

**Fred Meyer**<sup>®</sup>

**Direct**

*Drop Ship Program Policies*

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## **1. Fred Meyer Direct (FMD) Drop-Ship Program Definition**

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Fred Meyer Direct drop-ship program provides Vendors the opportunity to expand the product assortments available to Fred Meyer Customers by leveraging the Vendor's fulfillment capacity to ship directly to the Customer. Through FMD, the Vendor retains the inventory and fulfills orders on behalf of Fred Meyer, creating a streamlined inventory arrangement while maintaining a seamless experience for the Customer.

The FMD Program Policies apply to Fred Meyer Direct (referred to herein as "FMD") Ecommerce Customer orders where merchandise is fulfilled and shipped directly from the Vendor to the Customer designated "Ship To" address.

The FMD Program Policies outlined in this document are subject to change. Vendors must comply to policies within sixty (60) days of the changes being published. Vendors who are unable to comply within sixty (60) days will have their product removed from FMD until such time as compliance is achieved, or a written exemption signed by an FMD executive is received.

## **2. Product Content**

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Fred Meyer Direct manages all product content displayed on its websites. Product content includes, but not limited to, product descriptions, specifications, feature/benefit information, images, video animation or interactive media, graphics, audio, website addresses and other content furnished to and/or used by FMD.

### **2.1 Product Specifications**

2.1.1 All products offered for sale through the FMD Program must have complete and accurate product information provided by the Vendor.

2.1.2 It is the Vendor's responsibility to notify FMD when changes are made to product information. Changes should be submitted with as much advance notice as possible.

### **2.2 Content Submission**

2.2.1 In addition to the detailed product specifications, Vendors are encouraged to submit product copy (an extended romance description) with each product offered for sale in the program. Copy may be embellished or modified by FMD to create a consistent shopping experience for Customers.

2.2.2 Vendors are required to supply a high-quality product image for each item. Multiple, distinctive images are allowed and encouraged, including both in- and out-of-package images.

2.2.3 Images requirements include: dimensions at least 1024 pixels wide or tall; product knocked out on a pure white background; format is PNG, JPEG, or TIFF.

2.2.4 Beyond the required product specifications, copy and image, Vendors are encouraged to provide any additional information which might give more details about the product and brand to potential Customers and FMD Customer Operation/Sales Professionals

### **2.3 Cost of Goods**

2.3.1 The Cost of Goods for FMD products will be negotiated between Fred Meyer buying office and the vendor.

2.3.2 Any changes to product cost after the original assortment setup must be resubmitted to the FMD Buyer in writing with a minimum of 30 days advance notice to the effective cost change date.

## **2.4 Product Pricing**

2.4.1 Vendors may submit suggested retail pricing such as MAP (minimum advertised price) or MSRP (manufacturer suggested retail price), but FMD will not be obligated to follow suggested pricing unless otherwise negotiated in writing.

2.4.2 MAP pricing can only be set by the manufacturer, and FMD will not accept pricing which is higher than pricing listed on other authorized retailers websites.

## **3. Product Quality**

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Maintaining FMD quality standards is of the highest importance to protect Fred Meyer's reputation. Vendors must strictly adhere to the quality guidelines for the FMD program.

### **3.1 Product Quality Standards**

3.1.1 Quality standards do not differ across sales channels.

### **3.2 Product Recalls**

3.2.1 Vendor agrees to notify FMD of any product recalls, voluntary or involuntary, which impact FMD Customer purchase orders.

3.2.2 Products subjected to a recall must be immediately taken down off of FMD's websites through the submission of a zero inventory feed and discontinued for the affected products through the FMD connection.

## **4. Inventory Availability**

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Vendors are required to provide on-hand quantity inventory levels for each Stock Keeping Unit (SKU) available for sale and update the quantity on-hand position as changes occur. The Vendor is responsible for properly setting up and maintaining the inventory information provided for the FMD program.

