

## Supplier Quality Service Level Agreement (QSLA)

This Supplier Quality Service Level Agreement (QSLA) is by and between **the contractual supplier** (manufacturer/agent/broker/distributor/contractor/service provider, etc) ..... (Company name), located ..... (Area), ..... (City) ..... (Country), hereafter referred to as **“the supplier”** and **Distell**, located in Stellenbosch (head office), hereafter referred to as **“Distell”**. This Supplier Quality Service Level Agreement shall become effective and binding upon the date of signature.

### Approved source supplier(s):

	Company name	Location: address	Country	List Materials/ Services	Quality Certification Type (Refer to section 5 of this document for requirements)	Certification No	Date Expire	Certification Institution
1								
2								
3								
4								
5								

*(If more than 5 sources and/or should you require more space, then include a spreadsheet, as annexure to this document)*

### DISTELL

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Signature

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Name & Surname

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Position

### SUPPLIER

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Signature

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Name & Surname

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Position

*For office use only:* **SQSLA Revision no:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Indicate reasons for changes to this agreement:**

**Version:**

**Detail of SQSLA revision:**

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## **1. SUPPLIER QUALITY SERVICE LEVEL AGREEMENT(SQSLA)**

From product conception and design to manufacturing and distribution potential hazards exists throughout the business process. The Supplier Quality Service Level Agreement aims to be an integrated systematic approach to ensure that Distell and suppliers alike have an effective and sound quality and communication system in place.

The Supplier Quality Service Level Agreement goes beyond just product safety and functional requirements, to actually accelerate time to market, improve product quality and reduce overall costs.

The quality agreement, an appendix to the commercial contract/memo of understanding/purchase order, is signed between the supplier and Distell Supplier Quality Management. Agents, Brokers and Distributors should in turn set up agreements with their respective sources. Agents, Brokers and Distributors will be held responsible for any contract breach.

## **2. AMENDMENTS TO QUALITY SERVICE LEVEL AGREEMENT**

From time to time as compliance criteria comes into effect and/or changes, the Quality Service Level Agreement are reviewed. A signed and dated copy will be retained at Distell and at the supplier. The most recently dated and signed document will form the basis of the agreement between Distell and the supplier.

## **3. SCOPE**

The Supplier Quality Service Level Agreement outlines the responsibilities of the supplier and Distell with respect to the communication channels as well as the quality assurance for the manufactured materials.

- Quality Systems
- Supplier Screening & Registration
- Supplier Performance & Capability Improvement Reviews
- Supplier Compliance
- Supplier Development
- Supplier Approval

Date:.....Initial:.....(Distell)

Date:.....Initial:.....(Supplier)

#### 4. DEFINITIONS

- 4.1 Contractual Supplier – A strategic partner with whom Distell conduct all interactions, with regards to the supply of goods and/or services
- 4.2 Approved Source Supplier – A manufacturing plant of the contractual supplier and/or agent and/or part-agent/broker/distributor, which has been evaluated to ensure that the portfolio meets the specifications and requirements of Distell
- 4.3 Agents, Brokers and Distributors – Acts as an agent to Distell. When acting as the agent, the agent/broker/distributor will ensure that Distell's best interests are met
- 4.4 Ingredients – includes processing aids and additives in direct and/or indirect contact with the product through the process of manufacturing

#### 5. QUALITY SYSTEMS

The necessary Quality and Food Safety systems and procedures must be in place to continuously manufacture and deliver material which conforms to the agreed standards.

##### 5.1 The supplier will have one of the following standards in place (applicable to ingredients, contact packaging materials, bulk transporters):

- 5.1.1 Contractual Supplier (and/or source plants) : GFSI approved certification e.g. FSSC 22 000 or BRC (or IFS or SQF)
- 5.1.2 Agents, Distributors & Brokers: BRC certificate for agents, brokers & distributors, and/or BRC for Storage & Distribution

Should the supplier not have in place the above standards, an absolute minimum requirement will be as stipulated below, and the supplier will need to present an implementation plan to acquire the above standards as listed within 1 year (for Agents, Distributors & Brokers) and within 3 years (for manufacturers) from date of sign off, of SQSLA.

\* ISO 9001:2015, ISO 22000, FSA and HACCP plus VACCP

\* Supplier auditing and proof of traceability required

5.1.3 Should a food business operator **supplying grain (maize, barley, wheat, etc.)** have one of the following commercial food safety certificates e.g. Global Good Agricultural Practices, Tesco, Natures Choice, HACCP, BRC, IFS and ISO 22000:2005, they are currently exempt from the South African Good Agricultural Practices certification (audits conducted by PPECB). Oversight is however maintained by conducting unannounced audits on facilities with such commercial certifications. All malt in the United Kingdom, comes from members of the Maltster's Association of Great Britain. As members the suppliers must comply with the Assured UK Malt Scheme.

