



# Supplier Quality Manual

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## 1.0 Introduction

### 1.1 Overview

Graham Packaging is committed to meeting or exceeding customers' quality needs and expectations. As a supplier, you play a vital role in helping us achieve customer satisfaction.

Graham Packaging suppliers are viewed as being fully responsible for the quality of their products. Therefore, they must ensure products and services are delivered in conformance to the required standards. It is our expectation that Graham Packaging will receive defect-free product. It is the supplier's responsibility to request an authorization to deviate from the Purchase Orders or the Supplier Manual before shipping the product. Failure to do so may result in a formal request for corrective and preventive action from the supplier and/or debit cost incurred.

This Supplier Manual is the property of Graham Packaging and is issued for reference to our suppliers. This document is maintained electronically and is available upon request or on our website, located at: [www.grahampackaging.com/suppliers](http://www.grahampackaging.com/suppliers)

### 1.2 Scope

This standard applies to suppliers of raw material, packaging, services/parts. Acceptance of any and all Purchase Orders constitutes acceptance and commitment on behalf of the recipient to comply with this manual's content. This manual establishes minimum requirements, is supplemental to, and does not replace or alter any purchase agreement.

### 1.3 Customer Responsibilities

Graham Packaging works to develop a strong alliance with our supplier base. To help suppliers perform to their capability Graham Packaging is obligated to:

- Set clear requirements
- Review requirements with the supplier to ensure a mutual understanding
- Provide timely and accurate feedback on supply base performance
- Act as a resource to improve supplier performance
- Actively seek supplier involvement with emphasis on continuous improvement
- Communicate and negotiate appropriate lead-time for order placement, manufacture and delivery
- Maintain open communication to discuss growth plans and concerns

## 2.0 Supplier Quality Expectations

### 2.1 Quality System Requirements

Graham Packaging's quality management system is based on the ISO 9001 quality system requirements. Suppliers not certified to ISO 9001 may be subject to a quality system assessment by Graham Packaging.

If not ISO certified, the minimum that should be documented and maintained is as follows:

- Methods in place to create product, service, and process consistency
- Training documents in place to help employees be more successful
- Methods in place to confirm equipment in use is functioning properly
- Methods in place to respond to non-conformances and corrective actions in a timely manner
- Methods in place to segregate the materials in question if a problem does occur
- Regulatory and human rights responsibilities

Suppliers have the responsibility to provide products and services that meet all end customer quality specifications. For some products, Graham Packaging may require evidence that the supplier/subcontractor cascades down all applicable statutory and regulatory requirements and special product and process characteristics to point of manufacture.

## 2.2 Food Safety Management System ISO 22000

Graham Packaging is an ISO 22000 Complaint Company and requires that suppliers of product must demonstrate the ability to conform to a specified Food Safety Management System.

## 2.3 Incoming Product Document Requirements

Graham Packaging's goal is to eliminate incoming inspection of suppliers' products. Therefore, it is the responsibility of the supplier to provide a certificate and/or statement(s) of compliance to be issued with every order or in a blanket format. Blankets will be renewed annually.

The certificate and/or statement(s) of compliance shall state:

- Supplier Name
- Supplier conformance to the Purchase Order and/or product specifications
- Type of material/product being supplied
- Material lot/batch number
- Signature and Date from a designated representative

Packing slips should contain barcodes for:

- Purchase Order Number
- Graham Packaging's Item Number
- Lot Number
- Quantity Shipped

If supplier is unable to provide barcodes for the above items on their labeling, please contact Graham Packaging Procurement Buyer to discuss other options.

The supplier is responsible for retaining appropriate evidence to confirm compliance upon request.

Safety Data Sheets shall be provided prior to shipment and must be sent electronically to the plant quality manager.

Shipments received without a certificate and/or statement(s) of compliance or without a current blanket certificate/statement on file will not be received.

## 2.4 Documentation of Provided Services

Subcontracted services may be subjected to audit and/or incoming inspection.

Audits will be based on pre-determined expectations of deliverables.

## 2.5 Corrective Action

Graham Packaging suppliers are responsible for providing defect-free product. If defective product is found, a Corrective Action Z2 will be issued via email and the supplier will be contacted.

