

LCBO

Grocery Operations

LCBO Policy & Procedures Manual for Wholesale to Authorized Grocery Store Licensees*

For Suppliers

Version 2.0 October 2022

**Formerly Addendum to LCBO Product Management Policy & Procedures Manual for Wholesale to Authorized Grocery Store Operators prior to November 29, 2021*

Welcome to the Ontario wholesale marketplace!

As the wholesaler of record for all beverage alcohol products* sold to licensed grocery stores in Ontario**, the LCBO is committed to working with you as our valued trade partners and have implemented simple and clear procedures and practices to help you pursue new market opportunities for your business.

The LCBO Policy & Procedures Manual for Wholesale to Authorized Grocery Store Licensees is intended to be a resource for suppliers of eligible products who are seeking additional distribution via licensed grocery stores in the Province of Ontario. It is designed to provide a basic understanding of the way in which the wholesale marketplace will operate in Ontario between grocery store licensees, suppliers/agents, the LCBO and The Beer Store (TBS).

As a dedicated department inside the LCBO, Grocery Operations has prepared this manual to help you understand who to contact to help serve your needs and what to expect in terms of getting eligible products listed and fulfilled via the grocery channel. This manual does not modify any of the content available at www.doingbusinesswithlcbo.com but sets out unique policies and procedures applicable to the wholesale of eligible products to licensed grocery stores. Suppliers shall comply with all requirements of all applicable laws and regulations and carry-on business in compliance with the standards prevailing in the industry. Suppliers shall also comply with all applicable LCBO policies and procedures, as provided from time to time by the LCBO. The LCBO requires all suppliers to adhere to the LCBO's Supplier Code of Business Conduct which is available at www.lcbo.com under Doing Business with LCBO.

The LCBO, in collaboration with wholesale market stakeholders, will be continually streamlining and evolving its processes and systems. Detailed and up-to-date information on specific programs, deadlines and the use of various web-based systems can be found on our trade website www.doingbusinesswithlcbo.com.

Please note that the requirements in Ontario Regulation 746/21 ("the Regulation") made under the Liquor Licence and Control Act, 2019 are set out in this manual for ease of reference. In the event of a conflict or inconsistency, the provisions of the Regulation will prevail which can be found at <https://www.ontario.ca/laws/regulation/r21746>.

**Refers to beverage alcohol products an eligible grocery store licensee and wine boutique is authorized to sell under the AGCO issued licence*

***Refers to grocery store and wine boutique operators authorized to sell under an AGCO issued licence*

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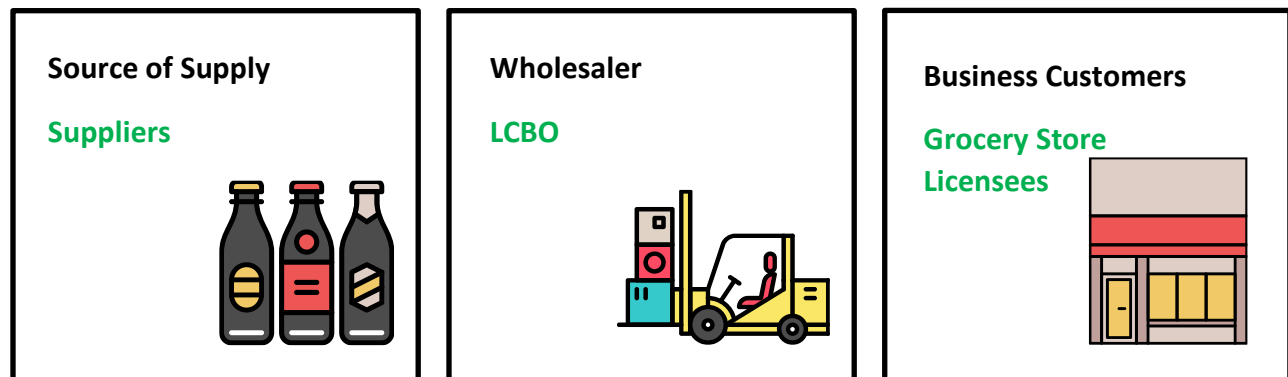
SECTION 1

INTRODUCTION

ROLES AND RESPONSIBILITIES

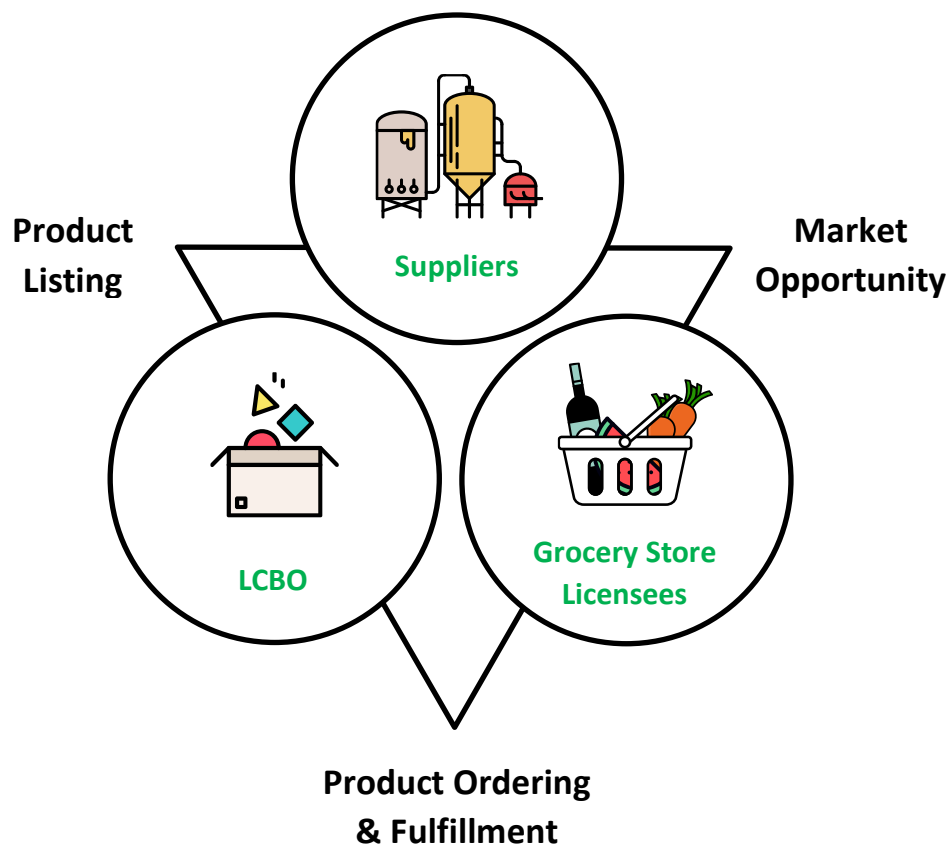
The Marketplace

The grocer and wine boutique marketplace comprises interconnected relationships between the LCBO for wholesale operations, grocery store licensees as business customers, and manufacturers of eligible products as the source of supply for eligible beverage alcohol products.



The Working Relationships

The basis of how grocery store licensees, suppliers and the LCBO connect and activate their business relationships is illustrated below. The core activity between grocery store licensees and the LCBO centers on ensuring a smooth-running product ordering and fulfillment process is established. To enable that, the LCBO provides suppliers with the ability to list eligible products for wholesale purchase by licensees. In turn, for licensees and suppliers to maximize their shared market opportunities, a constructive and ongoing working relationship between licensees and suppliers should focus on sales, marketing, and product planning.



It is important for suppliers to build healthy working relationships directly with grocery store licensees to maximize market opportunities. The LCBO is not party to go-to-market sales plans; those are to be pursued and developed directly between suppliers and licensees. In addition to development of sales and marketing plans, suppliers and licensees have direct control over the sharing of information related to forecasting and inventory reporting.

