

POLICIES & PROCEDURES



2024 Listing
Policy

Effective Date:
February 6, 2024

Objective

To maintain the efficiency of Brewers Retail Inc. o/a The Beer Store (BRI) by managing the number of stock keeping units (SKU) in the system. This policy may be periodically updated to achieve this objective and BRI will communicate all updates to brewers on a timely basis.

The policy guidelines are outlined under the following headings:

1. Pre-Listing Requirements
2. Sales Performance Evaluation
3. Seasonal/Rotational and Promotional SKUs
4. In-Case or On-Case Promotions Policy
5. Subject Locations
6. Informational Reporting
7. Shipments of Incorrect Package Choice
8. Administrative Listing Fee
9. Draught Products
10. Multiple Brewer SKUs
11. Permanent Retail Store Closures

1. Pre-Listing Requirements

A Brewer may list any beer SKU, as defined in the Liquor Licence and Control Act, 2019 S.O. 2019, inBRI if the following requirements have been met:

- A) The Brewer has signed the BRI User Agreement.
- B) The Brewer has paid the BRI Listing Administration Fee as per the Rate Sheet.
- C) The Brewer has obtained liability insurance in the amount of \$5,000,000 CAD for each occurrence and BRI is named as additional insured. Insurance must be in place before first shipment arrives at BRI.
- D) The SKU has been granted all LCBO technical and pricing approvals.
- E) The SKU conforms to the BRI deposit schedule.
- F) The SKU container is not made of ceramic or any other non-recyclable container as defined by BRI.
- G) The SKU packaging is fully recyclable as defined by BRI.

Effective April 1, 2024, all new listing applications for any SKU at BRI stores are subject to the following timelines:

1. Listing activated September 15, 2024 - Application due by June 23, 2024
2. Listing activated February 15, 2025 - Application due by November 23, 2024
3. Listing activated May 15, 2025 - Application due by February 21, 2025
4. Listing activated September 15, 2025 - Application due by June 23, 2025

Applications outside these timelines will be considered on a case-by-case basis.

2. Sales Performance Evaluation

- a) The sales performance for each individual stock keeping unit in a store will be measured on sales for a 52 week period. Draught sales at retail locations are excluded from the measurement.
- b) The initial evaluation of a SKU will not occur for a minimum of 52 weeks after the product has been placed on sale in a store. First receipt of product at the store triggers on the sale date. Following the initial evaluation, each SKU’s sales performance will be measured annually. In 2024, all brewers will receive from BRI an interim sku performance report in March and a final report in July for an August delist based on the previous 12 months of sales at BRI (July 2023 to July 2024).
- c) Each SKU having less than the minimum sales threshold in a particular store (as per the sales thresholds listed in the chart below) will be subject to delisting in that store. SKU thresholds for brewers with worldwide production of less than 25,000 HLs will be lower than those of brewers which exceed said criteria. Each packaged and draught SKU must sell more than 5hl per annum to remain listed in a particular BRI distribution center.

Threshold Group	hL Threshold	Equivalent 473 Cans
Small Ontario Craft	1.08	228
Small Import	0.81	171
Small Non Beer	0.90	190
Small Domestic Specialty	1.40	296
Small International	0.78	165
Small Value	2.72	575
Small Premium	1.24	262
Large Ontario Craft	1.43	302
Large Import	2.38	503
Large Non Beer	1.14	241
Large Domestic Specialty	2.54	537
Large International	3.70	782
Large Value	3.50	740
Large Premium	4.48	947

- d) Any de-listed SKU in a store will remain so for a minimum of 12 months. At that point, a Brewer has the option to re-list the SKU by re-paying all appropriate listing fees.

NOTE: When a Brewer's SKU is delisted but other SKUs for the same brand are available, BRI will process sales in larger package sizes, by applying the pack up pricing procedure where applicable pricing is available. There is no requirement for the brewer to produce the smaller packages, however; BRI only repacks from smaller to larger packages.