5.1.4 **Bulk wine suppliers** of certified wines must comply with a social compliance system, such as WIETA, BSCI and /or similar certification within the country of origin.

Bulk wine suppliers of uncertified wines must comply with the **principles** of a social compliance system, such as WIETA, BSCI and /or similar certification within the country of origin.

Should the supplier not have in place the above standards, the supplier will need to present an implementation plan to acquire the above standards within 3 years from date of sign off of SQSLA.

Where applicable, the supplier must comply with fair trade, organic and IPW, a voluntary environmental sustainability scheme requirements.

5.2 **The supplier will have one of the following standards in place (applicable to non-contact packaging, indirect materials, and Laboratory and other services into the manufacturing /distribution areas):**

5.2.1 \* ISO 9001:2015, ISO 22000, FSA and/or only HACCP

\* Supplier auditing and proof of traceability required

5.2.2 Agents, Distributors & Brokers: BRC certificate for agents and brokers and/or BRC for Storage & Distribution

Should the supplier not have in place the above standards, the supplier will need to present an implementation plan to acquire the above standards as listed within 1 year (for Agents, Distributors & Brokers) and within 3 years (for manufacturers) from date of sign off, of SQSLA

The supplier must ensure that Distell have the latest copies of the certifications at all times.

The Supplier shall maintain records sufficient to show effective implementation of Quality Assurance. Critical procedures and records must be legible, and available in English (accepted international business language).

**5.3 The supplier will have one of the following standards in place (applicable to all wood base packaging materials):**

5.3.1 Contractual suppliers must be FSC certified

**5.4 The supplier of services will have one of the following standards in place (applicable to security, ICT, Logistical Services, etc):**

If based in Europe: ISO 28 000 (International Standard for Quality Management Systems) or ISO 27 000

If based in non-European Country: Follow the principles of ISO 27000/ISO 28000 certifications.

**5.5. The supplier of other services will have one of the following standards in place (applicable to services rendered such as waste removal, cleaning, etc):**

Minimum of ISO 9001:2015, or ISO 22000 (including risk assessment)

\* Supplier auditing and proof of traceability required

Any other material/service provider not listed in 5.1 to 5.5 contact the Supplier Manager: Quality for minimum requirements.

## 6. SUPPLIER SCREENING

The supplier screening process applies to suppliers and their source factories.

The screening shall comprise of all aspects for a well set and cordial working cooperation.

Screening of suppliers may be executed on new and existing suppliers.

6.1 The following critical areas are verified during the screening process

- Is the supplier qualified to do the job, and provide sustained quality?
- Does the supplier have the essential quality assurance process should there be a problem?
- Does the supplier comply with the minimum Distell requirements?
- Is the supplier under adoptability towards Distell's organisation?

6.2 The supplier screening process entail and can be summarized as follows

- An initial introduction with a high level view of Distell's quality communication channels and expectations,
- An initial audit and/or visit to the applicable source plants (where possible),
- Understanding of the supplier's process flow and quality control plan,
- Review of supplier governance certification that meet Distell's requirements,
- Review of supplier's capability to meet specifications of Distell and ensuring that the supplier have the capability to manufacture or deliver materials/services fit-for-purpose,
- The supplier's ability to sustain quality,
- The ability of the supplier to successfully complete full traceability as specified within industry governance,
- Whether relevant systems to minimize the risk of purchasing and supplying fraudulent or adulterated material, is present,
- Obtaining the required declarations to demonstrate compliance to relevant regulatory bodies, and/or Distell product requirements,
- The compliance of supplier's laboratory to the International Accreditation Forum (IAF) affiliated certification body and/or otherwise are verified as part of the supplier's quality assurance certification,
- Declaring by the supplier, of any outsourcing and/or sub-contracting of any processes and/or process steps,

Date:.....Initial:.....(Distell)

Date:.....Initial:.....(Supplier)

- Comparing packing delivery practices to ensure compliance to Distell manufacturing site capabilities,
- Understanding the roles and responsibilities of key contact persons

6.3 Typically supplier screening will be triggered and conducted under the following conditions

- To bring existing suppliers up to mark and to monitor and help in corrective action, post gap analyses,
- When the existing suppliers would introduce additional source factories,
- Strategic changes required and/or recognised within a material and/or risk group to drive completion and/or cost reduction and/or meet supplier diversity,
- Superior sources with novel manufacturing technology and/or stream lined processes which allows significant value engineering,
- Sources that may go out of business and/or cost increases,
- Internal company policy driven requirements to locate viable potential suppliers pro-actively, for every material category,
- To assist in rewarding suppliers for excellent performance and /or delisting if found otherwise.