### **4.1 Inventory Feed Setup & Management**

4.1.1 Inventory information is communicated through FMD's third party commerce network partner, which is currently CommerceHub<sup>®</sup> (hereinafter referred to as "CommerceHub<sup>®</sup>"). Vendors will receive training and guidance for submitting inventory through CommerceHub<sup>®</sup> and will be responsible for ensuring all necessary personnel can use the provided software and/or that electronic data feeds are successful on an ongoing basis.

4.1.2 Vendors must report available inventory at the SKU level and include any required elements defined in the CommerceHub<sup>®</sup> specifications.

4.1.3 Only SKUs which are a part of the final FMD assortment should be setup or transmitted to CommerceHub<sup>®</sup> as part of the FMD assortment.

4.1.4 Accurate inventory is critical to avoiding Customer disappointment. In the event of a transmission failure Vendors will be responsible for correcting and resubmitting inventory the same business day the error is communicated, or alternatively Vendors may leverage the commerce network web interface to process inventory updates until data feeds have been corrected and automated electronic communication methods successfully resumed.

## **4.2 Inventory and Reservation**

4.2.1 Vendors are responsible for ensuring inventory is accurate on a daily basis and adjusting inventory levels throughout the day as necessary to avoid potential oversells. Inventory must be transmitted at a minimum of once per day.

4.2.2 Inventory communicated to FMD is expected to be 100% available for FMD Customers.

## **4.3 Out-of-Stocks**

4.3.1 Vendors are required to zero out inventory immediately for out-of-stock products.

4.3.2 With the exception of special orders, any Customer order which cannot be fulfilled within the standard fulfillment time period due to the lack of inventory should be communicated to the FMD Customer Operations Team for direction. Backorders and substitutions are NOT permitted.

## **4.4 Product Discontinuations**

4.4.1 A product is considered discontinued when a Vendor or FMD Buyer no longer wishes to carry that item in their FMD assortment. Products which are discontinued by the Vendor must be notified to FMD so that they may be removed from the website. SKU status should be changed to "Discontinued" in CommerceHub®. The date the product was discontinued must also be provided.

## **4.5 Demand Forecasts**

4.5.1 FMD is not obligated to provide forecasts of sales potential to any Vendor or for any product. Forecasts which are provided are informational only, and do not represent a purchase commitment from FMD.

## **5. Customer Order Processing & Fulfillment**

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Consistent fulfillment is key to maintaining a positive Customer shopping experience with Fred Meyer Direct. This section outlines key order processing and fulfillment policies which will ensure a quality experience for the FMD Customer.

### **5.1 Third Party Commerce Network Data Interface**

5.1.1 All FMD Customer Purchase Orders will be transmitted using FMD's designated third party commerce network, CommerceHub®.

5.1.2 Vendors will be responsible for all costs associated with using the third party commerce network, including setup fees, transaction fees, subscription fees or any other applicable fees. These fees will be paid directly by the Vendor to the third party commerce network.

5.1.3 Vendors must maintain an active CommerceHub® connection in order receive and process orders. This requires Vendors to keep accounts current and systems active. Vendors must notify FMD 60 days prior to disconnection from the third party commerce network.

5.1.4 Vendors must successfully complete all testing and training and be certified by the third party commerce network prior to launch.

5.1.5 In the event of electronic communication failures, Vendors must be able to use the third party commerce network web browser interface as a backup to process orders in the same order shipment expectations outlined within these policies.

5.1.6 FMD Vendors are expected to use the self-monitoring tools within the web interface in order to ensure that the Vendor is meeting all key performance indicators for the program.

## **5.2 PO Transmission**

5.2.1 FMD Customer POs may contain single lines, multiple lines, single units, multiple units, or multiple lines for multiple units. Each FMD Customer PO will be designated to a single ship-to address.

5.2.2 FMD transmits Customer POs to the third party commerce network periodically throughout the day. Vendors are encouraged to download POs the same day they are made available in the interface. Regardless of whether the Vendor downloads the order on the first available day, the on-time shipment clock begins the first business day that the FMD Customer PO is made available to the Vendor by the third party commerce network. Please refer to 5.4 for further detail.