3. Seasonal/Rotational and Promotional SKUs

Seasonal/Rotational SKUs

- a) Each brewer is permitted to have one Seasonal/Rotational listing. For the first introduction of a Seasonal/Rotational SKU, brewers may remove an existing SKU of same size or smaller of the SKU being introduced. The brewer must advise that the SKU is Seasonal/Rotational at the time of listing.
- b) Brewers with no listings at BRI will be required to pay a one-time listing fee per section 8 below. Brewers with existing listings at BRI may utilize one of those existing listings for the purpose of introducing their Seasonal/Rotational listings.
- c) Ontario brewers with annual BRI sales of fewer than 10,000 hls per annum who have an established listing at BRI by means of their two free listings in seven local stores policy outlined in section 8 below may utilize one of those listings as a Seasonal/Rotational listing.
- d) Brewers may rotate skus through their Seasonal/Rotational listing, subject to the BRI listing timeline indicated in section 1 above with Spring listings activated in February, Summer listings activated in May, and Fall/Holidays activated in September. Brewers may leave an existing SKU in their seasonal slot for as long as they wish, they do not have to rotate in a new SKU for each rotation window.
- e) Before rotating or substituting the SKU, the SKU must be either fully sold out or all inventory of the SKU must be removed from BRI stores at the brewers' expense at all BRI stores where the Seasonal/Rotational listing is utilized. *(For example, Brewer A wishes to list a flavored malt beverage (fmb) in the summer, a bock in the fall, and a Session IPA in the spring in 50 stores. In all 50 stores, the fmb must be either depleted or removed before the introduction of the bock. The same applies substituting the bock for the Session IPA and so on).*
- f) The Seasonal/Rotational SKU being rotated can be a different brand from the brand it is replacing.
- g) If there is a BRI requirement for the Seasonal/Rotational packages to be redistributed, this will be done at the Brewer's expense.

Promotional SKUs

Brewers may also list promotional SKU's in addition to the seasonal/rotational SKU above. A promotional SKU is a product that is intended to be in market for a period less than 6 months. Promotional SKU's may include packages that are of a seasonal nature or are available only for a limited time.

- a) For the first introduction of a promotional SKU, a listing fee will apply. The brewer must advise that the SKU is promotional at the time of listing.
- b) No promotional SKU may be available for more than 6 months. At the end of the 6 months, on a rolling 12 month basis, the SKU is to be removed from BRI stores at the brewers' expense.
- c) Promotional SKUs will be subject to the same performance criteria as all other SKUs (prorated for the duration of time the SKU is available for sale in the store).
- d) Promotional SKUs that meet BRI performance standards may be introduced at a future date without repaying fees as long as the SKU is re-launched within 24 months of the initial launch date.
- e) Promotional SKUs that do NOT meet BRI performance standards in stores may not be re-introduced in those stores for a period of at least 12 months. Thereafter, the SKU may be re-introduced as per the conditions of a through c above and the listing fee WILL be applied.
- f) Brewers may not substitute brands with each re-launch of the promotional SKU.
- g) If there is a BRI requirement for the non-promotional packages to be redistributed, this will be done at the brewers' expense.

4. In-Case or On-Case Promotions Policy

BRI reserves the right, in its sole discretion, to deny a listing application, and to decline to purchase and sell, any beer product which involves a promotion that is designed to or has the effect of driving consumers to purchase liquor products primarily at beverage alcohol retailers other than (i) BRI, or (ii) a brewer's own beer retail store located at the site of their brewery ("on-site beer store").

For greater clarity, this policy only applies to beer products/packages sold through the BRI system, and in no way is it intended to limit any brewers' ability to sell beer products/packages through other beverage alcohol retailers that may involve promotions designed to promote or encourage the sale of beer through that retailer.

The terms of this promotions policy are as follows:

- a) No in-case promotion may contain a wine, hard liquor or other alcoholic beverage other than what is defined as beer under the Liquor Licence Act.
- b) No in-case promotion (e.g. a promotion where a value added item/gift with purchase is included inside, attached to, or near a case of beer) or on-case promotion (e.g. a contest, coupon, or price offer communicated on case graphics) will be permitted where the promotion, value added item/gift, coupon, case graphics or any other promotional element, directly or indirectly suggest or imply that a customer seek to purchase any beverage alcohol product, primarily from a retail sales channel other than BRI or a brewer's own on-site beer store, within Ontario.
- c) No on-case promotion can offer a prize that would be redeemed through a beverage alcohol retailer or in any way promote the business of a beverage alcohol retailer, in each case, other than BRI or a brewer's own on-site beer store, within Ontario.

