

NZGW RULES, CRITERIA AND PROCEDURES FOR CONSIDERING WHOLESALE SUPPLY REQUESTS & PRINCIPLES FOR WHOLESALE SUPPLY

Consistent with sections 36 and 38 of the Grocery Industry Competition Act 2023 (**GICA**), this document sets out the rules, criteria and procedures for considering wholesale supply requests, and the principles for wholesale supply, that New Zealand Grocery Wholesalers (**NZGW**) applies to the operation of its grocery wholesale business. NZGW is the grocery wholesale division of Woolworths New Zealand Limited (**WWNZ**). This document is subject to change by NZGW from time to time.

1. RULES, PROCEDURES AND CRITERIA FOR CONSIDERING WHOLESALE SUPPLY REQUESTS

- Initial expressions of interest in wholesale supply can be registered in three ways:
 - via Google form available at this link [NZGW Wholesale DC Supply Request](#); or
 - via webform available at this link [NZGW Wholesale Card Application](#); or
 - via email to nzgw-wholesalesupplyrequests@woolworthsnz.co.nz
- NZGW will consider all requests for supply in good faith.
- All requests for supply will be dealt with in strict confidence by NZGW. Information will be shared with other parts of WWNZ only where necessary to consider or fulfil such requests. An NDA may be required to be entered into between the parties to share commercially sensitive information prior to a supply agreement coming into effect.
- NZGW will acknowledge all requests for wholesale supply within 10 working days of receipt.
- NZGW may request further information from and/or further discussion with the potential wholesale customer.
- NZGW will endeavour to determine an outcome on a request for wholesale supply within 20 working days of receipt of all necessary information and advise the applicant accordingly within that time frame.
- In the case of an approved supply request, NZGW will require the parties to enter into a wholesale supply agreement to formalise the supply arrangement. The principles underpinning these supply agreements are described in this document, alongside a link to the current template for the NZGW wholesale supply agreement.
- In the case of an unsuccessful supply request, NZGW will detail in writing the reasons that the application was not approved.
- While recognising that the GICA provides an avenue for referrals to a dispute resolution scheme (and without limiting that scheme in any way), NZGW would appreciate it if any complaints or disputes relating to any facet of wholesale supply (including requests) be notified, in the first instance, to NZGW, along with an adequate opportunity for NZGW to respond and/or attempt to resolve the matter.

2. PRINCIPLES FOR HOW TERMS AND CONDITIONS FOR SUPPLY FROM NZGW WILL BE DECIDED

- At this stage, NZGW will make available for wholesale customers as defined in the GICA, and subject to agreement on terms, two options for wholesale supply:
 - **Option 1: Distribution Centre (ex-DC) supply** – a solution envisaged as most suitable and cost effective for medium and larger sized retailers; and

- **Option 2: the NZGW Wholesale Card for use in selected Countdown / Woolworths stores** - a solution likely to be more appropriate for smaller sized retailers and those requiring single units rather than full cases.
- The principles for how NZGW will determine the terms and conditions for supply for each supply option are outlined below.
- The current standard terms and conditions for supply under the ex-DC supply option (being our template 'wholesale supply agreement') are published at this [link](#). The standard terms and conditions applicable to the NZGW Wholesale Card option are published at this [link](#).
- While NZGW will take all reasonable steps to use its standard terms and conditions that apply for each supply option, NZGW may impose different terms and conditions where reasonably necessary or desirable to reflect the different circumstances of a wholesale customer (e.g. based on size, location, range requirements etc). Where the terms and conditions used are not our standard terms, NZGW will take all reasonable steps to ensure those terms and conditions used are consistent with these principles.
- NZGW's standard terms and conditions may change over time (e.g. as wholesale demand increases or NZGW capabilities change).

