

FOOD, HEALTH &
CONSUMER PRODUCTS
OF CANADA



GROCERY CODE OF CONDUCT (GCOC)

RESOURCE GUIDE

MARCH 2025



FHCP, as one of the authors of the Code, has developed this guide to provide members with information regarding the provisions of the Code and their potential application. The purpose of this guide is solely to provide FHCP members with general information regarding the Code and is not legal or business advice. FHCP assumes no liability in connection with the information provided in this guide and reserves the right to modify this guide at anytime without liability. This guide is not intended to instruct or encourage members to take or not to take any action under the Code and does not take any position regarding whether any action is or is not compliant with the Code. Members must make their own independent determination as to how the Code may or may not apply to their business activities or how to best implement the Code into their business dealings.

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01

Introduction

The Grocery Code of Conduct in Canada

The **GCOC** is a commitment on rules of behaviours for members of the Canadian grocery sector.

What is the Grocery Code of Conduct?

The **Grocery Code of Conduct (GCOC)** is a set of rules agreed upon by stakeholders within Canada's grocery supply chain, primarily retailers and suppliers, aimed at ensuring **trust, fairness, and collaboration** in their business dealings.

There are three main components within the Code of Conduct: guiding principles and rules regarding trade practices; a governance model; and an adjudication and dispute resolution process. These components work together to promote fair and ethical dealing, as well as contractual certainty.

Parties to the Code are to create supply agreements to provide the clarity and certainty required based on individual business practices. The supply agreements are a critical component to the adjudication and dispute resolution process.

The GCOC Resource Guide focuses on the Guiding Principles and Trade Rules Provisions component of the Code of Conduct, providing FHCP members guidance in how the code provisions should be interpreted.

The Code Adjudication office will issue guidance on the Dispute Resolution Management Process, and clarity on the role of the adjudicator.



The Code **Objectives**



Promote and enhance the sustainability of Canada's grocery sector to increase competition, investment, job-creation and value to Canadian consumers.



Promote trust and collaboration amongst grocery value chain partners, based on clear standards for fair dealing.



Allow Code participants to have commercial certainty.



Provide for effective, equitable mechanism for resolving commercial disputes.



The **Spirit** of the Code

The Code is about **HOW** agreements are arrived at and executed. The goal is a cultural shift towards increased transparency, trust, and certainty.



Why do we need a Code?

The Code creates a standard of fair and ethical business dealings among industry participants. By promoting commercial certainty and reducing significant inefficiencies that result from current industry practices, the Code will encourage investment that enhances the competitiveness and sustainability of the Canadian grocery sector – and most important, drives value for Canadian consumers.



How does it work?

The Code applies to suppliers, retailers, primary processors and distributors across Canada. The Code creates a common standard for business dealings that applies to all industry participants, including **guiding principles**, **trade rule provisions** and dispute **resolution mechanisms**.

The Code will be administered by an independent adjudicator, who will ensure and promote compliance with the Code. While the Code will create a common behavioural standard, it does **not** *prohibit policies, guarantee stock or on-shelf availability* or limit companies' ability to engage in tough business negotiations.



What do we need?

The Code requires full industry participation. It is a voluntary, industry-led, industry-governed Code of Conduct with government oversight and support. The Code encourages Parties to develop **joint solutions**, reach **mutual agreements**, and, most important, **work together in the spirit of the Code**.



Benefits the industry and consumers

The Code ensures that both suppliers and retailers focus on delivering value to Canadian consumers and encouraging economic growth. The Code achieves this by promoting trust between retailers and suppliers, and generating operating efficiencies for all stakeholders. This will promote investment that drives promotes economic growth, creates jobs and value for consumers.



Which companies & categories are included?

- All suppliers, primary processors, distributors selling finished goods **directly** to retailers for resale to consumers.
- All retailers classified as grocery, mass merchants, club, and drug retailers affiliated with a grocer.
- Products found in a typical grocery or supermarket. See the Code for a full list of the included categories.

The Code Principles

A flexible framework with guardrails.



Transparency and Certainty

The Code encourages **transparency** and **certainty** in commercial dealings, by promoting the use of clear written agreements reached through mutual consent. The Code prohibits unilateral variations to existing agreements and requires that reasonable notice be given where changes are permitted.



Fair Dealing

Industry participants across the grocery value chain are to act in good-faith living up to the spirit of **fair** and **ethical dealing**. Code participants agree not to act or threaten to act in a punitive or vexatious manner.



Fair and Timely Dispute Resolution

The Code promotes the **effective**, **equitable** and **timely resolution** through its Dispute Resolution Management Process (DRMP). A key principle of dispute resolution under the Code is for Parties to first exhaust all internal dispute resolution mechanisms.



Simplicity

The Code should be easy to understand and comply with, favouring simplicity and fairness over detailed rules and unnecessary complexity.



Encouraging Collaboration

The Code encourages collaboration by requiring members to negotiate in good-faith and conduct business fairly and ethically.

