

POLICIES & PROCEDURES



I.C.E.

In-store Merchandising

Policies and Procedures for displaying non-promotional beer

TBS Marketing

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Effective date: July 2023

Merchandising Statement

All non-promotional display of beer product and related information will be made available to the public according to a disciplined set of rules and procedures as has been TBS practice. TBS is Brewer/Brand neutral so the methodology and practices followed to merchandise beer have been designed to be objective and in accordance with the Master Framework Agreement issued by the Ontario Government on September 22, 2015.

Background

There are 92 I.C.E (Ice Cold Express) stores across the province as of November, 2015. There are 8 variations in layout of the ICE theatres; 4 variations (60% of ICE stores) contain 2 pallets in addition to the flow rack Bays.

ICE stores are characterized by having five distinct experiential areas:

1. Pricing and brand information (Beer Walls, digital tablets)
2. Empties return counter
3. Full goods order counter
4. Promotional lobby displays
5. Self-Serve shopping zone: Single Can Coolers, Flow Rack theatres and Related Products

This Merchandising policy is about the display of beer in 'Flow Rack Theatres'.

All other beer merchandising policies will be covered in other policies and documentation.

Mandatory Merchandising Requirements

The following over-arching strategic directives apply to merchandising beer in all I.C.E. theatres:

1. Zones - all data analysis is conducted using sales from one of 7 merchandising Zones
2. Sales Data - includes total Ontario beer sales "Through the Corporation" as defined in the TBS Shareholders Agreement
3. SBI - a Small Brewer Index ensures the 20 % merchandising space for Small Brewers

Other Highlights:

- All re-sets are done to ensure that share allocations are periodically adjusted to reflect a brands and a brewers growth
- Re-sets....New ICE merchandising plan-o-gram resets occurs twice a year – May and November.
- In the event of a Brewer merging with or being acquired by another, the resulting entity will retain the Facings originally allocated to those Brewers for the remainder of the display period. After that period, the two merged Brewers will be treated as one Brewer for the purposes of this Policy.

Policies and Procedures

I.C.E. Store Merchandising

Effective November 2017

TBS reserves the right to modify merchandising Policy and Procedures for ICE Theatres and any Operational requirements impacting displays with 60 days written notice.

Policy *All listed Brewers have a merchandising opportunity relative to their Zone share.*
Procedure Total Zone (7 zones...see appendix) sales over the latest rolling 12 months data issued just prior to a reset period are used to calculate Brewer share.

Total sales include all beer sales “Through the Corporation” in a Zone. Cider draught sales are not included.

Brewer share of sales in a Zone is calculated by taking the accumulated sales for the Brewer or Brewer Family (see appendix) within the stores geographic Zone and dividing it by the total aggregate sales of all types in that Zone.

Policy *Small Brewers will have a SBI applied so that they occupy 20% of the available merchandising space*
Procedure Each store has an ICE Theatre merchandising profile that determines the total available Facings (see appendix). Each roller is one Facing for a total of 30 Facings in a Bay. A pallet is evaluated at 30 Facings, the same as a full Bay.

Small Brewer (SB) (see appendix) allocation is determined by multiplying the total available Facings by 20%. e.g. a 240 Facing Theatre reserves 48 Facings for SB. Note: Facings and merchandising values are not impacted by the depth of product on the roller or pallet.

The remaining faces in the Theatre (80%) is reserved for Large Brewers e.g. in a 240 Facing Theatre, Large Brewers have as a group, 192 Facings.

Policy *No one Small Brewer can occupy more than 5% share after indexing.*
Procedure A Small Brewer Index (SBI) for the Zone is calculated using their aggregate share to ensure 20% occupation of the fixture. Example: If all Small Brewers share of sales for the Zone is 6% then the SBI index is 3.3 (20%/6%). Each Individual Small Brewer facings is then multiplied by this factor to arrive at an adjusted share adding up to 20% for the group.

Restrictions: No one Small Brewer can occupy more than 5% of the merchandising Facings as a result of applying the SBI. Example: in a 240 Facing theatre, no one Small Brewer can have more than 12 Facings. If however, the Small Brewer has naturally earned more than 5% share of Facings before applying the SBI, it shall receive only those Facings it’s entitled to without the benefit of the SBI factor.

If, after applying the SBI and the total Facings exceed 5%, the Brewer in question is capped at that level and any Facings in excess of 5% is redistributed to the other Brewers in the same group (Large or Small). All Facings still must add up to 20% Small and 80% Large representation in the Theatre.

A Large Brewer Index (LBI) is similarly applied to each Large Brewer (after the SBI has been calculated) so the collective representation of them as an aggregate is 80%. Example: LB collectively represent 94% zone sales, so the LBI is 0.85 (80%/94%). There is no Brewer cap on earned Facings for Large Brewers.