## **5.3 Confidential Customer Information**

5.3.1 In the course of supporting the FMD Program, Vendor will receive Confidential Information including sensitive information about customers. Vendor may not use the Confidential Information for any purpose other than performance of its obligations under the FMD program. Vendor shall take sufficient precautions to protect the confidentiality of all Confidential Information and shall not disclose it to any third parties. Vendor will not use any of the Confidential Information to solicit Fred Meyer customers or engage in any practice or campaign directed toward or resulting in Fred Meyer customers buying any products or services from any source other than Fred Meyer.

## **5.4 On-time Shipment**

5.4.1 Products which the Vendor has made available to ship within the “standard” fulfillment timeframe must ship within two (2) business days.

5.4.2 Vendors who participate in expedited fulfillment programs agree to ship within one (1) business day for any FMD Customer PO that is marked for Next Day shipment.

5.4.3 Day one (1) of the fulfillment timeframe begins the day the FMD Customer PO is posted in the third party commerce network. FMD Customer POs posted to the third party commerce network by noon (12:00 pm), Eastern Time, will be counted as that day’s orders. Orders received after noon (12:00 pm) Eastern are considered the next business day’s orders. For orders received during reported non-business holidays and non-working days the fulfillment timeframe will not start until the next business day.

5.4.4 On-time shipment is defined as any shipment confirmation posted to the third party commerce network by twelve (12:00 pm) Eastern Time on the second (2<sup>nd</sup>) business day for expedited fulfillment, twelve (12:00 pm) Eastern Time on the third (3<sup>rd</sup>) business day for standard fulfillment, or twelve (12:00 pm) Eastern Time on the day following the last day of the extended fulfillment period for special orders.

5.4.5 FMD Customer POs not confirmed as shipped in the third party commerce network by twelve (12:00 pm) Eastern Time on the day following the ship date of the fulfillment period are considered to be delinquent. Delinquent orders are subject to cancellation by FMD after three (3) business days. A non-compliance penalty may be issued for delinquent orders.

5.4.6 Fred Meyer excuses Vendor from nonperformance or delays in delivery caused by unforeseeable occurrences, but Vendor agrees it is not excused by unexpected difficulty or commercial impracticality of any degree. If Vendor can fulfill its delivery obligation only by premium shipping, the premium charges shall be prepaid by the Vendor or, if not prepaid, then Fred Meyer reserves the right to issue chargebacks relating to the additional shipping costs.

## 5.5 Shipment Confirmations

5.5.1 FMD Customer POs are not considered to be shipped until a successful ship confirmation is processed in the third party commerce network with valid and accurate tracking information.

5.5.2 Shipment confirmations must be posted in the order third party commerce network no later than twelve (12:00 pm) Eastern Time on the day after the carrier has taken possession of the shipment.

5.5.3 Shipment confirmations must include the complete tracking number and indicate the actual carrier and service level used for the shipment.

5.5.4 Vendors may not submit shipment confirmations more than one (1) business day in advance of the carrier taking possession of the shipment.

## 5.6 Customer Order Cancellation

5.6.1 On occasion FMD may request the cancellation of a FMD Customer PO due to potential fraud, Customer request or other reasons. Vendors should make a best effort to stop shipment on requested cancellations. If the request can be accommodated, then the order should be canceled within one (1) business day. If the cancellation request is unsuccessful and the order ships out, the FMD Customer Operations Team must be notified and the order must be confirmed with tracking information within one (1) business day.

5.6.2 Vendors may not hold backorders for products which cannot be sourced within agreed upon fulfillment timeframe.

5.6.3 Partial shipment is allowed provided the complete quantity of a line can be shipped. The FMD program is fill or kill at the line level, which means that Vendors may not ship less than the full quantity of a given line on the Customer's order. *For example, if a Customer ordered a quantity of 5 items on one line item and Vendor only can fulfill quantity of 3, the entire line item must be cancelled. Partial line item shipments are not allowed.* Packing lists must be reprinted to adjust quantity shipped totals and pricing in the event less than the complete ordered products are shipped.

