

LCBO

PRODUCT MANAGEMENT
POLICY AND PROCEDURES
MANUAL

JANUARY 1, 2005



Discover the World

OUR MISSION

To be a responsible, performance - driven, innovative and profitable retailer, engaging our customers in a discovery of the world of beverage alcohol through enthusiastic, courteous and knowledgeable service.



THE ONTARIO MARKETPLACE

The Ontario beverage alcohol marketplace is one of the most competitive in the world. Our customers are sophisticated, knowledgeable, multicultural and interested in premium Products. They enjoy exploring the many and varied Products and styles from home and from around the world, and they do not hesitate to compare quality and value.

The LCBO is committed to working collaboratively with its trade partners to serve its customers with good value, quality Products and selection from around the world.

THE LCBO PRODUCT MANAGEMENT POLICY AND PROCEDURES MANUAL

The LCBO Product Management Policy and Procedures Manual contains the information required to conduct business with the LCBO in relation to the application, purchase and resale of beverage alcohol Products in the LCBO store system.

This Manual does not pertain to Products sold through VINTAGES, Private Ordering, or Duty Free stores nor does it apply to Accessory items.

TRADE RESOURCES ONLINE

The LCBO has established an online Trade Resources site. It is accessed through the main LCBO site, www.lcbo.com, under the folder 'Trade Resources'. The full link is: <http://www.lcbotrade.com>. All of the forms referenced in this Manual can be found at the Trade Resources site under the folder 'Resources'.

We strongly encourage all Suppliers and Agents who conduct business with the LCBO to use the Trade Resources site, as it will contain the most current version of this Manual, forms, program information, planning tools, and other additional business information.

Notice of Change: Any significant changes in the policies and/or procedures contained in this document will be issued in writing to every current Supplier.

▲ ICON

When a form is mentioned in this Manual that can be found online at the LCBO Trade Resources website it will be marked with the following icon: ▲

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SUPPLIERS AND AGENTS

SUPPLIER OF RECORD

The Supplier must have the legal right to sell the Product for which it is applying to sell to the LCBO.

Once a Product is purchased by the LCBO, the applicant Supplier will become the “Supplier of Record” for the Product. The name of the Supplier of Record will not be amended or deleted without the written consent of the Supplier, unless the LCBO stops purchasing the Product as provided for in this document.

Please note that when the LCBO approves a new Supplier for a Product that it has been purchasing, due to the sale or transfer of the previous Supplier’s business or otherwise, the newly approved Supplier assumes responsibility for payment to the LCBO of all amounts then (and subsequently) due to the LCBO for such Product (including, for example, those costs relating to defective or discontinued Product). This requirement applies even though such costs may relate to the period of time when the Product was furnished to the LCBO by the previous Supplier.

ROLE OF SUPPLIER’S AGENT IN DEALING WITH THE LCBO

Often a Supplier may wish to use an Agent in Ontario to deal with the LCBO for purposes of making an application to sell Product to the LCBO and for promotions and marketing. In this regard, the Supplier must directly appoint one Agent in writing by signing a letter on Supplier letterhead **▲**.

Any Sub-Agents who are appointed by an Agent and who are not direct appointees of a Supplier will not be recognized by the LCBO as Agents of the principal Supplier for the purpose of conducting business with the LCBO. The Supplier may appoint one Agent only to represent any one Product for purposes of conducting business with the LCBO. (This Agent will be referred to as the “ Agent of Record” for the Product). In representing one Product, only the Agent of Record may represent that Product in all its package sizes, forms (i.e. bottle, can, etc.) and the entire brand line for the Product(s) across all LCBO sales channels. Where more than one Agent claims the right to represent a Product, the LCBO will require the Supplier to clearly authorize one Agent only in writing for this purpose.

If the Agent of Record at any time represents to the LCBO that it has full power to bind a Supplier in setting price quotations or terms of payment, the LCBO will agree to deal with the Agent on such basis only upon receipt of an additional express written authorization from the Supplier with respect to these matters.

The LCBO will continue to deal with the “ Agent of Record” exclusively on the basis authorized by the Supplier in writing until such time as the LCBO receives from the Supplier express written instructions to the contrary.

Agents must comply with all applicable Liquor laws and the terms and conditions of any permit, authorization or licence issued by the LCBO and/or AGCO. Agents must also comply with the terms and conditions of all programs administered by the LCBO in which the Agent participates. Failure to do so will entitle the LCBO to discontinue dealing with the Agent. The Supplier will be notified in such case.

