



PRODUCT MANAGEMENT POLICY & PROCEDURES



LIQUOR CONTROL BOARD OF ONTARIO
SEPTEMBER 2012

Welcome!

As one of the world's largest purchasers of beverage alcohol, the LCBO is in a unique position to build relationships with the beverage alcohol trade so that together we can provide our customers with the best product assortment and the best prices.

Through the increased use of technology and web-based systems, the LCBO has streamlined its purchasing processes, resulting in more applications being evaluated and processed in shorter time-frames.

This manual is designed to provide a basic understanding of the LCBO's product management purchasing policies and procedures, and explain the role that the LCBO, Suppliers and Agents play in the Ontario beverage alcohol market. The LCBO, in collaboration with its trade partners, is continually streamlining and evolving its processes and systems. Detailed information on specific programs, deadlines and the use of various web-based systems is available on our website for the Trade: www.doingbusinesswithlcbo.com



THE BASICS

LCBO's mission

We are a socially responsible, performance-driven, innovative and profitable retailer, engaging our customers in a discovery experience of the world of beverage alcohol.

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 products from around the world that offer high quality and good value.

The LCBO is committed to working collaboratively with its trade partners to source the best possible assortment of beverage alcohol for Ontario consumers.

The LCBO Product Management Policy & Procedures Manual

The LCBO Product Management Policy and Procedures Manual provides the basic information required to conduct business with the LCBO in relation to the evaluation, purchase and resale of beverage alcohol products in the LCBO retail store system.

This manual does not apply to products sold through VINTAGES, Private Ordering, The Beer Store or Duty Free stores nor does it apply to accessory items sold at the LCBO.

Trade Website

The LCBO has established a website specifically for the Trade and other interested parties. It is designed to provide Suppliers and Agents with the most up to date information as well as access to web-based systems used to conduct business with the LCBO. The website is called *Doing Business with LCBO*. The URL or address for your web browser is:

www.doingbusinesswithlcbo.com. It can also be accessed from the home-page of the main LCBO website at: www.lcbo.com by clicking on *Doing Business with LCBO* link.

All forms referenced in this manual are available online www.doingbusinesswithlcbo.com, usually in the “Forms & Documents” section or as part of a web-based application system; i.e.

Trade Partner Access, (TPAR) or New Item Submission System, (NISS), which are accessible from www.doingbusinesswithlcbo.com

We strongly encourage all Suppliers and Agents who conduct business with the LCBO, to review www.doingbusinesswithlcbo.com regularly, as it is updated often and contains the most up-to-date version of this manual, forms, program information, planning tools, and other business information.

CONTENTS

Welcome!	2
THE BASICS	3
Section A: The ROLE OF SUPPLIERS and AGENTS	6
SUPPLIERS	6
AGENTS	7
ADVERTISING AND PROMOTION REQUIREMENTS	9
COMMUNICATION / NOTICE OF CHANGE	9
Section B: The LCBO MERCHANDISING DEPARTMENT	10
Section C: PRODUCT SELECTION	13
SUBMITTING PRODUCT TO THE LCBO FOR CONSIDERATION OF PURCHASE	13
PRODUCT PRICING	16
LCBO QUALITY ASSURANCE	18
SOCIAL RESPONSIBILITY & ENVIRONMENTAL SUSTAINABILITY	19
Section D: PURCHASING PRODUCT	20
CONDITIONS OF PURCHASE	20
Section E: MERCHANDISING PROGRAMS	22
DISPLAY AND PROMOTIONAL PROGRAMS	22
ACCESS TO LCBO SALES & INVENTORY DATA PROGRAMS	22
Section F: PRODUCT TESTING and PACKAGING EVALUATION	24
Section G: DISCONTINUANCE of PURCHASE	26
Section H: LISTING of PACKAGED BEER	27
Section I: IMPORTING SAMPLES	29
CONTACT INFORMATION	31
LCBO CONTACT INFORMATION	32
GOVERNMENT & TRADE CONTACT INFORMATION	33

Section A: The ROLE OF SUPPLIERS and AGENTS

SUPPLIERS

The term, "Supplier" generally refers to the manufacturer or producer of a product. This includes the distiller, brewer, winemaker and anyone the LCBO agrees to purchase liquor from ("Liquor" means spirits, wine, and beer, or any combination thereof). It also includes alcohol in any form appropriate for human consumption as a beverage alone or in combination with any other matter. This definition is further detailed in the Liquor Licence Act, R.S.O. 1990, c.L. 19.

Generally, the LCBO will not recognize someone as a Supplier of product unless they carry out a substantial part of the manufacturing process. In all cases, a Supplier must have full legal rights to sell the product that it proposes to sell to the LCBO.

Suppliers must comply with applicable liquor laws, regulations, and the terms and conditions of the LCBO Purchase Order. Suppliers must also comply with the advertising guidelines of the Alcohol and Gaming Commission of Ontario (AGCO). A copy of their guidelines is available from their website: www.agco.on.ca.