SPECIFIC RESPONSIBILITIES

LCBO Responsibilities:

1. All orders for licenced grocers and wine boutiques are placed with the LCBO.
2. All payments to suppliers are made by the LCBO.
3. Responsible for performing the role of sole wholesaler of all eligible beverage alcohol products to grocery store licensees in the Province of Ontario.
4. Responsible for providing listing services and systems to suppliers to access the grocery and wine boutique market.
5. Responsible for ongoing administration and maintenance of the eligible product catalogue for grocery store licensees.
6. Responsible for processing returns and claims.

Supplier Responsibilities:

1. Responsible for manufacturing products, making products available for wholesale through the LCBO and setting retail prices.
2. Responsible for adhering to the LCBO Purchase Order Terms and Conditions.
3. Responsible for adhering to the LCBO Policy & Procedures Manual for Wholesale to Authorized Grocery Store Licensees.
4. Responsible for adhering to the LCBO's Supplier Code of Business Conduct.
5. Responsible for adhering to LCBO packaging and labelling requirements and standards.
6. Responsible for pursuing sales and marketing business relationships and opportunities directly with grocery store licensees.

Grocery Store Licensee Responsibilities:

This applies specifically to licenced grocery stores and wine boutiques who have entered into a Wholesale Supply Agreement (WSA) with the LCBO per the terms outlined in the Regulation.

1. Responsible for all purchasing decisions on brand and quantity of eligible beverage alcohol products ordered from LCBO for final retail sale by licensee.
2. Responsible for paying the LCBO for eligible products received.
3. Responsible for following the legislation applicable for sale of eligible beverage alcohol products in grocery stores and wine boutiques.
4. Responsible for adhering to the LCBO Policies & Procedures Manual for Authorized Grocery Store Licensees.
5. Responsible for choosing product assortment for each licenced store.
6. Responsible for working directly with suppliers on sales and marketing plans.

SUPPLYING SOURCE

All orders are placed with the LCBO, and then fulfilled via multiple deliveries and multiple deliverers. Grocery store licensees will receive deliveries from multiple supplying sources based on the eligible product ordered; either through LCBO, TBS (for domestic beer) or from one or more of the Ontario manufacturers. The supplying source of each product is identified in the product catalogue.

The LCBO, TBS or Ontario beer manufacturers supply and deliver domestic beer. The LCBO and Ontario cider and wine manufacturers supply and deliver domestic cider and wine. Imported products are supplied and delivered exclusively by the LCBO.

LCBO GROCERY OPERATIONS

In order to fully serve grocery store licensees in the most customer-focused manner, the LCBO has a dedicated department comprising all of the most important functional roles related to facilitating wholesale sales to grocery stores and wine boutiques.

Roles and contacts

Customer Service

Responsible for wholesale customer general and account inquiries, IT applications, orders and claims and returns. The following are all customer service contacts administered within Grocery Operations:

General Inquiries - Customer Care	Visit www.lcbowholesaleoperations.com and click on the customer care link or access at https://helloLCBO.com/app/grocery_ask 416-365-5842 or 1-833-840-6272
Administration, Invoicing, Claims & Returns, Product Recalls and Report & Form Submissions	lcbogroceryoperations@lcbo.com 416-365-5842 or 1-833-840-6272

Account Management

Responsible for establishing and building productive working relationships with licenced grocery retailers and providing value added service to store licensees. Support grocer's strategic direction and meeting business objectives including sales targets

Product Catalogue Administration

Responsible for overall administration of the product catalogue hosted in the secure Grocery Management System (GMS) at www.lcbowholesaleoperations.com. Functions include working with suppliers on listing of products for wholesale to grocery channel, administering product information details provided by suppliers, applying product updates, pricing, and promotion information.

Inventory Management

Responsible for logistics related to orders placed via the LCBO including transfer of information to supplying sources (TBS and Ontario manufacturers of Beer, Cider, and Wine), coordination of delivery information and for orders shipped from LCBO warehouses and receiving grocery store licensees demand forecasts.

Financial Administration

Responsible for issuing invoices to grocery store licensees, processing payments to suppliers for eligible beverage alcohol products delivered to licensees, resolving any discrepancies between licensees' receipts and shipments from supplying sources, and processing debit/credit notes related to claims, returns and product quality issues.

Grocery Operations Website

The LCBO has established a website specifically for suppliers/agents and grocery store licensees. It is designed to provide the most up-to-date information as well as access to web-based systems used to conduct business with the LCBO. The Grocery Operations website is the primary form of communication between LCBO, suppliers/agents, and grocery store licensees.

The URL or address is www.lcbowholesaleoperations.com. Wholesale to grocery store and wine boutique related content can be accessed by following the *Suppliers* tab from this homepage. A link to the Grocery Management System (GMS) is available on this site for suppliers delivering directly to grocery store licensees. The site can also be accessed from the homepage of the main LCBO website at www.lcbo.com by clicking on *Doing Business with LCBO/Wholesale/Grocery Operations*.

We strongly encourage all suppliers/agents who conduct business with the LCBO, to review www.lcbowholesaleoperations.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.

SECTION 2

REGISTERING WITH THE LCBO AS A SUPPLYING SOURCE TO GROCERY STORE LICENSEES

GETTING SET-UP

In order to register as a supplying source with the LCBO, Ontario manufacturers delivering directly to licensed grocery stores are required to follow the steps outlined below:

Step 1

Access the *Suppliers* specific section of www.lcbowholesaleoperations.com.

Step 2

Download the **Grocery Management System (GMS) IT Access Form for Supplying Sources** if you are:

- a. a **new** supplier to the LCBO **and** an **Ontario manufacturer** of eligible beverage alcohol products delivering directly to licensed grocery stores, or,
- b. an **existing** supplier to the LCBO **and** an **Ontario manufacturer** of eligible beverage alcohol products that is delivering directly to licensed grocery stores.

If you are an existing supplier to the LCBO and you are **not** an Ontario manufacturer of eligible beverage alcohol products delivering directly to licensed grocery stores you **do not** need to complete a GMS IT Access form.

Step 3

Complete the form with the necessary information.

Step 4

Submit the completed form via email to lcbogroceryoperations@lcbo.com .

SECTION 3

ELIGIBLE PRODUCTS

ELIGIBLE PRODUCT DEFINITIONS

Beverage alcohol products eligible for sale by grocery store licensees as well as in store display requirements are identified in the Regulation. The summary below is provided for information purposes and does not change or amend any requirements of the Regulation. Suppliers should review the Regulation carefully and ensure they become aware of any amendments or changes as required.

Beer: Grocery Store Licensees

The licensee must not sell or offer to sell beer in containers having a volume more than 750 millilitres.

The licensee must not sell or offer to sell beer that is a malt-based beverage.

The licensee must not sell or offer to sell beer if,

- i. the beer contains alcohol that was obtained other than by the fermentation of an infusion or decoction of barley, malt, and hops or of any similar products, and
- ii. the alcohol described in subparagraph (i) increases the total alcohol content of the beer by more than 0.5 of 1 per cent by volume.

The licensee must not sell or offer to sell beer if the total alcohol content of the beer exceeds 7.1 per cent by volume.

The licensee must not sell or offer to sell beer in packages with more than six (6) containers and must not offer a discount or a rebate in respect of purchases of more than six (6) containers.

The licensee must not sell or offer to sell a brand of beer if the licensee or any of its affiliates has a direct or indirect financial interest in the brand or a trademark under which the beer is marketed.

Cider: Grocery Store Licensees

The licensee must not sell or offer to sell cider in containers having a volume more than 750 millilitres.

The licensee must not sell or offer to sell cider if the total alcohol content of the cider exceeds 7.1 per cent by volume.

The licensee must not offer a discount or a rebate in respect of purchases of more than six (6) containers.

The licensee must not sell or offer to sell a brand of cider if the licensee or any of its affiliates has a direct or indirect financial interest in the brand or a trademark under which the cider is marketed

Wine: Grocery Store Licensees

The licensee must not sell or offer to sell wine in containers with a volume of more than four (4) litres.

The licensee must not sell or offer to sell wine with alcohol content greater than 18 per cent by volume.

