

Suppliers' Guide



For
responsible
consumption





Becoming an SQDC Supplier



6



Product Management



8



Procurement



22



Delivery



27

Appendix A
Bar Code Specifications

33

Appendix B
Sample SQDC Release Order and Delivery Form

34

Appendix C
SQDC Fiscal 2020-2021 Calendar

35

Mission:

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

Sell cannabis in compliance with the Cannabis Regulation Act and with a focus on health protection in order to attract and retrain users from the illegal cannabis market without encouraging use.

The SQDC and, by extension, the producers that supply it, are governed by 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 around 40 employees, who are helping to build the legal cannabis industry from scratch. The company's size gives it a certain flexibility and allows it to adapt easily to a rapidly developing business.

1

The values that guide the SQDC

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

Responsibility

Responsibility forms the basis of who we are as a company. At all times, we place customers' health at the centre of our actions. We advise and support users in order to reduce the risks related to use of our products.

We are also committed to efficiently and effectively managing our business so that our profits can benefit all Quebecers, in particular by funding cannabis research and prevention.

We have adopted the principles of sustainable development to limit our impact on the community and grow our value for Quebec.

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-makings.

Proximity

At the SQDC, the notion of proximity underpins those of authenticity, openness and collaboration. Whether it is between colleagues, with our partners or with our customers, we establish a relationship of trust so we can all go farther together.

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

Excelling

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

2

The SQDC's ongoing expansion

70 stores

by the end of fiscal 2020-2021



The SQDC today is one of the three largest buyers of legal cannabis in Canada.

In the coming years, it will expand its sales network to increase users' accessibility to the legal market. It will also expand its product offer to remain competitive with the underground market. Lastly, it will continue developing its business responsibly, which will, in turn, increase social acceptance of its mission.

The company has adopted a three-year (2019-2022) development plan. It expects to have some 70 stores in operation by the end of its 2020-2021 fiscal year and nearly 100 by the end of fiscal 2021-2022.

The SQDC also intends to continue its online and in-store initiatives to convert as many users as possible to the legal market. As at March 28, 2020, the SQDC had achieved a conversion rate of nearly 30% of underground market users.

3

Producer selection criteria



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

The SQDC seeks serious producers committed to supplying quality products. The company also wants to continue offering competitive prices so it can increase the rate of conversion to the legal market, all while paying a fair price to producers. Producers hoping to do business with the SQDC should be prepared to price their products accordingly.

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

Producers must 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 producers that share its focus on Quebecers' health and safety.

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

Producers from across Canada can do business with the SQDC.

4

The SQDC's local procurement policy

Among the objectives that the Société québécoise du cannabis set for itself in its 2021-2023 Social Responsibility Plan is to encourage the local economy by conferring preferred status on Quebec cannabis products. The aim, by 2023, is for 40% of its cannabis offer to be Quebec-made products and 20% of its supplier list to be Quebec-based firms. When two products are identical in price and quality, the SQDC is committed to giving preference to the locally produced one.

As part of its efforts to favour local production, the SQDC may adopt a retail strategy adapted to each producer's production capacity. In other words, for Quebec producers unable to meet the needs of its entire store network, it could distribute their products in only some stores or in a specific region or only online.

By 2023

40%

of our cannabis offer produced by Quebec companies

20%

of our suppliers based in Quebec

5

Compliance with laws and regulations

Note: this **Supplier's Guide** should in no way be considered a replacement for the laws and regulations in effect. We encourage you to refer to the following documents published by the government bodies concerned.



- [Cannabis Act](#)
- [Cannabis Regulations](#)
- [Health Canada](#)
- [The Legislation on Cannabis](#)
- [Autorité des marchés publics \(AMP\)](#)

6

How to use this guide

The Société québécoise du cannabis has prepared this *Supplier's Guide* for companies interested in doing business with it. The aim is to help them understand the SQDC, its philosophy, operations and requirements and the standards and regulations with which its suppliers must comply. Companies are encouraged to refer to this guide for answers to questions they may have and to make sure in advance that they meet the SQDC's criteria.





Becoming an SQDC supplier



Cannabis producers 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 government corporation's needs. That is why the SQDC seeks, from the outset, to establish 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 be able to do business with the SQDC is to obtain:

- 1.1 an authorization to contract from the Autorité des marchés publics (hereinafter the "AMP"), as required under section 26 of the *Cannabis Regulation Act*; and
- 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*.

The AMP is an independent body that oversees government contracting in Quebec. Its mission is to ensure various measures regarding the probity and performance of companies doing or seeking to do business with the Quebec government are applied. These include issuing authorizations to contract.

2

Initial contact with the SQDC

As this guide contains the answers to most questions, the SQDC strongly encourages producers to read it in its entirety before contacting any SQDC team members.

If, after reading the guide, a cannabis producer feels that it is qualified to do business with the SQDC, it can contact the supplier relations team at info.fournisseurscannabis@sqdc.ca.

We recommend that initial contact be made relatively early in the process so the SQDC team can guide the supplier regarding, for example, the desired strains and price ranges. The aim is to orient suppliers so they can offer products that meet the needs of the SQDC and its customers, thereby maximizing their chances of doing business with the government corporation.

After this initial contact, the supplier can fill out the product call-for-tenders document as explained here:



Doing business with the SQDC.

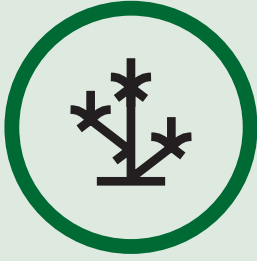
3

Other legal and regulatory requirements

Suppliers must also have a place of business in Canada, be in compliance with all regulations, laws, decrees, orders and other edicts issued by the federal, provincial and municipal governments regarding performance of the contract as well as with the applicable SQDC policies, codes and directives, including, without being limited thereto, the *SQDC Supplier's Guide*, 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



When a supplier submits a proposal to the Société québécoise du cannabis, it first goes to the Demand, Product Management and Supplier Relations Department.

