

Non-Member

Wholesale Supply Policy

2026

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1. Purpose

The purpose of this policy is to provide clear procedures and guidelines for the wholesale supply of goods to ensure consistent quality, range, and price of products to our non-member wholesale customers. The policy outlines the expectations and responsibilities of all stakeholders involved in the wholesale supply chain, including suppliers, Foodstuffs employees, and customers, to ensure the effective operation of the supply process.

Overall, this wholesale supply policy aims to establish a consistent and transparent framework for the supply of wholesale goods, which will enable our co-operative to meet the needs of our wholesale customers while operating in a socially responsible and sustainable manner.

2. Policy Statement

Foodstuffs South Island Limited (FSSI) is committed to ensuring that our wholesale grocery offer functions as a part of a competitive wholesale market that delivers fair pricing on groceries to consumers. We aim to provide fair and competitive pricing to our wholesale customers, while maintaining a sustainable and socially responsible business model that enables the continued growth and success of our operations.

Our relationships with our wholesale customers and suppliers will be based on mutual trust, respect, and transparency, and we are committed to conducting our business with high standards of ethical behavior and compliance with all relevant laws and regulations. We will continuously review our policies and procedures to ensure that we can maintain or improve the quality of our products and services to our wholesale customers.

3. Definitions

Term	Definition
Agreement	includes any contract, arrangement, or understanding.
Wholesale Customer	Wholesale customer means any person that receives the wholesale supply, or wants to obtain the wholesale supply, of groceries from a regulated grocery retailer for the purpose of supplying groceries, directly or indirectly, at retail to consumers.
Consumer	means a person who— a. acquires, from a grocery retailer, groceries of a kind ordinarily acquired for personal, domestic, or household use or consumption; and b. does not acquire the groceries, or hold themselves out as acquiring the groceries, for the purpose of— i. resupplying groceries in trade; or ii. consuming groceries in the course of a process of production or manufacture
Groceries	a. means goods in any of the following product categories: i. fresh produce (for example, fruit, vegetables, and mushrooms): ii. meat, seafood, or meat-substitutes: iii. dairy products (for example, milk, cheese, and butter): iv. bakery products: v. chilled or frozen food: vi. pantry goods or dry goods (for example, eggs): vii. manufacturer-packaged food: viii. non-alcoholic drinks: ix. personal care products (for example, toiletries, first aid, and medicine other than prescription medicine): x. household consumables (for example, cleaning products, laundry products, and stationery products): xi. pet care products (for example, pet food); but

Term	Definition
Groceries	(b) does not include, for the purposes of the Act as a whole or for a specified Part of the Act, any good or product category that is excluded from this definition by the regulations for the purposes of the Act or that Part.
Grocery Retailer	(a) means a person who carries on the business of supplying 1 or more categories of groceries at retail to consumers;
Wholesale Supply request	Is a request by a Wholesale Customer for the supply of groceries.
Regulated Grocery Retailer	Regulated grocery retailer means each of the following: a. Foodstuffs North Island Limited: b. Foodstuffs South Island Limited: c. Woolworths New Zealand Limited:
Wholesale Agreement	means an agreement for the wholesale supply of groceries that a regulated grocery retailer enters into or arrives at in connection with a wholesale supply request.

4. Scope

This is a co-operative wide policy document that only applies to the provision of wholesale supply of products to Non-Member Wholesale Customers.

5. Policy Maintenance Responsibilities

The policies detailed in this document are reflected in business processes, terms and conditions, and support material used by FSSI teams implementing the processes.

As these processes are reviewed, any corresponding policies will also be reviewed. Given there are different internal FSSI teams responsible for different process components, responsibility for policy review should be aligned with process review responsibilities.