LICENSING REQUIREMENTS FOR AGENTS OF MANUFACTURERS

Section 11 of the *Liquor Licence Act* requires Agents to be licensed by AGCO for the purposes of soliciting orders of Liquor in Ontario on behalf of a manufacturer of Liquor. Such licensed Agents who are not necessarily the Agent of Record may only canvass for, receive, take or solicit an order for the sale of Liquor on behalf of a manufacturer but cannot sell Liquor. Please note that a “manufacturer” for these purposes means a person who produces Liquor for sale.

Applications for such a licence should be submitted to AGCO (see Contacts Appendix)

ADVERTISING AND PROMOTION REQUIREMENTS

The AGCO sets requirements for Liquor advertising, promotion, sampling and giving of liquor and sets prohibitions on inducements. The law regarding these matters is contained in the *Liquor Licence Act* and regulations and all Suppliers and Agents must comply with these and all other applicable laws. The AGCO publishes Advertising Guidelines that may be obtained from its offices (see Contacts Appendix).

When advertising and/or promoting the sale of a Product, the Supplier/ Agent must comply with the provisions outlined in these Advertising guidelines. Failure to do so may result in the LCBO discontinuing its purchase of a Product(s).

COMMUNICATION OF INFORMATION

Notice of significant change to the policies and procedures contained in this Manual will be sent to all Suppliers who currently conduct business with the LCBO. Notices of this change will be sent to the address shown on the application to sell Product to the LCBO. The most current version of this Manual can be found on the LCBO's Trade Resources Online website for all of our Trade partners.

The LCBO also provides information on many issues to Trade Associations in Ontario. Suppliers/ Agents may wish to contact these beverage alcohol Trade Associations on a regular basis for information (see Contacts Appendix for Trade Association website addresses).



SELLING TO THE LCBO FOR RESALE IN LCBO STORES

THE LCBO CATEGORY MANAGEMENT DEPARTMENT

The Category Management Department of the LCBO operates within the Merchandising area in the Sales & Marketing Division and is responsible for managing beverage alcohol Products that are sold by the LCBO in LCBO stores. There are three major Product categories that are managed as distinct Business Units. Each one is headed by a Business Unit Director, who is responsible for the achievement of sales, profit and inventory objectives for their Business Unit.

Reporting to the Business Unit Directors are Category Managers. The Category Managers' responsibilities include evaluation, selection, purchasing, promotion, and merchandising for a specific category of Products within their respective Business Unit.

Also reporting to the Business Unit Directors are Inventory Managers. They are responsible for effectively managing the Product flow and the warehouse inventory levels for a specific category of Products within their respective Business Units.

Products sold in LCBO stores are divided by type amongst the three LCBO Business Units, which are:

Spirits - includes domestic & imported spirits, and Duty Free products.

Wines – includes domestic & imported wines, and flavoured wine drinks.

Beers & Special Markets - includes beers, ciders, coolers, sake, kosher products, cocktails to go, and bar accessories.

VINTAGES Products are categorized under a separate Business Unit.

PURCHASE OF PRODUCT FOR RESALE IN LCBO STORES

The LCBO purchases Product for resale in its stores through various types of purchase arrangements including seasonal purchases, gifts, limited distribution purchases, ethnic purchases, etc. In all cases the purchase is subject to all conditions set out in the LCBO Commitment Letter in which the LCBO agrees to purchase the Product from the applicant Supplier. These purchases are also subject to all conditions set out in this document and in the LCBO Purchase Order. The LCBO Commitment Letter sets out, among other conditions, the Sales Targets that the Product must meet and the price at which the Product will be sold by the LCBO.

A note on 'General List'

The LCBO has continued to evolve to meet the changing demands of the modern marketplace. When, over a decade ago, the concept of Category Management was introduced at the LCBO, we started our transition from listing Products (onto a General List) to purchasing Products based on market dynamics, consumer and product trends, category, set and subset performance, and a thorough analysis and measurement of performance. Now, all Products are purchased under our Category Management principles with the respective Business Unit Director being fully responsible for the purchasing and discontinuance decisions of their Category Management teams.

Active Products 'listed' prior to the implementation of the LCBO's Category Management system are still governed by Sales Quotas. These are set in a Quota Book published by the LCBO. Failure to meet Sales Quotas will entitle the LCBO to delist the Product by written notice to the Supplier. Under the LCBO's Category Management system, Sales Quotas have been replaced with Sales Targets (see page 20).