Supplier's responsibilities include but are not limited to the following:

- Adhering to the Purchase Order terms and conditions
- Adhering to compositional packaging and labeling requirements and standards
- Filling orders accurately and on time
- Ensuring consistent product quality

Supplier of Record

Once a product is purchased by the LCBO, the LCBO recognizes the Supplier of that product as the "Supplier of Record" for the product. The LCBO will not change the name of the Supplier of Record or remove the Supplier of Record without the written consent of the Supplier of Record, unless the LCBO stops purchasing the product for any reason.

Please note that when the LCBO approves a new Supplier of Record for a product that it has been purchasing, whether due to the sale or transfer of the previous Supplier's business or otherwise, the new Supplier of Record assumes responsibility for the payment to the LCBO of all amounts that are then due (or subsequently become due) to the LCBO for such product, (including, for example, those costs relating to defective or discontinued product), even though

such costs may relate to the period of time when the product was shipped to the LCBO by the previous Supplier.

Appointment of an Agent by a Supplier

All products selected for purchase by the LCBO WINES CATEGORY or the LCBO SPIRITS & BEER CATEGORY should have Agent representation.

A Supplier may wish to appoint an Agent to represent its interests when dealing with the LCBO. The LCBO will not recognize an Agent's authority to represent a Supplier unless the Supplier provides written confirmation on the Supplier's own stationary (letterhead). It is recommended that the Supplier use the "Appointment of Exclusive Agent" template available in the "Forms" section of the LCBO Trade website, www.doingbusinesswithlcbo.com. A Supplier may appoint only one Agent to represent a single product line.

A list of Agents in Ontario licensed to represent a manufacturer can be obtained by contacting the Alcohol and Gaming Commission of Ontario, (AGCO). Their website is www.agco.on.ca.

The LCBO is unable to recommend specific Agents. However, as part of your search for an Agent, you may wish to visit the website of Drinks Ontario, a large trade association made up of both large and small agencies. Their website, www.drinksontario.com, lists their members and the products they represent. Please note that not all Licensed Agents in Ontario are members of Drinks Ontario as membership is voluntary.

Once appointed, the Agent will begin the process of submitting the Suppliers' product(s) for evaluation by the LCBO.

For the purpose of this document, the term "Agent" refers to a representative of a Supplier/manufacturer, licensed by the Alcohol and Gaming Commission of Ontario (AGCO). An Agent may work for a single Supplier or may represent several simultaneously.

The LCBO will deal only with Agents directly appointed in writing by a Supplier. Any Sub-Agents who are appointed by an Agent (i.e. 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.

AGENTS

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. Agents 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.

Please visit the Alcohol and Gaming Commission of Ontario’s website at www.agco.on.ca for information about becoming a licensed manufacturer’s representative, useful FAQs and AGCO’s application form and guide.

The LCBO permits a Supplier to appoint only one Agent to represent a specific product or product line. This appointed Agent is referred to as the “Agent of Record” and represents that product in all its package sizes, forms (e.g. bottles, cans, etc.) and the entire brand line for the product across all LCBO sales channels.

A Supplier may authorize an Agent to set price quotations or payment terms on its behalf. However, the LCBO will recognize the Agent’s authority to act on this basis only upon receipt of an additional express written authorization from the Supplier on the Supplier’s stationary.

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’ Mandatory Requirements

An Agent must:

- Have a licence to represent a manufacturer issued by the Alcohol and Gaming Commission of Ontario (AGCO), under the Liquor Licence Act, R.S.O. 1990, c.L.19.
- Present their licence to represent a manufacturer to the LCBO, listing all of the manufacturers/Suppliers they represent, upon request.
- Comply with all applicable laws and the terms and conditions of any permit, authorization or licence issued by the LCBO or the AGCO.
- Comply with the terms and conditions of all programs administered by the LCBO in which the Agent is involved.

If an Agent does not comply with these requirements, the LCBO may, at its discretion, stop conducting business with the Agent, and may, in its discretion, notify the Suppliers it represents of the non-compliance by the Agent.

Being a Supplier's Agent to the LCBO requires extensive resources. Agents are responsible for marketing, promoting and the sales distribution of the products they represent. Agents need to spend time and resources making sure customers choose their products.

Agent’s responsibilities include but are not limited to the following:

- Making applications to sell product to the LCBO.
- Ensuring Supplier information is accurate and provided in a timely fashion.
- Receiving samples from Suppliers that will be forwarded to LCBO as part of the application process.
- Liaising with the Suppliers regarding packaging and pricing.
- Determining participation in LCBO Merchandising programs.
- Executing Supplier advertising, public relations and other promotional campaigns.
- Liaising with LCBO store managers regarding product knowledge and other promotional activities.

We recommend that licenced representatives obtain and be familiar with a copy of the Liquor Licence Act and Regulations (1990) which governs the sale and service of liquor in Ontario. It is available online at www.e-laws.gov.on.ca. Copies can be purchased from the Ontario Government Bookstore. The address and phone number can be found in the “Contacts” section of www.doingbusinesswithlcbo.com

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 also publishes “Advertising Guidelines” that may be downloaded from their website or obtained from their offices. Please visit the AGCO’s Website, www.agco.on.ca to access AGCO’s Liquor Advertising Guidelines: Liquor Sales Licensees and Manufacturers.