A Z2 or Corrective Action may be issued for but is not limited to the following:

- Nonconforming product
- Missing certificates of compliance
- Improper packaging or labeling
- Identified process improvement
- Late or missed shipments
- Other issues as deemed appropriate by Purchasing and/or Quality

Communication to the supplier will be initiated via a Z2 Notification:

- This will be reflected in the supplier's quality and, possibly, delivery rating.
- The supplier is expected to respond in a timely manner to any quality or delivery issues. Response timing and content requirements are as follows:

Initial response within twenty-four (24) hours of notification including:

- Containment plan to hold and inspect all product at supplier facility.
- Disposition of any product in transit, at Graham Packaging and at Graham Packaging's customers including authorization to return for credit, sort/rework at supplier expense or hold for supplier review.
- Timing to replace product with certified product (product that has been 100% inspected for defects). All certified stock must be identified as such.

Corrective actions to be completed within fourteen (14) calendar days of receipt of request including:

- Members involved
- Problem description
- Interim containment
- Root cause analysis
- Permanent corrective action
- Verification of corrective action
- Prevention and request for additional time to complete (including estimated time frame for completion) if applicable

This portion must be completed within 24

## 2.6 Request for Deviation

Suppliers shall not make any changes in product construction or manufacturing processes without prior from Graham Packaging and customer approval. This also includes reworked or repaired product. A product deviation is used when a specific quality of product being shipped or used is not compliant with the specified drawing, Purchase Order or specifications.

Deviation requests shall be submitted in writing by the supplier to Graham Packaging and approved before goods and/or services are delivered.

Changes to any of the following will require deviation:

- Manufacturing processes or locations
- Supply
- Product formulations
- Product identification
- Physical/Chemical properties
- Ownership of the company

Graham Packaging requires formal documentation of deviations.

## 2.7 Cost of Poor Quality

Costs of Poor Quality is associated with supplier product quality issues that are the supplier's responsibility and may be charged back to the supplier. Quality issues as a result of supplier product or services will result in discussions with the supplier to determine disposition and develop plan to reduce end customer impact. Accountabilities, possible rework activities, credits/debits may be discussed and negotiated based on circumstances of issue.

These charges may include but are not limited to:

- Expedited freight
- Customer shutdown charges
- Inspection fees
- Charge-back costs incurred by the end customer
- Any additional costs incurred by Graham Packaging as it directly relates to the quality of the product supplied
- Direct wastes and scrap

If the rejects cause downtime, re-inspection, rework, the supplier may choose to use Graham Packaging's standard rate of \$35/hour.

## 2.8 Regulatory Reporting

Graham Packaging requires our suppliers' to comply with all current and applicable regulatory requirements. Depending on the product Graham Packaging is producing, this may include:

- **RoHS** - Restriction on Hazardous Substances

- RoHS is a European Union (EU) initiative and defines a specific list of chemicals that are restricted or prohibited above a certain concentration. It is the responsibility of each supplier to submit the necessary, complete and correct information
- **REACH** - Registration, Evaluation, Authorization and Restriction of Chemical Substances
  - REACH defines a requirement to report chemicals that are manufactured, imported or contained in articles that are manufactured or imported into the European Union, EU. Graham Packaging requires suppliers to re-certify REACH compliance each time additional substances are added to the SVHC list.
- **Conflict Minerals** - Natural resources extracted in a conflict zone. (Dodd-Frank Act) Section 1502
  - Graham Packaging requires suppliers to provide supply chain information (to include smelter identification) at initial purchase and after any applicable change within supply chain for products containing Tungsten, Tantalum, Tin, and Gold.
- **Other Regulatory Requirements** – Goods and materials Graham Packaging purchases may have additional requirements in accordance with applicable law. Suppliers must provide documentation that satisfies these regulatory requirements. Requirements will be communicated within the Purchase Order, Customer Print or via additional written specifications.

## 2.9 Supplier Environmental Code

We recognize, as a company, that we have a responsibility to protect the environment on behalf of our customers, staff and the communities in which we operate.

We also recognize that the process of continual environmental improvement depends on the involvement and commitment of all our business partners.

