

Supplier's Guide



Updated: August 2024

**For
responsible
consumption**





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an SQDC Supplier

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Mission:

The Société québécoise du cannabis (SQDC) was founded in June 2018, following passage of the ***Cannabis Regulation Act***. It is the newest government corporation to be created in Québec.

The SQDC's mission is to sell cannabis with a focus on health protection in order to convert users to the legal cannabis market without encouraging cannabis use.

The SQDC, along with the suppliers that provide the products it sells, operate in compliance with the following laws and regulations: ***Act respecting the Société des alcools du Québec, Cannabis Regulation Act, Cannabis Act and Cannabis Regulations.***

The SQDC's head office is home base for nearly 80 employees, all of whom are helping to build the legal cannabis industry from scratch. The company's size gives it a certain flexibility, allowing it to adapt easily to a rapidly evolving business environment.

1

The values that guide the SQDC

The SQDC bases its actions of four core values: **responsibility, simplicity, proximity and excelling**. These values guide all aspects of the company, including its relations with suppliers.

Responsibility

Responsibility forms the basis of who we are. We constantly place customers health at the centre of our actions. We advise and support customers to reduce the risks related to cannabis use.

We are also committed to efficiently and effectively managing our business so our profits can benefit all Québécois, most notably by funding cannabis research and prevention efforts.

In addition, we have adopted sustainable development practices to limit our impact on the community and grow our value for Québec.

Simplicity

Because we care deeply about efficiency, we strive to make the right choices and solve problems at the source. Every day, at every level of the company, our determination to do things differently and keep our processes simple guides our decision-making.

Proximity

At the SQDC, the notion of proximity underpins those of authenticity, openness and collaboration. Whether among colleagues or with our partners and customers, we cultivate a relationship of trust that propels us forward together.

Proximity is also the desire to provide high-quality service accessible in every region of Québec.

Excelling

Every day, we work to build the SQDC by being bold and courageous. Our passion for work and our shared desire to succeed drive us to constantly innovate, encourage initiative and always give the best of ourselves.

2

The SQDC's ongoing expansion

120
stores
by the end of
fiscal 2025-2026

As at June 6, 2024, the SQDC was considered the largest cannabis retailer in Canada, having captured a 62.8% share of the illegal cannabis market in Québec.

To continue taking on the underground market and converting as many users as possible to the legal market, the company is continuing to gradually expand its store network in every administrative region of Québec and to introduce a number of online initiatives aimed at increasing accessibility to safe legal cannabis for all Québécois.

The Initiatives include not only a range of home delivery options, such as the same-day express delivery service offered in the greater Montréal, Québec City and Mauricie regions, but also the new Pick Up in Store option for online orders.

To better compete with the illegal market, the SQDC is expanding and adapting its product offer, both in response to market demand and in keeping with its social mission, by adding more products and new product categories sought by consumers.

3 Compliance with current laws and regulations



Important! This Suppliers' Guide in no way replaces the laws and regulations currently in force. We encourage you to refer to the documents published by the government bodies concerned.

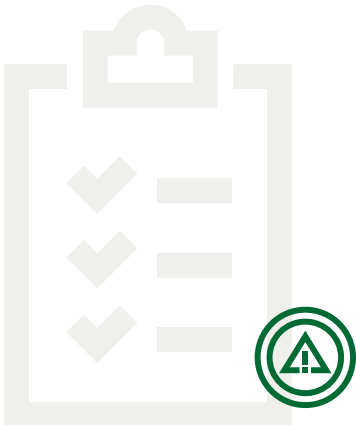
- [Cannabis Act](#)
- [Cannabis Regulations](#)
- [Health Canada](#)
- [Regulating cannabis in Québec](#)
- [Autorité des marchés publics \(AMP\)](#)
- [Consignation](#)

4 How to use this Suppliers' Guide



The SQDC has created this guide to help companies interested in doing business with it to understand the company's philosophy, operation and requirements as well as the standards and regulations that cannabis suppliers are subject to. Companies seeking to do business with the SQDC are encouraged to read this guide carefully to find answers to any questions they may have and ensure they meet all the company's criteria.

5 Supplier selection criteria



The SQDC wants to do business with suppliers that share its values and are interested in building a collaborative relationship based on trust.

The SQDC seeks serious suppliers committed to producing quality products. The company also wants to continue offering prices that are competitive without commodifying the product so it can increase the rate of conversion to the legal market, all while paying a fair price to suppliers and remaining true to its social mission.

Suppliers that work with the SQDC should also be aware of the preferences of Québec consumers and of the particulars of doing business in Québec (the mandatory use of French, for example).

Suppliers are required to scrupulously comply with all provincial and Federal laws and regulations, including the [Charter of the French language](#). The SQDC also hopes to do business with responsible suppliers that share its focus on Québécois' health and safety.

Producers are expected to act ethically and with integrity and loyalty. Their company should be respectful of people and the environment.

Suppliers are also required to comply with the [Code of Conduct for SQDC Suppliers](#).

Suppliers from across Canada can do business with the SQDC. However, they must hold all required permits and licences and authorization to enter into contracts from the AMP.



The SQDC's local purchasing policy

As part of its Social Responsibility Plan 2024-2026, the Société québécoise du cannabis has set itself the objective of making it possible for customers to buy locally and clearly identifying Québec products so they can select them. By 2026, the company aims to have a product offer 44% of which is comprised of local products bearing a Québec product identifier.

By 2026

44%

Percentage of products bearing a Québec product identifier



Québec Grown identifier

The SQDC has developed an identifier that makes it easier to know which products in its stores and on its website are made from Québec-grown cannabis.

To qualify for the Québec Grown identifier, a product has to be made mainly from cannabis grown in Québec (minimum 65%). The supplier also has to sign an agreement certifying the cultivation ratio for each product qualifying for the identifier. The supplier must at all times also be able to provide traceability data for each lot grown.

Québec Grown identifier qualification criteria:



1. The cannabis used in the product must be mainly (65%) grown in Québec;
2. The supplier must sign a promissory agreement for each product qualifying for the identifier; and
3. At all times, the supplier must be able to provide, upon request by the SQDC, traceability data for each lot and year.

The SQDC is proud to provide a special place for its Québec partners and for products grown in Québec.

The identifier is currently used for qualifying products in the following categories:

- Dried flowers
- Ground
- Prerolleds
- Hash
- Kief



How to become an SQDC supplier



Cannabis suppliers are required to meet a number of legal requirements. To become a supplier of the Société québécoise du cannabis, they must also offer products aligned with the company's needs. That is why the SQDC seeks to establish, from the outset, a collaborative relationship in the cannabis production project. Here are the main requirements.

1

Main prerequisites for bringing a cannabis product to market

The very first step to qualify for doing business with the SQDC is to obtain:

- 1.1 an authorization to enter into a contract from the Autorité des marchés publics (hereinafter the "AMP"), as required under section 26 of the Cannabis Regulation Act;
- 1.2 a Health Canada licence for processing retail products in order to sell and distribute cannabis, as provided in the Act and in the Cannabis Regulations; and
- 1.3 a numéro d'entreprise du Québec (NEQ, Québec enterprise number) issued by the Registraire des entreprises du Québec and GST and QST numbers.

The AMP is an independent body that oversees financial markets and government contracting in Québec. Its mission is to ensure measures are implemented to ensure the probity and performance of companies that have or want to have business dealings with the Québec government. This it does by, among other things, issuing authorizations to enter into contracts.

Suppliers wanting to submit products to the SQDC during its product submission periods are required to have on hand the documents specified under items 1.1, 1.2 and 1.3 above and to be able to provide copies of them to the SQDC.

2

Initial contact with the SQDC

The SQDC strongly encourages suppliers to read this guide in its entirety as well as the following documents: [Category Management – Product Offer](#) and [Retail Sales Prices at the SQDC](#) before contacting any SQDC team members, as it is likely that the answers to most questions will be found in them.

After reading all the documentation mentioned above, a cannabis supplier, it may, during the product submission periods, fill out the cannabis product submission form linked to below:

 [Online product submission form](#)

For answers to any remaining questions, suppliers can contact the team responsible at soumission_produits@sqdc.ca.

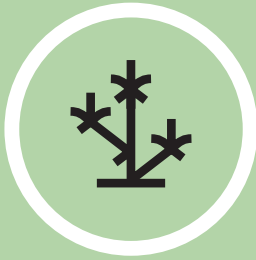
3

Other legal and regulatory requirements

Suppliers are also required to have a place of business in Canada and to be in compliance with all regulations, laws, decrees, orders and other edicts issued by the federal, provincial and municipal governments regarding performance of contract and with the applicable SQDC policies, codes and directives, including, without being limited to, the Code of Conduct for SQDC Suppliers, especially as regards conflicts of interest, advertising and public announcements. Contracted suppliers must obtain and maintain, at their own expense, all permits, licences, certificates and authorizations and pay all taxes and duties required under the Act in order to sell their products.



Product Management



Aiming to maintain a refreshed product offer aligned with customers' needs, the SQDC conducts two product calls per year. When products are selected, the SQDC prioritizes clear, frequent and transparent communications with its partners. The following product categories are updated only once a year, during the spring/summer merchandising cycle: kief, sublingual strips, oils, oral sprays, capsules, cooking ingredients, infusions and accessories.

1 Merchandising strategy



Once a product is selected by the SQDC, it is introduced either both in selected stores and on SQDC.ca or only on SQDC.ca for six months or the full duration of the planogram.

2 Accessory suppliers



Suppliers of accessories for cannabis use (rolling papers, lighters, grinders, etc.) do not have the same legal obligations as cannabis suppliers. To do business with the SQDC, companies that sell only cannabis accessories do not need a Health Canada licence for their sale. Nor does the Act require them to obtain an authorization to contract from the Autorité des marchés publics.

The Société québécoise du cannabis offers customers a limited range of accessories purely for convenience's sake. The SQDC has decided to focus on cannabis products rather than cannabis-related accessories, as the latter are already sold to consumers at several specialized shops across Québec.

The SQDC issues calls for tenders for accessory products once a year, when changing the spring/summer planogram, on the same dates as for cannabis products. The details of the product calls are posted on SQDC.ca at least four weeks before the submission deadline. For more information, please send an email to soumission_produits@sqdc.ca.

Nonetheless, the SQDC requires all its suppliers to maintain a high level of integrity.

Suppliers of cannabis accessories should also pay special attention to the French-language labelling requirements. On all labels and on the accessories themselves, all text has to be at least as visible in French as in any other language. This also applies to product listings and the technical specifications for photos published online, for example.

3

Types of products sought by the SQDC

Suppliers seeking to work with the SQDC should have one or more products with the potential to satisfy Québec consumers while also being conducive to lower-risk use.

In the dried cannabis category, the SQDC wants to offer quality products with adequate moisture content and optimal freshness.



The company will give preference to suppliers that can guarantee minimal variation in the THC and CBD content of their products.



It should be noted that the SQDC's top-selling products, irrespective of category, are dried cannabis flowers in 3.5 g packages. The 28 g packages are for individuals who already consume large amounts and might otherwise turn to the illegal market. However, such products should not encourage users of smaller quantities to buy more. Cannabis products sold in 28 g packages are therefore offered in that size only and may not be sold in any other size. The SQDC also sells dried flower products in 1 g and 15 g packages.

Québec cannabis users also want to find at the SQDC products such as ground flowers, prerolleds, oils, oral sprays, capsules, hash, kief, decarbed cannabis products and other types of concentrates. Ready-to-drink cannabis beverages and cannabinoid-based infusions are also sold at the SQDC.

Some edible products are currently sold by the SQDC, namely ready-to-eats and cooking ingredients. Other product types will eventually be added to the edible product offer.

Suppliers that want to propose edible products should make sure the products meet all Québec requirements, namely:

- **Are not appealing to people under 21 years old** (candy, chocolate, cakes, cookies, etc.);
- **Do not exceed the upper limit of 5 mg of THC per portion;**
- **Do not exceed the upper limit of 10 mg of THC per package;**
- **Do not mention any claimed health benefits (e.g. low-fat); and**
- **Include on the packaging information that helps potential buyers make an informed choice**



Interested in developing edible products or other product categories that are not currently sold at the SQDC but do comply with the Act and Québec regulations?

