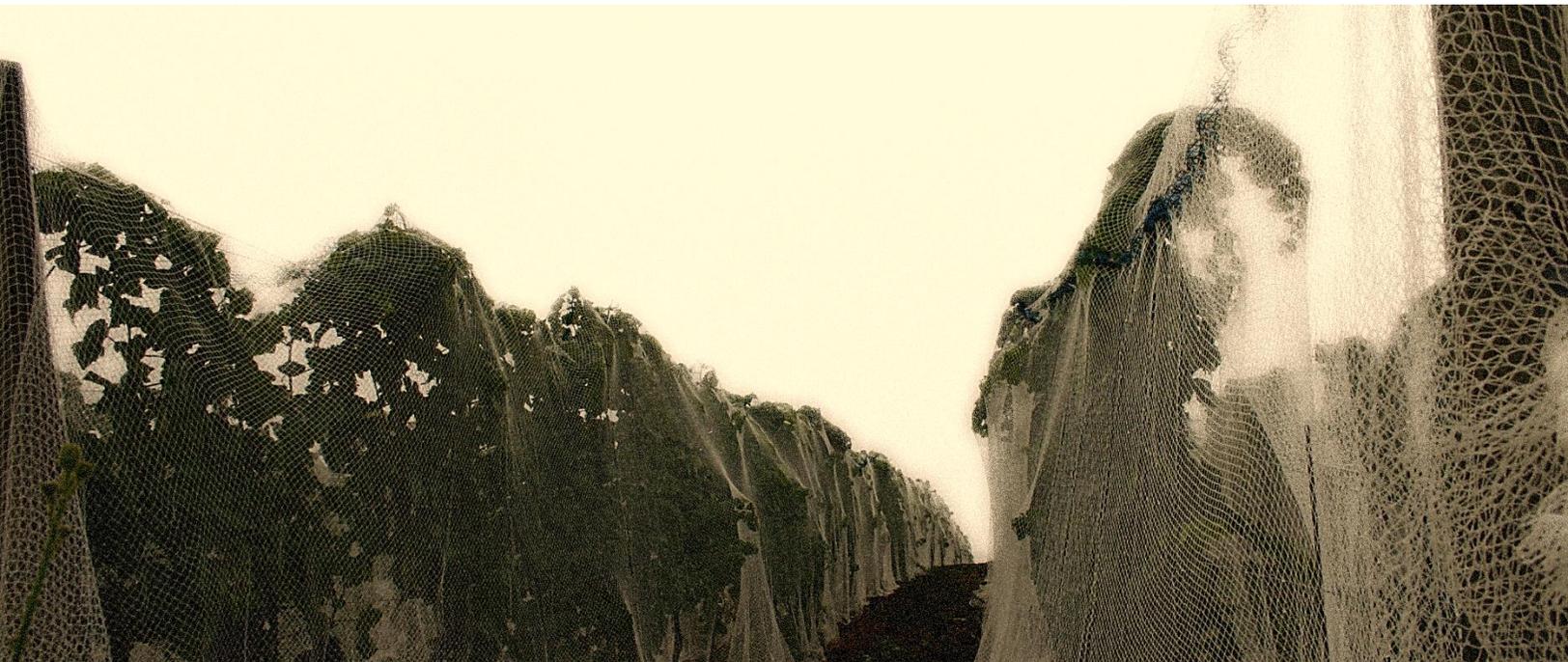


VQA ONTARIO



BUSINESS PLAN 2017 – 2020

Taste the Place

VQA is about place. Special places right here at home.

Places like nowhere else in the world. Where the soil, the slope, the sunshine, the warmth, the rainfall and the craftsmanship all matter. Together, they give us better grapes. And better grapes give us better wine.

Vintners Quality Alliance Ontario

VQA Ontario – Ontario’s Wine Authority

Vision: Consumers will use Ontario’s VQA appellations as their guide to buying authentic wines of origin and quality.

