

PAYMENTS FOR WASTAGE AND TOWARDS BUSINESS ACTIVITIES – EXPLAINER

The Grocery Supply Code has rules about when we can charge you for wastage and towards our business activities. First, these payments have to be agreed in writing. Second, we need to give you a clear and full explanation of why we consider the payments are reasonable and that the other requirements of the Code have been met. The table below sets out that explanation.

What is the payment?	Description	Why is it reasonable?	What are the other requirements?
Minor Damage Allowance discount	<ul style="list-style-type: none"> - An agreed discount that covers the cost of wastage that falls within the definition of minor damage under the Minor Damage Allowance Policy. - We will not separately claim for actual wastage which is covered by the Minor Damage Allowance. 	<ul style="list-style-type: none"> - The agreed Minor Damage Allowance discount reflects the level of actual wastage generally expected to be incurred by us having regard to the particular product category. - The alternative would involve credits being given for low value wastage on a case-by-case basis (with resulting inefficiency and transaction costs). 	<ul style="list-style-type: none"> - You will only be required to give us a Minor Damage Allowance discount where you have agreed to do so in writing as part of your grocery supply agreement. - Clause 14(2) of the Grocery Code sets out when we can charge you for wastage incurred while the groceries are under our effective control. - In summary, the wastage needs to be caused or contributed to mainly by your actions, we are required to reasonably mitigate wastage costs, and we cannot claim for such wastage after more than 6 months following delivery of the wasted goods. Your Minor Damage Allowance discount reflects this.
Payments for actual wastage (outside Minor Damage Allowance)	<ul style="list-style-type: none"> - Claims for actual wastage incurred in the circumstances agreed in your grocery supply agreement. - This will only apply in circumstances outside any agreed Minor Damage Allowance. 	<ul style="list-style-type: none"> - The relevant wastage has been caused by you. - Unless agreed otherwise, a payment is limited to a credit for the wasted goods. 	<ul style="list-style-type: none"> - You will only be required pay for actual wastage where you have agreed to do so in writing as part of your grocery supply agreement. - Your grocery supply agreement reflects the Code requirements discussed above – e.g., the wastage needs to be caused or contributed to mainly by your actions, we are required to reasonably mitigate wastage costs, and we cannot claim for such wastage

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			after more than 6 months following delivery of the wasted goods.
Payments for logistics activities	<ul style="list-style-type: none"> - Applies where groceries are supplied to our stores through one or more of our distribution facilities. - Reflects the benefits and costs of us providing the distribution facilities and related transport services to transport the groceries from the distribution facilities to our stores. 	<ul style="list-style-type: none"> - Agreed level reflects your contribution to the costs of the logistics activity, i.e., the volume of groceries supplied. - Benefits to you from the logistics activities include reduced transport, inventory, and warehousing costs which would have otherwise been incurred by you. - We have also had regard to the benefits to us from the logistics activity (including ensuring continuity of supply of groceries), and the level of cost borne by us. 	<ul style="list-style-type: none"> - You will only be required pay for logistics activities where you have agreed to do so in writing as part of your grocery supply agreement.
Payments for centre-led promotional activities	<ul style="list-style-type: none"> - Applies to suppliers who have been through a centre-led category review. - Covers centre-led promotional activity in a banner, for example, inclusion in the online mailer or a digital evolution of the mailer or other advertising medium (centre 	<ul style="list-style-type: none"> - The level of charges is agreed in good faith and can be reviewed. - Benefits to you from the centre-led promotional activity include increased visibility for your products and associated increases in likely sales to customers. 	<ul style="list-style-type: none"> - You will only be required pay for centre-led promotional activities where you have agreed to do so in writing as part of your grocery supply agreement.

What is the payment?	Description	Why is it reasonable?	What are the other requirements?
	<p>co-op) and instore display activity (store co-op).</p> <ul style="list-style-type: none"> - For efficiency reasons, charges are calculated on a percentage of scanned sales, rather than on an activity-by-activity basis. 	<ul style="list-style-type: none"> - We have also had regard to the benefits to us from the promotional activity (which include increased sales), and the level of cost borne by us. 	
Payments for merchandising activity	<ul style="list-style-type: none"> - Applies where we, or a member store, undertake merchandising. - Reflects the transfer of responsibility and cost from you to a member store for carrying out merchandising activity. - Where centrally agreed, calculated as a percentage of scanned sales, rather than on an activity-by-activity basis. - Otherwise, where you remain responsible for merchandising, different arrangements and associated charges can be agreed with our member stores. 	<ul style="list-style-type: none"> - Charges are agreed in good faith and can be reviewed. - Benefits to you from our provision of the merchandising activity include avoiding the direct financial and environmental costs of you providing merchandising services in each store. - We have also had regard to the benefits to us from the centrally agreed merchandising charge (which include a consistent standard of merchandising for the benefit of customers), and the costs borne by us. 	<ul style="list-style-type: none"> - You will only be required pay for merchandising activities where you have agreed to do so in writing as part of your grocery supply agreement.