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April 29, 2010

To: All Trade Associations

Re: LCBO Lightweight Glass Strategy for Wines Products

As many of your members are no doubt aware, the LCBO is encouraging wine suppliers to reduce the weight of glass bottles. This initiative has been undertaken in order to reduce the carbon footprint of our products while also providing ergonomic benefits for our Retail and Logistics employees through the reduction in overall case weights being handled. We have already made great progress in lightweighting in other categories such as conversion to PET with Spirits products and from glass to aluminum in the Imported Beers category.

Working in partnership with liquor boards from across the country, our goal is to establish a national standard for table wine in lightweight glass. Prior to fixing a timeline for the national standard we have been presenting our plan to trade associations and working with suppliers on an ad hoc basis, to get the ball rolling and to assess factors that need to be accounted for in implementing the strategy.

Progress is being achieved and we have had many brands switch to lighter weight glass over the past nine months. We intend to communicate an implementation timeline for the lightweight standard later this year.

In the interim, I'd like to set out key elements of the LCBO's plan to assist with supplier glass packaging planning and future dialogue with glass suppliers.

Glass weight maximum for LCBO Products and VINTAGES Essentials

After a detailed analysis and review of glass breakage rates, we have determined that a 420 gram maximum weight is appropriate for table wines at or below \$15. We believe that this price point will allow flexibility for 'premium' wines to maintain a more upscale image consistent with customer expectations.

Please note that tests undertaken by the LCBO's Quality Assurance Department indicate that there is no appreciable difference in breakage rates for lightweight glass bottles weighing between 380 and 420 grams and those for heavier bottles. Based on these test results, we believe that there is little or no risk of increased breakage rates related to this initiative.

It's our plan to make this standard mandatory in the future, with the specific timeline still under consideration. Until the standard is officially in place, any proposed new products priced under \$15 will be given favourable consideration when packaged in bottles less than 420 grams. The only possible future exemptions that we can foresee for wines priced under \$15 might be for small volume VINTAGES niche products and specialty purchases.

Champagne/Sparkling wines

Champagne/Sparkling wines will be exempt due to product pressure considerations but we would encourage suppliers to take weight out of these types of bottles wherever possible.



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Premium wines

For all wines with retail prices over \$15, we wish to see suppliers reducing heavyweight bottles. Given the environmental impact associated with producing, shipping and recycling glass, we'd ideally like to see all of our containers come down in weight. While we do not anticipate the development of a standard maximum weight for >\$15 wines at this time, favourable consideration will be given to product offers that are lower in weight.

Glass supply

We appreciate that currently not all markets have access to high quality lightweight glass. However, we encourage suppliers to work with us and glass suppliers to try and achieve the 420 gram glass weight wherever possible. In the meantime, we have also undertaken discussions with the glass industry to help speed along progress on this important environmental initiative.

Our objective with the lightweight glass initiative is first and foremost to reduce our collective environmental impacts. Weight is not the only factor to consider with regard to the impact of packaging on the environment so we would not, for example, encourage suppliers to source glass manufactured at a greater distance (with attendant freight footprint impacts) than is currently the case.

Public education and consumer perceptions

While suppliers transition to lighter weight glass, we will be developing plans to market the environmental benefits of lightweight glass with our customers. Ontarians are becoming increasingly more knowledgeable about the impacts of excess packaging, so this should not be a difficult story to tell. We're also producing a video to educate the trade, our staff and media about the benefits of lightweight glass.

I hope that this information is helpful in clarifying our glass weight strategy. We encourage your members to communicate this information to their supplier and trade commission communities so that they can start to develop their lightweighting initiatives if they are not already underway.

We will keep you informed as further developments occur.

In the interim, please do not hesitate to contact the respective Category Managers in WINES and VINTAGES or our Quality Control department if you have any questions or wish to discuss new lightweight glass initiatives.

Yours sincerely,

Bob Downey
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Sales & Marketing Division