina refining, and electrolysis⁶. The energy required to make aluminum cans from recycled aluminum is 95% less than energy utilized in creating virgin aluminum.

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), and (e) of the Recycling Regulation were conducted by KPMG LLP. Table 2 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 & Collected	Percent of Packaging Weight Diverted
Aluminum Cans	83%	20%
Refillable Glass Bottles	17%	80%

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 15,500 cars off of provincial roads.

⁶ PE Americas. Life Cycle Impact Assessment of Aluminum Beverage Cans. 2010 Report.

Table 3 - Energy, Greenhouse Gas, and Avoided Pollutants Associated with BDL Container Recovery 2013^{7 8}

Pollution Prevention Metric	Glass Reuse	Aluminum Recycling	Total Diversion
Weight of Materials Diverted (tonnes)	25,898 ⁹	6,587	32,486
Avoided GHG Emissions (MT-CO ₂ -eq)	9,765	63,634	73,398
Avoided Energy Consumption (GJ)	174,748	575,475	750,222
Avoided Pollution - Nitrogen Oxides (tonnes)	44	207	251
Avoided Pollution - Sulphur Oxides (tonnes)	157	601	758
Avoided Pollution - Particulate Matter (tonnes)	96	209	305
Avoided Pollution - Solid Waste (tonnes)	1,713	28,306	30,019

In addition to energy savings, recycling aluminum also results in significant reductions in atmospheric emissions. Nitrogen oxides, sulphur dioxides, and particulate matter emissions are reduced by over 60%, 90% and 95% respectively when aluminum is made from recycled materials. For 2013, total reductions in emissions of nitrogen oxides, sulphur oxides and particulate matter from aluminum recycling and the use of refillable bottles in BC are estimated at 251, 758, and 305 metric tonnes respectively. Although not reported in Table 3, 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.

BDL container management also generates significant solid waste reductions associated with material production. Aluminum cans are light, but making aluminum from virgin materials creates solid waste that weighs four and a half times more than the finished aluminum product. There were 30,019 less metric tonnes of solid waste generated in 2013 as a result of aluminum recycling and the use of refillable glass bottles. This reduced tonnage is in addition to the 32,286 tonnes of packaging materials diverted from provincial landfills in 2013 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 62,305 tonnes annually – equivalent to \$6.7 million in Vancouver tipping fees¹⁰. In summary, BDL's product stewardship 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 2009-2014 stewardship plan and are well in excess of the 75% target mandated under the *Environmental Management Act* regulations. In 2013, BDL collected close to 570 million containers under its product stewardship plan and its overall container return rate was 92.6%. This is the sixth consecutive year that the overall return rate has exceeded 92%.

⁷ Source for avoided energy and emissions 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 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.

⁸ 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.

⁹ Includes 200 tonnes sent directly by BDL for recycling.

¹⁰ Based on Vancouver 2013 tipping fee of \$107 per tonne for waste disposal.

<http://www.metrovancouver.org/programsandbudget/BudgetDocs/2013BudgetinBrief.pdf>

Table 4 – BDL Container Recovery Rates 2013 ¹¹

Container Type	Sales Dozens	Returns Dozens	Recovery Rate (%)
Cans	41,898,983	38,661,121	92.3%
Refillable Glass Containers			
Industry Standard Bottles	6,584,375	6,316,144	95.9%
Non-Standard Bottles	2,028,407	1,777,168	87.6%
Total Refillables	8,612,782	8,093,312	94.0%
Total All Containers	50,511,765	46,754,433	92.6%

a. 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. As stated in previous annual reports, BDL is proud to have been meeting its obligations under Schedule 5 of the Act (Packaging and Printed Paper) for decades prior to its enactment. In 2013 BDL sold approximately 310,000 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 97.8% in 2013. This volume is equivalent to over 4.5 million cases of package beer. The volume of beer sold in kegs is equivalent to diversion of approximately 797 tonnes of aluminum or 15,016 tonnes of glass bottles.

Estimates for 2013 indicate that BDL collected and diverted approximately 1,785 tonnes of cardboard¹². BDL recently submitted its Schedule 5 plan for the management of packaging and printed paper. It contains detailed monitoring and reporting procedures that will effectively enable the estimation of return rates related to these packaging streams. Table 5 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 estimated for 2013 were obtained from the BC Stats website¹³.

¹¹ Container data reviewed by KPMG LLP. Sales for non-industry standard refillable bottles were provided by the BC Liquor Distribution Branch (LDB)

¹² It should be noted this tonnage is associated with stray beer secondary packaging recycled through BDL's BC facilities. This tonnage does not include beer cases returned to brewers with empty refillable bottles, which constitutes the majority, by weight, of beer secondary packaging.