The Code is meant to

- Drive collaborative behaviours that promote competitiveness and drive value to Canadian consumers.
- Deliver win-win outcomes.
- Promote fair and ethical behaviour.
- Encourage investments that grow the Canadian economy and create jobs for Canadians.



The Code is NOT meant to

- Prevent hard bargaining.
- Control shelf pricing or supplier costing.
- Guarantee stock allocation or shelf placement.
- Dictate what a company can or cannot do.
- Create administrative burdens for businesses.

Note: Retail pricing is at the sole discretion of the retailer, and product cost is at the sole discretion of the brand owner.

Examples of **Behavioural** practices the Code covers



No surprise deductions. All deductions require backup.



Parties to negotiate in good-faith and provide reasonable notice for changes to current agreements or practices



No unilaterally imposed services, fees, or programs.



Protects proprietary and sensitive information



Requires Parties to follow agreed payment terms policies.



Collaborative forecasting to promote efficiency and availability



No delisting without sufficient notice or rationale



No fines for orders that were not forecasted or where events are beyond a Party's control



Requires Parties to live up to contractual commitments



Clear process for timely, efficient dispute resolution



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02

Code Provisions and Interpretation

PROVISION 1:

Fair and Ethical Dealing and No Punitive/Vexatious Acts

Objectives:

- Promote negotiation in **good-faith** and conduct business in the spirit of **fair and ethical dealing**.

Code Provision	Interpretation
1.1 Parties to the Code have an obligation to negotiate with one another in good-faith and conduct business in the spirit of fair and ethical dealing.	Negotiations must be conducted in good-faith and business dealings to be governed by principles of fairness and ethical dealing. Note this does not prevent hard bargaining or tough negotiations.
1.2 If two or more Parties wish to enter into an Agreement, such Parties will have an obligation to negotiate and conclude Agreements by mutual consent.	Where Parties want their relationship to be governed by an Agreement, they must both agree to its terms.
1.3 Parties may not alter contracts unilaterally.	Where an Agreement is in place, one Party cannot unilaterally change the Agreement.
1.4 Parties may prospectively or retroactively alter an Agreement, provided that the Agreement provides for so doing or such change is mutually agreed to.	Parties can modify an existing Agreement where either the Agreement expressly allows the modification or where the Parties mutually agree to the modification in writing.
1.5 Parties to the Code shall not undertake punitive or vexatious acts (or threaten same) against Parties for exercising rights provided for under the Code.	Parties must resolve business issues through mutual Agreement and good-faith negotiation and not by means of threat, punishment or harassment.

Good Behaviour

- Documented agreements between Parties with appropriate clarity and details.
- Be accessible for timely negotiations with clear timing around the negotiation window.
- Define duration of the Agreement and outline when periodic reviews are in effect, if applicable.
- Clear indication of the contact points on each side by topic and an internal resolution escalation process outlined.
- Ensure that expressed (written) consent or dissent is provided and required.

Poor Behaviour

- Difficulty contacting the counterpart / no direct counterpart made available to the other Party.
- Unresponsiveness, delayed response or use of implied consent rather than explicit consent.
- One Party uses a subjective "validation" approach without formal grounds.
- One Party unilaterally alters the Agreement.
- Imposing punitive action to a Party for operating within the requirements of the GCOC.
- Implied consent to a new program or amendment to an existing program.

PROVISION 2:

Commercial Agreements

Objectives:

- Parties should enter Agreements that define the commercial terms agreed to by both Parties, as a best practice for ensuring **certainty, clarity and transparency** in their commercial relationships.
- Agreements should be **in writing** (this includes formal signed agreements, informally agreements concluded electronically, etc.)

Code Provision	Interpretation
2.1 Parties are encouraged to enter into written agreements (including amendments)- defining the commercial terms agreed to by the Parties- as the chief vehicle for ensuring certainty, clarity, and transparency in commercial relationships. However, the Code does not obligate Parties to conclude written agreements as a condition for entering into a commercial relationship; for some sectors and smaller size companies, written agreements may be too time consuming or otherwise burdensome, and in some cases, Parties may wish to operate without an overarching Agreement at first, before clarifying terms in writing. Parties engaging in complex or nuanced trading agreements without defining the terms in writing do so at some risk.	As a best practice and to promote commercial certainty, Parties should enter into written agreements that govern their business relationship. There is flexibility in terms what form an Agreement can take.
2.2 Agreements should cover all terms and conditions of the Parties supply arrangements and take into account the contracting provisions prescribed by the Code.	Agreements should be comprehensive and cover all aspects of the Parties' business relationship, as well as being mindful of the Code's principles.
2.3 In the case of a conflict between this Code and existing provisions/default rules of the Dispute Resolution Corporation (DRC), the conflicting provisions of the DRC Rules will apply unless the Parties have specifically chosen to adopt the Code. Where the Agreement is silent, or Parties can't reach Agreement, the Code will apply.	Not relevant for FHCP members: DRC is a dispute resolution process specific to the produce industry.
2.4 No Party who conducts or intends to conduct business with another Party shall purposely avoid or refuse entering into an Agreement (particularly a written Agreement) with that other Party.	Where a Party wishes to enter into an Agreement, the other Party cannot deliberately avoid or refuse to do so. However, this does not require a Party to accept commercial terms that they do not agree with.
2.5 No Party shall design an Agreement to explicitly work around or willfully disregard the provisions of the Code, and no Party may waive any of its rights or obligations under the Code.	The Code is intended to apply to all business dealings by participants. Parties shall not deliberately circumvent or avoid the application of the Code.
2.6 The following are non-exhaustive examples of critical program elements that should be clearly defined in an Agreement: <ul style="list-style-type: none"> Programs for stocking, listing, positioning and promotions - Duration, Scope, Distribution, Key performance indicators. Programs for unsellable and shrinkage - Product specifications, Recall procedures , Transfer of responsibility and accountability, Disposal and/or reclamation process. 	An Agreement should cover and clarify the key aspects of the Parties' business relationship to promote certainty.