The licensee must not sell or offer to sell cream wines.

The licensee must not sell or offer to sell wine beverages.

The licensee must not sell or offer to sell fortified wine.

The licensee must not sell or offer to sell a brand of wine if the licensee or any of its affiliates has direct or indirect financial interest in the brand or a trademark under which the wine is marketed.

The licensee is not permitted to sell wine (excluding cider) that has a lower price, by size, than presented in section 89 of the Regulation.

Container size (in millilitres)	Retail Price (in dollars)
50 or less	\$0.85
200	\$3.35
250	\$4.10
300	\$4.80
375	\$5.90
400	\$6.20
500	\$7.60
600	\$9.00
720	\$10.65
750	\$10.95
1000	\$14.05
1500	\$20.15
2000	\$25.90
2250	\$28.75
3000	\$37.90
4000	\$49.35

Wine: Wine Boutiques

The wine boutique must not sell or offer to sell cider with an alcohol content greater than 7.1 per cent by volume.

The wine boutique must not sell or offer to sell wine with an alcohol content greater than 18 per cent by volume.

The wine boutique must not sell or offer to sell wine beverages.

PRODUCT DISPLAY REQUIREMENTS

The Regulation also stipulates a number of product display requirements for specific classes of licences. It is the grocery store licensee's responsibility to meet these display requirements. The product catalogue provides identifying product attributes to assist grocery store licensees in meeting these statutory display requirements. It is the supplier's responsibility to identify and provide the product attributes as requested during product registration.

Beer and Cider Licence

Minimum 20% of the containers of beer on display to consumers is beer produced by **small breweries**.

Minimum 20% of the containers of cider on display to consumers is cider produced by **small cideries**.

Beer and cider manufacturers are required to self-identify as small manufacturer at the time of product listing in New Item Submission System (NISS).

A small brewer is defined as one with less than 400,000 hectolitres annual worldwide production of beer.

A small cidery is defined as one with less than 25,000 hectolitres of annual worldwide production of cider.

Beer and Wine Licence

Minimum of 20% of the containers of beer on display in the store must contain beer manufactured by **small breweries**.

Minimum of 20% of the containers of cider on display in the store must contain cider manufactured by **small cideries**.

Minimum of 10% of the containers of wine (excluding cider) on display in the store must contain wine manufactured by **small wineries**.

At least 50% of the containers of wine (excluding cider) on display must contain wine that is produced using grapes from a single country and in respect of which at least one of the following criteria is satisfied:

- o The wine is **quality assurance wine**
- o The wine was produced by a **small** winery
- o The **country** where the grapes were grown produces, in the aggregate, less than 150 million litres of wine annually from grapes grown in that country

Beer and cider manufacturers are required to self-identify as small manufacturer at the time of product listing in New Item Submission System (NISS).

A small wine manufacturer must submit proof of small status with the product submission as per the Wine Catalogue Committee requirements detailed in the next section.

A small brewery is defined as one with less than 400,000 hectolitres annual worldwide production of beer.

A small cidery is defined as one with less than 25,000 hectolitres of annual worldwide production of cider.

A small winery is defined as one whose worldwide annual sales did not exceed 375,000 litres of wine.

WINE CATALOGUE COMMITTEE

There are two different classifications of wine licences as set out in the Regulation:

1. Beer and wine grocery store licence (which includes cider)
2. Wine Boutique Endorsement

Wine products must meet specific product parameters based on type of wine, size of winery and country production limits to be eligible for and to meet the 50% display requirement for the beer and wine licence. Refer to the Regulation for specific product parameters required under each licence.

The LCBO's **Wine Catalogue Committee** reviews **all** wine submissions monthly for inclusion in the product catalogue and assesses eligibility based on the requirements of the Regulation.

Acceptable documents to identify a product as **Quality Assurance Wine** must be issued by an Appellation Regime Governing Body. To identify as a **small** winery or a **country** production level of less than 150 million litres wine annually, a document issued by a government body or independent auditor must accompany the product submission (see chart).

	Document Issued by:		
Requirement	Government Institution	Independent Auditor	Appellation Regime Governing Body
Quality Assurance Wine			✓
Country Production	✓	✓	
Producer Size (winery sales)	✓	✓	

Upon review, the Wine Catalogue Committee will notify suppliers/agents in writing (either by email or NISS notification) as to the assessment of the submission. Suppliers/agents who do not agree with the results of the assessment can apply to the Wine Catalogue Committee for a reconsideration of the decision. Requests for reconsideration must be received in writing within thirty (30) days of the receipt of this notice, and must include:

- The name and LCBO number of the product(s) for which reconsideration is sought;
- Reasons for requesting a reconsideration;
- Any additional documentation to support the request for reconsideration; and,
- All of the material originally submitted in the initial application.

Requests and supporting materials may be sent to lcbogroceryoperations@lcbo.com with “Wine Catalogue Reconsideration” in the subject line, or mailed to:

LCBO Grocery Operations
Attention: Wine Catalogue Reconsideration
100 Queens Quay East, 9th Floor
Toronto, ON M5E 0C7

Decisions of the Wine Catalogue Committee may be appealed to the LCBO’s Listings Appeal Committee provided that the Supplier has exhausted its right to seek reconsideration. Appeals must be requested in writing thirty (30) days from the day the reconsideration decision is received or deemed to have been received by the Supplier.

An appeal to the Listings Appeal Committee shall be made by the unsuccessful applicant in writing and shall state the reasons for requesting an appeal. The appeal shall include all of the material that was submitted to the Wine Catalogue Committee for consideration on the original application, and such additional evidence as the unsuccessful applicant believes to be relevant.

Requests and supporting materials may be sent to lcbogroceryoperations@lcbo.com with “Wine Catalogue Listings Appeals” in the subject line, or mailed to:

LCBO Grocery Operations
Attention: Wine Catalogue Listings Appeal
100 Queens Quay East, 9th Floor
Toronto, ON M5E 0C7

SECTION 4

PRODUCT CATALOGUE, DISCONTINUED PRODUCTS, PRICING AND PROMOTIONS

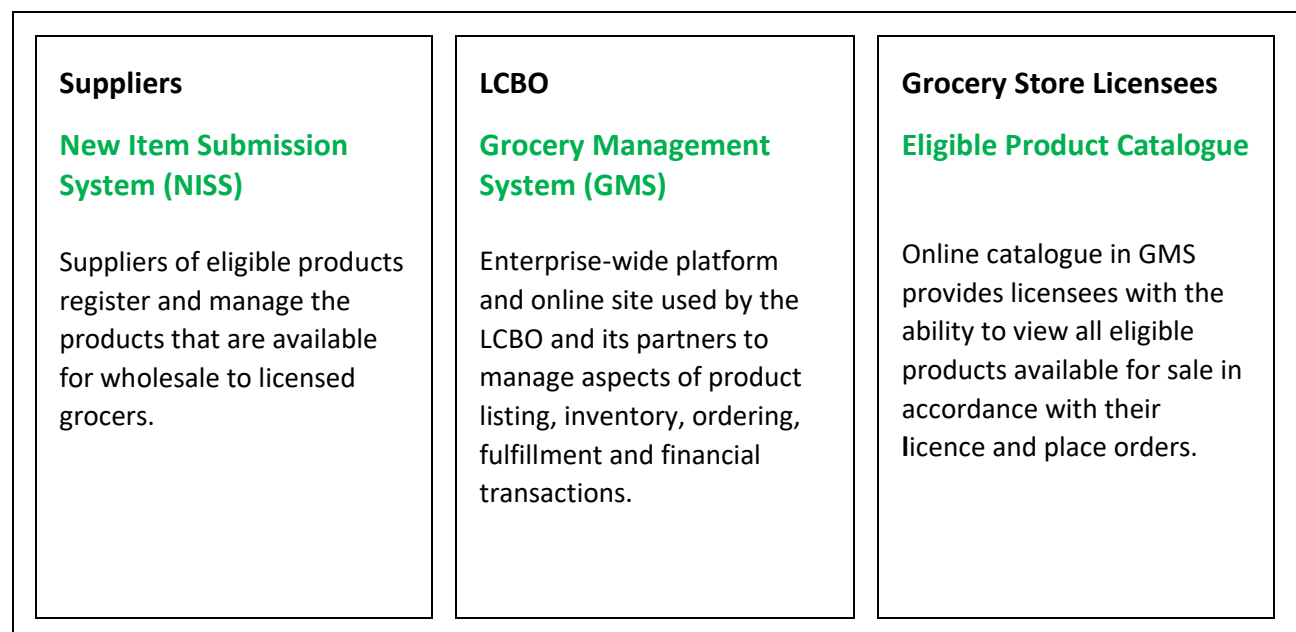
LCBO PRODUCT CATALOGUE

The LCBO has designed a system that connects the eligible beverage alcohol products that a supplier wants to list for sale at licenced grocery stores and wine boutiques with a product catalogue functionality to be used by grocery store licensees to place orders.