2.1. Option 1: ex-DC Supply

The 'ex-DC supply' option will be the most effective option for providing wholesale supply to wholesale customers that can meet the necessary minimum volumes, receive palletised truck delivery and other such circumstances. NZGW has established principles for the ex-DC wholesale supply service it provides. These principles may include but are not restricted to:

a) Minimum Order Quantities

NZGW will have a requirement that a wholesale customer must order and receive a minimum of 60 full cases of products from each WWNZ Ambient DC's and 50 full cases of products from each Chilled and Frozen DC to each customer delivery location.

b) Delivery Location

Delivery locations must be accessible by a truck within the fleet of NZGW's freight carriers, and must be within or near a route that allows for efficiency to be retained.

c) Delivery Schedules

NZGW's wholesale customers must be able to order and receive stock during specified order rosters and delivery schedules.

d) Traffic Management Plan/Worksafe

NZGW's wholesale customers must complete a Traffic Management Plan and ensure that Worksafe "Managing work site traffic - Good practice guidelines" are adhered to during stock delivery.

e) Other Delivery Requirements

NZGW has delivery standards to ensure the cold chain is maintained and it will provide a minimum life on receipt for all products supplied. NZGW will reserve the right to make any delivery adjustments necessary to suit peak trading, natural disasters (and any other impact on normal ability for NZGW and ancillary services to operate).

f) Unit Load Device (pallet) Hireage Agreements

NZGW will require wholesale customers to have accounts with ULD (e.g. pallets and crates) hireage providers to ensure that the processes to utilise items such as pallets are efficiently managed.

g) Stock Forecasting

NZGW's wholesale customers must provide a forecast (as set out in the standard terms and conditions) of their stock orders to enable WWNZ to maintain effective and efficient replenishment processes.

h) Fairshare

In the event of supply shortage, WWNZ will take into account customers' committed forecasts from all parties receiving supply from the WWNZ DC network, including NZGW customers, to allocate available product on a "Fairshare" basis.

i) NZGW Product Price

Pricing will be determined by NZGW with reference to the following formula:

Product Purchase Price = COGS + (COGS x Margin%) + (COGS x (Pick and Pack% + Freight%))

Where:

- **COGS** is the cost of goods from the supplier to NZGW. For clarity, NZGW's suppliers may apply different prices for NZGW compared to WWNZ's own supermarkets and/or may apply different prices to NZGW for different wholesale customers;
- **Margin%** is the % margin charged by NZGW on all products;
- **Pick and Pack% + Freight%** is the pass through of the estimated costs of receiving stock, pick, pack and deliver (to the delivery location from the relevant DC) and other costs to serve, with those costs currently split into a "pick/pack" and a "freight" component and both expressed as a %.

Pricing will be subject to change with the prescribed adjustment notification periods set out in wholesale supply agreement. In addition to the Product Purchase Price, NZGW may charge an order audit fee (based on optional service for the wholesale customer) and any other additional costs to serve set out in the wholesale supply agreement.

j) NZGW Product Range (proprietary)

NZGW will meet the principles of the GICA regarding product range, noting that wholesale supply of any given product will be subject to the consent of the relevant supplier and other factors (such as availability in sufficient volumes). NZGW is not responsible for supplier refusal to permit wholesale for any given product or to any given wholesale customer. NZGW may also choose at its discretion to supply at wholesale products which are not captured by the definition of groceries in the GICA, on separate terms (e.g. alcohol).

k) Title, Risk, Resale and Intellectual Property Rights

The wholesale supply agreement will outline expectations regarding title of goods, when risk passes to the customer, expectations regarding resale of goods and how intellectual property rights would apply within a supply agreement with the wholesale customer.

l) Minimum Supply Agreement periods and Termination

For the benefit of both parties, a supply agreement shall have a minimum term and be subject to an optional extension. The consequences of termination will be specified.

m) Payment Terms

Direct Debit is NZGW's payment method with a specified due date for payment after an invoice has been issued (as set out in each wholesale supply agreement).

n) Claims and Returns

NZGW has a claims process for wholesale customers to be able to make claims and/or returns for incorrect pricing, damaged goods, delivery errors and other reasons.

o) Product Recalls

NZGW has a process of communication for actions to be taken in the event of a product recall.

p) Credit checks, limits and security

NZGW may require potential wholesale customers to allow credit checks on application and credit limits may be applied. NZGW will require security to be granted over the goods supplied (and the proceeds) until those goods have been paid for.

q) Confidentiality, Privacy and Dispute Resolution

NZGW will outline reasonable expectations regarding confidentiality and privacy between both parties and will ensure a procedure is available for resolution of disputes from the wholesale customer.

r) Non-Exclusive wholesale supply

For the benefit of the customer, NZGW will not require any commitments around exclusivity.