→ **If you would like to bring to market products that meet these criteria,** please contact the SQDC at the following address:
soumission_produits@sqdc.ca

4

Products sold at the SQDC



The SQDC sells or plans to sell to consumers the following types of product:



DRIED CANNABIS	EXTRACTS	EDIBLES	BEVERAGES	ACCESSORIES
<ul style="list-style-type: none"> • Dried flowers • Ground • Prerolled 	<ul style="list-style-type: none"> • Oils • Oral sprays • Capsules • Hash • Kief • Concentrates • Sublingual strips • Resin and rosin • Infused prerolleds 	<p>Unappealing to people under 21 years of age</p> <ul style="list-style-type: none"> • Cooking ingredients • Ready-to-eats 	<ul style="list-style-type: none"> • Ready-to-drinks • Infusions 	<ul style="list-style-type: none"> • Rolling paper, cones and tips • Lighters • Humidicant packs • Grinders • Hand and water pipes • Steel screens

5

Legal framework and products banned from sale in Québec



Québec’s regulatory framework is based on the principle of precaution and **prohibits the SQDC from selling cannabis for topical use.** Like federal legislation, it **bans edible products that are appealing to young people.** However, it also goes further by adding candy, desserts and chocolate, which are considered **intrinsically appealing to young people.**

The THC content in cannabis products may not exceed 30.0% weight for weight (w/w). Edible products are exempted from this requirement.

The distinguishable portion unit of edible cannabis products may not contain more than 5 mg THC. Moreover, irrespective of the number of distinguishable portion units contained in a package, the quantity of THC per package may not exceed 10 mg.

Edible cannabis products in liquid form may not contain a quantity of THC greater than 5 mg per container.



Important updates

Minor cannabinoids

The term “minor cannabinoids” refers to all non-THC and non-CBD cannabinoids. The term “intoxicating minor cannabinoid” is used for minor cannabinoids that generate varying degrees of intoxication when consumed.

Minor cannabinoids may be naturally present in cannabis flowers. They are usually found in smaller quantities than THC and CBD, through phenotype research may increase the proportion in the future. The SQDC is in favour of declaring and displaying the level of naturally present minor cannabinoids, especially when they are the result of an intentional phenotype or growing and curing methods or when the levels are significant and known to the producer.



Any addition of minor cannabinoids to products must be declared to the SQDC when submitting the products.

Selecting products that make up the product offer is done according to established criteria in addition to determining the levels of the major cannabinoids (THC and CBD) exclusively. In such cases, the SQDC requires that the levels of all minor cannabinoids added to the product appear on its label using the same layout as for the THC and CBD levels.



The concentration of minor cannabinoids cannot be dominant:

- For THC and balanced products, it may not exceed the minimum or maximum level of THC that may be found in the product.
- For CBD products, it may not exceed the minimum or maximum level of CBD that may be found in the product.
- In addition, the combined level of the minor cannabinoids and the THC have to comply with the limits allowed by the regulatory framework.



When it comes to intoxicating minor cannabinoids, the SQDC wants act with the greatest prudence and encourages its suppliers to do the same in order to reduce customers’ exposure to the risks associated with the sale and use of cannabis products. The SQDC can refuse any product, based on the type, whose quantity or combined total concentration of THC and all added minor cannabinoids exceeds the total limit established for the THC level. When analyzing any such product, the SQDC will take into account the amount by which the level is exceeded, the quantity of all intoxicating cannabinoids combined and any other risk factor it deems relevant.

These control measures will help reduce the risks associated with use as well as provide to consumers the information they need in order to make informed decisions before using a cannabis product.



Important updates (cont.)

Added terpenes

Cannabis extract products and products that contain cannabis extracts can also contain added terpenes. When submitting this type of product, suppliers must declare that the terpenes incorporated into their product are cannabis terpenes. Any product that does not meet this requirement will be automatically rejected.

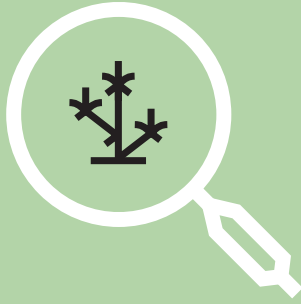
The cannabis terpenes added to an extract may not alter cannabis's characteristic taste or odour. The SQDC has added this stipulation to avoid the risk of selling products not in compliance with article 6 of the [Regulation to determine other classes of cannabis that may be sold by the Société québécoise du cannabis and certain standards respecting the composition and characteristics of cannabis](#).



Questions? Please contact the Demand and Product Management team:



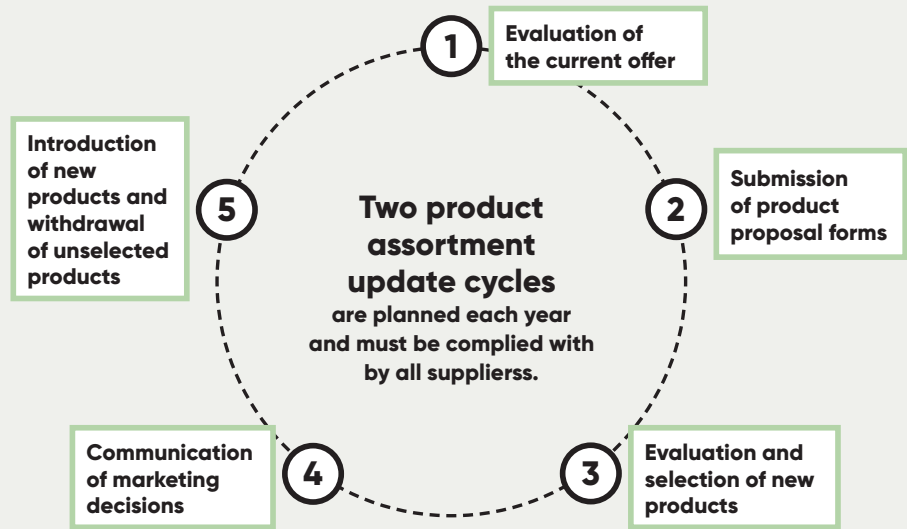
soumission_produits@sqdc.ca



New product selection process

The Société québécoise du cannabis (SQDC) has set up a new product approval and listing process to ensure that its product catalogue is aligned with the expectations of Québec consumers and consistent with its social mission. The SQDC refreshes its product offer twice a year, using a rotation system for introducing and withdrawing new products through its two retail channels: in stores and online. To learn more about the current and future product offer, please refer to the document titled *Category Management – Segmentation of the Product Offer*.

The process is divided into five steps and applies to all current and prospective SQDC suppliers.



Submission and selection periods for cannabis products and accessories

Two product assortment refresh cycles at least six months long are planned each year and must be complied with by all suppliers:

Product refresh cycle	New product submission deadline	Notification to suppliers of the products selected for the nurseries and the regular planogram	New product listing file submission deadline	Regular planogram start date	Product introduction period	Regular planogram and nursery evaluation period
Spring/summer 2025	November 22, 2024	January 31, 2025	March 7, 2025	April 14, 2025	April 14 to May 9, 2025	May 11 to June 21, 2025
Fall/winter 2025	May 23, 2025	August 1, 2025	September 6, 2024	October 13, 2025	October 13 to November 7, 2025	November 9 to December 20, 2025

7

Evaluation of the current product offer



Performance criteria used in product evaluation

→ Definitions:

- **Current regular planogram:**
average number of products in the SQDC's store planogram
- **Next regular planogram:**
number of products that the SQDC wants to have in its next store planogram
- **Portion of the planogram (%):**
percentage share of the subcategory in the planogram
- **Market share (net dollar sales):**
share of unit volume sales by subcategory for the 12-week period concerned
- **Nursery products:**
number of products that the SQDC will select for testing purposes in its nursery environment



For the complete details of the product subcategory segmentations and the latest update, please refer to the **Category Management Matrices** document on SQDC.ca.

In each refresh cycle, the SQDC may refresh between 15% and 25% of its regular store planogram, always bearing in mind the limited sales space and the space allocation for each subcategory.

In determining which products will make up the assortment for the various sales networks (all stores, nursery stores and SQDC.ca), the SQDC uses the following evaluation criteria:

- ✔ Net dollar sales¹
- ✔ The level of service provided by the supplier for the product concerned²
- ✔ The number of products of the same strain in the same subsegment of the catalogue
- ✔ Local supply
- ✔ Compliance with the SQDC's eco-responsible criteria for packaging
- ✔ Customer comments and requests
- ✔ The number of quarantines, returns, recalls and complaints
- ✔ The producer's ability to properly submit all the items necessary to bring its products to market
- ✔ Provincial and national market intelligence

This summary of the number of withdrawals and new product introductions in the regular planogram and the makeup of the nursery for a given cycle is based on the following segmentations:

SUBCATEGORY	NEXT REGULAR PLANOGRAM	NEXT NURSERY	PORTION OF THE PLANOGRAM	CURRENT REGULAR PLANOGRAM	CURRENT NURSERY	MARKET SHARE
Dried flowers	187	69	45%	196	73	59%
1 g	8	3	4%	6	3	0%
3.5 g	135	50	72%	150	55	64%
15 g	10	4	5%	8	4	6%
28 g	34	12	18%	32	11	30%
Ground	10	4	2%	8	2	3%
Prerolleds	90	30	22%	106	45	22%
Infused prerolls	20	5	5%	19	6	1.5%
Resins and rosins	4	–	1%	4	–	0.5%
Hash	30	12	7%	34	10	9%
Kief	2	–	0%	3	–	0.2%
Oil	12	–	3%	12	–	2.5%
Oral spray	6	–	1%	6	–	0.5%
Capsules	10	–	2%	10	–	1%
Sublingual strips	2	–	0%	3	–	0.1%
Infusions	3	–	1%	4	–	0.1%
Cooking ingredients	3	–	1%	2	–	0.0%
SUBTOTAL	379	120	91%	407	136	99%
Ready-to-eat	12	–	3%	15	–	1%
Ready-to-drink	24	–	6%	30	–	1%
TOTAL	415	120	100%	452	136	100%

1. Prior to product calls, the SQDC will publish an update on the average net dollar sales by subsegment in the document titled *Category Management – Segmentation of the Product Offer* (for products in the same category, subcategory, format, dominance and price bracket).
2. The service level calculation is based on the cases requested as opposed to the cases offered and cases ordered as opposed to cases delivered. The SQDC takes into account the producer's maximum production capacity.

8

Submitting new products



The deadlines for processing submissions are specified in the [above table](#).

New product submissions for introduction in the nursery environment or online can be filed up to four weeks before the new product submission deadline by filling out the following form:



Suppliers seeking to introduce in stores products that are currently distributed only on SQDC.ca should submit them during the next submission period. If the products are selected, they will be sold in stores as of the next product refresh cycle.

9

New product evaluation and selection

In **September 2022**, the SQDC introduced the nursery concept in selected SQDC stores and on SQDC.ca. This step is now mandatory before a product can be added to the regular store planogram.



What is the nursery environment?

It is a temporary proving ground that provides a way to test customers' reaction to new products before they are added to the regular planogram and sold in all SQDC stores.

How it works

From among all the submissions received and based on the needs in each subcategory, the SQDC selects an expanded range of products to test them in the designated nursery stores for several weeks. In other words, these products are added to the regular planogram assortment found in the nursery stores. At the end of the evaluation period, the nursery products with the best performance (based on the performance criteria listed in [section 6](#) of this guide) are selected to be included in the regular planogram for the entire store network.

→ Take, for example, **THC-dominant dried flowers in 3.5 gram format**

1. As noted in the [Category Management Matrices](#), during the initial cycle, the SQDC is **aiming to renew its regular planogram product offer** in the under-\$20 range for the specified period.
2. From among the submissions received, the SQDC will choose **a predetermined number of products** that meet the criteria for the subsegment. These products will be tested in the nursery stores.
3. **The top-performing product(s)** in the nursery environment that best meet the requirements will then be **added to the next regular planogram for the entire store network**.