## **7. SUPPLIER PERFORMANCE & CAPABILITY IMPROVEMENT REVIEW**

Performance review forums will be conducted on a frequent base to uncover and remove hidden gaps, increase visibility, align practices, leverage supplier improvements and track performance goals.

These forums can be initiated by Distell's Group Management Teams (which could include: Supplier Quality Management, Centre of Excellence, Trade Management, and the Group Procurement Department) and/or Distell's Manufacturing Sites. The suppliers are also invited to initiate contact sessions.

Supplier Performance & Capability Improvement would entail, though not limited to, the following

- Monitoring compliance of contractually agreed upon Key Performance Indicators
- Identify areas where the supplier is not performing to expectations,
- Partner with the supplier to resolve low supplier performance,
- Assess supplier performance strength and resolve prior to impacting Distell's productivity,

It will be expected from the supplier to prior to engagement conduct an investigation with regards to the most significant non-conformances detected and recorded in the period under review, using an appropriate problem solving tool(s) and then present the results. These results should identify potential risk and error in the suppliers' process and highlight priorities to eliminate. The supplier should drive systemic solutions that will change the fundamental way their systems/processes works by changing the structure of its key feedback loops.

## **8. SUPPLIER DEVELOPMENT**

The Distell Supplier Development Consultants, reporting into the Supplier Manager: Quality at Distell Head Office, are responsible for transforming a network of thousands of individual supplier businesses into a flawless fulfilment network, utilizing and driving supplier adaption of key tools and technology.

## **9. INCOMING MATERIALS: INSPECTION AND TESTING**

Distell phased out the inspecting and testing of incoming goods. Suppliers are held responsible for the quality of all raw materials/services up until delivery. As part of validation of supplier conformance, random incoming inspection will be conducted from time-to-time, based on the performance history of a supplier and/or category.

Random inspections may also be conducted on high risk materials/services, to reduce the costly effects of damaged product by discovering problems as early in the operation as possible and taking action to eliminate further damage.



Inspection and testing will be conducted in accordance with documented procedures. The location and frequency of the checks will depend on the importance of the examined characteristics to the end product. Document action will be taken in the event of failure.

In the event of inspection by Distell, the 2-sample t-test will be used to evaluate the results obtained after inspection and testing on all quantitative data / continuous variables.

In the case where only one result is possible from testing and/or when comparing a qualitative variable (e.g. pass vs. fail), the results will only be compared to the Distell specification.

## **10. PROCESS CAPABILITY**

### **10.1 Certificates of analyses (COA) and/or Certificate of Cleanliness (for tankers) and/or Certificate of Conformance (COC) (equipment and consumables)**

The supplier's certificates will confirm that the raw materials/tankers/equipment/consumables meet the Distell specification.

The certificate will contain the actual results obtained from testing and/or inspection performed as part of the quality control of an individual batch of the raw material and/or individual tanker/equipment/consumable.

The minimum requirements for the certificate are drawn up per material category by Distell.

#### **IMPORTANT:**

- The certificate should accompany every delivery note and be e-mailed to the relevant site Quality Manager prior to the delivery, or as otherwise agreed with the relevant Distell site.
- Agents, brokers and distributors are to ensure that all data requirements are met per source plant, and are ultimately responsible to ensure compliance to Distell specification and other requirements. Agents, brokers and distributors shall ensure that the approved source as well as the contact details of the agents, brokers and distributors are clearly indicated on the Certificate of Analysis.