Good Behaviour

- Verbal discussions are captured in writing.
- Ensure all commercial agreements are negotiated in a fair and ethical manner, leveraging the principles of the Code.
- Create a supplier Agreement template to ensure all conditions of business dealings are clearly captured in accordance with the Code.
- A short-form Agreement template can be used to summarize key elements of trading agreements rather than full contracts.
- Focus on collaboration and joint solutions for policies and practices with customers.

Poor Behaviour

- Retailer stalls with the negotiations on other unrelated pending discussions until supplier agrees to their request.
- Retailer or supplier refusing to enter into an Agreement.
- Party requires the other Party to sign an Agreement that is not compliant with the GCOC.
- Retailer cannot impose silent approval practices (e.g.: log in to Customer portal means terms are accepted).
- A Party imposes punitive measures such as delisting products, for not signing on to an unrelated Agreement.

PROVISION 3:

Payments and Charges: (3.1 – 3.3) Timing of Payments

Objectives:

- Payments must be received in accordance with the **agreed payment terms**.
- Invoices must be **paid when due** and early payment incentives only apply if early payment terms are met.

Code Provision	Interpretation
3.1 Payment for Products delivered in accordance with the specifications set out in an Agreement shall be made in accordance with the agreed payment terms.	Payments must be made on-time as required under the Agreement.
3.2 In the absence of an Agreement, payment will be made within a reasonable time frame after the date of the invoice (with any disputed invoice to be subject to the dispute resolution process).	Where there is no Agreement, payment must be made in a reasonable time. What constitutes “reasonable” may vary depending on the good or services at issue.
3.3 It is highly recommended that payment terms be defined in an Agreement.	A written Agreement with clear payment terms is a best practice to avoid uncertainty.

Good Behaviour

- Ensure payment terms are defined in a written Agreement.
- Deduction management process timing needs to be defined and included in the Agreement.
- Define financial penalties in writing.
- Define early payment incentives, if applicable.
- Deductions should never be taken unless agreed to by both Parties.

Poor Behaviour

- Retailer dictating supplier’s payment terms.
- Counterpart dismisses agreed payment terms and pays whenever it is convenient for them.
- Counterpart takes early payment allowance, while not meeting the deadline for early payment.
- Retailer does not engage in disputes over unpaid invoices unless the invoice is +30 overdue or creates other barriers to dispute resolution (ex. not allowing supplier to dispute deductions under a certain value threshold).

PROVISION 3:

Payments and Charges: (3.4) Retailer Charges for Programs as Defined in an Agreement

Objectives:

- All program charges for activities such as stocking, listing, positioning, promotions, marketing costs, unsellables, and shrinkage to be in accordance with the Agreement and Code principles.

Code Provision	Interpretation
<p>3.4 Charges for programs such as stocking, listing, positioning, promotions, marketing costs, unsellable and shrinkage shall be made in accordance with the agreed upon payment terms and shall:</p> <p>a) Provide reasonable substantiation in sufficient detail, referencing the transaction or event, and in an effective format sufficient to allow each Party to verify the deduction or invoice.</p> <p>b) Allow the other Party the ability to dispute the charge within the applicable period set out in the Agreement (or if the Agreement is silent, then within the limitation period applicable in the relevant jurisdiction), and such dispute shall be resolved as soon as practically possible.</p>	<p>Where provided for in an Agreement, a Party seeking to charge for programs is required to:</p> <ul style="list-style-type: none"> • Provide sufficient detail to validate the charge. • Allow the Party being charged to dispute the charge within the applicable period. • Attempt to resolve disputes relating to charges in a timely, cost-effective, practical way.

Good Behaviour

- Establish **mutual Agreements**, in writing, detailing required attributes for each program and acceptable charges to minimize unexpected, surprises.
- Parties must negotiate and agree on all charges outside of the Agreement before invoicing.
- Allowances are permitted as long as they are **approved** by the Parties, in writing. They must not be retroactive in nature unless agreed.
- The other Party is allowed to dispute the charge within the applicable period set out in the Agreement.

Poor Behaviour

- Party refuses to provide appropriate backup or supporting documentation for deductions or invoices in a usable form and able to be tied to a specific event.
- Deductions taken without written or mutual consent by impacted Party.
- No charges can be applied retroactively unless explicitly agreed in writing by the Parties.

