

## Standard Operating Procedure

### Inventory management

#### Glossary

**SKU** – product accounting article in the warehouse

**EAN code** – bar code of the product

**WMS** -- is the CONTRACTOR's warehouse accounting program

**NOR** – the status of products that are available for shipment

**RPK** – the status of the product, which is stored in the individual storage area (quality product) in the factory box, a multiple of the quantity

**DG** – the blocking status of goods that have suffered mechanical/physical damage detected during the receipt of cargo or in the process of handling cargo in the warehouse

**SH** – the status of goods that are in storage for less than 3 months

**EXPD** - the status of blocking the product whose expiration date has expired

**MIS** - shortage inside the pallet/box due to the fault of the CUSTOMER and/or the CONTRACTOR

#### Description of the process

##### Work with damaged products

Types of defects:

- Inconsistencies and damage detected upon arrival/returns from the CUSTOMER's consignees
- Inconsistencies and damages found during picking process
- Damage due to the fault of the warehouse

##### *Discrepancies and damage upon arrival/returns from the CUSTOMER's consignees*

These are inconsistencies detected directly during the unloading and reception of products in the warehouse in the presence of the driver. Such damage is photographed (initially, if possible, in the car, the general appearance of the damage, the pallet label), the data is entered in the Goods Acceptance Document (GAD), on the basis of which the operator/administrator of the CONTRACTOR draws up a Document of discrepancies, which must be signed by the driver. The CONTRACTOR informs the CUSTOMER about discrepancies.

##### *Inconsistencies and damages found during picking process*

When such inconsistencies are detected, the CONTRACTOR's employees photograph them and fill in the corresponding document: Document for changing the status of the goods in the warehouse.

On the day of discovery of the discrepancy, the Contractor sends to the Customer photos for further coordination of the process. A scanned copy of the completed document together with photos is sent to the CUSTOMER.

Two copies of the Documents (the original Document and copies certified by the CONTRACTOR) are delivered weekly to the CLIENT's office. The customer must return 1 copy (a copy of the Document) to the CONTRACTOR with the signature of the CUSTOMER.

The CONTRACTOR rejects products with such inconsistencies .

***Damage due to the fault of the warehouse***

Such damage is recorded in the document- Document of change of status in the warehouse. A scan copy, together with photos, is sent to the CUSTOMER on the day of product damage with a message sent to the CUSTOMER's system.

Two copies of the Documents (the original Document and copies certified by the CONTRACTOR) are delivered weekly to the CLIENT's office. The customer must return 1 copy (a copy of the Document) to the CONTRACTOR with the signature of the CUSTOMER.

The CONTRACTOR rejects products with such inconsistencies.

On the day of detection of the above damage, the status of the damaged product must be changed from the initial status of the product to DG. If only part of the products in one box is damaged or only the box is damaged, then the status of undamaged products is changed to RPK status and the product is moved to the individual storage area.

Damaged products are physically moved to the scrap area and assigned DG status.

All defects must be stored in a separate area, which must be marked as DEFECT (systemically, this is a product with DG statuses)

The shortage and the goods to be disposed of must be separated by type into separate pallets (without additional sorting by articles and batches):

- Pallet with goods with DG status (UR pallet damaged due to CONTRACTOR's fault).
- Pallet with goods with DG status (UK pallet damaged upon arrival/returns from the CUSTOMER's consignees).

Disposal and removal of defects is carried out by the CUSTOMER or the CONTRACTOR at the order of the CUSTOMER.

## Standard Operating Procedures

### Consideration of claims

#### Glossary

**GMV** - goods and material values

**WMS** - warehouse accounting system CONTRACTOR

**Vehicle** - vehicle

**GAD** - goods accompanying documents

#### Description of the process

##### General provisions

In cases where discrepancies of goods between accounting and actual data and/or inconsistencies in quantity or quality are detected at any stage of interaction between the Customer and the Contractor, the Customer has the right to file a claim for compensation of damages to the Contractor.