6. Guiding Principles

When developing these policies, the following guiding principles have been considered:

1. FSSI will provide a wholesale solution aligned to Wholesale Customer needs which provides effective access without added complexity, with the aim of keeping the costs to the Wholesale Customer to a minimum.
2. All Wholesale Customer Supply Requests will be managed/serviced by FSSI centrally and fulfilled through our Distribution Centres.
3. Any Wholesale Supply Request received from a Wholesale Customer by a related company or franchisee of FSSI will be referred to FSSI for centralized assessment and where the application is accepted, fulfillment.
4. We will work with the Grocery Commissioner to achieve workable and practical outcomes for the regulated wholesale Grocery environment
5. We will treat all Wholesale Customers fairly, respond to them in a timely manner and be transparent in accordance with the requirements of the wholesale regulatory environment.
6. We will continue to work with suppliers to enhance our wholesale offer.

7. Policy

7.1 Policies Related to Wholesale Customer Eligibility

7.1.1 Wholesale Customer Eligibility Criteria & Rules

Under the Act wholesale customer refers to *any person that receives the wholesale supply, or wants to obtain the wholesale supply, of groceries from a regulated grocery retailer for the purpose of supplying groceries, directly or indirectly, at retail to consumers.*

This definition provides guidance on core eligibility criteria. However, there are additional criteria not specifically spelled out in the legislation that will be applied when determining eligibility. The full list of standard criteria is provided in the table below.

Criteria	Inclusionary <i>(Potential Wholesale Customers are eligible if they meet ALL the following criteria)</i>	Exclusionary <i>(Potential Wholesale Customers are ineligible if ANY of the following scenarios relate to them)</i>
Wholesale Customer Legal Entity or Structure	The potential wholesale customer is trading through any legal or business structure including but not limited to: • Individual / Sole trader • Partnership • Company • Trust The potential wholesale customer has a valid New Zealand Business Number (NZBN) and is domiciled in New Zealand.	The potential wholesale customer does not have a valid New Zealand Business Number (NZBN).
Established Trading History	The potential wholesale customer is either already trading as a grocery retail enterprise OR intends to begin trading within three months of application.	The potential wholesale customer is intending to establish a grocery retail enterprise but has not yet begun trading and does not intend to begin trading within three months of application (unless they can demonstrate otherwise).
Supplying Groceries at Retail to Consumers	The potential wholesale customer is mainly purchasing groceries for subsequent retailing to end consumers or to other entities who will directly retail to end consumers. Example: - A corner dairy who supplies directly to consumers	The potential wholesale customer is mainly purchasing groceries for personal consumption / use or within a limited, non-grocery retailing context. Example: - A technology business who wants to order beverages to provide to staff and clients.

Criteria	Inclusionary <i>(Potential Wholesale Customers are eligible if they meet ALL the following criteria)</i>	Exclusionary <i>(Potential Wholesale Customers are ineligible if ANY of the following scenarios relate to them)</i>
Supplying Groceries at Retail to Consumers	Example: - An on-seller who supplies groceries to dairies and other stores within New Zealand.	The potential wholesale customer is primarily in the business of food service. Example: - A takeaway shop - A restaurant.
Physical Location of Stores or Distribution Facilities	The potential wholesale customer has stores or distribution facilities in the mainland South Island and Stewart Island (excludes the Chatham Islands).	The potential wholesale customer has no stores or distribution facilities in mainland South Island or Stewart Island.
Creditworthiness	The potential wholesale customer must complete a credit application form and meet the appropriate level of creditworthiness as determined by a standard FSSI credit check.	The potential wholesale customer does not meet the appropriate level of creditworthiness as determined by a standard FSSI credit check.

7.1.2 Physical Verification of Applicant Identity and Facilities

In-person, face-to-face checks may be undertaken by FSSI representatives as part of the process for determining eligibility. During these in-person checks, FSSI representatives may:

1. verify the applicant's identity (i.e. comparing photographic identity with the in-person applicant). In cases where the applying entity has multiple owners/directors, the identities of each owner/ director must be verified before eligibility can be confirmed.
2. obtain approval from the applicant to undertake a credit check and complete a Direct Debit form.

3. confirm the existence of stated facilities or collect other information needed to confirm that the applicant is a bona fide Wholesale Customer.
4. undertake a site assessment of the delivery point(s), noting and photographing potential hazards, parking arrangements, street configuration and unloading facilities (e.g. forklifts) for reference by the driver(s) undertaking any future deliveries. Eligibility may be contingent on changes to the delivery point to ensure a safe environment for the unloading / recovery of items.

