



Supplier Manual

Doing Business with PEI Cannabis



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INTRODUCTION

The 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* currently 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, and, though the supply terms established within this manual are expected to remain substantially unchanged, PEI Cannabis will communicate changes with its supplier partners electronically and encourages them to check the online version located on peicannabiscorp.com for any updates.



WHAT GUIDES US

Our Vision



To be the preferred source of adult use cannabis.

Our Mission



Strategic Pillars



Business Results: To become a key contributor to PEI's general revenue through business excellence and the continuous improvement in operational effectiveness and efficiency.

Customer Experience: To achieve and maintain high levels of customer satisfaction through sales channel accessibility, technical innovation, merchandising value, and high responsiveness to customer preferences.

Corporate Citizenship: To be an excellent corporate citizen with high brand equity achieved through the promotion of responsible cannabis consumption, ongoing stakeholder engagement, and internal CSR campaigns.

People & Culture: To foster a high-performing, customer-focused culture of engaged employees through open communication, learning & development, safe work environments, and overall wellness.

Corporate Values



Teamwork Always succeeding together.

Passion Having fun going the extra mile.

Accountability Reliably delivering on our commitments.

Education Continuously learning.

Empathy Everyone is important.

KEY CONTACTS

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DISTRIBUTION MODEL

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

Retail 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

Our policy is to optimize the efficiency of our business as it relates to a dollar return, and to provide our customers with a well-balanced selection of Cannabis, to treat each supplier fairly and to consider each application equally.

We manage our operations with fairness, lawfulness, transparency, accountability, efficiency and sustainability. The purpose of the Supplier General Code of Conduct (the Code) is to align suppliers with our core values and policies. It's also expected that our suppliers and prospective suppliers apply similar policies throughout their own supply chain and business practices.

This Code establishes our minimal requirements for the management of ethical, social and environmental risks and opportunities as we engage in business relations with suppliers. It applies to all parties contracted by us for the supply of goods or services. 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 our suppliers may be included in individual purchase orders issued by us or contract documents executed with us.

For the full Supplier General Code of Conduct, please visit our website at: <https://peicannabiscorp.com/pages/suppliers>

By submitting listing applications to PEI Cannabis, suppliers recognize and agree to comply with the Supplier Code of Conduct, as well as all Terms & Conditions inherent with doing business with PEI Cannabis as laid out within this manual.

LISTING POLICIES & PRODUCT GUIDELINES

By submitting applications to PEI Cannabis product calls, suppliers recognize and agree to comply with the following Listing Policies & Product Guidelines.

GENERAL LISTING POLICIES & PRODUCT GUIDELINES

- Prior to being listed through the procurement process, prospective supplier partners are required to complete all mandatory fields in the PEI Cannabis Listing Form, which can be made available to supplier partners at any time by contacting the Category Manager. Suppliers will be responsible for correcting errors or formatting gaps in their submission as identified by the Category Manager; All supplier products and packaging must comply with the applicable federal and provincial regulatory and Quality Assurance requirements related to cannabis and cannabis accessories;
- Product listings must fall within the Acceptable Cannabinoid Ranges maintained by PEI Cannabis as outlined in this manual (see Table 1 on page 9);
- Product shipments cannot have a Packaged-On Date in excess of the permissible time prior to the delivery date as outlined in this manual (see Table 2 on page 10);
- Suppliers must satisfy the terms & conditions related to Charge-Backs for all buy-backs, unsaleable or quarantined products;
- To the mutual-benefit of both parties, supplier partners are expected to provide an analyst to support forecasting and analytics;
- PEI Cannabis reserves the right to add assortment at its discretion as required to adjust for market demand as well as the availability of locally-produced product. PEI Cannabis will also issue intermittent EOI's as notable category gaps are identified through the review process.

PRODUCT PRICING

Supplier products must be positioned so as to reflect their value proposition and compete with the illegal cannabis market, but not be so competitive as to encourage excessive consumption or be appealing to those under the age of 19. Product retail prices should be comparable to those observed in the region to ensure suitable jurisdictional parity.

