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OVERVIEW OF VENDOR QUALIFICATION

The success of Icelandic USA depends upon the continuous improvement of the value and consistency of its products and services.

A sound relationship between Icelandic USA and its suppliers begins with communication. Icelandic USA's policy is to purchase from suppliers who can assure supply and deliver materials on time, which are within controls and specifications.

Icelandic USA is committed to continuous quality improvement and recognizes the importance of supplier involvement in achieving quality leadership. For this reason, it is Icelandic USA's responsibility to communicate its needs to the supplier and to exchange basic technical information.

Icelandic USA will work closely with its suppliers to assist them in producing and delivering materials and services that conform to specifications and requirements that have been mutually agreed upon by Icelandic USA and the supplier.

Icelandic USA will assign business preferentially to suppliers whose materials, facilities, and services consistently conform to Icelandic USA's requirements.

Icelandic USA will, about every three years, audit its critical suppliers to evaluate their Quality Systems. Audits are to verify that adequate quality assurance systems exist in a supplier's operations and are functioning satisfactorily. Audits can be performed by Quality Assurance, Product Development, Purchasing, or a third party approved auditing firm.

The supplier must complete a certification/recertification form, see attached form VQ2, and return an original copy. After the survey is completed, the results will be reviewed verbally with the supplier.

Vendor performance will be evaluated on a semi-annual basis. Feedback will be provided either verbally or in writing. All issues will be communicated in writing and the supplier is expected to respond to all non-conformances by submitting a corrective action letter.

Icelandic USA treats all suppliers equitably and ethically, see form VQ5 below. All correspondences are considered confidential up to and including the following: price, specifications, bid or quotation information, design information, and any supply sources or supplier information.

SUPPLIER CERTIFICATION/RECERTIFICATION

See form VQ2.

PURCHASING FROM A PROBATIONARY VENDOR

In the event that a purchase must be made from a new source, than the following criteria will take place;

1. A purchase order will be given, but in the event that the supplier will accept a credit card that method will supercede to expedite the shipment.
2. The shipment will be received using the "Receiving Procedures", see form VQ4 below.
3. The shipment will be placed "**On Hold**", in computer system and using hold tags, until Quality Assurance, Product Development, and Purchasing has released it for use.

PURCHASE ORDER TERMS AND CONDITIONS

Terms and conditions will fall under the current Uniform Commercial Code.

SPECIFICATIONS

All specifications, or substantive changes, to all food ingredient items will be approved for use by the Product Development Department and Quality Assurance. All specifications for food ingredients will be submitted following the format on form VQ3 attached. All specifications for food contact items will be approved by the Purchasing Department. Except where these items would directly affect product performance, the Product Development department would also approve items to be used.

LABEL APPROVAL

All labels applied to raw materials will agree with specifications currently in use and current FDA labeling laws. Shipping labels used for dry goods raw materials will be formatted and approved by Purchasing.

Receiving Procedures

1. Incoming shipments will be received and inspected by receiving personnel immediately after receipt.
2. Seals will be checked on applicable shipments.
3. The receiving inspection performed will include the following:
 - o A careful comparison of the number of pieces received with the number listed on the freight bill or packing list.
 - o Also, a comparison of the items and freight bill, to the purchase order will be made. No inventory items will be received without a purchase or stock order.
 - o Examination of the containers for any evidence of damage.
 - o Examination of the contents for obvious damage if containers show any evidence of possible damage.
 - o All flour items are to be black lighted before located in dry warehouse.
 - o All trailers will be inspected after unloading for possible contamination of items received.
 - o Only good 40" X 48" pallets will be received. Notify Purchasing if supplier has not complied with this procedure.
4. Notation of any shortage or damage will be made on the freight bill before it is signed and the carrier released.
5. If the receiving inspection has revealed any reason to suspect concealed damage, the requisitioning department will be notified and arrangements will be made for a thorough examination of the item by qualified personnel.
6. If either obvious or concealed damage is discovered in the inspection, receiving personnel will arrange for a damage inspection report to be completed by the carrier.
7. If concealed damages are detected after the shipment has been delivered by receiving, departments should notify the receiving office immediately.
8. Remember, concealed damage claims must be filled with the carrier within 15 days of receipt of the freight in the Receiving Warehouse.
9. "Collect" freight bills will be handled in one of the following manners, depending on the "F.O.B." terms.
 - o If the terms of the purchase order authorizing the shipment are "F.O.B. Destination", receiving personnel will notify the department by phone that the shipment has arrived "freight collect" and if they want to accept the shipment they should notify the vendor requesting that freight charges be reversed.
 - o If the terms of the purchase order authorize the shipment are "F.O.B. Origin", or if there is no record of any purchase order pertaining to the shipment, the department will be notified of the collect shipment. It will be the department's responsibility to either pay the collect charges or provide receiving with a purchase order number against which the freight can be charged.
10. After the receiving inspection has been performed and the receiving report prepared, the material will be delivered to the requisitioning department by receiving personnel. It is the goal of Central Receiving to accomplish this delivery within two to three hours from receipt of the shipment.
11. The requisitioning department is responsible for making final inspection of their merchandise.
12. Exceptional shipments will not be inspected at Receiving when addressed to an individual. Shipments that are to be installed by vendor or shipment that reads "inside delivery."

Ethical Business Conduct

This policy sets the standards of ethical business conduct for the Non-Seafood Purchasing Department, Icelandic USA, Newport News, Virginia.

Icelandic USA Purchasing will conduct its business fairly, impartially, in an ethical and proper manner, and in full compliance with all laws and regulations. The Purchasing Department employees will not engage in conduct or activity that may raise questions as to the company's honesty, impartiality, integrity, or which otherwise could cause embarrassment to the company.

This procedure provides guidance for contact with suppliers and prospective suppliers, development of requirements, source selection, any source evaluation process, or inspection and acceptance processes.

- Procurement decisions must be made on the basis of quality, service, price, delivery, best value, or other similar factors.
- Care must be taken to avoid actual conflicts and the appearance of partiality regarding all business transactions with suppliers.
- Business and personal activities must be kept separate. Having both a personal and business involvement with a supplier or potential supplier may create a conflict of interest or appearance of partiality.
- A supplier's or potential supplier's proprietary information and resources must be protected and kept confidential.
- Icelandic USA limited, proprietary, or sensitive information must not be disclosed to a supplier or potential supplier unless disclosure is authorized by the Vice President of Operations, Purchasing Manager, or the Vice President of Research & Development.

In deciding whether to accept a business courtesy, employees are expected to use good business judgment and to ask questions when in doubt.

Guidelines for Determining Whether to Accept or Retain a Business Courtesy.

- An employee may keep a business courtesy when acceptance of the courtesy:
 1. Promotes successful working relationships and goodwill with persons or firms with whom Icelandic USA maintains or may establish a business relationship. Such courtesies include infrequent business meals and entertainment that are shared with the person who has offered to pay for the meal or entertainment. However, employees should use good judgment and decline invitations for meals and entertainment that are inappropriately lavish or excessive;
 2. Conforms to the reasonable and ethical practices of the marketplace, such as flowers, fruit baskets, and other modest presents, that commemorate a special occasion;
 3. Does not create the appearance of an improper attempt to influence business decisions, such as accepting courtesies or entertainment from a supplier who is in contract negotiations or whose contract is expiring in the near future.
- Novelty, advertising, or promotional items of nominal value, such as calendars, pens, and mugs may generally be retained.
- Employees should avoid a pattern of accepting frequent courtesies from the same persons or companies.
- Employees should refrain from accepting courtesies that they would not feel comfortable discussing with their manager or coworkers.