

# Supplier Manual

Version 05, valid from: 31.07.2017



BREZELBÄCKER SEIT 1919

## Supplier Manual

for the procurement of raw ingredients,  
packaging materials and merchandise

for

Brezelbäckerei Ditsch GmbH

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Table of Contents .....	Page
Foreword .....	4
1. Supplier selection .....	5
1.1 Enquiry stage for raw ingredients / finished goods and packaging materials.....	5
1.1.1 Testing raw ingredient samples .....	6
1.1.1.1 Outlet test procedure .....	6
1.1.1.2 Procedure for raw ingredient equipment test .....	6
1.1.2 Test samples of packaging materials.....	6
1.1.3 Test samples of merchandise .....	6
2. Supplier commissioning .....	7
2.1 Framework contracts .....	7
2.2 Delivery schedules for framework contracts / individual orders .....	7
2.2.1 Minimum information requirements for delivery notes and invoices .....	8
2.2.2 Refusal of acceptance .....	8
2.2.3 Requirements for pallets.....	8
2.3 Order changes / order cancellations .....	9
2.4 Contractual penalty in the case of delivery default.....	9
2.5 Transfer of risk / ownership .....	10
2.6 Information duties .....	10
3. Supplier performance .....	11
3.1 Examination of incoming goods / quality assurance .....	11
3.2 Microbiological examinations.....	11
3.3 Reserve samples of raw ingredients.....	11
3.4 Complaints.....	11
3.4.2 Returns .....	12
3.5 Supplier evaluation .....	12
3.6 Supplier audits.....	13
3.7 Traceability .....	13

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4. Purchasing guidelines.....	14
4.1 Collaboration with the purchasing department.....	14
4.2. Product liability insurance .....	14
4.3 Liability for defects .....	14
4.4 Contractual conditions .....	15
4.5 Place of fulfilment and jurisdiction.....	15
4.6 Applicable law.....	15
4.7 Severability clause.....	15
5. Code of behaviour / declaration of commitment .....	16
Annex A – Supplier Checklist .....	16
Annex B – Declaration of Commitment.....	16
Annex C – Confidentiality Obligation .....	16
Annex D – Confirmation of Receipt and Validity of the Content of the Supplier Manual .....	16
Annex E – Energy Management.....	16
Annex F – Checklist of Product Requirements .....	16

## Foreword

Brezelbäckerei Ditsch GmbH is a leading company in the baked goods sector. The production of pretzels and other specialities as deep-frozen pre-formed dough has enabled Ditsch to build up a constantly expanding network of outlets and sell oven-fresh Ditsch bakery products throughout Germany. There are now more than 200 Ditsch outlets in prime locations that are operated by independent agency partners. In addition, thanks to the artisan skills acquired over more than 80 years of experience in the baked products industry, Ditsch is also a competent partner for commercial clients and the food retail industry.

It is our goal to further develop our competence and performance in the baked goods sector and provide consumers with premium quality products.

In order to satisfy the constantly changing requirements of our customers with regard to quality and flexibility, we need committed suppliers who will meet these demands together with us.

We want to establish a long-term partnership with our suppliers, optimise communication and work together to minimise warehousing and transport costs to the benefit of both parties.

We have created this Supplier Manual as a reference for collaboration between Brezelbäckerei Ditsch GmbH and our suppliers. It is valid during the enquiry stage and later becomes an integral part of the concluded contract. It contains detailed explanations of how our purchasing procedures are organised within our supplier management system.

Our supplier management system includes the following processes:

- ✓ Supplier selection
- ✓ Supplier commissioning
- ✓ Supplier performance

all of which are described in detail in this manual.

Our relationship with our suppliers is characterised by fairness and decisions are made on the basis of objective criteria.

## 1. Supplier selection

Suppliers are selected by the purchasing department in close cooperation with the product development, sales, quality assurance, logistics and production departments.

The basis for collaboration is an established quality management system on the part of the supplier, including an HACCP concept and crisis management plan, the functionality of which should ideally be proven by IFS and/or BRC certification.