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 / NOTICE OF CHANGE

Notice of any significant changes in policy and/or procedures contained in this document will be posted on www.doingbusinesswithlcbo.com.

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 the “Contact Us” section of www.doingbusinesswithlcbo.com for the website address of trade associations.

Section B: The LCBO MERCHANDISING DEPARTMENT

The Category Management Team operates within the Merchandising area of the Sales & Marketing Division and is responsible for managing the beverage alcohol products sold by the LCBO.

Category Management bases its purchasing decisions on market dynamics, consumer and product trends, performance of individual category, set and subsets, and a thorough analysis and measurement of brand performance. All products are purchased under LCBO's Category Management principles, with the Business Unit Director being fully responsible for the purchasing and discontinuance decisions of their respective Category Management teams.

Roles

Category Management consist of two major product categories, LCBO WINES and LCBO SPIRITS & BEER, which are managed as distinct and separate 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 specific business unit, and who reports to the Vice-President of Merchandising & VINTAGES.

Category Managers are responsible for the overall development and direction of the Category's purchasing strategies.

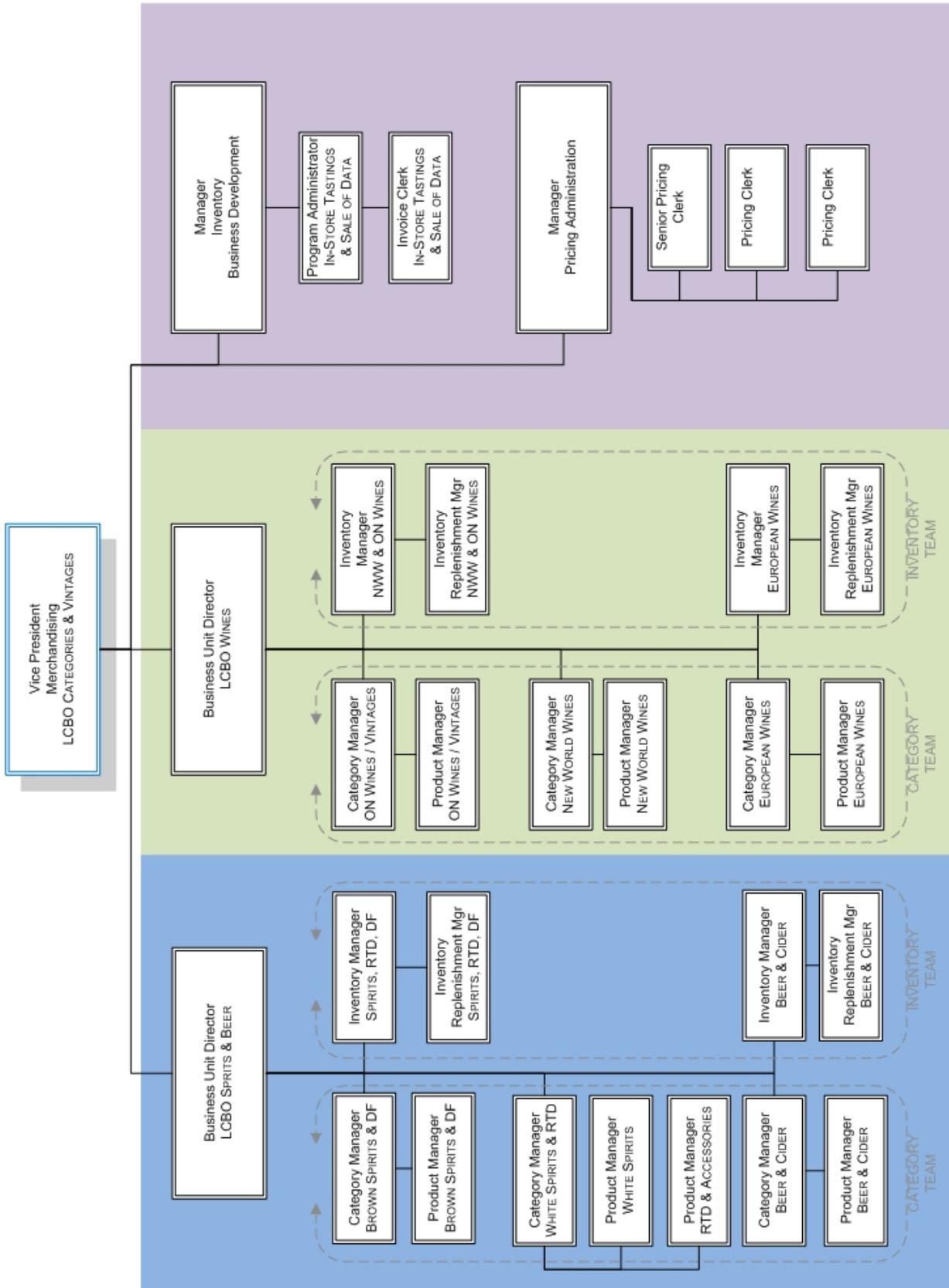
Product Managers are responsible for the day to day operations, and implementation of Category goals and objectives.