5.6.4 In all cases, Vendors must use the appropriate reason code from the list of valid codes provided by the third party commerce network, and also must include any other reasons, to indicate why a FMD Customer PO line was canceled.

5.6.5 For non-product availability related issues preventing a Vendor from fulfilling a PO (i.e., incomplete Ship-to Address, unable to identify the product ordered, etc.) Vendors should contact the FMD Customer Operations Team to try and resolve the problem prior to cancelling the order.

## 5.7 Fulfillment Errors

5.7.1 Unless otherwise negotiated, in the event a Customer receives the wrong or damaged/defective product(s), FMD will issue a prepaid shipping label so the Customer may send back the mis-shipped or damaged/defective product(s). In the event fulfillment errors exceed two (2) percent in a quarter, FMD will pursue chargebacks to cover the additional costs to FMD and any necessary appeasements to minimize the impact of the poor fulfillment experience provided by the Vendor.

5.7.2 Replacement orders for the mis-shipped, lost, damaged or defective products which the Customer wishes to reorder may be issued under a separate PO number. Vendors must fulfill the replacement order pursuant to the same policies and procedures as any regular FMD Customer order.



## **5.8 Peak Season Fulfillment**

5.8.1 Peak ordering seasons for FMD include the months of November and December. Vendors are required to ship within the applicable fulfillment timeframe even during peak seasons when orders may dramatically increase. It is the Vendor's responsibility to ensure adequate staffing to support peak order demand without a decrease in fulfillment service.

5.8.2 FMD may choose to publish on its websites "order by" dates for products offered with expedited or standard fulfillment. The Vendor will be responsible for ensuring that such FMD Customer orders ship on-time in order to arrive for key holidays such as, but not limited to: Easter, Valentine's Day, Mother's Day, Father's Day, Halloween, Hanukkah, and Christmas. Failure to meet fulfillment expectations during these critical peak times may require the Vendor to upgrade shipping service levels on FMD Customer POs in order to meet key delivery dates. If upgraded shipping is required due to Vendor delinquency, FMD reserves the right to charge back the additional freight costs incurred for these delinquent orders plus administrative fees.

## **6. Shipping**

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The Vendor has the most control over ensuring the Customer's order arrives at the "Ship To" address in "as ordered" (excellent and working) condition. It is in the best interest of both FMD and the Vendor to adhere to these policies in order to minimize shipment damage and loss in transit.

### **6.1 Freight Terms**

6.1.1 FMD Customer PO shipment terms are-FOB Origin. This means the Vendor is responsible for appropriately packaging and labeling the shipment and delivering to the carrier dictated by FMD. FMD assumes title of the goods when FMD's designated carrier takes possession of the package. Once title has been transferred, FMD will oversee the carrier's delivery of the shipment to the Customer.

### **6.2 Insurance**

6.2.1 FMD will insure Customer shipments at their discretion. Vendors will not be liable for damage by the carrier, losses in transit, theft, or other potential exceptions unless the Vendor is found to have mislabeled the packaged, or failed to meet packaging standards that would have protected the contents during shipping.

6.2.2 FMD reserves the right to assess penalties for Vendors whose fulfillment errors (including poor packaging and/or mislabeling the shipment) are deemed to exceed two (2) percent of shipments quarterly.

6.2.3 Vendors may be asked to provide testimony or documentation for proof of shipment in the event of a freight or insurance claim and must be able to do so within 2 business days of receipt of request.

### **6.3 Packaging Standards**

6.3.1 FMD Customer PO shipments should be packaged suitably to prevent in-transit damage to the shipment contents. Packages must be sufficient to withstand the initial outbound trip.

6.3.2 The Vendor is responsible for following industry best practices and adhering to any specific packaging guidelines that FMD's carrier provides. It is the Vendor's responsibility to keep abreast of any such changes so that the incidence of in-transit shipment damage is minimized as much as possible.

