Quality in Logistics

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<table>
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<tr>
<th>Issue Date</th>
<th>Issue &amp; Revision No</th>
<th>Updated By</th>
<th>Reason for Update</th>
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<tr>
<td>18.03.2009</td>
<td>1.0</td>
<td>Monika Kulak</td>
<td>First issue</td>
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<tr>
<td>22.05.2015</td>
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<td>Sz.Należniak / M.Dziewior</td>
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</tr>
<tr>
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<td>3.0</td>
<td>M.Tusińska / B.Szczypka</td>
<td>General review and update</td>
</tr>
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<td>05.02.2019</td>
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<td>Szymon Należniak</td>
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<td>Bartosz Wróbel</td>
<td>Appendix and document nature changes</td>
</tr>
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<td>7.0</td>
<td>Dorota Bromborz</td>
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1.0 Purpose

The purpose of this procedure is to define process and responsibilities for handling transport related quality issues in order to assure proper claims investigation and processing.

2.0 Scope

Included:

Processes described in this document refer to deliveries of raw & pack materials, semi-finished and finished products where transport was managed by Ultralogistik Operational Centre and include:

- Primary transport
- Inbound transport

Excluded:

- Secondary Transport
- Inland Haulage, Ocean & Air freight
- SNCR process for claims due to the fault of the Material Supplier

3.0 Definitions

<table>
<thead>
<tr>
<th>Item / Acronym</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Claim</td>
<td>Official complaint raised by Receiving Point due to wrong condition of delivered goods</td>
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<tr>
<td>Claim provider</td>
<td>Relevant party which informs LQT about the claim e.g. SU, DC</td>
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<tr>
<td>DC</td>
<td>Distribution Center</td>
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<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
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<tr>
<td>LOM</td>
<td>Logistics Operations Manager</td>
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<tr>
<td>LQS</td>
<td>Logistics Quality Specialist</td>
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<tr>
<td>LQT</td>
<td>Logistics Quality Team</td>
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<tr>
<td>LNM</td>
<td>Logistics Network Manager</td>
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<tr>
<td>MCO</td>
<td>Multi Country Organization</td>
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<tr>
<td>MSO</td>
<td>Marketing Sales Organization</td>
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<tr>
<td>OPS</td>
<td>Ultralogistik Operations</td>
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<tr>
<td>PQNC</td>
<td>Pallet Quality Non conformance</td>
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<tr>
<td>QA</td>
<td>Quality</td>
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<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
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<tr>
<td>RIR</td>
<td>Receipt Incident Report</td>
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<tr>
<td>SCFS</td>
<td>Supply Chain Finance</td>
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<tr>
<td>SHE</td>
<td>Safety, Healthy, Environment</td>
</tr>
<tr>
<td>SNCR</td>
<td>Supplier Non-Conformance Report</td>
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<tr>
<td>SU</td>
<td>Sourcing Unit (Unilever factory)</td>
</tr>
<tr>
<td>TSP</td>
<td>Transport Service Provider</td>
</tr>
<tr>
<td>UEBV</td>
<td>Unilever Europe BV</td>
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<tr>
<td>UTMS</td>
<td>Unilever Transport Management System</td>
</tr>
<tr>
<td>3PM/CM</td>
<td>3rd Party Manufacturing/ Collaborative Manufacturer</td>
</tr>
<tr>
<td>3PMO</td>
<td>3rd Party Manufacturer Operations</td>
</tr>
</tbody>
</table>
4.0 Responsibilities / Accountabilities

<table>
<thead>
<tr>
<th>Who</th>
<th>Responsible For:</th>
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<tbody>
<tr>
<td>Logistics Quality Team</td>
<td>Assistance with assessment of party at fault for received claims, processing the claims with the Carriers, general claims reporting and improvement actions with the Carriers.</td>
</tr>
<tr>
<td>SU Quality</td>
<td>Inspection of affected goods, decision making about the fate of affected goods in case of inbound claims. Root cause analysis and implementation of corrective actions in case of primary claims assigned as SU’s responsibility.</td>
</tr>
<tr>
<td>MSO Quality</td>
<td>Inspection of affected goods, decision making about the fate of affected goods in case of primary claims. Leading improvements related to PQNC claims.</td>
</tr>
<tr>
<td>Ultralogistik Operations</td>
<td>Coordination of all action related to transport execution.</td>
</tr>
<tr>
<td>Procurement Team</td>
<td>Support LQT in terms of problematic claims/escalations.</td>
</tr>
<tr>
<td>Finance Team</td>
<td>Issuing the debit note against the Carrier on LQT request, following the payment recovery process.</td>
</tr>
<tr>
<td>Claim provider</td>
<td>Provide all data to LQT needed to properly process the claim.</td>
</tr>
</tbody>
</table>

More detailed process flows with roles and responsibilities split is available in appendices 1, 2 and 3.