HOW TO APPLY TO SELL PRODUCT TO THE LCBO

An Application to sell a Product to the LCBO for resale in LCBO stores should be made to the applicable Category Manager within each Business Unit. The LCBO publishes letters annually or as required, setting out the types of Products that will be of interest to the LCBO at various periods throughout the year. These letters known as “needs letters” also include the respective dates by which applications must be submitted to the LCBO for consideration. Care should be taken to submit applications within the required time. Additionally, from time-to-time the LCBO will issue a call for special Products e.g. Nouveau Wines. Suppliers and Agents are encouraged to familiarize themselves with these expressed needs of the LCBO in submitting Product applications, as the LCBO will focus on these needs in reviewing applications.

Application Documents Required

The following must be submitted to the LCBO:

1. A fully completed “LCBO Product Review Sheet” **▲** for each Product, signed by the Supplier or its appointed Agent *
2. A single page marketing plan *
3. FOB or Ex-cellar quotations. (Suppliers are responsible for paying any export fees required by the country of origin.)
4. One bottle of each Product (750 mL equivalent), as a sample for review with the above documentation (a second, identical bottle may be needed for laboratory analysis and should be kept on-hand by the Agent).

* Note: The New Item Submission System (NISS), which will be going online in 2005, will replace steps #1 & 2 above with a new online form. LCBO Suppliers will be notified when the NISS is available.

How the Product Submissions are Evaluated

The LCBO is committed to bringing the best Products available to the consumers of Ontario by constantly enhancing its large, diverse portfolio. Sound business principles are considered in evaluating Product submissions including the following:

- A review of category needs
- The price/quality ratio of the Product
- Packaging
- Marketing and Promotional Plans
- Sales and Marketing Data from other markets
- Tasting. An LCBO Grading Panel tastes and grades all Product submissions. (*Organoleptic Assessment*)
- Inventory availability/forecasts
- Payment terms
- Marketplace demand and trends

Communicating the Decision

The Supplier or its appointed Agent will be informed in writing of the LCBO's decision either to accept or reject a Product submission.

Product Rejection

The LCBO will complete and return the bottom portion of the Product Review Sheet **A** giving reasons for the Product rejection, if it has not been approved.

Product Acceptance for Continued Review

If the Product submission is accepted, the LCBO will complete and return the bottom portion of the Product Review Sheet indicating initial approval and will require the Supplier/ Agent to submit a fully completed “Product Profile and Marketing Plan” **Δ** for review.

Product Profile and Marketing Plan

The LCBO will review the applicant’s “Product Profile and Marketing Plan” **Δ** and will then decide whether or not to purchase the Product. If the Product is rejected at this point, the LCBO will issue a letter to the Supplier or its appointed Agent giving reasons for rejection. If the LCBO decides to proceed with the purchase of the Product, it will issue a Commitment Letter setting out conditions that must be met.

PRODUCT SIZES

The LCBO, in accordance with all applicable laws, will make the determination of an acceptable size or package type for any beverage alcohol Product that it wishes to purchase.

PRODUCT PRICING

The retail price for all Products purchased as described in this manual will be calculated by the LCBO based upon the LCBO wholesale purchase price (quoted by the Supplier, in writing, at the time of submission) and standardized pricing formulas. This wholesale purchase price must be the same quotation across all channels in the province.

This quotation will remain in effect for twelve (12) months following the issue date of the LCBO “New Product Announcement” made to stores communicating that the new Product has been delivered and is available, with the exception of beer purchased for sale at both the LCBO and The Beer Store (for which more frequent price changes may be made).

However, the LCBO may permit a price increase during this 12 month period if it concludes there are unusual circumstances. After this initial one-year period, the Supplier may apply to the LCBO for price increases according to a published schedule.

Suppliers may reduce the LCBO purchase price with the approval of the Business Unit Director at any time provided that such reduction does not result in the LCBO retail price of the Product falling below the floor price assigned to the Product type. The floor price is the lowest price at which the Product may be sold. Floor price lists are available at beverage alcohol Trade Associations and may be obtained from the LCBO Pricing Administration Department.

Gift Products/Packaging

The LCBO will mark up the beverage alcohol component only of specialty /gift items based on the landed cost incurred by the LCBO, (FOB, applicable taxes, freight, and insurance). The quoted price of the beverage alcohol component of

such items must be the same as the quoted price for the identical Product if already purchased by the LCBO as a non-specialty/gift item. The packaging portion of specialty/gift items, such as glasses, decanters, wooden boxes, etc. will not be marked up. Suppliers are encouraged to view gift items as incremental marketing opportunities and quote the packaging/specialty component with this in mind.

Supplier's Best Price

It is a term of the LCBO Purchase Order that each Supplier not sell any Product to the LCBO at a price (exclusive of taxes, duties, and freight) which is higher than the price at which the Product is being sold by the Supplier to any other government Liquor board or government Liquor purchasing body or like entity in Canada.

