



**To:** Independent DSD Partners (“IDPs”)  
**From:** S-L Distribution Company, LLC (“S-L”)  
**Re:** Food Lion Escalation Process  
**Date:** January 28, 2021

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Food Lion is implementing a vendor escalation process to accompany its already existing service policy. Below you will find Food Lion’s expectations for the 13 week rolling measurement periods. In the case of product cuts, it is recommended that IDPs communicate the out of stocks to both the receiver and grocery manager prior to leaving the store to make them aware of in-store conditions. Food Lion’s policy below sets out instances where it will fine S-L. If Food Lion fines S-L, S-L reserves the right to pass along any fines to the IDP.

S-L will follow up with IDPs to have an open discussion with category and marketing managers from Food Lion.

Thank you for your partnership and support on this very important Food Lion initiative.

I look forward to seeing you in the stores.

Kyle Jordan

A handwritten signature in black ink, appearing to read "Kyle Jordan", with a long horizontal line extending to the right.

VP, Partner Brands and Sales Strategy

Food Lion's policy is outlined below will take effect on Monday March 1<sup>st</sup> 2021. The intent of this policy is to create an enforcement component to our already existing service policy. We believe this policy provides practical and reasonable consequences for continual poor service. It is our expectation that each account representative communicates the level/stage of escalations consequences to the individual reps within this policy as issues arise. We do not want anyone to be surprised by the fines or removal from a store.

Each week we will provide a recap to the account representative that contains store numbers that have received escalations the previous week. Additionally, we will provide information that calls out which stores are on their 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> or 5<sup>th</sup> escalation within the rolling 13 weeks. It is the responsibility of the account representative to ensure the service provider is always aware of where they stand for each store they service as it relates to escalations. You can see the progression of consequences called out in the Policy below. Upon receipt of a 5<sup>th</sup> escalation within a rolling 13 period the service provider will be removed from the store.

Escalation	Resolution	Consequence
1st Escalation	Solved within 24 hours	
2nd Escalation	Solved within 24 hours	Notification communicated to the Rep that he/she has received their 2nd escalation in the rolling review period (3 months)
3rd Escalation	Solved within 24 hours, POA for long term resolution required within 2 Days	\$200 fine issued, Notification communicated to the Rep that he/she has received their 3rd escalation in the rolling review period (3 months)
4th Escalation	Solved within 24 hours, Review POA for follow through & make necessary changes	\$500 fine issued, Notification communicated to the Rep that he/she has received their 4th escalation in the rolling review period. (3 months). Rep is notified that he/she will be removed on the next escalation if it occurs in the rolling review period.
5th Escalation	Solved within 24 hours	Rep is no longer allowed to work the store

Out of Date Code:

Penalty will be issued if 3 or more items are found to be out of code. Our customers expect the products that we offer to be fresh & in-date. The fine for out-of-date code products will be \$50 per individual item.

Store Audit Results:

Our internal audit team randomly audits stores for in-stock conditions daily. When out of stocks are found in excess of 13 items, we will issue a penalty billing of \$500. Out of stocks of 20 or more items will initiate a billing of \$1,000. When these situations occur, my team will notify you of the store, date of audit, and specific items that were found to be out of stock (meaning not available on the shelf for the customer).

Key Holidays & Items:

These very short, high sale grossing time periods are crucial to our business and generally offer little to no lead time for corrective actions to be effective in mitigating loss sales & service to our customers. We will run in-stock reports to ensure that none of our stores are experiencing out of stocks on key holiday items (i.e. front page ad items) during these times. If instances are found, there will be penalty billings issued depending on the severity of the out of stocks and time period based on the loss of sales.

We are providing ample time for communication to cascade to all parties involved.

Thank you,  
Category Manager