5.0 Process

1. Non-conformance notification

- Receiving party notices non-conformance in delivery related to Unilever goods/pallets and informs Logistics Quality Team.

- Logistics Quality Team is processing the claim:
  - Claims registration and validation
  - Claims investigation with Transport Company and Loading Location.
  - Investigation of claim with all evidences to establish party at fault

- Non-conformance should be reported in one of following forms: SNCR, RIR, PQNC or other agreed like non-conformance protocol with all related documents and proofs justifying complaint.

- Claims should be provided via one of 3 possible protocols depending on the type of NC : SNCR for raw and pack materials; RIR for finish and semi finish goods. The SNCR/ RIR claims should be reported on the same day as delivery of the products or at least 5 days after delivery date. The PQNC claim is created for NC of semi and Finish Goods, due to the fault of the Supplier or below the 200€/1 layer on the pallet. The deadline for previous month data upload is until the 5th working day of current month.

The ones which are reported on daily basis (SNCR/RIR) need to meet some legal requirements. Two most important are:
- For apparent loss or damage Receiving party needs to place on transport documents non-conformance notification signed by driver not later than the time of delivery.
- For loss or damage which is not apparent Receiving party needs to report non-conformance to LQT Team within 5 working days after the day of delivery.

Full recommendation of SC Legal Team how to report claims is attached as Appendix 7.

- Claims are reported to the following email address transport.claims@unilever.com in case of daily basis issues and through PQNC Tool in case of monthly basis issues.

- Claim reporting process depends on below factors:
  - The receiving site, whether it's SU or DC
  - Type of received goods, whether it's Semi-Finished/Finished Goods or Raw & Pack Materials
  - Type of defect and size of loss

- Depending on the type of cargo we may have three processes of claims:

  I. Inbound Process for Raw&Pack materials – SNCR Process

  Applicable where recipient of the goods is SU.

  All claims related to raw & pack materials must be reported by the receiving SU in SNCR tool in SAP system. When party at fault identified by SU is supplier then claim is not manage by LQT. Only when party at fault identified by SU is Ultralogistik then LQT manage claim with TSP.

  II. Primary Process for Semi-Finished and Finished Goods – RIR & PQNC Process

  To get a background information and guideline on how to report non-conformances and specify the type of complaint, read guideline document EUQMS UQP 702 Appendix 8.

  Applicable when the recipient of the goods is Unilever DC.

  There are two ways of reporting RIR & PQNC depends on type of defect and size of loss:

  a) When received RIR is identified by LQT as faulted by loading location then it is reported into PQNC tool and the RIR provider, loading location or 3PMO (in case of Collaborative Manufacturers from external companies) are informed about resolution of the claim.

  b) When identified party at fault is TSP then claim is reported in Database and manage with TSP.
III. Other specific process

In exceptional scenarios (e.g. deliveries to final customer DC or accidents in transit) the claim with all details can be communicated via email to Logistics Quality Team (transport.claims@unilever.com) based on non-conformance protocol.

In case of safety incident, the Global SHE Manager Eric.Golbs@unilever.com MUST be always informed with all related documents and photo evidences.

The LQT must inform SHE Manager about below issues:
- Any road accidents
- Drug smuggling
- Whole cargo/ truck stolen,
- Thefts (minimum 1 stolen pallet)

c) Then safety procedure is lead by Logistics SHE and Security Team. When received non-conformance protocol is identified by LQT as faulted by loading location, then it is reported into PQNC tool. The RIR provider, loading location or 3PMO (in case of Collaborative Manufacturers from external companies) are informed about resolution of the claim.
2. Finance process

- Once liability and value of the claim has been accepted by Carrier, Logistics Quality Specialist informs Financial Department about the necessity of issuing of debit note on a Carrier.
  If the costs of claim are not significant it may be deducted from the Freight Costs in UTMS, but it has to be agreed with the Carrier and Operational Team each time.