Inventory Managers are responsible for effectively managing the product flow and the warehouse inventory levels of a specific category of products within their respective Business Unit.

Inventory Replenishment Managers are responsible for creating accurate and timely orders, monitoring the timely arrival of these orders, and the optimal in-stock position of products in each warehouse for a specific category of products within their respective Business Unit.

Products are divided amongst the two LCBO Business Units, as follows:

1. LCBO WINES is responsible for domestic and imported wines as well as flavoured wine beverages drinks.
2. LCBO SPIRITS & BEER is responsible for domestic and imported spirits, coolers, one pour cocktails, beer and cider.



DF means Duty Free. RTD means Ready-to-Drink. White Spirits include Vodka, Rum, Gin, and Soju. Brown Spirits include Brandy, Cognac, Liqueurs, Tequila, and Whisky.

Other Areas within LCBO Merchandising

VINTAGES products are categorized under a separate Business Unit. They include fine wines and spirits, as well as specialty spirits, sake, and kosher products. Information on how to submit products to VINTAGES for evaluation is available on www.doingbusinesswithlcbo.com.

All **Duty Free** products are managed by LCBO's Merchandising Team – Brown Spirits. Information on how to submit products for evaluation, including Spirits and Wine, for purchase by Duty Free operators is available by contacting the Brown Spirits Team.

Pricing Administration is responsible for processing supplier quotations, all selling prices and ensuring that charges and refunds are levied to the appropriate companies.

Inventory Business Development is responsible for the strategic development and administration of Inventory and Category business processes, programs, initiatives and projects, including LCBO's In-store Tasting Program and Sale of Data program.

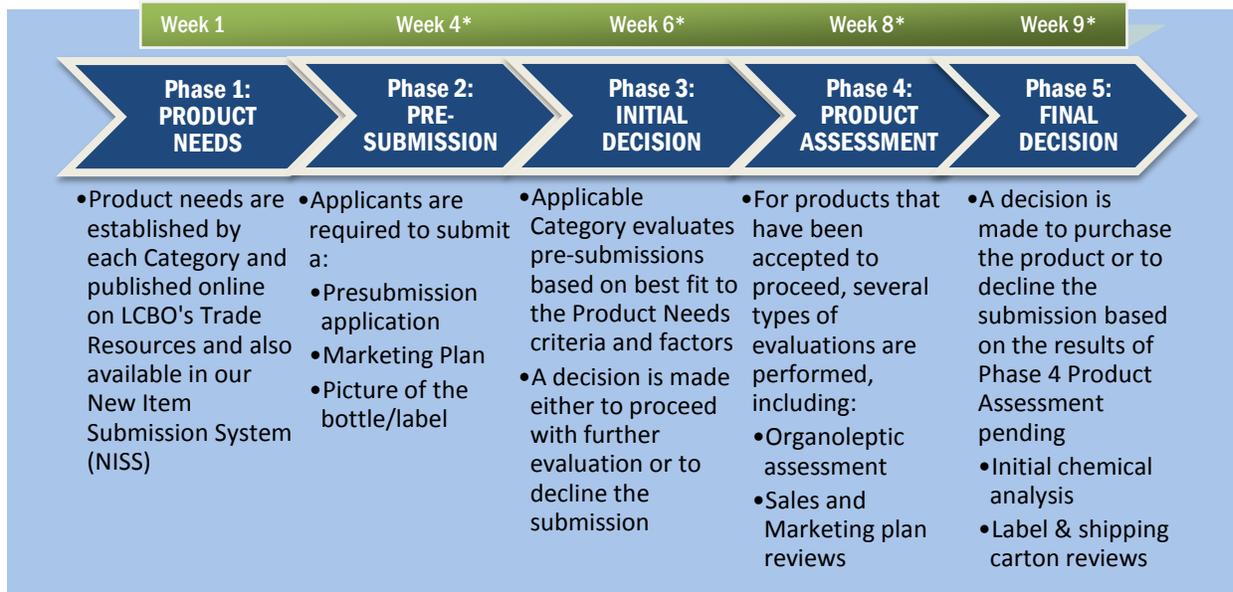
See the "[Contacts](#)" section in this manual for VINTAGES and LCBO Merchandising contact information.

Section C: PRODUCT SELECTION

The LCBO’s customers are diverse, knowledgeable, and interested in a wide range of products from Ontario and around the world. The LCBO is committed to working collaboratively with trade members to ensure the people of Ontario are well served with the selection that we provide.

SUBMITTING PRODUCT TO THE LCBO FOR CONSIDERATION OF PURCHASE

The LCBO utilizes a structured and systematic approach when considering and reviewing products. The Buyers use the New Item Submission System (NISS) in which the Supplier, or appointed Agent, makes product applications. Products are selected mainly from submissions in response to our Product Needs Letters, and are also selected from submissions received through the ad hoc process. The LCBO will only consider products submitted through our NISS online application.



* Approximate timeframe provided. Specific times may vary by submission. Samples are not required until Phase 4.