PEI Cannabis will continuously challenge suppliers to align with these guiding principles related to product pricing. To assist with this, PEI Cannabis will always employ transparency and consistency when applying our mark-up rates with suppliers as follows:

- Suppliers will provide wholesale prices as part of the listing application process;
- Wholesale pricing provided must be the all-in, *Duty-Paid-Landed-Cost* (DPLC) of the product, inclusive of the product cost, excise tax, and freight delivery fees to our distribution center;

-
- PEI Cannabis does not mark-up taxes. It's standardized mark-up structure will be applied against the excise exclusive mark-up base to determine retail prices;
 - Customers will see before-tax product prices at point-of sale, so suppliers are encouraged to focus on those when attempting to achieve a desirable retail price position;
 - Permanent price change opportunities will be provided to suppliers intermittently throughout the year, and will be guided by the category review process;
 - If a supplier wishes to decrease the retail price of their products' established pricing windows, they must decrease the DPLC of the applicable products until the desired retail price is achieved by applying the PEI Cannabis standardized mark-up rate; and
 - The DPLC decrease will be applied to the inventory PEI Cannabis has on hand and in transit, and the supplier will be charged back this amount (see Charge Back section on page 20).

***Note:** If a supplier wishes to increase a product cost through a permanent price change window, the change will not be applied until existing inventory is depleted.

CRITERIA FOR SELECTING NEW LISTINGS

The following are the primary factors PEI Cannabis considers when determining the value and suitability of new product listings:

- Established partnership with PEI Cannabis via past product calls;
- Compatibility with applicable category gaps;
- Established Health Canada licensing (i.e. cultivation, processing and/or sales);
- Competitiveness of supplier DPLC pricing submitted;
- Established product potential supported with relevant sales data;
- Uniqueness of product (e.g. verifiable genetic history, niche offering, etc.);
- Product availability (e.g. allocation volumes, shipping location, etc.);
- Past performance of supplier (e.g. product performance, fulfillment reliability, compliance with Supplier Manual provisions, etc.); and
- Value added services (e.g. customer/staff engagement strategy, social responsibility initiatives, etc.).

CATEGORY REVIEWS

To identify category trends and potential growth opportunities, category reviews will occur on a continuous basis in partnership with suppliers. This continuous improvement exercise will be led by the Category Manager, Cannabis & Cannabis Accessories in consultation with suppliers and other key contacts at PEI Cannabis.

As part of the Category Review process, each product's performance will be measured against the performance of all other relevant listings and the performance of the total category.

The category review process may result in any one of the following:

1. Permanent Price Reduction;
2. Product Buy Backs & De-Listings; and
3. Tactical Merchandising Plan.

Permanent Price Reductions

Permanent Price Reduction windows will be offered to suppliers intermittently throughout the fiscal year. Underperforming products will be strong candidates for price re-positioning to best-reflect the perceived value of products for our customers.

Any product that has its permanent price reduced will result in the supplier being billed back the aggregate variance in DPLC to cover the cost of these adjustments as part of the listing process (i.e. see Charge Back section on page 20).

Buy Backs & De-Listings

Inventory "Buy-Backs", also known as *Return-to-Vendors* (RTVs), involve a process whereby a supplier buys back inventory that was previously purchased from them by PEI Cannabis.

"Buy-Backs" occur most-frequently through the routine Unsaleable process (see Inventory "Buy-Backs" on page 17), because a product lot has been quarantined (see Quarantine Limits on Page 10), or, because a product or lot is under-performing and should be proactively addressed before impacted inventory is quarantined. Addressing issues diligently through the ongoing Category Review process will often ensure Quarantine Limits are not reached and no supply chain bottlenecks or delays emerge.

If issues uncovered in the Category Review process are not felt to be specific to one product lot, but rather the product itself, the product may be de-listed. If a product is to be completely de-listed, suppliers have the option to:

- A. Perform a Buy-Back of remaining stockpiles;
- B. Adjust the permanent price of the product to clear out remaining stock or
- C. Engage in aggressive merchandising tactics to clear out remaining stock.

For all product "Buy-Backs", suppliers have the option to:

- A. Have the impacted product held for pick-up at our Distribution Centre in Charlottetown, PEI; or
- B. Authorize us to dispose of impacted product through our partnership with Island Waste Management Corporation and PEI Energy Systems.

If the supplier wishes to have the product held for pick-up (i.e. unsaleable inventory, quarantined inventory, or other “buy-back” inventory), PEI Cannabis will hold applicable inventory for a maximum of ten (10) business days. After the ten (10) business days have expired and the product is still not collected by suppliers, additional fees will apply (i.e. see Table 5 on page 18).

