



v) Freight

The MLCC establishes standard rates for the costs of inbound freight on all domestic and imported products brought into the MLCC excluding privately distributed beer.

a) Setting the rates

- Rates are set to prevent frequent fluctuation in retail product prices due to minor variances in freight rates.
- The goal is to break even on freight expenses.
- Standard rates are set for each shipping point.
 - The rate for domestic product is based on the average per litre freight cost FOB the point of origin.
 - The rate for imported product is based on the average per litre freight cost from the country, or in cases where there are significant differences, from the region of the country of origin. Rates include all forwarding agents' fees, ocean freight and inland freight.
- For special events and special orders, where the product is not consolidated with normal traffic, the additional freight cost over the normal rate is passed through to the customer without markup. For example, air freight for Beaujolais Nouveau.
- Rates are reviewed and adjusted if necessary:
 - quarterly or as required
 - prior to major retail price changes
- Adjust to take into account any additional relevant factors such as new freight rates.

b) Approval

- The President and CEO, the CFO, and the Director, Purchasing approve rate changes.

c) Calculating inbound rates

Freight rates are calculated as follows:

For each shipping location:

$$\text{freight rate} = \frac{\text{total actual freight costs (see NOTE 1)}}{\text{total litres for previous 12 months}}$$

NOTE

(1) Adjust the rate to take into account any additional pertinent factors such as new freight rates.

For further information on actual rates currently used, see the *Pricing and Listing Information* booklet.

vi) Handling charges for MLCC distributed beer

The MLCC allocates a portion of the markup on MLCC distributed beer to offset the handling fee paid to beer vendors for accepting returns of MLCC distributed beer containers.

- For further information on the handling fee paid to beer vendors, see *Compensation to Beer Vendors (Ref. #29)*.



Pricing

Appendix

Finance is responsible for a General Ledger liability account:

- A portion of the markup on MLCC distributed beer sold to the public is credited to the account.
- Handling fees paid to beer vendors are debited to this account.

The CFO monitors the balance in the account and recommends changes to the handling charge as required.

- Changes to handling charges are approved by the President and CEO.

The portion of the markup on MLCC distributed beer allocated to the handling charge is:

Container size	Charge added
All package sizes	\$0.07 per dozen

vii) Handling charges for privately distributed beer

The MLCC adds a charge to the price of privately distributed beer to offset the handling fee paid to beer vendors for accepting returns of privately distributed beer containers.

- For further information on the handling fee paid to beer vendors, see *Compensation to Beer Vendors (Ref. #29)*.
- This charge is added after licensee markup but before markup to the public.

Finance is responsible for a General Ledger liability account:

- Handling charges included in the price of beer sold to the public are credited to the account.
- Handling fees paid to beer vendors are debited to this account.

The CFO monitors the balance in the account and recommends changes to the handling charge as required.

- Changes to handling charges are approved by the President and CEO.
- Every attempt is made to schedule any changes to the handling charge with a supplier price change.

The current handling charge added to the price of privately distributed beer is:

Container size	Charge added
All package sizes	\$0.34 per dozen

viii) Markup

Markup is calculated on a percentage basis of the landed cost of a particular product. The percentage calculated depends on the product category. A minimum markup structure is employed, in conjunction with the percentage markup. Markup is based on the greater of the markup percentage or the minimum markup.

- For current rates, see *Schedule A* of this policy.
- For further detail, see the *Pricing and Listing Information* booklet.