9

New product evaluation and selection (cont.)

To be admitted into the nursery environment, suppliers have to meet the following conditions:

- ✔ Offer its products on the launch dates set by the SQDC (see the [selection and submission periods for cannabis products and accessories](#)). The SQDC will determine the launch schedule to ensure innovative products are distributed in the period reserved for product launches in nursery stores.
- ✔ Supply the nursery stores during the test period without interruption. The nursery stores generate approximately 30% of the SQDC's volume sales.

Post evaluation:

- ✔ If a product is selected for inclusion in the regular planogram, the supplier must be able to provide a constant, adequate supply during the six-month period covered by the planogram for each selected product.
- ✔ If a product is not selected, the supplier must be able to coordinate, at its expense, the product's withdrawal from the nursery stores on the dates set by the SQDC. To limit the impacts of the withdrawal, the SQDC will redistribute the remaining inventories across its store network. Lastly, suppliers will also have the option of displaying a "disappearing soon" identifier on the website and in stores for a six-week period and also reducing the sales price of the products by a predefined percentage.

If these criteria are not met, the SQDC reserves the right to refuse a product or remove it from its planograms.

Note that the nursery concept applies only to regular product categories: dried flowers, ground, prerolleds, oils, oral sprays, capsules, hash, infused prerolleds and ready-to-drinks.



Exception

Cannabis products considered to be innovative—by which we mean products in product categories not currently sold by the SQDC—may be introduced outside the two official cycles. This may be for SQDC.ca, the entire store network or both, as determined by the SQDC. The same is true for products that fill a gap in the current offer and are requested by SQDC customers.

9

New product evaluation and selection (cont.)

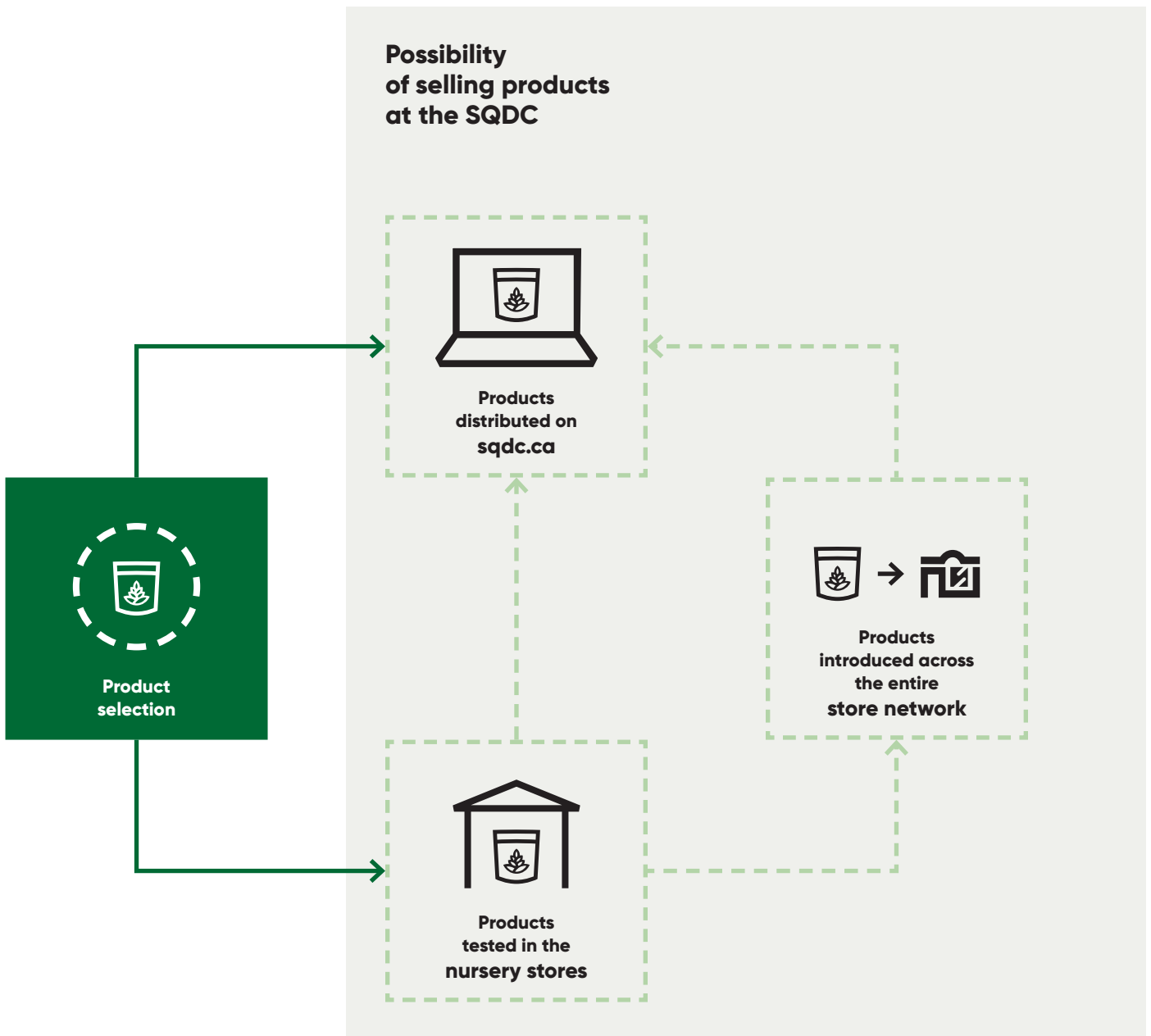
SQDC.CA: an important showcase

The website remains accessible to suppliers not selected for the nursery environment. If your product has been selected for the online sales channel, the SQDC will notify you during the product selection process.

A product distributed only on SQDC.ca may be resubmitted during the next product call.

In short, it is possible to sell your product on the website:

- If it has not been selected for sale in the nursery stores; and
- It is withdrawn from the regular store planogram or from the nursery environment during a refresh cycle.



10 Submitting new product listing items



When a new product is confirmed for sale in one of the sales networks, the supplier has to submit the complete listing items for it to the Product Management team. For the product to be listed, the items must be submitted by the deadline set by the SQDC. A detailed guide (French only) is available on request from the Product Management team at mem_produits@sqdc.ca.

The submission, approval and listing process for new products aims to provide Québec customers with a fair and balanced product offer across all categories, subcategories and price brackets.

It should be noted that the SQDC selects its products in accordance with its mission to convert users of the illegal market while maintaining a focus on health protection.



Do not hesitate to contact us if you have any questions about the process:

→ **Current suppliers:**
mem_produits@sqdc.ca

→ **New suppliers:**
soumission_produits@sqdc.ca

→ Please note that the SQDC reserves the right to review or change its current cannabis selection process at any time.

11 Product listing fees/ Product attribute adjustment fee

The product listing fee is \$500 per product (SKU), regardless of the product category. The fees will be invoiced in the 30 days following the listing and deducted from the amount billed to the Société québécoise du cannabis.

The SQDC reserves the right to drop any producer or their products from its catalogue if they are deemed unacceptable by either the SQDC or the relevant authorities under current laws and regulations. This may be done at any time and is at the producer's expense. The SQDC also reserves the right to drop a previously selected product whose product information sheet and other required items have not been submitted by the above-mentioned deadlines or whose submitted parts fail to meet the SQDC's requirements.

12 New product notice



To ensure all new products comply with section 244 of the [Cannabis Regulations](#), we require the producer to provide a Health Canada confirmation of receipt of the new cannabis product notice for all new cannabis products. This confirmation is mandatory and should be provided to us when submitting the product listing elements.

13 Samples



Each producer is solely responsible for ensuring its compliance with Health Canada standards and product quality and safety requirements.

The Société québécoise du cannabis reserves the right, in case of doubt or for any other reason, to have the cannabis products analyzed in a laboratory certified by the competent authorities in order to ensure they are in compliance with all applicable laws, regulations and standards and with the requirements specified in the release order. If the analyzed products are deemed non-compliant and/or fail to meet all of the SQDC's criteria, the SQDC may withdraw the product from sale, require that it be taken back or recalled by the supplier and drop it from the planogram, all at the supplier's expense.

The supplier also has to credit the SQDC for these products.

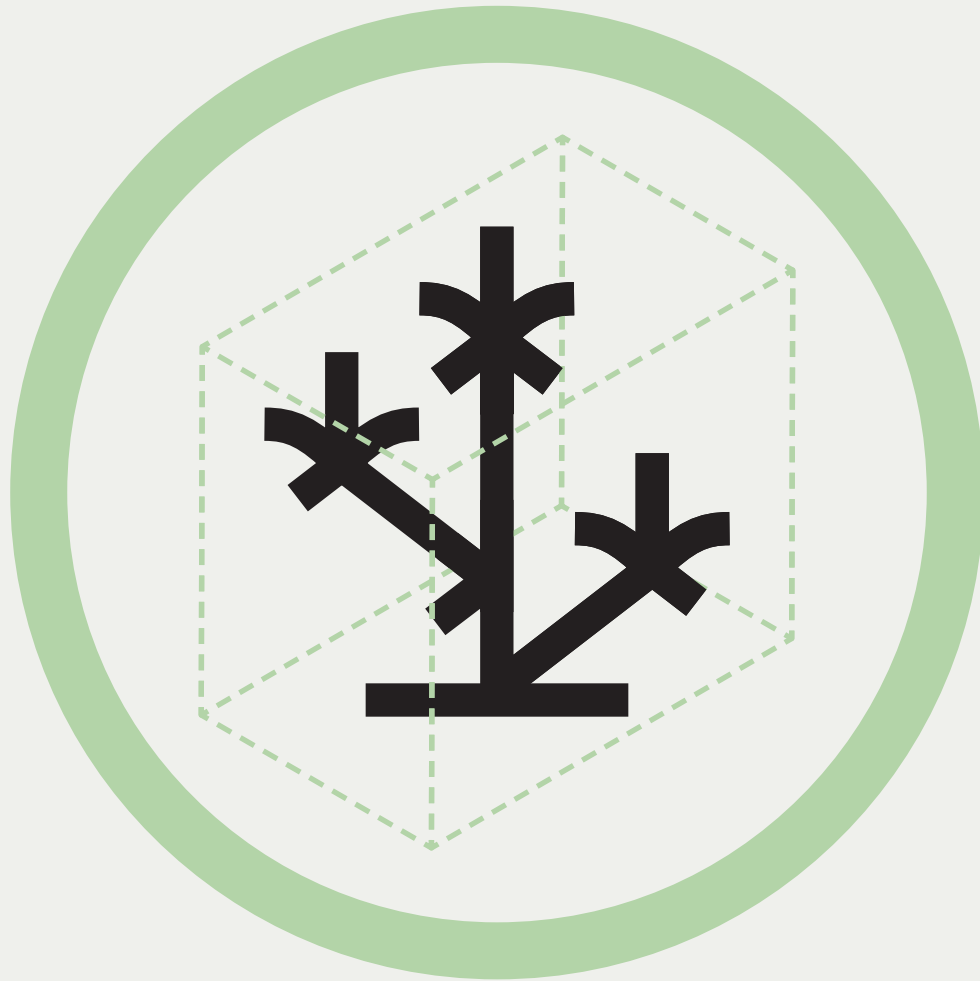


Under no circumstances does the SQDC in any way release the supplier from its responsibility regarding the quality assurance of the products it brings to market, whether or not the SQDC decides to check samples. The supplier remains fully responsible for ensuring the quality and safety of its products.

14 Visits to producers facilities



At the request of the Société québécoise du cannabis and subject to written notice being provided reasonably far in advance, suppliers shall allow SQDC representatives to visit their facilities and inspect any location where products are grown, transformed, packaged or shipped. The purpose is to enable the SQDC to ensure that the supplier is in compliance with the terms and conditions of the release order and with all applicable laws, regulations and standards.



Product Management Packaging

15 Mandatory information

Suppliers doing business with the Société québécoise du cannabis must include on their packaging all information required by Health Canada. Any products not in compliance with Health [Canada's Packaging and Labelling Guide for Cannabis Products](#), the [Cannabis Regulations](#) and the requirements of the Société québécoise du cannabis will be returned to the supplier at the supplier's expense.