Mission: Effectively manage the appellation system. Encourage sustained improvements in wine quality. Communicate the VQA assurance of origin and authenticity and the added value of appellations.

Values: Integrity and Fairness – VQA Ontario will carry out its statutory authority with transparency and fairness, and strive to uphold high ethical standards.

Responsiveness and Communications – VQA Ontario will conduct its operations openly, providing its members and the public access to information and timely responses to inquiries. It will adopt and implement policies to respect the confidentiality of its members and stakeholders. It will promote the value and benefits of the appellation system and VQA wines.

Firmness and Responsibility – VQA Ontario will discharge its regulatory responsibilities firmly and fairly and ensure VQA terms, descriptions and designations are not misused.

Accountability– VQA Ontario will be accountable for its decisions and promote effective and fair dispute mediation to resolve conflict.

Effectiveness – VQA Ontario will strive to carry out efficient and cost-effective operations, and provide a high level of service.

Introduction

The *Vintners Quality Alliance Act, 1999* (VQA Act) was proclaimed on June 29, 2000. This date marked the beginning of a regulated appellation of origin system to govern the production and labelling of the high quality wines of origin that Ontario has to offer.

VQA Ontario is an independent authority to which the Ontario Government has delegated the responsibility for administering the VQA Act and its regulations through an administrative agreement with the Minister of Government and Consumer Services.

VQA Ontario is committed to ensuring label integrity for consumers and administering Ontario's wine appellation system in the public interest. Label integrity, high standards and rigorous verification and enforcement programs continue to protect consumers and support VQA as an internationally recognized symbol of origin, quality and authenticity for Ontario wine. This also provides a strong foundation for the economic success of Ontario's wine industry.

In administering regulations -- particularly those that restrict the use of terms and descriptions linked with origin -- fairness and transparency are of utmost importance. VQA Ontario pursues its regulatory mandate with care and with a commitment to an open and fair process.

Mandate

The VQA Act sets the framework by which standards for the production of VQA wine and appellations of origin for wine growing regions are established. VQA Ontario has the following operating objectives:

- To establish, monitor and enforce an appellation of origin system in accordance with the VQA Act that allows consumers to identify wines on the basis of the area where the grapes are grown, the methods used in making the wine and other quality standards;
- To control the use of specified terms, descriptions and designations associated with the VQA appellation system;
- To act as the wine authority under the VQA Act, and to participate in discussions with government and other stakeholders which relate to wine standards;
- To inform, educate and work with the grape and wine sector, governments and the public to promote the value and benefits of VQA-approved wines.

Partnerships

VQA Ontario has important partners that support a successful regulatory model.

Consumers – VQA Ontario is a publicly accountable organization. It protects wine consumers by verifying claims of origin and ensuring label claims are meaningful and truthful with respect to the wine in the bottle. VQA Ontario ensures minimum quality and content standards are met.

Industry – VQA Ontario works closely with industry stakeholders, through its regulated wineries, grape growers and other stakeholders, to ensure VQA rules and regulations are reasonable and fair, and support a competitive and credible foundation for the industry. VQA Ontario also promotes improved awareness and understanding of Ontario's wine regions, the appellation system and its value to both consumers and industry.