- d) If an in-case promotion uses a beer product as a value added item (e.g. a single serve can or bottle of beer), it must also be listed for sale at BRI. The number of BRI stores in which the beer product is listed for sale must be comparable to the store distribution in any other retailer in which the product is sold.
- e) All value added items/gifts with purchase must be fully contained inside a closed beer carton and displayed as a graphic on the outside of the carton. Value added items/gifts with purchase may be located outside of a beer carton, provided the item is tethered/fastened to the main package (e.g. a 6 pack open carrier) and provided it does not interfere with the display or handling of the product as determined by BRI.
- f) No in-case promotion will be permitted if it causes the weight of the case to exceed any maximum weight guidelines established from time to time by BRI.
- g) If an in-case promotion that uses the same beer product as a value added item is available for sale after 90 days, the value added item will no longer be considered “promotional” and the basic services fee as prescribed in the Brewers Retail User Agreement will be applied to the value added beer product.
- h) It is the brewer’s responsibility to ensure any and all in-case and on-case promotions shall comply with applicable packaging and advertising laws, rules and regulations.

Failure to comply with this policy will result in BRI ceasing to purchase, display and sell the non-approved product. Any product not in compliance with this policy will be returned by BRI to the brewer at the brewer’s expense. BRI will not be held responsible for any lost sales or other damages if the promotion was not in compliance with this policy.

BRI reserves the right, in its sole discretion, to withdraw, suspend, amend or supplement this policy from time to time.

5. Subject Locations

All BRI locations will be subject to the sales performance thresholds pursuant to section 2(c) of this policy.

6. Informational Reporting

To allow Brewers to understand which of their SKUs will be subject to delisting, a semi-annual report on non-threshold performing SKUs sales history will be produced for each brewer.

7. Shipments of Incorrect Package Choice

Following SKU evaluation, SKUs that are to be de-listed in stores may no longer be shipped to those stores during the de-listing period. BRI will refuse such packages or return such packages to the Brewer or supplier at the time of delivery or at the first opportunity at the Brewer’s cost. BRI will not pay for de-listed products that were shipped in error. BRI will sell the product for two weeks following the de-listing date or until the product is sold through.

8. **Administrative Listing Fee**

A one-time administrative listing fee, as listed in the Rate Sheet, will be levied on each SKU introduced to the BRI system. This fee will apply to all packaged and draught products. Only physically orderable SKUs attract listing fees. Brewers are encouraged to make use of BRI's pack up pricing policy to reduce the cost of listing fees. BRI may decline to list one-trip cases where it deems necessary.

Expansion of a SKU will attract the normal per SKU listing fee determined by the number of stores where the SKU is already listed. Substitution of a SKU for which the fee has not been paid, for a SKU already in the system and which is temporarily unavailable is not allowed.

Where a Brewer voluntarily delists a SKU regardless of the reason, the SKU remains subject to the sales performance thresholds for the 12 months. If the SKU meets or exceeds the threshold, the SKU may be re-introduced without paying the Fee. Otherwise, the SKU must be de-listed from the stores as per section 1 above and must remain de-listed for a period of at least one year after which time it may be re-introduced and the full listing fee must be paid.

If a Brewer that currently sells certain SKUs through BRI's system, sells or otherwise transfers all or part of those SKUs to another Brewer who also utilizes the BRI system, the purchasing brewer will pay to BRI a fee of \$1,500 per SKU to cover the transfer of those SKUs. These SKUs will continue to be measured against the same sales performance thresholds at the time of the transfer. A transfer of a SKU does not trigger a new 12 month sales period for measuring thresholds.

A Brewer may remove an existing SKU across the network and replace it with another SKU within the same brand. This can only be done once within BRI's fiscal year and a fee of \$1,500 will apply. The transition period is limited to six weeks from the time the Brewer ships the changed SKU size. Both SKUs may not be in the same store at the same time. When the new SKU is shipped to stores, the old SKU must be removed. The new SKU is subject to the BRI listing timeline indicated in section 1 above and will continue to be measured against the same sales performance thresholds as the old SKU. A SKU substitution in this case does not trigger a new 12 month sales period for measuring thresholds.