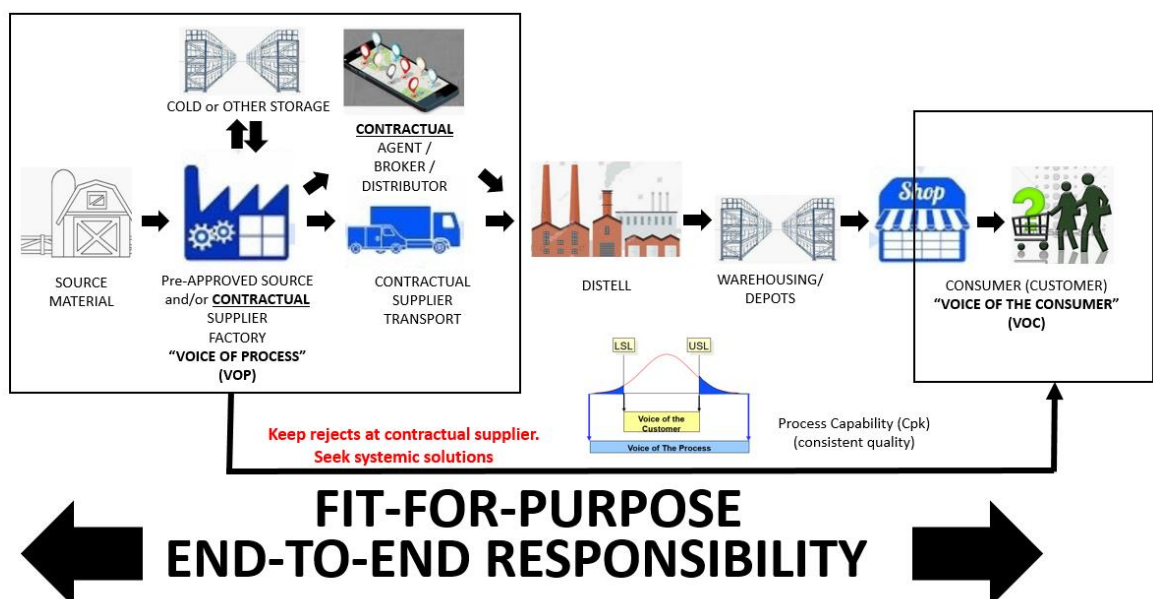
It is important that the specification limits reflected on the certificate are aligned with that of Distell. True values must be displayed on the certificate.

The process capability demonstrates the repeatability and consistency of the supplier's manufacturing process relative to Distell's requirements, in terms of specification limits per the set parameters. Process capability assumes that the process is centred on the target value (aim specification). Process capability measures process variation with respect to the allowable specifications and consider the location of the process average.

Distell expects all the suppliers to have the necessary process measurements in place to detect process deviation, in order to rectify proactively. Process control measures should be able to demonstrate quality consistency and allow the prevention and/or removal of non-conforming material prior to the delivery to Distell. Distell requires the supplier's compliance to a process capability of  $C_{pk} > 1.33$  for each parameter.

Suppliers that cannot meet the stipulated process capability and can substantiate it with good reason(s), may apply for exception for that particular material parameter at Distell Supplier Quality Management, where after an investigation will be launched by the relevant Supplier Development Consultant with support from Group Procurement, Centre of Excellence, Innovation and the supplier. Business decisions from these investigations will be communicated to relevant role players.

It is the supplier's responsibility to ensure that materials are fit-for-purpose. Fit-for-purpose meaning: Well-equipped and/or well suited for its designated role or purpose as to be used by the consumer.



## 10.2 Critical-to-Customer criteria: Cp and Cpk as measurement of supplier quality

When designing a new product the goal is to ensure that the process is capable of consistently producing products that meet or exceed the specification requirements. The emphasis is on defect prevention, not detection.

The benefits for the manufacturer of designing a highly capable process include higher yields, fewer defects, lower rework cost and less inspection time.

The benefits to the customer include better incoming quality levels, less inspection time and the ability to implement JIT (just in time) delivery procedures.

A process of procurement that defines quality requirements in terms of the distribution about the target value will be followed - Meaning that the further away the product is from the target value, the greater the quality problems encountered by Distell.

Cp is a measure of a process's ability to meet a specification.

The supplier will be required to demonstrate that a process capability study is in place where periodic samples from the process under controlled conditions are taken and used to determine the sample mean and standard deviation.

At this point when the Cp and Cpk values are calculated it will tell the supplier what the yield for the process should be minus the effects of any assignable causes. It is important that the identification and removal of these assignable causes is documented in detail and any changes made as well.

The Pareto chart can be used to prioritize which have the greatest influence on the process, and where the largest amount of improvement can be gained.

## 11. LEGAL AND OTHER REQUIREMENTS

The supplier's quality system shall specifically include controls to ensure the following:

### 11.1 Outsourcing

The Supplier shall notify Distell of any material produced/service acquired not entirely owned or operated by the Supplier. Any outsourced process that affects material/services shall comply with the same requirements and be managed by the Supplier.

### 11.2 Manufacturing changes

The supplier must notify Distell of their intention to make any change that may affect the specification, safety, quality, security, shelf-life or functionality of material produced, such as changes in raw materials, services, parts, manufacturing line, manufacturing facility or processes and any change shall be approved by Distell before being implemented. Distell must be notified of such changes in writing. Distell will assess whether a new approval is needed.