Product Needs Letters

Annually, or as required, the LCBO publishes “Product Needs” letters that set out the type of products that the LCBO is particularly interested in purchasing in a given year. The Product Needs letters are based upon an assessment of opportunities determined by the buying areas, consumers, market and sales trend information from both LCBO and external sources, such as Canadian Association of Liquor Jurisdiction reports, global reports and trade publications, amongst others. These letters stipulate the criteria of the submission including style of product, and price point(s). The submission deadlines are specified and must be met in order for a product to be accepted for consideration for purchase.

LCBO Product Needs letters are available online at www.doingbusinesswithlcbo.com, and are provided to various trade associations. Product Needs information can also be viewed through the NISS system.

Ad Hoc Submissions

Ad hoc submissions fall outside the regular process and are not covered by the Product Needs letters. They may result from new innovations, trends or developments in the global marketplace. Ad hoc submissions may result from trade tastings, trade shows and market visits. These submissions are an exception to the process and can only be submitted as an “ad hoc” item within the NISS system, and with the prior written approval of the respective Product or Category Manager.

Suppliers and Agents are encouraged to familiarize themselves with current Product Needs letters, as the LCBO will focus on these requirements as a priority when product submissions are made.

How the Product Submissions are Evaluated

All products being evaluated are subjected to a vigorous multi-stage evaluation process to ensure fair and equitable decisions are reached.

The pre-submission is the first stage. Applications at this stage are reviewed by the relevant Product Manager under the supervision of the Category Manager. The application, along with the marketing plan and product image, are considered against the product needs criteria and other general factors.

Applications accepted to proceed from the pre-submission stage are next assessed against the general evaluation criteria, combined with the experience and judgment of the LCBO buyers.

Both the Product and Category Managers participate fully during this phase of the evaluation process. All final decisions are approved by the Business Unit Director.

Evaluations are based on the following criteria, as well as the overall judgment of the buying teams regarding the commercial prospects of the product:

- A review of category trends and consumer demand
- The price/quality ratio of a product
- Label and packaging appeal
- The size and type of target audience
- Marketing and promotional plans
- Sales and marketing data from other markets
- Organoleptic assessment (tasting): An LCBO Grading Panel tastes and grades product submissions
- Product differentiation
- Innovation
- Inventory availability/forecasts
- Payment terms
- Third party endorsements
- Responsible consumption usage
- Environmentally friendly packaging/sustainable agriculture/production practices

Communicating the Decisions

The Supplier, or its appointed Agent, will receive written notification regarding the LCBO's decision to either proceed with further evaluation or decline a product submission via a NISS notification.

The initial decision is based on information provided during the pre-submission phase. A decision as whether to proceed with the application or not is communicated through NISS.

For products that are accepted for further assessment, the LCBO also provides a final decision based upon, but not limited to, the selection criteria above. The final decision will be provided via a NISS notification.

Any questions regarding decisions can be addressed with the relevant Product and/or Category Manager.

Product Sizes

The LCBO, in accordance with all applicable laws and industry/territorial agreements, e.g. Canadian Association of Liquor Jurisdictions (CALJ), will make the determination of an acceptable size or package type for any beverage alcohol product to purchase.

PRODUCT PRICING

The retail price for all products purchased as described in this manual is calculated by applying the LCBO standardized pricing formulas to the wholesale purchase price (quoted by the Supplier, in writing, at the time of submission). Product Needs letters typically identify retail price range for the products being sought, and once the retail selling price has been agreed to between the Supplier and Category Manager, the wholesale purchase price can be determined by applying the pricing formula.

The retail price of a product is the same across all LCBO channels (retail stores, online, and depots).

The initial retail price will remain in effect for twelve (12) months following the date of the LCBO “New Product Announcement”, 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, in exceptional circumstances, the LCBO may permit a price increase during this 12 month period. After the initial one-year period, the Supplier may apply to the LCBO for price increases according to a published schedule.

Suppliers may reduce the LCBO wholesale purchase price with the approval of the Business Unit Director at any time provided that such reduction does not fall below the minimum retail price assigned to the product type. The minimum retail price is also known as the floor price and is the lowest price at which the product may be sold. Floor price lists are available on www.doingbusinesswithlcb.com or through the various beverage alcohol trade associations.

The LCBO pricing policy information is currently available on our website www.doingbusinesswithlcb.com. It is also routinely shared with the beverage alcohol trade and can be accessed from the LCBO’s Pricing Department upon request.

Gift Products/Packaging

For specialty/gift items, the LCBO will mark up only the beverage alcohol component based on the landed cost incurred by the LCBO, (price, applicable taxes, freight, and duties). 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. are not marked up. The LCBO strongly discourages submissions with a packaging component value greater than 40 per cent of the total quote. Any exceptions require approval from the VP, Merchandising & VINTAGES to proceed. 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 the 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 in Canada.

In addition, the Supplier may not sell product(s) to any other government liquor board or government liquor purchasing body in Canada with terms and conditions respecting sale or delivery which are less advantageous than those offered to the LCBO. 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.

Supplier Rebate

The LCBO may, at its discretion, require the Supplier to rebate to the LCBO 25 per cent 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 may be required to rebate 25 per cent of the purchase price on all remaining warehouse and retail inventories approaching the end of its shelf life (six weeks before shelf life expires).