In addition, the Supplier may not sell any Product(s) to the LCBO or like entity upon terms and conditions respecting sale or delivery which are less advantageous than those offered by the Supplier to another government Liquor board or government Liquor purchasing body in Canada. The Supplier may not in any other way discriminate against the LCBO with respect to the sale of the Product(s) or any portion thereof. Should the Supplier breach any of these pricing provisions, it will be required to pay to the LCBO on demand, an amount equal to the difference between any amount paid by the LCBO to acquire the Product(s) which is in excess of the amount paid by any other government Liquor board or government Liquor purchasing body in Canada to acquire such Product(s). If such payment is not made when demanded by the LCBO, then the LCBO may choose to discontinue purchasing the Product(s) or to withhold payment of the amount owing from any other amount it may owe the Supplier, or both.

CONDITIONS OF PURCHASE

The purchase of all Products will be subject to the terms and conditions contained in the Commitment Letter and in the LCBO Purchase Order. Such purchases are also subject to the requirements contained in this document. Special terms negotiated between the Category Director and the Supplier/Agent will be referenced in the Commitment Letter. Some of the general conditions of purchase are described below.

LCBO Chemical Analysis

The Supplier or its appointed Agent must provide the Category Manager with a sample(s) of the Product for chemical analysis in accordance with the LCBO Quality Assurance guidelines for chemical analysis, which reflect the standards of Health Canada (note alternative below). If the sample fails analysis, a second sample may be requested from the Supplier or its appointed Agent. If the second sample also fails, then the LCBO may reject the submission in whole and the commitment letter will no longer be in effect. LCBO testing standards for chemical analysis are available in the LCBO Product Packaging Standards and Guidelines for Chemical Analysis, available on the LCBO's web site www.lcbo.com under Site Map/Business Information (or under www.lcbotrade.com under Resources/Forms). Print copies may also be obtained from LCBO Sales & Marketing Division or Quality Assurance Department.

Acceptable Third Party Certificate of Analysis

Certificates of Analysis will be accepted from laboratories with ISO/IEC 17025 accreditation status. These laboratories must be certified in the analysis of alcoholic beverages as described in the LCBO Guidelines for Chemical Analysis. Each Certificate of Analysis must be completed, signed and stamped

by the Laboratory and include Quality Control data. Analytical methods and accreditation documents must be made available upon request. Proof of accreditation status must accompany the Certificate of Analysis. Results shown on such certificate must fall within the maximum allowable limits as allowed by LCBO guidelines.

LCBO Label, Consumer Unit and Shipping Container Approvals

The Supplier is responsible for ensuring compliance with all applicable packaging laws/regulations/requirements of both Canada and Ontario. LCBO label approval does not indicate compliance with such laws or Standards but only with LCBO packaging specifications. Where non-compliance with such laws or with CALJ Product Identification Standards is discovered at any time, the Supplier will be totally responsible for correcting the defect or face the removal of the Product from store shelves, whichever is applicable. LCBO testing standards are available in the LCBO Product Packaging Standards and Guidelines for Chemical Analysis available on the LCBO's website www.lcbo.com under Site Map/Business Information (or under www.lcbotrade.com under Resources/Forms). Print copies may also be obtained from LCBO Sales & Marketing Division or Quality Assurance Department.

Consumer Unit Label Examination: The Supplier or its appointed Agent must submit a sample of the label design for the Product on the LCBO "Request for Label Examination" **▲** form (LCB 1642) within the time stated in the Commitment Letter. The label must be accepted by the LCBO before the Product will be purchased.

Shipping Container Examination: The Supplier must also adhere to LCBO Product Packaging Standards and the Canadian Association of Liquor Jurisdictions' ("CALJ") Product Identification Standards pertaining to the

distribution of beverage alcohol (available on the LCBO's web site www.lcbo.com under Site Map/Business Information/UPC Standards). The Supplier or its appointed Agent must submit a sample of the shipping container, complete with markings, along with a "Request for Shipping Container Examination" **Δ** form (LCB 2102) within the time stated in the Commitment Letter issued by the LCBO. This requirement also pertains to all beer that comes through the LCBO warehouses including imported skus that are exclusive to The Beer Store. These forms are available on-line at www.lcbotrade.com.

The Supplier or its appointed Agent will be notified in writing if the label/shipping container is:

- Acceptable
- Requires changes and must be re-submitted for approval
- The submission is rejected.

Failure to submit the label and shipping container examination form within the specified time may result in the submission being rejected in whole.