When the proposal is approved by the department, the company's Demand and Product Management team takes over the file. This is the team that then works closely with the producers concerned to advance the file. The SQDC favours clear, frequent and transparent communication with its partners in order to sell the best product at the best price.

The Demand team is interested in assisting suppliers with their choice of strain, product packaging and pricing, etc.

1 Merchandising strategy



The SQDC's merchandising strategy consists primarily of distributing products throughout its entire store network and online, on its SQDC.ca website. However, centralizing product ordering at head office provides a certain flexibility, allowing the company to adapt its merchandising strategy based on product quantities and velocity as well as store capacity.

2 Accessory suppliers



Suppliers of cannabis accessories (rolling paper, 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 sale. Nor does the Act require them to obtain an authorization to contract from the Autorité des marchés publics.

That said, the SQDC insists that all its suppliers maintain a high level of integrity.

Cannabis accessory suppliers should also pay special attention to the French-language labelling requirements. All labels as well as the accessories themselves must have French-language text that is at least as visible as the text in any other language. This also applies to product listings and the technical specifications for photos published on the Web, for example.

If you are a cannabis accessory supplier, you can contact the SQDC at the following address: info.fournisseurscannabis@sqdc.ca. The subject line of your email message should be "Accessory proposal".

3 Types of product sought by the SQDC

Cannabis producers seeking to work with the SQDC should have one or more products with the potential to satisfy Quebec consumers.

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



The company will give preference to producers that guarantee minimal variation in the THC and CBD levels 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 underground market. However, such products should not encourage users of smaller quantities to buy more. Cannabis products sold in 28 g packages must be offered only in that size and may not be sold in any other size. The SQDC also sells dried cannabis flowers to users in 1 g and 15 g packages but not in 7 g packages.

“An edible cannabis product offered in Québec may not be sweets, confectionery, dessert, chocolate or any other product attractive to persons under 21 years of age”.

Quebec cannabis users are also seeking products such as pre-rolleds, ground flowers, oils, capsules, sprays, hash, kef and decarb powder. Cannabis ready-to-drinks and cannabinoid teas are also sold at the SQDC. There is also some demand among Quebecers for edible cannabis products. Producers of such edibles should offer products that comply with Quebec requirements. This means that edible cannabis products “offered in Québec may not be sweets, confectionery, dessert, chocolate or any other product attractive to persons under 21 years of age.”

4 Products that can be sold at the SQDC

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



DRIED CANNABIS	EXTRACTS	EDIBLES	ACCESSORIES
<ul style="list-style-type: none"> Dried flowers Ground Pre-rolled 	<ul style="list-style-type: none"> Capsules Concentrates Hash Oils Oral sprays Sublingual strips Tinctures 	<p>Unattractive to people under 21 (example: bran muffins, air-dried sausages)</p> <ul style="list-style-type: none"> Beverages Cooking ingredients 	<ul style="list-style-type: none"> Grinders Humidicant packs Lighters Rolling paper Tips

5

Products banned from sale in Quebec



To comply with Quebec laws and regulations and fulfill its mission to sell cannabis responsibly with a focus on health protection, the Société québécoise du cannabis **does not sell products for topical use, vape oils or edible products appealing to children.**

The THC level in cannabis products may not exceed 30% 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. Liquid edible products may not contain more than 5 mg THC per container.

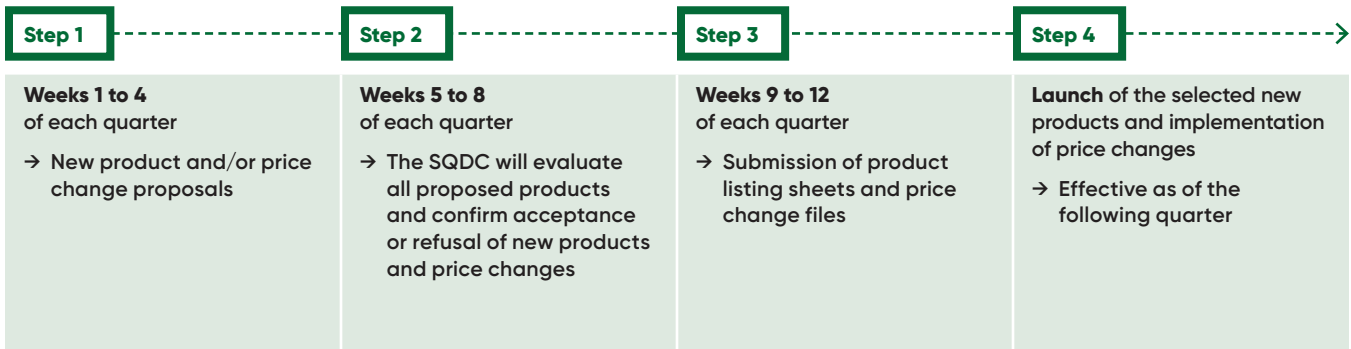
Edible cannabis products in liquid form may not contain a quantity of THC greater than 5 mg per container.

6

Product listing process

The SQDC has set up a product approval and listing process to ensure that its product portfolio is consistent with its mission and meets Quebec consumers' expectations. The process applies to all cannabis 1.0 products (dried flowers, pre-rolleds, oils, sprays and capsules) sold at the SQDC.

The process has four steps, is three months long and coincides with the company's financial quarters (see the SQDC fiscal calendar in [Appendix C](#) of this guide):



This process applies only to producers that have already done business with the SQDC.

Producers seeking to do business with the SQDC can submit and present their products to the company's Demand team at any time.

For cannabis 2.0 products (hash, kief, beverages, etc.), new product inquiries can be made at any time.

7

Product listing fee/ Product attribute adjustment fee

The product listing fee is \$1,000 per product (SKU), irrespective of product category. The fees are billed in the 30 days following the listing and deducted from the amount billed to the Société québécoise du cannabis by the producer.

The SQDC reserves the right to drop from its portfolio the producer of any product deemed unacceptable by it or the competent authorities under current legislation. This may be done at any time and is at the producer's expense.