- If the invoice is issued for the first time to a transport company then LQT is required to verify the address and VAT details directly with Transport company.
  LQT has a tracker file to update:
    a. the list of Carriers
    b. changes made in Name,
    c. Company address,
    d. Vat number
    e. Customer Numbers for invoicing

- If the TSP Company details must be updated or changed, the LQT team, is obliged to:
  a. inform finance team SCFS, Customer Data UEBV Customer-Data-UEBV.SCFS@unilever.com about changes of the Name, address or Vat number for currently contracted TSP
  b. provide a document confirming these changes (letterhead)
  c. fill in the template to create new Customer Number for invoicing
  d. provide a document with Name, address and Vat number (letterhead) to create new Customer Number for invoicing

a. Capgemini is checking Quality Database and looking for status of solving method for claim “DEBIT NOTE”. For such shipment Capgemini requests to UltraLogistik Financial Dept. for email with confirmation from Carrier about liability for costs. Email confirmation is included in request from Logistics Quality Specialist. Capgemini raise BMC request for Debit Note. Once request is approved by SCFS team, Debit Note is created by IBM send by regular post to Carrier and PDF copy is forwarded to transport.claims@unilever.com.

b. Logistics Quality Specialist responsible for claim is obligated to forward invoice to Carrier, putting Trade Debtors team in email copy.

c. If payment is not arranged within contracted due date, then Trade Debtors team is responsible to chase Carrier for payment. In case of lack of response from Carrier, Logistics Quality Specialist is involved for support.

d. All utilizations of damaged stock should be performed by proper logistic/stock control person within receiving party by using SAP MB transaction and proper movement type of this stock. As an effect these costs are allocated to proper Quality Defects cost centre.

e. The income from the Carrier shall be booked on the same UEBV Quality Defects account where the cost was allocated by the relevant party.

Appropriate documentation including UEBV Business Waste treatment and guideline is attached as Appendix 4.
Picture 4. Financial flow for invoice creation for primary claims with TSP as party at fault
3. Quality KPIs review

Logistics Quality Team is internally reviewing on a monthly basis all claims reported. The basic RIR and SNCR Q KPI factor is:

- the Success Quote, calculated by dividing the value of claims received by the value of claims charged to the TSP.
- the number of claims received by the LQT member during the month and split per product Category
- the TSP performance, calculated by the number of claims received during the month split per TSP and claim value.

The report is available on the PQNC Power Bi Tool for all Unilever Employees Based on this data LQT is responsible for monitoring of the number of recurring issues and working on improvement plan together with TSP. LQT is responsible for informing MSO Q or SU Q contact person about concerns and recurring problems.

LQT is preparing, reviewing and validating PQNC report on monthly basis. The recipient of the Report is SU Quality, MSO Quality role and LNM
The report contains number of affected pallets and an estimated rework cost of affected pallets delivered to relevant DC.
The report is available on the PQNC Power Bi Tool for all Unilever Employees on every 10\textsuperscript{th} of current month.
Based on this data, each regional MSO is responsible for monitoring of the type and number of recurring issues and working on improvement plan together with Supplier of the goods.

4. Continues Improvement – improvement projects with relevant parties

As a part of Quality KPIs review process, improvement actions are being identified to be addressed to the relevant parties.

LQT Continues Improvement Actions are prioritized based on criticality level, frequency and big scale issues from quantity and cost perspective and are most focused on performance of contracted transport companies. Lessons Learned are created and shared within Operational Teams and Carriers. When situation repeats One Pager with most important points is created and shared with Operational Teams and Carriers.
Based on KPI from previous year, as Preventive Action, One Pager might be send to Carriers to avoid similar situation in current year (e.g. water damage during winter season).

Number of claims per Carrier are checked and top 10 Carriers with highest numbers of claims are included into improvement plan. Claims are under investigation of Carrier for root cause and an action plan to solve identified causes of issues is required from them. Improvement plan is led by LQT with support of responsible LPS.

In case of PQNC results, all improvement activities are leaded by local MSO or 3PMO with support or consultancy of LQT, MCO QA dept., SU QA dept., R&D, Logistics.
5. Cooperation with Ultralogistik and Procurement

LQT cooperates with Ultralogistik Operations in the event of unexpected transport related issues that may appear during either loading or unloading process, which leads to damage of the cargo.

