



Supplier Manual

Doing Business with PEI Cannabis



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INTRODUCTION

PEI Cannabis Management Corporation (PEICMC) is a Provincial Crown Corporation, which is responsible for the distribution and retail of adult use cannabis in PEI. Through shared services arrangements, the *PEICMC* operates in partnership with the *PEI Liquor Control Commission* (PEILCC). The PEICMC is branded under the name **PEI Cannabis**.

The **PEI Cannabis Supplier Manual** has been prepared in order to help provide agent and supplier partners with the information necessary to maximize the benefits of doing business with PEI Cannabis. While you have been provided this copy for reference, PEI Cannabis will communicate changes with you electronically and encourages you to check the online version located on peicannabiscorp.com for any updates.

Our Vision

To be the preferred source of adult use cannabis.

Our Mission

To provide PEI adult use cannabis consumers with cannabis products and services that exceed their expectations, to promote impeccable standards of public health and safety, and to create value for all stakeholders.

Strategic Pillars

- **People & Culture:** To foster a high-performing, customer-focused culture of engaged employees through open communication, learning & development, safe work environments, and overall wellness.
- **Customer Experience:** To achieve and maintain high levels of customer satisfaction through technical innovation, service excellence, and responsiveness to customer preferences.
- **Social Responsibility:** To promote and monitor the responsible consumption of cannabis in PEI through public engagement, internal campaigns, and passionate employees.
- **Financial Results:** To become a key contributor to PEI's general revenue through business excellence and the continuous improvement in operational effectiveness and efficiency.



PEI Cannabis Key Contacts

Please direct any questions regarding merchandising programs and promotional opportunities to the following:

Zach Currie
Director, Cannabis Operations
(902) 368-5727
zcurrie@peicannabiscorp.com

David Stewart
Director of Purchasing & Distribution
(902) 368-5721
dlstewart@peicannabiscorp.com

Colin MacDonald
Brand & Communications Coordinator
(902) 368-5551
cmacdonald@peicannabiscorp.com

Linda Somers
A/C Assistant Warehouse Manager
(902) 368-5722
lasomers@peicannabiscorp.com

Laura Younker
Category Manager, Cannabis & Cannabis Accessories
(902) 368-5715
lajouner@peicannabiscorp.com

Lauran Toombs
Graphic Design & Web Specialist
(902) 368-6673
lctoombs@peicannabiscorp.com



PEI CANNABIS DISTRIBUTION MODEL

In PEI, adult use cannabis will be sold through four (4) stand-alone, PEI Cannabis retail stores and a Shopify-powered online sales storefront (peicannabiscorp.com) with direct-to-home delivery.

PEI Cannabis Store Addresses:

- Charlottetown - 85D Belvedere Ave, Charlottetown, PE C1A 6B2
- Summerside - 447 Granville St, Summerside, PE C1N 4P7
- Montague - 509 Main Street, Montague, PE C0A 1R0
- O'Leary - 478 Main St, O'Leary, PE C0B 1V0



SUPPLIER GENERAL CODE OF CONDUCT

The policy of PEI Cannabis is to optimize the efficiency of the business as it relates to a dollar return, and to provide customers with a well-balanced assortment of Cannabis while treating all suppliers fairly and giving all applications equitable consideration.

PEI Cannabis manages its operations with fairness, lawfulness, transparency, accountability, efficiency and sustainability. The purpose of the Supplier General Code of Conduct (the Code) is to align suppliers and potential suppliers with the corporation's core values.

The Code establishes PEI Cannabis's minimal requirements for the management of ethical, social and environmental risks and opportunities as PEI Cannabis engages in business relations with its suppliers. The policies in this Code apply to PEI Cannabis suppliers and prospective suppliers. It is also expected that PEI Cannabis suppliers and prospective suppliers apply similar policies throughout their own supply chain and business practices. This Code applies to all parties contracted

by PEI Cannabis for the supply of goods or services, and compliance with this Code is an integral part of the various conditions to become an approved supplier of PEI Cannabis.

Additional obligations, specifications and conditions pertaining to the supply of goods or services by PEI Cannabis suppliers may be contained in individual purchase orders issued by PEI Cannabis or contract documents executed with the corporation.