Packaging suppliers must be able to present a hazard and risk analysis.

Supplier approval is based on the questionnaire for supplier self-disclosure (see Annex A with enclosure), which summarises the most important information for the first general assessment of the supplier.

The supplier must complete this questionnaire before approval and send it to Brezelbäckerei Ditsch GmbH with copies of his current quality certificates and certification documentation. The supplier must also send signed confirmation of his acceptance of the content of the Supplier Manual for contractual collaboration. The client retains the right to check the efficacy of the system implemented on site within the scope of the approval process.

If the result of the approval process is positive, the supplier will be added to the Brezelbäckerei Ditsch GmbH supplier list. The supplier is responsible for ensuring that the documents provided are up to date.

### 1.1 Enquiry stage for raw ingredients / finished goods and packaging materials

The required raw ingredients, packaging materials or finished goods are requested from possible suppliers who have the necessary product quality and capacity.

New raw ingredients and packaging materials must be evaluated by the department that has requested them, including a possible tasting and, if necessary, undergo an outlet test and equipment and storage testing.

These test samples for the appropriate department on the Mainz and Oranienbaum sites will be requested centrally via our purchasing department. These test samples must be provided by the supplier free of charge.

The preconditions for delivery of test samples are as follows:

- supplier approval
- prior submission of the supplier's own specification, which has been inspected and approved by the quality assurance department

## 1.1.1 Testing raw ingredient samples

Raw ingredient samples are tested as part of tastings performed by the sales department along with the specialist departments for quality assurance and/or product development and the raw goods specification.

If the sample's characteristics fulfil our current valid criteria, which are defined in the Checklist of Product Requirements (see Annex F), an equipment and/or outlet test will be carried out, if necessary.

### 1.1.1.1 Outlet test procedure

#### Test 1

- ✓ the supplier provides a week's production of the raw ingredient
- ✓ Brezelbäckerei Ditsch GmbH distributes the sample delivery to the test outlets
- ✓ customer feedback is evaluated after a period of 3 weeks

#### Test 2

- ✓ the supplier provides a week's production of the raw ingredient
- ✓ Brezelbäckerei Ditsch GmbH distributes the sample delivery to the test outlets
- ✓ customer feedback is evaluated after a period of 3 weeks

The product is approved if the trial period has been positively evaluated.

### 1.1.1.2 Procedure for raw ingredient equipment test

At the request of the purchasing department, the supplier provides the necessary quantity for an equipment test. The results of the assessment are documented by the specialist department and forwarded to the supplier by the purchasing department.

### 1.1.2 Test samples of packaging materials

The samples are examined within the scope of an equipment test, storage test and transport test. The results of the assessment are documented by the specialist department and forwarded to the supplier by the purchasing department.

### 1.1.3 Test samples of merchandise

see 1.1.1 Testing raw ingredient samples

## 2. Supplier commissioning

The quality requirements are established between the supplier and Brezelbäckerei Ditsch GmbH in Ditsch's own purchasing specifications (samples can be requested from the purchasing department). These purchasing specifications represent the basic quality standards of all contracts and suppliers are required to comply with these. No changes to these specifications are valid unless they have been authorised in writing from the quality assurance department of Brezelbäckerei Ditsch GmbH.

Approval on behalf of Brezelbäckerei Ditsch GmbH is made directly by the quality assurance department.

The same applies correspondingly in cases where the supplier uses general terms and conditions of business that contradict the regulations required by Brezelbäckerei Ditsch GmbH. However, the supplier recognises the content of this Supplier Manual as binding in the course of business relations with Brezelbäckerei Ditsch GmbH, even if this contradicts the content of the supplier's own general terms and conditions of business.

### 2.1 Framework contracts

Our framework contracts are concluded for an agreed period of time. As a prerequisite, we require that the agreed performance is maintained with regard to quality, delivery dates and delivery quantities during the contractual term.

### 2.2 Delivery schedules for framework contracts / individual orders

Delivery schedules / orders are binding with regard to quantities and dates.

The delivery dates are always set as fixed dates.