16 Product trade name and information on the label

The SQDC favours product names that are French-sounding. However, when the name of the strain (cultivar) is used as the product name, it does not need to be francized if doing so would risk confusing customers. Before translating or adapting a strain (cultivar) name into French, suppliers should contact the SQDC Product Management team.

17 GS1 (Global Standards 1)



GS1 is a global standards organization that develops and manages the assignment of product prefixes (standardization of coding used in the global logistics chain). In Canada, it is an impartial, not-for-profit association that develops and maintains global standards aimed at improving the efficiency, safety and visibility of supply chains.

Products listed at the Société québécoise du cannabis are required to meet all GS1 standards.

This ensures the product can be "read" (using a barcode) at the various points of sale. The product number must contain a GS1-assigned company prefix (sometimes called a manufacturer prefix).

After you submit your barcodes, GS1 assesses their validity (visual inspection and checking of the barcode for the GTIN code, the application identifiers and the sequence) and, if appropriate, issues a declaration of conformity, which you have to forward to the SQDC.

We recommend not starting product packaging until the Product Management team has formally approved the samples.

This ensures you won't be faced with a distribution refusal due to non-compliance of one or more aspects.

18

Product barcodes

Visit:

 www.gs1.org

for detailed information on the various types of barcode.

Canadian cannabis stakeholders and the members of the cannabis task force have concluded that the implementation of GS1 barcodes throughout the industry should be harmonized to ensure it is the only form of barcodes used in the entire Canadian cannabis industry. It has therefore been agreed that current barcodes will migrate to DataMatrix by January 1, 2025. A transition period is planned to allow for clearance of units with the former barcodes. When this guide was drafted, the technical information regarding this change were not available. If you would like to obtain more information about the requirements of this barcode, please contact GS1 Canada.

The only types of barcode used by the SQDC for its sales units are:

- GS1 Databar Expanded
- GS1 Databar Expanded Stacked

The SQDC recommends using the GS1 Databar Extended Stacked based on the size of the packaging.

The presence of a second, UPC-A type barcode is undesired. If it is necessary for the producer's operations, it should be positioned properly.

- The two barcodes should be placed far from each other to ensure optimal reading.
- The barcodes should include the following data in the following order: GTIN (Global Trade Item Number), packaging date and lot number.
- As application identifier (01) has 14 digits and as we have adopted a 12-digit GTIN for our sales units, the 12-digit GTIN must be preceded by two (2) zeros in the barcode coding.

For cannabis-containing ready-to-drinks, suppliers must also have completed the appropriate steps with the non-profit organization [Boisson Gazeuse Environnement \(BGE\)](#) to ensure the drink containers meet all regulations and requirements for the Québec deposit-return system. Aluminum containers must have **two barcodes**: the mandatory UPC-A-type barcode and a GSQ Databar Expanded Stacked (GS1) barcode so the container is compatible with the deposit-return system. Note, however, that the UPC-A barcode cannot be located near the GSQ Databar Expanded Stacked barcode.



The SQDC reserves the right to refuse any product that does not meet the barcode requirements, in which case it will be the supplier's responsibility to take back the product at its expense.

19

Human Readable Interpretation (HRI) Rules



- 1 GTIN
- 2 Packaging date
- 3 Lot number

Example:
• 030102

Human Readable Interpretation (HRI) rules have been proposed by GS1 to standardize print requirements and provide an alternative when barcodes are unreadable by scanners.

Here are the standards used to print readable characters for GS1 Databar Expanded Stacked or GS1 Databar Expanded symbology.

→ **The proposed solution is to print three data strings under the barcode in the following order:**

- GTIN, packaging date and lot number.
- If there is not enough space under the product's barcode, an alternative solution is to print the GTIN under the barcode and print the packaging date and lot number elsewhere on the product packaging.
- The packaging date must be the same everywhere on the product packaging, on the shipping case label and in the data encoded in the sales unit and shipping case barcodes.

→ **The packaging date must be at least six digits long and structured as follows:**

- Year (e.g. 2003 = 03)
- Month (e.g. January = 01)
- Day of month (e.g. 02).



For more information, please contact GS1

→ **Industry Support Services team** at info@gs1ca.org or 1 800 567-7084;

→ **Global Standards team** at gtinombudsman@gs1ca.org; or

→ **Michel Boucher**, Vice-President, Community Engagement and Strategic Partnership, at michel.boucher@gs1ca.org.

Sections 16, 17 and 18 of the SQDC Suppliers' Guide are provided for information purposes only. GS1 Canada is the only organization that can assist suppliers in such matters.

20 Excise stamps



Under the Canadian government's [Excise Duty Framework for Cannabis](#), cannabis suppliers are required to purchase cannabis excise stamps and affix them to their products.

The cannabis excise stamp must be securely attached to the product and not be detachable, though it should tear apart when the product package is opened. Special care should be taken with tube-type packages (prerolleds) and refrigerated cannabis drinks.

The in-store and online sale of low-THC products, as defined in section 2 of the Excise Act, 2001, by the Société québécoise du cannabis is now subject to the following requirements:

Products exempted from the excise stamp requirement under the regulations must nonetheless be sealed with a blank white stamp, unless they have a safety seal, in order to guarantee that the product has not been altered and is therefore fit to be offered for sale.

The SQDC reserves the right to refuse any low-THC cannabis product that does not meet these requirements, in which case the supplier will be required to take back the products concerned at its expense.

21 Eco-responsible packaging

By 2026

55%
of packaging
will meet
eco-responsible
criteria

As part of its social responsibility initiatives, the Société québécoise du cannabis has committed to reducing the environmental footprint of the containers and packaging it sells. By the end of 2026, the SQDC hopes that 55% of its in-store packaging will meet eco-responsible criteria.

The SQDC wants suppliers to actively assist it in reaching this goal by keeping eco-responsible criteria in mind when selecting their packaging.

To be considered eco-responsible, packaging has to meet at least two of the following four criteria:

1. **Recycled content:** incorporating at least 15% recycled content;
2. **Optimized design:** maximum packaging weight determined for each product category;
3. **Recyclability:** compatible with the Québec sorting and recycling system, which specifically includes P2 (HDPE) plastic, P5 (PP) plastic, metal and glass; and
4. **Local supply:** travel distance of less than 1,750 km between the packaging manufacturer and the cannabis supplier.

The thresholds mentioned above apply to **dried flowers, ground, hash, kief and prerolled products**. However, the SQDC encourages suppliers to think in broader terms about the eco-responsibility of their packaging.

21

Eco-responsible packaging (cont.)

Recycled content

To calculate the percentage of recycled content (RC) in packaging that contains various types of material, the following formula should be used:

Percentage RC =	$\begin{aligned} & ((\% \text{ RC material A}) \times (\text{total mass material A}) \\ & + (\% \text{ RC material B}) \times (\text{total mass material B}) \\ & + (\% \text{ RC material Z}) \times (\text{total mass material Z})) \\ & \div \text{total mass of the packaging} \end{aligned}$
-----------------	---

Incorporating at least 15% recycled content

Example 1: For a #1 plastic jar that weighs 15 g with 25% recycled content and a #5 plastic lid that weighs 10 g with 0% recycled content, the calculation will be as follows:

$$((0.25 \times 15) + (0 \times 10)) \div 25 = 11\%$$

→ which doesn't reach the required 15% threshold.

Example 2: For a #1 plastic jar that weighs 15 g with 5% recycled content and a #5 plastic lid that weighs 10 g with 50% recycled content, the calculation will be as follows:

$$((0.05 \times 15) + (0.5 \times 10)) \div 25 = 23\%$$

→ which exceeds the required 15% threshold.



An official statement from the packaging manufacturer or distributor will be required in order to confirm the percentage RC.

Optimized design

Thresholds have been established for four product categories and types of packaging.

Thresholds for the defined categories

CATEGORY A	CATEGORY B	CATEGORY C	CATEGORY D
Dried flowers, ground, hash and kief (1 g to 3.5 g)	Dried flowers and ground (15 g and 28 g)	Prerolled (1 to 7 units)	Prerolled (8 or more units)
<ul style="list-style-type: none"> • Pouches: 8.75 g maximum • Jars, boxes and cases: 17.5 g maximum 	<ul style="list-style-type: none"> • Pouches: 15 g maximum • Jars: 40 g maximum 	<ul style="list-style-type: none"> • Pouches: 8.75 g maximum • Tubes, jars, boxes and cases, 17.5 g maximum 	<ul style="list-style-type: none"> • Pouches: 11 g maximum • Jars, boxes and cases: 25 g maximum

21

Eco-responsible packaging (cont.)



- Recyclable materials:**
- #2 (HPDE) plastic jar
 - #5 (PP) plastic jar
 - metal pot
 - glass jar

Distance travelled from the packaging manufacturer's site to the cannabis supplier's production site:
less than 1,750 km

Recyclability

A packaging's recyclability can be influenced by many factors. To simplify its methodology, the SQDC has identified materials that have good compatibility with the Québec deposit-return system. Specifically, these include jars made from #2 (HPDE) plastic, #5 (PP) plastic, metal or glass.

It should be noted that **only the jar material will be considered**, not the lid material.

Although it isn't one of the criteria, the SQDC recommends that suppliers use monomaterial packaging and, whenever possible, avoid black-coloured material. This helps make the packaging more recyclable.

Example 1: If you have a #1 plastic jar with a #5 plastic lid, the packaging will not be considered recyclable because the jar material is not on the list of materials accepted for this criterion.

Example 2: If you have a glass jar with a #5 plastic lid, the packaging will be considered recyclable because the jar material is on the list of materials accepted for this criterion.

Local supply

To be considered local, packaging must have been manufactured less than 1,750 km from the supplier's production site. To measure the distance between the packaging manufacturer's site and the supplier's production site, we recommend entering the geographic coordinates of the two locations in Google Maps, which will display the number of kilometres travelled by a car going between the two points.

If a supplier deals instead with a packaging distributor, the supplier should ask the distributor for an estimate of the distance travelled between the manufacturer's site and the supplier's establishment.

Example 1: If Supplier X is located in Montréal and its packaging comes from the Philadelphia area, with a distance of 750 km between the two cities, the supply will be considered local because the distance travelled is less than 1,750 km.

Example 2: If Supplier X is located in Toronto and does business with a packaging distributor in the Québec City area that imports packaging manufactured in China, the distance to be calculated would be between the manufacturer's site in China (e.g. Shanghai) and the supplier in Toronto, a distance of 11,400 km. This will not be considered local supply because the distance travelled is greater than 1,750 km.

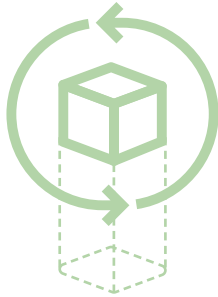


To confirm the distance travelled by the packaging, an official statement from the packaging manufacturer or distributor will be required.

Questions?

Please feel free to contact our social responsibility advisor, **Keven Rousseau**, for any and all questions about our eco-responsible criteria: keven.rousseau@sqdc.ca.

22 Packaging changes



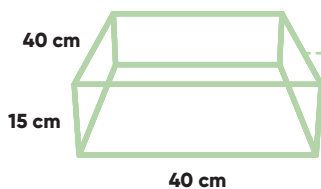
A cannabis supplier that decides to alter one of its packages or the information displayed on it must provide advance notice to the SQDC and check with the appropriate bodies as to what its obligations arising from the change are. Suppliers should refer to the Canadian government's Notice of New Cannabis Product Guide.

If the packaging change is minor and does not change the product's GTIN code, the supplier should:

- as far in advance as possible, notify the contact for the SQDC's Product Management team about the impending change;
- send the physical packaging for the product to the SQDC's head office for approval;
- upload the new images of the packaging to the SQDC's secure information-sharing platform; and
- inform the SQDC at last four weeks before the date on which the cannabis product in the new package becomes available and establish a packaging switchover strategy with the SQDC Procurement team.