### 11.3 Material inspections/changes

The supplier must be able to proof at any point in time that the raw materials/service supplied complies with the required legislative and/or regulated requirements (for example: heavy metals, pesticides, cleanliness, calibration, environmental sustainability, etc).

Distell requires that materials/equipment/tankers be checked by the supplier for potential contaminants across the supply chain by verifying that materials/service meet Distell's specifications and comply with all applicable regulatory requirements and industry standards for the designated country of the Distell receiving location.

Certificates and declarations must be submitted to Distell annually. The supplier must update their company profile on Coupa.

#### 11.4 Traceability

The Supplier shall have implemented a written program for product traceability. Traceability requirements apply to all products/services and all components thereof (including, but not limited to: ingredients, in-process products, rework, primary packaging materials, and/or the process).

#### 11.5 Warehousing and Transportation

The Supplier shall have implemented systems to manage warehousing and transportation to ensure that the safety, quality, and security of materials and products are maintained at all stages from receipt through to delivery of products to Distell plants.

The Supplier shall conduct documented periodic assessments to ensure that requirements are met, if the Supplier uses third party warehouses to store packaging materials.

The Supplier's transportation program shall ensure that products are properly controlled at all times during transportation, and maintained in good condition, clean, dry and sealed.

### 12. SPECIFICATIONS AND DEFECT CLASSIFICATION

#### 12.1 Specification Compliance

The Supplier shall ensure that Distell's specifications are implemented at the manufacturing location and that appropriate plant personnel have access to the latest specifications for materials.

All properties and tolerances as specified on the Distell material/service specification must be adhered to. Only the latest Distell approved specifications are valid.

Each material/unit at Distell will have a specification coupled to a SAP number (refer to Schedule C of commercial agreement).

It is the responsibility of the supplier to ensure that the materials/services remain consistent in terms of quality. Varying specification will give variable results in terms of functionality, and efficiency.

The Supplier must deliver materials/services that meet these specifications. If the Supplier anticipates that it will not be able to meet the specification, the relevant Quality Manager and

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Date:.....Initial:.....(Supplier)

relevant Procurement, Planning & Logistics Manager at the Distell Manufacturing plant(s) shall be notified immediately.

International acceptable testing methods or as otherwise agreed must be used for testing purposes. When the supplier uses a different method, a validation study must have been performed in order to guarantee an equivalent output.

The supplier shall ensure that material/service is not delivered until it have been inspected or otherwise verified by the supplier, as conforming to specified requirements.

Prior to Distell accepting materials/services, the supplier must verify that delivery vehicles (such as trucks) have maintained the quality and safety of the material/service. Verification activities shall be documented and may include inspection of internal cleanliness and structural integrity.

## 12.2 Delivery specifications

All materials/services must conform to the delivery specifications for the specific item, as set out in the specifications.

The method of delivery must not alter product organoleptic characteristics and shall not be source of foreign material nor allergens. Any direct contact shall not be a source of biological (e.g. microbial), chemical or physical (e.g. foreign bodies) or allergen hazards.

Staples or protruding metal objects of any kind shall not be used on packaging, and no protruding nails on pallets.

Any proposed change in the size, quantity, style or type of delivery packaging material must be submitted to Distell Supplier Quality Management Department for approval prior to modification.