7.1.3 Terms & Conditions & Supply Agreements

Before being able to order groceries, a Wholesale Customer must have agreed to the terms and conditions of supply and have a signed Wholesale Agreement with FSSI.

7.1.4 Multiple Supply Agreements

The Wholesale Customer can have other wholesale supply agreements in place in addition to their FSSI Wholesale Agreement. For example, a Wholesale Customer can have similar agreements with other Regulated Grocery Retailers (e.g. Foodstuffs North Island).

7.2 Policies Related to Product Availability and Ordering

7.2.1 Product Availability Determined by Supplier Decision to Opt Into the Wholesale Supply Arrangement

Wholesale Customers will only have access to products provided by suppliers who:

1. Supply the product through FSSI Distribution Centres; and
2. Have opted into the wholesale supply arrangement.

If a supplier has chosen to opt in, all available products supplied by that supplier through FSSI Distribution Centres will be available for wholesale supply.

Products that are supplied direct to store by an opted-in supplier are not available for supply to Wholesale Customers.

7.2.2 Private Label Products Not Available to Wholesale Customers

Any private label products (e.g. Pams) are not available for supply to Wholesale Customers.

7.2.3 Updating / Maintaining Lists of Available Products

The primary determinant of available products is a supplier's decision to opt in. As the introduction of new suppliers, changes to or cancellation of supply arrangements is dynamic, the potential list of available products is equally dynamic.

Product lists will be fixed and refreshed at least on a monthly basis.

Products that become unavailable during the fixed period (e.g. due to supplier de-ramping or supplier out of stock) will still be shown in the product list but will not be available when the order is placed.

Wholesale customers will be advised whenever a refreshed product list is available.

7.2.4 Product Scarcity & Rationing

Due to a range of circumstances, supplies of product may exceed demand from all parties supplied through the Distribution Centre. In these situations, a product rationing process may be introduced.

In rationing situations, Wholesale Customers will be treated in the same way as FSSI members and any other parties supplied through the Distribution Centre.

For rationing of fresh produce (i.e. meat, seafood, produce) all orders received on any day will be consolidated and allocations made on the proportional basis of that order. For example, if Wholesale Customer A's order represents 5% of total orders, then they will receive 5% of the available product.

7.2.5 Fresh Meat, Seafood and Produce Ordering and Delivery Protocols

There are specific protocols – that also apply to FSSI members – that Wholesale Customers will have to comply with when ordering fresh meat, seafood and produce.

- All orders can expect delivery within at least 48 hours from order time (This may be more if remote and reduced access).
- Only one delivery of fresh meat, seafood and produce can be made per day.
- Orders of fresh meat, seafood and produce are fulfilled separately from other grocery categories. Even if they are ordered together, the internal process will produce two invoices (one for fresh, one for other groceries).
- Orders of fresh meat, seafood and produce can only be in bulk quantities (see section on Minimum Order Quantities). There are no options for picking out

smaller quantities of fresh meat, seafood or produce.

- Delivery may include requirements around the corresponding return of pallets and crates (see section on Charges for Pallets and Crates).

7.2.6 Substitutions

Where a product is unavailable, the FSSI representative may offer the Wholesale Customer substitute products (i.e. those that are similar to the ordered product) from the list of available products.

7.2.7 All Product Supplied from FSSI Distribution Centres

All product supplied to Wholesale Customers will be delivered from FSSI's Distribution Centres. No product will be supplied direct from member stores, and no products will be available for a Wholesale Customer to collect from a Distribution Centre.

7.3 Policies Relating to Pricing, Independent Arrangements & Other Supply Terms

7.3.1 Ability to trade directly with suppliers

There are no constraints on the ability of Wholesale Customers to negotiate supply agreements directly and independently with suppliers, outside of their Wholesale Agreement with FSSI.

FSSI will not facilitate or play any role in any independently negotiated supply arrangements between suppliers and Wholesale Customers.

7.3.2 Ability to Establish Promotion & Display Arrangements Directly with Suppliers

The Wholesale Customer is free to independently enter into any trade spend, promotional or display arrangements directly with the supplier.