The SQDC reserves the right to return to the supplier any cannabis product whose packaging has been altered and does not meet the requirements described herein, in which case the supplier will be required to take back all the products concerned at its own expense. In addition, once a cannabis supplier begins shipping a product in new packaging, the SQDC will refuse all deliveries of the product in the old packaging.

23 Package dimensions – technical specifications

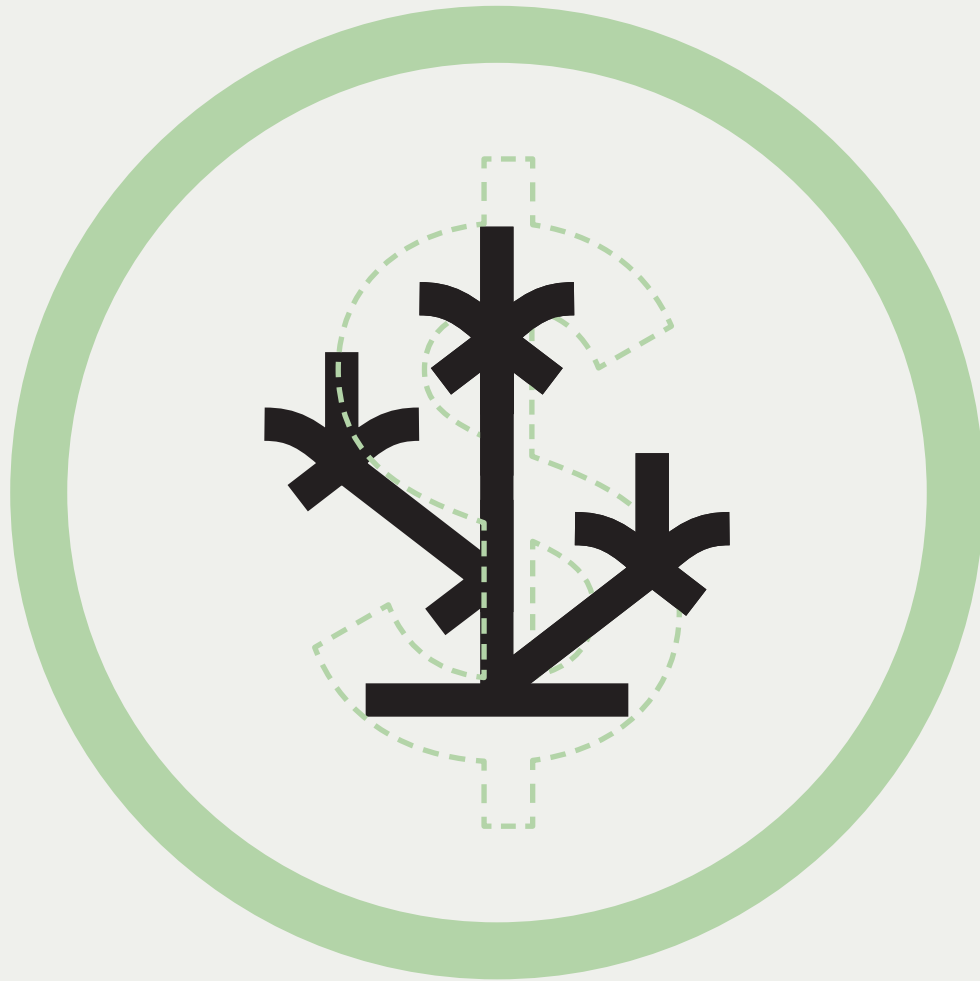


Each shelving unit for the cannabis products sold in SQDC stores measures 40 cm wide, 15 cm high and 40 cm deep. The company asks its cannabis suppliers to make sure all the packages in each product case be able to fit into a shelving unit and that product packages have a height of less than 15 cm for rigid packaging and less than 20 cm for flexible packaging.

24 Product photos (for the SQDC's online sales platform)



For more information, see the SQDC's [Product Photo Technical Specifications Guide](#).

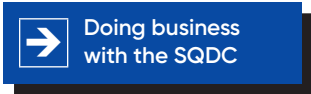


Product Management **Financial**

25

The SQDC's retail prices

The SQDC makes a price calculator tool available to you for determining the sales prices of your products.



Note:

If a product is sold in more than one format, the highest price per gram is used to calculate the prices of the other formats.



The SQDC reserves the right to change or update this document at any time. Document updated: August 2024

When a product is submitted, the proposed price should include all the supplier's costs, including product shipping and excise taxes. The proposed sales price should also comply with the price management by category policy presented below.

The SQDC's posted sales prices are calculated using a percentage margin set for each product category. The dried flowers category also includes an additional fixed dollar-per-gram margin. All products in a given category are treated identically.

In addition, the SQDC has adopted a protective approach to the dollar-per-gram margin. Specifically, we apply the amount of the protected margin if it is higher than the base calculation.

The SQDC's posted sales prices include all sales taxes and are rounded up to the nearest tenth.

Category	Margin	Base calculation		Protected margin calculation	
		Fixed margin/g	Protected margin/g	Fixed margin/g	Protected margin/g
	%	\$/g	\$/g	\$/g	\$/g
Dried flowers (1 to 15 g)	14.9%	1.05	1.85		
Dried flowers (28 g)	14.9%	0.90	1.25		
Hash (1 g)	25%	-	5.90		
Hash (2 g)	25%	-	4.30		
Hash (3 g and over)	25%	-	3.50		
Kief	25%	-	-		
Resin/rosin	25%	-	-		
Ground	25%	-	1.50		
Decarbed product	25%	-	-		
Prerolleds	26%	-	2.20		
Prerolleds (28 g and over)	26%	-	1.70		
Oral sprays	30%	-	-		
Capsules	30%	-	-		
Concentrates	30%	-	-		
Oils	30%	-	-		
Infusions	30%	-	-		
Ready-to-eat	30%	-	-		
Cooking ingredients	32%	-	-		
Ready-do-drink	33%	-	-		

Example with a 3.5 g dried flower product costing \$12

1) Calculation of the margin

<p>14.9% margin</p> $0,149 / (1 - 0,149) \times 12 \$ = 2,10 \$$	+	<p>\$1.05/g fixed margin</p> $1,05 \times 3,5 \text{ g} = 3,675$	<p>\$1.85/g protected margin</p> $1,85 \times 3,5 \text{ g} = 6,475$
$5,775$		$6,475$	

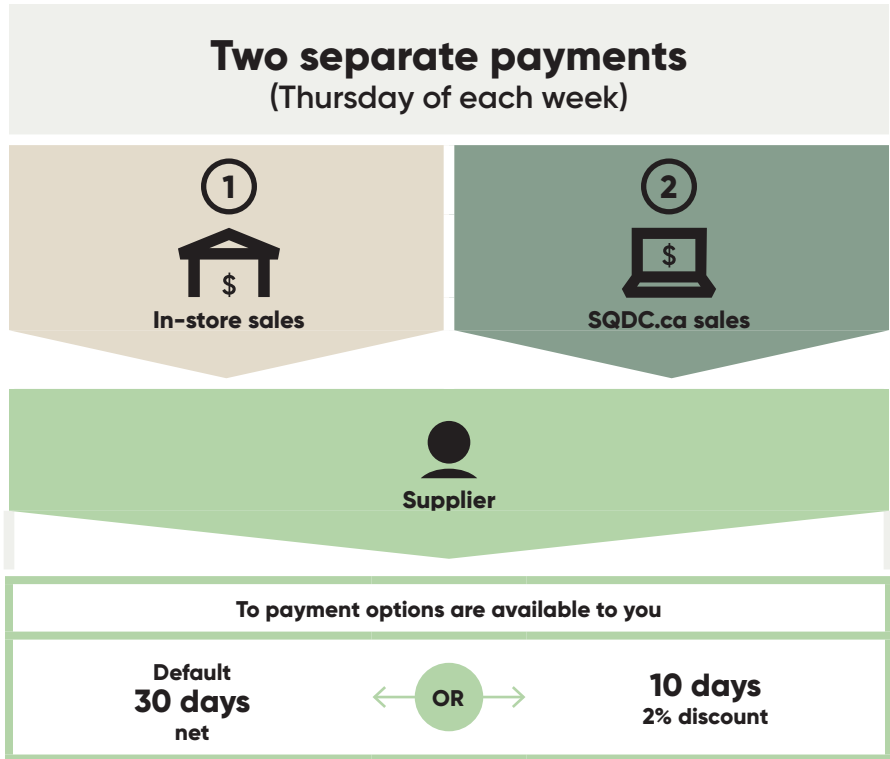
→ Price before taxes: \$12 + \$6.475 = \$18.475

2) Add federal and provincial taxes: \$18.475 x (1+(5% + 9.975%)) = \$21.24

3) Final sales price rounded up to the nearest tenth: \$21.30

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Financial process with the SQDC



→ You can access various reports, invoices and other financial documents via a secure document-sharing platform.



Invoices are automatically generated on receipt of the products in our payment system.

- A product is considered to have been transferred to the SQDC once the delivery of the product inside the store has been completed.
- You do not need to send us product invoices.
- In communications about discrepancies, we use the order number as a reference. **We therefore recommend that the invoices in your system be linked to the order number.**



Payment is issued **30 days** after the products are received at the store (**10 days** if the supplier selects that option).

→ The listing fee is \$500 per new GTIN. It is applied as a credit to the first payment.

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Financial process with the SQDC (cont.)



In-store sales

Credit note request

→ When products are returned to suppliers or a price reduction agreement is reached with the Procurement team:

Step 1

The SQDC sends a credit note request detailing the products, quantities per store and cost.

Step 2

The credit note is applied to the payment following receipt.

One month after the credit note request is sent, if the SQDC hasn't heard back from you, you will be considered to have accepted the credit note details and found no monetary or quantity discrepancies at your end.

Two months after the credit note request is sent, if the SQDC hasn't received a credit note from you, a final message will be sent before the credit note amount is applied to the next payment.



SQDC.ca sales

The products are stocked on consignment and managed by Metro Green. The products are actually purchased by the SQDC only when sold to a customer.

→ Every day, a PO listing the purchases made the day before is uploaded to a secure share folder.



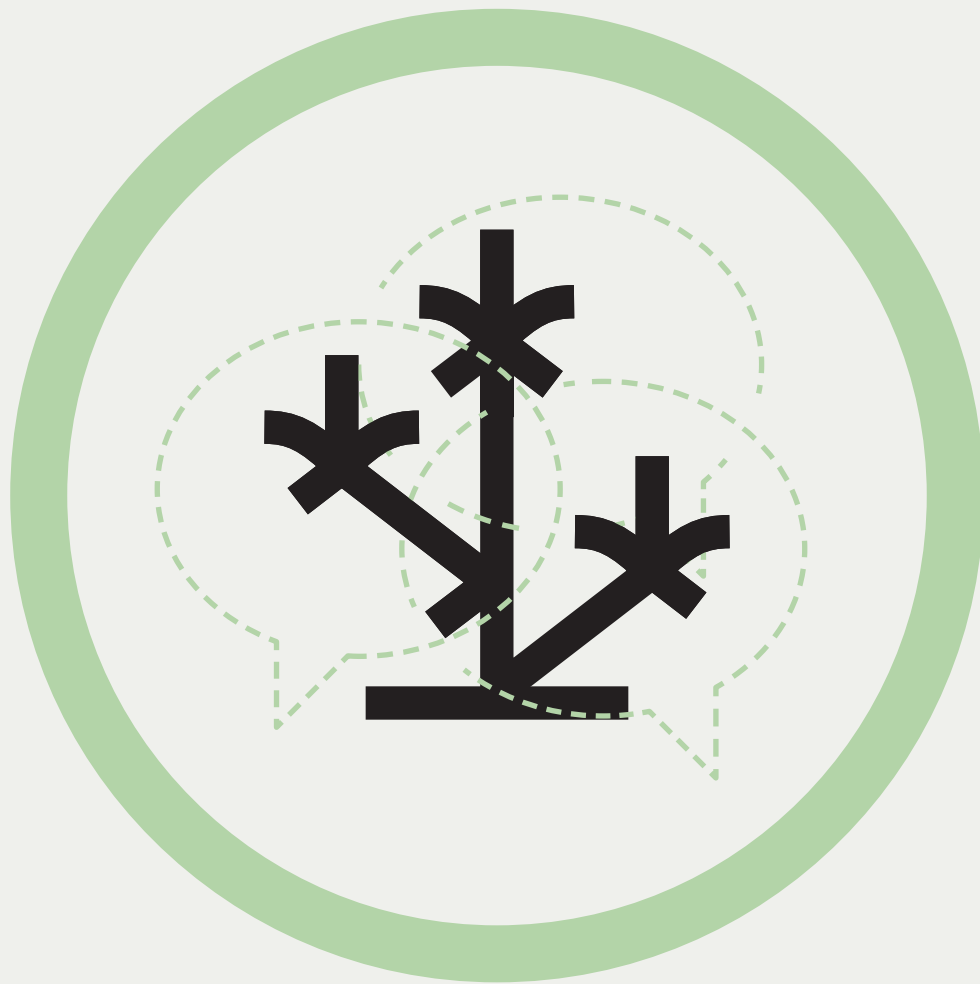
Payment is issued 30 days after purchase (or 10 days, if the supplier has selected that option).