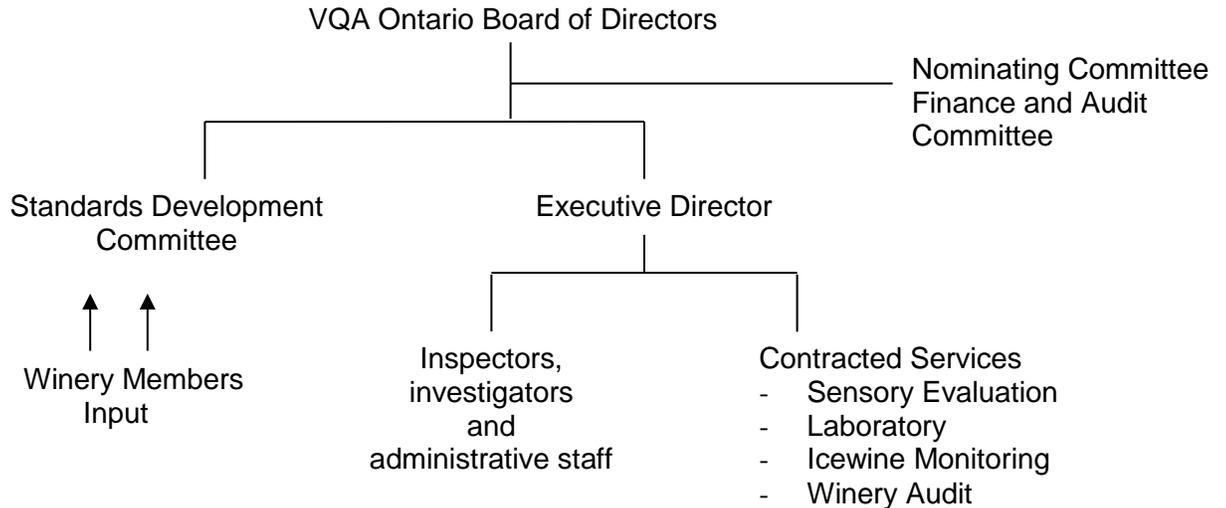
Government – As an administrative authority working under statutory delegation from the Minister of Government and Consumer Services, VQA Ontario works with government to achieve its goals consistent with the VQA Act. VQA Ontario maintains strong communications with the Ministry and works closely with other Ministries and Agencies involved in wine issues. VQA Ontario leverages the expertise of the Liquor Control Board of Ontario (LCBO) to provide comprehensive services related to wine testing and shares audit services with the Alcohol and Gaming Commission of Ontario (AGCO) to maximize efficiency and service levels. VQA Ontario also participates in national and international trade discussions related to wine standards to promote global recognition and acceptance of Ontario's VQA appellation system.

Corporate Structure

VQA Ontario operates with a small permanent staff and assistance from the LCBO and others on a contract for service basis. The governance structure reflects the principles of self-management, with elected industry representatives comprising a majority of the Board of Directors. Also represented on the Board of Directors are the Ontario government, the Grape Growers of Ontario and the Ontario Restaurant, Hotel and Motel Association. Members of the Board of Directors as of March 31, 2017 are listed in Appendix A. Three standing committees have been established to assist the board with its mandate: Nominating Committee, Finance and Audit Committee and Standards Development Committee. Other committees operate on an ad-hoc basis.

Public and Government of Ontario

Minister of Government and Consumer Services



Operations

Operations are structured to provide effective management for a regulated system of origin and quality assurance. Major functions include:

Membership and registration

- Registration of qualified wineries and secure online management of membership records and renewals
- Registration program for non-winery grape growers to register grapes for Icewine eligibility

Service oriented programs for participating wineries

- Secure 24-hr online access to membership information, grape registration, wine approval applications and tracking, and wine transfers
- Comprehensive web-based reference library on regulations, processes, wine regions, VQA wine statistics, VQA Ontario activities and interpretive guidelines
- Seminars and periodic newsletters and bulletins to assist wineries in understanding wine-making regulations and administrative procedures
- Service oriented approach to delivering wine evaluations and audits and annual regulatory review to support innovation and competitiveness
- Member and industry stakeholder communications

Wine evaluation and approval

- Wine evaluation, testing and label approvals to ensure compliance with regulations for use of restricted terms, designations and descriptions
- Quality Assurance Review program, aimed at ensuring consistency and integrity within the approvals process and continued compliance through random sampling and testing of approved wines
- Professional development for the VQA Taste Panel
- Independent tasting panel to provide for appeals