From above responsibilities are excluded:
- WAH management
- Wrong equipment type
- Not appropriate driver behaviour
- Damages on sites not related to UL goods
- Missing thermograph

The LQT as well has to work closely together with the LPS:
- LQT provides an input to the formal agreement or operational requirements against TSP.
- LPS supports LQT in case of problematic claims and TSPs management
- Include LPS in cc of claim communication with transport company when claim amount is equal or higher than 5 000 €

6. Requirements for temperature transport condition

Frozen and ice cream transports should follow all requirements from UQP-32 - Warehouse and Transport and GMP1505 - Good Ice Cream Cold Chain Practice.
Other should follow requirements in: Appendix 5, 6.

### 6.0 Records

<table>
<thead>
<tr>
<th>Record</th>
<th>Location / Database held in</th>
<th>Retention Times</th>
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<tbody>
<tr>
<td>Quality Claims database</td>
<td>R:\Ultra\Public\QUALITY\NEW CLAIMS DATABASE</td>
<td>5 years</td>
</tr>
<tr>
<td>PQNC/KPI reports</td>
<td>Power BI Tool <a href="https://app.powerbi.com/groups/me/apps/8214816e-5f00-44ad-b9f4-ad18c0ff4d2a/reports/7fad5d5-0b7e-40e1-aeab-398e345805f/ReportSection813d45434118b9b5fb8f?ctid=f66fae02-5d36-495b-bfe0-78a6ff9f8e6e">https://app.powerbi.com/groups/me/apps/8214816e-5f00-44ad-b9f4-ad18c0ff4d2a/reports/7fad5d5-0b7e-40e1-aeab-398e345805f/ReportSection813d45434118b9b5fb8f?ctid=f66fae02-5d36-495b-bfe0-78a6ff9f8e6e</a></td>
<td>5 years</td>
</tr>
<tr>
<td>PQNC platform</td>
<td><a href="https://login.salesforce.com">https://login.salesforce.com</a> for Unilever Network</td>
<td>5 years</td>
</tr>
<tr>
<td></td>
<td><a href="https://unilever.force.com/PQN">https://unilever.force.com/PQN</a> for External Users (non-Unilever)</td>
<td></td>
</tr>
<tr>
<td>TSP Customer Number tracker</td>
<td><a href="https://unilever.sharepoint.com/sites/LoQTeam/Shared%20Documents/Forms/AllItems.aspx">https://unilever.sharepoint.com/sites/LoQTeam/Shared%20Documents/Forms/AllItems.aspx</a></td>
<td>5 years</td>
</tr>
</tbody>
</table>

### 7.0 Cross-References

- **Policies**
  - Unilever Policies
- **Associated Procedures**
  - ULTK Q-Ultra-P-10-Non-conformance Management
- **General Documents**
  - https://unilever.sharepoint.com/sites/QMS_Global
  - GMP1505 - Good Ice Cream Cold Chain Practice
  - UQQ6001 - Warehouse & Distribution Co-Ship and / or Co-Store Guidance for Raw Materials / Pack Materials / Semi-Finished Goods / Finished Goods
  - UQP60 - Warehouse & Distribution Co-Ship and/or Co-Store for Finished Goods, Semi-Finished Goods, Raw Materials and Pack Materials
8.0 Appendices

Appendix 1: Process flow for 1Y_FG_SFG final v
Appendix 2: Process flow for 1Y_RawPack Materials final v
Appendix 3: Rules at receiving locations in case of transport-related claims
Appendix 4 UEBV Business Waste treatment and guideline
4.1 General - Quality Defects.pptx
4.2 Business Waste Accounting Details.xls
Appendix 5: Temperature Ranges-Foods-2019.05.15
Appendix 6: Temperature Ranges-HPC-2019.04.17
Appendix 7: Unilever SC Legal Team recommendation – CMR claims
Appendix 8: EUQMS UQP 702 RIR and PQNC Guideline
Appendix 9: UEBV - New Customer Master Data request template

https://unilever.sharepoint.com/sites/UEBVSalesReconciliation/Shared%20Documents/Forms/AllItems.aspx?id=%2Fsites%2FUEBVSalesReconciliation%2FShared%20Documents%2FCMD%20REQUEST%20TEMPLATE&p=true&originalPath=aHR0cHM6Ly91bmlsZXZlci5zaGFyZXBvaW50LmNvbS9VRUJWU2FsZXNSZWNvbnNpdGlvbi9FbHZqSmVKOWRVbEZucVNLMHYyc2Nzc0J1eUZvSWdQeGtFZHBRaWlnWERPmUzRBP3J0aW1IPVRfVkJHEND OF DOCUMENT