The Supplier or its appointed Agent will be required to confirm in writing the U.P.C./EAN number and shipping container code (SCC-14).

Supplier Rebate

The Supplier will be required to rebate to the LCBO twenty-five percent (25%) of the purchase price with respect to the LCBO warehouse and store stocks of the Product if the Product is discontinued, either by the LCBO or voluntarily by the Supplier.

Additionally, for Beer, the Supplier will be required to rebate 25% of the purchase price on all remaining warehouse and retail inventories approaching the end of its shelf life (six weeks before shelf life expires).

THE PURCHASE ORDER

When the conditions of purchase have been met, the LCBO will initiate a Purchase Order to the Supplier, which will outline specific directions for shipping and the dates for shipment arrival at the LCBO.

Failure to ship within the time stipulated may result in a decision not to purchase the Product.

LCBO Purchase Order Document

All Liquor purchases by the LCBO will be subject to the terms of the LCBO Purchase Order and these terms may not be changed or overridden by any Supplier documentation. The LCBO reserves the right to make amendments to the standard Purchase Order as necessary, from time to time. All Suppliers are responsible for reading the terms of the LCBO Purchase Order submitted at the time of ordering. All Suppliers are also responsible for providing all necessary shipping documents that are to accompany the order. Please note that each Supplier must indemnify the LCBO for any damages, costs, expenses, etc., which the LCBO suffers as a result of defective Product, including defective or non-compliant packaging.

FURTHER PRODUCT TESTING

When the first shipment is received into the LCBO warehouse, and prior to distribution to stores, the shipping container and consumer unit is reviewed. Additionally, randomly selected samples are forwarded to the LCBO Quality Assurance laboratory for chemical analysis and for organoleptic assessment. If the results of testing the consumer unit and the shipping container are not satisfactory, then the LCBO may reject the shipment or may reject the submission in whole and the Supplier will be responsible for the appropriate disposition of the stock. If the Product is un-saleable, the Supplier will be responsible for removing and disposing of the defective stock at the Supplier's expense.

Payment: Suppliers with an active LCBO account will automatically be debited \$135.00* per sample analyzed plus applicable taxes. The certificate of analysis will constitute proof of payment through this debit process. 'One-time' Suppliers will be required to submit a cheque in the amount of \$135.00* plus applicable taxes per sample payable to the LCBO at the time of sample submission.

**Price subject to change*

PRODUCT ALLOCATION TO STORES

Products that are bought by the LCBO may be granted an initial specified store distribution determined by the LCBO. The distribution may be limited to particular regions or to stores that service a particular clientele. If the Product is given a limited distribution designation, then increased store distribution will only be possible with the written approval of the Business Unit Director. For other Products, the Supplier or its appointed Agent may solicit increased distribution from Store Managers and from Category Managers.

SALES TARGETS

At the time of purchase, the Category Manager, in discussion with the Supplier or its appointed Agent, will set Sales Targets for the Product. These targets are customized to the Product, with consideration to retail price, and store distribution. All Products are expected to meet or exceed these Sales Targets, which will be reviewed periodically by the Category Manager as described in the Commitment Letter. Suppliers and their appointed Agents will be held accountable for achieving Sales Targets regardless of the granting or denial of promotional program applications. Failure to meet Sales Targets within the times required by the LCBO will entitle the LCBO to discontinue buying the Product by written notice. Review of Sales Targets will be conducted at the times set out in the LCBO Commitment Letter. Such reviews will also be conducted monthly following completion of the first twelve (12) months of purchase. Suppliers and Agents should be vigilant about maintaining the Sales Targets for their Products, as failure to so maintain will entitle the LCBO to discontinue buying the Product.

PRODUCT PROMOTIONS

The LCBO offers a number of promotional opportunities to feature Products in-store. Suppliers are encouraged to participate in the marketing programs to a degree that is appropriate for the Product. This can be done through consultation with the Category Manager. The promotional programs include:

- Participation in the IMAGE program with featured hero, end aisle, or shelf extender positioning
- In-store sampling
- Value Add
- AIR MILES®
- Limited Time Offers
- Contests
- Shelf Talkers
- Necktag program

Suppliers and their appointed Agents will be held accountable for achieving Sales Targets regardless of the granting or denial of promotional program applications.

Suppliers or their appointed Agents must communicate all Licensee promotions and external advertising liable to impact inventory levels to the Category Manager or designated Inventory Manager.

See further details in Merchandising Program Overview available at the Trade Resources online site.