Policy

Procedure

Brewers earn either Permanent facings or become part of a Rotational pool.

Brewers that earn 0.5 Facings or greater after indexes have been applied are assigned a permanent Facing (s) to occupy in the fixture for the entire 6 month re-set period.

Brewers earning less than 0.5 facings are put into a rotational list, one for Small Brewers and one for Large, and listed in descending order of share of Facings. The top Brewers in this list are chosen in descending order until the fixture is full for the rotational section (Large and Small). Brewers that remain on the list and therefore not on display for the current re-set will be rotated into the fixture on a monthly basis, analysts choose from the next available Brewers in descending order and so on each month.

Policy

Procedure

Brewers with earned permanent Facings choose the brands/skus for display.

Once share of space allocated to a Brewer is determined, TBS contacts each Brewer that have permanent earned Facings. Brewers then have 7-10 days from this date of notice to reply with the brands/sku's they want to merchandise in the Theatre for the re-set period. Brewers that are part of a Brewer Family can select brands/sku's from their Family portfolio.

A Brewer with permanent Facings can substitute up to 10% of its earned space with their own or agency brands over the 6 month re-set period. Example – a Large Brewer with 80 earned Facings can substitute 8 positions with another brand/sku over one re-set period by contacting TBS analysts in writing with three weeks advance notice.

The top two Brewers based on share of Zone sales choose one of their top selling brands to occupy a pallet position (if available in the Theatre). A pallet is equivalent to 30 Facings which is deducted from the Brewers total allotment.

During the plan-o-gram process, it may be necessary due to safety concerns or fixture limitations, to ask a Brewer to substitute a pack size with another one of the same brand or another from their Brewery (see appendix for size substitution chart).

Rotational Brewers, both Large and Small, will have their brand/sku's chosen directly by TBS analysts. Each rotational Brewer will be notified of the choice based on the most popular/highest selling brand sku at the time of the re-set. The rotational Brewer can change the selection in writing within the 7-10 day notice window.

Policy

Procedure

All merchandising must adhere to safety and customer shopping convenience.

Brewer permanent and rotational sku's will be reviewed for pack size and location on rollers and shelves assigned to them within the Theatre. Adjustments will be made if necessary. TBS may request a Brewer to make another selection.

Due to weight and size restrictions, the following rules apply: Base shelf – 15 pack bottles or less and 24 pack cans or less, first and second shelf – 28 packs or less, third shelf 24 packs or less, top shelf – 12 pack bottles or less, 15 pack cans or less. TBS reserves the right to re-position selections accordingly.

Pallets in the ICE Theatre cannot display cases more than 7 high bottles or 14 high cans.

Any off-piling of product in front of the Theatre area has to be of a temporary nature for operational efficiency and cannot impede access or aisle width according to accessibility codes.

When possible, packs are displayed handle out for ease of access by customers.

All packs on display must have an adjacent price tag that is up-to-date and accurate.

Packs merchandised on rollers cannot be stacked one on top of another.

28 packs and larger cannot be merchandised side by side on the roller.

All sku's will be identified with a colour coded Category (see appendix) label.

Only sku's of 6 packs (excluding high 6 pack cans) or greater can occupy an ICE Theatre (smaller packs are not stable).

APPENDIX

New Beer Framework Definitions

Large vs Small Brewer: A Small Brewer is one with world-wide annual production < 400K hls (see 'Master Framework Agreement, September 22, 2015'). A Large Brewer is defined as having annual world-wide production is > 400K hls. Moosehead and Brick are been deemed to be a Small Brewer when merchandising in TBS stores.

Small and Large Brewer Index: An index is applied to the Small Brewer share within a defined zone to ensure the collective share of space equals 20%. Calculated by taking the required 20% and dividing it by the collective % share earned by Small Brewers in a Zone to arrive at a multiplier e.g. a 6% Small Brewer share would result in a SBI of 3.3 (20%/6%). Once the SBI has been calculated and applied, a LBI (Large Brewer Index) is calculated based on an 80% limit SBI and applied to Large Brewers. Example: if the Small Brewer Index above is 3.3, the LBI is 0.85 (80%/94%). This ensures the merchandising allocation balances to 80%.

Categories: All beer merchandised in TBS stores must be organized into the following categories:

Value – all brands regardless of origin, that are >\$2 below the most popular priced brand per equivalent 24 pack.

Premium – Domestic (Canadian) brands priced above Value and below Domestic Specialty.

Import - Import brands produced outside Canada and priced above Value, including importedUS brands.

International – Domestic brands that have historical international origins outside of Canada and the US and are currently produced within Canada and priced >\$2 above the most popular price point per equivalent 24 pack.