6.3.3 FMD reserves the right to require the Vendor to change outer box packaging or dunnage in the event the existing packaging is deemed insufficient. FMD may, at its discretion, choose to remove

the inadequately packaged products from sale on FMD's websites while packaging is being re-engineered.

### **6.4 Freight Billing**

6.4.1 FMD will solely determine the appropriate shipping surcharges to the Customer for delivery of the product. FMD is responsible for assessing and collecting these fees from the Customer. FMD will set up the proper 3<sup>rd</sup> party shipment billing to ensure Customers are not required to pay additional shipping fees / COD expense in order to receive delivery of the product.

6.4.2 Unless otherwise stated, cost of freight for all FMD Customer PO shipments will be billed directly to FMD using the third party billing account information provided.

6.4.3 Third party billing account information provided to the Vendor by FMD may only be used to ship FMD Customer POs. Unauthorized use of the account provided will result in a full chargeback of the unauthorized charges as well as a 10% administrative fee. Vendors are responsible for protecting the account information to prevent misuse, and for ensuring that billing is appropriately setup within the Vendor's systems and processes.

### **6.5 Shipment Routing**

6.5.1 The FMD Customer PO "Ship To" address may be a residential home or business within the contiguous United States, as well as Alaska and Hawaii. Shipping is not currently offered to U.S. protectorates or territories, international addresses, or APO/FPO.

6.5.2 The FMD Customer PO will contain routing information for exactly what carrier and service option each PO must be shipped with. It is the Vendor's responsibility to ensure that the proper carrier and service level is selected to comply with the FMD Customer PO routing.

6.5.3 Vendors will be responsible for ensuring indirect signature service is requested for any shipments which contain contents that have a sale price of \$200 or more. Failure to execute indirect signature service may result in the Vendor being liable for the actual cost of goods lost or stolen upon delivery. In the event the appropriate service level is not used, a non-compliance penalty may be issued.

6.5.4 Shipping options are subject to change, and FMD will provide advance notice should additional shipping options or carriers be added in the future.

### **6.6 Freight Claims**

6.6.1 FMD will be responsible for filing freight claims with the carrier in the event of damage or loss to a FMD Customer PO shipment during transit. Vendors may need to provide backup documentation or testimony to support such claims, within 2 business days of receipt of request.

6.6.2 In the event freight claims are denied by FMD's carrier due to poor packaging or shipment mislabeling, FMD may require the Vendor correct packaging issues. Freight claims lost due to Vendor mishandling of the shipment will count against the 2% fulfillment error allowance.

## **7. Packaging & Branding**

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This section describes key policies for maintaining FMD packaging standards.

### **7.1 Outer-Box / Shipping Cartons**

7.1.1 The outer-box or shipping carton may be either an appropriately sized carton provided by the carrier, or the Vendor may use their own packaging so long as it is sturdy enough to meet carrier

requirements.. Vendors choosing to leverage their own packaging are responsible for all packaging costs. These additional costs should not be passed on to FMD.

### **7.2 Packing List**

7.2.1 A FMD branded packing list that complies with FMD branding guidelines must be included with every FMD Customer PO shipment container. This packing list functions as a receipt, and may contain pricing, tax and payment information. The Fred Meyer Direct logo must always appear on the packing list. Standard text required on the packing list cannot be altered.

7.2.2 This packing list may be downloaded or Vendors may opt to recreate the document using internal software. Detailed specifications for generating a compliant FMD packing list are available from the third party commerce network.

7.2.3 Vendors choosing to generate their own packing lists rather than leverage the third party commerce network generated file must submit a production sample of the packing list prior to launch. FMD has final approval on any branded documents and reserves the right to delay launch or testing until an acceptable packing list is approved in writing.

7.2.4 If after onboarding a Vendor opts to switch from using the third party commerce network generated packing list to an internally generated document, FMD must be notified and the internal packing list must receive written approval from FMD before being allowed to be included in Customer shipments.

