

SKU evaluation for delisting or pricing action:

1. **Poor Sales Performance:** If a product consistently fails to meet sales targets, as determined by Cannabis NB, and its daily sales drop below the established minimum threshold, the product may be considered for pricing actions, returns, or delisting.
2. **Declining Relevance:** Products may become outdated or lose relevance due to shifts in consumer shopping habits or the emergence of superior alternatives that better align with consumer demands. Should Cannabis NB identify a new product innovation negatively impacting sales of an existing product within the category, resulting in a decline below the established minimum threshold, the product may be considered for pricing actions, returns, or delisting.
3. **High Costs or Low Profitability:** If a product no longer meets the minimum margin targets set by Cannabis NB, indicating inadequate profitability, it may be considered for pricing actions, returns, or delisting.
4. **Limited Market Demand:** When the demand for a product is limited or falls within a niche market, its continued presence may not be justified by the resources required. If a new product fails to meet the established minimum threshold for daily sales, it may be considered for pricing actions, returns, or delisting.
5. **Supply Chain Challenges:** Products experiencing irregular availability or consistently encountering long lead times resulting in unplanned stock outages may have adverse effects, such as lost sales and improper inventory allocations. If a supplier fails to maintain consistent inventory levels for a particular product, it may be considered for pricing actions, returns, or delisting.
6. **Poor Customer Satisfaction or Feedback:** Products that consistently receive negative customer feedback, low customer satisfaction scores, or demonstrate frequent issues may not meet customer expectations. As Cannabis NB is committed to providing the highest quality products to its consumers, products with consistently poor feedback or high failure/return rates may be considered for pricing actions, returns, or delisting.

By adhering to a rigorous evaluation process based on these criteria, Cannabis NB aims to ensure its product portfolio remains optimized, effectively allocating resources and upholding customer satisfaction.

Pricing Action

Cannabis NB and the suppliers shall actively collaborate to determine appropriate actions for any SKU that demonstrates underperformance in the market. Such actions may include, but are not limited to, returning the product or implementing a limited time offer (LTO) strategy to reduce landed costs and enable Cannabis NB to offer a lower retail price, thereby increasing sales velocity.

If the supplier and Cannabis NB jointly agree that a limited time offer is the most suitable course of action, specific SKUs will be selected for pricing adjustments.

Cannabis NB will prepare a draft proposal for supplier approval, which will include the following details:

- Product name
- Total inventory quantity
- Current sell-through rate (units per day)
- Weeks of stock on hand based on current sell-through
- Suggested LTO chargeback amount and the new landed cost of the product
- Proposed new retail price and any modifications to existing promotions

The supplier must provide approval for the LTO draft. Upon approval, a chargeback invoice will be issued at the beginning of the subsequent fiscal period. The chargeback invoice will reflect the total inventory quantity multiplied by the LTO amount.

Cannabis NB reserves the right to receive payment either via check or transfer. In certain cases, Cannabis NB may transfer the payable amount to receivables and deduct it from the subsequent purchase order placed with the supplier.

Delist

- If the supplier is unable or unwilling to implement pricing action, Cannabis NB reserves the right to return the product at the supplier's expense. Suppliers will be responsible for arranging pick-ups at each retail location for all products selected for return.
- In the event that Cannabis NB decides to proceed with pricing action without the support of an LTO from the partnered supplier, the SKU will be sold until depletion, with no opportunity for replenishment.

In both these situations the product is delisted permanently from the CNB portfolio.

If a partner agrees to LTO and would like to offer a new product for review the old product will be delisted in the CNB portfolio.

Payment Details

Payment via check should be sent to: 170 Wilsey Road Fredericton, NB E3B5B8 Attention: Product Payables

Transfer Details: Account Number: 0095214 Transit Number: 33993 Institution Number: 002