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Dear Valued Supplier,

This letter serves as a formal notification of a change in Heartland Food Products Group (HFPG) supplier policy. Due to increasing financial penalties levied against Heartland Food Products Group by our major retail customers (e.g., Walmart, Amazon) for non-compliant shipments, we are formally implementing a **Supplier Accountability Form**.

This policy ensures that costs resulting from non-compliance in areas such as timing, quality, or packaging will be systematically flowed through to the responsible party in the supply chain. This change is necessary to maintain our competitive pricing structure and prevent operational disruptions.

**I. The Charge-Back Principle (Cost Flow-Through)**

The core principle of this new policy is cost accountability:

**If a failure by a supplier or its chosen carrier results in a financial penalty to HFPG from a customer, or incurs specific, documented internal costs to our operations, those charges will be recovered from the supplier.**

This policy applies to all current and future Purchase Orders (POs) shipped after the effective date.

**II. Key Non-Compliance Events Subject to Charge-Backs**

The following table outlines common scenarios that will result in a debit memo being issued to your organization:

Non-Compliance Event	Charge-Back Rationale (Costs Recovered)	Charge Back
Late Delivery	<b>Customer Fine:</b> Penalty from our retailer (e.g., 3% of COGS from Walmart) for missing the Must-Arrive-By-Date (MABD).	Pass Through + \$50 administration fee
Broken Pallets	<b>Direct Cost:</b> Additional pallet for the product supplied by HFPG and labor to repalletize.	\$50 per occurrence
Damaged Product	<b>Supplier Quality:</b> Documentation and recovery through the Supplier Quality Process	Landed cost of materials + \$50 administration fee
Product Shortage / Fill Rate Violation	<b>Customer Fine:</b> Penalty for shipping fewer units than ordered on the PO (agreed manufacturing tolerances).	\$100 per occurrence
Rejected Load / Incorrect Routing	<b>Internal &amp; External Fees:</b> All freight costs, re-delivery fees, and the customer fine for refusing the entire load (e.g., safety violation, no appointment).	All freight fees + \$100 per occurrence

Non-Compliance Event	Charge-Back Rationale (Costs Recovered)	Charge Back
<b>Labeling / Packaging Errors</b>	<b>Rework &amp; Admin Fees:</b> Costs for applying incorrect or un-scannable labels (UCC-128, item ticketing), or non-compliant packaging (wrong case pack quantity).	\$250 per occurrence plus label replacement
<b>Unauthorized Substitution</b>	<b>Customer Fine &amp; Disposal:</b> Penalty for shipping a different SKU, color, or size than specified on the PO.	Supplier replacement + all fees/freight associated + \$150 administration fee

### III. Billing and Documentation Procedure

When a non-compliance event occurs, HFPG will follow this recovery process:

1. **Credit Memo Requested:** You will be required to issue a **Credit Memo to our** Accounts Payable department via email, referencing a unique Claim ID and the affected Purchase Order number.
2. **Cost Breakdown:** The notice will include a detailed breakdown, encompassing the **direct customer fine, internal labor/admin fees**, and any **expedited freight costs** incurred to resolve the issue.
3. **Documentation:** The **request/Supplier Quality Report** will include supporting evidence, such as the retailer's charge-back notice, Bills of Lading (BOLs) with exception notations, and photo evidence (for damages or non-compliant packaging).
4. **Recovery:** The total amount of the Debit Memo will be deducted from your next outstanding payment.

We understand that change can be challenging, but this measure is vital to maintain operational efficiency and stability for both of our organizations. We encourage you to review our updated Vendor Compliance Guide (attached) and audit your shipping processes immediately to ensure full adherence. We look forward to your continued partnership and shared success.