If product is to be held for supplier pick up, or destroyed, applicable charge back conditions will apply (see Charge Back section on page 20).

Tactical Merchandising Plan

Tactical Merchandising Plans can be an effective way to bridge gaps uncovered in the Category Review process and avoid implementing permanent measures such as De-Listings, “Buy-Backs”, or Permanent Price Reductions. A wide range of merchandising tools can be found in the PEI Cannabis Merchandising Program Guide: <https://peicannabiscorp.com/pages/suppliers>

By striking an optimal blend of physical merchandising exposure and pricing, suppliers and PEI Cannabis can achieve mutual success and focus on new opportunities for growth.

PEI Cannabis has had tremendous success with suppliers in terms of leveraging merchandising tactics to engage customers in specific products or brands. Please note that all merchandising fees are outlined in the PEI Cannabis Merchandising Program Guide, and questions related to the Guide must be directed to our Brand & Communications Manager (See Key Contacts page 4).

ACCEPTABLE CANNABINOID RANGES

All cannabinoid levels submitted as part of cannabis listing applications must fall within the acceptable ranges maintained by PEI Cannabis as follows:

SUB-CATEGORY	MAXIMUM CANNABINOID RANGE	MAXIMUM CANNABINOID VARIANCE FROM TAGET	ACCEPTABLE RANGE	UNACCEPTABLE RANGE
Dried Flower & Pre-Rolls	6%	+/- 3%	THC: 14%-20%	THC: 10-23%
Ingested Extracts	1mg	+/- 5%	THC: 24-25mg per ml/capsule	THC: 23-26mg per ml/capsule
Concentrates	8%	+/- 4%	THC: 50-58%	THC: 50-60%
Edibles & Beverages	1mg	1 mg	THC: 9-10mg per unit	THC: 7-10mg per unit
Topicals	1mg	1 mg	THC: 9-10mg per unit	THC: 7-10mg per unit

Table 1 – Acceptable Cannabinoid Ranges

If a product shipment is received with cannabinoid levels that fall outside of the acceptable ranges as agreed to in the listing process, all non-compliant product within the shipment will be quarantined, removed from the purchase order, and held for supplier pick-up (i.e. max of ten (10) business days) or destruction at the supplier's expense.

ACCEPTABLE PACKAGED-ON DATE RANGES

Suppliers must ensure that the Packaged-On dates of product shipments do not exceed the dates specified in the purchase order by more than the defined period in Table 2 below.

SUB-CATEGORY	PACKAGED-ON DATE LIMITS
Dried Flower & Pre-Rolls	120 Days
Ingested Extracts	180 Days
Concentrates	180 Days
Edibles	120 Days
Beverages	180 Days
Topicals	180 Days
Seeds	180 Days

Table 2 – Acceptable Packaged-On Thresholds

If a product shipment is received with a packaged-on date that exceeds the acceptable period as defined in Table 2, all non-compliant product within the shipment will be quarantined, removed from the purchase order, and held for supplier pick-up (i.e. max of ten (10) business days) or destruction at the supplier's expense.

QUARANTINE LIMITS

To identify and deplete aging product and make way for new stock, older Packaged-On date products will be quarantined once the packaging date exceeds the defined limit (see Table 3).

SUB-CATEGORY	PACKAGED-ON DATE LIMITS
Dried Flower & Pre-Rolls	365 Days
Ingested Extracts	456 Days
Concentrates	365 Days
Edibles	270 Days
Beverages	365 Days
Topicals	365 Days
Seeds	365 Days

Table 3 – Product Quarantine Limits

Products that are quarantined will be address as part of the continuous category review process, and will be held for supplier pick-up (i.e. managed differently depending on amounts) or destruction at the supplier's expense.

CUSTOMER PRODUCT RETURNS

PEI Cannabis has a 7- day return policy in place for all customer purchased cannabis and accessory products.

Proof of purchase is typically required for all cannabis product returns, and customers returning product must leave verified personal information which will be maintained by us 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, are closely monitored throughout implementation and adjusted as required.

For product returns raised by customers that fall outside of our product return policy, supplier partners will be solely responsible for responding to and investigating customer complaints and taking appropriate corrective action.

If a product being returned is treated as unsaleable, it will be added to the PEI Cannabis quarterly unsaleable consolidation, and will be subject to charge back conditions (see Charge Back section page 20).

