

# Faribault Foods

SINCE 1895

## Supplier Requirements Manual



The Supplier Requirements Manual outlines the expectations and requirements for a successful relationship with Faribault Foods. Any questions regarding the Supplier Requirements Manual, please contact Faribault Foods Sourcing.

**Heike Allmann**

Head of Supply Chain.

Sourcing, Strategic Planning, Distribution

(507) 331-1477

[hallmann@faribaultfoods.com](mailto:hallmann@faribaultfoods.com)

**Juliana Martinez Ibarra**

Sourcing Director Raw Mtrl & Pkg,

Category Leader Commodities

(507) 331-1437

[jmibarra@faribaultfoods.com](mailto:jmibarra@faribaultfoods.com)

**Sara Sanborn**

Category Leader,

Ingredients

(507) 331-3393

[ssanborn@faribaultfoods.com](mailto:ssanborn@faribaultfoods.com)

**Lisa Wilson**

Category Leader,

Packaging

(507) 331-338973

[lwilson@faribaultfoods.com](mailto:lwilson@faribaultfoods.com)

**Paul Ryan**

Assistant Buyer

Pkg & Facilities

(507) 331-1406

[pryan@faribaultfoods.com](mailto:pryan@faribaultfoods.com)

*The Supplier Requirements Manual is a binding document. It is an integral part of the contractual agreement between Faribault Foods and its Suppliers. Policies stated in this manual override any policies submitted by Suppliers to Faribault Foods unless special exceptions have been made by an authorized member of Faribault Foods' Management Team.*

# TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
<b>1) Introduction .....</b>	<b>3</b>
Purpose & Scope	
Company Profile	
Faribault Foods Quality Policy	
General Expectations for Suppliers	
<b>2) Supplier Code of Conduct .....</b>	<b>4</b>
Labor & Human Rights	
Animal Welfare	
Health & Safety	
Environment	
Ethics	
<b>3) Quality Requirements .....</b>	<b>6</b>
General Expectations	
Good Manufacturing Practices (GMP's)	
Pre-Requisite Programs (PRP's)	
HAACP	
Quality Management System	
Documentation Requirements	
Supplier Audits	
Certificate of Analysis & Certificate of Conformance	
Business Continuity Plan	
Change Notification	
Charges for Poor Quality & Rejected Materials	
Recalls	
<b>4) Service &amp; Delivery Requirements .....</b>	<b>9</b>
Scheduling and Deliveries	
Shipping Documents	
Pallet Requirements	
Trailer Requirements	
Barcode Requirements	
Labeling Requirements	
Transportation	
Planning	
<b>5) Innovation Expectations .....</b>	<b>11</b>
General Expectations	
Technical & Quality Support	
Supplier Selection	
Sustainability	
<b>6) Business Expectations .....</b>	<b>12</b>
Cost Savings Expectations	
Payment Terms	
Lead Times	
Price Changes	
Verification of Insurance & W-9s	
Terms and Conditions	
Points of Contact	
Financial Documentation	
<b>7) Supplier Scorecard .....</b>	<b>14</b>
<b>8) Appendices .....</b>	<b>15</b>

## 1.0 INTRODUCTION

### 1.1 PURPOSE & SCOPE

The Faribault Foods (FFI) Supplier Requirements Manual was developed to define and communicate FFI's raw materials and finished goods requirements to its Suppliers to ensure that FFI is consistently receiving 1) the highest quality goods and services, 2) world-class levels of customer service, and 3) consistent, repeatable business processes from all Suppliers. By delivering to these expectations, FFI's valued Suppliers will create and maintain a critical and successful, long-term business relationship with Faribault Foods.

The requirements in this manual apply to those Suppliers who provide ingredients, packaging, and finished goods to FFI's production facilities in Faribault, MN and Tucson, AZ.

### 1.2 COMPANY PROFILE

Faribault Foods is a privately-held company and headquartered in Minneapolis, Minnesota. Founded in 1895, Faribault Foods started as a vegetable company and was known for its small-sized, juicy corn kernels, tiny 'petites pois' peas and a willingness to do everything we could to please our customers. From those humble beginnings, Faribault Foods portfolio grew to include canned vegetables, sauced beans, refried beans, baked beans, kids' and family style pasta, soup, chicken, chili, organic and Mexican specialties. In 2014 La Costeña acquired Faribault Foods and combined it with the Arizona Canning Company. Faribault Foods today, offers an extensive portfolio of premium food and beverage products. Our multiple locations enable us to source the best ingredients and transport our products more efficiently. Faribault Foods is also a major provider of private label and co-manufactured products to leading U.S. grocery, mass merchant, natural foods customers, and leading consumer packaged food companies.

To support the manufacturing of our quality products, Faribault Foods operates two (2) production facilities 1) Faribault and 2) Tucson.

The FFI Sourcing team strives to be a valued business partner that uses a 'total lowest' cost approach and makes connections across the extended supply chain to drive differential value for the company. Our Mission is to support & enable profitable business growth.

We work and partner with best in class suppliers that, like FFI, strive to provide their customers with the

highest quality products at the best price and pride themselves on their exceptional levels of customer service. We look forward to sharing the energy and excitement of the future with our chosen Suppliers.

### 1.3 FARIBAULT FOODS QUALITY POLICY

To ensure that we procure the highest quality raw materials and produce and sell the safest food products, Faribault Foods adheres to the SQF (Safe Quality Food) Program that is administered by the SQF Institute, a division of the Food Marketing Institute. The SQF program, a leading, global food safety and quality certification and management system, provides independent certification that a company's food safety and quality management system complies with international and domestic food safety regulations. The SQF certification assures FFI customers that our food has been produced, processed, prepared and handled according to the highest possible standards, at all levels of the supply chain.

As a valuable part of our supply chain, FFI Suppliers will be expected to meet our commitment to the SQF proposition of Safe, Quality Food. Thus, by ensuring that FFI Suppliers continually deliver safe, quality raw materials, Faribault Foods will maintain a program that allows for a consistent delivery of safe, quality food.

### 1.4 GENERAL EXPECTATIONS FOR SUPPLIERS

**1.4.1 Quality** - Suppliers are expected to be capable of providing materials and services which consistently meet Faribault Foods' specifications. Suppliers are expected to have a Quality Management System in place that emphasizes foreign material detection and prevention.

**1.4.2 Service** - Suppliers are expected to be capable of consistently delivering materials and services on the scheduled delivery date, free of damage, and in excellent condition.

**1.4.3 Technical Expertise** - Suppliers are expected to have an appropriate understanding of FFI's products and to be responsive to any technical or functional problems that Faribault Foods may be encountering with the suppliers' materials or services.

**1.4.4 Continuous Improvement** - Suppliers are expected to continuously improve the value of products or services delivered to Faribault Foods. The preferred approach to improving the value of products and services is to reduce the Total Cost of the product or service by the elimination of non-value added activities.

## 2.0 SUPPLIER CODE OF CONDUCT

The Supplier Code of Conduct applies to all Suppliers that do business with Faribault Foods. All Suppliers will comply with this code in all aspects of their operations that relate to their business with Faribault Foods. Additionally, Suppliers will ensure that their employees comply with this Code in all of their activities related to Supplier's business with FFI.

This Code cannot address every potential situation that relates to our standards of conduct. Employees encountering ambiguous situations which are not addressed specifically by the Supplier Code of Conduct should exercise sound judgment, seek advice when appropriate, and adhere to the highest ethical standards.

### 2.1 LABOR AND HUMAN RIGHTS

Suppliers must uphold the human rights of workers, and treat them with dignity and respect as understood by the international community.

#### 2.1.1 Fair Treatment

Suppliers must be committed to a workplace free of harassment. Suppliers shall not threaten workers with or subject them to harsh or inhumane treatment, including sexual harassment, sexual abuse, corporal punishment, mental coercion, physical coercion, verbal abuse or unreasonable restrictions on entering or exiting company provided facilities.

#### 2.1.2 Prevention of Involuntary Labor

Suppliers shall not use any form of forced, bonded, indentured, or prison labor. All work must be voluntary and workers shall be free to leave work or terminate their employment with reasonable notice.

#### 2.1.3 Prevention of Under Age Labor

Child labor is strictly prohibited. Suppliers shall not employ children. The minimum age for employment or work shall be 15 years of age, the minimum age for employment in that country, or the age for completing compulsory education in that country, whichever is higher.

#### 2.1.4 Wages and Benefits

Suppliers must pay all workers at least the minimum wage required by applicable laws and regulations and provide all legally mandated benefits. In addition to compensation for regular hours of work, workers must be compensated for overtime hours at the premium rate required by applicable laws and regulations.

#### 2.1.5 Freedom of Association

Suppliers must respect the right of workers to associate freely, form and join workers organizations of their own choosing, seek representation, and bargain collectively, as permitted by and in accordance with applicable laws and regulations.

### 2.2 ANIMAL WELFARE

For Suppliers whose business is related to the processing of animal products, those Suppliers are expected to maintain an unyielding commitment to the humane treatment of animals. Faribault Foods requires its Suppliers to implement humane procedures to prevent the mistreatment of animals at all times, including when they are raised, cared for, transported, and processed. Faribault Foods requires that Suppliers provide an environment that is free from stress, cruelty, abuse, and neglect throughout the life of the animal.

### 2.3 HEALTH AND SAFETY

Suppliers to Faribault Foods must be committed to creating safe working conditions and a healthy work environment for all of their workers.

#### 2.3.1 Occupational Injury Prevention

Suppliers must eliminate physical hazards where possible. Suppliers must also provide workers appropriate personal protective equipment. Workers must have the right to refuse unsafe working conditions without fear of reprisal until management adequately addresses their concerns.