Example: The order had an incomplete postal address.



→ At the beginning of each month, a credit for orders returned to the warehouse whose products are fit for sale is applied to the payment, based on Metro Green's return-to-inventory report. The detailed invoice is then uploaded to secure share folder.



Product Management Deposit System

27

The law governing the deposit system was amended this year, bringing two major changes

Initial situation

In the past, the SQDC was required to pay Consignation the amount of the total amount of the deposits collected on items sold (in stores and online) for all its suppliers.

Cost prices and posted prices reflected this fiscal burden (five-cent deposit) by rounding our retail prices to the nearest 10 cents.

The first change in the law governing the deposit system is the increase of the deposit amount from five to 10 cents. The SQDC’s position has been to absorb this price increase to limit the economic pressure on our suppliers. In addition, to remain competitive, the SQDC does not want to raise its sales prices. Therefore, since November 1, 2023, the SQDC has paid 10 cents per deposit item sold without changing its cost prices or retail prices.

The second change concerns the responsibility of disclosure. Under the new provisions of the law governing the deposit system, the SQDC is no longer allowed to submit declarations and pay to Consignation the amount due for all its suppliers of ready-to-drinks, beginning with the June declaration due July 15, 2024.

Québec suppliers are now required to declare the number of deposit items sold and to pay the amount of 10 cents per deposit item through the Consignation platform. However, for suppliers outside Québec, the SQDC remains responsible for reporting and paying the deposit amounts.

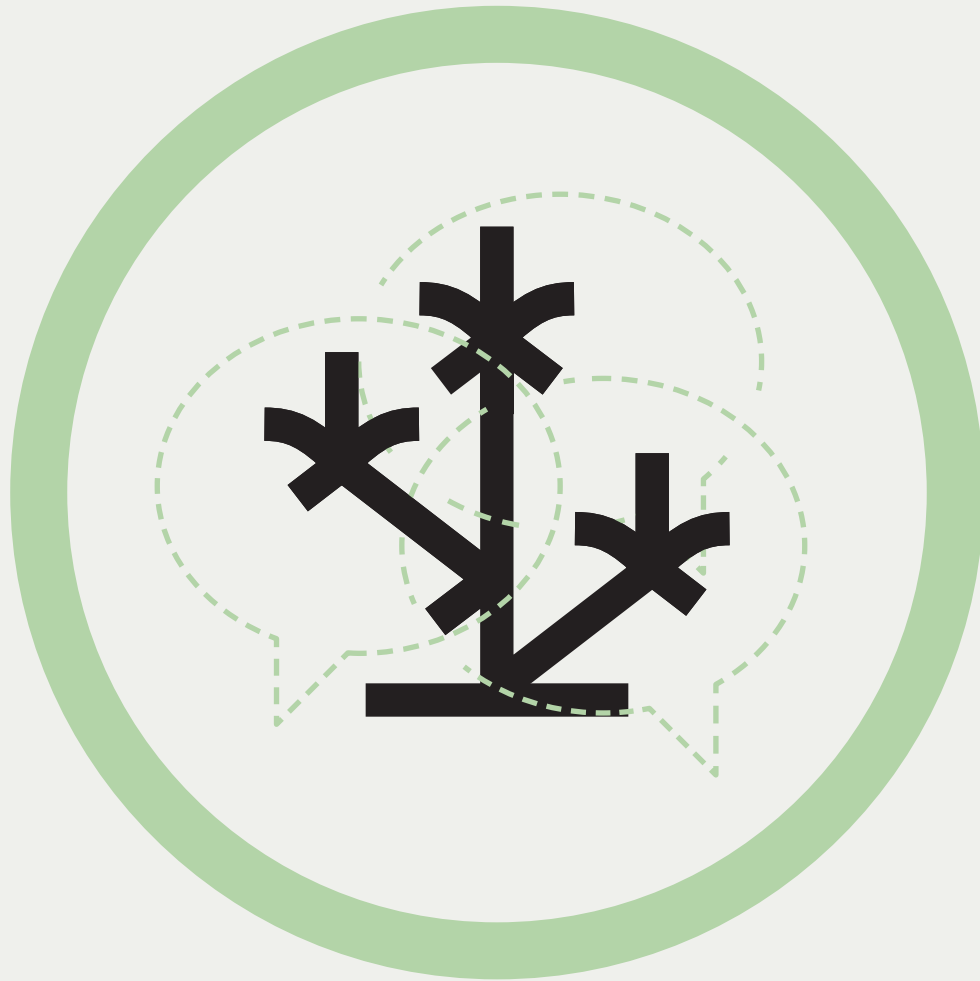
According to Consignation, a supplier is considered outside Québec if it does not have a “place of business” in Québec. A “place of business” may be a head office, a greenhouse or a warehouse; it does not necessarily have to be a production site for the deposit product.

To ensure fairness, the SQDC will issue a credit of 10 cents per deposit item sold to Québec suppliers required to pay Consignation.

By July 15, the SQDC will issue the June declaration under the new law for suppliers outside Québec. It will issue credits to its Québec suppliers, which will be applied to payments prior to July 15.

Summary

	Before November 2023	November 2023 to June 2024	Beginning July 2024
Deposit amount	5 cents	10 cents	10 cents
Declaration, Consignation and payment	<ul style="list-style-type: none"> The SQDC submits and pays for all suppliers (5 cents/unit) 	<ul style="list-style-type: none"> The SQDC submits and pays for all suppliers (10 cents/unit) 	<ul style="list-style-type: none"> The SQDC submits and pays for suppliers outside Québec. Québec producers submit and pay Consignation.
Credit	N/A	N/A	<ul style="list-style-type: none"> The SQDC gives a credit to Québec producers to compensate the deposit amounts paid to Consignation.



Product Management **Communications**

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External communications

The cannabis industry is growing rapidly and the SQDC is pleased to see suppliers investing in corporate communication initiatives and digital communications. At the same time, the SQDC expects its partners to act in accordance with the regulatory framework for cannabis.

Any news release or any other form of public announcement must be approved in advance by the SQDC, particularly as applies to its content and publication date. All requests should be submitted in French to the Demand and Product Management Department.

The following guidelines apply to all public communications:



- The announcement must comply with the legal and regulatory framework currently in place in Canada and Québec.
- It is important to remain factual and accurate about the nature of the agreement with the SQDC. A letter of intent and a signed agreement are two very different things and the announcement must be clear about that.
- The content should be sober and factual, particularly when referring to products.



- The announcement may not be of a promotional nature or encourage cannabis use.
- Expressions descriptive of product quality, including "high-end," "premium," "unique terpene profile" and "superior," should be avoided.
- Any direct or implied claim of medical benefits is also to be avoided: "improves sleep," "reduces anxiety," etc.
- The SQDC also requests that the announcement not disclose the quantities delivered to the SQDC or specific delivery dates. The unexpected can happen to anyone.
- Lastly, the SQDC does not provide quotations for use in suppliers' announcements.

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Product information intended for employees

The SQDC offers suppliers the possibility of sharing information about their company and its products with the store network through product information bulletins, an initiative that is entirely optional for suppliers.

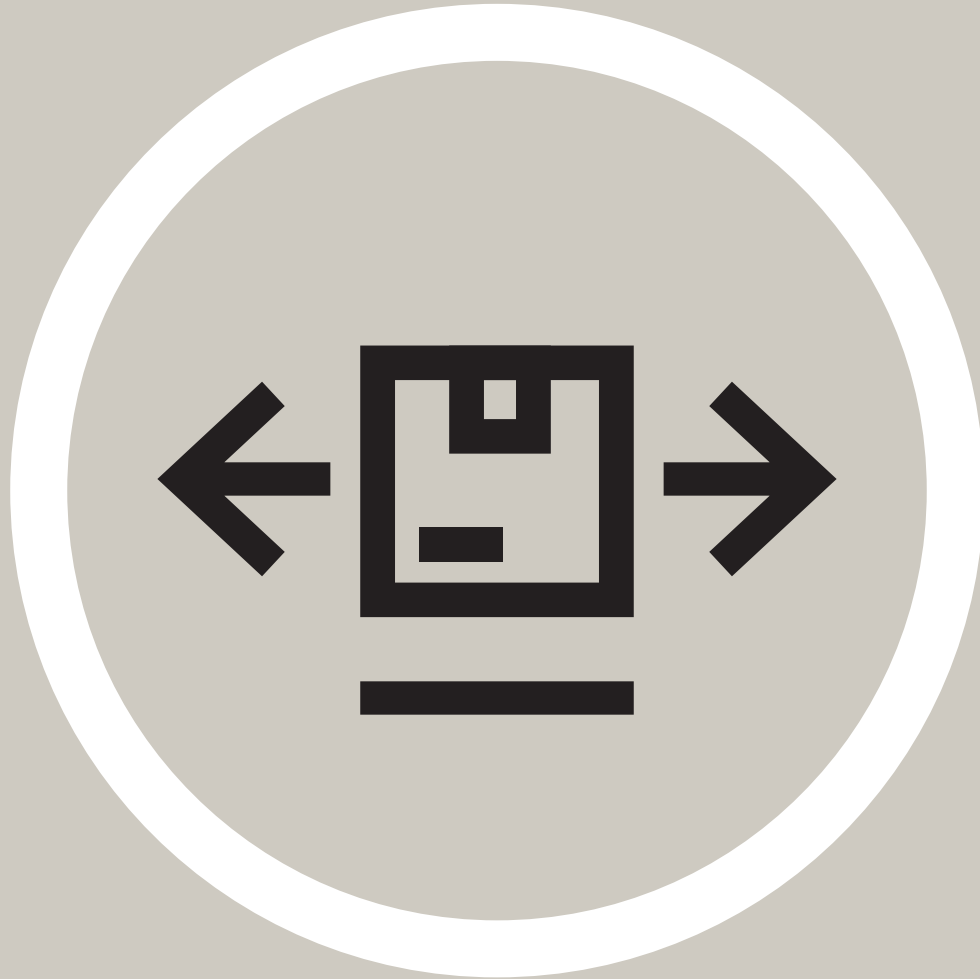
Note that the SQDC does not accept information sheets included in product deliveries.



Also, under the current regulatory framework, educational content must be factual and free of any promotional or lifestyle elements.



For answers to any questions, contact soifdeculture@sqdc.ca

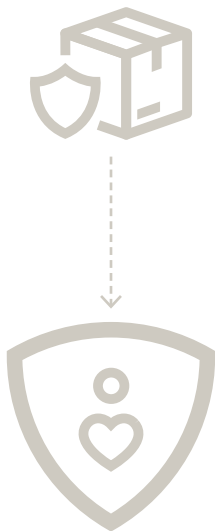


Procurement

1 General procedure

When a supplier enters into an agreement with the Société québécoise du cannabis, an analyst from the company's procurement team is assigned to the file. The analyst's job is to provide the supplier with the information required to guide it in meeting the SQDC's procurement needs. A demand-planning and procurement cycle will be set up with the supplier in order to facilitate collaboration and operational performance.