LISTING APPLICATION CONTACT INFORMATION

All product listing applications and inquiries surrounding the product call and review processes must be forwarded to the Category Manager, Cannabis & Cannabis Accessories as follows:

Laura Deagle

**Category Manager, Cannabis &
Cannabis Accessories**

Email: ladeagle@peicannabiscorp.com

Phone: (902) 368-5715

SUPPLY CHAIN POLICIES & PROCEDURES

By submitting applications to PEI Cannabis product calls, suppliers recognize and agree to comply with the following Supply Chain & Finance Requirements.

PURCHASE ORDERS

- PEI Cannabis will issue purchase orders for all orders;
- All product will be delivered to our Distribution Centre at 3 Garfield Street in Charlottetown, PEI;
- Through mutual demand planning between suppliers and the PEI Cannabis Category Manager, PEI Cannabis will issue purchase orders with requested delivery dates directly to supplier partners;
- Orders will be placed with the supplier and products will be distributed to retailers by PEI Cannabis at the Master Pack level;
- Any variance between the shipped quantity and purchase order quantity must be communicated to PEI Cannabis purchasing contacts before the time of shipping; and
Products delivered without the proper paperwork and/or a valid purchase order will be quarantined and held for supplier pick-up (Max ten (10) business days) or destruction at the supplier's expense.

DELIVERY LOCATION & APPOINTMENTS

- All product shipments to be FOB warehouse located at 3 Garfield Street, Charlottetown, PEI;
- Appointments are required for product deliveries from licensed cannabis producers and accessory providers; and
- To make a delivery appointment to the Distribution Centre, please contact *Gerald O'Halloran* (see Key Contacts on page 4).

DELIVERY PAPERWORK

Supplier-provided paperwork (e.g. packing slips) 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);
- Full supplier name;
- Ship from location and address;
- Master Pack GTINs for each product; and
- Shipping Case Configuration (i.e. number of retail selling units per shipping case).

***Note:** All products to be delivered to PEI Cannabis Central Warehouse at 3 Garfield Street, Charlottetown, PEI. The "Customer Name" is to be PEI Cannabis;

BARCODE STANDARDS

The following barcode standards are maintained by PEI Cannabis for cannabis and accessory products:

Cannabis Products

- All cannabis producers **must** go through GS1 to secure their barcode symbology. 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* – GS1 Expanded or Stacked DataBas.
 - The expanded or stacked DataBar will only contain: GTIN (AI- 01), packaged-on date (AI- 13), LOT (AI- 10), and must be in this order.
 - Packaged-On must be in YYMMDD format, as per GS1 standards.
 - *Master Cases Packaging* – GS1-128 (GTIN, Packaged-On Date, Lot in this order).
- The AI information on the Master Packs **must** match the AI Information on the Product Packs.
 - If there is variance, PEI Cannabis will not be able to scan items at the point-of-sale, and applicable fees will be charged to suppliers (see Table 5 on page 18).
- All barcodes must be clear, legible, scannable, and display the human readable numeric code located beneath or beside the barcode.

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.

Supplier GS1 Barcode Checklist

- Is your Barcode too glossy? Glossy paper causes the data bars to be distorted because it reflects the light and will not scan.
- Is the barcode smudged, have air bubbles, or lines through it causing scan errors?
- Is the barcode showing correct GS1 format, (01)(13)(10)?
- The lot number displayed on the “Eaches” barcode must match perfectly to the lot number displayed on the master case barcode.
- Ensure the barcode shows crisp, clear, well-defined bars to avoid readability issues when scanned.
- Is human readable numeric code located beneath or beside the barcode?
- There should be no truncation of any barcodes on any level of packaging.
- Does the barcode wrap around the container, interfering with ability to scan? Due to the curvature of bottles, matte finish labels with stacked barcode is the choice.
- Barcodes should have sufficient quiet zone spacing (QZ) around all sides. The QZ should be ten (10) times the width of the narrowest bar or 0.3175cm, whichever is greater. Barcodes should not have any border lines surrounding it.

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		Packaged-On Date YYMMDD	
			
(01)01234567890128(13)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.

- No additional Application identifiers (e.g. AI17, AI90, etc.) are to be used as they are not supported by PEI Cannabis systems.
- The bar code shown above is an example of what's deemed as a compliant Master Pack Label.