Upon receipt of products, the CUSTOMER's consignee must check the order directly upon unloading in the presence of the driver.

If, upon receipt of products, inconsistencies in quality (physical lack of products, inconsistency of batches specified in the documents, or expired goods) and quantity (shortage, reassortment, surplus) and quantity (shortage, reassortment, surplus) are detected, the recipient must draw up a corresponding act in 3 copies: for the CUSTOMER, the driver and the recipient. The driver must sign all copies of the act. If the driver refuses to sign for any reason, it must be written by the driver in the act in connection with the reason for which the driver refuses to sign the act.

In the TTN, a record of the drawing up of the act must be made, the number of the act must be indicated, and the signature of the responsible person must be there.

Claims regarding quantity (surplus, shortage, reorder) or quality (damaged products, insufficient delivery time, lack of sticker/incorrect application of sticker/inappropriate sticker as a result of work on product labeling, incorrect formation of a promotional set as a result of packing promotional sets) are sent by the CUSTOMER to the Contractor within 10 working days from the date of delivery of the order. In case of shortage, excess or overstocking, the CUSTOMER may request the CONTRACTOR to recalculate the flow and provide video materials of the order completion. The CONTRACTOR must recalculate and provide an answer to the CUSTOMER within 24 hours from the moment of the request and provide the video within 3 days from the moment of the request.

The responsible employee of the CUSTOMER's logistics department uploads a claim to MyClaim on the CONTRACTOR's MyRaben platform about the discrepancy and sends scanned copies of the following documents:

- TTN
- Sales Invoice,
- photo if available,
- Act of detection of inconsistency at the recipient

The report of non-compliance must contain the following information:

- delivery number or order number,
- number and date of the act,
- the article of the CUSTOMER or its name, or the bar code of the products,
- the number of the article with a discrepancy,
- detected inconsistency (shortage, reassortment, surplus, deficiency, etc.), and its detailed description.

If possible, a note should be made in the Act about the location of detection of non-conforming goods in the car and pallet, other remarks that may clarify the situation regarding the non-conformity. If the recipient discovers a damaged product or an expired product, if possible, it is necessary to take a photo, namely: directly in the trailer, the general appearance of the pallet, the location of the damaged box, the damaged box/pieces, labels on the box.

### **Consideration of claims by the EXECUTIVE**

The responsible employee of the CUSTOMER uploads the claim for consideration by the CONTRACTOR in MyClaim on the MyRaben platform with the addition of scanned copies of the accompanying documents and, if possible, photos.

Based on the Act of non-conformity, the CUSTOMER enters data about the received claim in MyClaim. The CONTRACTOR conducts an internal investigation and informs the CUSTOMER of the results of the investigation within 3 to 30 calendar days from the moment of receiving the claim from the CUSTOMER in MyClaim. The claim review period may be extended, depending on the complexity of the received claim and the conduct of the internal investigation. If the CONTRACTOR requires the CUSTOMER to make corrections or additions to the claim, the period for responding to the claim is counted from the moment the CONTRACTOR receives the correction or addition to the claim, respectively.

The driver can additionally indicate in writing his comments on the prepared Act.

In the event of the driver's refusal to sign the completed Act, this fact must be immediately brought to the attention of the CUSTOMER by the CONTRACTOR's transport department.

In case of detection at the place of unloading in the process of detailed individual inspection of products related to the quality of labeling or repackaging, the Customer's consignee must draw up an Act of non-conformity and, if possible, take photos confirming the fact of non-conformity. The completed Act must be signed by responsible representatives of the CUSTOMER's consignee.

All properly executed Acts of non-conformity and other documents together with a photo are transferred by consignees to the CUSTOMER, who transfers them to the CONTRACTOR for investigation.

When making a claim against the CONTRACTOR based on the fact of discovered damage to the products, such damage must be classified as defective products.