PRIMARY LISTING TERMS & CONDITIONS

- **Term of Supply Agreement:** Primary supply terms established upon legalization are expected to remain substantially unchanged for two years. PEI Cannabis will issue PO's for all orders.
- **Product Information:** Prior to being listed and sold in PEI Cannabis sales channels, prospective supplier partners are required to complete all mandatory fields in PEI Cannabis Accessory Listing Form attached with this manual for each SKU submitted.
- **Payment Terms:** Net 60 days from PEI Cannabis receipt confirmation.
- **Product Delivery:** All product shipments to be FOB warehouse in Charlottetown.
- **Regulatory & Quality Assurance:** Products and all supplier packaging supplied must comply with all applicable federal and provincial regulatory and Quality Assurance requirements related to cannabis accessories.
- **Customer Complaints:** Supplier partners will be responsible for responding to and investigating PEI Cannabis customer complaints related to products and taking appropriate corrective action.
- **Analyst Support:** To the mutual-benefit of both parties, supplier partners are expected to provide an analyst to support PEI Cannabis's forecasting and analytics.
- **Insurance:** At its sole expense and cost, PEI Cannabis suppliers will be required to maintain \$5M CAD commercial general liability and \$15M CAD recall insurance to PEI Cannabis's satisfaction. PEI Cannabis is to be an additional named insured and certificate holder.
- **Pricing:** All supplier wholesales pricing provided in the listing process must be "all-in" prices (i.e. inclusive of product cost, excise tax, freight, etc.). The PEI Cannabis pricing calculator will be used to determine retail prices. Two pricing change windows per year will be established post legalization.
- **Barcoding/Product Registry:** GS1 bar coding standards, product registry, and product photography will be required by successful Suppliers. Suppliers will also be required to upload a high-resolution JPEG/PNG image of the packaging (i.e. and dried flower where applicable) and provide a detailed product information sheet for each accepted SKU.
- **Banking Information:** New suppliers will be required to submit new vendor form and Electronic Fund Transfer (EFT) document attached with this document with approved new listings.

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- **Charge Backs:** Suppliers will be charged back landed costs from their accounts payable account for unsaleable inventory (e.g. damaged products, product returns, recalls, slow-moving products, discontinued products, expired products, etc.). This is inclusive of all costs related to the product's duty-paid landed cost, and those related to reverse supply chain logistics. All consolidated unsaleable inventory will be packaged at the PEI Cannabis Distribution Centre and shipped back to the supplier, or, if preferred, held for supplier pick up. Supplier must indicate if they'd prefer consolidated unsaleable quantities to be shipped collect to the shipping address provided, or, if they'd prefer to retrieve it from the PEI Cannabis Distribution Centre. If no indication of preference from a reverse supply chain standpoint is received, PEI Cannabis will ship consolidated unsaleable quantities collect to the address listed on the supplier PO.

Please be advised that as of January 2019, PEI Cannabis has developed seven (7) primary unsaleable reasons/accounts that will be used in classification of unsaleable inventory and charge-backs as follows:

- Cannabis Pod Display
- Missing Label
- Damaged Label
- Excise Seal Damage
- Customer Product Return
- Damaged/Leaking Packaging
- Recalled Product

Note: Unsaleable inventory for Cannabis Pod displays are not applied as a charge back, as they are covered in merchandising fees. However, inventory used for cannabis displays is sent back to suppliers along with other unsaleable inventory, and, along with the other unsaleable inventory, will be recorded in our seed-to-sale reporting obligations accordingly.

LISTING POLICIES & PROCEDURES

CRITERIA FOR SELECTING NEW LISTINGS

- Compatibility with specific themes of applicable *Expression of Interest* (EOI) processes;
- *Duty-Paid Landed Costs* (DPLC) provided;
- Provision of empty units of packaging of each product submitted to PEI Cannabis;
- Product strain strength and brand awareness supported with relevant sales data (e.g. Canadian Medical Market, US adult-use or medical market, Canadian illicit market, etc.);
- The products emerging appeal, perceived innovation or uniqueness;
- Availability of verifiable genetics;
- Product availability, shipping point, product delivery needs of PEI Cannabis; and
- Degree of required product attribute information (i.e. see product listing sheet);
- Cannabis education and where required responsible use strategy for customers and PEI Cannabis staff.