FSSI will not facilitate or play any role in any independently negotiated trade spend, promotion and display arrangements between suppliers and Wholesale Customers.

7.3.3 Ability to Independently Set Retail Price and Determine Target Customers or Market

The Wholesale Customer sets their retail pricing independently of FSSI.

The Wholesale Customer is free to on-sell products purchased through their FSSI Wholesale Agreement to any Consumer directly or indirectly in any geographic location with no consultation with either FSSI or the supplier.

7.3.4 Pricing Components

The price charged to the Wholesale Customer comprises:

- Distribution Centre **Product Cost** (i.e. the net amount for the product that suppliers charge FSSI).
- A fair recovery of **Distribution Costs** (i.e. what it costs FSSI to get ordered products through the Distribution Centre and delivered to the wholesale customer).
- A fair and appropriate **Wholesale Margin**.

Product costs are dynamic and reflect the amount that suppliers are charging FSSI at any point in time.

7.3.5 Pricing will be Reviewed Regularly

FSSI's intention is to make sure that the Wholesale Customer supply arrangement is sustainable. As such, it will regularly review its distribution costs and wholesale margins and adjust these if required.

7.3.6 Wholesale Customers Will be Assigned a Price List

Each Wholesale Customer will be assigned to a price list in SAP. Different price lists may be created depending on the order quantities and delivery locations to ensure an equitable and fair recovery of distribution costs.

As additional Wholesale Customers are on-boarded, further price lists can be developed to reflect the ordering profile and delivery locations.

As part of the on-boarding process an FSSI Commercial Analyst will review each application to determine

(1) if the currently available price list(s) are appropriate for the Wholesale Customer or

(2) determine if a new price list is required.

An updated price list will be sent to the Wholesale Customer on a monthly basis (unless the Wholesale Customer has opted out of receiving monthly updated price lists). The Wholesale Customer may request an updated price list, outside of the monthly frequency, at any time.

As stated in the Wholesale Supply General Terms and Conditions, the Wholesale Customer is charged the price as at the date of order placement.

7.3.7 Trade Terms are Incorporated into the Product Cost

The product cost will reflect the net product purchase cost to FSSI. That is, any discounts received by FSSI (including invoice discounts, volumetric terms and vendor temporary discounts) are reflected in the product cost and will ultimately be enjoyed by the Wholesale Customer.

7.3.8 All Trade Spend is Excluded from the Product Cost

Trade spend refers to any supplier payments associated with any promotion or display activities undertaken by FSSI or its members.

The funding of trade spend remains at the control of suppliers. These types of payments are negotiated for specific banner member promotions and display activities managed by FSSI and are not passed through to the Wholesale Customer.

7.3.9 Damaged Products, Returns and Credit / Refunds

Wholesale Customers are entitled to a credit / refund for product that is delivered damaged or was spoiled at the time of arrival.

7.3.10 Charges for Pallets and Crates

FSSI may supply groceries using standard supplier pallets. There are several options for charging for pallets (e.g. 1-1 swap arrangement, a standard account with a pallet supplier or a daily hire charge). During on-boarding, FSSI will agree the protocol for pallet charges with the Wholesale Customer.

For produce delivered in crates, the Wholesale Customer will be charged separately for the crate. However, Wholesale Customers can return these crates for a credit or refund.

7.3.11 Minimum Order Quantities

Minimum order quantities will be agreed with the Wholesale Customer. Currently this is \$1000 excluding GST per order. Orders must be in bulk amounts e.g cartons or pallets not individual items

At FSSI's discretion, any orders that are less than the minimum order may be subject to an additional distribution charge to recover costs. Factors that will be considered when determining whether to apply this charge are previous order history, exceptional circumstances that have led to the low ordering quantity or implications for picking effort and any delivery route planning.

Wholesale customers purchasing fresh meat, seafood and produce are required to purchase in bulk lots (typically a crate being the minimum amount). Lesser or picked amounts are not available with fresh meat, seafood or produce.

Minimum order quantities are subject to review. Wholesale customers will be given 30 days' notice in writing of any changes to minimum order quantities.