

Minor Damages Allowance (MDA) Policy

Classification: Restricted

What is MDA (Minor Damage Allowance)?

- This policy applies to purchases by Foodstuffs North Island Limited (**FSNI**) and its Member stores for participating suppliers' products.
- MDA is the approach that FSNI and selected suppliers have agreed to take to drive efficiencies and reduce the administrative cost when dealing with minor damages and credits. This frees up time for all parties to focus on the things that matter.
- An MDA term will be automatically applied on purchases of participating suppliers' products from FSNI or its Member stores, which will effectively reduce the purchase price.
- MDA covers products that are unfit for sale. It does not cover any loss for "shrink" (loss of grocery products due to theft, other loss or accounting error).
- Generally, goods supplied under a 'sale or return' structure, private label products and products which are directly exported to us do not attract MDA.
- MDA does not replace all credits – see the below table for what is included and what is not included.

What is the definition of "minor"?

- Any "minor" damaged is covered by MDA and any "major" damage is not.
- The threshold for minor, and therefore MDA, is equal to a full case/shipper (unit of measure the item is shipped in) – this means that anything that is less than a full case is covered by Minor Damage Allowance. For product damages equal to or greater than a full case/shipper, this is "major" damage that then reverts to a manual credit.
- Manual credits only apply if one full shipper is damaged. Stores cannot accumulate individual units and then claim a manual credit after a period of time.

How does MDA apply in margin and store orders?

- MDA is excluded from any margin calculations at both centre and store. This means product cost (standard and promotional), RRP and margin (standard and promotional) are based on the cost exclusive of MDA.
- MDA will be applied as a trading term across FSNI on purchase, either into DC or Direct. Our DC will pass through the MDA value to store.

Where to go for more information?

- For further information please contact askmerch@foodstuffs.co.nz.
- If suppliers wish to participate in MDA, or discuss the current rate they are paying, please contact the relevant FSNI Merchandise Manager.

Will this policy change?

We may change this MDA Policy from time to time and we will tell you about a change in the MDA Policy by updating the “last updated” date on our website and in accordance with your grocery supply agreement.

Any changes to the MDA Policy will take effect when stated following being placed on the website and eXchange portal. You will be bound by the changed policy as agreed in writing or otherwise in accordance with your grocery supply agreement.

Last updated: 15 March 2024

What is covered by MDA?

The table below outlines which damages would be covered by the MDA term and how we deal with damages that fall outside of it:

Type	Resolution	DEFINITIONS
What is covered by MDA		<p>Defective Product: A product which is not suitable for sale because at the time it was delivered it did not comply with the supplier's grocery supply agreement, including because it was incapable of surviving normal handling. This includes damage to product containers and labelling from movement, liquids or other factors throughout the supply chain.</p> <p>Customer Returns of Defective Product: Defective Products (as defined above) that have been sold by the store, which a customer wishes to return.</p> <p>Damaged Instore by Supplier's Rep/Merchandiser: Goods damaged due to accidental or inappropriate actions by supplier staff, rep or merchandiser in store. This includes staff, reps or merchandisers acting on behalf of a supplier (e.g. agencies). Damages of this type could include knife cuts, inappropriate handling of goods, building of displays and poor use of machinery.</p> <p>Damaged Instore by Store Staff: Goods damaged due to accidental or inappropriate actions by store staff when handling goods.</p> <p>Damaged Instore by Customer: Goods damaged due to accidental or inappropriate actions by customer when handling goods/navigating in the store.</p> <p>Expired/Dated Stock: Goods which have reached their 'expiry' or 'best before' dates and are unable to be sold.</p>
Defective Product	Damage below threshold covered by MDA	
Customer returns of Defective Product		
Damaged in store by supplier's (or supplier's agent) Rep or Merchandiser		
What is not covered by MDA		
<i>The above damage types, where damage amount is above threshold</i>	Supplier to credit defective or damaged stock	
Damaged Instore by Store Staff	Store cost	
Damaged Instore by Customer	Store cost	
Expired/Dated Stock (supplier managed ordering)	Supplier to credit expired stock where the expiry occurs mainly as a result of the supplier's acts or omissions	
Expired/Dated Stock (store ordering)	Store cost, unless otherwise agreed following good faith negotiation	
Short dated clearance	Store and supplier good faith negotiation	
Product Recall	As per grocery supply agreement (including applicable policies and compliance requirements).	