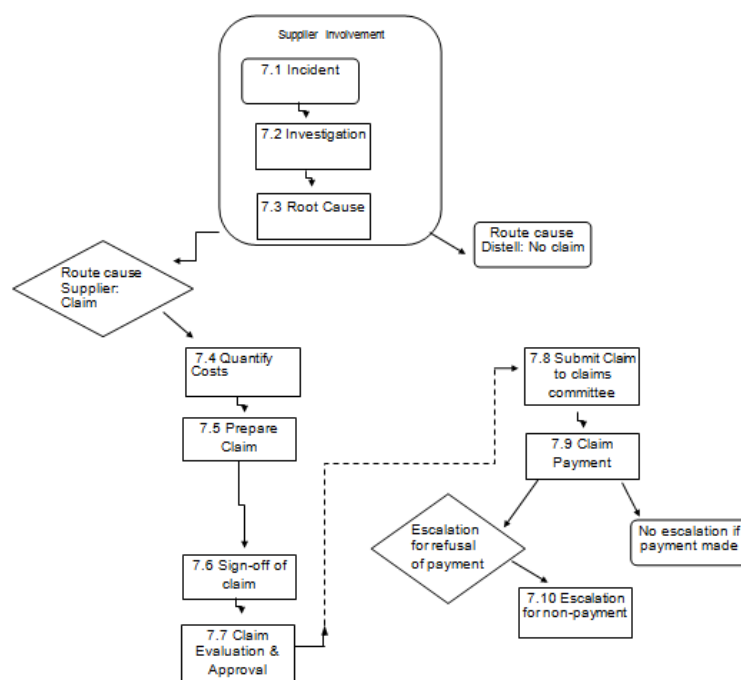
### 13. HANDLING OF NON-CONFORMANCES

#### 13.1 High Focus suppliers

High Risk Suppliers are identified on the Supplier Performance Tracker by tracking the suppliers' month-to-month Quality, Service, Incidents, Downtime and Severity results submitted by Distell Sites. The non-performers can also be identified through performance feedback from manufacturing sites, Supplier Quality Management: Head Office and Group Procurement. Other factors that can trigger an increased focus on suppliers, includes:

- Distell Burning Platforms
- Trade Issues
- Quality Write Offs
- History
- Line in-efficiencies

13.2 Claims: Early supplier involvement, during investigation and root cause analyse is required. The process is overseen by the Procurement, Planning & Logistics Manager, or as otherwise advised) at each Distell Site/Cluster. The supplier will be presented with the claim details and reasons thereof, and will be asked to sign, as acceptance of the claim. Should disputes arise, the matter will be raised at head office, which will partake as facilitator. Where no agreement can be reached the matter will be handled by Distell's legal Team.



Date:.....Initial:.....(Distell)

Date:.....Initial:.....(Supplier)

## 14. NON-FULFILLMENT OF REQUIREMENTS

A breach of agreement will be seen as a failure, to perform any promise that forms part of the agreement. This includes failure to perform in a manner that meets the standards of the industry or the requirements of any expressed ability.

### 14.1 Non-fulfilment of audit requirements

A “non-fulfilment of a requirement” is when the supplier does not fulfil what is required by the standard, by the suppliers’ own documentation, or by a third party.

- A Critical finding is a failure of a system or process that has led to a breach of the specifications and agreements, and/or breach of Distell’s pre-requisite criteria for supplier approval.

Time to close out: Immediate mitigation with complete resolution within 10 working days, unless otherwise agreed with Distell

Example: Agent do not comply to principles as set in the BRC for agents, brokers and distributor standards; Glass supplier that cannot laser code glass during manufacturing

- A Major finding is a failure of a system or process that could lead to a breach of the specifications and agreements.

Time to close out: Immediate mitigation with complete resolution within 21 working days, unless otherwise agreed with Distell

Examples: Supplier could not present competency evaluations for any of their employees

- A Minor finding is a failure of a step within a system or process that could lead to a breach of the specifications and agreements.

Time to close out: Mitigation with action plans presented to Distell within 21 working days, unless otherwise agreed with Distell

Example: Supplier could not present competency evaluations for a specific employee



- An Observation is a failure to follow a system or process that would not lead to a breach of specifications and agreements

Time to close out: Mitigation with complete resolution within 6 months, unless otherwise agreed with Distell

Example: Comparison to best practices; Wieta (a pro-active, world class and sustainable ethical trade programme for the South African wine industry and aligned sectors) non-conformance

#### 14.2 Non-fulfilment of performance requirements

The Supplier Development Consultant and/or Wine Sourcing Manager (for bulk wines/grapes) will inform the high risk suppliers of their performance concerns and will also initiate periodic meetings (e.g. monthly) with the supplier and/or manufacturing site representatives to help improve performance. These meetings shall include all the relevant stakeholders.

It might be necessary to suspend the supplier's material/service for an agreed period, in which case the Supplier Quality Management: Head Office and/or Wine Sourcing Manager (for bulk wines/ grapes) shall ensure that the switching rules procedure of Distell is followed.

After actions to correct was taken by the supplier, the Supplier Development Consultant and/or Group Procurement shall then engage with the manufacturing site stakeholders and agree on a trial period and protocol for re-evaluation of the supplier's material/service.

In the event of no satisfactory improvement realised by the manufacturing site, the Supplier Development Consultant and Group Procurement will formally inform the supplier of the manufacturing site feedback and the possibility of terminating the use of the supplier's material/service at the site.

Switching can be initiated when the current supplier has a history of re-occurring quality or service incidents. This means that the Distell manufacturing site has logged several complaints in the last 3 months for the same quality or service incident, without any corrective and preventive action from the supplier with proven effectiveness.

Formal communication will be send to the supplier by the Supplier Development Consultant and/or Group Procurement to state the exact problem that needs to be addressed and clearly indicate the intention to request switching.