CATEGORY REVIEWS

To identify category trends and growth opportunities, category reviews will occur on a bi-annual basis once PEI Cannabis has sufficient historical data. Category review dates will be shared by the Category Manager.

During the category review each product's sales performance will be measured against the performance of all other relevant listings and the performance of the total category. Any product that underperforms may be de-listed and any remaining inventory will either a.) Be shipped back to LP, or b.) Have its retail price adjusted to another band.

If product is shipped back to Supplier, the charge back conditions will apply (i.e. supplier charged back full DPLC and reverse supply chain costs to AP).

Any product that has its price band adjusted within the category will entail the LPs being billed back to cover the cost of these adjustments (up to 30% of FOB) as part of the listing process.

PEI Cannabis reserves the right to add assortment at its discretions as required to adjust for market demand as well as the availability of locally-produced product. PEI Cannabis will also issue intermittent EOIs as notable category gaps are identified through the review process.

DRIED CANNABIS EQUIVALENCY

For adult-use cannabis in Canada, adults can legally possess a *Dried Cannabis Equivalency* (DCE) of thirty (30) grams. Further, provincial and territorial jurisdictions have discretion over what types of purchasing limits can be set through their respective distribution/retail frameworks.

PEI Cannabis has set a purchasing limit through its sales network of 30G of DCE. Each product sold by PEI Cannabis has a DCE data point (i.e. obtained through listing applications) which is shown on the cart page of our site and on our in-store point-of-sale system. PEI Cannabis leverages this data point in system scripts built into our in-store and online order processes to ensure no more than 30G of DCE is sold in one transaction.

In terms of flower products (i.e. dried flower and pre-rolls), it's easy to determine this type of product's DCE (i.e. 1 gram of dried cannabis flower has a dried cannabis equivalency of 1 gram). However, for non-flower cannabis products (e.g. cannabis oils, gel capsules, etc.) the varying levels of cannabinoid concentration within each product must translate into varying levels of DCE. For all non-flower product, PEI Cannabis asks that LP's align with the excise framework which considers how much cannabis was used to produce the respective non-flower product.

This approach aligns with PEI Cannabis's public safety and social responsibility objectives, and does not allow for one person to purchase an inappropriately-large amount of high-concentration cannabis products. We thank LPs for partnering with us in this important approach to public safety, category management, and retail sales.

APPLICATION CONTACT INFORMATION

All product listing applications and inquiries surrounding the category call and review processes must be forwarded to the following PEI Cannabis personnel:

Laura Younker
**Category Manager, Cannabis &
Cannabis Accessories**
Email: layounker@peicannabiscorp.com
Phone: (902) 368-5715

Zach Currie
Director, Cannabis Operations
Email: zcurrie@peicannabiscorp.com
Phone: (902) 368-5727

SUPPLY CHAIN & FINANCE REQUIREMENTS

INVOICING

- Supplier must complete an EFT Form with the PEI Cannabis Financial Analyst to be set up as a payee (see attached form at the end of document);
- PO's will be generated from the PEI Cannabis Oracle E-Business suite.
- Invoices and PO's must match (e.g. 50 lines on PO require 50 lines on invoice). Quantities, price and purchase order number must be present on invoices.
- Invoices must be sent for each PO issued;
- All invoice correspondence and and payables inquires must be forward to:
apcannabispeicmc@peicannabiscorp.com

PURCHASE ORDERS

- PEI Cannabis is the sole wholesaler and distributor of adult use cannabis in the province of Prince Edward Island.
- All products will be delivered to our PEI Cannabis Fulfillment Centre in Charlottetown.
- The PEI Cannabis Purchasing team will issue purchase orders with expected delivery dates directly to the Producer.
- Orders will be placed with the producer and products will be distributed to retailers by PEI Cannabis at the shipping case level.
- Any variance between the shipped quantity and purchase order quantity must be communicated to the PEI Cannabis Purchasing team at or before the time of shipping by the producer.
- Products delivered without the proper paperwork and a valid purchase order will be rejected and returned to the producer.

APPOINTMENTS

- Appointments are required for product deliveries from licensed cannabis producers and accessory providers. To make a delivery appointment to the PEI Cannabis Fulfillment Centre, please contact the PEI Cannabis Purchasing team - Dave Stewart at 902-368-5721 or Linda Somers at 902-368-5722.

