

Brewers Distributor Limited

Annual Report to the Director

2015 Calendar Year

Submitted to:

**Executive Director
Environmental Standards Branch
Ministry of Environment
PO Box 9341, STN PROV GOVT
Victoria, BC V8W 9M1**

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BDL 2015 Product Stewardship Report to the Executive Director, Environmental Standards Branch

1. Executive Summary

Products within plan:	Refillable Glass Beer, Cider & Cooler Containers and Metal 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"> • 96% of all respondents – and 99% of those with the relevant product – aware of BDL’s program for beer containers in SABC consumer awareness survey (highest amongst all programs in BC) <ul style="list-style-type: none"> ○ Also rated among the most convenient of the existing programs • Continued roll-out of new branding and posters distributed for display – including electronic signage – at all authorized return locations • Continued promotion of the BC Recycles portal as a one-stop location for information on recycling in BC
Part 2, Section 8(2)(b)	Collection Systems & Facilities	<ul style="list-style-type: none"> • BDL delivers beer to retail locations and licensed establishments and collects containers at retail locations, licensed establishments and container depots • BDL operates 2 warehouse facilities and 54 delivery vehicles in BC • There are 1,144 container redemption facilities for BDL program containers in the province; see tables 1 and 2 for breakdown by return location type and by regional district, respectively
Part 2, Section 8(2)(c)	Product Environmental Impact Reduction, Reusability & Recyclability	<ul style="list-style-type: none"> • All primary containers can either be reused or recycled and all associated secondary packaging is returnable and recyclable; • Estimated waste diversion of 27,027TN • Avoided 79,398TN of CO₂E • Reduced solid waste production of 60,341TN – equivalent to approx. \$6.6M in Vancouver tipping fees
Part 2, Section 8(2)(d)	Pollution Prevention Hierarchy & Product Component Management	<ul style="list-style-type: none"> • Reduction of new materials used continues to be recognised through the reuse of refillable bottles • Brewers receiving bottles for refilling have expressed intent to refill those containers • 100% of aluminum containers collected were recycled in 2015 • 100% of refillable glass collected are either sent for intended re-use by brewers or recycling
Part 2, Section 8(2)(e)	Product Sold and Collected & Recovery Rate	<ol style="list-style-type: none"> 1. 645 million containers sold and 595 million container recovered 2. 92% recovery rate 3. 8th consecutive year program has achieved a recovery rate over 92%
Part 2, Section 8(2)(e.1)		See Section 7 for estimated breakdown per regional district.
Part 2, Section 8(2)(f)	Summary of Deposits, Refunds, Revenues & Expenses	Deposits Received: \$63,102,502 Deposits Refunded: \$59,502,982 Audit of B.C. Brewers’ Recycled Container Collection Council Financial Statements and audit procedures in connection with Sections 8(2)(b), (d), and (e) of the Recycling Regulation and deposits received and refunds paid on cans 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 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"> • 92.72% return rate for refillable industry standard bottles (ISB) • 90.12% return rate for refillable proprietary glass bottles • 92.2% return rate for aluminum cans 	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 (72 sites), an overall increase of +100% over base year • 113 contracted collection retail sites (contracts with an additional 28 sites were terminated on December 22nd 2015 and are not included in the 113 reported as of December 31st) 	<ul style="list-style-type: none"> • Reviewing current coverage levels to identify key areas for LRS contracted expansion
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; 99% with relevant product are aware of the BDL program • Continued promotion of BC Recycles portal • Continued promotion of additional posters and electronic signage at authorized return locations 	<ul style="list-style-type: none"> • Reviewing and revising marketing material to aid in consumer awareness regarding refillable containers

2. Program Outline

Brewers Distributor Limited (BDL) is a joint venture company owned by Labatt Breweries of Canada and Molson Coors Canada. BDL offers a distribution solution for beer throughout Western Canada. BDL operates warehouses and distribution facilities throughout British Columbia and distributes beer to provincially licenced 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.

On behalf of its stewards, BDL also collects refillable domestic beer, cider, and cooler glass bottles as well as imported & domestic alcohol cans sold in British Columbia. The container recovery often occurs adjacent to full good distribution, with container returns occupying trailers returning from delivering full goods to retail and private sites.

BDL's stewards are comprised of breweries and other beverage alcohol manufacturers, including those operating in the province in addition to 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.