PROVISION 3:

Payments and Charges: (3.5 – 3.6) Ad-Hoc Charges for Non-compliance with the Terms of an Agreement

Objectives:

- Non-compliance charges to be made in accordance with Agreements
- Where an Agreement **does not** provide a process for non-compliance charges, the Code sets out the process to be followed

Code Provision	Interpretation
<p>3.5 A Party may levy non-compliance charges if an Agreement provides that Party with the right to do so and sets out the specific framework for such charge, or, if not specified in an Agreement, then in order for a Party to levy such charge it must first:</p> <ol style="list-style-type: none"> Provide the other Party with reasonable notice prior to taking steps to execute the charge. Provide reasonable substantiation in sufficient detail and in an effective format sufficient to allow each Party to verify the deduction or invoice. Allow the other Party the ability to dispute the charge within the reasonable notice period, and Parties should make best efforts to resolve the dispute before the end of the reasonable notice period. Where a dispute cannot be resolved within the reasonable notice period, the other Party shall not deduct the disputed sum from a trading account or otherwise from money owed for Products until the challenge is resolved, unless the charging Party demonstrates, acting reasonably, that the challenge is vexatious or wholly without merit. 	<ul style="list-style-type: none"> • Where an Agreement includes a process for dealing with non-compliance charges, that is the process that applies. • Where an Agreement allows a Party to impose non-compliance charges, but does not set out a process for doing so, the Code process applies. • Key requirements of the Code process: <ul style="list-style-type: none"> • Reasonable substantiation for charge • Reasonable time to challenge the charge • No unilateral deduction unless the Party challenging the charge is acting improperly
<p>3.6 Subject to section 3.5, for payments outside of the scope of an Agreement, the Parties must negotiate and agree on the item prior to taking any charge through deduction or invoicing.</p>	<ul style="list-style-type: none"> • Where charges or payments are not covered by an Agreement, they must be mutually agreed to.

Good Behaviour

- Parties to establish clear timelines for deduction validation and clearance.
- Formats allow for Parties to conduct analysis to meet agreed to clearance timelines.
- Data and proof requirements are sent in conjunction with deduction requests to increase efficiencies.

Poor Behaviour

- Retailer unilaterally imposes non-compliance terms.
- Retailer executes the deduction without the vendor's approval.
- Retailer "agreed to" invalid deductions are not repaid even upon presentation of detailed proof of invalidity.
- Unauthorized deductions on programs that are not agreed to are deducted.
- Parties delaying or avoiding payments, acting unreasonably, without merit.

PROVISION 3:

Payments and Charges: (3.7) Payments as a Result of Audits

Objectives:

- The ability of Parties *to seek payments under audit* rights should be addressed in an Agreement.
- This time period for which such payments can be sought should be mutually agreed to and should **not exceed 24 months** from the date of the transaction.
- The Agreement should specify the level of detail required to be provided in these situations.

Code Provision	Interpretation
3.7 An Agreement should specify the time period within which Parties are entitled to seek payments under audit rights and should specify the level of detail to be provided before any such action is initiated, which in any event should not exceed 24 months from the date of the initial transaction or event unless the basis for the action is fraud or intentional misrepresentation on the part of either Party. In cases of material post-audit charges, Parties will work collaboratively and in good-faith to agree on acceptable payment terms.	<ul style="list-style-type: none"> • Post-audit payments should not be sought for events/transactions more than 24 months after they occur, absent fraud or misrepresentation • Parties should address post-audit rights in an Agreement, including time period for seeking payments, information requirements, among others. • Where a post-audit charge is significant, the Parties are to work in good-faith to manage the repayment.

Good Behaviour

- Post-audit claims are submitted within 24 months from the date of the initial transaction or event. Parties clearly identify definition of terminology used.
- The audit claim process must be detailed in terms of back up documentation, timing for validation and response within an agreed to and reasonable time period.
- In cases of material post-audit charges, Parties will work collaboratively and in good-faith to agree on acceptable payment terms.

Poor Behaviour

- Post-audit deduction requests extend beyond the rolling 24 months.
- Deductions are brought forward without evidence and without required format for receiving Party to validate.
- Party intentionally delays or avoids its obligations as it relates to validation requirements.
- Charges related to conducting a post-audit (due to administration or interest).
- If Parties agreed to charges, they should be reciprocal in nature, covering the costs of both Parties.

PROVISION 3:

Payments and Charges:

(3.8) Provision for Price Matching

Objectives:

- Provisions where a supplier is required to provide compensation to a Retailer related its *price matching program* **are discouraged**.

Code Provision		Interpretation
3.8	Provisions under which a supplier makes payment or allowance to a retailer as compensation for a retailer's price matching program are discouraged.	<ul style="list-style-type: none">A retailer requiring a supplier to pay for their price matching programs. This behaviour is concerning because it holds the supplier accountable for profit margins between two retailers competitors.