#### 2.3.2 Prevention of Chemical Exposure

Suppliers must identify, evaluate, and control worker exposure to hazardous chemical, biological, and physical agents. Suppliers must eliminate chemical hazards where possible.

#### 2.3.3 Emergency Prevention, Preparedness, and Response

Suppliers must anticipate, identify, and assess emergency situations and events and minimize their impact by implementing emergency plans and response procedures.

#### 2.3.4 Occupational Safety Procedures and Systems

Suppliers must establish procedures and systems to manage, track and report occupational injury and illness. Such procedures and systems should encourage worker reporting, classify and record injury and illness cases, investigate cases and implement corrective actions to eliminate their causes, provide necessary medical treatment, and facilitate the workers' return to work.

#### 2.3.5 Communication

Suppliers shall ensure that workers receive appropriate workplace health and safety information and training, including written health and safety information and warnings in the primary language of its workers. Suppliers must post Material Safety Data Sheets in the primary language of its workers for any hazardous or

toxic substances used in the workplace and properly train workers who will come into contact with such substances in the workplace.

## **2.4 ENVIRONMENT**

Faribault Foods has a commitment to the communities in which it operates and a responsibility for the environments we impact. Faribault Foods seeks to work with Suppliers that share in this commitment.

### **2.4.1 Product Content Restrictions**

Suppliers are to adhere to applicable laws and regulations regarding prohibition or restriction of specific substances including labeling laws and regulations for recycling and disposal.

### **2.4.2 Chemical and Hazardous Materials**

Suppliers are to identify chemicals and other materials posing a hazard if released to the environment, and further, to manage these materials to ensure their safe handling, movement, storage, recycling or reuse and disposal.

### **2.4.3 Wastewater and Solid Waste**

Wastewater and solid waste generated from a Supplier's operations, industrial processes and sanitation facilities are to be monitored, controlled and treated as required prior to discharge or disposal.

### **2.4.4 Air Emissions**

Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations are to be characterized, monitored, controlled and treated as required prior to discharge.

### **2.4.5 Environmental Permits and Reporting**

All required environmental permits and registrations are to be obtained, maintained and kept current and their operational and reporting requirements are to be followed.

### **2.4.6 Pollution Prevention and Resource Reduction**

Waste of all types, including water and energy, are to be reduced or eliminated at the source or by practices such as modifying production, maintenance and facility processes, materials substitution, conservation, recycling and re-using materials.

## **2.5 ETHICS**

Suppliers must be committed to the highest standards of ethical conduct when dealing with workers, suppliers, and customers.

### **2.5.1 Corruption, Extortion, or Embezzlement**

Suppliers shall not engage in corruption, extortion, or embezzlement in any form and violations of this prohibition may result in immediate termination as a Supplier to Faribault Foods.

Suppliers shall be in compliance with all applicable federal, provincial, state, and local laws, rules, statutes, ordinances, and regulations including, without limitation, 29 CFR part 470, and all antitrust and competition laws.

### **2.5.2 Disclosure of Information**

Suppliers must disclose information regarding its business activities, structure, financial situation, and performance in accordance with applicable laws and regulations and prevailing industry practices.

### **2.5.3 No Improper Advantage**

Suppliers shall not offer or accept bribes or other means of obtaining undue or improper advantage. As a matter of sound procurement practice and basic business integrity, members of the Faribault Foods Sourcing team avoid any activities which may suggest that our procurement decisions are influenced by any irrelevant or improper consideration whether illegal, such as a kickback or bribe, or technically legal, such as personal friendship, favors, gifts or free entertainment. The giving and/or receipt of gifts (including the use of property) may raise questions of propriety concerning the relationship between the giver and receiver of the gift. Accordingly, employees of Faribault Foods may only accept non-cash gifts of insignificant value (under \$25.00 USD). Furthermore, FFI employees should in no way benefit financially due to transactions between Faribault Foods and any third party. Entertainment provided or funded by Faribault Foods Suppliers must be reasonably related to the business at hand at must not give rise to the impression that special influence is being sought.

### **2.5.4 Confidentiality**

Suppliers shall keep all supply agreements and customer information confidential, including pricing and all Faribault Foods specifications. Such information shall not be released to third parties without the prior written consent of Faribault Foods, unless compelled by a court of competent jurisdiction. This restriction will not apply to information known to a supplier which now or subsequently becomes known to the public through no fault of the Supplier.

### **2.5.5 Intellectual Property**

Suppliers must respect intellectual property rights; safeguard customer information; and transfer of technology and know-how must be done in a manner that protects intellectual property rights.



### 3.0 QUALITY REQUIREMENTS

#### 3.1 GENERAL EXPECTATIONS

Suppliers are expected to have a Food Safety & Quality Management System which ensures that business processes are capable of delivering materials and services that consistently meet regulatory requirements as well as Faribault Foods specifications. When materials and/or services are delivered which do not meet the stated requirements or specifications, Faribault Foods will consider this a failure of the supplier's Food Safety & Quality Management System. When failures of the Food Safety & Quality Management System occur, the supplier is expected to take appropriate and immediate corrective action to address the root cause of the failure.

Suppliers are expected to have Good Manufacturing Practices, Pre-Requisite Programs, HACCP Plans, and Quality Management Systems implemented and maintained at their facilities. All procedures and programs must be documented.

#### 3.2 GOOD MANUFACTURING PRACTICES (GMP's)

Suppliers are expected to have GMP's implemented at their facilities per Part 110 of the Code of Federal Regulations, Title 21, (CFR 110). GMP's are usually referred to as practices and procedures performed by a manufacture which can affect the safety of the finish product. GMP's may refer to the people, process, raw materials, equipment, packaging, and the environment in the production process.

#### 3.3 PRE-REQUISITE PROGRAMS (PRP's)

PRP's are the conditions that must be established throughout the food chain and the activities and practices that must be performed in order to establish and maintain a hygienic environment. PRP's, along with GMP's, are foundational to an organizations Food Safety & Quality Management System as they support HACCP Principles and Quality Management Programs. (See Appendix 8.1 for more information on PRP's)

#### 3.4 HACCP

Suppliers are expected to establish and maintain a HACCP Plan in accordance with the 12 steps and 7 principles of HACCP as referenced in the Codex

Alimentarius. The 12 steps and 7 principles of HACCP are listed in Appendix 8.1.

Each year a Supplier's HACCP team, which shall be led by a trained individual, shall develop, monitor, review, and validate the Supplier's HACCP plan.

#### 3.5 QUALITY MANAGEMENT SYSTEM

Suppliers to Faribault Foods are expected to establish and maintain a Food Safety and Quality Management System. Key components are included in Appendix 8.1.

#### 3.6 DOCUMENTATION REQUIREMENTS

Suppliers to Faribault Foods are required to provide the necessary documentation related to the product and/or service supplied. For instance, Suppliers may be required to provide the following documents to maintain an approved status with Faribault Foods:

- Allergen Statement
- Country of Origin
- Continuing Guarantee
- Food Safety/HACCP Statement
- USDA Establishment Number
- Certificate of Conformance
- Analytical Data Supporting Conformance
- GMO Statement
- Vendor Specification
- Product Label
- Organic Certificate
- Ingredient Affidavit
- Kosher
- MSDS

Suppliers will be contacted directly by Faribault Foods Corporate Quality Assurance in regards to the necessary and specific documentation requirements.

#### 3.7 SUPPLIER AUDITS

Faribault Foods Corporate Quality Assurance department performs audits of Supplier facilities and processes as deemed necessary. Audits are performed for the following reasons:

- To qualify a new Supplier.
- In response to incident(s) of a non-conforming material from the Supplier.

- To test and confirm the viability of the Supplier’s Food Safety and Quality Management System.
- To ensure that any significant changes to the Supplier’s product, process, or organization structure have not impacted their compliance with the requirements of this manual.
- To verify that corrective action has been taken by the Supplier to correct previous audit findings or in response to Supplier incident corrective action requests.

The Supplier will be given reasonable notice of the need for the audit and a date will be scheduled that is agreeable with the Supplier and the auditor.

Any Supplier that fails a 3<sup>rd</sup> party audit must immediately notify FFI Corporate Quality Assurance of the results of the audit, as well as the corrective actions and timing of corrective actions required to remedy the audit failure.

### 3.8 CERTIFICATE OF ANALYSIS & CERTIFICATE OF CONFORMANCE

For Suppliers providing goods to Faribault Foods (ingredients and finished goods), a Certificate of Analysis (COA) or Certificate of Conformance (COC) must be submitted for each lot number of material that is delivered to Faribault Foods. These documents provide a guarantee to Faribault Foods that the product shipped by the Supplier has been analyzed or inspected according to the Supplier’s documented methods and has been found to meet all applicable Faribault Foods specifications. The data required on Certificates of Analysis may be found on the applicable FFI specification for that item. Data on the COA must represent the actual test values obtained for the lot of material being shipped.

All Certificates of Analysis and Certificates of Conformance must contain the following information:

- FFI Item Number
- Supplier’s Lot Number
- Date of Manufacture
- COC: Statement that material conforms to FFI specifications
- COA: Data for attributes as defined in FFI specifications

The Certificates must be emailed to the Quality Assurance Manager at the facility upon which delivery will occur, prior to the arrival of the shipment to Faribault Foods.

**Faribault Plant**  
**Bridget Adelmann**  
 Phone: (507) 331-3395  
 Email: [badelmann@faribaultfoods.com](mailto:badelmann@faribaultfoods.com)

**Tucson Plant**  
**Omid Arani**  
 Phone: (520) 663-4720  
 Email: [oarani@faribaultfoods.com](mailto:oarani@faribaultfoods.com)

### 3.9 BUSINESS CONTINUITY PLAN

Suppliers must have a written business continuity plan which outlines the steps to be taken to ensure supply continuity to Faribault Foods in the event that the primary manufacturing site cannot be used due to natural disaster or other incident which renders the site unfit for use.