Quality enhancement

- Winemakers Forum to encourage best practices, information sharing and skills development among winemakers to promote quality outcomes
- Partnership with CCOVI (Brock University) to promote professional development, research dissemination and outreach to industry
- Annual performance evaluation for VQA wineries on tasting and laboratory tests, including aggregate and individual winery performance measures to assist wineries in benchmarking, managing and improving their performance

Audit, Inspection and Compliance

- Comprehensive winery audits to verify compliance with origin and blending rules
- Risk-based inspection program targeting inspections where concerns are identified while minimizing administrative burden on compliant wineries
- Random inspections of winery operations and retail outlets
- Investigations and prosecutions where necessary
- Independent appeals process through Licence Appeals Tribunal

Research

- Research projects aimed at creating a credible body of knowledge about Ontario's VQA appellations and the wines originating from these appellations
- Statistics on VQA wines and appellations
- Consumer research on knowledge and perceived value of VQA certification and appellations

Public Awareness and Education

- Communications to promote awareness and knowledge about the VQA system, VQA wines and the added value they provide to consumers, focusing on VQA appellations and what makes them unique
- Vintage reports
- Industry partnerships to include VQA messaging in marketing initiatives
- Media and trade engagement (retailers, licensees, educators)
- Respond to inquiries and complaints

National and International Relations

- Participate in discussions related to national and international wine standards, trade agreements in the wine sector and export initiatives related to wines of origin
- Provide leadership on the harmonization of wine standards, consistent with VQA principles
- Promote reputation and recognition of VQA internationally, improve trade access for VQA wines and discourage counterfeiting

Resourcing

VQA Ontario is self-funded by winery fees and fee-for-service revenues. A moderate contingency fund is maintained to manage identified risks and unanticipated circumstances.

Business Context

VQA Ontario operates in a business climate that supports its continued success. The Ontario wine industry has enjoyed sustained growth backed by the regulated VQA appellation system that provides integrity and recognition for Ontario wines and a fair and level playing field among wineries. Knowledgeable wine consumers value the connection between appellation, quality wine, label integrity and the control of origin and production practices. The fundamental importance of origin and authenticity to the value of wine is acknowledged by consumers and the wine trade worldwide.

As a statutory organization entrusted with regulatory authority, VQA Ontario administers the VQA Act with a view to serve the public interest, balancing the rights and needs of consumers with the obligations of participating wineries and the broader wine trade. VQA Ontario strives to promote continuous improvement both in its regulatory operations and in the integrity and quality of wines produced by participating wineries.

Business Objectives and Achievements

VQA Ontario's vision is that consumers will use Ontario's VQA appellations as their guide to buying authentic wines of origin and quality.

VQA Ontario's business plan is focused on three primary strategic areas:

- Ensuring effective regulation of the appellation system with good governance and efficient management of core services.
- Maintaining strong quality and labelling standards and encouraging wineries to produce the highest possible quality wines at every market level.

- Promoting awareness and understanding of VQA Ontario, Ontario's wine appellations and the importance of origin as it relates to wine.

Core Business and Governance

Five-year Strategic Goals

Create and maintain regulations that are appropriate to ensure consumer trust in VQA wines and the VQA appellation system. Ensure that appellations of origin have inherent value to consumers and wineries beyond ties to economic incentives.

Regulatory framework

- Ensure regulations are responsive to the needs and expectations of consumers, industry and stakeholders
- Ensure regulations remain relevant while not unduly restricting innovation
- Enforce regulations effectively to support a fair and informed marketplace
- Build the credibility, reputation and value of the appellation system

Administration and governance

- Govern in an active and transparent manner
- Make strategic, well informed decisions
- Maintain financial integrity and a balanced budget
- Deliver cost-effective and responsive information and services
- Participate in activities that support VQA Ontario's objectives while remaining within the role and mandate of the wine authority

Relationships

- Seek out relationships with all stakeholders, take a leadership role on issues where appellation is a key factor
- Expand national and international relationships to protect and advance VQA Ontario interests, keep abreast of trends and learn from others
- Encourage the development of a harmonized approach to wines of origin at the federal level