After receipt of an order, the supplier must check immediately whether the order can be completed in full and punctually by the required delivery date or within the required period.

All delivery schedules / orders must be confirmed by the supplier in full and in writing within 1 working day. If the supplier does not object within this time limit, the delivery schedule / order becomes binding both in terms of the articles and quantities ordered and the delivery date / period. If the supplier does not complete a call-off delivery / order or does not complete this in full by the specified delivery date or within the specified period, then the supplier is, to this extent, in default of delivery.

The supplier is obliged to achieve a goods supply rate of 98%, i.e. at least 98% of the order quantities to be delivered in a month must be delivered in full and on time.

This does not apply if the supplier can prove to the purchasing department of Brezelbäckerei Ditsch GmbH that:

- the advance notice period was not observed for the order, or
- the defaulted, late or short delivery was due to an act of God, or
- the supplier was not responsible for the late or short delivery due to unforeseen circumstances.

## 2.2.1 Minimum information requirements for delivery notes and invoices

Delivery note:

- Ditsch order number / Ditsch purchaser
- order date
- Ditsch article number
- article description
- delivery quantity corresponding to the units ordered by Ditsch (e.g. bags)
- batch number, if necessary
- use-by date

Invoice:

- Ditsch order number / Ditsch purchaser
- order date
- Ditsch article number
- delivery quantity corresponding to the units ordered by Ditsch (e.g. bags)
- delivery note number with delivery date

## 2.2.2 Refusal of acceptance

The incoming goods department can refuse to accept delivery if

- there is no order confirmation for the order
- the delivery quantity differs from the order
- the delivery date was not complied with
- there are deviations from the purchasing specification
- the goods are damaged or dirty, or there is pest infestation

## 2.2.3 Requirements for pallets

Refrigerated and dried raw ingredients must be delivered on H1 plastic pallets. Frozen raw ingredients must be delivered on wooden pallets. There must be a label on the pallets that can be read by a scanner (EAN 128). No pallets with mixed use-by dates may be delivered.

Film suppliers must note that delivery must be made on plastic pallets.



## 2.3 Order changes / order cancellations

For changes to orders / order cancellations, the purchasing department or logistics department will prepare addendums that are treated in the same way as the original orders. They are identified by the order number and can thus be allocated to the original orders.

## 2.4 Contractual penalty in the case of delivery default

In the case that the supplier fails to reach a supply rate for goods of 98% in a month, Brezelbäckerei Ditsch GmbH is entitled to demand payment of a contractual penalty from the supplier. The level of the contractual penalty is based upon the order quantity that the supplier has failed to deliver in the relevant calendar week, or to deliver in full or on time in the number of working days (= possible delivery dates for goods), in which the supplier is in default (default days).

The contractual penalty for each default day is:

- In the case of an order quantity not delivered or not delivered on time: 0.3% of the value of the goods (calculated at net invoice prices), but at least EUR 50 per default day, or at most 5% of the value of the whole order quantity. To clarify, the upper limit of 5% of the value of the goods takes priority over the lower limit of EUR 50 per default day.
- In the case of delivery of an incomplete order quantity: 0.3% of the value of the missing goods (calculated at net invoice prices), but at least EUR 10 per default day, or at most 5% of the value of the missing goods. To clarify, the upper limit of 5% of the value of the missing goods takes priority over the lower limit of EUR 10 per default day.

For suppliers of flour, the contractual penalty is not to be calculated per default day but per default hour.

Brezelbäckerei Ditsch GmbH will invoice the supplier for the calculated amount of the contractual penalty. The supplier is entitled to prove that less or no damage was incurred.

The right of Brezelbäckerei Ditsch GmbH to demand compensation from the supplier due to delivery default or another reason remains unaffected. If Brezelbäckerei Ditsch GmbH claims compensation and the contractual penalty for the same order quantities not delivered, not delivered on time or in full, the claim to payment of the contractual penalty is off-set against the compensation claim.

## 2.5 Transfer of risk / ownership

The risk and ownership are transferred to Brezelbäckerei Ditsch GmbH when the goods are handed over from the supplier to Brezelbäckerei Ditsch GmbH at the agreed place of delivery.