2 Product compliance



The SQDC is committed to selling quality products to its customers.

The SQDC reserves the right to refuse:

- ❌ any dried flower or prerolled product that was packaged for sale in its final form more than nine (9) months earlier or before any other shorter period set by the supplier or the SQDC based on the product's characteristics;
- ❌ any product with a shelf life at the SQDC of less than 90 days;
- ❌ any product outside the THC and CBD ranges established with the supplier. Products with a THC or CBD content 1% or more above the upper limit of the range will be deemed unacceptable;
- ❌ any product deemed unacceptable for quality reasons (improperly dried, showing or containing mould, exhibiting a manufacturing defect or delivered in damaged packaging);
- ❌ any product lacking an excise stamp or, for low-THC products, a blank stamp or safety seal;
- ❌ any product that it deems to be in violation of current laws and regulations (too attractive, bearing a promotional message, etc.);
- ❌ any product that does not meet the product compliance requirements or was shipped in packaging not compliant with current standards; or
- ❌ any product that was previously returned under the SQDC's commercial policy then in effect, though only when the company deems the product to be unsafe or unfit for use.

Products refused by the SQDC for any of the above reasons will be "quarantined" for collection by the producer at the stores concerned or at Metro Green (for online orders). The producer undertakes to take back and destroy the refused products at its expense, to credit the SQDC for any related costs the SQDC may have incurred and to indemnify the SQDC and hold it harmless from any claim arising from the return.

SQDC suppliers also undertake to provide any and all proof of product compliance requested by the SQDC.

3 Health Canada product recalls

Suppliers are required to notify Health Canada and the SQDC of any non-compliant products. The products will be quarantined until Health Canada issues a directive.

If Health Canada declares a product to be non-compliant or if the supplier decides to voluntarily issue a product recall, the supplier is required to collect, at its expense, all quantities of the product that have been shipped to the SQDC. The supplier is also responsible for collecting any recall-related returns from buyers.

4 The SQDC consumer returns and exchanges policy



The SQDC returns and exchanges policy specifies that:

“The SQDC does not refund purchases, regardless of the reason for returning the product. In addition, a receipt is required in order to exchange a product. If the product is defective, the SQDC will exchange any product sold in its stores or on SQDC.ca for 14 days or, in some cases, less following purchase.”

For the complete SQDC returns and exchanges policy, see:

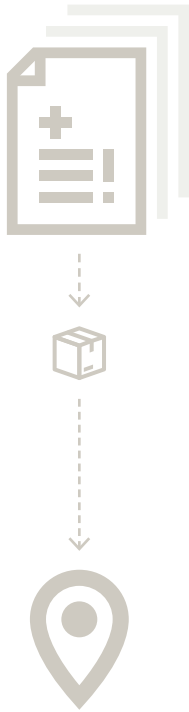


When the SQDC accepts a product exchange in one of its stores, the product deemed unfit is securely stored. The supplier is required to pick up and destroy the product at its expense. The supplier is also required to issue a credit to the SQDC. The procurement team is responsible for organizing the return of unfit products quarantined at stores.

The same procedure applies to unfit products purchased on the SQDC website, with the products being quarantined in the dedicated online sales warehouse. The supplier is responsible for coordinating, in collaboration with the Metro Green Logistics warehouse team, pick-up of the unfit units from this sales network.

5

Stocking SQDC stores



All orders for products to be sold at an SQDC store are made by a release order issued by the SQDC to the supplier (see the sample release order in Appendix B).

The release order states the quantity of the products ordered by the SQDC that are required for store-stocking purposes on the specified date.

The SQDC sends release orders to the supplier periodically, but not more than twice a week, based on the restocking requirements of its stores. The supplier undertakes to have the product delivered to stores on the dates specified in the order releases. In the event a supplier is unable to ship products on the requested dates and/or in the requested quantities, it should inform its procurement analyst.

The products remain the property of the supplier until they have been delivered to a store and the acceptance of delivery is signed, at which point they become the property of the SQDC.

The supplier undertakes to deliver the products in the quantities specified on the release order. The supplier should not deviate from the agreed-on quantities in the release order for each store. Generally speaking, suppliers should plan on delivering their products once or twice a week to maintain an adequate supply at SQDC stores, which do not have space to store large quantities of product.

Orders can be delivered from Monday to Friday between 10 a.m. and 5 p.m. or during a time window pre-established by the SQDC. The supplier should inform its procurement analyst of any late deliveries as soon as possible and any delivery outside the time window may be refused. Due to the limited storage space, products should be delivered to stores in cases, not on pallets. Each case should contain only products from the same lot and with the same packaging date. Cases should be filled to capacity; partially filled cases will be refused.



In addition to delivering the quantities specified in the order releases for the stores, the supplier should also deliver to Metro Green the quantities requested for online sales.

The SQDC and the supplier are responsible for jointly establishing a six-month demand plan that can be updated monthly to ensure sound inventory management based on the supplier's available capacities and volumes and the SQDC's needs. The conditions applicable to order releases are those on the last page of the terms and conditions sent to the suppliers with the orders or, failing that, on the terms and conditions page attached to the letter of intent or letter of agreement.

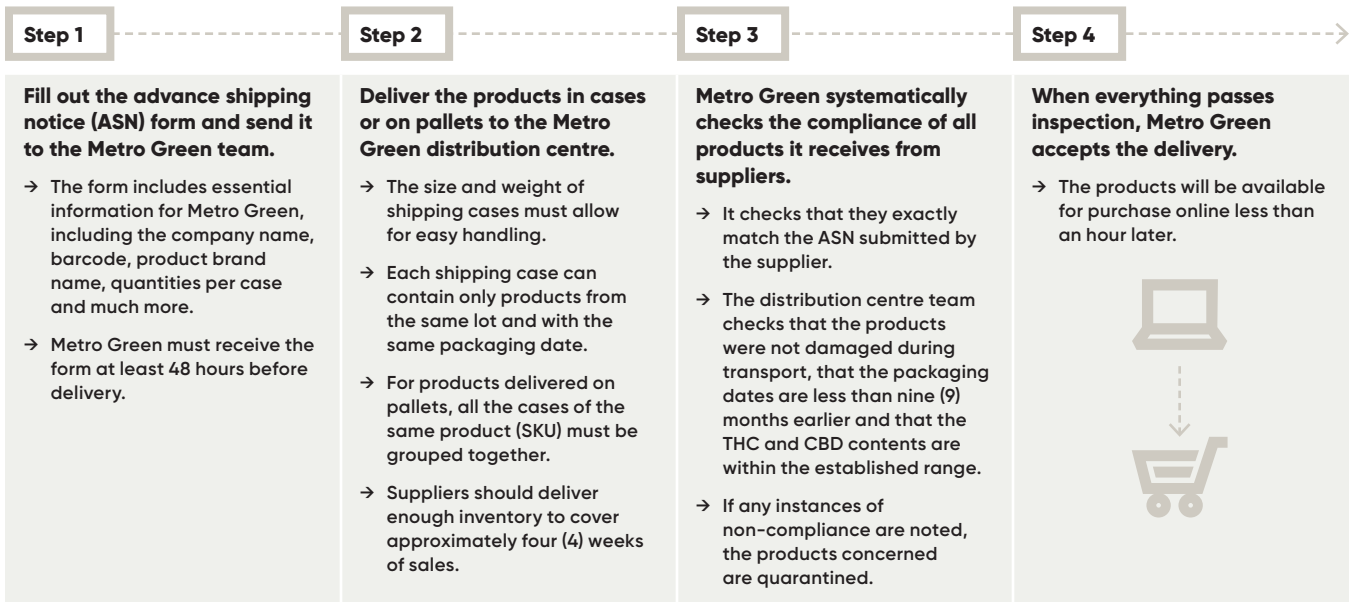
6

Stocking for the SQDC's online sales platform

All products intended for online sale are to be delivered to the distribution centre dedicated to online sales, which is located in Montréal's Lachine borough and managed by our logistics partner Metro Green.

The supplier agrees that its products intended for sale on the SQDC's online platform will be stored at the Metro Green distribution centre until final delivery to buyers. The products remain the property of the supplier until the centre operator removes them from inventory to fulfill a customer's online order, at which point the products are considered to have been purchased by the SQDC and to be its property.

Metro Green will conduct a periodic audit of its stocks intended for online sale in order to identify and quarantine dried flowers and prerolleds with a packaging date nine or more months earlier. These products are then picked up by the supplier at its expense.



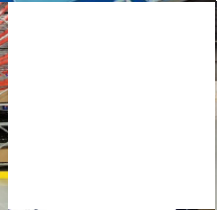


Delivery

1 Product delivery


Products are delivered directly to each store in the SQDC network and, for online sales, to its logistics partner Metro Green.

All products sold at the SQDC are packaged in units are ready for sale (no bulk products). Product prices include the fee for direct delivery to the store and/or distribution centre, the excise taxes and any and all other cost components (excluding the GST and QST).



2 Shipping case labels

Please use the following specifications for the labels placed on the shipping cases (the cases that contain the products):

<p>All labels placed on shipping cases are to use barcodes with GS1-128 symbiology (logistics barcodes for retail and transport units).</p>	<p>→ The barcodes should include the following information:</p> <ul style="list-style-type: none"> • GTIN; • packaging date; • lot number; and • quantity per case. 	<p>→ The required application identifiers (AIs) will be:</p> <ul style="list-style-type: none"> • (01) 14-digit GTIN; • (13) Packaging Date; • (10) Lot Number; and • (90) Quantity per Case. 												
<p>→ The packaging date can be up to six digits long and is structured as follows:</p> <ul style="list-style-type: none"> • year (e.g. 2003 = 03); • month (e.g. January = 01); and • day of the month (e.g. 02). 	<p>→ For GS1-128 barcodes, an FNC1 control character is required after the last lot number and before the application identifier (90), which specifies the quantity per case.</p> <ul style="list-style-type: none"> • The FNC1 control character varies depending on the tool used to generate barcodes. 													
<p>→ Barcode colours: black bars on a white background.</p>	<p>→ The packaging label design must include the following information:</p> <ul style="list-style-type: none"> • product name: the size of the font used for the product name should be bigger than that used for the other information; and • product packaging date: must be the same as the packaging date on all the sales units in the case. 													
<p>→ Use of the product's brand logo is allowed only on the shipping case label and the adhesive tape used to seal the case. The shipping case per se should be neutral.</p>	<table border="1"> <tr> <td data-bbox="602 955 894 1045">Fournisseur autorisé / <i>Licensed Supplier</i> ABCDE Co.</td> <td data-bbox="894 955 1187 1045">GTIN (12) produit / <i>Product #</i> 123456789123</td> <td data-bbox="1187 955 1476 1045">GTIN (14) boîte / <i>Case Code</i> 12345678912345</td> </tr> <tr> <td colspan="3" data-bbox="602 1045 1476 1140" style="text-align: center;">Nom du produit / <i>Product Name</i> Product XYZ</td> </tr> <tr> <td data-bbox="602 1140 894 1255">Type de produit / <i>Product Type</i> Cannabis séché <i>Dried cannabis</i></td> <td data-bbox="894 1140 1187 1255">Taille de l'unité / <i>Unit Size</i> 3.5 g</td> <td data-bbox="1187 1140 1476 1255">Unité par boîte / <i>Units per Case</i> 0024</td> </tr> <tr> <td data-bbox="602 1255 992 1352">THC: XXX.XX mg/g THC total: XXX.XX mg/g (XX.XX%) CBD: XXX.XX mg/g CBD total: XXX.XX mg/g (XX.XX%)</td> <td data-bbox="992 1255 1187 1352">N° Lot / <i>Lot #</i> 0000000000</td> <td data-bbox="1187 1255 1476 1352">Date d'emballage / <i>Packaging Date</i> AAAA-MM-JJ</td> </tr> </table>		Fournisseur autorisé / <i>Licensed Supplier</i> ABCDE Co.	GTIN (12) produit / <i>Product #</i> 123456789123	GTIN (14) boîte / <i>Case Code</i> 12345678912345	Nom du produit / <i>Product Name</i> Product XYZ			Type de produit / <i>Product Type</i> Cannabis séché <i>Dried cannabis</i>	Taille de l'unité / <i>Unit Size</i> 3.5 g	Unité par boîte / <i>Units per Case</i> 0024	THC: XXX.XX mg/g THC total: XXX.XX mg/g (XX.XX%) CBD: XXX.XX mg/g CBD total: XXX.XX mg/g (XX.XX%)	N° Lot / <i>Lot #</i> 0000000000	Date d'emballage / <i>Packaging Date</i> AAAA-MM-JJ
Fournisseur autorisé / <i>Licensed Supplier</i> ABCDE Co.	GTIN (12) produit / <i>Product #</i> 123456789123	GTIN (14) boîte / <i>Case Code</i> 12345678912345												
Nom du produit / <i>Product Name</i> Product XYZ														
Type de produit / <i>Product Type</i> Cannabis séché <i>Dried cannabis</i>	Taille de l'unité / <i>Unit Size</i> 3.5 g	Unité par boîte / <i>Units per Case</i> 0024												
THC: XXX.XX mg/g THC total: XXX.XX mg/g (XX.XX%) CBD: XXX.XX mg/g CBD total: XXX.XX mg/g (XX.XX%)	N° Lot / <i>Lot #</i> 0000000000	Date d'emballage / <i>Packaging Date</i> AAAA-MM-JJ												
<p>→ Barcode width: to optimize scanning, a minimum width of 2 cm is recommended.</p>	<div style="text-align: center;">  <p>(01)40666592000040(13)210406(10)00000000(90)0024</p> </div>													
<p>→ Rotating products: we recommend adding the name of the strain contained in the case after the product name.</p>														