BDL's return collection includes the beer industry standard refillable glass bottle (ISB), as well as non-standard proprietary refillable beer, cider and cooler bottles and alcohol cans. BDL's distribution and collection also extends to beer kegs. The British Columbia Brewers' Recycled Container Collection Council (BRCCC) established a cost recovery mechanism for cans, which funds BDL's product stewardship functions through its subscribers. BRCCC is a non-for-profit collection of beer industry representatives from the domestic and import markets. All costs associated with BRCCC and its container recovery system are internalized in brewers' operating costs, and are not passed on to the consumer in addition to retail prices.

Consumers are able to return all program containers and associated packaging to any retail location where beer is sold or to a BDL authorized container return depot. BDL collects containers from these retail locations and authorized depots as well as from licensees. Intact refillable containers are returned to the brewers to be reused in the brewing process, while damaged or broken bottles are sent to Pacific Metals Recycling International in Vancouver for recycling. 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.EnviroBeerBC.com.

3. Public Education Materials & Strategies

BDL continues to enjoy very strong consumer awareness of its program for beverage containers and very high levels of consumer satisfaction with their access to return locations. In late 2013, the Stewardship Agencies of BC undertook a consumer awareness benchmarking survey with respect to the various stewardship programs operating in BC (results were received in Q2 2014). BDL's program for beer containers was the most well-known of the stewardship programs. Among all respondents, 96% of BC residents were aware of the program for beer containers, with 99% of those with the relevant product being aware of BDL's program.

A similarly high level of consumers, 96% of all respondents and 99% of program users, expressed satisfaction with their level of convenience with respect to access to return locations. This result was again amongst the highest achieved for any stewardship program in BC. These consumer awareness and satisfaction results are very similar to results obtained by BDL in its consumer surveys undertaken in 2013, 2011, 2006, 2000 and 1997.

In 2015, BDL’s consumer awareness strategy has focused on a) educating stakeholders – principally the consumer – about how BDL’s stewardship system operates and the environmental benefits it delivers; and b) promoting the authorized return locations within its stewardship network. Furthering both of these objectives, BDL revamped its program website, www.EnviroBeerBC.com, in 2014. This website features a new 3-minute video that highlights how BDL’s program operates and the results it has achieved. There is also a postal code look-up function on the website to help BC consumers locate their nearest authorized return location. In addition, the website is also linked to the Twitter account @EnviroBeerGuy (run by the Vice President, Sustainability of Canada’s National Brewers and which has over 600 followers). All of these functionalities increase the website’s search engine optimization to ensure it is among the top results when BC consumers search for information on beer container returns.

BDL submitted its Schedule 1 stewardship plan renewal to the Director for approval in late 2014. Based upon discussions with the Ministry, some small changes were made to the stewardship plan renewal, with the plan re-submitted to the Director for approval in October 2015. Due to the uncertainty surrounding plan approval and its impact on the program’s operations, BDL has been pursuing a more limited public education program than in previous years.

BDL continues to work with ABLE BC to get more private retail liquor stores to sign up as unlimited return locations. ABLE BC regularly informs their members of this member benefit through newsletters, publications and surveys.

Finally, BDL continues to maintain its membership in the Stewardship Agencies of BC (SABC). As a member of SABC, BDL funds the Recycling Council of BC’s (RCBC) various consumer information vehicles, such as the Recycling Hotline, the RCBC website and the Recyclepedia. BDL also 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 return all BDL program containers to BDL Authorized Depots, Licensee Retail Stores (LRS), Government Liquor Stores (GLS) and Rural Agency Locations (RAL) for redemption. BDL also provides on-site collection services to several thousand licensed establishments (i.e. restaurants and bars). Outlined in Table 1 is the number and type of operating Collection Facilities within the province. In 2015, BDL performed the collection, sorting and storage of containers from two warehouse locations. A fleet of 54 BDL operated vehicles fulfilled the mobile transport and distribution of product and collection of containers in addition to the use of third party carriers, where required. BDL also accepts all secondary packaging associated with containers for return and recycling.

Table 1 – BC Container Redemption Locations for Beer Containers

Return Location Type	2015	2014
BDL Authorized Depots	72	71
Licensee Retail Stores	656 ¹	648
Government Liquor Stores	196	195
Rural Agency Locations	220	221
Total Locations	1,144	1,135

There are 1,144 retail and authorized depot redemption centres available for container collections across British Columbia. BDL is able to ensure a high rate of return of containers with its numerous collection facilities within all regional districts of British Columbia, as outlined in Table 2.