LCBO QUALITY ASSURANCE

As part of LCBO's product selection criteria, the Quality Assurance department performs several evaluations including Chemical Analysis and Consumer Unit and Shipping Container reviews. Additional details are available from our document online: [Product Packaging Standards / Guidelines for Chemical Analysis](#) document.

LCBO Chemical Analysis

Upon request, 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 (QA) department. All testing is conducted in accordance with the LCBO's [Guidelines for Chemical Analysis](#), available from the Quality Assurance pages on www.doingbusinesswithlcbo.com.

Samples tested as part of the submission process are not charged a fee for this service. However, samples tested in connection with new product purchases and yearly audit samples are charged a fee in accordance with the [QA Laboratory Fee Schedule](#), available on the Quality Assurance pages on www.doingbusinesswithlcbo.com. The cost for this service, plus applicable taxes is automatically debited from the Supplier's LCBO account. See LCBO Quality Assurance Certificate of Analysis under Section F.

LCBO Label, Consumer Unit and Shipping Container Approvals

The Supplier is responsible for ensuring compliance with all LCBO consumer unit and shipping container packaging and labeling requirements, including tamper-evident and bar coding requirements established by the Canadian Association of Liquor Jurisdictions (CALJ). Refer to [LCBO's Product Packaging Standards](#) online and the *CALJ Product Identification Standards for the Distribution of Beverage Alcohol* documents for detailed information pertaining to these requirements.

Consumer Unit Label Examination: Upon request, the Supplier or its appointed Agent must provide the Category Administrator with a sample of the label for the product along with a completed LCBO "Request for Label Examination" form (LCB 1642). Samples may be submitted online using the NISS application.

Shipping Container Examination: Upon request, the Supplier, or its appointed Agent, must provide the Category Administrator with a sample of the shipping container for the product, complete with markings, along with a completed "Request for Shipping Container Examination" form (LCB 2102). The Supplier or its appointed Agent will be

required to confirm in writing the UPC / EAN number and shipping container code (SCC-14).

SOCIAL RESPONSIBILITY & ENVIRONMENTAL SUSTAINABILITY

The LCBO is committed to bringing the best products available to the consumers of Ontario by constantly refining and enhancing our large and diverse portfolio. In conjunction with this goal, the LCBO is committed to promoting responsible consumption and environmental protection and encourages Suppliers to consider the following:

- LCBO's review of product submissions includes consideration of the brand, format, as well as planned promotion from a broad social responsibility perspective that is grounded in, but not limited to, the framework established by the Liquor Licence Act and AGCO Advertising Guideline requirements.
- Suppliers are encouraged to engage consumers in discovery of their products through information and promotions that support moderate consumption.
- Suppliers should take an active role in implementing environmentally sound business practices and in providing products that lessen the burden on the environment in their production, use and final disposition.
- The product should be produced in ways that improve energy efficiency, reduce hazardous by-products, use recycled materials, is reusable or offers some other environmental advantage.
- Products submissions that use less material and address other environmental objectives will be given favourable consideration as part of the selection process.

Section D: PURCHASING PRODUCT

The LCBO purchases various product types for resale in its retail store network including regularly listed items, seasonal purchases, gifts, limited distribution purchases, and niche purchases, among others. In all cases, the purchase is subject to:

CONDITIONS OF PURCHASE

- The terms and conditions set out in the “Notice to Purchase” document that is sent to the Supplier and copied to the Agent, and
- The terms and conditions set out in the LCBO Purchase Order, and
- The terms and conditions set out in this document, and
- The documents referenced herein, such as those related to Sales Targets, Packaging Standards, and Chemical Requirements, which are available for review on www.doingbusinesswithlcbo.com

Special terms negotiated between the Business Unit Director and the Supplier/Agent will be referenced in the Notice to Purchase Letter. Some of the general conditions of purchase are described below.

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 shipment arrival date(s) at the LCBO.

Failure to ship within the time stipulated may result in a decision to cancel the Purchase Order.

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. The LCBO reserves the right to make amendments to the standard LCBO Purchase Order, 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 receiving defective product, including defective or non-compliant packaging.

Product Allocation to Stores

Products purchased by the LCBO may be granted an initial limited store distribution. The distribution may be limited to particular regions or to stores based on local area demographics and sales history. Further store distribution is the responsibility of the Supplier or its appointed Agent.

Sales Targets

The LCBO establishes sales targets for all products based upon annual sales contribution levels by product category or grouping. These targets are updated annually and published to the various trade associations and on www.doingbusinesswithlcbo.com. All products are expected to meet or exceed these sales targets.

For new products, sales targets will be specified in the Notice to Purchase. Suppliers and their appointed Agents are accountable for achieving sales targets regardless of promotional programming. Failure to meet sales targets within the time frames required by the LCBO may lead to delisting by written notice.

Products may also be discontinued for failure to fulfill marketing initiatives, commitments, product quality, packaging or labeling issues, or an inability to supply consistently and according to the LCBO's order cycles.