8

Notice of new cannabis product



Also, to ensure that all new products comply with section 244 of the [Cannabis Regulations](#), for any new cannabis product **we require the producer to provide a Health Canada confirmation of receipt** of the new cannabis product notice before we will agree to add the product to the SQDC catalogue. To meet this requirement, the producer should provide us with a screen shot of the notice concerned.

9

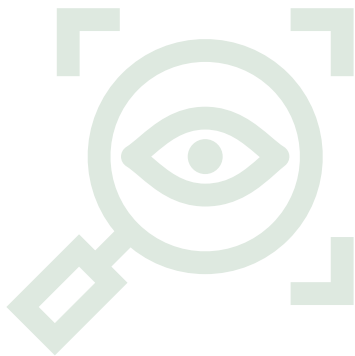
Samples



The Société québécoise du cannabis may, on occasion, have a laboratory accredited by the competent authorities analyze cannabis products to ensure they comply with all applicable laws, regulations and standards and with the requirements specified in the purchase order. If the products are deemed non-compliant or as not meeting all SQDC criteria, the SQDC can require that they be dropped from the producer's product list or that the producer recall any products already delivered, at the producer's expense. The producer must also provide a credit for and destroy the non-compliant products.

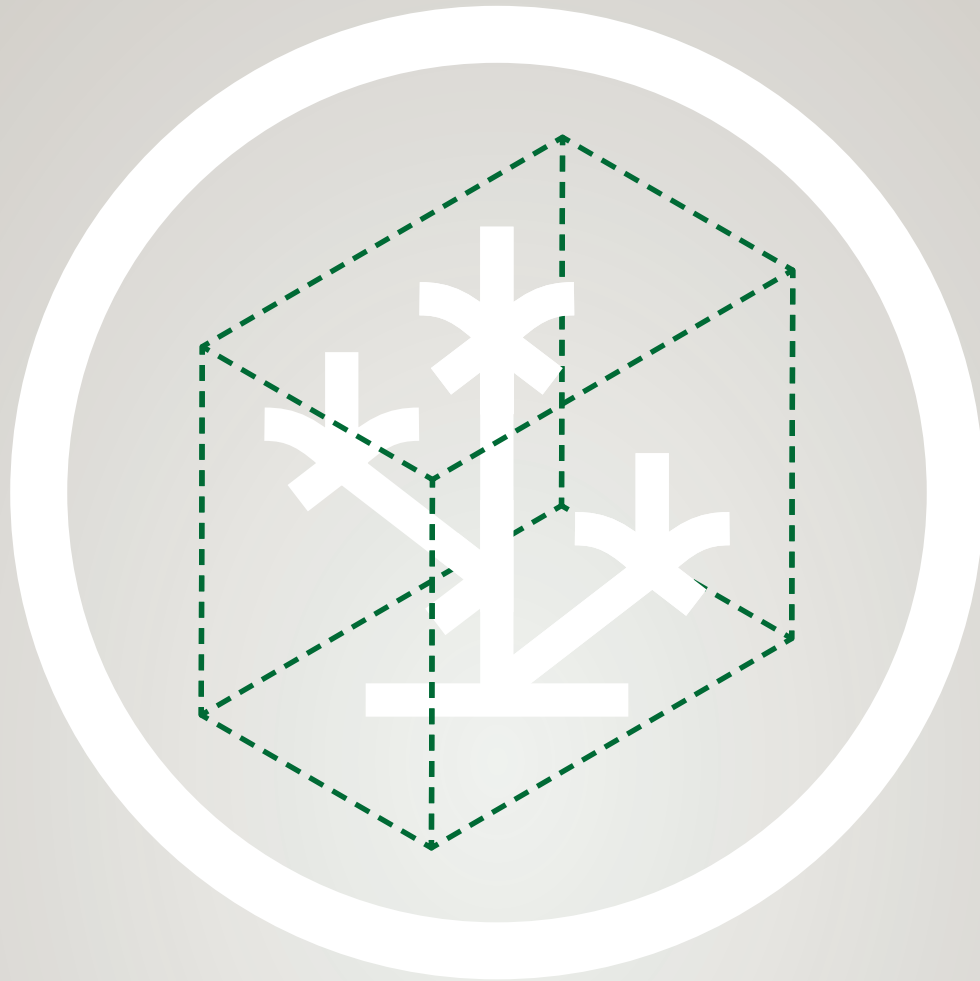
10

Visits to producers' facilities



At the request of the Société québécoise du cannabis and subject to written notice being provided reasonably far in advance, producers will 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 producer is in compliance with the terms and conditions of the purchase order and with all applicable laws, regulations and standards.





Product Management **Packaging**

11 Mandatory information

Producers 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 the *Packaging and Labelling Guide for Cannabis Products* will be returned to the producer at its expense.

12 French on labels

Cannabis producers that want to do business with the Société québécoise du cannabis must comply with all Quebec labelling laws. The Office québécois de la langue française (OQLF) states that “*les inscriptions sur les produits offerts au Québec par les entreprises doivent être en français. Elles peuvent figurer dans une autre langue, pourvu que toutes les inscriptions soient également en français de façon au moins équivalente*”. [Wording on products offered for sale in Quebec by businesses must be in French. It can also appear in another language, provided all the information also appears with equal or greater prominence in French].

13 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 introduced at the Société québécoise du cannabis must meet all GS1 standards.

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

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

14 Product bar codes

Visit:

 www.gs1.org

for detailed information on the various types of bar code.

The only types of bar code used by the SQDC for its sales units are GS1 DataBar Expanded and GS1 DataBar Expanded Stacked.

- The bar codes will include the following data in the following order: GTIN (Global Trade Item Number), packaging date, batch/lot number.
- As application identifier (01) has 14 digits and as we have adopted a 12-digit GTIN for our sales units, the GS1 DataBar Expanded and GS1 DataBar Expanded Stacked must be preceded by two (2) zeros.
- The presence of a second, UPC-A or other type bar code is undesired. However, if it is essential for your operations, it must not be placed near the GS1 DataBar Expanded and GS1 DataBar Expanded Stacked bar codes.