### 3.10 CHANGE NOTIFICATION

**All proposed changes or modifications to any of the Supplier’s products, whether permanent or temporary and including proprietary designs, must be reviewed and authorized in writing. The Supplier shall not make any changes in its recipe, formula, design, material, or manufacturing process without prior written authorization by Faribault Foods.**

In circumstances where a Supplier wishes to change manufacturing location(s), the Supplier must provide a written notification to Faribault Foods, and the new manufacturing location shall be qualified (through a Faribault foods Corporate Quality Assurance audit or a qualified 3<sup>rd</sup> party audit) and validation of the change shall be required.

**Under no circumstances can verbal requests be accommodated! All changes made by a Supplier to Faribault Foods must be in writing and no less than 90 days prior to any anticipated change.**

### 3.11 CHARGES FOR POOR QUALITY & REJECTED MATERIALS

All costs incurred by Faribault Foods that are associated with the Supplier’s failure to meet FFI’s quality requirements will be charged back to the responsible Supplier. Details of these costs will be outlined in a Supplier Incident Report (SIR). Additionally, Faribault Foods may assess an administrative charge of \$250 (USD) for the processing of SIR that requires corrective action. This charge covers the administrative costs incurred during the isolation of the non-conforming materials,

collection of data, and documentation of the quality incident.

The following types of charges may be assessed and will be calculated considering the actual time and costs incurred for the associated action.

Receiving Process
Sorting
Rework
Line Disruption
Premium Freight / Return Freight
Cost of Increased Inspection
Late Delivery
Excess Inventory
Misidentified Products
Shipping Documentation Errors

In-Process Fallout
Downtime
Overtime
Line Speed Reduction
Additional Manpower
Line Changes Due to Material Availability
Equipment Breakage
Associated Material Loss
Equipment Clean Out
Outside Processing Required
Rework Labor
Related Storage Costs
Product Destruction Costs incl Freight

Customer Issue
Replacement of Product at FFI Customer
All Related Recall Costs
Reimbursement of All Charges from FFI Customer
Cost of Internal Containment Actions

### 3.12 RECALLS

Faribault Foods takes seriously any report or discovery that products which it purchases or manufactures may be unsafe or do not meet regulatory requirements. All reports and instances shall be investigated. Product shall be recalled or withdrawn from the market if the regulatory definitions for recall or withdrawal are met.

Suppliers shall have a current, formally written and fully operative Product Recall/Withdrawal Procedure to isolate and ensure the timely retrieval from distribution and/or trade, product that is hazardous or potentially hazardous.

It is the Supplier’s obligation to notify Faribault Foods at the first sign of a food safety issue that may require a recall. Supplier should contact the specific plant and Quality Assurance Manager listed in section 3.8. Such notification can be done verbally or in writing via email. Actual receipt of such notice by Faribault Foods must be verified by the Supplier. The sending of notice via email, letter or voicemail without reply from Faribault Foods shall not constitute notice.

Because of the potentially significant financial implications of a recall or withdrawal, Faribault Foods also requires that all Ingredient Suppliers carry an insurance policy that addresses Adulterated Ingredient Product Recalls.



## 4.0 SERVICE AND DELIVERY REQUIREMENTS

Within established lead times, Faribault Foods requires **100% on-time delivery performance** from all of its Suppliers. It is the responsibility of the Supplier to notify the affected Faribault Foods facility of all possible delivery delays.

### 4.1 SCHEDULING & DELIVERIES

Faribault Foods' Receiving Department must be notified prior to all deliveries. **Dock times must be scheduled at least twenty-four (24) hours prior to delivery, by contacting the delivery location: APPOINTMENTS ARE REQUIRED FOR ALL LOCATIONS.**

Drop trailers and weekend deliveries may be required, as requested by Faribault Foods.

#### Faribault, MN

##### Plant & Industrial Park Warehouse

3200 Industrial Drive  
Faribault, MN 55021-3037

**For delivery to the Plant carrier must email or call 24 hours in advance.**

**Email:** [MNreceiving@faribaultfoods.com](mailto:MNreceiving@faribaultfoods.com)

Phone: 507-331-3367

Receiving hours: Monday-Friday, 7am-2:30pm

Raw Material Deliveries check in at Door #34

Finished Product Deliveries check in at Door #56

For emergency use only: (507) 331-1456

Raw Material Planners/Expeditors:

Kyle Meschke (507) 479-7078

[kmeschke@faribaultfoods.com](mailto:kmeschke@faribaultfoods.com)

Susi Lopez (507)-331-3378

[susi.lopez@faribaultfoods.com](mailto:susi.lopez@faribaultfoods.com)

Chris Silver (507) 331-1488

[csilver@faribaultfoods.com](mailto:csilver@faribaultfoods.com)

#### Minnesota Freezer Warehouse Company

1907 14<sup>th</sup> Street NE

Austin, MN 55912-0475

Ph # 507-437-1982

Fax # 507-437-1892

Receiving is FCFS 8am – 3pm M-F

\*\*\* Courtesy call recommended

#### Tucson, AZ

8755 S. Rita Road

Tucson, AZ 85747

Delivery hours: Monday- Friday: 7am-2:30pm

Delivery appointments are required. For appointment contact: Nadia Alejandra Jimenez at [najimenez@faribaultfoods.com](mailto:najimenez@faribaultfoods.com) (520) 358 4541 or Beth Pajkos at [bpajkos@faribaultfoods.com](mailto:bpajkos@faribaultfoods.com) (520)663-4761

Raw Material Planner / Expeditor:

Nadia Alejandra Jimenez (520) 358 4541

Beth Pajkos (520) 663-4761

### 4.2 SHIPPING DOCUMENTS

For every shipment to a Faribault Foods facility, a Bill of Lading and Packing slip must accompany the shipment. Bills of Lading and Packing Slips must contain the following information:

- FFI item #
- PO#
- Material Lot Numbers
- Date of Manufacture
- Quantity of Units Shipped
- Ship instructions with temperature to maintain (if applicable)
- Seal number
- Ship quantity per pallet
- Total ship quantity per item
- Supplier name & address

### 4.3 PALLET REQUIREMENTS

#### 4.3.1 Pallets

Pallets used to ship Faribault Foods product must meet the requirements of Faribault Foods Pallet Specification. See Appendix 8.2 for FFI's pallet specification.

#### 4.3.2 Slip Sheets

Ingredient Suppliers are also required to place slip sheets between the ingredients and the pallet itself, and another slip sheet on the top of the ingredients themselves. If an Ingredient Supplier cannot comply with this slip sheet requirement, Supplier must notify FFI Buyer.

#### 4.3.3 Allergens

For Suppliers that are providing ingredients that contain allergens, Supplier must indicate the type of allergen on the pallet and must segregate allergen and non-allergen ingredients on separate pallets.

#### 4.3.4 Organic Ingredients

For Suppliers that are providing organic ingredients, Supplier must segregate organic and conventional ingredients on separate pallets.

#### 4.4 TRAILER REQUIREMENTS

To ensure the security of incoming raw materials, goods, and finished products, Faribault Foods has implemented a trailer seal program. This program requires that all trailers are sealed by the Supplier or outside storage loading docks with a tamper evident, numbered seal, and that the seal number must be recorded on the Bill of Lading accompanying the load. Upon arrival, if the trailer is not sealed, the seal is broken, or the seal number(s) do not match those indicated on the incoming paperwork, FFI may, at its discretion, reject the load. Further investigation with the Supplier is required.

**Seals are also required on common carrier LTL's, as this is an SQF requirement.** If the seal has been broken prior to arrival, FFI requires that the driver sign a waiver and guarantees that the load has been secured with a padlock between delivery or pick up stops.

Dry Bean Suppliers are also required to submit trailer clean out sheets for all of their bean trucks and tankers that ship to Faribault Foods on bulk deliveries. All other raw materials received in Bulk must be accompanied by a bulk truck clean out certificate.

#### 4.5 BARCODE REQUIREMENTS

For non-bulk items (“non-bulk” meaning any raw material that requires containment in a form of packaging), all information on package labels must be bar-coded to FFI specifications. The information on the bar code must include:

- Purchase Order Number
- FFI Item Number
- Supplier Lot Number
- Date of Manufacture
- Quantity

Information must be provided on the bar-coded label in the order listed above. Each of the above pieces of information must be a separate bar code on the same label. The minimum height for each barcode is 1/2". All bar-coded information must also be listed below the bar code in human readable format.

Note: Regarding quantity, the information must include the Unit of Measure in human readable format, and the quantity must be the number per package (i.e., case, pallet, tote, lb, each, etc.)

If Supplier cannot meet the Barcode requirements, Supplier must notify FFI Buyer.

#### 4.6 LABELING REQUIREMENTS

For non-bulk items, one (1) self-adhesive barcode label is required per case. Barcodes on two adjacent sides of the case is preferred. The minimum and target size for bar code labels is 4"x6". The minimum height of the human readable information is 1/4". The bar-coded side of the case must be on the outside of the pallet. All labels must include a brief description of the product. Any pallet of product shipped to Faribault Foods that does not contain multiple lots, multiple Faribault Foods item numbers, or multiple purchase orders requires pallet placard labels, in addition to individual case labels. See the information below regarding pallet placard labels.

When pallet placards are required, the pallet placard label must include the same bar-coded and human readable information outlined above (PO#, Item #, Lot #, and Quantity). Minimum size for the pallet placard labels is 8 1/2"x11". The minimum height of the information is 1/2". Each pallet must have a minimum of two placard labels on adjacent sides of the pallet. A pallet placard on all four (4) sides of the pallet is preferred. The pallet placard label must provide the total quantity of units on the entire pallet.