7.2.5 The packing list must reflect total shipment contents. For orders that are only partially shipped (i.e. one or more line is canceled from the PO), the packing list must be reprinted after the unshipped lines have been canceled so that the pricing and tax amounts are accurate and reflect what the Customer will receive. For orders that result in multiple shipments, a copy of the packing list must be included in each carton.

7.2.6 Under no circumstances may Vendors hand write or mark on the FMD packing list. This document may be used as a Customer receipt in our stores and should not be altered.

7.2.7 Vendors may not include product catalogs, references to direct sales websites or stores, or any solicit sales in any way on the packaging or inside the box.

7.2.8 FMD Marketing materials (including seasonal catalogs and coupons) may be enclosed in the Customer package as dictated by the FMD Marketing team. The FMD Marketing team will communicate the current required enclosures in writing and provide all printed materials prior to the start of the promotion. The Vendor will be responsible for notifying FMD if they run low on marketing inserts.

### **7.3 Shipment Labeling**

7.3.1. FMD Customer Purchase Order (PO) Number must be entered in the Carrier reference field at the time of shipping the order in order for FMD to reconcile freight costs.

7.3.2 FMD Customer POs which result in multiple shipments should contain an indicator on the shipment label or carton that the package is one of multiple shipments (e.g., "1 of 2 shipments" for a PO split into two cartons).

## **7.4 Retail Product Tags / Labeling**

7.4.1 Products should NOT have a retail price tag on the product or packaging.

7.4.2 All products are required by law to be marked with their Country of Origin, or shipped with a Country of Origin tag attached to the product.

## **8. Invoicing**

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Vendors participating in FMD must electronically provide shipment invoices leveraging FMD's designated third party commerce network.

### **8.1 Electronic Invoicing & Reconciliation**

8.1.1 FMD will only reconcile financials per the electronic invoice transaction (EDI 810 or equivalent). NO paper invoices are accepted for FMD Customer PO's. In the event of notification of a rejected invoice due to non-conformance to the accounting policies, a corrected invoice may be submitted on paper if approved (this will delay payment). Rejected invoices shall be resolved with 1 business day of transmission of a failure message.

8.1.2 Invoice transactions for FMD must be processed through FMD's designated third party commerce network no later than 2 business days after the order has been marked as shipped in the third party commerce network to ensure on time payment.

### **8.2 Cost of Goods Sold**

8.2.1 FMD will pay the Vendor the lesser of A) the Cost of Goods Sold (COGS) listed on the 810 invoice transaction, or B) the COGS listed on the inbound FMD Customer PO (EDI 850 or equivalent).

8.2.2 Cost increases communicated on the Invoice will not be accepted unless they were approved in writing by the Buying office. FMD Customer POs will continue to be paid at the original cost until the cost change effective date is reached.

8.2.3 The cost of goods includes all federal, state and local taxes, tariffs, import duties, commissions and other charges, except taxes Vendor is required by law to collect from Fred Meyer. Such taxes, if any, will be separately stated in Vendor's invoice and will be paid by Fred Meyer unless an exemption is available.

### **8.3 Add-Ons**

8.3.1 FMD will not accept add-ons to the invoice. Invoices should reflect only the total COGS for the FMD Customer PO.

### **8.4 Deductions & Hold Backs**

8.4.1 As appropriate, FMD may take deductions from the Vendor's payment for negotiated off-invoice allowances, early payment discounts, returns, as well as chargebacks for non-compliance penalties.

8.4.2 At the termination or suspension of the business relationship between FMD and the Vendor, it may become necessary for FMD to temporarily hold back a portion of the payment to cover potential Customer returns. FMD reserves the right to hold a commercially reasonable portion of the Vendor's final check for up to one hundred (100) days beyond the due date in order to cover the potential returns period for FMD Customer returns. Such holdbacks may not be necessary if the Vendor

continues other business with FMD payment for which potential future FMD Customer returns can be deducted.