PROVISION 3:

Payments and Charges: (3.9) Retailer Charges for Consumer Complaints

Objectives:

- Governs charges for consumer complaints where there is **no Agreement, or the Agreement is silent** on this issue.
- Charges must be **reasonably related to the retailer's costs and expenses** flowing from the complaint.

Code Provision	Interpretation
<p>3.9 Retailer may charge a supplier a fee for resolving consumer complaints where this is provided for in an Agreement that sets out the specific framework for such charge. If not specified in an Agreement, for retailer to levy a charge on supplier for resolving consumer complaints, the following conditions must be met:</p> <ul style="list-style-type: none"> a) Retailer believes on reasonable grounds that the consumer complaint is justifiable and attributable to negligence, breach of an Agreement or violation of applicable law on the part of supplier or anyone for whom at law it is responsible; b) Retailer has provided the supplier with adequate evidence of the fact that the consumer complaint is justifiable and attributable to negligence, breach of an Agreement or violation of Applicable Law on the part of supplier or anyone for whom at law it is responsible; and c) the payment is reasonably related to retailer's costs and expenses arising from that complaint. 	<ul style="list-style-type: none"> • A retailer may charge a supplier for resolving or dealing with consumer complaints where provided for in an Agreement. • Where there is no Agreement, or if current Agreement is insufficient, the retailer can only impose a charge related to consumer complaints where: <ul style="list-style-type: none"> • The complaint is justifiable and is attributable to the supplier • The supplier has been provided with sufficient information to verify that the complaint is justifiable and attributable to the supplier • The charge must be commensurate with the costs and expenses incurred by the retailer related to the complaint.

Good Behaviour

- Retailer does their due diligence to determine that the consumer complaint is justifiable and attributable to supplier's fault and provides adequate evidence.
- Chargebacks are to be in relation to administrative costs associated with the complaint.

Poor Behaviour

- Retailer charges disproportionate fees to the supplier for consumer complaints.
- Retailer takes a deduction for charges related to consumer complaints without mutual Agreement by both Parties, or without required evidence and details.

PROVISION 4:

(4.1) Changes to Supply Chain Procedures

Objectives:

- Minimize financial and practical impacts resulting from a Party's changes to its supply chain procedures.

Code Provision	Interpretation
<p>4.1 Parties may affect a change to their own supply chain procedures, provided that, in the case of a material change:</p> <p>a) Reasonable Notice of such change is provided in writing; and</p> <p>b) In the absence of such Reasonable Notice, the Parties should work cooperatively to come to an Agreement on mitigating and/or offsetting the financial implications (if any) to the other Party of the change.</p>	<ul style="list-style-type: none"> • Parties have the right to make changes to their own supply chain procedures. • Where a Party makes a material change to its supply chain process, it must: • Provide notice that is reasonable in the circumstances; and • Attempt to reach a solution with the other Party to minimize the practical and financial impact of the change.

Good Behaviour

- Review **current** supply chain procedures and **mutually** agree on requirements (minimum shelf life, slip sheets, minimum and maximum order quantity, etc.).
- Any changes to current practices are assessed in advance with adequate time so that Parties understand the benefits and implications this may have on their businesses.
- Party initiating the change to offset the other party's financial implication as a result of the supply chain change.

Poor Behaviour

- Proceeding with a change, and not offsetting the financial implications.
- Not providing reasonable notice to the other party.

PROVISION 4:

(4.2) Tying to Third-Party Goods or Services

Objectives:

- Ensuring fairness where a Party wants to require the use of third-party goods or services.

Code Provision	Interpretation
<p>4.2 Where an activity requires the use of third-party goods or services, a Party can directly or indirectly require the other Party to obtain any such goods, services, or property from a third-party, provided that the Party's source for those goods, services, or property:</p> <p>a) Meets reasonably objective standards relating to quality, timing and/or efficiency defined for the provision of such goods, services, or property; or (b) is unique, specialized, exclusive or cannot be comparably offered by any other Party; and</p> <p>b) is provided at a cost that is competitive and reasonable, taking into account the circumstances of the partner.</p>	<ul style="list-style-type: none"> • A Party can require another Party to use specified third-party good or services where: • The specified third-party goods or services either meet objective quality standards or are sufficiently unique; and • The cost of the specified third-party services is objectively competitive and reasonable.

Good Behaviour

- Party to bring forward due diligence process conducted to demonstrate competitiveness of chosen third-party service provider. to Include the use of third-party goods or services in Supply Agreements or in a separate written Agreement. It should include the following requirements:
 - that any third-party goods/services being used must meet reasonably **objective standards** relating to **quality, timing and/or efficiency** defined for the provision of such goods, services, or property.
 - It must be **unique, specialized, and exclusive**/cannot be comparably offered by any other Party and to be provided at a cost that is **competitive and reasonable**.

Poor Behaviour

- One Party imposes the use of a specific third-party as a condition to do business, when the services of the third-party are not required or desired.
- The third-party provider is not competitive in the marketplace.