If Supplier cannot meet labeling requirements, Supplier must notify FFI Buyer.

#### 4.7 TRANSPORTATION

Buyers will work with Suppliers to coordinate the transportation of raw materials into Faribault Foods facilities. Generally, shipment terms for raw materials will fall under two (2) primary classifications: 1)Ex-works (FFI responsible) or 2) Delivered (Supplier responsible).

**“Ex-works” terms.** The Supplier makes the goods available at their premises. FFI is responsible for all charges. “Ex-works” means that the Supplier has the goods ready for collection at their premises on the date agreed upon. FFI pays all transportation costs and also bears the risks for bringing the goods to the FFI facility. In order to avoid premium freight charges, Suppliers are required to utilize carriers that Faribault Foods has approved. In cases where Supplier arranges freight, Supplier is required to contact their appropriate FFI Buyer to ensure that extra freight charges or costs do not exceed the norm (e.g. existing carrier contracts). The Supplier shall track and keep record of such "premium freight" costs and immediately report these extra charges to the appropriate Faribault Foods Buyer for approval.

**“Delivered” terms** - The Supplier pays for all transportation costs and bears all risk until the goods have been delivered.

Should there be any questions on what carrier to use, Suppliers should contact the appropriate Buyer or Mike Ross (phone: 507-331-1439, email: [mross@faribaultfoods.com](mailto:mross@faribaultfoods.com)) Faribault Foods Transportation.

## 4.8 PLANNING

To assist in achieving a 100% on-time delivery performance, Suppliers can expect to receive an annual demand requirement for raw materials needed at Faribault Foods’ production facilities. Faribault Foods utilizes an MRP (material requirements planning) module in conjunction with its master production scheduling and demand requirements planning, and Suppliers are able to capture their annual product demand expectations (in monthly buckets) whenever necessary. Suppliers interested in utilizing the MRP feature should contact the appropriate FFI Buyer.

## 5.0 INNOVATION EXPECTATIONS

### 5.1 GENERAL EXPECTATIONS

Suppliers to Faribault Foods are expected to be proactive and responsive to technical and innovative issues which Faribault Foods may be experiencing with the supplier's products.

### 5.2 TECHNICAL & QUALITY SUPPORT

Suppliers are expected to employ personnel who are knowledgeable of their respective product industry and Faribault Foods applications of their products. These personnel must be willing to work with Faribault Foods personnel during joint development projects. The Supplier's Quality personnel are also expected to be knowledgeable, and trained and certified in appropriate Food Safety & Quality Management Systems, preferably with standards of the SQF program. Suppliers are expected to continually develop their products in a manner which increases total value.

### 5.3 SUPPLIER SELECTION

Faribault Foods uses a cross-functional process to select and approve Suppliers. During the process, Faribault Foods looks for Suppliers that have innovative capabilities, commit to strong Quality programs, are financially viable, provide exceptional customer service, and are cost competitive. The

decision to select a supplier can include many cross-functional team members. Some suppliers will be accepted with conditions that must be addressed before the award of business. Upon approval, Suppliers will be added to the Approved Supplier List.

### 5.4 SUSTAINABILITY

Suppliers are expected to conduct their business in a safe, sustainable manner, consistent with all laws, and focusing on reducing the carbon footprint of their activities.

The general expectations of Faribault Foods require its Suppliers to conduct their operations in a socially and environmentally responsible manner. The goal is to work collaboratively with Suppliers to encourage this expectation.

We respect the needs and concerns of the communities in which we live and work. This is exemplified in Faribault Foods' long tradition of caring about the quality of the environment. Our products, services, and manufacturing methods reflect this concern and our belief that what is good for the environment is good for Faribault Foods. We value our Suppliers who share in the same belief and purpose.

## 6.0 BUSINESS EXPECTATIONS

All raw materials and finished goods are obtained through a centralized purchasing process. Buyers at Faribault Foods are responsible for categories of materials and goods, so as to develop consistency in sourcing strategies and to streamline communication between the Supplier and Faribault Foods. Buyers are responsible for developing our existing suppliers, awarding new business and adding new suppliers, and establishing terms and conditions with all Suppliers.

### 6.1 COST SAVINGS EXPECTATIONS

In response to our customer demands for year-over-year cost reductions, Faribault Foods has been forced to reduce prices by up to 5 percent every year to retain current business and gain future business. As a result, Suppliers to Faribault Foods should also focus on value improvement through cost reductions, along with the same commitment to year-over-year cost improvement.

FFI suppliers are expected to provide and implement ideas which will improve the value Faribault Foods receives from the Supplier's products or services.

Some of these activities may include:

- Product Enhancements/Improvements
- Alternate Materials
- Increased Capacity
- Lean Manufacturing Initiatives, Scrap Reduction
- Local Production
- Locally Stocked or Vendor Managed Inventory
- Decreasing Faribault Foods inspections
- Improved Process Control

Suppliers are challenged to achieve an annual 5% Year-Over-Year Price Reduction as a value improvement to Faribault Foods.

### 6.2 PAYMENT TERMS

FFI Suppliers are expected to abide by market-competitive payment terms. Standard payment terms for new Suppliers are **2% 30 days / Net 60 days**.

### 6.3 LEAD TIMES

FFI Suppliers are expected to decrease lead times whenever possible (without increasing Total Cost), thereby allowing Faribault Foods to continue its streamlined model of just-in-time inventory planning.

### 6.4 PRICE CHANGES

Faribault Foods requires a minimum of 90 days notice of a price increase. All price increases must be submitted in a written format by using the Price Change Form (in Appendix 8.3). Any price decreases are immediate and do not require a written notification.

### 6.5 VERIFICATION OF INSURANCE & W-9s

Suppliers must be able to demonstrate that Faribault Foods is named as **insured, as part of their overall insurance protection. Before a new Supplier can be entered into FFI's database, a certificate of insurance must be received by the appropriate Buyer and/or FFI's Finance Department, showing the minimums for general liability and product liability.** Suppliers will provide FFI thirty (30) days prior written notice of any cancellation or change in coverage.

Also, Suppliers must provide verification of their W-9 forms. Before a new Supplier can be entered into FFI's database, a Supplier's W-9 form must be verified by the appropriate FFI Buyer of FFI's Finance Department.

### 6.6 TERMS AND CONDITIONS

Supplier must comply with all applicable laws, economic & trade sanctions issued by the Office of Foreign Asset Control (OFAC) and conduct all operations in compliance with CTPAT, MTSAs, or the FSMA Food Defense model.

**Unless a mutually-agreed upon contract exists between the Supplier and Faribault Foods, all transactions conducted with Faribault Foods will be governed by the terms and conditions set forth in the Faribault Foods PO Terms & Conditions document (see Appendix 8.5).**

### 6.7 POINTS OF CONTACT

Suppliers must provide points of contact information to the Faribault Foods Sourcing Department for the following positions within the supplier organization:

- Sales Representative
- Sales Manager
- Customer Service Representative
- Back-up Customer Service Representative



- Shipping Contact
- Technical Support/R&D Contact
- Plant Manager(s)
- Quality Contact
- Emergency or After-Hours Contact

Telephone number, Fax number, and email addresses must be provided for each individual. Along with signing the Agreement Confirmation, Suppliers are expected to supply the points of contact information in Appendix 8.0. If the Quality contact of your organization is not the Recall contact, please note in the Agreement Confirmation form and include the appropriate Recall contact for your company at the end of the form.

### **6.8 FINANCIAL DOCUMENTATION**

In order to mitigate credit risk, FFI Suppliers are expected to share information in regards to their

financial standing and condition. For privately-owned companies, FFI understands and respects the need for privately-owned companies to maintain a certain level of confidentiality. However, FFI expects its Suppliers to share financial documentation when doing business with Faribault Foods. For all Suppliers, FFI values those Suppliers that proactively share company news, financial information, and earnings releases.

The goal at Faribault Foods in requesting this information is not to exploit any Supplier's financial information, but rather to mitigate supply risk in situations where FFI may be most vulnerable. Consequently, Suppliers that do not share any financial information with Faribault Foods will be ranked lower on the Supplier Scorecard (see next section, Section 7.0) and deemed a higher credit risk.

## 7.0 SUPPLIER SCORECARD

On an annual basis (Faribault Foods' fiscal year, April to March), Faribault Foods will collect, analyze, and review performance data of its Suppliers. Supplier performance is evaluated in the areas of Quality, Service, Cost, Innovation, Sustainability, and Business Issues. The results of this evaluation are shared with Suppliers to discuss overall Supplier performance as well as specific areas where Suppliers are excelling and opportunities for Suppliers to improve.

As a general expectation, Suppliers are expected to continually improve, year-over-year, in their Supplier scorecard rankings. Listed below are the major criteria that are used to measure a supplier's performance through the Supplier Scorecard.

### *Section 1 – Quality*

- **Audit Score** – FFI Corporate Quality will assign a score to an FFI physical audit of Supplier's facility or assign a score based upon a Supplier's 3<sup>rd</sup> party audit score.
- **Supplier Incident Reports (SIRs)** – Suppliers will be evaluated on the number of Supplier incident parts per annual quantity provided to FFI during the year.
- **Responsiveness to SIRs** – Suppliers will be graded on their responsiveness and corrective actions to SIRs, including a Supplier's self-assessment.

### *Section 2 – Service*

- **On-Time Deliveries** – Suppliers will be evaluated on their yearly performance of delivering raw materials on-time, the first time.
- **Lead Time** – Suppliers will be evaluated on their ability to lower lead times to FFI.
- **Emergency Shipments/Expediting** – Suppliers will be graded on their ability to meet expedited or emergency shipments, including a Supplier's self-assessment.
- **Supplier Responsiveness** – Suppliers will be graded on their overall responsiveness in all service issues, including a Supplier's self-assessment.