The supplier will have a grace period of 3 weeks in order to

- Rectify the problem or
- Agree with Supplier Quality Management on the corrective and preventive action that will be taken, should the corrective and preventive action not be able to be implemented within the 3 weeks grace period.

Relevant stakeholders will also be copied on this communication.

#### 14.3 Consequences of non-resolution of assessment /performance findings

- Re-allocation of supply source within same business - for the cost of supplier
- Re-Allocation of Business: Move to alternative and/or back-up supplier

#### 14.4 Gross breach of conduct

The manufacturing environment mandates smooth relations, quality materials/services and on-time deliveries from every supplier that supports the Distell business.

Breach of contract occurs when one or more parties to the agreement do not perform as promised within the stipulations of the agreement.

##### 14.4.1 Factors that constitutes Gross Breach of Contract

- Supplier has changed material/service without informing Supplier Quality Management and Group Procurement
- Supplier has changed specifications without informing Supplier Quality Management and Group Procurement
- Supplier has been aware of a problematic situation without informing Supplier Quality Management and Group Procurement
- Supplier has jeopardised food safety requirements without informing Supplier Quality Management and Group Procurement
- Supplier has changed manufacturing processes without informing Supplier Quality Management and Group Procurement

#### 14.3.2 How we deal from a Distell Perspective

- Immediate meeting with Senior Distell and Supplier Management Teams
- Assessment of Impact of product quality – Contact vs. non-contact/ Direct vs. Indirect material type
- Financial penalties
- Switching rules apply

#### 14.5 Communication with regards to non-conformances

A batch will be seen as a single truck delivery/service to Distell per SAP code; a single unit for sampling purposes will be as specified in the specification.

The supplier shall have an effective Corrective /Preventive Action Report/Corrective Action Preventive Action (CPAR/CAPA) program tracking such actions to ensure that non-conformances are addressed in an appropriate and timely manner.

After closure of the CPAR/CAPA relevant for Distell, the supplier shall formally inform Distell and provide objective evidence that actions have been closed out (from audit or other source); Supplier CPAR/CAPA's must include a detailed FMEA (Failure Mode and Effect Analyses) when non-conformances results in a return of material/tanker and/or for repetitive non-conformances and/or critical defects; Any changes required by the supplier should be communicated formally through the CPAR/CAPA.

Distell sites will issue a non-conformance in writing within 24 hours from experiencing or detecting the non-conformance. When non-conformances are detected on the Distell site, the supplier will be allowed to review the non-conforming material/service, unless the supplier is not available while the problem is experienced, for which the supplier could request photos/videos of the incident.

Should it be found that the material/service was fit-for-purpose as to be used by the consumer, and that the failure was caused by other route cause (s), such non-conformance(s) will be flagged-for-deletion on Distell SAP business System.

Distell sites require quick and clear feedback from suppliers, with regular progress updates, that demonstrate intent.

#### Responsibility of the suppliers on receipt of Quality Notifications

- acknowledge receipt of complaints within 24 hours
- Within 5 working days supply a written response for corrective action. These are the actions taken to deal with the problem and/or actions to contain the non-conformance.
- The supplier will aim to provide a written report within 10 working days. This means that the problem will be eliminated and the supplier will make sure that the root cause of the problem is eliminated.

The Supplier Quality Risk Score is calculated automatically within Qlik View after pulling in data from the SAP Quality Module, and calculations are based on amongst others, the timelines as presented above. The Supplier Quality Risk Score makes up 50% of the Supplier Reliability Score, which is used amongst others to track supplier performance and to make business decisions.

Should the cause (s) for the problem be unclear and require further analysis, the supplier will aim to provide a written report within agreed time lines. The Supplier to discuss such extensions with the relevant Distell site/cluster representatives. Distell then requires that the supplier communicate consistently with the relevant Quality Management and Procurement, Planning & Logistics Managers at the Distell Manufacturing sites/clusters.

*(A written technical document that communicates the purpose, scope, objectives, hypothesis, methodology, findings, limitations, and recommendations of a project or problem solving initiated, and which is written in a writing style to facilitate easy and rapid reading and understanding of the findings and recommendations.)*

Preventive actions are pro-active. These actions need to be demonstrated in the supplier manufacturing process. The supplier should drive systemic solutions.

## 15. RESOLUTION OF DIFFERENCES

Intervention may be necessary to ensure speedy and adequate resolution in incidences that are experienced across Distell's sites and/or that cannot be resolved at the highest level within a Distell site.

There may be times when an enquiry is received from a supplier and/or Distell site, where the supplier and/or Distell site disagree with the action that has not or has been taken by the supplier and/or Distell site.