2017-2018 Objectives and Activities:

Regulatory framework

- Complete annual review of regulations, assess evolving needs and expectations of industry and consumers
- Enforce VQA regulations effectively to support a fair and informed marketplace
- Target 95% or better rate of compliance
- Pursue opportunities for shared services and increased collaboration with other administrative authorities or regulators
- Continue to develop closer collaboration with AGCO and the Ministry of Attorney General in the context of a modernized regulatory framework

- Defend challenges to provincial authority to regulate the use of appellation terms

Governance and administration

- Continue to work closely with the Ministry on regulation changes, governance and accountability
- Execute on good governance practices, including
 - Annual Board governance training
 - Skill set management
 - Board self-evaluation
 - Directors orientation
- Submit Annual Report and Business Plan
- Maintain a high level of service in wine approvals, audit and inspection, communications and administrative functions
- Conduct an independent review of compliance operations and performance
- Upgrade IT services to improve convenience in winery interactions with VQA Ontario
- Manage budgets and expenditures related to ongoing litigation

Relationships

- Engage wineries in regulatory review, for example, regarding changes under consideration
- Continue to expand working relationship with AGCO investigations team
- Maintain and build stakeholder relations within Ontario's wine industry and trade groups
- Enhance contacts with government to increase the understanding of VQA Ontario's mission, mandate and role in relationship to the Ontario Wine Strategy
- Monitor the management of the VQA and Icewine certification marks and influence decisions to protect the integrity of the marks outside Ontario
- Participate in international trade discussions and regulatory forums to expand networks outside Ontario to support VQA Ontario's objectives

Quality

Five-year Strategic Goals:

Encourage sustained improvements in wine quality. Create and maintain a flexible framework that persuades individual wineries to produce and brand high quality wines of origin that support the reputation of the appellation system.

Quality standards

- Set and maintain standards that adapt to new technologies and consumer demand while protecting the integrity and credibility of the VQA system

Promoting a culture of quality in the industry

- Foster a culture of quality among winery members, promote and support an attitude that values quality but reinforce that it is the producers' responsibility to make quality wine and determine price/quality parameters
- Create an atmosphere for Ontario to produce a distinct and recognizable wine based on origin
- Promote the concept that sub-appellations mean more distinctive wines (the more specific the origin of grapes, the more distinct the wine character)
- Simplify and articulate the link between quality and appellation
- Provide programs and resources to support wine quality improvements among wineries and growers

2017-2018 Objectives and Activities:

Quality standards

- Implement regulation changes related to Sparkling wines and Skin Fermented White wines
- Consult regulated community on proposed changes related to a new viticultural area and wines made from dried grapes
- Continue to monitor new technology and winemaking techniques and assess requests for regulation change to create new wine categories and styles

Developing a culture of quality

- Deliver annual "winery report card" with quality performance analysis and technical information for each VQA winery
- Provide performance statistics for individual wineries and for the industry
- Conduct familiarization visits to VQA tasting panel and improve the understanding of sensory evaluation and its role in quality assurance
- Hold at least two industry targeted events such as Winemakers Forums or seminars in each region with topics geared to promote understanding of VQA rules and procedures and to encourage quality improvements
- Engage winemakers in sharing experience, techniques and best practices
- Continue partnership with Brock University and Niagara College through winemakers forums, seminars and identification of other initiatives with extension staff
- Promote a common understanding of what quality means within the VQA framework among VQA wineries and those who market VQA wines

Communications

Five-year Strategic Goals:

Communicate the VQA assurance of origin and authenticity and the added value of appellations. Build confidence in using the VQA appellations as a means of choosing authentic wines of origin and quality.