¹ The number of LRS sites also includes a subset of LRS locations acting as contracted collection partners
June 24, 2016

Table 2 – Number of Collection Locations by Regional District

Regional District	2015	2014
Alberni-Clayoquot	19	19
Bulkley-Nechako	27	28
Capital	82	77
Cariboo	40	42
Central Coast	3	3
Central Kootenay	44	49
Central Okanagan	45	40
Columbia-Shuswap	38	40
Comox Valley	26	26
Cowichan Valley	28	30
East Kootenay	38	39
Fraser Valley	61	58
Fraser-Fort George	39	39
Greater Vancouver	285	275
Kitimat-Stikine	16	17
Kootenay Boundary	20	22
Mount Waddington	19	19
Nanaimo	51	46
North Okanagan	33	33
Northern Rockies	5	5
Okanagan-Similkameen	37	38
Peace River	31	31
Powell River	13	13
Skeena-Queen Charlotte	14	15
Squamish-Lillooet	20	20
Stikine	1	1
Strathcona	30	30
Sunshine Coast	14	14
Thompson-Nicola	65	66
Grand Total	1,144	1,135

BDL is currently reviewing and analysing all contracted retail locations in the province to identify focus areas in which retail expansion would benefit the convenience of the consumer experience as well as improve overall productivity of the programs. BDL is planning to increase the number of locations that accept unlimited container returns in the province over the next few years. The current number of operating BDL Authorized Depots in the province is 72. Consumers can visit www.EnviroBeerBC.com/Locations/ to search for the closest Authorized BDL Depot or retail location by postal code.

5. Product Environmental Impact Reduction, Reusability and Recyclability

The brewers of British Columbia hold environmental awareness and preservation in high regard. The industry has taken back containers and packaging since brewers started brewing in the province over 130 years ago; the practice continues today. The foundation of BDL's business strategy remains the efficient collection of containers and maximizing return rates, which helps achieve environmental goals, and ensures fewer raw materials are in use in the brewing process. Providing consumers with the ability to make returns at retail establishments generates high returns on containers and packaging and does so in a cost effective manner. Coordinating the redistribution of trailer space between full goods and returned containers reduces fuel consumption, which minimizes environmental impact and operating costs. The cost-effectiveness of the system enables the brewing sector to maintain production in refillable containers and encourages new brewers in BC to use refillable containers instead of non-refillable bottles. Each new entrant who chooses to use refillable containers continues to shrink the impact the industry has on the environment and contributes to the industry's exceptional return rates. This practice to refill containers will continue in 2016 as more brewers contemplate the refillable container and realize benefits associated with them.

The pillar of BDL's economic model is the recovery rates of the containers. As the threshold of container recovery rates drops below 75%, each bottle is only reused roughly 4 times, effectively eliminating the cost savings of using refillable bottles. By using refillable containers and achieving high return rates, the BC brewers avoid the production of over 90 million one-use bottles and other containers and dramatically reduce the overall amount of waste produced per product. When compared to using 15 one-time use glass bottles that are then recycled, using a refillable bottle an average of 15 times reduces energy and pollution associated with manufacturing by approximately 90%.

In order to maximize the efficiency of the production cycle, the Canadian beer industry has developed an industry standard bottle (ISB), which is available to every brewer in the country. The use of a standard bottle limits the need, and cost, for specialized handling and storage of bottles returning to different brewers, and drastically improves the production efficiencies by eliminating the need for brewers to perform costly packaging line changeovers. Presently there are numerous western Canadian breweries that are signatories to the Standard Mould Bottle Agreement (sometimes referred to as the Industry Standard Bottle Agreement) and sell their products in the ISB. The economic efficiency of the British Columbia brewers' reuse and recycling system extends its benefits as savings to the consumers and to the environment.

BDL's container redemption system generates one of the highest return rates for aluminum cans in North America. Producing cans from recycled aluminum instead of virgin aluminum reduces the energy resources used and pollution produced. Approximately 95% less energy is used in the production of aluminum products from recycled aluminum compared to the production from virgin aluminum.