### *Section 3 – Cost*

- **Price Stability** – Supplier will be evaluated on their ability to keep pricing stable or decreasing throughout the year.

- **Competitive Pricing** – Suppliers will be evaluated by their ability to be competitive to market prices, including a Supplier self-assessment.
- **Cost Savings** – Suppliers will be ranked on cost savings opportunities that were identified and delivered throughout the year.

### *Section 4 – Innovation*

- **Capabilities** – Suppliers will be ranked on their demonstrated technical expertise and innovation throughout the year, including a Supplier self-assessment.

### *Section 5 – Sustainability*

- **Sustainability Initiatives** – Suppliers will be evaluated based upon their demonstrated and published Sustainability goals and objectives.

### *Section 6 – Business Issues*

- **Compliance with Supplier Requirements Manual and/or Supply Agreement** – Suppliers will be ranked low for a “no,” high for a “yes.”
- **Rank of Supplier's openness on credit or financial documentation** – Suppliers will be evaluated on their willingness to share financial information, submitted documentation on W-9s and Certificates of Insurance.

Supplier Scorecard will be reviewed annually. Each section will be graded on a scale of 1 to 5, with 5 being considered “Excellent” or the highest ranking and 1 being considered “Unacceptable” or the lowest ranking. Further, each section will be compared to the Supplier's previous year's result to formulate a “trend indicator” for each graded supplier. A Supplier Scorecard Template is included in Appendix 8.4.

Faribault Foods will use the Supplier Scorecard as a bellwether for supplier performance throughout the year. The data and rankings of the Supplier Scorecard will be used for Supplier Selection and as a determining factor to continue business with higher-ranked Suppliers, or to possibly diminish business with lower-ranked Suppliers.

Once information is compiled for the Supplier Scorecard, FFI Buyers will share the detailed performance metrics with their Suppliers.

### 8.0 APPENDIX

<b>SUPPLIER POINTS OF CONTACT</b>				
<b>Position</b>	<b>Name</b>	<b>Phone</b>	<b>Fax</b>	<b>Email</b>
Sales Representative				
Sales Manager				
Customer Service Representative				
Back-Up Customer Service Representative				
Shipping Contact				
Technical Support/ R&D Contact				
Plant Manager				
Quality Contact				
Emergency/After Hours Contact				

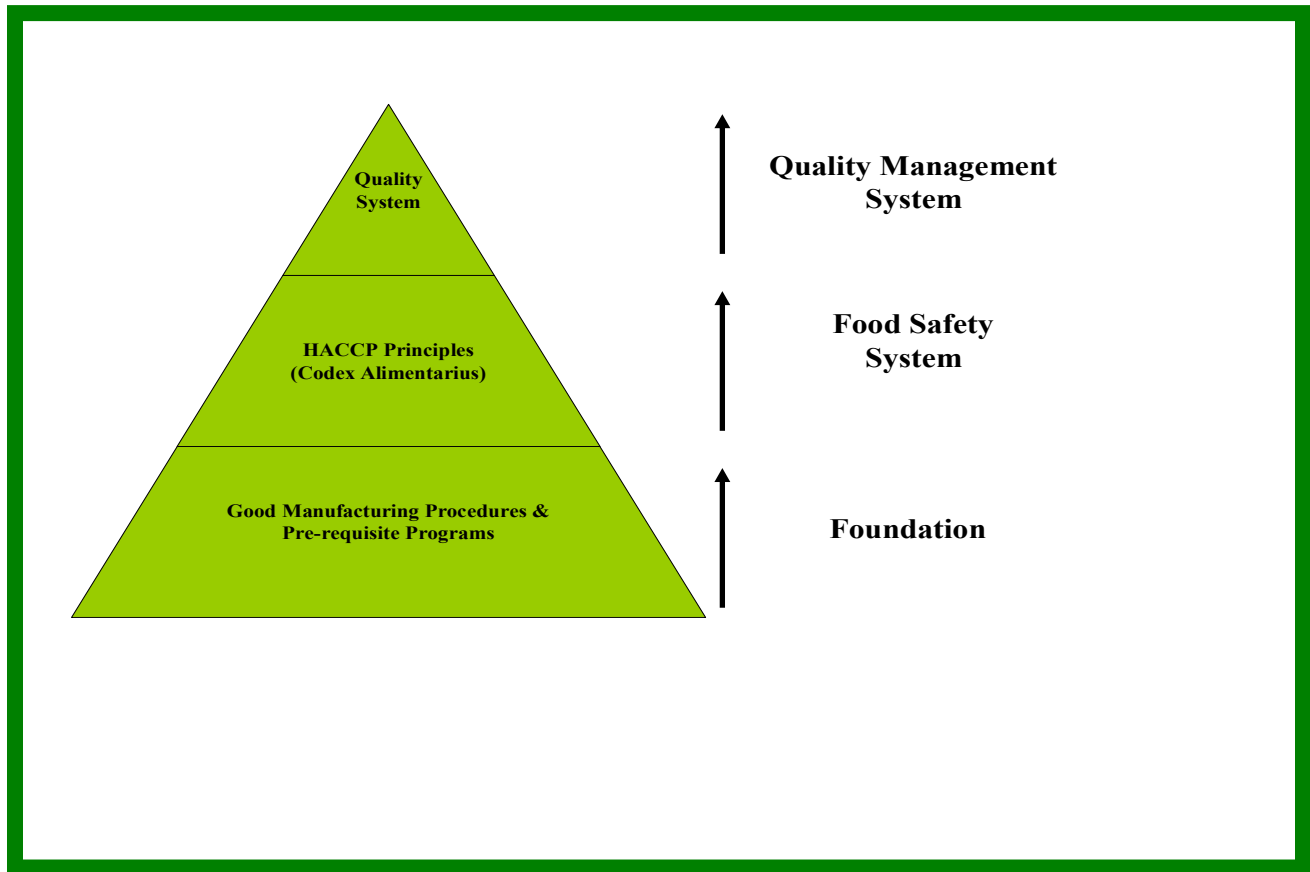
## 8.1 APPENDIX

### PRE-REQUISITE PROGRAMS, HACCP, & QUALITY MANAGEMENT SYSTEMS

Suppliers to Faribault Foods are expected to have a Food Safety & Quality Management System in place that incorporates the following modules:

- Quality Management System,
- Food Safety System established by HACCP (Hazard Analysis Critical Control Points),
- Good Manufacturing Practices and Pre-Requisite Programs.

### Food Safety & Quality Management System Pyramid



### Pre-Requisite Programs

#### Personnel Practices

*GMP's related to employees personal practices (health, clothing, jewelry).*

#### Personnel Processing Practices

*GMP's related to personnel processing practices (improper equipment storage, improper use of product packing, non hand washing upon entering area).*

#### Training of Personnel

*Appropriate training shall be provided for personnel carrying out the implementation and maintenance of the Food Safety and Quality Management System.*

#### Calibration of Equipment

*All equipment used in the measurement, test, and inspection of the raw materials, packaging, and finish product must be calibrated. Calibration of equipment must be performed with NIST Certified devices.*

Pests Control Program

*Supplier's facility shall have a pest control program which is designed to prevent pest activity within the facility and its surrounding area. Chemicals used in the pest control program must be approved, properly labeled, and stored in a secure area.*

Premises and Equipment Maintenance

*The methods and responsibility for preventative and reactive maintenance shall be carried out in a manner that minimizes risk of product, packaging, and equipment contamination.*

Cleaning and Sanitation (SSOP)

*Suppliers of food components and packaging materials intended for food contact shall have a cleaning and sanitation program that ensures the cleanliness of Supplier's equipment and facilities.*

Monitoring Water Microbiology and Quality

*Water used in the processing of food products and cleaning food contact surfaces shall comply with national or international recognized potable water microbiological and quality standards.*

Foreign Material Control

*Supplier's facilities shall have a program designed to prevent the introduction of foreign materials. The prevention equipment must be of appropriate design for the specific product. Wood, Glass, and Brittle Plastic policies must be in place.*

Supplier Approval

*A register must be in place of Approved Suppliers, Producers, and Growers.*

Transport and Delivery

*A procedure for the practices applied during loading, transport, and unloading of food shall be maintained. Foods shall be transported under conditions suitable to prevent cross contamination.*

Waste Management and Disposal

*Supplier shall have a program in place that ensures the timely removal of waste from the food handling or processing area.*

Allergen and Sensitive Ingredients Control

*Suppliers shall develop and maintain an allergen and sensitive ingredient control program.*

*Supplier's GMP's and PRP's, complete with supporting documentation shall be an integral part of the facility's Faribault Foods Audit.*

## HACCP

Suppliers are expected to establish and maintain a HACCP Plan in accordance with the 12 steps and 7 principles of HACCP as referenced in the Codex Alimentarius. The 12 steps and 7 principles of HACCP are as follows:

- HACCP – 12 Step Process
  - 1) Assemble a HACCP Team.
  - 2) Describe the product.
  - 3) Identify the intended use of the product.
  - 4) Construct a flow diagram.
  - 5) Onsite confirmation of flow diagram.
  - 6) Conduct a hazard analysis **(Principle 1)**.
  - 7) Determine Critical Control Points -CCP's **(Principle 2)**.
  - 8) Establish critical limits **(Principle 3)**.
  - 9) Monitor CCP's **(Principle 4)**.
  - 10) Establish corrective actions **(Principle 5)**.
  - 11) Establish procedure for verification of the HACCP Plan **(Principle 6)**.
  - 12) Ensure proper documentation and records are maintained **(Principle 7)**.

Each year a Supplier's HACCP team, which shall be led by a trained individual, shall develop, monitor, review, and validate the Supplier's HACCP plan.