Domestic Specialty – Domestic (Canadian) brands >\$2 above the most popular price pointper equivalent 24 pack.

↳ **Ontario Craft Beer** - A sub-category within Domestic Specialty defined as Ontario Craft Beer (same definition as above with the added requirement of 70% of world-wide production is in an Ontario facility with production < 400K hls).

Merchandising Definitions

Theatres: refers to the merchandising area in an ICE store that allows self-serve access to beer on gravity fed rollers and pallets in the centre of the store located between the full goods and empties return areas. 2

Bays: each theatre consists of 'Bays' (ranging from 2-6) which are sectional divisions of flow racks defined as having five rows/shelves in height with six rollers in each for a total of 30 display opportunities within each Bay.

Brewer Family: Brewers that own or have agency representation of other Brewers will be considered as one Brewer Family and all sales within the Family will be used to aggregate total sales (eg.; Molson Coors, Labatt, Sleeman and Moosehead).

Facings:

- a) **In General** - for merchandising calculations the standard unit of measurement is a 'Facing'. For ICE Theatre Bays, a Facing is defined as the relative space of one flow rack roller when occupied by a 12 pack 341 ml bottles facing with the 3 bottle side facing out. As height is not important, a 12 pack of aluminum cans is the same number of facings as a 12 pack bottles.
- b) **Rollers** - During share calculations any pack size ≤ 18 is considered as one Facing (one roller). Any pack size >18 will be assigned a value of two facings as the pack will occupy two rollers. Note: due to size restrictions, 28 packs and larger cannot be merchandised side-by-side due to space limitations and the packs will not operate on the roller.
- c) **Pallets** -based on the same principles, the facing value assigned to a pallet in the theatre is 30 based on the number of 341 ml bottles expressed as a factor of the number of 12 pack standard packs equivalents that are visually merchandised to a customer. The two top selling brands from the two highest share of sales Brewers occupy one pallet each.
- d) **Theatre totals** – the total facings for a theatre then will depend on the number of Bays and Pallets in the store. The table below summarize the Facing totals.

Type	# Stores	Bays	Pallets	Roller Facing	Pallet Facings	Total Facings
Type A	13	6	2	180	60	240
Type B	1	5	2	150	60	210
Type C	14	4	2	120	60	180
Type D	1	5	0	150	0	150
Type E	29	3	2	90	60	150
Type F	5	4	0	120	0	120
Type G	30	3	0	90	0	90
Type H	1	2	0	60	0	60

Earned vs Unearned Facings

When share of sales, after indexing, is multiplied by the total number of facings available, each brewer is assigned the number of facings they could occupy in the ICE Theatre. If this number is 0.5 or greater, then the Brewer has 'earned' a facing and will be permanently given the appropriate space on the flow racks or pallets. Whenever the number is less than 0.5 however, the Brewer is considered not to have earned a permanent facing and it therefore allocated to the 'Rotational Pool' of Brewers with <0.5 Facings. These Brewers can only occupy the fixture when they are next in the queue and they are thereby given 1 'unearned Facing' to ensure a presence for a rotational period.

Resource Data and Zones

Sales: To calculate merchandising share for each Brewer in the Theatre the Total Sales “Through the Corporation” (as defined in the TBS Shareholders Agreement) in a Zone is used. Total Sales = sales over the latest rolling 12 month data just prior to the reset period (April, November). Virtual skus’ are not merchandised in the store but are included in the calculations of total Brewer/brand sales.

Zones: There are 7 geographic zones that all data is extracted from. The defined zones reflect the amalgamation of 14 Operational Districts at TBS. The zones for calculated share and other indexes are as follows:

- Zone 1 – Amalgamation of Districts #7005 Ontario NE and #7006 Ontario NW
- Zone 2 – Amalgamation of Districts #7031 Ottawa and #7035 Peterborough
- Zone 3 – Amalgamation of Districts #7033 Oshawa and #7034 Barrie
- Zone 4 – Amalgamation of Districts #7001 Windsor and # 7002 London
- Zone 5 – Amalgamation of Districts #7003 Hamilton/Niagara and #7004 Kitchener
- Zone 6 – Amalgamation of Districts #7012 Brampton and #7014 GTA West
- Zone 7 – Amalgamation of Districts #7013 GTA Central and #7016 GTA East

Substituting Pack Sizes

Brewers that are allowed to substitute SKU’s must follow these guidelines:

		Acceptable Pack Size Substitutions						
Pack size		6	12	15	18	20	24	28
One Facing	6	1 for 1				2 for 1		
	12							
	15							
	18							
Two Facings	20	1 for 2				1 for 1		
	24							
	28							