Our Environmental Policy reflects Graham Packaging's commitment to responsible management of the environmental effects arising from its activities, through:

- optimizing the use of energy
- ensuring efficient use of materials
- encouraging re-use and recycling
- incorporating the principle of sustainable development.

## 2.10 Supplier Code of Ethics

Graham Packaging requires and expects each Graham Packaging Supplier to comply with all applicable laws, regulations and Graham Packaging's Code of Ethics Policy, which can be found at [www.grahampackaging.com/compliance](http://www.grahampackaging.com/compliance). Unacceptable practices by a Graham Packaging Supplier include but are not limited to:

- **Age:** Employing workers younger than fifteen (15) years of age or the applicable required age, whichever is higher.

- **Forced Labor:** Using forced, bonded, prison or indentured labor, or workers subject to any form of compulsion or coercion, or the trafficking in persons in violation of applicable laws or regulations
- **Human Rights:** Failure to respect the human rights of Supplier's employees.
- **Working Hours:** Failure to include contractual statements about working hours, which shall not exceed 48 hours per week, and failure to provide for overtime, which shall be voluntary, used responsibly, and compensated at a premium rate. In any event, the total hours worked in any 7 day period shall not exceed 60 hours except where all of the following circumstances are met: (i) it is allowed by national law; (ii) it is allowed by a collective bargaining agreement freely negotiated with a workers' organization representing a significant portion of the workforce; (iii) appropriate safeguards are taken to protect the workers' health and safety; and (iv) the Supplier can demonstrate that exceptional circumstances such as unexpected production peaks, accidents or emergencies. Workers shall be provided with at least one day off in every 7-day period, or, where allowed by national law, 2 days off in every 14-day period.
- **Wage and Hour Laws:** Failure to observe applicable laws and regulations governing wage and hours, including but not limited to complying with applicable laws relating to maximum working hours, minimum living wage requirements
- **Freedom of Association:** Failure to allow workers to freely choose whether or not to organize or join associations for the purpose of collective bargaining as provided by local law or regulation.
- **Health and Safety:** Failure to provide workers a workplace that meets applicable health, safety and security standards.
- **Non-Discrimination:** Failure to prohibit unlawful discrimination, harassment, and retaliation.
- **Disciplinary Practices:** Failure to maintain a workplace that is free from actual or threatened corporal punishment or physical abuse or like disciplinary practices, including but not limited to sexual and verbal abuse or harassment.
- **Working and Living Conditions:** Failure to provide a safe and hygienic working environment, bearing in mind the prevailing knowledge of the industry and any specific hazards known or reasonably foreseeable to Supplier. This includes an obligation of Supplier to provide regular and recorded health and safety training, access to clean toilet facilities, to potable water, and if appropriate, to sanitary facilities for food storage. If the Supplier provides housing facilities for its employees, failure to provide acceptable living conditions for such employees.

## 3.0 Purchasing Expectations

### 3.1 Supplier Assessment

The supplier assessment is required to verify potential new suppliers have the appropriate quality and business systems in place. These systems will need to meet the minimum requirements of Graham Packaging. This self-assessment is also used to verify that current suppliers have maintained their quality and business systems. The supplier assessment needs to be completed and returned to Graham Packaging's prior to becoming an approved supplier.

A Supplier Quality System Audit may be performed at the supplier's manufacturing location by a Graham Packaging's representative.



### 3.2 Supplier Status

- Contingent – Still in the approval process
- Conditional – Approved supplier that has a score lower than 70% for three consecutive months or a Corrective Action has been issued and not resolved

A supplier in Conditional status may:

- May be asked to appear before Graham's Management team and present a full quality review and show how corrective action have been addressed and how specific defects will be reduced and eliminated.
- Approved – Supplier has submitted proper documentation and is in good standing

### 3.3 Supplier Responsibility

Graham Packaging's contingent suppliers are requested to provide an up-to-date copy of:

- Completed Supplier Self-Assessment
- Supplier Quality Manual Acknowledgement
- Send ISO/Other certificate (If Applicable)
- Signed Non-Disclosure Agreement, if applicable

## 4.0 Labeling, Packaging and Shipping Requirements

### 4.1 Labeling Specifications

Each package to be clearly labeled with the following when applicable:

- Supplier part number
- Lot number
- Manufacture date
- Barcodes (data based on need)
- Graham Packaging's part number

Special labeling requirements may be noted on the Purchase Order.