*Supplier's Food Safety (HACCP) System, complete with supporting documentation shall be an integral part of the facility's Faribault Foods Audit.*



## Quality Management System

### Quality Commitment -

*Senior Management of the Supplier shall provide evidence of its commitment to implement and maintain an effective Food Safety and Quality Management System.*

### Organization Structure –

*Supplier shall have an organizational reporting chart highlighting those individuals who have Food Safety and Quality responsibilities.*

### Product/Process Change Control -

*Supplier shall keep documented records of product and process changes. Supplier must contact Faribault Foods when a product or process change has occurred.*

### Document Control and Records -

*Supplier shall maintain a list of all documents including amendments and current revision. Record review, control, and retention must adhere to the appropriate product, customer, or regulatory requirements. i.e. Organic–5 years,*

### Specifications -

*Supplier shall have specifications for raw materials, packaging, and finished products.*

### Test and Release -

*Supplier shall have procedures for the testing and release of raw materials, packaging, and finished product. Methods used in the analysis of these categories shall conform to nationally recognized standards.*

### Non-Conforming Product –

*Supplier shall develop a program that properly identifies and isolates non-conforming product from comingling with released finish product.*

### Corrective and Preventative Action –

*Supplier shall have a corrective action program that documents the problem (internal or external), person assigned to correct the problem, and the root cause analysis performed to prevent reoccurrence.*

### Product Rework -

*Supplier shall have a procedure outlining the criteria and methods for how product can be reworked.*

### Verification/Validation of Management System –

*Supplier shall have a program that verifies and validates the authenticity of the Food Safety and Quality Management System.*

### Product Identification, Traceability & Mock Recalls -

*Supplier shall have a procedure in place that clearly outlines proper labeling, label control, and lot coding of finish product. Finish product shall be traceable to the customer as well as the raw material supplier. A mock product recall procedure must be in place a tested semi-annually. Supplier must notify Faribault Foods if their facility has performed an actual product recall.*

### Site Security –

*Supplier shall implement a plan to assure the security of the facility from sabotage or terrorist incidents.*

### Customer Complaints –

*Supplier shall have a procedure for addressing customer complaints.*

### Chemical Control –

*Supplier shall have a Non-Food Chemical Control Program. A Chemical register shall be maintained. Access to toxic and hazardous chemicals must be restricted.*

### Internal Audit –

*Supplier shall have an internal audit program in place that annually test and reviews each component of their Food Safety and Quality Management System.*

### Facility Inspection Program –

*Supplier shall have a Facility Inspection Program in place which assesses the physical condition of the plant and includes GMP's.*

*Supplier's Quality Management System, complete with supporting documentation shall be an integral part of the facility's Faribault Foods Audit.*

## 8.2 APPENDIX FARIBAULT FOODS PALLET SPECIFICATION

### MINIMUM ACCEPTABLE SPECIFICATIONS:

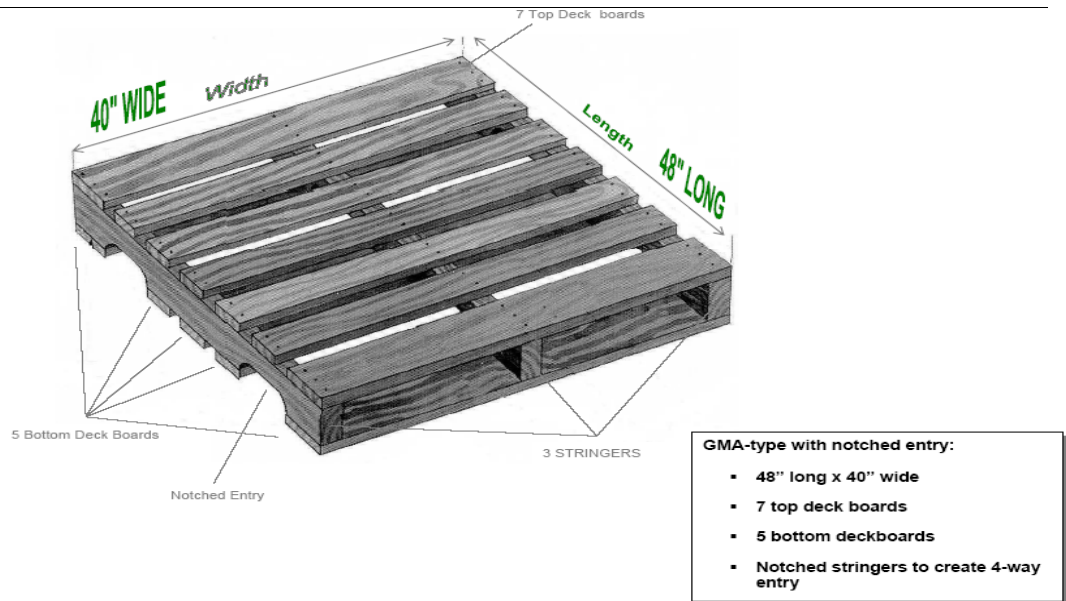
<b>Measurements:</b>	- Hardwood Grade A/GMA #1 - 4-way entry construction	- 48" x 40" - Load bearing capability of 2,500 pounds
<b>Top Deck Boards:</b>	- Minimum 7 solid, evenly spaced 5/8" thick boards - 5 1/8" wide end boards - No board chips exceeding 1" x 18"	- No loose boards - 3-1/8" wide inner boards - Grain/nail cracks acceptable if secured
<b>Bottom Deck Boards:</b>	- Minimum 5 solid, evenly spaced 5/8" thick boards - 5 1/8" wide end boards - No board chips exceeding 1" x 18"	- No loose boards - A minimum of three 3-1/8" center boards - Grain/nail cracks acceptable if secured
<b>Stringers:</b>	- 2 end stringers 1 1/4" wide x 3 1/2" high - No double or block-patched stringers - No split or broken stringers	- 1 center stringer 1 1/4" wide x 3 1/2" high - No unplated splits of 2" or more

NOTE: Stringers repaired with metal connector plates are acceptable as described and applied by requirements outlined by the National Wooden Pallet and Container Assn.

<b>Protruding Nails:</b>	None acceptable
<b>Protruding Plates:</b>	None acceptable
<b>Contamination:</b>	No grease, chemicals, residue, stains or odors that could soil/damage product, its packaging, & trailer or storage facility. Pallets exchanged for export shipments must be certified as nematode free.

Shipments on CHEP pallets only when required.

*Based upon Faribault Foods minimum acceptance specifications above, the drawing below is a sketch of a 4 way entry Grade A/GMA #1 New or Rebuilt to new specifications pallet.*





## 8.4 APPENDIX SUPPLIER SCORECARD TEMPLATE

SUPPLIER SCORECARD										
FARIBAUT FOODS										Date:
Supplier Scorecard										Approved by:
Supplier:					Period Covered:					
Supplier Products:					Total Spend during Period:					
Ranked By:										
Requirements										
Section	Unacceptable	Average	Average	Average	Excellent	N/A	TOTAL SCORE	PREVIOUS SCORE	TREND	COMMENTS
QUALITY	1	2	3	4	5	N/A	TOTAL SCORE	PREVIOUS SCORE	TREND	COMMENTS
Quality Audit Score (x3)	<70	71-80	80-90	90-95	95-100		0			
Frequency of Supplier Incident Reports (ratio of parts rejected to FY11 volume) (x3)	>10%	7 to 9%	4 to 5%	1 to 3%	0%		0			
Responsive to SIRs (QA is available and responds in a timely manner) (x2)	Not responsive	Somewhat responsive	Responsive	Very responsive	Exceptionally responsive		0			
SERVICE	1	2	3	4	5	N/A	TOTAL SCORE	PREVIOUS SCORE	TREND	COMMENTS
On-Time Deliveries	<90%	90-96%	96-98%	98-99%	99-100%		0			
Lead times	Over 30 days	20-30 days	15-20 days	10-15 days	< 10 days		0			
Supplier's ability to accommodate emergency shipments/Expediting	Not at all capable	Somewhat capable	Capable	Very capable	Highly capable		0			
Overall Supplier Responsiveness (CSR & Sales are available and responsive)	Not responsive	Somewhat responsive	Responsive	Very responsive	Exceptionally responsive		0			
COST	1	2	3	4	5	N/A	TOTAL SCORE	PREVIOUS SCORE	TREND	COMMENTS
Price Stability (supplier decreased or kept pricing at par)	+5%	+2 to +4%	0 to +2%	At Par	Decreased		0			
Competitive Pricing (Supplier's pricing is competitive to market)	Not competitive	Somewhat competitive	Competitive	Highly competitive	Industry Leader		0			
Cost Savings Implementations (x2)	None	0-1%	1-3%	3-5%	>5%		0			
INNOVATION	1	2	3	4	5	N/A	TOTAL SCORE	PREVIOUS SCORE	TREND	COMMENTS
Innovation Capabilities (demonstrated technical expertise to meet FFI demands)	Not at all innovative	Somewhat innovative	Innovative	Very innovative	Highly innovative		0			
SUSTAINABILITY	1	2	3	4	5	N/A	TOTAL SCORE	PREVIOUS SCORE	TREND	COMMENTS
Supplier has Sustainability programs and goals	Nothing	Planning	In place	Getting results	Industry Leader		0			
BUSINESS ISSUES	1	2	3	4	5	N/A	TOTAL SCORE	PREVIOUS SCORE	TREND	COMMENTS
Signed Supplier Requirements Manual or Supply Agreement in place?	No				Yes		0			
Insurance, W-9s, Supplier Financials & shared information	0%		50%		100%		0			
<b>TOTAL SCORE</b>							<b>0</b>	<b>0</b>	<b>0</b>	