ON-GOING PRODUCT TESTING & PACKAGING EVALUATION

Once per year, a randomly selected sample of every active Product at the LCBO is forwarded to the LCBO Quality Assurance laboratory for chemical analysis, organoleptic assessment, and a packaging review.

Payment: Suppliers with an active LCBO account will automatically be debited \$135.00* per sample analyzed plus applicable taxes. The certificate of analysis will constitute proof of payment through this debit process. 'One-time' Suppliers will be required to submit a cheque in the amount of \$135.00* plus applicable taxes per sample payable to the LCBO at the time of sample submission.

**Price subject to change*

Additionally, should any chemical, quality, or packaging issues with the Product arise (i.e., consumer complaints) the Product will be reviewed.

Products that are found not to comply with LCBO chemical analysis or organoleptic assessment, packaging/labelling, or Product Identification Standards or requirements, at any time, will be treated by the LCBO in a manner appropriate to the type of defect or non-compliance, at the discretion of the LCBO but subject to the paramount consideration of public safety. This may require one or more of the following actions:

- Warehouse stock will be placed on hold
- Store stock may be withdrawn from sale
- A public recall of the Product may have to be issued
- Corrective action may have to be taken to rectify the deficiency by the Supplier.

If it is determined that the Supplier is responsible for the defect, or non-compliance, the Supplier will be responsible for all costs to remove or dispose of the Product or to rectify a deficiency. These costs may include:

- A rebate to the LCBO to reduce the LCBO retail price of the Product
- Charges to correct packaging or labelling deficiencies
- Destruction of warehouse and /or store stock at Supplier's expense
- Return of warehouse and/ or store stock to the Supplier at the Supplier's expense.

TESTING OF PRODUCTS SOLD BY THE LCBO BUT NOT WAREHOUSED BY THE LCBO

In accordance with LCBO Quality Assurance protocols, every Product sold by the LCBO that is not warehoused by the LCBO, i.e., direct deliveries to LCBO stores, must undergo annual laboratory testing for compliance with LCBO chemical and labeling guidelines. Each Ontario beverage alcohol Supplier must make the necessary arrangements for annual Product testing and may do so in two ways.

Forward representative samples (minimum of three (3) bottles) of each Product

to: LCBO Quality Assurance Department - Dept. #965
3rd Floor, Sales & Marketing Division
43 Freeland Street
Toronto, On M5E 1L5

A testing fee of \$135.00* (plus applicable taxes) applies to each Product tested.

** Price subject to change*

Independent laboratories may also be used to conduct Product testing. If this option is selected, the laboratory used is required to have a quality management system accredited to the ISO/IEC 17025 standard. In addition, the laboratory will be accredited in the analysis of alcoholic beverages and must conduct testing in compliance with the parameters established by the LCBO's Quality Assurance Department (reference LCBO Guidelines for Chemical Analysis). The LCBO will only accept Certificates of Analysis from laboratories that meet these requirements.

Samples of every Product must be tested annually. Each Supplier is responsible for either providing the LCBO Quality Assurance Department with the appropriate samples or a copy of a Certificate of Analysis for each Product.

Other Testing

Services of the LCBO's Quality Assurance Department, including chemical analysis, are also available on a fee-for-service basis for Products not sold by the LCBO. All manufacturers are encouraged to utilize these or other accredited testing facilities to help ensure the safety, quality and compliance of all of their Products.

DISCONTINUANCE OF PURCHASE

The LCBO, in its discretion, may decide to discontinue buying (or 'delist' for General List) a Product for failure to meet any terms or conditions set out in the Commitment Letter or Purchase Order, including:

- For failure to achieve the specified Sales Targets (or Sales Quotas) set for the Product
- For inconsistent supply
- If the Supplier's marketing commitments for a Product are not met
- If the Supplier demands an excessive price increase
- If the Supplier does not sell the Product to the LCBO at the Supplier's best price (see page 14)
- If the Supplier fails to comply with applicable Liquor laws
- If the Supplier fails to comply with the Advertising Guidelines of the AGCO
- For failure to comply with the LCBO's Product Packaging/Labeling Standards and Guidelines for Chemical Analysis and CALJ Product Identification Standards
- For failure of the Product, including its packaging, to comply with any applicable law of Canada OR Ontario.

Where a Product is discontinued either by the LCBO or voluntarily by the Supplier, the Supplier must rebate the LCBO twenty-five percent (25%) of the purchase price for all remaining warehouse and retail inventories of the Product and then the LCBO will reduce the retail price accordingly on all future sales of the Product. The Supplier may elect to repurchase warehouse stock only and it will then be returned to the Supplier at the Supplier's expense. The Supplier may also elect to have warehouse stock that it elects to repurchase shipped to another jurisdiction at the Supplier's expense.