15

Human Readable Interpretation (HRI)

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

Here are the standards used to print readable characters for GS1 DataBar Expanded Stacked symbology

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



- GTIN, packaging date and batch/lot number.
- If there is not enough space under the product's bar code, an alternative solution is to print the GTIN under the bar code and print the packaging date and batch/lot number elsewhere on the package.
- The packaging date must be the same everywhere: on the product packaging, encoded in the product's bar code identifier (13), encoded in the bar code on the shipping container label and in the information printed on the shipping container label.

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

Example:
• 030102
• 030100

- Year (e.g. 2003 = 03)
- Month (e.g. January = 01)
- Day of month (e.g. 02) – when the day is not specified, this field should be two zeros (00).



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

→ **Nicole Golestani**, Director, Standards, at nicole.golestani@gs1ca.org.

Sections 13, 14 and 15 of the SQDC Suppliers' Guide are included solely for information purposes. GS1 Canada is the only organization that can assist producers in such matters.

16 Excise stamps

In conformance with the Canadian government's *Excise Duty Framework for Cannabis*, cannabis producers are required to purchase cannabis excise stamps and affix them to their products.



The cannabis excise stamp must be securely affixed to the product and must not be detachable. Special attention should be paid to tube-type packages (pre-rolleds) and refrigerated cannabis drinks.



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

Notwithstanding the excise stamp exemption provided in subsection 158.12 (Sale or distribution by licensee) of the *Excise Act, 2001*, such products must still have a blank white stamp affixed by the producer to guarantee the product's quality and compliance with all applicable laws, regulations and standards and with the SQDC's requirements, in particular those regarding product content, packaging and labelling.

The SQDC reserves the right to refuse low-THC cannabis products that do not meet the requirements specified in this section, in which case the producer will be required to take back the products concerned at its own expense.

17 Eco-responsible packaging

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 2023, the SQDC hopes that 70% of its in-store packaging will meet eco-responsible criteria.

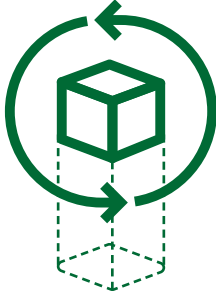
By 2023

70%
of packaging
will meet
eco-responsible
criteria

The SQDC wants producers to actively assist it in reaching this goal by using packaging that is recyclable and/or made from recycled materials. Packaging made from P2 or P5 plastic is preferred. The SQDC has also asked producers to reduce the size of their packaging and to eliminate all secondary packaging.



18 Packaging changes



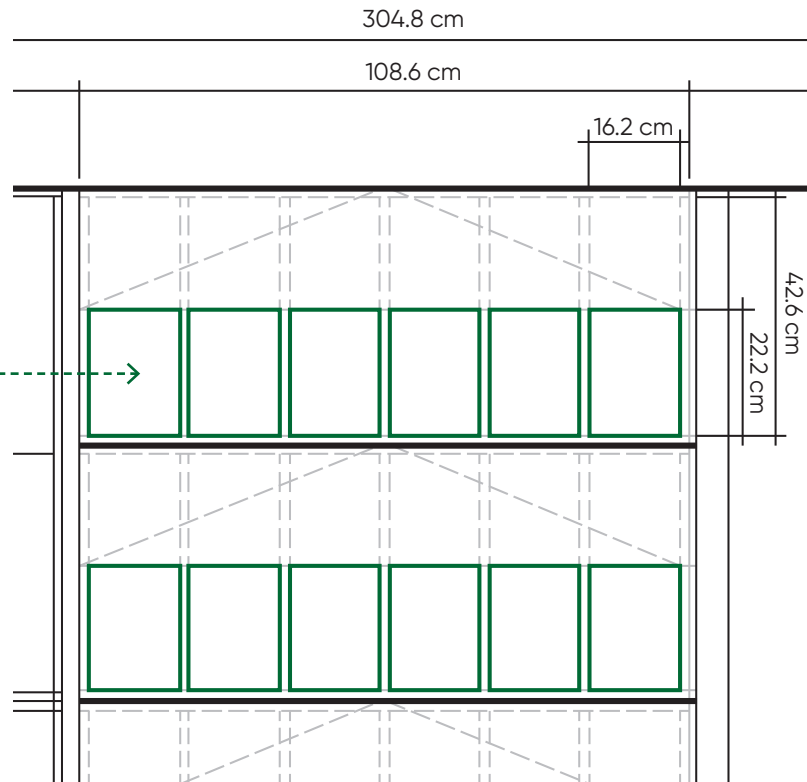
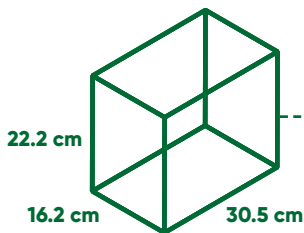
A cannabis producer that decides to alter one of its packages must give advance notice to the SQDC and determine whether it is required to inform Health Canada of the change. Producers should refer to the Canadian government's [Notice of New Cannabis Product Guide](#).

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

- immediately notify its assigned SQDC analyst of the impending change;
- send a sample of the product's physical packaging to the SQDC head office for approval;
- upload new pictures of the package to the SQDC's secure information-sharing platform; and
- inform the SQDC at least 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 Supply Chain team.

Once a cannabis supplier begins shipping a product in new packaging, the SQDC will refuse all deliveries of the product in the old packaging.

19 Package dimensions – technical specifications



20

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

Here are the mandatory technical specifications regarding product images:

FILE NOMENCLATURE	12digitsproductcode_#_
Main image	12digitsproductcode_0_
Secondary image	12digitsproductcode_1_
Image of dried flower/product	12digitsproductcode_product_
Label	12digitsproductcode_label_
Packaging	12digitsproductcode_packaging_
FILE FORMAT	PNG-24
RESOLUTION	72 dpi (minimum)
IMAGE FORMAT	1,500 x 1,500 pixels
BACKGROUND	Transparent
MARGIN	Must not be less than 150 pixels from the edge of the image.
SURFACE	Cover approximately 80% of the surface of the image.
LIGHTING	Bright and clear. Product must be lit from both sides to show all details. No shadows should be visible.



