

## Supplier Quality Service Level Agreement:

### Service SHERQ Manual

This Supplier Quality Service Level Agreement (SQSLA) is by and between **the contractual/service supplier** (agent and/or part agent and/or broker and/or distributor)..... (Company name), located in:..... (Area), ..... (city) within.....(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	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

\_\_\_\_\_

Signature

\_\_\_\_\_

Name & Surname

\_\_\_\_\_

Position

#### CONTRACTUAL SUPPLIER

\_\_\_\_\_

Signature

\_\_\_\_\_

Name & Surname

\_\_\_\_\_

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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# **DISTELL MANUAL**

## **FOR CONTRACTUAL/ SERVICE SUPPLIERS**

### **(SAFETY; HEALTH; ENVIRONMENT; RISK; QUALITY)**

### **SCOPE**

Safety, Quality and Sustainability are the cornerstone of Distell success and are therefore considered non-negotiable elements in the manufacture of Distell products.

The purpose of this SHERQ manual is solely to provide a guideline of the **MINIMUM** Distell SHERQ standards required to produce superior quality Distell products, in a manner that is safe and environmentally friendly.

The expectation from contractual/service supplier is to fully comply with the minimum requirements stipulated and to fully adhere to the principles stated in the relevant policies listed in section 1 of the manual.

Any deviation from these standards are regarded as unacceptable and it is therefore necessary to follow the concessions and deviations permit standards as required by Distell SHERQ Governance standards.

The scope of this Distell manual relates specifically to:

#### **Overview: Service to be supplied:**

- 1.
- 2.
- 3.

#### **Distell Primary contacts:**

Group Supplier Quality: Riana Wagener

: [rwagener@distell.co.za](mailto:rwagener@distell.co.za)

## **SECTION: 1**

### **DISTELL POLICIES**

The Contractual/Service Supplier is expected to fully comply with the minimum requirements stipulated in this section. Any deviation from this standard must be communicated to Distell via the concessions and deviations procedure.



## QUALITY AND FOOD SAFETY POLICY

Distell Ltd, producer of wines, spirits, ciders and other ready-to-drink beverages believes that success depends on the supply of high quality products and services that meet or exceed customer and consumer expectations of premium brand products. Fundamental to this belief is the responsibility to ensure the products manufactured are **SAFE, COMPLY WITH LEGISLATION**, are **AUTHENTIC** and most of all, meet only the **HIGHEST QUALITY** standards.

Distell Ltd is committed to continually enhance the reputation of the brands it produces and maintain consumer confidence in its products through the development and implementation of quality and food safety systems, standards and practices. We commit to continuous improvement, which is measured, evaluated and validated for effectiveness internally and externally.

Distell Ltd believes that the responsibility for achieving quality commitments lies with each employee in the execution of their jobs and their relationship with stakeholders. Food safety is the responsibility of all employees that have direct influence on ingredients, packaging, manufacturing, storage and the transport of products. The following food safety and quality principles are the foundation of our commitment to:

- Manufacture and deliver products that meet the highest food safety and quality standards.
- Meet all statutory and regulatory requirements for quality and food safety.
- Ensure sustainable food safety and quality performance through implementation and certification of effective food safety and quality management systems compliant with the latest Quality and Food safety certification schemes in all operations.
- Validate the effectiveness of the food safety and quality management systems through internal and external audit processes recognized by the International Standards Organisation and the Global Food Safety Initiative.
- Build food safety and quality capability through structured programmes that develop technical skills, increase awareness, manage risk and drive increasing levels of excellence.
- Continually review food safety and quality policies, standards and procedures to effectively manage food safety and quality risks associated with changes in products, processes and technologies.
- Set annual measurable food safety and quality objectives for all operations, and to ensure continuous improvement and compliance with all standards.
- Ensure that suppliers and contractors embrace the same food safety and quality commitments, and monitor the materials and services they supply through audits and incoming inspections.
- Communicate food safety aspects and requirements to suppliers, partners, customers and consumers by establishing specifications for ingredients and packaging materials, product storage and consumer guidelines.
- Communicate food safety and quality aspects, strategies and performance to associates, consumers, customers and principal stakeholders that have an impact on, or are affected by the Company's food safety and quality management systems.

  
This policy will be reviewed annually.

Richard Rushton  
GROUP MANAGING DIRECTOR  
January 2020

## **SECTION 2:**

### **Supplier Specific Service Category - .....**

**1. SUPPLIER QUALITY SERVICE LEVEL AGREEMENT i.e. Service SHERQ Manual**

The agreement, an appendix to the commercial contract/memo of understanding/purchase order, is signed between the supplier and Distell SHERQ Department. 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 SERVICE SHERQ MANUAL**

From time to time as compliance criteria comes into effect and/or changes, the 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 SHERQ 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.

