

September 25, 2017

To: Spirits Suppliers

Re: Spirits Plant Applied Value Adds

Dear Trade Partners,

As I announced at Trade Day, we are ready to test a change to our Plant Applied Value Add program. Effective Period 9, brands that were previously approved for plant applied value adds will now be charged a flat \$700 participation fee versus a per case fee. At the same time, plant applied value adds will be required to ship under the mother SKU using the same SCC, instead of a unique mother carton SKU. The following will apply to the Plant Applied Value Add Program:

Stacee Roth
 Director, Spirits
 stacee.roth@lcbo.com
 416-864-6347 Tel.

43 Freeland St.
 Toronto, ON, M5E 1A4

- Limited to brands currently utilizing the program
- Imported SKUs or new SKUs will not be approved
- Applications will continue to be entered in MPTS
- Category will continue to approve VA quantities
- Value Adds should not be applied in excess on shelf after the promotion end
- Case dimension and pallet configuration MUST remain the same, shipped under the mother SKU/SCC
- Cases cannot not exceed 18.9 kgs
- SUPPLIER MUST REINVEST INTO LCBO PROGRAMMING

As orders for the Plant Applied stock will no longer be issued under a mother carton number, suppliers should follow an internal tracking process as suggested below:

New Plant Applied Process commencing P9, 2017	
Responsible Party	Action
LCBO	Plant applied programs and quantities approved via MPTS
VENDOR	New internal tracking code Value Add number created.
VENDOR	Calculate Plant Applied VA case split by LCBO warehouse (using historical sales split of host SKU)
VENDOR	Build finished goods plant applied cases using new Plant Applied VA internal number. This allows internal tracking for order pick control at vendor warehouse.
VENDOR	Have Plant Applied VA prepared for dispatch from vendor using the appropriate lead time to <u>arrive in warehouse approximately 2 weeks prior to promo start date (not earlier).</u>
LCBO	Create orders using regular UPC and SCC via normal weekly orders.
VENDOR	Prior to program start date, begin substituting & shipping Value Add item versus the regular sku on orders to the LCBO (no notification to LCBO is required on substitution). Use appropriate lead time to <u>arrive in warehouse approximately 2 weeks prior to promo start date (not earlier).</u>
	If PO QTY is over approved Value Add QTY, vendor will ship balance with Host
	If PO QTY is under approved Value Add QTY, vendor will continue shipping Value Add on future orders until depleted
LCBO	Receives Value Add item per normal receiving procedures, scanning carton SCC and inducting into the regular LCBO sku stock holdings. (VA SCC on carton to be same as regular sku)
LCBO	Value Add items will ship from LCBO warehouses to retail based on FIFO inventory policy. Retail orders using regular LCBO sku.



LCBO

If in the short term a supplier needs to ship the Value Add under a different SCC (i.e. to deplete dry goods), please advise the Inventory Manager 4 weeks before the promotion period.

If you have any questions about the new Plant Applied Value Add process moving forward please contact the appropriate Category or Product Manager.

Best Regards,

A handwritten signature in blue ink, appearing to read "Stacey Roth".

Stacey Roth