Section E: MERCHANDISING PROGRAMS

DISPLAY AND PROMOTIONAL PROGRAMS

The LCBO provides our trade partners a variety of display and promotional opportunities to feature products in-store. There are merchandising programs aimed at all LCBO products. Suppliers are encouraged to participate in the programs to the degree that is appropriate for the product. This can be done through consultation with the Category and Product Managers. Below is a summary of programs available. More details are available on www.doingbusinesswithlcbo.com under “LCBO Merchandising Programs”.

- Participation in the IMAGE program with featured hero, end aisle, or shelf extender positioning
- In-store tasting
- Value Add
- AIR MILES®
- Limited Time Offers
- Contests
- Shelf Talkers
- Necktag program
- Participation in LCBO advertising such as Free-standing Inserts (FSI’s)

In order to ensure adequate supply, Suppliers, or their appointed Agents, must plan and communicate Licensee promotions and external advertising to the Category Manager.

ACCESS TO LCBO SALES & INVENTORY DATA PROGRAMS

The LCBO offers access to two data programs to registered Agents.

Access to retail sales and retail inventory data programs is available for purchase through the **Sale of Data (SOD)** program. As LCBO’s commitment to collaborating and sharing with trade members, retail sales and inventory for an Agent’s own product(s) is available at no cost. Retail sales and inventory information for other products is available as a paid-for program. Annual subscriptions are available for purchase starting in March each year, with the data available for a fiscal year beginning on April 1.

Once a subscription is approved, an Agent is able to download data on a weekly basis.

In addition, warehouse inventory and purchase order data is available for each Agent's products. This program is called **Information Sharing**. Data is emailed to subscribers each week.

Details on the **SOD** and **Information Sharing** Programs are available on www.doingbusinesswithlcbo.com, Web Systems.

Section F: PRODUCT TESTING and PACKAGING EVALUATION

New Product Shipments

Upon receipt of the first shipment, the shipment is quarantined and random samples are selected for QA testing, including but not limited to:

- Chemical analysis
- Organoleptic assessment (tasting)
- Label review
- Tamper-evident packaging review
- Shipping container examination

Sampling & Annual Audits

Inbound shipments are reviewed on a continual basis and samples may be selected at anytime for QA testing purposes. At a minimum, samples are tested on an annual basis.

Products found not to comply with LCBO requirements, at any time, will be treated by the LCBO in a manner appropriate to the type of non-compliance and the Supplier shall be responsible to reimburse the LCBO for any and all costs incurred to remedy the non-compliance or to dispose of the affected inventory.

LCBO Quality Assurance Certificate of Analysis

Upon completion of the chemical testing of new products and yearly audit samples, Suppliers are issued a Certificate of Analysis (CoA) detailing the analysis results. The cost for this service plus applicable taxes will be automatically debited from the Supplier's LCBO account. For detailed information regarding analytical services and fees, please refer to QA Laboratory Fee Schedule, available on the Quality Assurance pages of www.doingbusinesswithlcbo.com.

Acceptable Third Party Certificate of Analysis

Third party Certificates of Analysis (CoA) may be accepted from laboratories with ISO/IEC 17025 accreditation status that are certified in the analysis of alcoholic beverages as described in the

LCBO Guidelines for Chemical Analysis. Each third party CoA 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 CoA. Results shown on such certificate must fall within the maximum allowable limits as allowed by LCBO guidelines. For additional information, visit the Quality Assurance pages on www.doingbusinesswithlcbo.com.

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, e.g., direct deliveries to LCBO stores, are required to undergo annual laboratory testing for compliance with LCBO chemical, labeling and tamper-evident guidelines. Each Ontario beverage alcohol Supplier must make the necessary arrangements for annual product testing and may do so in two ways.

1. Forward a minimum of two (2) representative sample bottles of each product to:

LCBO Quality Assurance Department - Dept. #965
43 Freeland Street, 3rd Floor
Toronto, Ontario
M5E 1L5

The cost for this service plus applicable taxes may be automatically deducted from the Supplier's LCBO account, if the Supplier is an active LCBO vendor. Non-LCBO vendors must submit a cheque, payable to the LCBO, at the time of submission. Please refer to the [QA Laboratory Fee Schedule](#), for detailed information regarding analytical services and fees.

2. Provide the LCBO Quality Assurance department with an acceptable third party Certificate of Analysis as detailed above.

Section G: DISCONTINUANCE of PURCHASE

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

- Failure to achieve the specified sales target 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
- If the Supplier fails to comply with applicable Liquor laws
- If the Supplier fails to comply with the Advertising Guidelines of the AGCO
- Failure to comply with the LCBO's Product Packaging/Labeling Standards and Guidelines for Chemical Analysis and CALJ Product Identification Standards
- 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 25 per cent 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 re-purchase 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 re-purchase 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, Attention: President & CEO, LCBO.

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

Section H: LISTING of PACKAGED BEER

This section applies to Ontario packaged beer sold in LCBO combination stores and both out-of-province and imported Beer sold in The Beer Store (TBS) exclusively or in TBS and LCBO combination stores. For Suppliers wishing to have their beer made available for sale in other LCBO stores, (i.e. in addition to LCBO combination stores), please refer to the previous section of this manual.