Notes:

- Application identifier 01 (AI01) is the 14-digit GTIN for the case.
- Used for the lot number, application identifier 10 (AI10) is a variable-length alphanumeric field compliant with the GS1 standard.
- Used for the quantity per case, application identifier 90 (AI90) is a fixed, four-digit (4-digit) numeric field.

Example: When there are 24 units per case, the figure should be preceded by two (2) zeros, giving 0024.



3

Shipping case format and specifications



The SQDC asks suppliers to comply with the shipping case format standards it has established.

In addition to the number of units to be included in each case (see the table below):

- shipping cases should be sealed, preferably with adhesive tape;
- the cases should be neutral and not have a logo on them;
- the cases should be standard format, which means they are opened from the top;
- the cases should be shipped with a shipping label (see the preceding section); and
- two (2) labels on the case should be placed on adjacent sides (front and side).

Note that suppliers are responsible for packing their products so they arrive intact at the stores and distribution centre.

SUB-CATEGORY	FORMAT	DOMINANCE	PRICE	UNITS PER SHIPPING CASE	
Capsules	-	-	-	6 or 12	
Concentrate	-	-	-	12 or 24	
Cooking ingredients	-	-	-	6 or 12	
Dried flowers	1 g	THC	-	6, 12 or 24	
		Balanced	-	6 or 12	
		CBD	-		
	3.5 g	THC	\$32.50 and under	-	12 or 24
			Over \$32.50	-	6, 12 or 24
		Balanced	-	6 or 12	
	CBD	-			
	15 g	THC	-	-	12
		Balanced	-	-	6 or 12
		CBD	-	-	
	28 g	THC	\$135.00 and under	-	12
			Over \$135.00	-	6 or 12
Balanced		-	-	6 or 12	
CBD		-	-		

SUB-CATEGORY	FORMAT	DOMINANCE	PRICE	UNITS PER SHIPPING CASE
Ground	-	THC	-	12 or 24
	-	Balanced	-	6 or 12
	-	CBD	-	
Hash	-	THC	-	12 or 24
	-	Balanced	-	6 or 12
	-	CBD	-	
Infusions	-	-	-	6 or 12
Kief	-	-	-	6 or 12
Oil	-	-	-	6 or 12
Oral spray	-	-	-	6 or 12
Prerolleds	-	THC	-	12, 24 or 48
	-	Balanced	-	12 or 24
	-	CBD	-	6 or 12
Ready-to-drink	-	-	-	12 or 24
Ready-to-eat	-	-	-	6 or 12
Resin and rosin	-	-	-	6 or 12
Sublingual strips	-	-	-	6 or 12

4

Choice of carrier



All deliveries are made by the supplier or an SQDC-authorized subcontractor.

Before subcontracting a carrier, suppliers should contact their procurement analyst to check whether the carrier it wants to do business with is duly authorized.

The supplier assumes all risks related to delivery of its products and releases the SQDC from any liability for loss or damage experienced during transport. The products belong to the supplier until their delivery is confirmed.



Carriers are required to hold an SQDC-issued authorization to transport. By signing the authorization, they commit to meeting various requirements regarding security and retention of records.

Specifically, by signing the authorization to transport, the supplier or its subcontractor undertakes to:

- always have two persons make the delivery together, with one of them keeping watch over the cannabis;
- have secured storage spaces and vehicles;
- never leave the cannabis in public view;
- make the background checks required to hire only persons without a criminal record; and
- keep records of the basic information related to the products transported (quantities in circulation, delivery trip departure and return times, names of employees making the delivery, etc.).



For more information, the SQDC encourages you to read articles 23 and 24 of Québec's [Cannabis Regulation Act](#).

5

The cross-docking approach of our logistics partner Metro Green



Metro Green, the logistics partner of the Société québécoise du cannabis, offers a turnkey delivery service to SQDC suppliers.

Suppliers that make use of this service do so independently and at their expense.

Because delivering to the SQDC's entire store network can present a challenge for some suppliers, Metro Green will subcontract to carry out store deliveries. The supplier delivers to Metro Green a quantity of products for temporary storage. Metro Green then ensures the required quantities of these products are delivered to each SQDC store as per the delivery schedules and purchase orders.





Contacting the SQDC and its partners

Company	Name	Email or link	Telephone
SQDC	New product submissions	Online Product Submission Form	
	Questions from new suppliers	soumission_produits@sqdc.ca	–
	Questions about listing new products from suppliers already doing business with the SQDC	mem_produits@sqdc.ca	–
	Questions from suppliers about products already being sold	mem_produits@sqdc.ca	–
	Financial questions	finance@sqdc.ca	
	Education and product information	soifdeculture@sqdc.ca	
	Geneviève Giroux Vice-President, Demand and Product Management	genevieve.giroux@sqdc.ca	514 379-5000, ext. 5625
	Alexandre Ouellet Director, Procurement	alexandre.ouellet@sqdc.ca	514 379-5000, ext. 5606
Stéphanie Gagné Director, Product Management	stephanie.gagne@sqdc.ca	514 379-5000, ext. 4491	
Metro Green	Daniel Smedo Vice-President and General Manager	dsmedo@metroscg.com	514 683-5121, ext. 6611
GS1 Canada	Michel Boucher Vice-President, Community Engagement and Strategic Partnership	michel.boucher@gs1ca.org	416 775-9859
	Industry Services Support team	info@gs1ca.org	1-800-567-7084

USEFUL LINKS



 [AMP](#)

 [GS1 Canada](#)

 [Health Canada](#)

 [Consignation](#)

Appendix A

Barcode specifications

Table 1

Barcode sequence	Type (AI)	Product (sales unit)	Shipping case label
Symbology	–	GS1 Databar Expanded and GS1 Databar Expanded Stacked (on three lines)	GS1-128
1	GTIN (01)	00 + 12-digit GTIN (fixed)	14 digits (fixed)
2	Packaging date (13)	6 digits (fixed)	6 digits (fixed)
3	Lot (10)	Variable length (20 digits max)	Variable length (20 digits max)
4	Quantity per Case (90)	N/A	4 digits (fixed)



For all queries about GS1 barcodes, please visit:

→ <https://www.gs1.org/standards/barcodes-epcrfid-id-keys/gs1-general-specifications>

The following sections cover the barcodes for the cannabis industry:

→ **Section 5.5 Linear barcodes - GS1 DataBar**

- 5.5.2.3.1 GS1 DataBar Expanded
- 5.5.2.3.2 GS1 DataBar Expanded Stacked


→ **Section 5.4 Linear barcodes - GS1-128 symbology specifications**

→ **Section 5.6 Two dimensional barcodes - GS1 DataMatrix symbology**

Appendix B

Sample SQDC release order and delivery form

Release order



SOCIÉTÉ QUÉBÉCOISE DU CANNABIS
7355 Notre-Dame Est
Montréal, QC
H1N 3S7

Relâche de commande

Page 1 / 1
N° commande 000
Date Commandée 1111-11-11

Fournisseur :	Expédié À :	Message :
---------------	-------------	-----------

Terme Transport :	Terme Paiement :	Devise :
-------------------	------------------	----------

Ligne	Commande Originale	Article	Desc. art. Fims	Date Demandée	Qté Commandée	UM AC	Poids Unitaire	UM	Prix Unitaire	Prix total
1.000	00000000	000000000000	Description	1111-11-11	0.00	CA	0.00	AA		
2.000	00000000	000000000000	Description	1111-11-11	0.00	CA	0.00	AA		
3.000	00000000	000000000000	Description	1111-11-11	0.00	CA	0.00	AA		
4.000	00000000	000000000000	Description	1111-11-11	0.00	CA	0.00	AA		
5.000	00000000	000000000000	Description	1111-11-11	0.00	CA	0.00	AA		
6.000	00000000	000000000000	Description	1111-11-11	0.00	CA	0.00	AA		
TII cmde:										

Conditions légales/ Legal terms
 Sauf indications à l'effet contraire, les termes et conditions relatifs à ce bon de commande sont contenus au sein du contrat du fournisseur. En cas de litige, les termes et conditions contenus à ce contrat auront préséance.
 Les prix incluent les frais de livraison directement en succursales et/ou au centre de distribution, les taxes d'accises et tous les éléments de coûts, quels qu'ils soient (à l'exclusion de la TPS et de la TVQ). Unless otherwise indicated, the terms and conditions relating to this purchase order are included within the supply agreement. In case of dispute, the terms and conditions from the supply agreement will take precedence.
 All prices include the charges for delivery directly to the stores to the stores and/or distribution centre, the excise taxes, and any other cost elements (GST and QST excluded).
Note AMP :
 Le Producteur s'engage à avoir reçu les autorisations nécessaires de l'AMP et les licences nécessaires émises par Santé Canada afin que la SQDC puisse procéder à la vente au détail de leurs produits. Au cas contraire, le producteur devra récupérer tous ses produits à ses frais. La SQDC pourra aussi se réserver le droit de résilier le contrat en place.
 Adresse de facturation : Finance@sqdc.ca 000000.0000

The following information must appear on the delivery form:

- supplier name
- purchase order (PO) number
- delivery date
- GTIN for each product
- description of each product
- total number of cases of each product, and
- total number of units of each product

ABCD

LIVRAISON

Numéro de livraison : 11111111
Date de livraison : 1111-11-11

Facturer

Société Québécoise du Cannabis
SQDC
7355 Rue Notre-Dame Est
Montréal, H1N 3S7
QC
Canada

Livrer

Société Québécoise du Cannabis
SQDC

N° identification de la TPS/TVH 00000000
Livrer par

Code de client SQDC
N° de bon de 00000000 CP
Date du bon de 0000-00-00
Note n° de commande 00000000
Représentant

GTIN	Description	LOT	Unité	Livré Unité	Commandé Unité	Livré EA	Commandé EA
0000000000	Description	000000000000	Case	1111-11-11	0.00	111	0.00
0000000000	Description	000000000000	Case	1111-11-11	0.00	111	0.00
0000000000	Description	000000000000	Case	1111-11-11	0.00	111	0.00
0000000000	Description	000000000000	Case	1111-11-11	0.00	111	0.00
0000000000	Description	000000000000	Case	1111-11-11	0.00	111	0.00
0000000000	Description	000000000000	Case	1111-11-11	0.00	111	0.00



SQDC.ca