2.2. Option 2: NZGW Wholesale Card for use in Countdown / Woolworths Stores

Some retailers will be too small for an ex-DC wholesale supply model to be efficient and feasible. For these retailers, NZGW has developed the NZGW Wholesale Card as an alternative wholesale solution. NZGW has established principles for the NZGW Wholesale Card. These principles may include but are not restricted to:

- a) The NZGW Wholesale Card is available for use in selected Countdown / Woolworths stores, by qualifying wholesale customers in accordance with the terms & conditions of use. It enables wholesale customers to access wholesale prices through that channel (with wholesale prices currently involving a discount from Countdown's / Woolworths' retail prices).
- b) Applications for a NZGW Wholesale Card can be made via e-mail to nzgw-wholesalesupplyrequests@woolworthsnz.co.nz
- c) The NZGW Wholesale Card will entitle the qualifying retailer to a discount of 5% from the shelf price, of any product in-stock and on-shelf, at selected Countdown / Woolworths stores.
- d) The NZGW Wholesale Card must be used only for purchases of goods from Countdown / Woolworths stores for the purposes of resale. It must not be used for purchasing goods for personal, or friends and family, consumption or use.
- e) The shelf price is the price as displayed on shelf, excluding promotions.
- f) There are some products that will not receive the 5% discount which will be detailed within the NZGW Wholesale Card standard terms and conditions.

- g) Individual SKU stock limits may apply from time to time with any bulk orders needing to be forecasted by the card customer and provided to the Countdown / Woolworths store they will purchase from.
- h) NZGW reserves the right to determine whether or not a potential wholesale customer qualifies for the NZGW Wholesale Card. Qualification requirements will include, but are not limited to:
 - (i) a clear credit check;
 - (ii) a valid and current NZBN number; and
 - (iii) identification of a single individual in whose name the card will be issued accompanied with proof of identity and provision of a photo suitable for photo ID to be included on the NZGW card.
- i) The NZGW Wholesale Card will be honoured at selected Countdown / Woolworths stores. The NZGW Wholesale Card will not apply to Metro, SuperValue and FreshChoice stores.
- j) The NZGW Wholesale Card will not apply in conjunction with online sales (delivery, click and collect etc).
- k) The NZGW Wholesale Card may be revoked, for reasonable cause, by NZGW without advance notice.
- l) Terms and conditions (including the discount), as outlined above, are subject to change, at NZGW's discretion.

3. PRINCIPLES FOR HOW VARIATIONS OF SUPPLY AGREEMENTS WITH NZGW WILL OCCUR

- Variations to supply agreements may be proposed by NZGW from time to time where NZGW determines that the need arises, acting reasonably and in good faith.
- When proposing a variation to a supply agreement, NZGW will take into account all relevant factors and engage with the wholesale customer in good faith (including outlining the reasons for the proposed variation)
- Any proposed variation will be communicated in writing to the wholesale customer, including the reasons for it. The proposed variation is subject to the written agreement of the wholesale customer.

4. PRINCIPLES FOR HOW TERMINATION OF SUPPLY AGREEMENTS WITH NZGW WILL OCCUR

- NZGW or a wholesale customer may terminate a supply agreement for convenience by giving the other party a minimum notice period of 6 months.
- When deciding whether to terminate a supply agreement for convenience, NZGW will act reasonably and in good faith (and will outline its reasons to the wholesale customer).
- If there has been a material breach of the terms of a supply agreement by a wholesale customer, NZGW may give written notice of the breach(es). If the breach is not remedied within 14 days of written notice of the breach, or the breach is incapable of being remedied, NZGW may terminate the supply agreement by written notice to the wholesale customer.