### **8.5 Payment & Remittance**

8.5.1 FMD Customer PO payment terms and discounts will follow the conditions agreed to in the current Fred Meyer Vendor Setup Worksheet. .

8.5.2 Vendor may choose to establish electronic funds transfer (EFT). Participation in the EFT payment process is at the discretion of the Vendor and may require additional paperwork to be filled out and submitted to the FMD Accounts Payable (AP) team. Existing Vendors will receive payment as they are paid today. Vendors who do not establish EFT will receive paper checks.

8.5.3 Detail remittance data which provides the Vendor with the PO information and detailed deduction breakdowns for payments received can be electronic or paper-based. The Vendor may elect either option, but EFT Vendors will automatically receive an electronic remittance advice, and paper-check Vendors will automatically receive a printed remittance report.

8.5.4 For Vendors who do business with FMD brick and mortar stores, FMD payments may be received on EFT or printed check runs with brick and mortar shipments. The remittance report will provide the invoice number to determine what transactions were paid.

### **8.6 Product set-up fees**

8.6.1 FMD requires a digital item set-up fee of up to \$500 per SKU

## **9. Returns**

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The Fred Meyer Direct Customer return policies published online apply to all purchases fulfilled through the FMD program. The following guidelines determine how a Vendor is expected to handle merchandise returns for FMD product.

### **9.1 Customer Return Policies**

9.1.1 All FMD Customer POs may be returned directly to any physical Fred Meyer store location or via mail to an authorized Fred Meyer location. Vendor acceptance of by-mail returns will be determined during onboarding. FMD will process these Customer returns in accordance with the published Customer return policies listed on FMD website.

9.1.2 The disposition of products and the charges for FMD customer returns will follow the conditions agreed to in the current Fred Meyer Vendor Disposition Agreement

9.1.3 Vendors must accept actual returns for up to one hundred and forty-five (100) days after the Customer PO shipment date. Returns sent back to the Vendor during this returns period must be accepted for full credit.

### **9.2 Damaged, Defective or Fulfillment Error Returns**

9.2.1 Returns that are the result of the Vendor's error may not exceed two (2) percent. In the event a Vendor's return rate for Vendor fault reasons rises above 2.0%, FMD reserves the right to assess non-compliance penalties. Vendor fault reasons include without limitation the following: insufficient packaging, ship label error resulting in loss or theft, incomplete shipment, mis-shipment, shipment of used, defective or poor quality merchandise, or late shipment.

## **9.3 Debits**

9.3.1 FMD will issue a debit to the Vendor against future payment for the COGS for all products returned within hundred and forty-five (100) days of the Customer PO shipment date.

9.3.2 FMD will not accept restocking fees for returns that are a part of the FMD program.

9.3.3 Debits may be deducted from payments to the Vendor for brick and mortar products, as well as FMD products, so long as the total cost of the returns being debited does not exceed the amount of the payment remittance.

9.3.4 In the event that a Vendor has accrued a larger amount of returns to be debited than payments due, Fred Meyer may request the Vendor issue a check to Fred Meyer to cover the outstanding debit balance. Checks will be requested only in cases where there is not a reasonable expectation that the balance can be covered within an acceptable amount of time.

## **9.4 Return Authorizations**

9.4.1 FMD authorizes Customer-initiated returns through the FMD website. Vendors must accept mailed returns from FMD POs within one hundred (100) day period without a return authorization.

## **10. Customer Service Commitment**

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Vendors participating in FMD act as an extension of Fred Meyer, with a direct touch point to the Customer and must be committed to the highest level of Customer service.

### **10.1 Customer Order Inquiries**

10.1.1 Vendors are not authorized to engage the FMD Customer directly. In the event a Vendor receives a call or email or other communication directly from a Customer, that Customer should be referred to the FMD Customer Operations Team. Vendors should ensure that their call centers have contact information available to be able to quickly provide such referrals. It is FMD's preference that wherever possible a "warm-transfer" is provided for the FMD Customer.