PROVISION 4:

(4.3 – 4.7) Good-Faith Forecasting, Ordering, and Allocation of Supply

Objectives:

- Encourages a collaborative process for forecasting and ordering to promote business certainty.
- Allows Parties to efficiently manage supply and demand, as well as logistics needs.
- Encourages Parties to allocate products in short supply based on requested orders from all retailers.

Code Provision	Interpretation
4.3 Parties are encouraged to document in Agreements their forecasting procedures, order/acceptance policies, lead times, minimum and maximum order quantities, communication protocols, service level compliance arrangements, safety stock requirements and other considerations designed to bring increased certainty and clarity around forecasting and ordering procedures.	To avoid uncertainty, best practice is to ensure that key issues relating to forecasting and ordering are included in an Agreement.
4.4 Each Party should prepare their own forecast in good-faith taking into consideration relevant factors. Retailers and suppliers should then collaborate and mutually agree on forecasts, in accordance with the processes and protocols relevant to each category of product and subject to confidentiality requirements.	Parties are required to order and supply product in accordance with agreed-to forecasts.
4.5 A retailer shall prepare, and issue purchase orders and a supplier shall fulfill orders based on applicable agreed-to forecasts, in good-faith subject to force majeure events.	Parties are to act in good-faith, subject to events or circumstances beyond their reasonable control and that could not be reasonably anticipated or mitigated.
4.6 If either Party fails, to a material degree, to reasonably act in accordance with mutually planned forecasts, the Parties will work cooperatively on mitigation in a timely manner.	What constitutes material may depend on the specific products and circumstances at issue.
4.7 Where total demand for products exceeds available supply, suppliers will take into consideration all requested orders from all retailers.	

Good Behaviour

- Both Parties have a planning tool that will help them to collaboratively align on consumption and order forecasts.
- Both Parties should document and share their forecasting and ordering procedures.
- Retailer provides supplier with orders projections on Private label items and there is an Agreement for accountability for finished goods & raw material inventory.
- Both Parties regularly review forecasting performance to compare forecasts against orders placed to continue to improve accuracy.
- If orders substantially deviate from agreed to forecasts, Parties will work cooperatively on mitigation / compensation in a timely manner.

Poor Behaviour

- Supplier delays communication to the retailer on capacity constraint affecting their ability to deliver products.
- Retailer continues to levy Fill rate penalties against supplier for failure to deliver after being communicated with a long-term supply disruption (as defined in the Agreement).
- Retailer levies Fill rate penalties against supplier for failure to deliver orders significantly deviating from mutually agreed-to forecasts.
- Retailer does not inform supplier of temporary/new market conditions that will significantly impact orders (significantly higher or lower than agreed-to forecasts).

PROVISION 4:

Relevant to provisions 4.3 to 4.7 with respect to compliance fines

Principles Section of Code: Fair Dealing Across the Value Chain

Objectives:

- One of the purposes of the Code is promote fair dealing across the value chain.
- This includes the ability of a Party to, in accordance with the Code, chose whether to do business with another Party.
- Parties are free to accept/ not accept purchase orders, or create/ not create purchase orders without financial penalties.

Code Provision	Interpretation
Nothing in the Code should be construed as limiting the ability of any Party to compete in the marketplace or negotiate any Agreement – so long as it is within the bounds of the Code and Applicable Laws.	
Nothing in the Code shall require a Party to purchase a Product from or supply a Product to another Party. In addition, nothing in the Code shall require a supplier to accept an order from a retailer or a retailer to place an order with a supplier.	Retailers and suppliers are at liberty to choose which companies to purchase from or supply to.
<p>Where:</p> <p>a) A supplier does not accept an order from a retailer in whole or in part, or</p> <p>b) A retailer does not place an order with a supplier in respect of products that have been previously forecasted or provides an order with a material variance from a previous forecast,</p> <p>The relevant Party shall provide an explanation of its decision with reasonable substantiation to allow the other Party to understand the basis for such decision.</p>	Where supplier or retailer does not follow through with accepting or issuing a purchase order, respectively, they must provide an explanation for doing so and provide the other Party with reasonable information to validate the rationale for the decision.
Where the supplier does not accept a retailer order setting out the quantity of products it wishes to order from the supplier, the retailer shall not impose fines or penalties on a supplier solely as a result of the supplier failing to deliver the quantities in the non-accepted order. Where the retailer does not issue an order, the supplier will not impose fines or penalties on a retailer solely as the result of the retailer failing to make an order.	If a supplier or retailer does not follow through with accepting or issuing a purchase order, respectively, the other Party shall not impose a fine or a penalty solely based on this action.

Good Behaviour

- Notify the other party of rationale for not accepting or not creating a planned purchase order.
- Compliance programs are to be set up accordingly to not issue fines in these scenarios.

Poor Behaviour

- Suppliers habitually cancelling orders that were committed to.
- Retailers habitually not issuing / cancelling orders that were planned for.
- Compliance programs, automatically capturing these scenarios within its fines algorithm.

PROVISION 4:

(4.8 – 4.10) Guidelines Relating to Supplier Cost Changes

Objectives:

- Ensures that Parties have the discretion to negotiate costs and accept or decline proposals with respect to cost changes.
- Product cost is at the sole discretion of the supplier.

