

Volume

1

EASTMAN KODAK COMPANY

Worldwide Purchasing

Supplier Manual

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Purpose of Manual

To document standard business practices between Eastman Kodak Company and its suppliers in order to provide common understanding and to facilitate the business and operational transactions between them.

Scope of Manual

For all Suppliers providing materials or services to any Eastman Kodak facility.

Key interface processes were selected for the first version of the manual; additional sections will be added to expand the scope of understanding, especially as standards are developed and incorporated throughout the company as a result of Kodak's lean journey via the Kodak Operating System (KOS).

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Material Replenishment Parameters

Purpose:

This section describes the general requirements and responsibilities for establishing the parameters and documenting an agreement between Eastman Kodak Company and their suppliers for material replenishment, in order to facilitate the process and reduce the likelihood for defects and/or mis-cues.

Scope:

This document pertains to the replenishment of all manufacturing materials, components and products supplied to Eastman Kodak Company worldwide.

Services are excluded from the scope of this process at this time.

Responsibilities:

Worldwide Purchasing Responsibility - It is the Commodity Manager's responsibility to work with Manufacturing and Supply Chain organizations to develop and formally document, including applicable/authorized signatures, an agreement with suppliers outlining replenishment requirements in order to meet Eastman Kodak Company customer demand.

Manufacturing and Supply Chain Organizations Responsibility - It is the Planner's responsibility to specify replenishment requirements to Purchasing prior to Supplier selection and/or Contract creation, and to notify the commodity manager when conditions change that warrants an amendment to the agreement.

Supplier's Responsibility - The Supplier is responsible for ensuring Kodak Purchasing representatives understand their capabilities and capacities in order to build a workable agreement, and to provide material replenishment within the guidelines of this agreement.

Definitions (in alphabetical order):

Buffer Stock – the amount of stock planned to be in inventory to protect against fluctuations in demand and/or supply. Also a quantity to be kept by the supplier to significantly reduce the supplier lead-time.

Consignment – Inventory, generally of finished goods, that is in the possession of customers, but remain the property of the manufacturer or supplier until consumed by the customer (Kodak).

Flexibility – the amount (usually a percentage) which order quantities may fluctuate and the supplier is still able to respond to meet delivery expectations, usually with minimal commotion to their operations.

Forecast – a best estimate of Kodak’s customer demand, which gives visibility to suppliers to allow them to better plan their capacities and resources, yet does not commit/bind Kodak to specific order quantities. It is Kodak’s intent to provide 12-month rolling horizon forecasts, where possible.

Kanban – A demand-pull method of production in which the actual usage over a specified period of time generates the order quantity and subsequent signal to the supplier.

Liability – A financial amount (cost) by which Kodak is accountable to the supplier under certain conditions of order disruptions. Every effort should be made to minimize this amount to Kodak, while still maintaining as much flexibility as is needed by the Manufacturing and Business Unit customer.

Material Replenishment Agreement – A formal agreement, either part of a formal Supply Agreement or a stand-alone document tied to a purchase order, between Eastman Kodak Company and a Supplier which contains specific replenishment requirements and considerations to facilitate the ordering/signaling and receipt of materials to Kodak.

Reorder Point (ROP) – The level of inventory that will trigger (either electronically or manually via a visible monitor) an order. The ROP is established by a planner, taking into consideration demand/usage, lead-times, and service level agreements, among other factors, and are subject to change as the contributing factors change. Reorder points are reconciled a minimum of once per year – much more frequently for some items.

Signal, Release, Call-off – Sometimes used interchangeably, these terms refer to the method by which an order to replenish is communicated to the supplier.

Supplier Lead-Time – This is the time from when an order is made to when the materials/items are received at the appointed Kodak location, including transportation time. It may be prudent to also specify “cold start”, in the case where lead-times have been minimized by specific supplier actions or agreement between Kodak and the supplier, but which may come into account in extreme cases when order quantities exceed the supplier’s ability to respond to fluctuations (outside flexibility range).

Supply Agreement - A formal agreement between Eastman Kodak Company and a Supplier which contains terms, conditions, specifications, pricing, and signature blocks, and is signed by authorized representatives of Kodak and co-signed by the supplier's authorized representative.

Process:

A Material Replenishment Agreement is required for all manufacturing material, component and product contracts for which replenishment occurs, or at the request of the Manufacturing and Business Unit Planning organizations.

Material Replenishment Agreement language may be incorporated into Kodak's customized Supply Agreements or presented as a stand-alone document applied to an overarching Purchase order, or group of Purchase orders. If the replenishment agreement is part of the purchase order, the Supplier must submit a purchase order acknowledgement to the Commodity Manager as confirmation of the agreement.

At a minimum, Material Replenishment Agreement language will include:

- § How an order will be received by, or signaled to, the supplier
- § Supplier lead times (usually at item level)
- § Expected order quantities and allowable flexibility % w/in lead times
- § Kodak's liability in the case of slow-moving items, obsolete items, or cancellation of the order (can be at item level), and appropriate disposition, if applicable.
- § When changes (lead times, order quantities, etc.) are acceptable and how they will be handled re; amendment to agreement, communications, etc.