This system facilitates the following functions:

1. Suppliers register eligible products to be listed for grocery store licensees through LCBO's New Item Submission System (NISS).
2. All products are to be made available to all grocery store licensees under the licence which the supplier has chosen to make the product available, no exclusive products, nor private label brands.
3. Grocery store licensees view available products and place their orders via a catalogue of eligible beverage alcohol products in Grocery Management System (GMS).
4. LCBO post products to the eligible beverage alcohol product catalogue including identifying products as per regulatory display requirements.

All products are presented fairly and uniformly across grocery store licensees, according to the standardized product details provided by suppliers and the class of licence held by the licensee. The following illustration demonstrates how this system coordinates the listing and ordering of products.



Product Catalogue Details

The product catalogue is accessed by grocery store licensees via a secured portion of the Grocery Management System (GMS) using an assigned username and password. The catalogue is available to grocery store licensees as a self-serve solution and the format is downloadable as an Excel or a CSV file.

- Eligible products contained and presented in the catalogue will include information on Item Details, Operational Attributes, Pricing, and Promotions.
- The catalogue contains eligible products that suppliers have chosen to make available for sale to licensed grocers and/or wine boutiques.
- The catalogue identifies product attributes to assist grocery store licensees in meeting regulatory display requirements.
- The product catalogue is updated daily.
- A product's specifications in the catalogue are reflective of what is provided by the supplier. **It is the supplier's responsibility to provide the LCBO with accurate and complete product information to maximize data integrity.**

Key points related to eligible products listed by suppliers:

- Suppliers decide what products are made available to grocery store licensees under specific licences (in the case of wine only).
- Suppliers can choose to make eligible imported beer, cider, or wine products currently available at the LCBO and/or TBS (for beer only) available to licensees.
- Suppliers may exclude beer, cider, or wine products from grocery that are available at LCBO stores.
- Grocery store licensees cannot pack-up or break-down a selling unit.
- **All** wine product submissions for wine licences are reviewed monthly by the Wine Catalogue Committee for eligibility and inclusion in the product catalogue.
- The LCBO warehouse distribution system is available to distribute to grocery store licensees:
 - Products that are available through the LCBO retail channel.
 - Any Ontario product a supplier has elected, and the LCBO has agreed to deliver

- Once a product is made available to grocery store licensees, the LCBO requires minimum two (2) weeks notice for:
 - Changes to UPC/SCC codes
 - Changes to supplying source
 - Discontinuation of a product

Notification of a change should be directed to the applicable Merchandising Category Administrator. The deadline for notifying the LCBO is Fridays at 4:00 pm for postings on Mondays to grocery store licensees.

GROCERY CHANNEL PRODUCT CALLS

The LCBO's New Item Submission System (NISS) is used to register eligible products for wholesale to the grocery channel.

Eligible Ontario Beverage Alcohol Products

An open ongoing product call for eligible Ontario beer, cider and wine products is established in NISS for suppliers to make Ontario products available to the grocery channel. New suppliers to the LCBO can register for NISS, which is accessible from www.doingbusinesswithlcbo.com.

New Eligible Ontario Products:

- NISS is used to register and submit a new product.
- Submit eligible beverage alcohol products into the appropriate grocery product call for the product type.
 - This will in turn allow for tagging of products intended for grocer retailing.
 - Tagged products will be reflected in the product catalogue when the listing process is complete.
- A streamlined listing process for grocery consists of review of label, shipping carton (if applicable) and final lab testing.
- **All** wine product submissions for wine licences are reviewed monthly by the Wine Catalogue Committee for eligibility and inclusion in the product catalogue.
- If the product will be available in both LCBO retail and grocery stores, submit in NISS to the LCBO product call only. Check 'eligible for grocery catalogue', and for wine, the appropriate class of grocery licence. The product will be tagged for grocery and/or wine boutiques and available for grocery store licensees to order once the listing process is complete.

Listing Process for New Eligible Ontario Beverage Alcohol Products

The chart below illustrates the registration and product listing process for new eligible Ontario beverage alcohol products:

1	2	3	4	5
Product Submission	Submission Review	Product Set-Up	Compliance Review	Pricing & Activation
Supplier/Agent	Merchandising & Grocery Operations			
Applies for access to NISS (New Item Submission System)	Reviews submission for accuracy and eligibility	Sets up new suppliers	Requests label and shipping carton review	Product pricing completed
Enters product submission in NISS with complete and accurate information	All wine products reviewed by Wine Catalogue Committee	Assigns an LCBO SKU/item # to product	Requests certificates, supplier quote, UPC/SCC confirmation and date coding	Activates product and available adds to grocery product catalogue
Identifies producer size and licence class in NISS	Accepts submission to proceed	Completes product set up	Requests final lab sample	Advises supplier/agent product is available for licensees to order

Eligible Imported Beverage Alcohol Products

At the time of submission into NISS, suppliers can earmark eligible imported beer, cider, and wine products for grocery channel by selecting 'eligible for grocery catalogue'. The product will be tagged for grocery and available for grocery store licensees to order once the product listing process is complete and, if a wine submission, has been assessed by the Wine Catalogue Committee.

Wine products identifying as produced by a small winery, a Quality Assurance Wine or from a country with a production level less than 150 million litres wine annually are required to provide acceptable documentation (see Section 3). These submissions are reviewed monthly by the Wine Catalogue Committee for eligibility and inclusion in the product catalogue.

Eligible Existing Beverage Alcohol Products for Grocery Channel

If a supplier wishes to make an eligible beverage alcohol product that is currently available through the LCBO's retail channel to licensed grocers, the process is as follows:

- **Eligible beer and cider products:** Submit into NISS product call 'Beer & Cider Grocery Channel – Existing Eligible Beer & Cider Products' and select the grocery catalogue and producer size. These submissions are reviewed monthly for eligibility and inclusion in the product catalogue.
- **Eligible wine products:** Submit into NISS product call 'Wines Grocery Channel – Existing Eligible Wine Products' and select the grocery catalogue(s)/wine licence class(es) for which the product is eligible. These submissions are reviewed monthly by the Wine Catalogue Committee for eligibility and inclusion in the product catalogue.

Wine products identifying as produced by a small winery, a Quality Assurance Wine or from a country with a production level less than 150 million litres wine annually are required to provide acceptable documentation (see Section 3).

QUALITY ASSURANCE

Products listed for grocery or wine boutique sales, even those not listed by the LCBO in retail stores, must be in compliance with the LCBO's Product Packaging Standards and Chemical Guidelines, which are based on federal and provincial compositional labelling requirements. Additional information is available on www.doingbusinesswithlcbo.com.

Failure to comply may result in product removal from the product catalogue.

Ontario suppliers not presently listed with the LCBO but wishing to make eligible beverage alcohol products available for wholesale to grocery and/or wine boutiques can still do so by meeting the LCBO's Packaging Standards and Chemical Guidelines.