A Brewer who wishes to delist 2 SKUs regardless of the brand within their portfolio to introduce 1 new SKU or expand an existing SKU to additional BRI locations will be subject to a swap fee of \$1,500 per substitution, no other listing fees will be levied. The new SKU is subject to the BRI listing timeline indicated in section 1 above.

To illustrate, if a brewer delists 1 SKU that is listed in 300 stores and 1 SKU that is listed in 100 stores, the average number will be used to permit listing the new brand/SKU in 200 stores. If a Brewer wishes to list in more stores than the calculated average, the BRI per store fee will apply as per the Rate Sheet. Shipping of the new SKU cannot commence until all inventory of the delisted SKU has been removed and deactivated from the BRI network.

To clarify the expansion option, if the Brewer wishes to delist 2 SKUs within their portfolio to expand 1 SKU that is already within their portfolio, the Brewer delists 1 SKU that is listed in 300 stores and 1 SKU that is listed in 100 stores, the average number will be used to permit expanded listings of an existing brand/SKU in 200 stores. Shipping of the expanded SKU cannot commence until all inventory of the delisted SKU has been removed and deactivated from the BRI network.

For Ontario Brewers with annual BRI sales of less than 10,000 HLs, the listing fees will be waived for up to two (2) stock keeping units in up to seven (7) retail stores in proximity to the Brewer. For said Brewers already selling beer through BRI, this opportunity is applicable to future new listings. For said Brewers who are entering the BRI system, this opportunity is applicable to their first listings. If said Brewers wish to list these same stock keeping units in more than seven (7) stores, the one-time administrative listing fee, per the Rate Sheet is waived and only the “per store” fee is applicable. Said Brewers may request billing of the “per store” fee in monthly installments for the next seven (7) stores in proximity to the Brewer, subject to a six month limit on deferral of fees and fees being fully paid within the calendar year of year of listing.

The Administrative Listing Fee and other fees referred to herein will not be refunded or credited in any manner. Listing fees paid for a store are not transferable to other stores, other than pursuant to section 3 above and section 11 below.

9. Draught Products

Draught products may only be sold in those locations designated by BRI.

10. Multiple Brewer Packaged SKUs

Brewers who have entered into a User Agreement with BRI may co-package their products for sale under one SKU under the following conditions:

- A) Each Brewer manufacturing beer included in the package has signed the BRI User Agreement.
- B) The participating Brewers nominate one Brewer to manage all financial transactions with BRI, including paying the BRI Listing Administration Fee as per the Rate Sheet, and BRI will correspond with the nominated Brewer only on all financial and merchandising matters.
- C) Each Brewer has obtained liability insurance in the amount of \$5,000,000 CAD for each occurrence and BRI is named as additional insured. Insurance must be in place before first shipment arrives at BRI.
- D) Each Brewer agrees to be held jointly and severally liable for any product liability occurrences related to the co-packaged products.
- E) The SKU has been granted all LCBO technical and pricing approvals.

- F) The Brewers co-package the product and deliver to BRI the saleable package. BRI will not re-package multiple Brewers' products to create a co-packaged SKU.
- G) The SKU conforms to the BRI deposit schedule.
- H) The SKU containers are not made of ceramic or any other non-recyclable container as defined by BRI.

11. **Permanent Retail Store Closures**

Any SKU that has been listed for less than one (1) year at a BRI retail store that is permanently closing may receive a credit at another BRI retail store under the guidance of BRI Space Management. No listing fees will apply to such SKUs transferred from a permanently closing store to a new retail store.

- A) BRI Space Management will review the potential credits by Brewer, advise which other BRI retail stores may present credit opportunities for each SKU and create a list of where these credits may be applied.
- B) BRI Space Management will inform the Brewers which retail stores their credits may be applied to and allow Brewer input if they would like to discuss a change. BRI suggestions may be based on data insights (store profiling, sales trending, assortment mix, merchandising fixtures, etc.) and will be customized for each Brewer's specific BRI sku portfolio.

If the above applies to you, you will receive an email from your BRI Space Management contact.

Additionally, any SKU that has been listed for greater than one (1) year, but less than two (2) years, at a BRI retail store that is permanently closing may be transferred at the Brewer's request to another BRI retail store upon payment of a \$85 per SKU transfer fee. Listings cannot be transferred to a "D" Store.