Retention of ownership is only applicable to the extent that it relates exclusively to payment obligations of Brezelbäckerei Ditsch GmbH for the relevant goods.

## 2.6 Information duties

The supplier must inform Brezelbäckerei Ditsch GmbH in the following cases and agree to the changes:

- relocation of the production site
- changes in the processes
- changes in materials
- changes to the manufacturer's name
- significant changes in the quality management system

## 3. Supplier performance

Compliance with the contractual agreements is constantly monitored during delivery and is evaluated at regular intervals.

This is done by our complaints management department and our supplier evaluation procedure.

### 3.1 Examination of incoming goods / quality assurance

Incoming goods are examined (quantities, packaging, temperature, pest infestation, etc) by the logistics department upon acceptance for every receipt of goods.

Our quality assurance department carries out risk-based random sample testing of the goods delivered.

### 3.2 Microbiological examinations

The goods delivered comply with the valid European and national legal requirements for foodstuffs or packaging materials. Compliance with test values is checked regularly. If the purchasing specifications of Brezelbäckerei Ditsch GmbH requires the supplier to have microbiological, chemical and physical examinations carried out, these are to be carried out at the supplier's own expense and the test results presented to Brezelbäckerei Ditsch GmbH upon request in written form.

### 3.3 Reserve samples of raw ingredients

The supplier must establish and apply a process that ensures the traceability of manufacturing and testing processes (personnel, machines) and the materials (batch, date code) of the delivery items.

The supplier is to establish reserve samples for the batches of goods delivered. The reserve samples are to be retained by the supplier at least for the duration of the retention periods specified in the product specifications and provided to Brezelbäckerei Ditsch in case of complaint. In the case of cardboard packaging, this applies only to hazardous substances and, in the case of service packaging, only to printed materials.

### 3.4 Complaints

In the case of a complaint, the supplier will be informed by the purchasing department by means of a complaint report. The supplier must ensure that this complaint is processed within 5 days of receipt. We expect notification that the complaint is being processed, followed by a written statement detailing the reason for the complaint and information about how this defect will be avoided in the future.

Repeated defects are a sign that processes are not under control and lead to a significant deduction of points in the supplier evaluation.

The costs for the commissioning of tests by external laboratories or experts will be borne by Brezelbäckerei Ditsch GmbH. Should a test commissioned by Brezelbäckerei Ditsch GmbH show that the goods tested deviate from the quality agreed, then the supplier shall bear the costs of the testing and all subsequent costs in full.

### 3.4.1 Costs of complaints

In the case of complaints and claims, Brezelbäckerei Ditsch will charge a fixed sum per complaint of EUR 110. This sum comprises the incurred personnel costs, in particular, e.g. for internal and external telephone calls, correspondence and booking costs. The right of the supplier to prove a lesser level of damage is expressly retained. Brezelbäckerei Ditsch GmbH is entitled to prove and claim a higher level of damage.

### 3.4.2 Returns

Goods that are not able to be utilised must be taken back by the supplier within 10 days at the supplier's expense – the supplier must arrange replacement goods immediately and at no charge, in liaison with the purchasing department.

Goods that are not able to be utilised at the Brezelbäckerei Ditsch GmbH outlets will be returned or destroyed within 48 hours after receiving a complaint in liaison with the supplier, at the expense of the latter.

## 3.5 Supplier evaluation

Supplier evaluations are carried out at regular intervals and form an essential part of our quality goals.

The specific areas evaluated are

- ✓ Compliance with delivery dates
- ✓ Compliance with delivery quantities
- ✓ Number of complaints within the evaluation period
- ✓ Serious complaints
- ✓ Settlement time in the processing of complaints by the supplier
- ✓ Technical product support by the supplier
- ✓ Flexibility in settlement of orders
- ✓ Results of supplier audits
- ✓ Certified management system (we aim for suppliers with a certified QM system (BRC, IFS, IoP certification) and thus positively evaluate the presentation of a certificate)

Using this evaluation, the supplier is classified into the categories A, B or C.