SOCIAL RESPONSIBILITY

The LCBO plays a role in ensuring all eligible beverage alcohol products available for sale in Ontario are screened for market appropriateness and adherence to social responsibility parameters. The LCBO's major framework for review (brand, imagery, text, and format) is based on AGCO's guidelines as they are enshrined in regulations. Should a product raise concern, the extent of the LCBO's review will be based on AGCO guideline requirements.

DISCONTINUED AND DELISTED PRODUCTS

Discontinued products

Suppliers must advise the LCBO when a product is no longer available for grocers and/or wine boutiques to purchase and it will be removed from the catalogue. Grocery store licensees require minimum two (2) weeks advance notice for removal of a product.

Suppliers can choose to discontinue an eligible beverage alcohol product at any point in time. Suppliers may also choose to cease offering an eligible beverage alcohol product to grocers and/or wine boutiques.

When a product is discontinued by the supplier, it is removed from the catalogue given that it is no longer available from the supplying source.

Delisting of products

From time to time an eligible product may be delisted by the LCBO due to sales performance at LCBO or TBS. Should this situation arise, the LCBO will provide notice to suppliers and grocery store licensees.

If a product has not been ordered by a grocery store licensee within six (6) months of the posting to the catalogue the LCBO reserves the right to remove the product from the catalogue.

If the retail price of a wine product falls or is going to fall below floor price, it is automatically removed from the product catalogue. (see Section 3)

Supplier Compliance

Products may be delisted if suppliers are not compliant with LCBO policies.

PRODUCT PRICING

Uniform and Minimum Pricing

Beverage alcohol products sold by grocery store licensees under various classes of licences must meet legislated requirements concerning uniform and minimum pricing. Uniform price requires the price for a particular product to be the same throughout the province. Minimum prices are the lowest prices that beverage alcohol products can be sold.

Grocery Floor Price for Wine: Beer and Wine Licence Only

As set out in the Regulation, grocery store licensees authorized to sell wine are not permitted to sell containers of wine (excluding cider) where the retail price of the wine is below a minimum price than presented in section 89 of the Regulation.

It is the supplier's responsibility to ensure products on the catalogue are at or above the grocery floor price for wine. If a product's price falls below the grocery floor price for wine, the product is automatically removed from the product catalogue and is subject to recall from grocery shelves at the supplier's expense. Refer to Section C of the LCBO's Purchase Order Terms and Conditions.

Price Changes

Grocery store licensees will be notified of price changes seven (7) days in advance of price changes taking effect in the product catalogue to allow for time required to modify store merchandising materials.

Grocery store licensees will be notified of price changes by a price bulletin posted on www.lcbogroceryoperations@lcbo.com.

Emergency Price Changes

In the event of an emergency price change, prices will be corrected and updated overnight in the product catalogue. An alert will be sent out to grocery store licensees advising of the change.

Key points related to product pricing:

- The retail price for all eligible beverage alcohol products sold to the public will be as determined by suppliers.
- The retail price includes the container deposit and applicable taxes.
- All regularly listed beverage alcohol retail prices end in either a “0” (zero) or “5” (five) (i.e., \$3.10 or \$3.15).
- Pricing is communicated and administered by the LCBO.
- Pricing is the same through all retail channels.
- Grocery store licensees authorized to sell wine are subject to a grocery specific floor price.
- Annually on March 1st, the minimum retail prices for all beverage alcohol categories will increase in accordance with Ontario Regulation 750/21 made under the Liquor Licence and Control Act, 2019 and may result in changes to retail prices.
- Annually in April excise rates on beverage alcohol will be automatically adjusted by the Consumer Price Index. This increase will be applied to the landed cost of products, where applicable, and may result in changes to retail prices.
- From time to time changes in beverage alcohol pricing may occur as a result of federal and/or provincial government direction.

PROMOTIONS

Suppliers apply for LTO, Super Sale, One Day Sale and Deal of the Week pricing by following the existing application process. All approved products for these programs will be simultaneously in effect across all channels including grocery and wine boutiques.

Suppliers will be debited based on grocery store licensee sales during the promotion period. The calculation is based on the number of selling units sold multiplied by the discount amount. Charges for grocery and wine boutique sales will be reflected as separate line items on existing LTO debit notes.

Wine products sold through grocery store licensees are subject to a grocery floor price for wine (see Section 3). **Under no circumstances can the retail price of a wine product sold in the grocery channel fall below the grocery floor price.** This includes LTO, Super Sale, One Day Sale and Deal of the Week promotional pricing.

Advertising and Promotions

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 and Control Act, its Regulations and the Registrar's Interim Standards and Requirements for Liquor (Interim Standards). All Suppliers and Agents must comply with these and all other applicable laws.

The AGCO also publishes "Advertising Guidelines", which are appended to the Interim Standards. The Interim Standards may be downloaded from their website or obtained from their offices. Please visit the AGCO's website, www.agco.on.ca to access the Interim Standards.

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

Loyalty or Rewards Programs

Air Canada's Aeroplan loyalty program runs exclusively in LCBO retail stores and does not transfer to licenced grocery stores or wine boutiques. Should grocery store licensees pursue their own loyalty or rewards marketing programs they are subject to Liquor Licence and Control Act, 2019 regulations.

Key points related to loyalty programs and promotions:

- Under **no** circumstances can wine products for sale under the beer and wine licence through a grocery store licensee fall below the grocery floor price.
- No cross-promotions with other items are allowed.
- Loyalty rewards can be earned on purchases of eligible beverage alcohol products.
- Eligible beverage alcohol products cannot be purchased by redemption of loyalty program rewards (points, cash or otherwise).
- Trade spending on sales and marketing is not permitted.
- No retail-level discounts or rebates for multiple package buying.
- No pack up pricing.

SECTION 5

ORDER FULFILLMENT AND DELIVERY

ORDER FULFILLMENT AND DELIVERY

All grocery store licensees place orders for eligible beverage alcohol products with the LCBO via Grocery Management System (GMS). LCBO will fill orders through various supplying sources.

Order Fulfillment by Supplying Source

Eligible domestic beverage alcohol products are supplied by the LCBO, TBS (applies to domestic beer only) or Ontario manufacturers of eligible domestic beverage alcohol products. Eligible imported beverage alcohol products are supplied exclusively by the LCBO. The supplying source is identified in the product catalogue. Regardless of supplying source the LCBO will track shipments originating from supplying sources.

Minimum Order Quantity

Supplying sources may require reasonable minimum order quantities (MOQ) to fulfill deliveries which is communicated by the supplying source.

Deliveries and Lead Times by Supplying Source

Grocery store licensees will receive deliveries from multiple supplying sources based on the brand of eligible beverage alcohol ordered; either through LCBO, TBS, authorized third party logistic providers (3PL's) or from one or more of the Ontario manufacturers of eligible beverage alcohol products.

LCBO Delivery

The typical time required from placing to receiving an order from the LCBO is up to seven (7) days. To ensure delivery within the lead time, orders must be placed by the time and date communicated from the LCBO.

TBS Delivery

The typical time required from placing to receiving an order from TBS is up to seven (7) days.

Ontario Manufacturers

The typical time required from placing to receiving an order from Ontario manufacturers is up to fourteen (14) days.

ELIGIBLE PRODUCT ORDER FULFILLMENT AND DELIVERY PROCESS

Purchase Orders

The LCBO will issue LCBO purchase orders for all eligible beverage alcohol products and will identify ship to locations of licensed grocery stores as applicable. All LCBO purchase orders are subject to and incorporated by reference to the LCBO's standard purchase order terms and conditions for beverage alcohol products ("Terms and Conditions") which are available online at www.doingbusinesswithlcbo.com and www.lcbowholesaleoperations.com.

The charts on the following pages illustrate the steps along the ordering, fulfilment and delivery process by supplying source. They reflect detailed timing for the main stages of the process.