6. Pollution Prevention Hierarchy and Product / Component Management

The Schedule 1 product stewardship plan outlines two types of containers to be used by the BDL brand owners: refillable glass bottles and recyclable metal (principally aluminum) cans. According to the expanded hierarchy of material management, reuse and recycle are among



Figure 1 Pollution Prevention Hierarchy

the most favourable forms of prevention (see Figure 1)². BDL remains committed to ensuring the use of 100% recyclable and non-toxic containers, each with their own well established secondary markets. The long standing history of the refillable glass bottle along with its substantial environmental benefits sets its precedent as the preferred container type among brewers, especially when compared to one-way glass containers. Each time a glass bottle is reused the total amount of raw materials needed is reduced, as well as the energy resources needed to produce new glass stock. This closed loop helps the beer industry significantly reduce its CO2 emissions and save a generous amount of energy. Operationally, the washing and cleaning of refillable bottles requires much less energy and resources than that of producing new glass. For each ton of aluminum recycled, over 200 GJ of energy are saved in avoided production processes including: bauxite mining, alumina refining, and electrolysis³.

The number of refillable glass bottles shipped to brewers for re-use is recorded by BDL, as well as the weight of broken or culled glass shipped directly to glass recyclers. BDL's records also include the weights of aluminum cans that are crushed into "biscuits" and shipped to aluminum recyclers. In 2015, 100% of the aluminum and glass containers sent from BDL to recyclers were recycled. By reusing and recycling containers and releasing the containers back into the market, brewers maintain their commitment to the environment and ensure that the recycling operations done by BDL are utilized to the fullest. Table 3 shows the results for the containers recovered in 2015.

Table 3: Results of Recovered Containers 2015⁴

Type of Container	Results of Recovered Containers	
Aluminum Cans	100% Processed for metal recovery	
Refillable Glass Bottles	1% of material shipped, sent directly to a glass recycler ⁵ for recycling by BDL	
	99% of material shipped, sent to brewers for reuse	100% of the material sent to Brewers were intended to be refilled.

Bottles sent for reuse, are intended to be refilled as these refillable bottles help to ensure that Brewers costs of new containers are kept low, which also means using less material – a great environmental benefit.

BDL's product stewardship system also results in energy savings and reduced greenhouse gas (GHG) emissions, which are significant and are outlined in Table 4. The estimated GHG reductions associated with the program's recycling and reuse in 2015 are equivalent to pulling over 16,700 ⁶ cars off of provincial roads.

² See Zero Waste SA: South Australia's Waste Strategy 2011-2015. 2011 Report

³ PE Americas. Life Cycle Impact Assessment of Aluminum Beverage Cans. 2010 Report.

⁴ Results of Recovered Containers reviewed by KPMG LLP

⁵ Represents broken glass sent directly from BDL warehouses, with quantity tracked by shipping weights and documents. The recycled material is used to make new glass bottles.

⁶<http://www.epa.gov/cleanenergy/energy-resources/calculator.html#results>

Table 4 - Energy, Greenhouse Gas, and Avoided Pollutants Associated with BDL Container Recovery 2015

Pollution Prevention Metric	Glass Reuse & Recycling	Aluminum Recycling	Total Diversion
Weight of Materials Diverted (tonnes)	19,578	7,449	27,027
Avoided GHG Emissions (MT-CO2-eq)	7,440	71,958	79,398
Avoided Energy Consumption (GJ)	133,132	650,751	783,883
Avoided Pollution - Nitrogen Oxides (tonnes)	34	234	268
Avoided Pollution - Sulphur Oxides (tonnes)	119	680	800
Avoided Pollution - Particulate Matter (tonnes)	73	236	309
Avoided Pollution - Solid Waste (tonnes)	1,305	32,009	33,314

Note: Figures in table have been rounded

The significant environmental savings associated with recycling aluminum extend from energy reduction to direct atmospheric emissions. Nitrogen oxides, sulphur dioxides, and particulate matter emissions are reduced by over 60%, 90% and 95% respectively when aluminum products are made from recycled materials. In 2015 the estimated total emission reductions of nitrogen oxides, sulphur oxides and particulate matter from recycling aluminum and reusing glass bottles in BC are 268, 800, and 309 metric tonnes respectively.