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 Acceptable Shipping Case Configuration Ranges on the next page);
- The maximum shipping case dimensions are: Height 12" (30.48 cm) - Width 18" (45.72cm) - Depth 18" (45.72 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 Distribution 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); and
 - # 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 may be rejected; and
- The producer is responsible for registering products and maintaining the integrity of product information in PEI Cannabis systems.

Pallet Standards

- Pallets delivered to a PEI Cannabis Distribution 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 64" (162.56cm) including the board.
 - No overhang on the sides of the pallets.

Acceptable Shipping Case Configuration Ranges

Please note the following acceptable ranges for shipping case (i.e. Master Pack) configurations:

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	28 grams	4	24
Oils*		12	48
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
Extracts – Inhaled		12	96
Extracts – Ingested		12	48
Edibles		12	96
Beverages		6	24
Topicals		12	48

Table 4 – Acceptable Shipping Case Configuration Ranges

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; and
- All retail selling units must meet the barcode standards specified by PEI Cannabis.

REVERSE SUPPLY CHAIN & PRODUCT DISPOSAL

The requirements for administering Reverse Supply Chain logistics for inventory stem from a variety of reasons including, but not limited to those outlined below.

Unsaleable Inventory

Unsaleable Inventory quantities require Reverse Supply Chain efforts. Unsaleable Inventory is identified by PEI Cannabis as inventory falling into the following categories:

- Missing/Damaged Label;
- Excise Seal Damage;
- Customer Product Return;
- Damaged/Leaking Packaging;
- Recalled Product;
- Quarantined Product (see Quarantine Limits of page 10); or
- Other Miscellaneous Reasons as agreed upon with the supplier.

All unsaleable product will be sent to the PEI Cannabis centralized Distribution Centre in Charlottetown, PEI, and the wholesale value (i.e. Duty-Paid-Landed-Cost) of all unsaleable inventory will be applied as a credit against the supplier's accounts payable (see Credit Memos section page 19).

PEI Cannabis consolidates and processes Unsaleable Inventory on a quarterly basis by supplier, and at their expense suppliers can choose to:

- Have their consolidated unsaleable product securely held for pick up for a maximum of ten (10) business days; or
- Have their consolidated unsaleable product added to aggregated unsaleable inventory for which arrangements will be made for controlled destruction.

Note: if suppliers do not collect their unsaleable, or, buy-back shipments within ten (10) days, applicable Supply Chain Fees will be applied and invoiced separately from the credit note process (see Table 5 on page 20).

Inventory “Buy-Backs”

All Inventory “Buy-Backs” require reverse supply chain logistics. PEI Cannabis will consolidate and process inventory “Buy-Backs” and at their expense suppliers can choose to:

- Have their consolidated unsaleable product securely held for pick up for a maximum of ten (10) business days; or
- Have their consolidated unsaleable product added to aggregated unsaleable inventory for which arrangements will be made for controlled destruction.

Note: if suppliers do not collect their unsaleable, or, buy-back shipments within ten (10) days, applicable Supply Chain Fees will be applied and invoiced separately from the credit note process (see Table 5 on page 18).

SUPPLY CHAIN FEES

To foster mutually-beneficial partnerships, PEI Cannabis expects its suppliers to maintain a professional degree of accuracy in the listing and eventual shipment of products to PEI Cannabis.

Discrepancies in product attributes, labels, and products/quantities ordered versus received without suitable notice results in manual intervention, bottlenecks in receiving/distribution inventory, and unnecessary administrative burdens for PEI Cannabis personnel. The following fees will be invoiced to suppliers as discrepancies are encountered:

Supply Chain Fee #	Description of Discrepancy	Fee
1	Shipped new product(s) with different GTIN than submitted	\$100/product
2	Changed GTIN of existing product(s) without prior notification	\$100/product
3	Changing DPLC of an existing product after a purchase order has been issued	\$100/product
4	Wrong product shipped against purchase order	\$100/product
5	Product requires re-work to become sellable (e.g. re-labeling, barcode inconsistency, etc.)	\$150 per labour hour
6	Product "Buy-Back" that suppliers authorize PEI Cannabis to dispose of	Under 100lbs - \$50 100lbs to 200lbs - \$100 201lbs to 300lbs - \$150 Over 300lbs - \$200
7	Suppliers exceed ten (10) maximum days of having Buy-Back product held for pickup	\$100 per additional business day held
8	Unsalable quantities (i.e. missing label, damaged label, excise seal damage, etc.)	<i>*See Reverse Supply Chain and Product Disposal on Page 18.</i>

Table 5 – Supply Chain Fees

***Note:** Supply Chain Fees will be invoiced to the supplier separately from product invoices and credit notes will not be accepted.