General

- Communicate to member wineries, industry stakeholders, trade and consumers
- Articulate clear messaging at various levels that explains what VQA is, what VQA Ontario does and why appellations and wines of origin have value
- Promote a balanced view of appellation, authenticity and quality
- Develop resources to support the value of appellations and for each appellation at every level - from simple messages to deeply detailed descriptions
- Educate (provide the facts) and raise awareness (explain value and meaning), promote VQA appellations, the appellation system and the concept of wines of origin
- Explain why VQA appellation wine means better wine
- Continue to wean consumers from a reliance on the VQA logo alone, and encourage reference to appellations as a decision point
- Advocate for clarity and consistency about the meaning of “Ontario” in the marketplace

Winery audience

- Make sure wineries understand the basics – VQA Ontario’s role, its mission/vision, what is expected from member wineries, and how VQA Ontario can help them promote their appellations and wines
- Provide knowledge for wineries to educate their staff and customers
- Encourage a higher profile for appellations in winery generated materials
- Engage with wineries and their staff to help them understand and communicate the value of appellations

Engage consumer and influencer audience:

- Enhance education, communication and engagement
- Simplify messages around why VQA means better wine
- Promote local, Ontario and wine of origin (authenticity)
- Monitor consumer views

Other stakeholder audiences

- Assess current relationships and strive for improvements
- Build relationships and expand participation with stakeholders
- Demonstrate tangible and intangible value of VQA Ontario and appellation system

- Demonstrate VQA Ontario values in consumer protection, industry growth and stability
- Form alliances and leverage stakeholder relationships to support VQA Ontario communications goals/messages

2017-2018 Objectives and Activities:

General

- Promote a deeper understanding of VQA as denoting origin plus quality
- Communicate appellation information in more approachable ways, working with industry organizations to highlight features
- Provide current statistics and information on VQA wines
- Conduct third stage of “Appellation 2.0” sensory research to establish key wine characteristics associated with each appellation
- Develop tactics to implement structured communications to specific target audiences through the VQA Ontario website

Wineries

- Disseminate information explaining VQA and how wineries can get the most value from their participation in the appellation system
- Integrate VQA messaging into industry training sessions for winery front line staff and/or LCBO sales people (through VQA Marketing programs)
- Continue to communicate regularly with wineries (newsletters, public and secure website) with active measures to ensure that VQA Ontario’s mandate is understood
- Increase direct engagement with winery members through individual contact, discussion groups, annual seminars and other events
- Conduct industry benchmarking survey on behalf of wine industry

Consumers and Influencers

- Engage the Wine Marketing Association of Ontario to ensure VQA marketing campaigns consistently reflect VQA values and meaning
- Provide concise messaging to assist wineries in explaining VQA basics to consumers
- Conduct consumer research to monitor consumer awareness levels

Stakeholders

- Continue/strengthen established relationships with industry associations, both provincial and regional (e.g., Wine Council of Ontario, Winery & Grower Alliance of Ontario, Grape Growers Ontario)
- Promote engagement with the appellation system among grower community
- Monitor the changing retail climate for issues related to signage and use of VQA terminology
- Continue dialogue with the Canadian Vintners Association on national wine issues
- Maintain contacts within federal government, principally Canadian Food Inspection Agency and Global Affairs Canada

- Ensure regular communications with the BC Wine Authority relevant to shared goals on harmonized wine standards
- Establish contacts with provincial agencies or associations as appropriate
- Continue to participate in and leverage broader industry marketing programs to deliver most of the communications tactics to support appellation messaging

Financial Plan

A three-year financial plan is outlined in Appendix B, including revenue sources and projected operating expenses.