APPEALS

Decisions of the LCBO not to purchase a Product or to discontinue/delist a Product may be appealed within thirty (30) days of the date of LCBO letter containing the decision. A written letter of appeal should be addressed to The Appeals Committee, Att'n: Sr. V.P. Sales & Marketing, LCBO.

Such letter must set out the extenuating circumstances on which its appeal is based. Please note that the change of an Agent will not be viewed as an extenuating circumstance. A written notice of decision of the appeal will be given setting out reasons for the decision reached. Only one appeal is permitted.



PROCEDURES FOR ONTARIO PACKAGED BEER SOLD IN LCBO COMBINATION STORES, AND OUT-OF-PROVINCE AND IMPORTED BEER SOLD IN THE BEER STORE (TBS) EXCLUSIVELY OR IN TBS AND LCBO COMBINATION STORES.

This section applies to Ontario packaged beer sold in LCBO Combination stores and both Out-of-Province and Imported Beer sold in TBS exclusively or in TBS and LCBO Combination stores. For Suppliers wishing to have their beer made available for sale in LCBO stores in addition to LCBO combination stores, please refer to the previous section of this Manual.

PROCEDURES FOR LISTING PACKAGED BEER

Beers that are to be sold in TBS must be listed separately with TBS. Applications for this listing should be made to TBS directly.

To process submissions through the LCBO, a completed “Ontario Technical Approvals” (OTA) **Δ** form (LCB 2090) must be received and approved.

The following chart, which is found within the OTA document, is a helpful reference guide to the requirements:

Requirement	Ontario Beers Sold in LCBO Combination Stores	Out-of-Province and Imported Beer Sold in TBS Exclusively or TBS and LCBO Combination Stores
Pricing Acknowledgement from Pricing Dept.	Mandatory	N/A
Ex-Cellars/ FOB Quote	N/A	Mandatory
Label Examination Form (LCB 1642)	Mandatory	Mandatory
LCBO Beer Coding Sheet Form (LCB 2099)	Mandatory	Mandatory
TBS Listing Letter	N/A	Mandatory
TBS Initial Order Summary	N/A	Mandatory
Purchase of Foreign Beer for Resale to TBS Form (LCB 1959) * New Suppliers to TBS only	N/A	Mandatory
Written Confirmation of Ontario Appointed Agent (new Suppliers only)	Mandatory	Mandatory
Request for Shipping Container Examination Form (LCB 2102)	N/A	Mandatory
750mL Equivalent Sample of Beer for laboratory analysis or Certificate of Analysis	Mandatory	Mandatory

For products where an OTA and annual testing is not required, manufacturers are nonetheless encouraged to utilize LCBO Quality Assurance services for testing to help ensure the quality and safety of all of their Products.

IMPORTING SAMPLES FOR SUBMISSION TO LCBO

The following information concerns the importation of Product samples for submission to the LCBO.

In order to submit samples of Products to the LCBO, Agents licensed by the AGCO may receive liquor shipments directly from the Suppliers they represent. Such shipments, which are not ordered by or through the LCBO, are unsolicited shipments. For simplicity, they are referred to as direct shipments. The maximum quantity of liquor a Supplier or Agent may receive unsolicited is 45 litres/day. This is a total daily limit, not per brand or per foreign Supplier. Shipments that exceed this limit will either be returned to the Supplier of origin at the Supplier's or Agent's expense or destroyed.

The Supplier or Agent is responsible for paying all freight charges and all applicable taxes, duties and levies. Samples must be sent by freight methods; they may not be sent by post/mail.

Samples will be processed by the LCBO's appointed customs broker and the Supplier or Agent is responsible for ensuring that they collect shipments directly on notification by the LCBO's broker. The Supplier or Agent will be responsible for any storage costs if they do not collect the goods or if required information does not accompany the shipment.

To support timely processing, direct shipments must:

- 1) Be clearly marked and declared on all documentation as containing Liquor.
- 2) Except for the packaging material itself, the shipment may not include any non-liquor items or Products. However, for gift packs where all elements of the shipment will be submitted to the LCBO, the shipment may include

non-liquor items. The Bill of Lading should clearly identify that the contents are all part of the gift pack(s).

- 3) Identify the name, address and contact information of the Supplier or Agent.
- 4) Be accompanied by a Bill of Lading indicating that the shipment is consigned to the LCBO c/o Supplier or Agent.
- 5) Be accompanied by completed Canada Customs Invoice (CCI). The CCI must include detailed information on the Liquor samples (brand name, vintage where applicable, alc./vol., product format). The Supplier must attest to the transaction value of the product.
- 6) Be accompanied by a photocopy of all labeling that appears on each of the products contained in the shipment.

