



GORDON FOOD SERVICE NORTH AMERICAN SUPPLIER BILLING POLICY

Supplier collaboration and partnership are critical to the success of Gordon Food Service in how our systems process and manage transactions to ensure products are shipped to our customers safely and effectively. This policy establishes how Gordon Food Service's systems and processes work in connection with various transactions that may happen in the normal course of business.

Samples

A product may be pulled from Gordon Food Service inventory by our sales force based on a request and potential sale to a customer. There are times when our sales force will contact the supplier or the supplier's broker about a sample for a customer. However, this is not required in our system. We allow our sales force to responsibly sample products out of inventory. This results in increased sales for Gordon Food Service and the supplier. These expenses will be processed and invoiced to the supplier on a monthly basis and collected by deduction against supplier product invoices. Product samples used by a supplier sales team or their broker agency are purchased directly from Gordon Food Service and paid for separately from this process.

Credit/Poor Quality Claims

Gordon Food Service will place the credit claim on a deduction invoice with a reason code; below are the code explanations that may be listed. These codes are derived from the credit memos that were processed by our sales force. Please note that customers may not provide pictures or other forms of documentation in all instances. Credit claims are processed and invoiced to the supplier monthly and may include a nominal processing fee. Gordon Food Service will collect credit claims by deduction against supplier product invoices.

35 - The wrong Item Dropped Shipped or Damaged

- 42 - Spoiled Product**
- 44 - Dented Can**
- 45 - Bulged Container**
- 46 - Leaking or Damaged Inner Pack**
- 54 - Container Short Packed**
- 55 - Vendor Mislabeled**
- 56 - Inferior Vendor Packing**
- 57 - Product Recalled**
- 74 - Quality Unacceptable**
- 75 - Non-Food: Quality Unacceptable**
- 76 - Food: Quality Unacceptable**
- 92 - Policy Adjustment – Sample Bill back**
- 96 - Special Order**

Concealed Vendor Damage (CVD)

Not all damage, nonconformity or noncompliance of a product may be visible or identifiable until a product is opened or unpackaged. Concealed vendor damage are claims within the confines of a pallet during the receiving process and discovered after Gordon Food Service has received the product into inventory. The [North American Concealed Vendor Damage \(CVD\)](#) policy provides greater detail and establishes how Gordon Food Service handles concealed vendor damage claims. Gordon Food Service will process and invoice the supplier weekly for concealed vendor damage claims. Any concealed vendor damage claims will be collected by deduction against supplier product invoices.

Product Returns

Gordon Food Service will occasionally need to return product to the supplier as set forth in the [NA Return Policy](#). Gordon Food Service will recover the cost of the product from the supplier for the returned product. In addition, Gordon Food Service may also recover the cost of other administrative and disposal expenses for product returns related to damaged products, defective products, or products subject to a recall. Returns are processed and invoiced weekly for the prior week and are collected by deduction against supplier product invoices.

Order Lead Time and Fill Rate

Timely and complete delivery of product is necessary to meet Gordon Food Service’s expectations in order to ensure product availability for its customers. The supplier must provide Gordon Food Service in writing with the order lead time applicable to the products offered by the supplier and such order lead time must meet or exceed industry standards for the same or similar products. No changes to order lead time may be made unless approved by Gordon Food Service in writing. Time is of the essence and the supplier must achieve an on-time delivery rate of 100%.

If late deliveries that are managed by the supplier become a recurring issue without resolution 30 days from Gordon Food Service’s notice, the supplier may be subject to recovery fees.

Gordon Food Service measures order fill rate on a month-to-month basis for each Gordon Food Service division receiving product. Each month, Gordon Food Service will determine the supplier’s order fill rate performance for the previous month. If the supplier does not achieve an order fill rate of 99.5%, Gordon Food Service may assess a fee for any order fill rate that falls below the 98% threshold. The amount of the fee is calculated as 10% of the order value, but not exceeding \$1,000.

Gordon Food Service processes and invoices fees for order lead time and order fill rate monthly for the prior Gordon Food Service fiscal month. The fees will be collected by Gordon Food Service by deduction against supplier product invoices. The parties intend that any such fees constitute compensation, and not a penalty. The parties acknowledge and agree that Gordon Food Service’s harm caused by a failure to achieve the order lead time or fill rate requirements stated above would be impossible or very difficult to accurately estimate, and that such fees are a reasonable estimate of the anticipated or actual harm that might arise.

Purchase Allowances

Purchase allowance invoicing references how Gordon Food Service invoices and collects purchase/marketing agreement related amounts. Purchase order related invoices issued by Gordon Food Service are invoiced by purchase order and are collected by deduction against supplier product invoices. As each invoice is generated, a summary invoice (pdf) and a detailed file (csv) will be emailed to the supplier as support for the eventual deduction. Below is an outline of the process for such transactions with Gordon Food Service and Gordon Food Service Canada.