Procedures for Listing Packaged Beer

Beers 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) 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 Acceptable Third Party Certificate of Analysis	Mandatory	Mandatory

For products where an OTA and annual testing is not required, such as on-site brewery sales, manufacturers are encouraged to utilize LCBO Quality Assurance services for testing to help ensure the quality and safety of all of their products.

Section I: IMPORTING SAMPLES

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

To submit samples of products to the LCBO, Agents licenced 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 per day. This is a total daily limit, i.e. it is not a limit 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.

Additional information on **Importing Product into Ontario for Commercial Purposes** and **Direct Shipments** is available on our website at [http://www.doingbusinesswithlco.com/tro/downloads/Importing%20Product%20Into%20Ontario%20for%20Assessment%20or%20Submission\(final\).pdf](http://www.doingbusinesswithlco.com/tro/downloads/Importing%20Product%20Into%20Ontario%20for%20Assessment%20or%20Submission(final).pdf)

Should Agents have any questions regarding **Importing Product into Ontario**, the LCBO's Private Ordering department is available to assist. Please call (416) 864-6739 or 1-800-668-5144.

Should Suppliers and Agents have questions regarding LCBO's **Direct Shipment** Policy, please contact LCBO Policy & Government Relations at (416) 864-6817.

CONTACT INFORMATION

LCBO CONTACT INFORMATION

LCBO HEAD OFFICE AND CORPORATE	MAILING ADDRESS	LCBO 55 Lake Shore Boulevard East Toronto, Ontario M5E 1A4
	GENERAL INQUIRES	(416) 864-2570
	HELLO LCBO	(416) 365-5900
	TOLL FREE	(800) 668-5226
	WEBSITE	www.lcbo.com www.hellolcbo.com www.allolcbo.com

LCBO SALES & MARKETING DIVISION MERCHANDISING PRICING ADMINISTRATION RECEPTION / COURIER ADDRESS	MAILING ADDRESS	LCBO 43 Freeland Street Reception, 3 rd Floor Toronto, Ontario M5E 1L7
	GENERAL INQUIRES	(416) 365-5855
	FAX	(416) 365-5911
	WEBSITE	www.doingbusinesswithlcbo.com

VINTAGES	MAILING ADDRESS	LCBO VINTAGES 43 Freeland Street, 3 rd Floor Toronto, Ontario M5E 1L7
	VINTAGES INQUIRES	(416) 365-5863
	VINTAGES FAX	(416) 864-2540
	WEBSITE	www.vintages.com

LCBO QUALITY ASSURANCE	MAILING ADDRESS	LCBO Quality Assurance 43 Freeland Street, 3 rd Floor Toronto, Ontario M5E 1L7
	GENERAL INQUIRES	(416) 864-6724
	FAX	(416) 864-6841
	EMAIL	quality.assurance@lcbo.com

LCBO PRIVATE ORDERING	MAILING ADDRESS	LCBO Logistics Division Private Ordering Service Centre 33 Freeland Street Toronto, Ontario M5E 1L7
	GENERAL INQUIRES	(416) 864-6739
	FAX	(416) 365-5934
	TOLL FREE PROVINCE WIDE	(800) 668-5144

GOVERNMENT & TRADE CONTACT INFORMATION

ALCOHOL AND GAMING COMMISSION OF ONTARIO (AGCO)	MAILING ADDRESS OR IN PERSON	AGCO 90 Sheppard Avenue East Suite 200-300 Toronto, Ontario M2N 0A4
	GENERAL INQUIRES	(416) 326-8700
	FAX	(416) 326-5555
	TOLL FREE	(800) 522-2876
	WEBSITE	www.agco.on.ca
SERVICE ONTARIO (FOR COPIES OF THE LIQUOR LICENCE ACT)	WEBSITES	http://www.serviceontario.ca/ http://www.e-laws.gov.on.ca/
	TOLL FREE	(800) 267-8097
THE BEER STORE (TBS)	CORPORATE OFFICE	The Beer Store 5900 Explorer Drive Mississauga, Ontario L4W 5L2
	GENERAL INQUIRES	(905) 361-1005
	FAX	(905) 387-1314
	TOLL FREE	(800) 522-2876
	WEBSITE	http://www.thebeerstore.ca/
BREWERS OF CANADA	WEBSITE	http://www.brewers.ca/
DRINKS ONTARIO	WEBSITE	http://www.drinksontario.com/
SPIRITS CANADA	WEBSITE	http://www.acd.ca/
WINE COUNTRY ONTARIO	WEBSITE	http://winecountryontario.ca/
ONTARIO CRAFT BREWERS ASSOCIATION	WEBSITE	http://www.ontariocraftbrewers.com/



LCBO

LIQUOR CONTROL BOARD OF ONTARIO
55 LAKE SHORE BOULEVARD EAST, TORONTO, ONTARIO M5E 1A4
T: (416) 365-5855 F: (416) 365-3911 WWW.HELLOLCBO.COM WWW.ALLOLCBO.COM
WWW.LCBO.COM WWW.DOINGBUSINESSWITHLCBO.COM WWW.VINTAGES.COM