	Code Provision	Interpretation
4.8	Parties retain full discretion to negotiate supplier costs and either Party is free to accept or decline proposals with respect to costs.	A Party cannot force another to accept a cost change (either a cost decrease or a cost increase).
4.9	Parties should set out in an Agreement the level of notice and information required in order to properly negotiate and decide upon cost change proposals including cut-off times for acceptance/rejection and effective date of the cost change.	To promote certainty, Agreements should outline cost change process, identifying information requirements, and key dates and timelines required.
4.10	Any dispute regarding the magnitude of any supplier cost increase is exempt from the DRMP. To the extent that Parties have included terms in their Agreement pursuant to section 4.9, related to procedures to be followed in respect of such Cost increases, such procedures shall be subject to the Dispute Resolution procedure set out in section 6, including referral to the DRMP.	The only disputes related to cost change that are subject to the DRMP are those relating to process (i.e., timelines and information). The Code does not apply to the magnitude of any supplier cost change.

Good Behaviour

- Having an Agreement that identifies required notice periods and acceptance date thresholds, along with what information to be shared with trading partner for cost changes.
- Lead times for changes are based on administrative requirements to execute both system and physical price changes.
- Parties agree to the level of information (if applicable) to be provided along with the cost change.

Poor Behaviour

- Requiring a cost change that is shorter than published and agreed to lead times.
- Applying compliance fines on orders, where costing in purchase orders issued are not agreed to.
- Retailer not providing a response by the acceptance/rejection timeline outlined in the agreement.
- Retailer requires supplier to provide competitively sensitive, proprietary information to justify a cost change.

PROVISION 4:

(4.11) Duties in Relation to De-listing and Supplying

Objectives:

- Promotes a **fair** and **equitable** de-list/discontinuation process.

Code Provision	Interpretation
<p>4.11 Where retailer seeks to de-list Product(s), or supplier seeks to discontinue supplying Product(s) it shall:</p> <ul style="list-style-type: none"> a) Provide reasonable notice of the intention, including reasons for the decision; b) Offer the other Party an opportunity to discuss the reasons for the decision with a representative empowered to make decisions on the matter; and c) Work in good-faith with the other Party to manage depletion, supply and related issues fairly. 	<ul style="list-style-type: none"> • Retailers have the right to de-list and suppliers have the right to discontinue supply of a product. • In either case, reasonable Notice (which may vary based on circumstances) and the grounds for the decision, must be provided to the other Party. • Provide the other Party with the opportunity for internal escalation if they want to attempt to change the decision to de-list or discontinue supply. • Work with the affected Party to minimize the consequences of the decision to del-list or discontinue supply.

Good Behaviour

- An Agreement that outlines required notice period for exit decisions, along with contingency actions and collaboration.
- Parties engaging in dialogue to provide rationale for decisions, and potential options to mitigate any financial implications for either Party.
- Work together on an end-of-life cycle management process including date for last purchase orders to be received and forecast ramp down.

Poor Behaviour

- Party delists or discontinues a product due to the lack of alignment on an unrelated business matter.
- Delisting or discontinuing actions used as punishment.
- Not providing reasonable notice that may result in loss of business continuity of affected party.

PROVISION 4:

(4.12 – 4.13) Protection of Confidential Information and Respecting Intellectual Property

Objectives:

- Protecting **confidential information** and respecting intellectual property rights.

Code Provision	Interpretation
4.12 Except as required by Applicable Laws and/or subject to any Agreement between the Parties, no Party to an Agreement shall oblige the transfer of intellectual property rights from the other Party, nor require the disclosure of the other Party's confidential information, except as reasonably required to meet a Party's obligations to provide information under the provisions of the Code.	A Party cannot be required to transfer intellectual property rights or disclose confidential information unless required by law or under an Agreement between the Parties, or reasonably required under the Code.
4.13 Except as required by Applicable Laws and/or subject to any Agreement between the Parties, where a Party chooses to disclose confidential information, the receiving Party shall not use that information other than for the purpose for which it was disclosed and may only disclose such information or make it available or accessible to its employees, affiliates or agents who need to have that information in connection with that purpose.	Subject to law or an Agreement between the Parties, the Party receiving another Party's confidential information must protect it from misuse and limit its disclosure to the receiving Party's employees on a need-to-know.

Good Behaviour

- Establish a formal Agreement between the Parties on what can and cannot be requested.
- Establish clear protocols for who may access the confidential information on a case-by-case basis.
- Parties determine what constitutes confidential information based on its proprietary or commercial.

Poor Behaviour

- One Party displays anti-competitive behavior by requiring details of commercially sensitive competitive information.
- One Party shares competitive information beyond the purpose for which it was given.

PROVISION 4:

(4.14 – 4.15) Exceptional Circumstances and Force Majeure

Objectives:

- Encourages Parties to proactively ensure their Agreement addresses exceptional circumstances (including force majeure) that may affect either Party's ability to meet their commercial obligations to avoid uncertainty in exceptional situations.