¹³ Source: <http://www.bcstats.gov.bc.ca/StatisticsBySubject/Demography/PopulationEstimates.aspx>

Table 5 - Program Diversion Estimates by Regional District

Regional District	Aluminum Units (000)	Aluminum Weight (Tonnes)	Glass Units (000)	Glass Weight (Tonnes)	Total Units (000)	Total Weight (Tonnes)
Alberni-Clayoquot	3,164	44	656	174	3,820	218
Bulkley-Nechako	4,079	57	846	224	4,925	281
Capital	38,208	533	7,923	2,096	46,131	2,630
Cariboo	6,458	90	1,339	354	7,797	444
Central Coast	331	5	69	18	400	23
Central Kootenay	6,030	84	1,251	331	7,281	415
Central Okanagan	19,012	265	3,943	1,043	22,954	1,309
Columbia-Shuswap	5,216	73	1,082	286	6,298	359
Comox Valley	6,582	92	1,365	361	7,947	453
Cowichan Valley	8,416	117	1,745	462	10,162	579
East Kootenay	5,854	82	1,214	321	7,069	403
Fraser Valley	29,635	414	6,146	1,626	35,781	2,040
Fraser-Fort George	9,720	136	2,016	533	11,735	669
Greater Vancouver	252,557	3,525	52,374	13,858	304,931	17,383
Kitimat-Stikine	3,887	54	806	213	4,693	268
Kootenay-Boundary	3,144	44	652	173	3,796	216
Mount Waddington	1,189	17	246	65	1,435	82
Nanaimo	15,375	215	3,189	844	18,564	1,058
North Okanagan	8,389	117	1,740	460	10,128	577
Northern Rockies	625	9	130	34	755	43
Okanagan-Similkameen	8,325	116	1,726	457	10,051	573
Peace River	6,546	91	1,357	359	7,903	451
Powell River	2,109	29	437	116	2,546	145
Skeena-Queen Charlotte	1,912	27	396	105	2,308	132
Squamish-Lillooet	4,156	58	862	228	5,018	286
Stikine	65	1	14	4	79	4
Strathcona	4,501	63	933	247	5,434	310
Sunshine Coast	2,989	42	620	164	3,609	206
Thompson-Nicola	13,515	189	2,803	742	16,318	930
British Columbia	471,988	6,587	97,879	25,898	569,867	32,486

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.

a. Refillable Bottles

In the case of refillable bottles, manufacturers are assessed a per dozen fee 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.

b. Recycled Cans

The Council retains unredeemed deposits with respect to can sales and retains revenues from aluminum material sales to offset costs related to: administration, transportation, collection and sorting fees and infrastructure. In 2013, there was no container cost recovery charged to brewers 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 continues to operate under an 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 6 – BDL Deposit Summary

	Cans	Industry Standard Bottles (ISB)	Non-ISB Refillable Bottles ¹⁴	Total
Deposits Received (\$)	\$50,278,780	\$7,901,250	\$2,434,089	\$60,614,118
Refunds Paid (\$)	\$46,393,345	\$7,579,373	\$2,132,602	\$56,105,320

Note: As deposit are received and paid based on the quantity of bottles sold and collected, the dollar amount provided is based on \$1.20 per dozen sold/collected

¹⁴ Sales for non-industry standard bottles were provided by the BC Liquor Distribution Branch (LDB).

9. Plan Performance

Plan Target	2013 Result	Strategies for Improvement
1. 85% Return Rate in each container category	<u>Target Achieved:</u> <ul style="list-style-type: none"> • 95.9% return rate for refillable industry standard bottles (ISB) • 87.6% return rate for refillable proprietary glass bottles • 92.3% return rate for aluminum cans 	N/A
2. Improve consumer awareness. Maintain 85% awareness levels	<u>Targets Achieved:</u> <ul style="list-style-type: none"> • 96% aware of beer container deposits; • 91% satisfied with container return options 	N/A
3. Increase number of contracted collection partners. 2014 targets: <ul style="list-style-type: none"> — 42 bottle depots — 305 licensee retail stores — 347 total locations 	<u>Targets Partially Achieved:</u> <ul style="list-style-type: none"> • Surpassed 2014 depot target by +50% (65) • Added 12 LRS locations since 2008 (163) • 228 total locations 	<ul style="list-style-type: none"> • Increased focus on LRS locations; • Revise handling requirements to accommodate limited space locations
4. Benchmark secondary packaging	<u>Targets Partially Achieved:</u> <ul style="list-style-type: none"> • Tracking of keg containers in place; • Secondary packaging plan including detailed tracking methodology submitted to BC MOE via Schedule 5 plan 	<ul style="list-style-type: none"> • Implement methodology pending government approval



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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.