FULFILLMENT BY SUPPLYING SOURCE: LCBO (up to 7 days)		
ORDERING (1-3 days)		
Licensee places order with LCBO	LCBO acknowledges receipt of order	LCBO confirms inventory availability and estimated delivery wit Licensee
SHIPPING (2-3 days)		
Order is picked and readied	LCBO sends ASN to Licensee	Order in transit to licensed store or distribution centre (DC)
RECEIVING (1 day)		
Delivery received by Licensee	LCBO issues invoice to Licensee	Licensee pays LCBO

PROCESS STEP	ACTIVITY
Licensee places order with LCBO	Licensee selects from eligible product catalogue and submits order to LCBO via GMS.
LCBO acknowledges receipt of order	LCBO sends Licensee a system-generated automatic acknowledgement of order placed.
LCBO confirms inventory availability and estimated delivery	LCBO confirms inventory and estimated delivery date and electronically sends information to Licensee within 24 hours of receiving order.
Order is picked and readied by LCBO	The supplying LCBO warehouse fulfills the order and prepares compliant shipping documentation.
LCBO sends Advance Shipping Notification (ASN)	LCBO electronically sends ASN to the Licensee 24 hours prior to delivery.
Order is in transit to licensed store or distribution centre (DC)	Order is shipped from LCBO warehouse to the Licensee as per the delivery specifications.
Order is delivered and received by Licensee	<p>Delivery of the order to the Licensee as agreed upon with the LCBO.</p> <p>Licensee receives the order.</p>
LCBO issues invoice to the Licensee	LCBO issues invoice to Licensee based on receipts, or in case of deemed receipts, shipment quantities.
Licensee pays invoice to LCBO	Payment by Licensee to LCBO in accordance with Wholesale Supply Agreement.

FULFILLMENT BY SUPPLYING SOURCE: TBS OR ONTARIO MANUFACTURER

TBS SHIPPING Up to 7 days		ONTARIO MANUFACTURER SHIPPING Up to 14 Days	
ORDERING (1-3 days)			
Licensee places order with LCBO	LCBO acknowledges receipt of order and sends order to supplying source	Supplying source confirms with LCBO inventory availability and estimated delivery LCBO sends information to Licensee	
SHIPPING (2-10 days)			
Order is picked and readied by supplying source	Supplying source provides ASN to LCBO LCBO sends ASN to Licensee.	Order in transit to licensed store or distribution centre (DC)	
RECEIVING (1 day)			
Delivery received by Licensee	LCBO issues invoice to Licensee	Licensee pays LCBO	LCBO issues payment to supplying source

PROCESS STEP	ACTIVITY
Licensee places order with LCBO	Licensee selects from eligible product catalogue and submits order to LCBO via GMS.
LCBO acknowledges receipt of order	LCBO sends Licensee a system-generated automatic acknowledgement of order placed.
LCBO sends order to supplying source	Supplying source receives notification of order via GMS.
Supplying source acknowledges receipt of LCBO order and confirms inventory availability and estimated delivery date	<p>Supplying source is required to acknowledge receipt of LCBO order in GMS and confirm inventory availability and estimated delivery within 24 hours.</p> <p>LCBO confirms with Licensee information received from the supplying source.</p>
Order is picked and readied by supplying source	The supplying source fulfills the order and prepares compliant shipping documentation.
Supplying source provides Advance Shipping Notice (ASN) to LCBO	<p>Supplying source is required to complete in GMS and send the ASN to the LCBO 24 hours prior to delivery.</p> <p>LCBO confirms with Licensee the ASN received from the supplying source.</p>
Order in transit to licenced store or distribution centre (DC)	Order is shipped from supplying source to the Licensee as per the delivery specifications.

Order is delivered and received by Licensee	<p>Delivery of the order to the licensee as agreed upon with the supplying source.</p> <p>Licensee receives the order.</p>
LCBO issues invoice to Licensee	<p>LCBO issues invoice to Licensee based on receipts, or in case of deemed receipts, shipment quantities.</p>
Licensee pays invoice to LCBO	<p>Payment by Licensee to LCBO in accordance with Wholesale Supply Agreement.</p>
LCBO issues payment to supplying source	<p>LCBO issues payment to supplying source, terms net 30 days.</p>

PROCESSING AN ORDER IN GMS

As the wholesaler of record for all beverage alcohol products sold to licensed grocers, the LCBO's Grocery Management System (GMS) is used to process all grocery store licensee orders. Supplying sources will be notified via email when an order is received for their product and will use GMS to process the order. For access to GMS, refer to Section 2.

Supplying sources are **required**, as per LCBO Purchase Order Terms and Conditions, to complete two (2) **mandatory** steps in GMS following receipt of an LCBO purchase order for a grocery store licensee:

1. Acknowledge order, and
2. Prepare shipment and advance shipping notification

This information is confirmed back to grocery store licensees prior to delivery and assists in tracking shipments.

1. Acknowledge Order

Supplying sources are **required** to inform the LCBO of inventory availability and expected delivery **within 24 hours** of receiving order. Acknowledging an order indicates the supplying source intends to ship the order and provides an opportunity to indicate an anticipated delivery date and planned shipment quantities.

Supplying sources who are not able to fulfill an order are required to **decline** the order in GMS.

2. Prepare Shipment and Advance Shipping Notification (ASN)

The ASN is a **mandatory** step in the delivery process to facilitate accurate receiving and to ensure payment to supplying sources. The ASN must be created and entered by the supplying source **24 hours prior** to delivery. The ASN is entered **after** the order is picked and readied for shipment to ensure accuracy of the information.

Supplying sources who do not enter ASN details within fourteen (14) days of receipt of an order will have their shipment quantities defaulted to zero (0) cases. This 'deemed shipment' process may negatively impact payment to the supplying source.

Declined Orders

Supplying sources who are **not** able to fulfill an order are required to decline the order in GMS.

For more information on how to process an order review the LCBO Grocery Management System Vendor Portal User's Guide For Supplying Sources to Grocery Store Licensees found at www.lcbowholesaleoperations.com by selecting *Suppliers/Job Aids & Training Materials*.

Key summary points to note:

- Supplying sources ship as per the LCBO's purchase order.
- Supplying sources can ship in quantities less than or equal to the purchase order amount.
- Supplying sources will deliver product in accordance with lead times.
- Supplying sources will not:
 - Back-order product.
 - Substitute other products to top-up an order, nor replace unavailable products.
 - Attempt a second delivery for products that were originally unavailable.
- If the supplying source cannot ship product, the order must be declined in GMS.

SHIPPING DOCUMENTATION

The following shipping documentation **must** accompany each shipment to a licensed grocer and be type faced and **not** hand-written:

1. Bill of Lading (BOL) must contain the following information:

- Identification of ship-to-location (store operator name and LCBO store #)
- Grocery store licensee purchase order number
- Total number of pallets
- Total number of cases
- Identify any company-owned or returnable pallets
- Must be marked 'freight prepaid'
- Must not contain invoice information such as case price, tax, etc.

2. Packing Slip must contain the following information:

- Identification of ship-to location (grocery store licensee name and LCBO store #)
- Grocery store licensee purchase order number
- Itemized list of the shipment including;
 - LCBO Item #
 - LCBO Item Description
 - Quantity of delivery in cases

Standard shipping documentation is available in GMS to be printed during the "Prepare Shipment" stage. Supplying Sources are welcome to use their own shipping documents provided they are compliant and **do not** reference pricing.

For more information on shipping documentation watch the video Complaint Shipping Paperwork at www.lcbowholesaleoperations.com by selecting *Suppliers/Job Aids & Training Materials*.

Upon Delivery

Grocery store licensees must sign the transportation BOL to verify the number of pallets and cases received. At the time of delivery, any observed damages to product or variances in the quantities of pallets and cases is to be noted on the BOL. If at the time of delivery, a case count is not practical, grocery store licensees may indicate "STC" (Subject to Count) on the BOL. A count will be completed after the driver has left and shortages may be reported by the grocery store licensees. STC will not be accepted for deliveries of ten (10) cases or less.

