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## **INDEPENDENT ASSURANCE REPORT TO BC BREWERS RECYCLED CONTAINER COLLECTION COUNCIL**

To the Directors of BC Brewers Recycled Container  
Collection Council

### ***Assurance level and subject matter***

We have been engaged by BC Brewers Recycled Container Collection Council (“BRCCC”) and the management of Brewers Distributor Limited (“BDL”) (collectively “Management”) to undertake a reasonable assurance engagement in respect of the following disclosures in BRCCC’s Annual Report to the Director, for the 2018 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 5a and Table 5b) *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 (2018 Performance) *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), (d) and (e); and,
- Section 7 (Table 7) BRCCC Deposit Summary – Deposits received and refunds paid of cans, industry standard bottles (ISB) and non-ISB.



### ***BRCCC Responsibilities***

Management is responsible for the preparation and presentation of the Subject Matter that is free of material misstatement and is in accordance with the evaluation criteria.

Management is also responsible for establishing and maintaining appropriate performance management and internal control systems from which the reported Subject Matter is derived, for preventing and detecting fraud and for identifying and ensuring that BRCCC complies with laws and regulations applicable to its activities.

### ***Our responsibility and professional requirements***

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 on BRCCC's compliance with the Recycling Regulation.

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 plan and perform our procedures to obtain reasonable assurance about whether the Subject Matter is presented fairly, in accordance with the evaluation criteria, in all material respects.

The firm applies *International Standard on Quality Control 1* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

### ***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;



- Performing walkthroughs to test the design, and where relevant the operating effectiveness, of internal controls relating to data collection and reporting of the Subject Matter;
- Comparison of collection facility data included in the Annual Report to internal records and reconciliation with third party 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;
- Comparison of data on secondary packaging to records of Recycle BC, Liquor Distribution Branch (LDB) and the individual brewers; and,
- Comparison of deposits received and refunds paid on cans against internal records of BRCCC and BDL of refunds and payments for cans, ISB and non-ISB.

### ***Opinion***

In our opinion, the Subject Matter within the BDL Annual Report for the year ended December 31, 2018 presents fairly in accordance with the evaluation criteria, in all material respects:

- 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), (d) and (e); and,
- the total amount of deposits received and refunds paid on cans, ISB and non-ISB.

### ***Emphasis of matter***

Without qualifying our opinion we draw attention to the following sections in the Annual Report which are critical to an understanding of the disclosures related to treatment of recovered containers in 2018:

- As disclosed in Section 6 (Table 3) in the Annual Report, 98.5% of refillable bottles were sent to brewers for reuse. We note that the actual rate of reuse by brewers is not reported to BDL and was not within the scope of our audit.



- As discussed in Section 4 the secondary packaging recovered of 3,117 tonnes reported in Section 7 (Table 5(b) includes 1,349 tonnes of material acquired from Recycle BCs recovery network and other recyclers. This tonnage is a subset of the total tonnage of secondary packaging processed by Recycle BC and other recyclers.

*KPMG LLP*

Toronto, Canada

June 24, 2019



## APPENDIX 1 TO THE AUDITOR'S REPORT

### EVALUATION CRITERIA

#### COLLECTION FACILITIES

<b>Specific Disclosures in the annual stewardship report for which evaluation criteria were developed</b>	
<b>Disclosure per annual report</b>	<b>Annual Report Reference</b>
Total Contracted Collection Facilities – 182 locations	<b>4. Collection System and Facilities</b> table 2 on Page 7
Location of contracted collection facilities -- by region	<b>4. Collection System and Facilities</b> table 2 on Page 7
Change in the number and locations of contracted collection facilities in 2018 -- Comparison between 2018 and 2017	<b>4. Collection System and Facilities</b> table 2 on Page 7

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 contracted collection facilities includes Licensee Retail Stores, Government Liquor Stores and BDL authorized depots and their satellites that BDL has a contractual relationship with.
2. Collection facilities are divided into 28 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 Liquor Distribution Branch (LDB) where applicable at a regional district level.

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**

<b>Specific Disclosures in the annual stewardship report for which evaluation criteria were developed</b>	
<b>Disclosure per annual report</b>	<b>Annual Report Reference</b>
BRCCC Container Sales 2018 (dozens): ISB – 3,066,296 Non-ISB – 1,618,671 Total Refillables – 4,684,966 Cans – 53,377,451 BRCCC Container Recovery 2018 (dozens): ISB – 2,904,115 Non-ISB – 1,152,721 Total Refillables – 4,056,836 Cans – 47,757,018 BRCCC Container Recovery Rates 2018: ISB – 94.71% Non-ISB – 71.21% Total Refillables – 86.59% Cans – 89.47%	<b>7. Product Sold and Collected and Recovery Rate</b> Table 5a on Page 11
Secondary Packaging 2018: Tonnes Generated – 4,383 Recovered – 3,117 Recovery Rate 2018: 71.11%	<b>7. Product Sold and Collected and Recovery Rate</b> Table 5b on Page 11

The following evaluation criteria were applied to the assessment of the description of how total amounts of the producer’s product sold and collected the tonnes of secondary packaging generated and recovered and the recovery rates 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 LDB

2. Product collected - bottles:

- 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.
- The quantity of bottles returned to brewers from BDL warehouses is based on records in the J.D. Edwards system.
- 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.