- Supplier Performance & Capability Improvement Reviews
- Supplier Compliance

**4. DEFINITIONS**

- Contractual Supplier – A strategic partner with whom Distell conduct all interactions, with regards to the supply of goods and/or services

## **5. QYALITY SYSTEM REQUIREMENTS**

**The supplier of ..... Service category will have one of the following standards in place:**

Minimum of ISO 9001:2015 and/or relevant BRC

Any other not listed, contact the Supplier Manager: Quality.

## **6. 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 Head office, and/or Distell's Manufacturing/Distribution Sites. The suppliers are also invited to initiate contact sessions.

## **7. SERVICES: INSPECTION**

Suppliers are held responsible for the quality of all services. As part of validation of supplier conformance, random 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 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/failure.

## **8. LEGAL AND OTHER REQUIREMENTS**

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

- Outsourcing

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

- Process/People changes

The supplier must notify Distell of their intention to make any change that may affect the safety, quality, security, effectiveness, etc of their services, facilities or processes, and any change shall be approved by Distell Site(s) before being implemented. Distell must be notified of such changes in writing. Distell will assess whether a new approval is needed.

## **9. HANDLING OF NON-CONFORMANCES, CLAIMS**

- High Focus suppliers

High Risk Suppliers are identified on the Supplier Performance Tracker by tracking the suppliers' month-to-month Service, Incidents, 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:

e.g., Distell Burning Platforms

- Claims

Early supplier involvement, during investigation and root cause analyse is required. The process is overseen by the Procurement, Planning & Logistics Manager and/or representative, 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.

## **10. 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.

- 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 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: Supplier fail to meet the minimum requirements in terms of employees skills.

- 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

- Non-fulfilment of performance requirements

The Distell representative 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 service for an agreed period, in which case the switching rules procedure of Distell is followed.

After actions to correct was taken by the supplier, Distell head office 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 service.



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

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

Formal communication will be sent to the supplier by the Group Procurement representative 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 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.

- 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

- Gross breach of conduct

The manufacturing environment mandates smooth relations, quality 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.

- Factors that constitute Gross Breach of Contract

- Supplier has changed service without informing Group Procurement
- Supplier has been aware of a problematic situation without informing Representative Manager, Supplier Quality Management and Group Procurement
- Supplier has jeopardised food safety requirements without informing Representative Manager, Supplier Quality Management and Group Procurement
- Supplier has changed system processes without informing Representative Manager, Supplier Quality Management and Group Procurement

How we deal from a Distell Perspective

- Immediate meeting with Senior Distell and Supplier Management Teams
- Assessment of Impact of service quality
- Financial penalties
- Switching rules apply

## **11. COMMUNICATION WITH REGARDS TO NON-CONFORMANCES**

The supplier shall have an effective Corrective /Preventive Action Report (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 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 from SAP 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 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 service was fit-for-purpose, 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 timelines. The Supplier to discuss such extensions with the relevant Distell site/cluster representatives. Distell then requires that the supplier communicate consistently with the relevant Site HR 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 system/process. **The supplier should drive systemic solutions.**

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.

# ANNEXURE 1: TYPICAL CPAR REPORT

Problem Solving and Non-conformance Record					Nr	
Revision:			Effective: dd-mm-yyyy			
Registration by:		Escalated by:		Ask help	Referred	
Team name:		Escalated to:		Accept	Reject	
Level:		Level:				
Date:		Date:				
CLEARLY DEFINE THE PROBLEM OR NON CONFORMANCE						
Problem statement:	Continuous					
	Regular					
	Intermittent					
What quantified triggers made you aware of the problem?	Availability		Other:			
	Performance					
	Quality					
GATHER ALL THE FACTS						
What do we have a problem with?						
Where is the problem experienced?						
	Product name:		Quantity			
	Batch number		Notification nr			
	Material code		Sample			
Who has information on the problem?						
When does/did the problem occur?						
How have we tried to solve it in the past?						
Why do you think the problem occurred?						
VERIFIED ROOT CAUSE (What is the reason for the problem or non-conformance?)						
				Approved by:		
CORRECTIVE ACTION IMPLEMENTED ( What has been done to rectify the problem or non-conformance? )						
				Approved by:		
PREVENTATIVE ACTION IMPLEMENTED ( What has been done to avoid it from re-occurring? )						
				Approved by:		
VERIFICATION OF OUTCOME (Did our problem solving achieved its required outcomes?)						
Business benefit:			Date:	Approved by:		
Was the root cause identified?				Yes	No	
Did the preventative actions address the root cause and remove the negative/undesirable effects?				Yes	No	
Were any innovations registered or other positive effects exploited (5S, Poka Yoka, Quick Fix etc)?				Yes	No	
Were any relevant work instructions, procedures or documentation updated?				Yes	No	
The problem was not successfully resolved and referred to level 3?			CPAR nr			

[illegible]

**ANNEXURE 3: DISTELL SAP DEFECT LIST (will be supplied per category)**

Catalog	Code group	Code Group	Code	Short Text	Long Text	Defect Class
Defect types						
Defect types						
Defect types						
Defect types						
Defect types						
Defect types						