Resolution should be sought within the shortest timescale possible and disagreements should be solved at the relevant Distell site and management level.

Complaints or disputes can be made by contacting the relevant Quality Manager and Procurement, Planning & Logistics Manager and/or Cellar Manager at the Distell site. When raising a formal complaint or dispute the supplier should ensure to provide in writing any documents and/or information that would assist with the investigation of the complaint or dispute.

The supplier should indicate the conduct of the subject of the complaint or dispute, the provision of relevant specifications and/or procedures that is alleged to have been breached, the action that the supplier thinks will settle the complaint or dispute and the outcome that is sought.

Distell Quality Managers and Procurement, Planning & Logistic Managers and/or Cellar Managers shall follow the Distell E2 Excellence problem solving guidelines.

Generally, upon receipt of a complaint or dispute, the relevant Quality Manager and Procurement, Planning & Logistics Manager and/or Cellar Manager Representatives will take all the reasonable steps to investigate and resolve the matter within agreed timelines.

## **16. MATERIAL TESTING & TRACKING – GOVERNANCE**

In the event that a supplier would like to introduce a completely new material or a new source plant, the supplier are to contact Group Procurement. An internal approval procedure has been established where all relevant departments within Distell participate in the approval process.

The supplier will complete an application form in conjunction with Group Procurement, with the appropriate information included.

In the case of new suppliers the trial tracking process will be conducted in parallel to the supplier screening process.

The Supplier will also be required to update their profile on Coupa with the latest information.

## **17. REWORK AND SERVICE EXPECTATIONS**

The life cycles, attractiveness and functionality of any material/service and its performance in terms of legal and safety, depends on the nature of handling it receives during its journey.

In the unfortunate event, where the supplier's only solution to swiftly supply material/service to Distell, Distell requires that the supplier utilize suitable application of best practices and the highest level of protection possible will be expected.

## **18. SUPPLIER ASSISTANCE TO DISTELL MANUFACTURING**

In the event where the quickest corrective action involves the allocation of supplier supporting personnel on the Distell sites, to assist with either reworking and/or evaluating the alleged non-conformance, approval needs to be sought at the highest level at the Distell site.

## **19. SUPPLY CHAIN NETWORK (COUPA)**

All Distell contractual or potential suppliers need to be registered on Coupa, Distell's Procurement Portal and all relevant documentation and certificates must be loaded as requested by the system, or otherwise specified. It is the supplier's responsibility to frequently review and ensure that the latest revisions of the quality documentation are available on the Coupa system.

**Supplier guideline of documentation to have readily available when updating the Coupa portfolio:**

<b>Initially</b>	<b>Final update of Coupa*</b>
1. Signed copy of QSLA and/or Service SHERQ Manual	1. Additional Assessment Questionnaires
2. Quality System Certification (including HACCP & VACCP charts)	2. Traceability conducted last 12months
3. Any declarations (industry and/or regulatory and/or Distell requirements)	3. Packaging Characteristics and/or Material Safety Data/Material Specification
4. Audit Questionnaires completed & signed	4. Blank copy of certificate of analysis
	5. Process Flow with control points
	6. Inspection Matrix /Control Plan
	7. Communication & Decision Making Contact list
	8. Supplier Project Brief for Development
	9. Validation (where applicable)

\* Exclusions will be communicated by the relevant Supplier Development Consultants

## **20. CONCESSIONS**

Concessions are a gesture made in recognition of a demand or prevailing standard.

Although the concession is granted and approved by Distell, any direct or indirect functional failures of the material remain the responsibility of the supplier as the originator of the deviation from specification.

Application for deviation on current specifications should be taken up with the relevant Quality Manager at the Distell site/cluster prior to delivery of the non-conforming material.

A concession form must be completed and the required documentation which includes a Corrective and Preventive Action Report (CPAR) and a Failure and Effect Analyses (FMEA), should be attached, and submitted to the relevant Quality Manager.

For concessions as a result of force majeure and/or breach of any legislation, the supplier needs to put forward their requests to Distell Supplier Quality Management for evaluation, whereby internally Distell will involve the relevant and key experts.

Once the concession has been agreed to and approved, it will be communicated to the supplier and the relevant Distell site, by Distell Supplier Quality Management.

The affected material/service must be suitably identified by the supplier, ensuring that the material/service is clearly visible when handled in the Distell environment.

#### 20.1 Conditions for granting concessions at Distell Head Office

Concession will not be granted more than once for similar non-conformances from a specific contractual supplier. Concessions will be granted only per specified batch/service. Distell reserves the right to charge a non-compliance fee as seen appropriate, which will be communicated as part of the concession approval process.

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