Code Provision	Interpretation
<p>4.14 Parties are strongly encouraged to negotiate their own clear provisions for how they will define and respond to instances of exceptional circumstances (including force majeure) that materially affect either Party's ability to conform to the terms of an Agreement. Without advance Agreement and definitional clarity, the ability of the dispute resolution process to deal with such cases may be limited. If the Parties' Agreement is silent on force majeure, applicable laws, and legal principles applicable to force majeure shall apply.</p>	<ul style="list-style-type: none"> • A best practice is that Parties address exceptional circumstances that may impact their business relationship in an Agreement. • Where the Agreement between the Parties does not address force majeure, issues will be subject to applicable laws and legal principles.
<p>4.15 Where circumstances reasonably beyond the control of a Party create a materially significant situation where such Party cannot fulfill its responsibilities under the Agreement, it must promptly notify its affected Party.</p>	<ul style="list-style-type: none"> • Parties commit in good-faith to promptly inform each other of significant situations preventing them from fulfilling their responsibilities.

Good Behaviour

- Parties are strongly encouraged to negotiate their own clear provisions for how they will define and respond to instances of exceptional circumstances (including force majeure) that materially affect either Party's ability to conform to the terms of a commercial Agreement. This should include a communication protocol.
- Parties collaboratively work on risk mitigation that occur due to exceptional circumstances.

Poor Behaviour

- One Party neglects communicating instances of exceptional circumstances with the sole purpose of increasing their "position of power" and without a meaningful / real interest in reasonably supporting the resolution of the issue.

PROVISION 5:

Duty to be Responsive and Inform Staff

Objectives:

- Ensure both Parties understand the Code and leverage it to improve Trust with one another.

Code Provision	Interpretation
5.1 All Parties to the Code shall identify and make available, when required, a representative empowered to make decisions on relevant matters, for all issues pertaining to the Code and its administration. This includes points of contact for informal discussion, dispute resolution and overall communication between Parties.	Where required Parties to the Code must make a representative available to address any issues arising under the Code. The representative should have the ability to make decisions relating to matters under the Code.
5.2 All Parties governed by the Code have a duty to inform senior staff, train commercial teams on, and be aware of the Code and its provisions.	Parties governed by the Code need to ensure that their relevant employees are familiar with the Code and how it impacts their actions.

Good Behaviour

- Make sure all employees read the Code, understand it and the impacts it will have on their relationship with retailers.
- Encourage employees to attend the relevant training to their area of expertise including fully understanding the Code provisions, how to interpret them and behaviours to adopt in a Code environment.
- Training should be included as part of the onboarding process for new employees.

Poor Behaviour

- One Party refuses to provide points of contact for informal discussion, dispute resolution and overall communication between Parties.

PROVISION 6:

Dispute Resolution

Objectives:

- Provide a fair and efficient mechanism for resolving disputes under the Code.

Code Provision	Interpretation
6.1 Parties should have clear dispute resolution and escalation mechanisms set out in their Agreements, if any.	Where Parties have an Agreement, it should include a clear business-to-business dispute resolution mechanism and process.
6.2 A key principle of dispute resolution under the Code will be that the Parties should first exhaust all internal dispute resolution and escalation mechanisms set out in any Agreements prior to resorting to the DRMP.	Under the Code, the primary dispute resolution process should be through the use of business-to-business mechanisms. The DRMP should only be used when necessary and after exhausting other applicable mechanisms.
6.3 If the Agreement is silent on a dispute resolution and escalation mechanism, then the following steps should be fully exhausted as a precondition of either Party referring any dispute relating to the Agreements or the Code to the DRMP: <ul style="list-style-type: none"> a) The dispute should be reviewed by the representative, as set out in section 5.1, in a timely and effective manner; and b) If dispute is still unresolved, the dispute should be escalated to a designated member of senior management for each Party with a decision to be provided to the Parties in a timely and effective manner. 	Where the Parties do not have an agreed dispute resolution mechanism and process, the Parties should follow process outlined in 5.1 by designating a representative to manage the dispute in accordance with the Code principles and be willing to escalate the dispute to senior management where this will facilitate a fair and timely resolution.

Good Behaviour

- Creating a common internal dispute process across many agreements is a good practice.
- Business partners resolving issues without escalating through the DRMP.
- Issues resolved or unresolved to be duly documented in writing.

Poor Behaviour

- One Party does not respond to the other Party's attempt to resolve a dispute.
- Appointed individuals internally are not empowered to resolve issues.
- One to one issues are escalated to the Adjudicator before internal resolution is attempted or exhausted.

Conclusion

The Grocery Code of Conduct is a pivotal step toward fostering stronger, more collaborative relationships between suppliers and retailers in Canada's grocery sector.

By promoting fair and ethical business practices, the Code enhances trust, transparency, and commercial certainty, ultimately benefiting the entire industry and Canadian consumers. As we move toward the Code's implementation on **June 1, 2025**, businesses are encouraged to familiarize themselves with its principles and provisions. For further details and ongoing updates, please visit canadacode.org.