Suppliers and Agents should consult the LCBO Direct Shipment Policy for full information. Copies are available from LCBO Corporate Policy (416-864-6820).

CONTACTS

For LCBO Head Office and corporate mailing address:

LCBO

55 Lakeshore Blvd East

Toronto, On M5E 1A4

General Inquiries (416) 864-2570

LCBO Infoline (416) 365-5900

Toll Free Province Wide 1-800-668-5226

www.lcbo.com

For Sales & Marketing Division (Merchandising - Category Management, Duty Free, Pricing Administration; VINTAGES; Marketing Communications; Quality Assurance; Customer Insights) and reception/courier address:

LCBO

Sales & Marketing Division

Reception, 3rd Floor

43 Freeland Street

Toronto, On M5E 1L7

General Inquiries (416) 365-5855

General Fax (416) 365-5911

VINTAGES Inquiries (416) 365-5863

VINTAGES Fax (416) 864-2540

Quality Assurance Inquiries (416) 864-6724

Quality Assurance Fax (416) 864-6841

www.lcbotrade.com

www.vintages.com

For LCBO Private Ordering:

LCBO Logistics Division
Private Ordering Service Centre
33 Freeland Street
Toronto, On M5E 1L7
General Inquiries (416) 864-6739
Toll Free Province Wide 1-800-668-5144
General Fax (416) 365-5934

For the Alcohol and Gaming Commission of Ontario:

AGCO
20 Dundas Street West, 7th Floor
Toronto, On M5G 2N6
Telephone (416) 326-8700
Toll Free Province Wide 1-800-522-2876
Fax (416) 326-5555
www.AGCO.on.ca

Copies of the *Liquor Licence Act*, are available from:

Publications Ontario,
50 Grosvenor Street,
Toronto, On M7A 1N8
www.publications.gov.on.ca

The Ontario Government Bookstore
Publications Services Section
880 Bay Street, 5th Floor
Toronto, On M7A 1N8
Telephone (416) 326-5300
Toll Free 1-800-668-9938
www.gov.on.ca/MBS/english/publications
www.gov.on.ca/MBS/french/publications

E-Laws Web site (Ontario statute and regulations): www.e-laws.gov.on.ca

For The Beer Store (TBS):

The Beer Store
5900 Explorer Drive
Mississauga, On L4W 5L2
Telephone (905) 361-4184
Fax (905) 361-4283

Trade Association websites:

Brewers of Canada: www.brewers.ca

Ontario Import Wine, Spirits Beer Association: www.oiwbsa.com

Spirits Canada: www.canadiandistillers.com

Wine Council of Ontario: www.wineroute.com

DEFINITION OF TERMS USED IN THIS DOCUMENT

1. “**AGCO**” means the Alcohol and Gaming Commission of Ontario established under the *Alcohol, Gaming and Charity Funding Public Interest Act*, 1996.
2. “**Agent**” or “**Agent of Record**” means the one Agent appointed by a Supplier in writing to represent a Product line of the Supplier for purposes of conducting business with the LCBO with respect to that Product line.
3. “**Commitment Letter**” is the LCBO letter issued to a Supplier in which the LCBO agrees to buy a Product to be sold in selected LCBO stores subject to the terms set out in the letter.
4. “**Consumer unit**” means the container in which a product is customarily packaged and offered for sale to the consumer.
5. “**LCBO**” means the Liquor Control Board of Ontario.
6. “**Liquor**” has the meaning given to that term in the *Liquor Licence Act*, and means spirits, wine, and beer, or any combination thereof, and includes any alcohol in a form suitable for human consumption as a beverage alone or in combination with any other matter.
7. “**Liquor Control Act**” means the *Liquor Control Act*, R.S.O. 1990 c.L.18 as amended.
8. “**Liquor Licence Act**” means the *Liquor Licence Act*, R.S.O. 1990 c.L.19 as amended.
9. “**Product**” means a Beverage Alcohol Product as defined in the Liquor Licence Act.
10. “**Sales Targets**” means the volume of sales specified by the LCBO that a Product must achieve within the time(s) required by the LCBO in writing.
11. “**Shipping Container**” means the case carton or outer package that the consumer units are packed in for handling.
12. “**Supplier**” or “**Supplier of Record**” means the person from whom the LCBO agrees to purchase Product for resale in LCBO stores.

Note: a further glossary can be found at the online Trade Resources site.