Main image
→ Packaging that holds the actual cannabis
12digitsproductcode_0_



Image of dried flower/product
12digitsproductcode_product_



Secondary image
→ Main packaging next to the secondary packaging
12digitsproductcode_1_

Important notice regarding intellectual property

All images you submit must belong to you. You guarantee that no other person or entity holds an intellectual property right for these images, including copyrights, trademarks and patents. Should the SQDC receive a claim from a third party due to an image you submitted, you agree to indemnify, hold harmless and defend the SQDC from any and all claims.



Product Management **Financial**

The Société québécoise du cannabis has adopted a competitive pricing strategy that aims to achieve the highest possible rate of conversion of users from the illegal to the legal market.

Competitive prices offered by the supplier will automatically be reflected on the shelves of SQDC stores, as our mission is first and foremost a social one.



Negotiated prices remain in effect for one year. All unit prices are in Canadian currency.

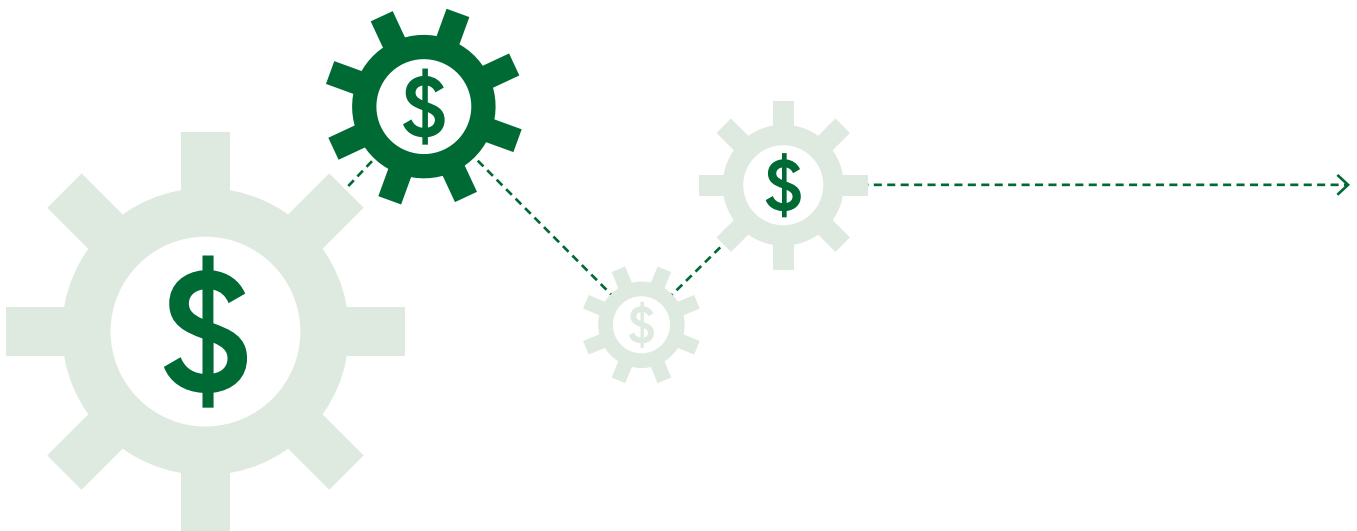
The price set by the producer includes all the producer's expenses, including those related to product shipping and excise taxes.



For cannabis beverages, suppliers must meet the requirements of the non-profit organization [Boisson Gazeuse Environnement](#) (BGE) to ensure that the beverage containers are included in the deposit-return system.

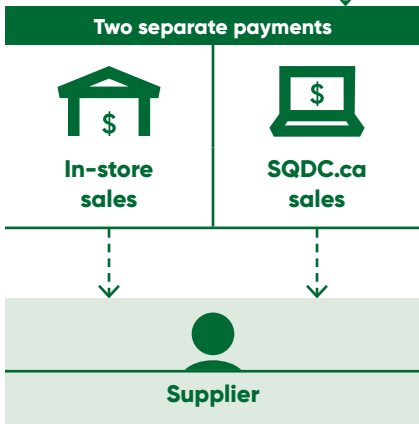
Producers must guarantee to the Société québécoise du cannabis that it is paying the lowest purchase price, including volume discounts and any other type of discount or program, that is offered in Canada for each of their products. If a producer has sold one of its products at a lower price to any other customer, it must notify the SQDC and charge the same price for the products also sold to it.

All product price decreases must be approved in advance by the Société québécoise du cannabis. Producers can request a product price increase only once a year. The SQDC reserves the right to accept or refuse any such request.



22

Payment and relations with the SQDC Finance Department



All suppliers are required to have a Quebec Enterprise Number (NEQ), which is issued by the Registraire des entreprises du Québec, as well as GST and QST numbers. Verification is performed by the SQDC's Finance team before a first payment is issued to the supplier. The supplier is paid for the products sold in the 30 days after the SQDC takes delivery of the products. The supplier receives two separate payments: one for sales made in stores and one for sales made on the SQDC's transactional website.

A product is deemed to have been delivered to the Société québécoise du cannabis when all of it has been brought into an SQDC store. For product returns to the supplier, the SQDC sends the supplier a credit memo request for the quantities of the product delivered to the SQDC by the supplier. The supplier then has 14 days to submit the credit memo so it can be applied to the payment for the products sold in stores. The product listing fees are also credited on the end-of-month payment for products sold in stores.

If a producer delivers to the Société québécoise du cannabis a quantity of products less than that shown on the release order, the supplier agrees to pay to the SQDC a **penalty equal to 2% of the cost price of the missing case or cases**. The penalty is applied to the value of each undelivered line of the order. The penalty for the quarter is calculated at the end of each quarter of the SQDC's fiscal year. The producer agrees to pay the total amount of the penalties to the SQDC.