## 8.5 APPENDIX

### FARIBAULT FOODS, INC. PURCHASE ORDER TERMS AND CONDITIONS

1. **CONDITIONS OF ACCEPTANCE:** Seller's acceptance of this purchase order is subject to the terms herein and on the face of this purchase order and any technical descriptions, guidelines or specifications, manuals, or policies, as amended from time to time at FFI's discretion ("Stipulations"), all of which are incorporated herein by reference. The Stipulations will be provided to Seller upon request. The terms herein and on the face of this purchase order, along with the Stipulations, are referred to as the "Order". This Order governs all terms of sale. If a conflict between, or limitation arising under, any of the terms of this Order and the terms of any of Seller's documents or proposals, including any Seller document incorporated by reference into this Order exists, the terms of this Order prevail. The rights and remedies set forth in this Order are cumulative and are in addition to, and not in lieu or exclusive of, any rights and remedies to which FFI is entitled under the Uniform Commercial Code ("UCC"), except as expressly limited herein. It is specifically agreed that this Order is not covered by nor construed in accordance with the terms of the following international conventions: (i) the Uniform Law on the Sale of Goods and the Uniform Law on the Formation of Contracts for the International Sale of Goods, (ii) the United Nations Convention on Contracts for the International Sale of Goods of 1980, and (iii) the United Nations Convention on the Limitations Period in the International Sale of Goods, concluded in New York on 14 June, 1974, and the Protocol Amending the Convention on the Limitations Period in the International Sale of Goods, concluded in Vienna on 11 April, 1980. "Goods" means any goods which are the subject of this Order. FFI is not obligated to purchase any Goods from Seller, and there is no minimum volume guaranteed to purchase from Seller unless the face of this Order states otherwise.

2. **ENTIRE AGREEMENT:** This Order constitutes the entire agreement between the parties regarding the Goods and supersedes all previous oral or written negotiations and understandings regarding the Goods. The terms of this Order can only be amended by written agreement of the parties.

3. **ASSIGNMENT/CHANGE OF CONTROL:** Seller may not effect an Assignment of its rights and obligations under this Order without FFI's prior written consent, which shall not be unreasonably withheld or delayed. An "Assignment" is an assignment or other transfer of Seller's interest in or rights or obligations under this Order, including a change of control in Seller or the entity that controls Seller through the sale of all or a substantial part of the assets or shares of Seller. Seller will not be released from any of its obligations under this Order following any

Assignment. The entity that assumes Seller's rights or obligations under this Order (whether directly or through a change in control) is bound by the terms and conditions of this Order.

4. **INVOICING/SHIPPING INSTRUCTIONS:** Seller will invoice FFI for the amounts due under this Order. Except as otherwise set forth on the face of this Order, FFI will pay Seller all undisputed amounts within sixty (60) calendar days after receipt of the applicable invoice or receipt of the goods, whichever is later or within such lesser period of time as is required by law. Seller agrees to

reconcile all charges, invoices, costs, expenses or other amounts due from FFI in writing within one hundred twenty (120) days of the initial invoice or one hundred twenty (120) days after the receipt of the Goods, whichever is earlier. Seller agrees that if it does not bring said charges, invoices, costs, expenses or other amounts due from FFI to FFI's attention in writing within such time frame, it thereby waives any rights associated with such claims, regardless as to the validity of the claims. No claims will be made for less than one hundred dollars (\$100). Seller shall: (a) include in each shipment separate packing slips and invoices showing FFI order number, FFI item or mark number, description of the Goods, price and quantity shipped; (b) accept payment according to the terms on the face of this Order; (c) include any applicable cash discounts on all invoices; (d) on all shipments chargeable to FFI, attach transportation receipts to the invoice, as FFI will only pay for actual freight cost incurred; and (e) notify FFI, as applicable, of the following: (i) number of packages, size, weight; (ii) method of protection during shipment; and (iii) suggested method for storage and protection upon arrival.

5. **GOODS:** Seller represents, warrants and covenants that the Goods (and the manufacture, packaging, storage, handling, transportation, and delivery thereof): (i) shall conform in all respects to the description in this Order, including, without limitation, FFI's then current Stipulations; (ii) will comply with all applicable laws, rules, regulations, codes and ordinances of the country(ies) of manufacture and of delivery; (iii) shall be new, of first class commercial type and of the latest approved design, unless otherwise specified on the face of this Order; and (iv) will be merchantable, of the best quality, of good material and workmanship, and free from defects that might render the Goods unsuitable or inefficient for the purpose for which they are to be used. Seller guarantees the Goods for the period of time normally specified for the type of Goods involved, but in no event for less than twelve (12) months from the date of final acceptance subject to

Section 9 below. During the warranty period, all Goods or parts disclosing defects in design, material, or workmanship shall be replaced and delivered by Seller, without cost or delay to FFI. This warranty is in addition to, and not in lieu of, any other guarantees made by Seller or created or implied as a matter of law. All warranties, including, without limitation, the warranties in Sections 1, 5-8, 16, 18, 22, and 27 are collectively referred to as "Warranties".

All proposed changes or modifications to the Goods, whether permanent or temporary, including proprietary designs, must follow the review and authorization process denoted in the Stipulations.

6. **FOOD DEFENSE:** Seller represents that it conducts all operations and all Goods are provided and produced in compliance with CTPAT, MTSA, or the FSMA Food Defense model.

7. **RECALL:** Seller shall immediately notify FFI at the first sign of an issue that may require a recall of Goods. FFI has the sole right, in its discretion, to initiate and direct the content and scope of a recall, market withdrawal, stock recovery, product correction, or advisory safety communication (any one or more referred to as a "Recall Action") regarding the Goods and any product incorporating the Goods. At FFI's option, FFI may direct Seller to, and upon such direction Seller shall, conduct such Recall Action. FFI shall determine, in its discretion, the manner, content, and timing of any publicity to be given such matters. If a Recall Action is initiated or directed by FFI, Seller shall fully cooperate and take all such steps, as are reasonably requested, to implement the Recall Action in a timely and complete manner. Any and all actions taken in connection with a Recall Action shall be in accordance with all applicable FDA policies and laws. In addition to any other remedy under law or provided in this Order, Seller shall bear the costs associated with: (a) any Recall Action which results from the Seller's actions or inactions; or (b) Goods that do not comply with the Warranties or this Order. Seller shall have a current, formally written and fully operative product recall/withdrawal procedure to isolate and ensure the timely retrieval from distribution and/or trade of any Goods that are hazardous or potentially hazardous.

8. **DELIVERY:** The time of delivery shall be as stated on the face of this Order, and the parties state that time is of the essence. If delivery date(s) cannot be met, Seller shall immediately notify FFI in writing. Seller is not liable for loss or damage caused by events beyond its reasonable control ("Force Majeure"). If Force Majeure causes an extension of the delivery time of more than twenty (20) calendar days, FFI may terminate this Order with respect to any non-delivered Goods without penalty. If delivery date(s) cannot be met for causes



other than Force Majeure, in addition to any other rights and remedies FFI may have under this Order or provided by law, FFI may request that Seller ships the Goods by a different or expedited delivery (cost of alternative means of shipment borne by Seller), or cancel this Order in whole or in part and purchase comparable Goods elsewhere and hold Seller accountable for any loss or additional cost arising from such expedited delivery or cancellation. The Goods may not be manufactured, packaged, stored, sampled, or tested at or shipped from any location other than the facility identified in this Order without FFI's prior written consent.

**9. INSPECTION AND ACCEPTANCE OF GOODS:** Subject to reasonable confidentiality obligations, FFI will have the right to audit and inspect the records and facilities of Seller and Seller's agents, representatives, and subcontractors used in performance of this Order or relating to the Goods to the extent reasonably necessary to determine Seller's compliance with this Order. Seller will provide FFI, or its third-party designee conducting the audit or inspection, with reasonable assistance, including without limitation access to buildings, appropriate personnel and work space. In lieu of conducting an audit or inspection, FFI may, at its discretion, opt to request Seller to provide the results of an inspection conducted by a third party. FFI is not under any obligation to inspect the Goods. A FFI inspection does not absolve Seller of any liability. FFI will have a reasonable period of time after delivery within which to inspect and accept the Goods. The receipt of Goods, the inspection or non-inspection of or payment for the Goods will not constitute acceptance of the Goods and will not impair FFI's right to: (i) reject nonconforming Goods, (ii) recover damages, and/or (iii) exercise any other remedies to which FFI may be entitled. Further, acceptance of Goods will not waive any rights or remedies accruing to FFI as a result of any breach of this Order. Goods that are delivered in quantity may be inspected by sampling. If any Goods are defective or otherwise not in conformity with the requirements of this Order, FFI may, at its option, reject them, require correction or replacement, or deduct costs from invoices. If rejected Goods are not promptly replaced or corrected, FFI may, at its option, elect to perform any or all of the following actions: (i) obtain such Goods or similar Goods elsewhere and charge Seller with any cost increase caused thereby; (ii) terminate this Order for breach pursuant to Section 13; (iii) accept the Goods at a reduced price; or (iv) seek other remedies and damages. This enumeration of remedies does not preclude other remedies available to FFI under the UCC, law or in equity.

**10. PRICE AND OFFSET:** Prices are firm and not subject to change unless previously approved in writing by FFI. FFI may offset any amounts owed by Seller or any of Seller's affiliates to FFI against amounts payable under this Order.

**11. INDEPENDENT CONTRACTOR:** Seller is an independent contractor. Individuals who work on Goods are employees of Seller and may not be deemed FFI employees for any reason. Further, neither party has any authority to bind the other or to assume or create any obligation or responsibility, express or implied, on behalf of the other or in the other party's name.

**12. CHANGES:** FFI may change any of the terms of this Order by a written change order. Any changes in Seller's costs of performance arising out of such a change order shall be reflected in a written price adjustment, which shall not take effect without FFI's prior written consent. Pending FFI's consent to such price adjustment(s), Seller shall adopt the changes made to this Order.