Parameter	Description	US GFS Purchase	CA GFS Purchase
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		Agreement Default	Agreement Default
Invoice Frequency	How often are accruals invoiced?	By PO	Weekly
Collection Method	How are invoices collected? (ie deduct, vendor check)	Auto Deduct	Auto Deduct
Delivery Method	How do we deliver the invoice? (ie. email vs paper)	.pdf & csv via Email	.pdf via Email
Invoice Format	What level of detail is included in the invoice .csv support file?	Item by Distribution Center	Item by Distribution Center
Invoice Terms	If the collection is vendor check, what are the payment terms	Net 0	Net 0

Sales Allowances

Sales allowance (deviated customer pricing) invoices are accrued daily, processed by Gordon Food Service fiscal week, and are passed through to Gordon Food Service's Accounts Payable department to be deducted against supplier payables. As each invoice is generated, a summary invoice (pdf) and a detailed file (csv) is emailed to the supplier as support for the eventual deduction. Below is an outline of the process for such transactions with Gordon Food Service and Gordon Food Service Canada.

Parameter	Description	US GFS Sales Agreement Default	CAN GFS Sales Agreement Default
Invoice Frequency	How often are accruals invoiced?	Weekly	Monthly
Collection Method	How are invoices collected? (ie deduct,	Auto Deduct	Auto Deduct

	vendor check)		
Delivery Method	How do we deliver the invoice? (ie. email vs paper)	.pdf & csv via Email	.pdf via Email
Invoice Format	What level of detail is included in the invoice .csv support file?	Item by Distribution Center	Customer/Item by Distribution Center
Invoice Terms	If the collection is vendor check, what are the payment terms	Net 0	Net 0

Deviated Freight

Similar to Sales Allowances, Deviated Freight occurs when the freight amount listed on the supplier's contract (with the end customer) is lower than the actual freight cost charged to Gordon Food Service to transport an item to the Gordon Food Service distribution center. The amount being deducted is the difference between the supplier's contract freight per item and the freight cost per item and is passed through to Gordon Food Service's Accounts Payable department to be deducted against supplier payables. As each invoice is generated, a summary invoice (pdf) and a detailed file (csv) is emailed to the supplier as support for the eventual deduction. Below is an outline of the process for such transactions with Gordon Food Service and Gordon Food Service Canada.

Parameter	Description	US GFS Sales Agreement Default	CAN GFS Sales Agreement Default
Invoice Frequency	How often are accruals invoiced?	Weekly	Monthly
Collection Method	How are invoices collected? (ie deduct, vendor check)	Auto Deduct	Auto Deduct
Delivery Method	How do we deliver the invoice? (ie. email vs paper)	.pdf & csv via Email	.pdf via Email

Invoice Format	What level of detail is included in the invoice .csv support file?	Item by Distribution Center	Customer/Item by Distribution Center
Invoice Terms	If the collection is vendor check, what are the payment terms	Net 0	Net 0

Global Data Synchronization Network (GDSN)

To ensure that Gordon Food Service and its customers have access to complete and accurate data about products in our supply chain, Gordon Food Service has chosen to participate in the Global Data Synchronization Network (GDSN) in accordance with Gordon Food Service's [NA GDSN Policy](#). Utilizing the GDSN improves supply chain efficiencies and data quality, which enhances merchandising, promotional strategies, promotes food safety, and supports a highly satisfying customer experience. For those products that are newly listed and the data is manually sourced outside of the GDSN, Gordon Food Service will invoice a processing fee of \$200 per item. These fees will be processed and invoiced to the supplier on a monthly basis and collected by deduction against supplier product invoices.

Disposal Costs

Disposal costs include the cost of hourly time to dispose of damaged, defective or recalled product, the labor cost to dispose of the product, and sometimes the cost of the dumpster itself. The disposal can be due to returns, proprietary item issues, if the items cannot be donated, and recalls. This is processed and invoiced to the supplier on a quarterly basis and collected by deduction against supplier product invoices.

Vendor Damage Incident Report Costs (VDIR)

VDIR costs are product losses of another supplier's product caused by a defect in the supplier's product causing damage to the other supplier's product or causing it to be unsellable. This is processed and invoiced to the supplier on a quarterly basis and collected by deduction against supplier product invoices.

Pallet Requirements

All pallets not meeting Gordon Food Service requirements will be handled in accordance with the [GFS Canada Pallet Policy](#) or [GFS US Pallet Policy](#), based on the Gordon Food Service company that made the purchase. Images related to bad pallet claims will be available within the purchase order on Gordon Food Service's Supplier Central website. This is processed and invoiced to the supplier on a monthly basis and collected by deduction against supplier product invoices.

Additional Billing Information

If you have any questions about this policy or any deductions that have been made pursuant to this policy, please contact VRSupport@gfs.com (US) or VRInquiry@gfscanada.com (CAN).