If a supplier is classified in category B, the supplier will receive notification and must present an appropriate list of measures to be taken in order to correct any deficiencies.

If a supplier is classified in category C, the supplier can be removed from the supplier list.

### 3.6 Supplier audits

Our quality assurance department carries out regular supplier audits. Brezelbäckerei Ditsch GmbH retains the right to examine the efficacy of the implemented system on site. The supplier will be informed of the planned audit in good time and must ensure that the audit runs smoothly.

The suppliers are obliged to correct deviations established in the audit report in good time. In the course of the audit, the supplier is obliged to grant Brezelbäckerei Ditsch GmbH or the persons appointed by the latter to perform the audit access to the supplier's business premises and production plants.

### 3.7 Traceability

The supplier must establish and apply a process that ensures the traceability of manufacturing and testing processes (personnel, machines) and the materials (batch, date code) of the delivery items.

## 4. Purchasing guidelines

The central purchasing department is situated in our head office at the Mainz location.

### 4.1 Collaboration with the purchasing department

Close cooperation between the supplier and our purchasing department is essential to achieve common goals. The supplier is obliged to communicate exclusively with the purchasing department in all commercial matters. Only the purchasing department is entitled to conclude contracts for raw ingredients and packaging.

Exceptions are delivery call-offs and individual orders, which can be carried out by the logistics departments in Mainz and Oranienbaum.

### 4.2. Product liability insurance

Throughout the business relationship, the supplier must maintain product liability insurance with an insured sum of EUR 10 million per personal/material damage case, which also covers compensation claims due to recall actions and damage on account of combination, mixing and processing, damage due to the absence of agreed characteristics, and testing and sorting costs. This also refers to Sections 683 and 670 of the German Civil Code (BGB) and Sections 830, 840 and 426 of the BGB. The supplier must provide evidence of the existence of insurance coverage upon request by Brezelbäckerei Ditsch GmbH by presenting a current insurance certificate.

If the supplier is responsible for product damage, the supplier is obliged to indemnify Brezelbäckerei Ditsch GmbH upon initial request against damage claims by third parties to the extent that the cause is established to be within the scope of the supplier's control and organisation, for which the supplier is liable for legal relationships with third parties

### 4.3 Liability for defects

The legal rights in the case of legal or material defects are fully available to Brezelbäckerei Ditsch GmbH; in each case, the company may, at its discretion, choose either a correction of the defects or delivery of new goods.

The right to compensation, particularly compensation instead of complete performance, is expressly reserved. The supplier is obliged within the scope of the statutory provisions to bear the costs of a replacement purchase.

## 4.4 Contractual conditions

The conditions stated in the Supplier Manual apply for fulfilment of the contract. The supplier confirms applicability of the conditions of the content by signing the confirmation of receipt of the Supplier Manual. This already applies at the enquiry stage.

## 4.5 Place of fulfilment and jurisdiction

Mainz is the place of fulfilment and jurisdiction for the contracting partners.

## 4.6 Applicable law

The law of the Federal Republic of Germany applies exclusively to the exclusion of the provisions of the United Nations Convention on Contracts for the International Sale of Goods (CISG).

## 4.7 Severability clause

Should a provision of this Supplier Manual be invalid, this shall not affect the validity of the remaining provisions. The Manual continues to apply and the invalid provision shall be replaced by one that comes as close as possible to achieving economic success.

## **5. Code of behaviour / declaration of commitment**

The company policy of Brezelbäckerei Ditsch GmbH dictates that all suppliers respect our code of behaviour and apply practices that are in line with this code.

The Declaration of Commitment (Annex B) and Confidentiality Obligation (Annex C) must be signed and returned to the central purchasing department in order for the contract to be valid.

### **Annex A – Supplier Checklist**

### **Annex B – Declaration of Commitment**

### **Annex C – Confidentiality Obligation**

### **Annex D – Confirmation of Receipt and Validity of the Content of the Supplier Manual**

### **Annex E – Energy Management**

### **Annex F – Checklist of Product Requirements**