**13. TERMINATION:** Except to the extent prohibited by applicable law, FFI (i) may cancel this Order for any reason or no reason prior to shipment of the Goods by providing written notice to Seller, and (ii) may immediately terminate this Order, in whole or in part, even after shipment, by providing written notice to Seller if Seller breaches any term or obligation of this Order or becomes insolvent or subject to any proceeding under any bankruptcy or any insolvency law. If FFI terminates this Order for breach: (a) Seller shall continue performance of any non-terminated portion of this Order, and FFI may obtain the portions of the Goods affected by the termination elsewhere; and (b) FFI may, at its discretion, require Seller to transfer to FFI all materials, work in process, completed supplies, tooling, plans, and Stipulations allocated to the terminated portion of this Order. FFI shall, in this event, pay Seller the fair value of such items. If FFI terminates this Order, in whole or in part, for a reason other than breach, FFI and Seller will negotiate a mutually satisfactory settlement within a reasonable time. If no satisfactory settlement is reached, FFI will pay Seller, and Seller shall accept, as full settlement: (a) the contract price for completed items; or (b) Seller's direct costs allocated to the terminated portion of this Order; or (c) Seller's reasonable direct costs in settling claims arising out of this termination, and in protecting property in which FFI has or may acquire an interest. In no event shall FFI be liable for any consequential, indirect, special or punitive damages.

**14. TAXES:** FFI will not be liable for any taxes with respect to this Order, except for sales, use, excise, ad valorem, value added, or consumption taxes imposed by any governmental authority on the purchase price of the Goods. FFI will not be liable for any penalties or interest which accrue because of Seller's failure to collect or remit such taxes when due. Seller shall not collect or remit any such taxes if FFI has provided Seller with a direct pay permit or tax exemption certificate. If FFI is required to withhold any taxes, duties, fees, levies, or charges ("Withholding Taxes") from any fees or other charges paid to Seller, FFI will be entitled to deduct the amount of such Withholding Taxes from the amount of fees or other charges.

**15. CONFIDENTIAL INFORMATION:** All information relating to and including the Stipulations or this Order or concerning the Goods, including, without limitation, formula(s), product development, research, design, rates, volumes, financial data, equipment, specifications, technical drawings, source code, marketing, sales, customers, Work Product, and/or process(es) ("Confidential Information") shall be maintained by Seller in strict confidence and shall not be used other than in connection with the performance of this Order. Seller shall not disclose any of this information except to the extent required by law and then only after prior notice to FFI. This obligation survives the

termination or expiration of the Order and extends in perpetuity for trade secrets and personally identifiable information, and for five years from the date of disclosure for all other Confidential Information. If FFI and Seller have a separate agreement protecting Confidential Information, then both the other agreement and this section will be effective, but if there is a conflict between them, the provision that is more protective of the Confidential Information will control.

**16. INTELLECTUAL PROPERTY:** FFI shall solely own, and Seller hereby irrevocably assigns and transfers all right, title, and interest in and to, any and all: (i) deliverables, designs, results, technical information, technical drawings, source code, or other materials created by or for Seller in connection with the Goods at or in response to FFI's request, excluding Seller's pre-existing confidential information and intellectual property (collectively, "Work Product"), as works made for hire immediately upon creation of such Work Product, and (ii) trademarks, trade names, trade dress, copyrights, patents and applications thereof ("Intellectual Property") based on the Work Product. Seller shall take all necessary steps to assign and transfer to FFI its entire right, title, and interest in and to the Work Product and Intellectual Property. Seller shall obtain from its employees or non-employee individuals a full assignment of rights so that the Seller's assignment will vest in FFI full rights in the Work Product and Intellectual Property, free of any claims, interest, or rights of third parties. Nothing in this Order may be construed to grant to Seller any right to or interest in any Work Product or Intellectual Property owned or asserted to be owned by FFI. Seller warrants that Goods sold hereunder and any uses proposed by Seller or reviewed by FFI with Seller do not violate the trademark, patent, copyright, or trade secret rights of any person or entity.

**17. INSURANCE:** Seller shall maintain, and cause its subcontractors to maintain at their expense, sufficient insurance coverage with generally acceptable insurers. Such insurance shall: (i) include contractual liability coverage, (ii) name FFI as additional insured on all policies where applicable in connection with Seller's performance of this Order, (iii) contain no material exclusions, and (iv) include a provision that waives the insurer's subrogation rights against FFI. Upon request, Seller shall provide a certificate of insurance to FFI evidencing this coverage.

**18. TITLE:** Unless otherwise stated on the face of this Order, title and risk of loss of the Goods shall pass to FFI, at FFI's option, (a) upon receipt by FFI at FFI's warehouse or facilities, or (b) upon loading of Goods onto an approved FFI carrier. Seller represents and warrants that good title to the Goods will pass free and clear of all charges, claims, and liens of any nature.

**19. INDEMNIFICATION AND DAMAGES:** Seller agrees to indemnify and hold harmless FFI, its affiliates and their directors, officers, employees, agents, representatives, successors, and assignees from and against any and all liability, loss, damage, fine, penalty, cost, or expense (including reasonable attorneys' fees) to the extent arising out of or resulting from (1) any non-conforming Goods; (2) any alleged or actual, direct or contributory infringement or misappropriation of any patent, copyright, trade secret or other proprietary right

arising from the purchase, use or sale of the Goods; (3) any leak or spill of any materials, substances or chemicals while being transported or delivered to FFI or while on FFI's premises; (4) any breach by Seller of any term or condition contained in this Order; and/or (5) the negligent acts or omissions, or willful misconduct of Seller, Seller's subcontractor, employees, agents, representatives and any person performing services under this Order. Without limiting the foregoing, FFI may require Seller to re-deliver against non-conforming Goods at Seller's cost and expense. This obligation shall not extend to claims to the extent caused by FFI's negligence or willful misconduct. Seller shall be responsible for all damages and expenses to FFI or third parties that result from Seller's acts or omissions, or any breach of any term or Warranty in this Order

**20. LIMITATION OF LIABILITY: FFI IS NOT LIABLE FOR ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES (INCLUDING ANY DAMAGES FROM BUSINESS INTERRUPTION, LOSS OF PROFITS OR REVENUE, COST OF CAPITAL, OR LOSS OF USE OF ANY PROPERTY OR CAPITAL) EVEN IF ADVISED, OR OTHERWISE AWARE, OF THE POSSIBILITY OF ANY SUCH DAMAGES. THE EXCLUSION OF SUCH DAMAGES IS INDEPENDENT OF, AND WILL SURVIVE, ANY FAILURE OF THE ESSENTIAL PURPOSE OF ANY LIMITED REMEDY UNDER THESE TERMS AND CONDITIONS.**

**21. PUBLICITY:** Seller agrees not to publish or use FFI's name or any of its Intellectual Property any advertising, sales promotion, publication, or publicity matter.

**22. COMPLIANCE WITH LAW:** Seller's performance under this Order shall be in compliance with all applicable federal, provincial, state, and local laws, rules, statutes, ordinances, and regulations including, without limitation, 29 CFR part 470 and all antitrust and competition laws.

**23. GOVERNING LAW AND DISPUTE RESOLUTION:** This Order shall be governed by the laws of the State of Minnesota (including, without limitation, it's UCC) without regard to its conflict of laws' provisions or the location in which this Order is issued. Seller further agrees to submit to the jurisdiction of the State of Minnesota. The parties will attempt in good faith to promptly resolve any dispute arising out of this Order by negotiations between representatives who have authority to settle the controversy. If unsuccessful, at FFI's option, the parties shall engage in non-binding third-party mediation, with all fees of such mediation apportioned equally to each side.

**24. NOTICE:** All notices, requests and other communications to any party hereunder shall be in writing (including facsimile, e-mail or similar writing), shall be given to the addresses listed on the face of this Order, and shall be effective upon delivery.

**25. CURRENCY:** Unless otherwise stated on the face of this Order, all payments and other financial requirements required under this Order shall be made in United States Dollars.

**26. EQUAL OPPORTUNITY: WHERE APPLICABLE, SELLER IS AN EEO/AA EMPLOYER AND SHALL COMPLY WITH EXECUTIVE ORDER 11246. SELLER SHALL**

**ABIDE BY THE REQUIREMENTS OF 41 CFR 60-300.5(A) AND 60-741.5(A). THESE REGULATIONS PROHIBIT DISCRIMINATION AGAINST QUALIFIED PROTECTED VETERANS AND QUALIFIED INDIVIDUALS ON THE BASIS OF DISABILITY, AND REQUIRE AFFIRMATIVE ACTION BY COVERED PRIME CONTRACTORS AND SUBCONTRACTORS TO EMPLOY AND ADVANCE IN EMPLOYMENT QUALIFIED PROTECTED VETERANS AND QUALIFIED INDIVIDUALS WITH DISABILITIES.**

**27. SURVIVAL:** All representations and Warranties of the Seller, all rights and remedies of FFI, and any other provisions hereof which by their express terms or by implication are to survive, shall survive the termination or other expiration of this Order.

**28. WAIVER:** FFI's failure to enforce any provision of this Order or to require performance by Seller shall not be construed as a waiver of such provision nor affect the validity of the Order or any part thereof, or FFI's right to enforce any provision thereafter. FFI's rights under this Order are in addition to, and not in lieu of, any other remedies available under the UCC, at law, or in equity.

**29. SEVERABILITY:** Each provision of this Order is severable and if any provision shall be finally determined to be invalid, illegal, or unenforceable in any jurisdiction, the remaining provisions shall not be affected thereby, nor shall said provision be invalid in any other jurisdiction.

Rev. January 2018