Appendices: Appendix A – Board of Directors 2017
 Appendix B – Financial Projections 2017 - 2020

APPENDIX A

Board of Directors

March 31, 2017

Officers

Brian Schmidt

Vineland Estates Winery
President and Chair, VQA Ontario

Louise Engel

Featherstone Estate Winery
Vice-Chair, VQA Ontario

Paul Kassebaum

Constellation Brands
Treasurer, VQA Ontario

Martin Werner

Ravine Vineyard Estate Winery
Secretary, VQA Ontario

Directors - elected

Greg Berti

Andrew Peller Ltd

Jim Clark

Colio Estate Wines

Frank (Lanny) Huff

Huff Estates

Bill Redelmeier

Southbrook Vineyards

Paul Speck

Henry of Pelham Family Estate Winery

Directors - appointed

Tony Elenis

Ontario Restaurant, Hotel and Motel
Association

Mary Shenstone

Ministry of Citizenship and Immigration

Kevin Watson

Grape Growers of Ontario

Ken Douglas

Thirteenth Street Winery
Past Chair, VQA Ontario

VQA Ontario staff

Laurie Macdonald, Executive Director
Barbara Dodds, Office Manager (Inspector)
Susan Piovesan, Compliance Officer/IT Systems Administrator (Inspector)
Katherina Radcliffe, Communications Officer

APPENDIX B

Financial Projections to March 31, 2020

| | Estimated 2016-17 | Business Plan 2017-18 | Business Plan 2018-19 | Business Plan 2019-20 |
|--------------------------------------|----------------------|--------------------------|--------------------------|--------------------------|
| Revenues | \$ | \$ | \$ | \$ |
| Application and membership fees | 156,000 | 158,000 | 160,000 | 162,000 |
| Approval fees | 520,000 | 558,000 | 575,000 | 593,000 |
| Sales levy | 915,000 | 952,000 | 990,000 | 1,030,000 |
| Other income | 26,000 | 27,000 | 27,000 | 27,000 |
| OMAFRA TPA | 250,000 | 200,000 | 200,000 | 200,000 |
| Transfer from reserves | -38,100 | 361,400 | 66,400 | 59,900 |
| Total revenues | 1,828,900 | 2,256,400 | 2,018,400 | 2,071,900 |
| Operating Expenses | | | | |
| Salaries, benefits, training | 483,000 | 533,000 | 546,000 | 560,000 |
| VQA Marketing programs | 250,000 | 250,000 | 250,000 | 250,000 |
| Approval procedures | 600,000 | 656,000 | 682,000 | 709,000 |
| Quality assurance and investigations | 32,500 | 34,500 | 37,000 | 40,000 |
| Export certification and trade | 12,000 | 18,000 | 15,000 | 15,000 |
| Weather station monitoring network | 4,000 | 4,000 | 4,000 | 4,000 |
| Meetings and travel | 17,500 | 26,000 | 18,000 | 27,000 |
| Rent and accommodation | 38,400 | 38,400 | 38,400 | 38,400 |
| General office expense | 37,000 | 37,500 | 38,000 | 38,500 |
| Information Technology | 15,000 | 45,000 | 30,000 | 30,000 |
| Communications | 0 | 40,000 | 40,000 | 40,000 |
| Appellation projects (research) | 0 | 50,000 | 50,000 | 50,000 |
| TPA project consultant | 200,000 | 170,000 | 170,000 | 170,000 |
| Professional fees and insurance | 133,000 | 348,000 | 90,000 | 90,000 |
| Amortization | 6,500 | 6,000 | 10,000 | 10,000 |
| Total Expenses | 1,828,900 | 2,256,400 | 2,018,400 | 2,071,900 |

Notes

The figures provided for 2016-2017 are estimated. Audited statements will be available in July 2017.

Sales levies are based on projected VQA sales growth of 4% annually.

VQA Ontario is conducting an industry benchmarking survey funded under an OMAFRA Transfer Payment Agreement. Expenses related to the project are included in staff, overhead and the TPA project line items. It is not confirmed that this project will continue. A staff member is on leave in 2016-2017 which reduced salary and communications expenditures in that period.

Appellation research was not conducted in 2016 due to a shortage of wines.

IT expenses reflect a plan to add online payment capacity and other enhancements to VQA systems in 2017-2018

Projections for professional services in 2017-2018 include substantial legal fees anticipated due to ongoing litigation and is reflected in the large drawdown of reserves in that period.