### 4.2 Packaging Specifications

Packaging of products shall be done in a manner to ensure product integrity during shipping and handling. Product shall be received clean and absent of foreign material and/or debris.

In addition, suppliers are responsible to identify and communicate any packaging changes, improvements, etc. Special packaging requirements may be noted on the Purchase Order.

### 4.3 Shipping Specifications

Shipping method and terms are designated on the purchase order unless agreement has been reached for supplier to pay shipping cost. Suppliers are responsible for adhering to shipping instructions on Purchase Order or other written documents agreed upon by the parties. Graham Packaging should be contacted for any deviation from instructions prior to shipping. Graham Packaging must approve collect "premium" freight methods if used in order to meet confirmed delivery date. Advanced notice to be given on any shipping or delivery delays beyond the due date specified on the confirmed purchaser order.

A subcontract product or service provided directly to the customer requires a tracking # for proof of delivery.

## 5.0 Supplier Performance and Evaluation

### 5.1 Introduction

Supplier scorecards are communicated on a quarterly basis. The purpose of this rating is to provide objective comparison of a supplier's performance and it is a tool to benchmark the supplier's competitiveness in the marketplace. Graham Packaging wants to ensure that our ratings are accurate and effective. If a supplier feels there is a discrepancy in their rating report, they should contact Graham Packaging Supplier Quality Manager within two (2) weeks of the report date.

### 5.2 Supplier Score Rating Criteria

Suppliers are rated on the following criteria:

- PPM <500
- On Time Delivery >95%
- Cost of Poor Quality = \$0
- Number of Open Corrective Action/ Corrective Action past 30 days = 0 Open

## 6.0 Cost of Poor Quality Recovery

Cost Recovery requires a Cost of Poor Quality form and a Z2, Corrective Action be issued to the supplier. This notification must state that a cost recovery is being processed and that the supplier has been properly notified.

Depending on the amount of chargeback, an internal escalation must occur:

- Chargebacks less than \$1,000 can be sent directly to supplier by Supplier Quality
- Items greater than \$10,000 must be sent to the Sourcing Manager and Supplier Quality for Approval

## 6.1 Accept/Reject Recovery Cost

Supplier accepts Cost Recovery or no response from Supplier:

After seven (7) calendar days from the date of notification of cost recovery, the supplier has accepted the Cost of Poor Quality recovery amount. A debit memo request will be sent to Accounting by the Buyer to request that Accounting bill the supplier for the amount listed in the cost recovery.

## 6.2 Supplier Does Not Accept Cost Recover Amount

- When a supplier receives a cost recovery request and indicates that he/she feels it is not accurate, the appeals/negotiation process begins.
- During the first fourteen (14) calendar days, the supplier must initiate communication with the issuing person regarding the charges. The supplier should provide as much detail as possible to support the contention that the charge is inaccurate.
- If the issuing location and the supplier agree on the negotiated cost, that amount will be indicated in the revised cost recovery and will be forwarded to the financial department for debit to the supplier. A copy must be sent to the Buyer.
- If no agreement is reached between the supplier and the plant location at the end of fourteen (14) calendar days, the company representative must forward details to the Buyer so they can negotiate and resolve the cost recovery
- The Buyer needs to attempt to resolve the cost recovery as soon as possible, but within thirty (30) calendar days from the date of receiving the cost recovery and supporting documents.
- If the Buyer cannot resolve this issue within thirty (30) day timeframe, the Buyer should involve Sourcing Director. The Sourcing Director may involve the Vice President of Procurement when additional leveraging is needed.

When the cost recovery negotiation is completed, at any level, the final outcome must be sent to finance to issue debit/credit memo.

*[Acknowledgement Page Follows]*

## Supplier Manual Receipt Acknowledgement

Please sign and return this page as an acknowledgement of receipt and acceptance of terms outlined in Graham Packaging Supplier Manual. Acknowledgement should be returned within two (2) weeks of receipt. If Supplier Manual Receipt Acknowledgement is not received within this time period Graham Packaging will consider this as acceptance of this manual.

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Company Name

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Signature

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Printed Name

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Title

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Date