10.1.2 Vendors must provide a Customer Service contact which can be reached during business hours. Contacts should be provided on the FMD Vendor Profile Form and include an e-mail and phone number. Vendors should staff appropriately to ensure that there is coverage during business hours.

10.1.3 Inquiries on Customer Orders communicated from FMD's Customer Operations Team regarding status or questions about FMD orders must be resolved as quickly as possible. Vendors must be able to respond to FMD Customer Operation Inquiries no later than one (1) business day after the inquiry is sent. Failure to respond within one (1) business day may result in the cancellation of the Customer order, or the assessment of a non-compliance penalty.

### **10.2 Mystery Shopper Program**

10.2.1 FMD may periodically audit the Vendor's fulfillment and branding performance by issuing a mystery shopper order. Vendors will not receive advance warning of such orders. Results will be documented and will contribute to the Vendor's performance review. If branding or fulfillment is found to be non-compliant with FMD's policies, the Vendor will be notified and FMD may at its discretion stop orders until such time as compliance can be achieved.

### **10.3 Vendor Profile Updates**

10.3.1 It is the Vendor's responsibility to keep FMD informed of any changes to the program contacts. Vendors should submit contact changes in writing, sending an updated Vendor Profile Form.

## **10.4 Warehouse Closures**

10.4.1 Vendors are required to notify FMD of any warehouse closures which may inhibit the Vendor from meeting the product fulfillment timeframe a minimum of 30 days prior to the closure date.

10.4.2 In the event of an emergency (unexpected) closure, FMD must be notified immediately.

## **11. Service Level Management & Compliance**

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Vendor service level performance and adherence to the FMD policies will be monitored on an ongoing basis. Vendors have access to self-monitoring tools within the Third Party commerce network user interface, and FMD performance evaluations will be conducted periodically.

### **11.1 Vendor Performance Evaluations**

11.1.1 FMD will assess Vendor performance on the FMD program to ensure that the Vendor is meeting overall performance expectations. Outside of periodic performance evaluations performed by FMD, Vendors are encouraged to self-monitor their performance by leveraging the tools in the third party commerce network solution.

### **11.2 Vendor Classifications**

11.2.1 To help categorize the Vendor base, Vendors may be assigned a Classification based on performance across key performance indicators (KPIs). Changes in a Vendor Classification will be based on service level performance and communicated to Vendors prior to the change.

11.2.2 KPI metric categories include, but are not limited to, financial impact, operational performance (e.g., fill rates, fulfillment lead-time), policy compliance and relationship commitment.

11.2.3 Vendors new to the FMD program will be automatically put into a "Probation" Classification. Vendors will stay in this category for up to 30 days, or until 1,000 orders are processed, whichever comes first. In the initial Probation period, Vendors will not be assessed non-compliance penalties.

### **11.3 Non-Compliance Violation Fee Schedule**

11.3.1 FMD reserves the right to issue a 10% non-compliance fee for issues such as late shipment or other fulfillment errors. The 10% non-compliance fee is calculated based off the total order value, including taxes and shipping costs. FMD also reserves the right to issue chargebacks to Vendors for misuse of FMD shipping accounts, or fulfillment / shipping errors that result in a negative Customer experience and/or additional time and expense for FMD to correct. Such errors may be charged back to the Vendor as the actual costs of any financial losses accrued by FMD due to the Vendor error plus labor and a 10% administrative fee. Total fees will be determined as the issues are identified.

11.3.2 FMD may also remove Vendor's product from display on the website and stop the flow of orders if the Vendor fails to comply with the policies laid out in this document. It will be at FMD's discretion to turn the sales pipeline back on once FMD is satisfied that the Vendor can conform to the quality, branding, service and fulfillment expectations for FMD partners.

### **11.4 FMD Program Participation Termination**

11.4.1 FMD reserves the right to terminate the Vendor's participation in the FMD program at any time, for any reason throughout the relationship without penalty. Vendors who do not adhere to branding or quality standards that result in a poor Customer experience are not desirable partners and may not remain on the program if performance cannot be improved.