Depending on the reason for drawing up the Act of non-conformity, the EXECUTIVE makes a decision on conducting the necessary investigation:

- product damage: analysis of the photo, if available, and the Act from the consignee with a detailed description of the damage, viewing the video recording of the loading of the order at the CONTRACTOR's warehouse
- discrepancy in terms of expiration date, lot number, quantity: investigation in WMS by conducting a random inventory of articles recorded in the Act

After completion of the investigation and analysis of the results, a decision is made to confirm or not confirm the received claim, which is sent to the CUSTOMER with detailed explanations and, if necessary, supporting documents and other materials.

Filing a claim does not delay the payment date for services rendered, including the service to which the claim relates. Claims regarding the performance of services must be sent by the Customer to the MyRaben platform.

### **Claim confirmation**

In the case of confirmation of the information specified in the Act of non-conformity, the CONTRACTOR, using the MyRaben platform, informs the responsible employee of the CUSTOMER about the confirmation of the claim.

Each case of a confirmed claim must be accompanied by an analysis of the reasons for its occurrence and the determination of preventive and corrective actions.

In case of confirmation of a damage claim, the CONTRACTOR must compensate for the cost of damaged or missing products within 30 calendar days from the date of confirmation of the claim.

In case of confirmation of a shortage upon delivery to the consignee, at the request of the CUSTOMER, the CONTRACTOR must deliver such products to the consignee at his own expense, unless other written instructions are received from the CUSTOMER.

In case of confirmation of surplus upon delivery to the consignee, at the request of the CUSTOMER, the CONTRACTOR must return such products to the warehouse at his own expense, unless other written instructions are received from the CUSTOMER.

In the case of confirmation of reassortment upon delivery to the consignee, at the request of the CUSTOMER, the CONTRACTOR must return the surplus from this reassortment to the warehouse and deliver the shortage to the Customer's client at his own expense, unless other written instructions are received from the CUSTOMER.

The Customer's claim must be made in writing and meet the requirements established by the relevant legal regulations. In particular, the claim should include:

- ☐ description of the event that serves as a basis for the claim;
- ☐ the scope of claims determined in accordance with § of this Agreement;
- ☐ a document indicating the cost of replacement of the Goods (expenditure invoice).

All inconsistencies detected during order picking are reflected in the KPI recorded in the Logistics Services Agreement, and are also considered and analyzed during joined meetings of the CUSTOMER and the CONTRACTOR.

### **Claim rejection. Request for additional information**

In case of non-confirmation of the information specified in the claim, the operator/administrator of the CONTRACTOR sends the responsible employee of the CUSTOMER using the MyRaben platform a response outlining the reasons for rejecting the claim (photo/video upload report).

The responsible employee of the CUSTOMER reviews the response of the operator/administrator of the CONTRACTOR and, if necessary, requests the consignee to provide additional information by e-mail.

In case of disagreement with the facts stated in the response of the operator/administrator of the CONTRACTOR, the responsible employee of the CUSTOMER resends the claim with an explanation of the reasons for the insufficient justification of the refusal to accept the claim provided by the operator/administrator of the CONTRACTOR.

The operator/administrator of the CONTRACTOR will review the request and, if appropriate, conduct an internal investigation again. If, in the case of a repeated internal investigation, the claim is confirmed, the operator/administrator of the CONTRACTOR sends a reply confirming the claim to the responsible employee of the CUSTOMER using the MyRaben platform.

If the responsible employee of the CUSTOMER agrees with the facts provided by the operator/administrator of the CONTRACTOR, which refute the information stated in the claim, the responsible employee of the CUSTOMER informs the operator/administrator of the CONTRACTOR using the MyRaben platform about the rejection of the claim.

### **Exclusion**

If the goods arrived in a full original pallet with a factory stretcher or in a factory closed box, that is, the integrity of the product packaging was not violated during processing in the warehouse, discrepancies in the quantity of such goods will not be accepted by the Contractor.