DELIVERY PAPERWORK

Supplier-provided paperwork received by PEI Cannabis at the time of delivery must contain the following information:

- PEI Cannabis purchase order number
- PEI Cannabis SKU numbers
- Product descriptions
- Product lot numbers
- Delivered quantities (in master packs)
- Pallet count –if applicable
- All products to be delivered to PEI Cannabis Central Warehouse at 3 Garfield Street, Charlottetown, PE, C1A 7M4. Customer Name: PEI Cannabis
- Full supplier name
- Ship from location and address
- Master Pack GTINs for each product
- Shipping Case Configuration (number of retail selling units per shipping case)

BARCODE STANDARDS

Cannabis Products

- All cannabis producers **MUST** go through GS1 to secure their barcode symbology, and this format must be used, at minimum for master cases and retail selling packs, providing each package level with a unique barcode. The product size variants will also need their own barcodes (e.g. 1g, 40ml, etc.).
- The chosen cannabis GS1 barcode symbology is as follows:
 - *Consumer Item Packaging* – The GS1 Expanded DataBar symbologies. The expanded DataBar will only contain: GTIN (AI- 01), expiry date (AI- 17) OR 500723*, LOT (AI- 10) must be in this order.
 - Expiry date must be in YYMMDD format, as per GS1 standards. If your product does not have an expiry date, you will still need to keep the AI (Application Identifier) in the barcode symbology and replace the date with the default of 500723.
 - *Master Cases Packaging* – GS1-128 (GTIN, Expiry OR Default, LOT in this order).

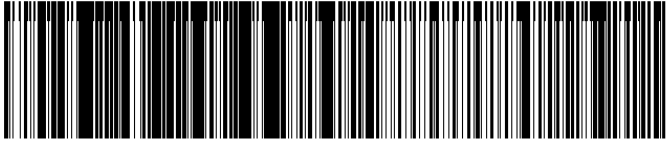
- The Lot information on the Master Packs must match the Lot Information on the Product Pack. If there is variance the PEICMC will not be able to scan items at the POS.

Accessory Products

- Accessory producers must go through GS1 to acquire their barcodes. If the barcode is conflicting or illegitimate, the product may not be registered.
- For accessories the following GS1 barcodes are accepted:
 - Consumer Item Packaging - Any GS1 DataBar, UPC-A/E, EAN-13 & EAN-8
 - Master Pack Packaging - GS1-128 (likely only the GTIN) or Interleaved 2 of 5), Interleaved 2 of 5, UPC OR EAN.
- All barcodes must be clear, legible, scannable, and display the human readable numeric code located beneath or beside the barcode.
- Multi-pack products must have a unique barcode on the outside package that is different than the barcode of the individual units contained within. The barcode on the individual unit(s) inside the multi-pack must be positioned in such a way that they cannot be scanned.
- There should be no truncation of any of the barcodes on any level of packaging.

CASE LABEL FORMAT & SPECIFICATIONS

- Barcode colors: Black bars with white background
- All master case packages must be sealed package
- Cases will be shipped along with a packing slip
- 2 labels per case side by side (front and side) - See example below
- Layout of the case label will include below information
 - Product name will have a larger font size than other information on the label.

Licence Producer LP1		GTIN (14) 01234567890128	
Product Name Generic			
Product Type Oil	Unit Size 15 ml	Unit / Case 12	
Lot # ABCDEFGHIJ		Exp. Date 180507	
			
(01)01234567890128(17)180507(10)ABCDEFGHIJ			

Notes:

- Application identifier 10 (AI10) used for the lot number is a variable length field according to GS1 standard and is an alphanumeric field with a maximum of 20 digits.

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- Application identifier 90 (AI90) are **not** to be used as they are not supported by PEICMC systems.
 - The bar code shown on page 11 is an example.