For online sales, the transfer of ownership takes place when our partner Metro Logistique removes from inventory a product on consignment from the producer in order to prepare a parcel for a delivery. A daily report listing the number of units purchased and their cost is uploaded to the secure information-sharing site accessible only to the supplier. The report is also the purchase order for the products purchased that day; the purchase order number is printed in the columns of the report. Products returned to Metro Logistique but still suitable for sale are returned to the supplier's consignment inventory; a credit for these products is applied to the weekly online sales payment. The credit details, including product and cost information, are uploaded to the secure information-sharing site accessible only to the supplier. Defective products are kept in a separate area at Metro Logistique, and the supplier is responsible for disposing of them properly. When appropriate, the defective products are credited as specified in the same report as for the returned products still suitable for sale.



Procurement

1 General procedure

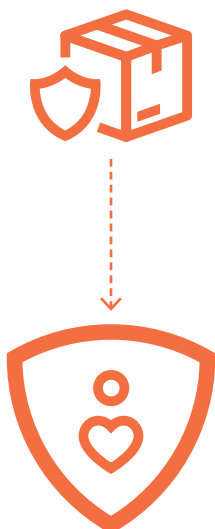
When a supplier enters into an agreement with the Société québécoise du cannabis, an analyst from the company's Demand team is assigned to the file. The analyst's job is to provide the supplier with the information it needs in order to meet the SQDC's procurement needs.

2 How payment works



Any unordered products shipped without the prior consent of the SQDC's Demand analysts are accepted for delivery but not paid for. In other words, **the SQDC's payment always equals the total of the products listed on the release order.** If you have extra products available, you should inform the Demand team, which can adjust its release orders before the delivery (minimum of 48 hours required).

3 Product compliance



The SQDC is committed to selling compliant products that present **no risks for users.**

The SQDC reserves the right to refuse:

- ⊘ any perishable product packaged for sale in its final form more than nine (9) months earlier;
- ⊘ any product outside the THC and CBD ranges established with the producer. Products with a THC or CBD level above or below the established levels will be deemed unacceptable;
- ⊘ any product deemed unacceptable (improperly dried, mouldy, exhibiting a manufacturing defect or delivered in damaged packaging);
- ⊘ any product not bearing an excise tax stamp or, for low-THC products, a blank stamp;
- ⊘ any product deemed 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 has previously been returned under the SQDC *Politique commerciale* (commercial policy) then in effect, albeit only those that the company has deemed to be hazardous or unfit for use.

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

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

4

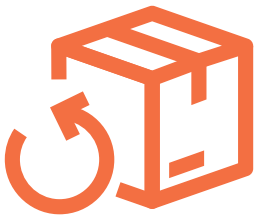
Health Canada product recalls

Producers 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 producer decides to voluntarily issue a product recall, the producer must collect, at its expense, all quantities of the product that have been shipped to the SQDC. The producer is also responsible for collecting any recall-related returns from buyers.

5

The SQDC consumer returns and exchanges policy



The SQDC's consumer returns and exchanges policy specifies that:

“The SQDC does not refund purchases, regardless of the reason for returning the product. In addition, an invoice is required in order to exchange a product. If the product is defective, the SQDC will exchange any product sold in its stores for 14 days following purchase (certain conditions apply).”

Only products that are improperly dried, contain mould or exhibit a manufacturing defect are considered defective.

For the complete SQDC returns and exchanges policy, see:



Product exchanges are performed only at the point of sale where product was purchased. In other words, to exchange a product, customers have to return to the store where it was bought. Customers wanting to exchange a product purchased online should contact the SQDC Customer Relations Centre.

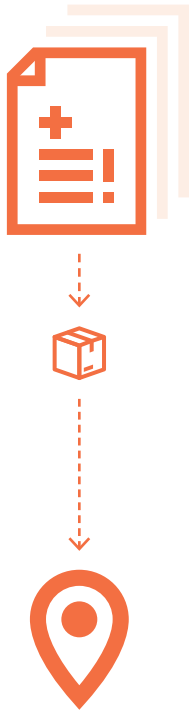


When an SQDC store agrees to exchange a product, the product deemed unfit is securely stored. The supplier is required to pick up and destroy the product at its own expense. The supplier must also issue a credit to the SQDC.

The same procedure applies to unfit products purchased on the SQDC website, with the products being stored in the online sales distribution centre.

6

Stocking – stores



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

The purchase order states the amount of product that the SQDC anticipates needing for store-stocking purposes during the specified period.

The SQDC will send release orders to the producer as needed to meet stores' restocking requirements but not more than twice a week. By accepting the purchase order, the producer agrees to comply with all subsequent release orders up to the quantity and during the period specified in the purchase order. The producer delivers the requested products to the stores within forty-eight (48) hours of receiving the request.

The products remain the property of the producer until delivered to the stores. The products become the property of the SQDC when the acceptance of delivery is signed.

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

Orders can be delivered from Monday to Friday between 10 a.m. and 5 p.m. The store must be notified at least 24 hours in advance of the delivery. 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 batch/lot and with the same packaging date. Cases should be filled to capacity; partially filled cases will be refused.



For smaller-than-requested deliveries, a penalty equal to 2% of the value of the undelivered amount for each product category and format (e.g. dried flowers and 3.5 g) will be charged, based on the terms of the purchase order and on the current sales forecasts.