4. The tonnes generated is based on information provided by the brewers.

5. The tonnes recovered is based on:

- The amount of acquired material from Recycle BC and other recyclers.
- The amount of secondary packaging that the LDB report has recovered; this is determined based on the rate of beer packaging material as a percentage of total packaging material recovered by LDB.
- The amount of secondary packaging the brewers report as recovered.

**Management of Recovered Product**

<b>Specific Disclosures in the annual stewardship report for which evaluation criteria were developed</b>	
<b>Disclosure per annual report</b>	<b>Annual Report Reference</b>
Aluminum cans: <ul style="list-style-type: none"> <li>• 100% processed for material recovery</li> </ul> Refillable glass bottles: <ul style="list-style-type: none"> <li>• 1.5% of material shipped, sent directly to a glass recycler for recycling by BDL</li> <li>• 98.5% of material sent to brewers for reuse</li> </ul>	<b>7. Pollution Prevention Hierarchy and Product/Component Management</b> Table 3 on Page 9

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 Novelis is based on Novelis' confirmation of each shipment by BDL during calendar year 2018. Total weight confirmed by Novelis is



reconciled with total weight shipped by BDL. End fate of aluminum cans is based on qualitative end fate data reported by Novelis 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).*

**TARGETS**

<b>Specific Disclosures in the annual stewardship report for which evaluation criteria were developed</b>	
<b>Disclosure per annual report</b>	<b>Annual Report Reference</b>
Recovery Targets: 2018 Assertion – Targets partially achieved: 94.71% return rate for refillable ISB 71.21% return rate for refillable proprietary glass bottles 89.47% return rate for aluminum cans 89.24% return rate overall	<b>8. Plan Performance</b> on Page 14



<b>Specific Disclosures in the annual stewardship report for which evaluation criteria were developed</b>	
<b>Disclosure per annual report</b>	<b>Annual Report Reference</b>
<p>Recovery Targets:</p> <p>2018 Assertion – Target not achieved</p> <p>71.11% recovery/collection rate attained for secondary packaging</p>	<p><b>8. Plan Performance</b> on Page 14</p>
<p>Accessibility Targets (Containers):</p> <p>2018 Assertion – Targets not achieved:</p> <p>109 private licensee retail stores</p> <p>73 depots</p> <p>26 of 28 regional districts with at least 1 contracted return location</p>	<p><b>8. Plan Performance</b> on Page 14</p>
<p>Accessibility Targets (Secondary Packaging):</p> <p>2018 Assertion – Targets not achieved:</p> <p>1,145 total return locations in the BRCCC network</p> <p>Materials received from Recycle BC and other recyclers are collected through the Recycle BC network and other recyclers which includes additional collection locations not included in the 1,145 reported in the BRCCC network</p>	<p><b>8. Plan Performance</b> on Page 14</p>
<p>Pollution Prevention Hierarchy/Product Life Cycle Targets:</p> <p>2018 Assertion – Targets achieved:</p> <p>Aluminum: 100% Processed for metal recovery</p> <p>Refillable Glass Bottles:</p> <p>98.5% of material shipped, sent to brewers for reuse (100% of which were intended to be refilled)</p> <p>1.5% of material shipped, sent directly to a glass recycler for recycling by BDL</p> <p>100% of material reported as collected, sent to a recycler for recycling</p>	<p><b>8. Plan Performance</b> on Page 14</p>

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), (d) and (e) of the Recycling Regulation.



1. Recovery Targets: Recovery rate of 87.5% in each container category  
 Recovery rate is calculated as follows: container returned during the period ÷ container sold during the period. The description of progress against targets to date is supported by records of progress maintained by the Company.
2. Recovery Targets: Secondary packaging 72% of secondary packaging material
3. Accessibility Targets (Containers): 328 unlimited return locations (250 Licensee Retail Stores (LRS), 78 depots) and at least 1 unlimited return location in each regional district  
 Unlimited Collection Partners are those locations active as of Dec 31 that have a contractual relationship with BDL to collect unlimited containers from customers, 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.  
 Regional district is allocated based on address of the collection facility.
4. Accessibility Targets (Secondary Packaging): 1,150 total return locations.
5. Pollution Prevention Hierarchy/Product Life Cycle Targets: 100% of collected materials for re-use or to recycling commodity markets  
 Calculation of % is based on methodology defined in Management of Recovered Products section.

**DEPOSIT RECEIVED AND REFUNDS PAID OF CANS**

<b>Specific Disclosures in the annual stewardship report for which evaluation criteria were developed</b>	
<b>Disclosure per annual report</b>	<b>Reference</b>
Deposits Received: Cans:- \$65,518,973 ISB: - \$4,051,361 Non-ISB Refillable Bottles - \$1,826,218 Refunds Paid: Cans: - \$57,297,984 ISB - \$3,513,763 Non-ISB Refillable Bottles - \$1,383,265	<b>7. Product Sold and Collected and Recovery Rate</b> Table 7 on Page 13



The following evaluation criteria were applied to the assessment of the description of total amount of deposits received and refunds paid of cans, ISB and non-ISB as required under Section 8(2)(f)(i):

1. The deposits received are based on funds received from LDB by BRCCC during the period from January 1, 2018 to December 31, 2018 recorded in the general ledger of BRCCC.
2. The refunds paid are based on payments to collection facilities during the period from January 1, 2018 to December 31, 2018 recorded in the general ledger of BDL.