FINANCE POLICIES & PROCEDURES

PAYMENT TERMS

PEI Cannabis maintains the following payment terms for product purchases and Supply Chain Fees (see Table 5):

- Payment Terms for cannabis and cannabis accessory purchase orders to suppliers are Net 30 days from receipt of goods; and
- All Supply Chain fees will be invoiced to suppliers separately each month and will also have Payment Terms of Net 30 days (i.e. similar to Merchandising Invoices).

INVOICING & PAYMENT FOR CANNABIS PURCHASES

- Supplier must complete an Electronic Fund Transfer (EFT) Form with the PEI Cannabis Financial Analyst prior to having purchase orders issued (i.e. see attached form at the end of this manual);
- Purchase orders will be generated from the Oracle E-Business suite;
- Invoices and purchase orders must match (e.g. 50 lines on purchase order require 50 lines on invoice). Quantities, price and purchase order number must be present on invoices. If the invoice doesn't match the purchase order, the payment could be delayed past the Net 30 days payment terms at the sole expense of the supplier;
- Invoices must be sent for each purchase order issued;
- If there is a change in banking information, it is the supplier's responsibility to fill out a new EFT Form and send it back to PEI Cannabis Accounts Payable.
- All invoice correspondence and payables inquiries must be forward to:
apcannabispeicmc@peicannabiscorp.com

CREDIT MEMOS

Suppliers must provide a written Credit Memo (also referred to as Credit Note) every time they administer:

- A. A Permanent Price Reduction (see Permanent Price Reduction on page 8); or,
- B. An inventory "Buy-Back" (see Buy Backs & De-Listings on page 8) as part of the ongoing category review process.

The following represents the requirements maintained by PEI Cannabis for written Credit Memos:

- Credit Memos will be due no later than thirty (30) days after the respective transaction is given approval by the supplier in writing and subsequently executed by PEI Cannabis personnel;
- Credit Memo must be inclusive of Harmonized Sales Tax (HST), and must include a separate line item to illustrate tax amounts; and

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- Once a Credit Memo is received from the supplier, it will be applied against the suppliers respective Accounts Payable.

To ensure accurate account reconciliation and reporting, PEI Cannabis expects its suppliers to be professional in meeting Credit Memo deadlines. If credit memo obligations are not being met, PEI Cannabis reserves the right to suspend payment, or, future purchase orders with suppliers.

CHARGE BACKS

Supplier Charge Backs can occur for various reasons including, but not limited to the following reasons:

- A. Permanent Price Reductions (see Permanent Price Reduction section on page 8);
- B. Product “Buy Backs” (see Buy Backs & De-Listings section on page 8);
- C. Unsaleable Inventory (see Unsaleable Inventory section on page 17);
- D. Other reasons as communicated by PEI Cannabis to suppliers (e.g. regulatory changes, recalls, etc.).

Supplier Charge Backs are administered in a timely fashion as follows:

- Total Charge Back costs are inclusive of all costs related to the product’s DPLC (Supply Chain Fees will be invoiced separately where applicable – see Table 5 page 18);
- Suppliers must provide PEI Cannabis with a Credit Memo, separate from purchase orders, covering the total costs inherent with the applicable Charge Back against their accounts payable account (see Credit Memos on page 19);
- PEI Cannabis will deduct all charge backs from future payments; and
- Credit notes are due within 30 days from when the supplier acknowledges and agrees to their charge back breakdown (see Credit Memos on page 19).

***Note:** Unsaleable inventory for Cannabis Pod displays are not applied as a charge back. This inventory will be disposed of by PEI Cannabis and will be recorded accordingly as part of its CTLS reporting obligations.

INSURANCE

At their sole expense, PEI Cannabis suppliers are required to maintain \$5M CAD commercial general liability and \$15M CAD recall insurance to PEI Cannabis’s satisfaction. PEI Cannabis is to be an additionally named insured and certificate holder. Upon request, suppliers must provide certificates of insurance to verify suppliers are compliant with this requirement.

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 #: _____