Additionally, the production of aluminum generates solid waste that is four and a half times heavier than the resulting aluminum. The BDL container recovery system ensures the reduction of significant quantities of virgin aluminum or glass production through reuse and recycling. An estimated 33,314 metric tonnes of solid waste was prevented in 2015 as a result of BDL's container management. The prevented waste is also in addition to the approximately 27,027 tonnes of reused or recycled materials already diverted from provincial landfills in 2015 as a result of BDL's efforts. Combined, these totals represent BDL's accumulative impact of roughly 60,341 tonnes of reduced solid waste production annually – equivalent to approximately \$6.6 million in Vancouver tipping fees⁷. In summary, BDL continues to deliver outstanding results for British Columbia's environment through its product stewardship program.

7. Product Sold and Collected and Recovery Rate

Return rates for all BDL containers greatly exceed the 75% target mandated under the *Environmental Management Act* regulations and also exceed the 85% performance target established under the 2009-2014 stewardship plan. In 2015, BDL's product stewardship plan collected over 595 million containers with a return rate of 92.18%. For eight consecutive years the overall return rate has surpassed 92%. Table 5 outlines a summary of the recovery rate by container type for 2015.

⁷ Based on Vancouver 2015 tipping fee of \$109 per tonne for waste disposal.

http://www.bctrucking.com/sites/default/files/gvsdd_2015_tipping_fee_bylaw_no._287.pdf

Table 5 – BDL Container Recovery Rates 2015⁸

Container Type	Sales Dozens	Returns Dozens	Recovery Rate (%)
Cans	47,160,018	43,476,788	92.19%
Refillable Glass Containers			
Industry Standard Bottles	5,041,963	4,674,749	92.72%
Non-Standard Bottles	1,591,463	1,434,281	90.12%
Total Refillables	6,627,993	6,109,030	92.09%
Total All Containers	53,788,011	49,585,818	92.18%

Note: Figures in Table 5 have been rounded

Secondary Packaging and Other Containers

BDL's recycling efforts extend past the containers collected under its stewardship plan and also includes the collection of all secondary packaging including cardboard cases, can flats, and plastic shrink wrap. BDL provides a return and recycle option for every product sold to, and all related materials used by, its customers. BDL is proud to have been implementing the obligations outlined by Schedule 5 (Packaging and Printed Paper) of the Act for decades prior to its enactment.

BDL also sells and facilitates the collection and recycling of beer kegs. In 2015, BDL sold approximately 289,496 kegs primarily to licensed establishments. The efficiency of the closed loop collection system offered by BDL ensures similar results for kegs as the stewardship program containers. In 2015, the return rates for these container types were in excess of 99%. This volume is equivalent to over 4.15 million cases of packaged beer⁹, which translates to approximately 658 tonnes of aluminum or 13,179 tonnes of glass bottles¹⁰.

Table 6 provides estimated values of program diversion by regional district. As BDL does not compile sales of collection data by Regional District, the values for diversion estimates were assumed to follow the per capita distribution for each district. Population distribution estimates for 2015 were obtained from the BC Stats website¹¹.

⁸ Container data reviewed by KPMG LLP. Sales for non-industry standard refillable bottles were provided by the BC Liquor Distribution Branch (LDB)

⁹ Assumed 58.67L Kegs and 12 x341 glass bottles as a package

¹⁰ Assumed 7lbs/case of glass bottles and 1lbs per 33 355ml cans

¹¹ Source: <http://www.bcstats.gov.bc.ca/StatisticsBySubject/Demography/PopulationEstimates.aspx>

Table 6 - 2015 Program Diversion Estimates by Regional District (Based on Collected Containers)