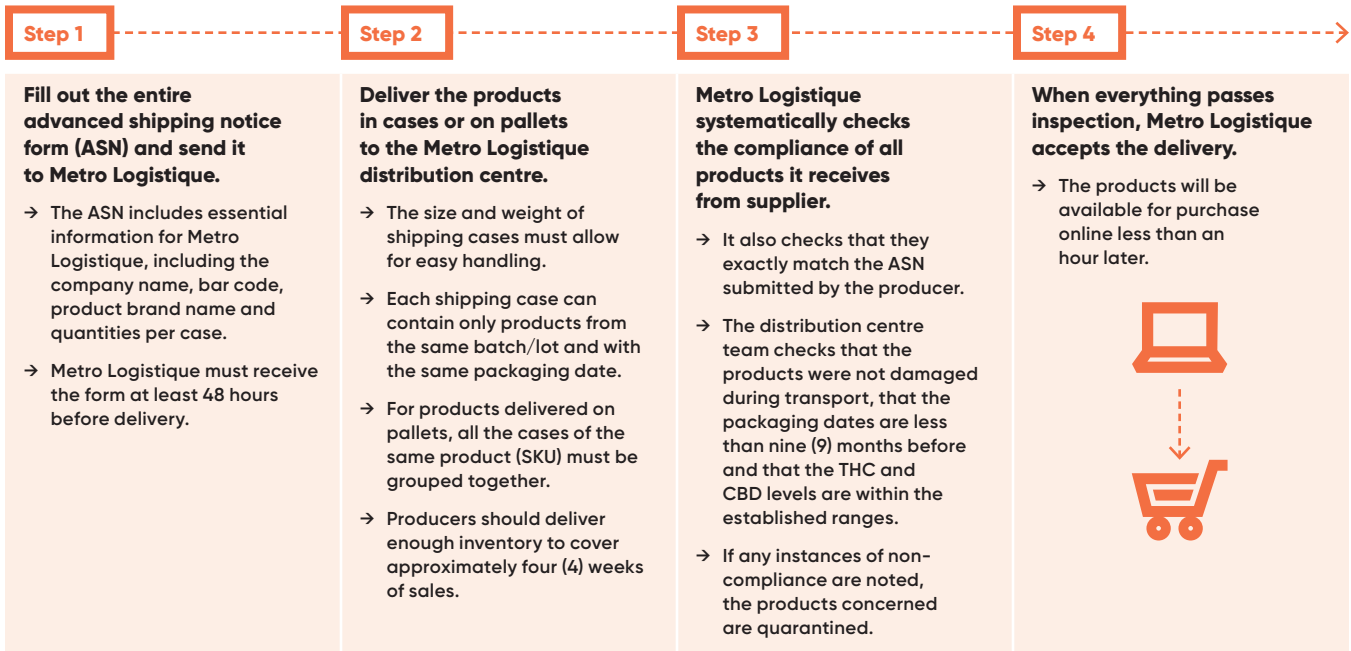
The SQDC reserves the right not to issue a purchase order but instead to arrange stock releases with producers based both on producers' capacity and available volumes and on the SQDC's needs. In such cases, the producer and the SQDC discuss forecast demand and the applicable terms and conditions are those that accompanied the most recent order sent to the producer or, failing that, the those attached to the letter of intent or the letter of agreement.

7

Stocking – online sales platform

All products intended for sale on the SQDC website must be delivered to the online sales distribution centre, which is located in Montreal’s Lachine borough and managed by our partner Metro Logistique.

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



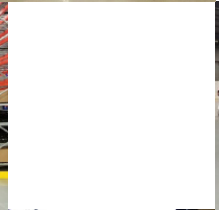


Delivery

1 Product delivery

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

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




2

Shipping case labels

Please use the following specifications for the labels placed on shipping cases:

<p>All labels placed on shipping cases will use bar codes with the GS1-128 symbology (logistics bar code for retail and transport units).</p>	<p>→ The bar codes will include the following information:</p> <ul style="list-style-type: none"> • GTIN; • packaging date; • batch/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) Batch/Lot Number; and • (90) Quantity per Case.
<p>→ The packaging date can be up to six digits in length 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 month (e.g. 02). 	<p>→ For GS1-128 bar codes, an FNC1 control character is required after the batch/lot number and before the application number (90), which specifies the quantity per case, as in, for example: (01)10628176622016(13)210407(10)10000022<GS>(90)0024.</p> <ul style="list-style-type: none"> • The FNC1 control character varies depending on the tool used to generate the bar codes. 	
<p>→ Bar code colours: black bars on a white background.</p>	<p>→ The 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>→ Cases are sealed, preferably with hot melt glue.</p>		
<p>→ Cases are shipped with a packing slip (see below).</p>		
<p>→ Two (2) labels on each case, placed side by side (front and side).</p>		
<p>→ Use of the product's brand logo is allowed on the packing label.</p>		

Authorized producer EnterpriseABCDE	Packaging date 2021/04/01	Box GTIN (14) 10827763000279
Product name Product ABC		
Product type Dried flowers	Unit size 28 g	Units/box 12
Batch/lot number 009999	Product GTIN (12) 000000000000	THC: 000.00 mg/g CBD: 000.00 mg/g
 <p>(01) 10827763000279 (13) 210401 (10) 009999 (90) 0012</p>		



Notes:

- Application identifier 01 (AI01) is the 14-digit GTIN for the case.
- Application identifier 10 (AI10) is a variable-length, alphanumeric field for the batch/lot number that complies with the GS1 standard.
- Application identifier 90 (AI90) is fixed four-digit (4-digit) numeric field for the quantity per case. Unused digits are zeros. For example, if there are 24 units per case, the field should be 0024.

3 Shipping case format

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



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

Product category	Sales unit format	Units per case
Dried flowers	1 g	48 u
	3.5 g	24 u
	15 g	12 u
	28 g	12 u
Ground	All formats	24 u
Pre-rolled	All formats	48 u
Oil	All formats	12 u
Spray	All formats	12 u
Capsules	All formats	24 u
Hash	All formats	24 u
Concentrates	All formats	24 u
Beverages	Varies	12 u or 24 u

4 Choice of carrier



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

Before subcontracting a carrier, producers must contact the SQDC to check that the carrier is duly authorized.

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



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

Specifically, by signing the authorization to transport, the producer or its authorized subcontractor undertake to:



- always have two persons, one of whom watches over the cannabis, make the delivery together;
- have secured storage spaces and vehicles;
- never leave cannabis in public view;
- make the background checks required in order to hire only persons with no criminal record;
- 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 sections 23 and 24 of Quebec's [Cannabis Regulation Act](#).

5

Metro Logistique's cross-docking approach

To date, **more than half** of the producers doing business with the SQDC make use of the Metro Logistique service.



