

The **Master Lock** Company

Property. People. Life.

Supplier Chargebacks

Updated: October 2017

Preamble: Master Lock Company LLC expects our suppliers to partner with us to help meet our customer's requirements. As you know, supply chain affects everyone. We will make every effort to work with our suppliers to help meet our needs and that of the customer. However, suppliers who consistently do not adhere to our requirements will be fined for each infraction. All Quality Issue chargebacks will be accompanied by a CAR (Corrective Action Request).

Contents:

- A. Logistic Issues
- B. Communication and Resolution
- C. Quality Issues

A. Fines assessed for logistics issues

1. Late delivery - \$500 fine
 - a. Given a promise date that the product would lead the supplier and was not met. Therefore, making the product late to us and to the customer.
2. Documentation (Missing or Incorrect) - \$500 fine
 - a. Invoice / Packing Slip missing required data and/or Invoice / Packing Slip are wrong altogether.
 - b. Missing Packing Slip or Documents
 - c. Improper Packaging / Skids / Totes
 - d. Incomplete NAFTA or Country of Origin paperwork or none at all
 - e. PO dates incorrect when supplier is provided weekly Open Order Report.
3. Administrative Fee - \$500
 - a. This fee is above and beyond any other fees. Employees of Master Lock Company LLC spend many hours trying to fix and adjust all information listed above that is incorrect just to get the shipment to clear customs, or get **your** invoice paid.
4. Steps (Process)
 - a. First Infraction – Supplier will be sent a written warning
 - b. Second Infraction – Supplier is charged the fine as stated above
 - c. Third Infraction – Supplier is charged the fine as stated above and supplier status may be jeopardized.



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B. Communication and Resolution

1. We make every effort to work with our suppliers
2. Good communication is key (communicate issues as they happen)
3. Fines are at the Buyer's/Sourcing Manager's discretion
4. Air freight is non-negotiable if the situation is truly a supplier issue.

(See Terms & Conditions, Section 3 and 5)

“Supplier is required to confirm purchase order promise dates, quantities, cost, and SKU/Part Number to The Master Lock Company within 2 days from PO issue date. Supplier then has 10 business days from PO confirmation to make any required changes on the above terms. Any delays requested by the supplier after confirmation will result in air freight at the supplier's expense.”

C. Fines assessed for Quality Issues

1. These fines will be in addition to any incurred rework costs, scrap charges, machine down time and so forth)
 - a. All non-conformances will be considered, at minimum a minor infraction will be accompanied by a CAR (Corrective Action Request)
 - b. All major or severe infractions pertaining to quality will be accompanied by a CAR (Corrective Action Request)
2. Minor - Does not affect product usability or creates little concern if noticed: \$250 Fine to cover administrative cost of non-conformance reporting.
3. Major – Makes product more difficult to use, reduces product life or negatively affects the end user: \$500 fine and supplier is responsible for cost of returned products, and any other additional charges as stated above.
4. Severe – May cause injury or render product unfit for use: This cost will be assessed on the non-conformance report and will include the above fees plus all additional costs related to the specific hazard created by the supplier.

Quality fines will be assessed based on issued Corrective Action Request (CAR) and at the discretion of the sourcing manager and quality representatives.

As an organization, it is our intent (and hope) to never need to assess fines against a supplier. The mutual benefit from good quality, timely delivery and low cost will strengthen both of our positions in the global market and delight our customers.

Your hard work and ongoing support is appreciated. Please note that all the problems listed above may not always pertain to the supplier. Open and positive communication is vital for future progress.