Regional District	Aluminum Units (000)	Aluminum Weight (Tonnes)	Glass Units (000)	Glass Weight (Tonnes)	Total Units (000)	Total Weight (Tonnes)
Alberni-Clayoquot	3,203	44	450	119	3,653	163
Bulkley-Nechako	4,261	59	599	158	4,860	217
Capital	40,190	552	5,647	1,494	45,838	2,047
Cariboo	6,622	91	930	246	7,553	337
Central Coast	4,261	59	599	158	4,860	217
Central Kootenay	40,190	552	5,647	1,494	45,838	2,047
Central Okanagan	6,622	91	930	246	7,553	337
Columbia-Shuswap	5,466	75	768	203	6,234	278
Comox Valley	6,876	95	966	256	7,842	350
Cowichan Valley	8,807	121	1,237	327	10,044	448
East Kootenay	6,132	84	862	228	6,993	312
Fraser Valley	31,533	433	4,431	1,172	35,964	1,606
Fraser-Fort George	9,712	133	1,365	361	11,077	495
Greater Vancouver	267,417	3,676	37,575	9,942	304,992	13,618
Kitimat-Stikine	4,097	56	576	152	4,673	209
Kootenay-Boundary	3,122	43	439	116	3,561	159
Mount Waddington	1,209	17	170	45	1,379	62
Nanaimo	16,440	226	2,310	611	18,750	837
North Okanagan	8,998	124	1,264	335	10,262	458
Northern Rockies	634	9	89	24	723	32
Okanagan-Similkameen	8,712	120	1,224	324	9,936	444
Peace River	6,797	93	955	253	7,752	346
Powell River	2,072	28	291	77	2,364	106
Skeena-Queen Charlotte	1,865	26	262	69	2,127	95
Squamish-Lillooet	4,295	59	604	160	4,899	219
Stikine	71	1	10	3	81	4
Strathcona	4,837	66	680	180	5,516	246
Sunshine Coast	3,104	43	436	115	3,540	158
Thompson-Nicola	14,175	195	1,992	527	16,167	722
British Columbia	521,721	7,171	73,308	19,397	595,030	26,569

Summary of Deposits, Refunds, Revenues and Expenditures

All costs associated with BDL's container can collection system are managed by BRCCC, which operates on a non-profit 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. Manufacturers retain unredeemed deposits from refillable bottles and use these funds to offset container management costs.

b. Recycled Cans

BRCCC 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 2015, there was no container cost recovery charged to brewers for cans under the program. BDL has also entered into service agreements with several container return depots for collection and sorting services. 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 handling fees for each container collected from its stores. Licensee retail stores that sign up as collection partners are also paid a handling fee for each container collected.

Table 7 – Deposit Summary

	Cans	Industry Standard Bottles (ISB)	Non-ISB Refillable Bottles	Total
Deposits Received (\$)	\$55,142,391	\$6,050,355	\$1,909,756	\$63,102,502
Refunds Paid (\$)	\$52,172,146	\$5,609,699	\$1,721,137	\$59,502,982

Note: As deposits 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. The can figures are in accordance with an audit of B.C. Brewers' Recycled Container Collection Council Financial Statements and audit procedures in connection with Sections 8(2)(b), (d), and (e) of the Recycling Regulation and deposits received and refunds paid on cans conducted by KPMG LLP.

8. Plan Performance

Plan Target	2015 Result	Strategies for Improvement
1. 85% Return Rate in each container category	<u>Target Achieved:</u> <ul style="list-style-type: none"> • 92.72% return rate for refillable industry standard bottles (ISB) • 90.12% return rate for refillable proprietary glass bottles • 92.2% 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 	<ul style="list-style-type: none"> • Reviewing and revising marketing material to aid in consumer awareness regarding refillable containers
3. Increase number of contracted collection partners. 2014 targets: — 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 (72 sites), an overall increase of +100% over base year • 113 contracted collection retail sites (contracts with an additional 28 sites were terminated on December 22nd 2015 and are not included in the 113 reported as of December 31st) 	<ul style="list-style-type: none"> • Reviewing current coverage levels to identify key areas for LRS contracted expansion
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"> • Refine and implement methodology pending government approval



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INDEPENDENT ASSURANCE REPORT TO BREWERS DISTRIBUTOR LIMITED

To the Directors of Brewers Distributor Limited:

ASSURANCE LEVEL AND SUBJECT MATTER

We have been engaged by the management of the Brewers Distributor Limited (“BDL” or “the Company”) to undertake a reasonable assurance engagement in respect of the following disclosures with BDL’s Annual Report to the Director and in Appendix 1 for the 2015 Calendar Year (together the “Subject Matter”):

- Section 4 (Table 1 and Table 2) *Collection System and 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 6 (Table 3) *Pollution Prevention Hierarchy and Product/Component Management* – the Company’s description of how the recovered product was managed in accordance with the pollution prevention hierarchy under Section 8(2)(d) of the Recycling Regulation
- Section 7 (Table 5) *Product Sold and Collected and Recovery Rate*– the total amounts of product sold and collected and recovery rate in accordance with Section 8(2)(e) of the Recycling Regulation;
- Section 8 (Plan Target 1 and 3) *Plan Performance*– the Company’s description of performance for the year in relation to targets under Section 8(2)(g) of the Recycling Regulation that are associated with Section 8(2)(b) and (e); and,
- Section 7 (Table 7) *BDL Deposit Summary* – Deposits received and refunds paid on cans.