Pallet Standards

- Pallets delivered to a PEI Cannabis Fulfillment Centre must meet the following requirements:
 - Pallet must be in good condition without damage to the board or shipping cases.
 - Dimensions: Length 40" (101.6 cm), width 48" (121.92cm), and a maximum height of 48" (121.92cm) including the board.
 - No overhang on the sides of the pallets

Shipping Case Standards

- Shipping cases must be in a format that can be distributed to resellers without breakdown required by PEI Cannabis.
- The number of retail units per shipping case must fall within the ranges specified by PEI Cannabis (see below).
- The maximum shipping case dimensions are: Length 18" (45.72 cm), width 18" (45.72cm), height 12" (30.48 cm).
- Shipping case configurations (retail selling units per shipping case) must match the case configuration specified on the PEI Cannabis purchase order.
- Shipping cases must arrive in tamper evident packaging (e.g. cardboard case sealed with security tape).
- Shipping cases must contain only one SKU (stock keeping unit) and only one lot number per case.
- All shipping cases delivered to the PEI Cannabis Fulfillment Centre must have 2 labels (front and side) with the label visible at the time of delivery.
- The shipping case label must contain the following information:
 - Producer name, product name, product type, GTIN (cannabis or accessory).
 - # Retail units per case, retail unit format, lot #, expiry date, scannable and human readable barcode in the correct format.
- Products that do not scan upon delivery will be rejected.
- The producer is responsible for registering products and maintaining the integrity of product information in the PEI Cannabis systems.

Acceptable Shipping Case Configuration Ranges

Category	Retail Unit Format	Minimum Retail Units per Shipping Case	Maximum Retail Units per Shipping Case
Dried Flower	1 gram	24	96
Dried Flower	3.5 grams	12	96
Dried Flower	7 grams	12	96
Dried Flower	15 grams	6	32
Dried Flower	30 grams	4	24
Oils		12	32
Capsules		12	24
Pre-roll (singles 1 gram or less)		24	72
Pre-roll (multi-pack less than 15 grams)		12	48
Pre-roll (multi-pack 15 grams or greater)		6	48
Seeds		6	12

Retail selling unit standards

- All retail selling units must be pre-packaged and meet federal packaging and labelling requirements.
- All retail selling units must be packaged in “smell-proof” packaging.
- All retail selling units must meet the barcode standards specified by the PEI Cannabis.

RETURNS & PRODUCT DESTRUCTION

- Product returns will maintain a 7-day return policy for all cannabis and accessory products.
- Proof of purchase is required for all cannabis product returns, and no cannabis product will be eligible for return if the excise stamp is not intact.
- Customers returning product must leave verified personal information which will be maintained by PEI Cannabis for one (1) year, to be referenced as required pursuant to various loss prevention efforts to mitigate fraudulent returns.
- The PEI Cannabis return policy, and the administrative processes associated with it, will be closely monitored throughout implementation and adjusted as required.
- All returned and unsaleable product will be sent to the PEI Cannabis centralized distribution centre.
- At their expense (i.e. to be charged back from AP), PEI Cannabis suppliers can choose to:
 - Have their consolidated unsaleable product securely held for pick up;
 - Have their consolidated unsaleable product sent back to their facility; or
 - Have their consolidated unsaleable product lumped in with aggregated unsaleable inventory for which arrangements will be made for controlled destruction.
- LPs must provide PEI Cannabis with customer care/support contact information to escalate customer complaints that do not align with its product return policy.

DATA SUBSCRIPTION PLANS

Once sufficient historical sales data is compiled through the initial months of legalization, PEI Cannabis will offer suppliers access to data subscription plans. Data will be provided in a dashboard and raw data format, and will include supply planning insights through the provision of summarized reports illustrating the overall category performance and trends (i.e. inclusive of competitor data) as well as detailed retail pricing information for their products.

The fees associated with the Data Subscription Plan will be \$500 per year.



PEI Cannabis EFT Form

PO BOX 967, Charlottetown, Prince Edward Island, Canada C1A 7M4



PEI Cannabis offers the option of payment by Electronic Funds Transfer.
To implement this service, please complete and return this form at your convenience.

*****Note: Any charges involved are to be absorbed by the beneficiary*****

Return Form To: Jamie Lee - Email: jfmlee@liquorpei.com

Supplier Information

Legal Name/Account Holder Name: _____

Legal Name/Account Holder Civic Address: _____

Legal Name/Account Holder City, Province, Postal Code: _____

Bank Name: _____

Bank Civic Address: _____

Bank City, Province, Postal Code: _____

Account #: _____

Branch #: _____

Bank #: _____