DELIVERY GUIDELINES

Grocery store licensees will receive deliveries from multiple supplying sources based on eligible beverage alcohol product(s) ordered; either through LCBO, TBS (for domestic beer) or from one or more of the Ontario manufacturers. Supplying sources may only deliver eligible beverage alcohol products to licensed grocery store to satisfy the LCBO issued purchase order.

Supplying Source Responsibilities for Delivery to Licensed Grocery Stores

Each supplying source is expected to review the specific needs of the ship-to location to determine any unique delivery requirements. A list of licensed ship-to locations and corresponding LCBO store numbers is available at www.lcbowholesaleoperations.com.

It is the supplying source's responsibility to confirm delivery appointments, if required, with the grocery store licensee and arrange transportation. Delivery appointment will be confirmed by the supplying source, if required, with the ship-to location.

General Delivery Guidelines

- The supplying source will be responsible for arranging, where necessary, delivery appointments with the licensed ship-to location (i.e., a licensee's store or distribution centre (DC)).
- The supplying source is responsible for loading product(s) onto the grocery store licensees' receiving dock.
- The supplying source cannot substitute product(s) during the fulfillment and delivery process.
- The supplying source cannot attempt a second delivery for product(s) that were originally unavailable.
- All deliveries will be freight prepaid by the supplying source, FOB ship-to location.
- Upon request, supplying source will provide LCBO with the signed proof of deliveries/Bills of Lading within 48 hours of a request.
- It is the supplying source's responsibility to ensure that any deliveries through a third-party logistics provider (3PL) follow the delivery guidelines.
- The supplying source's delivery representative shall follow all safety policies and procedures in effect at the applicable receiving location.

Delivery Charges Related to Manufacturers of Eligible Beverage Alcohol Products

Grocery store licensees will not impose on any supplying sources any penalties, fees, charges or surcharges for late delivery, non-compliant deliveries, breakages, non-compliant pallets or fill rates.

As per the Regulation, if the licensee charges a fee to manufacturers of eligible beverage alcohol products for providing distribution and warehousing services, the fee must be calculated in the same manner for all manufacturers and must be made publicly available.

Refused Delivery of An Order

Grocery store licensees **can** refuse delivery of an order when:

1. **Incorrect order:** the order was not placed by the licenced store, i.e., the PO#, Store Number or Name does not belong to the licenced location.
2. **Non-eligible product(s):** product(s) delivered are not eligible for grocery, i.e., spirits, non-compliant wines, beers, and ciders.
3. **Incorrect product(s):** product(s) received do not match order, i.e., cans instead of bottles.
4. **Outside lead time:** product(s) are delivered outside the communicated lead times, i.e., products arrive twenty (20) days after the order was placed.
5. **Damaged product(s):** product(s) arrive in unsaleable condition, i.e., broken bottles, dented cans, pallet overturned, etc.
6. **Overages:** the supplying source delivers more product(s) than ordered, i.e., grocer orders one (1) case, supplying source delivers three (3) cases. The grocery store licensee is only required to accept the ordered product(s).
7. **Non-compliant shipping documentation:** shipping documentation does not meet requirements. Documents must contain the store number, store name, PO#, LCBO item number and case quantity delivered per item.

Grocery store licensees **cannot** refuse delivery of an order when:

1. **Within lead times:** ordered product(s) arrive within the communicated lead times.
2. **Overstocks at store:** accepting the ordered product(s) would lead to excess inventory at the licenced location.
3. **Short Shipments:** ordered product(s) are short shipped.

SECTION 6

PAYMENT PROCESS AND TERMS

PAYMENT PROCESS AND TERMS

Payment For Orders Fulfilled by TBS and Ontario Manufacturers

The LCBO will issue payment to supplying sources based on grocery store licensee weekly receipts. In the event weekly receipts are not submitted by grocery store licensees, payment will be made based on shipment quantities entered in GMS by supplying sources (known as the 'deemed receipt' process).

Any variances between shipping and delivery reports will be investigated by the LCBO. Upon request, supplying sources must provide the LCBO with signed proof of deliveries/Bills of Lading within **48 hours** of a request to support any required invoice adjustments.

Supplying sources shall not set off any amounts owed to the LCBO relating to grocery or wine boutique deliveries. Supplying sources must not include grocery or wine boutique deliveries on invoices sent to the LCBO.

Invoices are issued on a weekly basis for deliveries made in the previous week (Sunday – Saturday).

For supplying sources that deliver directly to grocery store licensees, payment terms are thirty (30) days from the store receipt date and payments will be issued by direct deposit.

Invoice and payment details including grocery store licensee name and store number, BOL (Bill of Lading) number, PO number, SKU, cases shipped, cases received, supplier quote, container deposit, freight rebate (where applicable) and HST will be available in **iSupplier**. For information on registering for **iSupplier** go to www.doingbusinesswithlcbo.com.

Payment For Orders Fulfilled by LCBO

There is no change to the current process and terms.

SECTION 7

CLAIMS AND RETURNS

CLAIMS AND RETURNS

All sales of eligible beverage alcohol products made to grocery store licensees under the Wholesale Supply Agreement are final. Grocery store licensees may make a request to the LCBO to:

1. Return unopened, saleable eligible beverage alcohol products to the supplying source.
2. Claim reimbursement for short shipments, damaged or unsaleable inventory received from a supplying source.
3. Claim reimbursement for product quality related issues:
 - a. Product recalls
 - b. Product quality complaint returns
4. Claim reimbursement for wine floor price product recall (Beer and wine grocery store licence only).
5. Claim reimbursement for sampling (Wine Boutiques only).

The following applies to **all** claims and returns:

- Claims and returns **must** be initiated by the grocery store licensee.
- LCBO is the **only** vendor that issues credits to grocery store licensees. Supplying sources are not permitted to issue credits to licensees.
- **All** returns must be approved by the LCBO. Once approved, the supplying source (i.e., LCBO, TBS, or Ontario manufacturers of eligible beverage alcohol products) and the grocery store licensee must mutually agree on a time for pick-up of the returned products.
- Any financial adjustment related to a claim or return is based on the original purchase price and is issued by LCBO to the grocery store licensee and/or supplying source.
- No returns are to be made to LCBO retail stores.
- Beverage alcohol products damaged by grocery store licensees are ineligible for returns.

1. Saleable Product

A grocery store licensee may request to return **saleable** product when:

a) Shipment Error Occurs

The product is in saleable condition and a shipment error was made by the supplying source. Examples include, but are not exclusive to:

- Picking errors
- Over shipment

b) Other

The product is in saleable condition but returned for other reasons. Examples include, but are not exclusive to:

- Grocery store licensee out of business
- Licence suspended

Saleable condition means that the product:

- Is unopened with evident seals, labels, and original packaging intact and with no visible tampering
- Is in its original condition
- Is in its original selling unit (for example, a full case)
- Has no evidence of age related deteriorations
- Is not stale-dated

If product is to be returned, the grocery store licensee initiates by submitting a claim to the LCBO:

1. The LCBO reviews the return request (confirmed against the Bill of Lading) and will inform the grocery store licensee if the return is approved or declined.
2. Once the return is approved, the supplying source (LCBO, TBS, or Ontario manufacturer) is notified by the LCBO. The supplying source will coordinate with the grocery store licensee to mutually agree on a time and arrange for pick-up of the returned products. Pick-up should be completed no later than the next regularly scheduled delivery day.

3. All returns must be in original packaging and/or shipping container (i.e., cartons or trays). When a product is returned because of a supplying source error, freight charges, if necessary, are covered by the supplying source.
4. In the case of a return of saleable product for reasons other than shipping error, a reasonable restocking fee may be applied to the purchase price of the returned product.
5. Upon pick up, the driver must sign two (2) copies of the pickup authorization. One (1) copy must be kept at store as evidence of the pickup. While the other copy is returned with the driver.
6. The supplying source must confirm with lcboagroceryoperations@lcbo.com that the product was picked up. Once the LCBO receives confirmation from the supplying source that the returned product has been received, a credit memo is issued to the grocery store licensee by the LCBO.