The objective of this Report is to express an opinion on how the Company’s management has discharged its responsibility to report on the Subject Matter in accordance with Sections 8(2)(b), (d), (e), and (g) as well as the deposit received and refunds paid of cans.



RESPONSIBILITIES

Management is responsible for the preparation and presentation of the Subject Matter in accordance with the evaluation criteria which are integral to the Subject Matter presented in Appendix 1, current as at the date of our report. Management is also responsible for establishing and maintaining appropriate performance management and internal control systems from which the reported Subject Matter is derived.

Our responsibility in relation to the Subject Matter is to perform a reasonable assurance engagement and to express a conclusion based on the work performed. Our opinion does not constitute a legal determination of BDL's compliance with the Recycling Regulation.

ASSURANCE STANDARD AND PROFESSIONAL REQUIREMENTS

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. ISAE 3000 requires that we comply with applicable professional standards, including International Standard on Quality Control 1.

APPLICABLE 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.

SUMMARY OF WORK PERFORMED

We planned and performed our work to obtain all of the evidence, information and explanations we considered necessary in order to form our conclusion as set out below. A reasonable assurance engagement includes examining, on a test basis, evidence supporting the amounts and disclosures within the Subject Matter. 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 Subject Matter. The main elements of our work were:

- Inquiries of relevant management, including walkthroughs, to gain an understanding of the Company's data collection and reporting processes in relation to the Subject Matter included in the Annual Report;



- Comparison of collection facility data included in the Annual Report to internal records and reconciliation with external records;
- Comparison of sales and collection data included in the Annual Report to internal records and recalculation of data, where appropriate;
- Comparison of product recycling data against internal records of transfers to recycling facilities;
- Comparison of data on product reused data against internal records of delivery to brewers; and,
- Comparison of deposit received and refunds paid on cans against internal records of BC Brewers Recycled Container Collection Council ("BRCCC") and BDL internal records of refunds and payments associated with can sales and can recovery.

OPINION

In our opinion, the Subject Matter within the Brewers Distributor Limited Annual Report for the year ended December 31, 2015 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 how the recovered product was managed in accordance with the pollution prevention hierarchy under Section 8(2)(d) of the Recycling Regulation;
- the 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;
- the performance for the year in relation to targets under Section 8(2)(g) of the Recycling Regulation that are related to Section 8(2)(b) and (e); and,
- the total amount of deposits received and refunds paid on cans.



EMPHASIS OF MATTER

Without qualifying our opinion we draw attention to the following disclosure in the Annual Report which is critical to an understanding of the disclosures related to treatment of recovered containers and deposits in 2015:

- As disclosed in Section 6 (Table 3) in the Annual Report, 99% of refillable bottles were sent to brewers for reuse, however, the actual rate of reuse by brewers is not reported to Brewers Distributor Limited and has not been subject to testing within the scope of our audit.
- As disclosed in Section 7 (Table 7) in the Annual Report, deposits received and refunds paid on Industry Standard Bottles (ISB) and Non-ISB Refillable Bottles are calculated based on the quantity sold and collected and have not been subject to testing within the scope of our audit.

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'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that underlines the text.

Chartered Professional Accountants

Toronto, Canada

June 24, 2016



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 – 1,144 locations	<i>4. Collection System and Facilities</i> table 1 on Page 5
Location of collection facilities – by region	<i>4. Collection System and Facilities</i> table 2 on Page 6
Change in the number and locations of collection facilities in 2015 – Comparison between 2015 and 2014	<i>4. Collection System and Facilities</i> table 2 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 Licensee Retail Stores, Government Liquor Stores and Rural Agency Locations that are registered with Liquor Distribution Branch (LDB) as of December 31 as well as BDL authorized depots and their satellites that BDL has contractual relationship with.
2. Collection facilities are divided into 29 regional districts in BC based on the address in BDL's J.D. Edwards system. Addresses of the facilities per BDL are reconciled with those provided by LDB at a regional district level.
3. Changes in the number and location of collection facilities are calculated based on comparison to the previous year's list by regional district.