Metro Logistique, a partner of the Société québécoise du cannabis, offers a turnkey delivery service to Quebec cannabis suppliers.

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

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





Contact the SQDC

Department	Name	Email	Telephone
SQDC Demand, Product Management and Supplier Relations	Geneviève Giroux Director	genevieve.giroux@sqdc.ca	514 379-5000, ext. 5625
	Questions from new producers	Info.fournisseurscannabis@sqdc.ca	–
	Product listing questions from producers that have a business relationship with the SQDC	mem_produits@sqdc.ca	–
	Stéphanie Gagné Manager, Product Management	stephanie.gagne@sqdc.ca	514 379-5000, ext. 4491
	Alexandre Ouellet Assistant Director, Demand Planning	alexandre.ouellet@sqdc.ca	514 379-5000, ext. 5606
	Valérie Lemaire Financial Controller	valerie.lemaire@sqdc.ca	514 379-5000, ext. 5523
Metro Logistique	Daniel Smedo Vice President and DG	dsmedo@metroscg.com	514 683-5121, ext. 6611
GS1 Canada	Nicole Golestani Director, Standards	nicole.golestani@gs1ca.org	514 218-4954
	Industry Support Services team	info@gs1ca.org	1-800-567-7084

USEFUL LINKS



- [AMP](#)
- [Health Canada](#)
- [GS1 Canada](#)

Appendix A

Bar code specifications

Table 1

Bar code sequence	Type (AI)	Product (sales unit)	Shipping case label
Symbology	–	GS1 DATABAR EXPANDED or DATABAR EXPANDED STACKED (on 3 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	Batch/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 bar codes, please visit:

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


The following sections cover the bar codes for the cannabis industry:

- **Section 5.5 Linear bar codes – GS1 DataBar**
 - 5.5.2.3.1 GS1 DataBar Expanded
 - 5.5.2.3.2 GS1 DataBar Expanded Stacked
- **Section 5.4 Linear bar codes – GS1-128 symbology specifications**
- **Section 5.6 Two dimensional bar codes – 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

Release Order

Page 1 / 1
Order Number 000
Ordered Date 1111-11-11

Shipped From:	Ship To:	Message:
---------------	----------	----------

Freight Term:	Term:	Base Currency:
---------------	-------	----------------

Line	Original No	Item	Description / Supplier Item	Requested Date	Ordered Qty	UM AC	Unit Weight	UM	Unit Price	Extended Price
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		
Total Order:										

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:
 The producer undertakes to have received the necessary authorizations from the AMP so that the SQDC can proceed with the retail sale of their products. Otherwise, the producer will have to recover all his products at his expense. The SQDC may also avail itself of the right to terminate the existing contract.
 Billing address: Finance@sqdc.ca 000000.0000

Delivery form

The following information **must be included** on the packing slip:

- supplier name;
- PO number (purchase order number);
- delivery date;
- GTIN for each product;
- description of each product;
- total number of cases of each product;
- 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° d'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

Appendix C

SQDC Fiscal 2020-2021 Calendar

April 2020							
	S	M	T	W	T	F	S
P01	29	30	31	1	2	3	4
P01	5	6	7	8	9	10	11
P01	12	13	14	15	16	17	18
P01	19	20	21	22	23	24	25
P02	26	27	28	29	30		

May 2020							
	S	M	T	W	T	F	S
P02						1	2
P02	3	4	5	6	7	8	9
P02	10	11	12	13	14	15	16
P02	17	18	19	20	21	22	23
P03	24	25	26	27	28	29	30
P03	31						

June 2020							
	S	M	T	W	T	F	S
P03		1	2	3	4	5	6
P03	7	8	9	10	11	12	13
P03	14	15	16	17	18	19	20
P04	21	22	23	24	25	26	27
P04	28	29	30				

July 2020							
	S	M	T	W	T	F	S
P04				1	2	3	4
P04	5	6	7	8	9	10	11
P04	12	13	14	15	16	17	18
P05	19	20	21	22	23	24	25
P05	26	27	28	29	30	31	

August 2020							
	S	M	T	W	T	F	S
P05							1
P05	2	3	4	5	6	7	8
P05	9	10	11	12	13	14	15
P06	16	17	18	19	20	21	22
P06	23	24	25	26	27	28	29
P06	30	31					

September 2020							
	S	M	T	W	T	F	S
P06			1	2	3	4	5
P06	6	7	8	9	10	11	12
P07	13	14	15	16	17	18	19
P07	20	21	22	23	24	25	26
P07	27	28	29	30			

October 2020							
	S	M	T	W	T	F	S
P07					1	2	3
P07	4	5	6	7	8	9	10
P08	11	12	13	14	15	16	17
P08	18	19	20	21	22	23	24
P08	25	26	27	28	29	30	31

November 2020							
	S	M	T	W	T	F	S
P08	1	2	3	4	5	6	7
P09	8	9	10	11	12	13	14
P09	15	16	17	18	19	20	21
P09	22	23	24	25	26	27	28
P09	29	30					

December 2020							
	S	M	T	W	T	F	S
P09			1	2	3	4	5
P10	6	7	8	9	10	11	12
P10	13	14	15	16	17	18	19
P10	20	21	22	23	24	25	26
P10	27	28	29	30	31		

January 2021							
	S	M	T	W	T	F	S
P10						1	2
P11	3	4	5	6	7	8	9
P11	10	11	12	13	14	15	16
P11	17	18	19	20	21	22	23
P11	24	25	26	27	28	29	30
P12	31						

February 2021							
	S	M	T	W	T	F	S
P12		1	2	3	4	5	6
P12	7	8	9	10	11	12	13
P12	14	15	16	17	18	19	20
P12	21	22	23	24	25	26	27
P13	28						

March 2021							
	S	M	T	W	T	F	S
P13		1	2	3	4	5	6
P13	7	8	9	10	11	12	13
P13	14	15	16	17	18	19	20
P13	21	22	23	24	25	26	27
P01	28	29	30	31			

Step 1
Step 2
Step 3
Launch



SQDC.ca