Further details on how to pick up a return request can be found in the Job Aid – How to Pick up a Return Request at www.lcboagroceryoperations@lcbo.com by selecting *Suppliers/Job Aids & Training Materials*.

2. Unsaleable Product

A grocery store licensee may request to return **unsaleable** product when:

a) Claiming reimbursement for short shipments, over shipments, damages or unsaleable product discovered *during* receiving

Where the grocery store licensee identifies a shortage, overage, damaged or unsaleable product during receiving, this will be marked on the signed BOL provided to the driver. The licensee will indicate the shortage or overage on their weekly receiving report.

b) Claiming reimbursement for short shipments, over shipments, damages or unsaleable product discovered *after* receiving

After receiving, claims may be made by the grocery store licensee for short shipments, overages, damages, or unsaleable product, including:

- Goods received in bad order (e.g., short in case, dry breaker, stale dated upon receipt)
- Defective product
- In-transit damage not identified at the time of receipt (e.g., breakage, frozen or heated load). Grocery store licensees are permitted to dispose of damaged product once photos are taken
- Unsaleable inventory found while unloading or stocking shelves
- Short shipments or over shipments discovered after receiving

Grocery store licensees are required to notify the LCBO of any shortages, overages, damages or unsaleable product discovered after receiving. The LCBO is solely responsible for approving or declining all claims. The LCBO will investigate the claim with the supplying source and a credit will be issued to the grocery store licensee and a debit note to the supplying source once the claim is resolved.

In the event the product is to be returned to the supplying source, the supplying source will coordinate with the grocery store licensee to mutually agree on a time and arrange for pick-up of the returned products by the supplying source. Freight charges, if necessary, are covered by the supplying source.

3.Product Quality Issues

- a) **Product Recalls** are initiated by the LCBO on behalf of the Agent or Supplier. There are three (3) types of product recalls:
1. **Class 1:** May pose an “immediate or potential health hazard”
 2. **Class 2:** Non-health risk; a situation where the use or exposure to a non-compliant product is not likely to have adverse health consequences or where the probability is remote
 3. **Action Required Alert:** Product quality problems that present no known issues or hazard (may also be referred to as a product withdrawal)

When the LCBO has confirmation of a recalled product, **specific instructions will be provided to the grocery store licensee by the LCBO via a QA Alert.**

- b) A **Product Quality Complaint** may or may not require further investigation and refund or exchange to retail customer is based on grocery store licensee’s return policies.
- i. Customers general complaints do not generally require further investigation and include (but are not limited to):
 - Off colour
 - Off odour
 - Off taste
 - Sediment in bottle
 - ii. Product Quality Complaints requiring further investigation include (but are not limited to):
 - Alleged illness
 - Property damage
 - Personal injury
 - Customer requests for investigation

Product Quality Complaints require the completion of the Beverage Alcohol Product Quality Complaint form by the grocery store licensee. If the grocery store licensee issues a refund to the customer, the licensee may submit a request to the LCBO to be reimbursed by completing the Beverage Alcohol Product Quality Complaint form (including valid proof of purchase information from the customer).

4. Wine Floor Price Product Recall: Beer and Wine Grocery Store Licence Only

Wine sold by a licensed grocery store is subject to a grocery floor price as detailed in the Regulation. In the event that the retail price of a wine product falls below the regulated floor price specific instructions will be provided to the grocery store licensee by the LCBO.

The supplier will be charged back for all related costs incurred as a result of the recall. **For full details, refer to Section C of LCBO Purchase Order Terms and Conditions.**

5. Sampling Program Claim: Wine Boutiques Only

Wine boutiques can apply to the LCBO to be refunded the cost of up to 10 (ten) bottles per SKU (stock keeping unit) per store per LCBO fiscal year for wine manufactured by other wineries (i.e., non- wine boutique owner wines).

The LCBO will review the claim and upon approval charge back the cost of the product to the supplier, which will be issued via debit note. **For full details, refer to Section C of LCBO Purchase Order Terms and Conditions.**

APPENDIX

GLOSSARY OF TERMS

AGCO

Alcohol and Gaming Commission of Ontario is the regulating body for the sale of beverage alcohol in the province of Ontario.

ADVANCE SHIPPING NOTIFICATION (ASN)

Completed by the supplying source and created twenty-four (24) hours prior to when an order is delivered and defines which product is being shipped and in what quantity

AUTHORIZED THIRD PARTY LOGISTICS PROVIDERS (3PL's)

An organization authorized by the LCBO to act on behalf of supplying sources in the areas of warehousing, order picking, order consolidation, and final delivery. Authorized 3PL's are contracted by manufacturers to engage in some or all of these activities and can be expected to be making deliveries to licensed grocery stores for some products.

BILL OF LADING (BOL)

The legal document representing delivered quantities by the supplying source and received quantities by the grocery store licensee.

CREAM WINE

An alcoholic beverage made from wine and added milk ingredients.

DOING BUSINESS WITH LCBO

An information hub for beverage alcohol suppliers and trade partners available at www.doingbusinesswithlcbo.com. This site is the destination for all information related to working with the LCBO.

ELIGIBLE BEVERAGE ALCOHOL PRODUCTS

Include wine, beer and cider products as defined by the Regulation. Eligible products for each individual licenced grocery and wine boutique location(s) are defined in the Wholesale Supply Agreement.

FORTIFIED WINE

Wine to which an alcoholic distillate has been added.

GROCERY MANAGEMENT SYSTEM (GMS)

The system by which licensed grocery store place orders for eligible beverage alcohol products.

GROCERY FLOOR PRICE FOR WINE

Minimum price, by size, at which wine products can be sold by a grocery store licensee under a beer and wine licence. The complete version of the table below can be found in the Regulation.

LCBO GROCERY OPERATIONS

Fully dedicated department inside the LCBO to serve wholesale customers and partner with suppliers and supplying sources.

LTO

Limited Time Offer

MALT BASED BEVERAGE

An alcoholic beverage that is produced from a base of malt blended with juice, water, carbon dioxide or flavouring and that does not have the aroma or taste commonly attributed to beer.

NISS

New Item Submission System (NISS) used to register products for wholesale to grocery channel.

ONTARIO REGULATION 746/21

Regulation regarding the sale of eligible beverage alcohol products in grocery stores and wine boutiques found at <https://www.ontario.ca/laws/regulation/r21746> (as the same may be amended from time to time).

QA ALERT

An email notification from the LCBO to licensed grocery store outlining specific actions to be taken on recalled beverage alcohol product(s).

QUALITY ASSURANCE WINE

Wine (excluding cider) that is designated as meeting the quality control standards of a statutory appellation of origin regime that certifies, in the aggregate, less than 50 million litres of wine (excluding cider) annually.

SMALL PRODUCERS**Brewery**

Beer manufacturers with worldwide production of less than 400,000 hectolitres of beer in volume per year.

Cidery

Cider manufacturers with worldwide production of less than 25,000 hectolitres of cider in volume per year.

Winery

Wine manufacturer with worldwide sales less than 375,000 litres of wine per year.

SUPPLIER

Manufactures product and makes products available for wholesale through the LCBO and sets product pricing.

SUPPLYING SOURCE

Delivers eligible beverage alcohol products to licensed store licensees as directed by LCBO.

SUBJECT TO COUNT (STC)

May be indicated by a receiver on the BOL where a complete count is not practical. A full count is required for deliveries of ten (10) cases or less. STC will not be accepted for deliveries of ten (10) cases or less.

TBS

The Beer Store.

WHOLESALE SUPPLY AGREEMENT (WSA)

Agreement of business terms between the LCBO and licensed grocery stores for the wholesale of eligible beverage alcohol products.

WINE BEVERAGE

A wine-based cocktail or an alcoholic beverage that is produced from a base of wine that may have added to it flavouring or flavouring preparation, juices, colour, and sugar that does not have the aroma or taste commonly attributed to wine and that is available in a spirits-based version.