PRODUCT SOLD AND COLLECTED

Specific Disclosures in the annual stewardship report for which evaluation criteria were developed	
Disclosure per annual report	Reference
BDL Container Recovery Rates 2015: Total Refillables – 92.09% Cans – 92.19%	<i>7. Product Sold and Collected and Recovery Rate</i> Table 5 on Page 10

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.



MANAGEMENT OF RECOVERED PRODUCT

Specific Disclosures in the annual stewardship report for which evaluation criteria were developed	
Disclosure per annual report	Reference
Aluminum cans: <ul style="list-style-type: none"> • 100% processed for material recovery Refillable glass bottles (amount sent out by BDL during the calendar year): <ul style="list-style-type: none"> • 1% sent directly from BDL for recycling • 99% sent to brewers for reuse 	<i>6. Pollution Prevention Hierarchy and Product/Component Management</i> Table 3 on Page 8

The following evaluation criteria were applied to the assessment of the description of the recovered product was managed in accordance with the pollution prevention hierarchy under Section 8(2)(d) of the Recycling Regulation:

1. Aluminum cans

The total weight of cans received by Alcoa is based on Alcoa’s confirmation of each shipment by BDL during calendar year 2015. Total weight confirmed by Alcoa is reconciled with total weight shipped by BDL. End fate of aluminum cans is based on qualitative end fate data reported by Alcoa Inc. to BDL.

2. Refillable bottles sent directly from BDL for recycling

The quantity of bottles/glass sent by BDL to Pacific Metals for recycling is determined based on J.D. Edwards system data on empty shipments to Pacific Metal with the description “ditched bottles”.

The % sent directly from BDL for recycling is calculated as: the quantity of bottles/glass sent to Pacific Metals during the reporting year (equivalent of dozens) divided by the total quantity of bottles/glass sent to Pacific Metals and bottles sent to brewers during the reporting year (equivalent of dozens)



3. Refillable bottles sent to brewers:

The quantity of bottles sent to brewers for reuse is determined based on J.D. Edwards system data on empty shipments to brewers.

The % sent to brewers is calculated as: the quantity of bottles sent to Brewers during the reporting year (equivalent of dozens) divided by the total quantity of ditched bottles/glass sent to Pacific Metals and bottles sent to brewers during the reporting year (equivalent of dozens)

following the instruction in Waste Prevention Branch's email to Stewards on February 18, 2016: *"Reuse" of a product as it was originally intended (e.g. bottles) does not need to be assured beyond when the product is shipped from the program if evidence is provided that demonstrates the intent is reuse (e.g. the auditor will not need to confirm the actual reuse of the individual product).*



TARGETS¹

Specific Disclosures in the annual stewardship report for which evaluation criteria were developed	
Disclosure per annual report	Reference
Target #1 2015 Assertion – Target Achieved	<i>8. Plan Performance</i> on Page 12
Target #3 2015 Assertion –Targets Partially Achieved: <ul style="list-style-type: none"> • 72 bottle depots • 113 contracted collection retail sites 	<i>8. 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. Note that since the 2015 Stewardship Plan has not been approved by the Ministry at the time of the reporting and audit, the targets in the previous Stewardship Plan 2009-2014 was followed.

1. Target #1: 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. The description of progress against targets to date is supported by records of progress maintained by the Company.

2. Target#3: 347 Contracted Collection Partners by 2014 including 42 bottle depots and 305 licensee retail stores

Contracted Collection Partners are those locations active as of December 31 that have a contractual relationship with BDL, and refund customers the full amount of the deposit per bottle or can. The description of progress against targets to date is supported by records of progress maintained by the Company.

¹ BDL has not defined a target regarding management of recovered products in accordance with pollution prevention hierarchy.



DEPOSIT RECEIVED AND REFUNDS PAID OF CANS

Specific Disclosures in the annual stewardship report for which evaluation criteria were developed	
Disclosure per annual report	Reference
Deposit Received – Cans: \$ 55,142,391	<i>7. Product Sold and Collected and Recovery Rate</i> Table 7 on Page 11
Refunds Paid – Cans: \$52,172,146	

The following evaluation criteria were applied to the assessment of the description of total amount of deposit received and refunds paid of cans:

1. The deposits received are based on funds received from LDB by BRCCC during the period from January 1, 2015 to December 31, 2015 recorded in the general ledger of BRCCC.
2. The refunds paid are based on payments to collection facilities during the period from January 1, 2015 to December 31, 2015 recorded in the general ledger of BDL.