Additional items may include, as applicable: if/how forecasts will be received, buffer quantities, amount of acceptable flexibility within a supplier's lead time, delivery expectations such as packaging, configuration, timing, location as consignment versus point-of-use, shipping and carrier routing specifications, consequences of delay and supplier interruption notification, how expedites will be handled re; transportation and cost issues, quality expectations and return policy if not met, and the like.

Once agreed, Purchasing and Planning Operations will enter their respective Key Replenishment Master Data elements into Kodak Purchasing systems in order to insure accurate execution of the replenishment process.

Who do I call if I have problems?

All concerns or requests for changes regarding the agreement are to be directed to the responsible Purchasing person whose name appears on the Purchase Order.

Questions regarding performance within the parameters already established in the agreement may be referred to your Planning and/or Manufacturing Organization contacts.

Purchase Orders

Purpose:

This section explains the various methods by which suppliers will receive purchase orders, as well as, the key information elements of which the supplier should be familiar.

Key Points:

Purchase Orders (PO's) are Kodak's formal communications mechanism for requesting products and/or services from suppliers. PO's are legally binding documents.

Suppliers who perform services based only on a verbal commitment put themselves at risk of non-acceptance and/or non-payment.

Responsibilities:

Worldwide Purchasing Responsibility - It is the Commodity Manager's responsibility to identify appropriate parameters for establishing a proper purchase order.

Supplier's Responsibility - The Supplier is responsible for ensuring Kodak Purchasing representatives understand their capabilities, capacities, and business nuances (e.g.: Payment currency preferences) in order to set up the supplier appropriately and prevent problems from occurring later.

Definitions (in alphabetical order):

Blanket Purchase Order – A Purchase Order that states general/overall information that will govern future releases for specific quantities and delivery timeframes thereafter. A blanket order is usually established for an annual (one year) period.

At the creation of a blanket order, the supplier is not meant to ship any product, or deliver any service, at that time. A release/signal is then made to trigger actual deliveries, specifying exact quantity, expected due date, or other specifics to that particular order. The mechanism for the release should have been established in the Material Replenishment Agreement. Note that the order-to-shipment relationship is, therefore, one-to-many.

One exception to this would be the rare use of a Material Production Schedule Release, which specifically states the order parameters and schedule expectations upfront (no further releases/orders are made).

Discrete Purchase Order – A Purchase Order that states specific shipment quantity, delivery and other information. The order-to-shipment relationship in this case is one-to-one.

Purchase Order – The purchaser’s document used to formalize a purchase transaction with a supplier. A purchase order, when given to a supplier, should contain statements of quantity, description, and price of the goods or services ordered; agreement to terms of payment, discounts, date of performance, and transportation; and all other agreements pertinent to the purchase and its execution by the supplier.

A Purchase Order may be a “Blanket” order, or a “Discrete” order. Please see definitions above for this distinction.

Process:

Kodak uses multiple means to convey PO’s to suppliers. The method used for a particular supplier is determined by the supplier’s preference and the internal Kodak client’s capabilities. The mechanisms include:

- § EDI (Electronic Data Interchange)
- § EC Outlook (web-based)
- § Auto FAX
- § E-mail
- § US (or other) mail system

Once a supplier receives a Kodak PO, there are several key data elements that the supplier should review for understanding:

- PO Number (No.) – this **MUST** be included on the shipment(s) and invoice(s) in order to ensure proper receipt and payment
- Buyer's name and phone number – the issuing purchase agent
- Item(s) Identification or Service Description
- Quantity – this **MUST** be the same on the shipment(s) and invoice(s) in order to ensure proper receipt and payment
- Unit – this **MUST** be the same on the shipment(s) and invoice(s) in order to ensure proper receipt and payment
- Unit Price – this **MUST** be the same on the shipment(s) and invoice(s) in order to ensure proper receipt and payment
- Delivery Date
- Delivery Location
- Packaging & Shipping parameters (or the location to go to receive such information)
- Terms & Conditions
- Additional Clauses – includes relevant item specification, order, shipment, delivery, and import (if applicable) instructions
- Bill To Address – where to send the invoice
- Payment Terms
- Payment Schedule (for Capital and Services only)

Who do I call if I have problems?

Various contact names and phone numbers will be listed on each purchase order. These include personnel in the purchasing, transportation, receiving, invoice and payment organizations.

If you cannot locate this information, or are not sure who to contact, the first line of communication is to the purchasing agent (Buyer) issuing the PO.

Logistics – Part A (all suppliers)

Purpose:

This section describes the elements necessary for successful preparation and delivery of products into Kodak's facilities.

Scope:

This section applies to all suppliers delivering materials or products into any of Kodak's facilities.

Responsibilities:

Manufacturing/Planning clients have the responsibility of defining any specific delivery requirements, and communicating those needs to the Purchasing and Logistics communities.

Logistics has the responsibility within GM&L to coordinate the design and execution of all Inbound transportation, including collecting and publishing key reference data such as supplier and carrier contacts, supplier and carrier holiday schedules, etc. Suppliers and carriers shall provide this information when requested.

Purchasing is responsible for identifying supplier contacts, communicating and documenting requirements in either a Supply Agreement or on a Purchase Order, establishing pricing, and other commercial issues.

Suppliers have the responsibility for ensuring that their respective counterparts (either within their company or outside if work is subcontracted) understand Kodak's logistical requirements, whether directly communicated by Kodak, or contained in a central location accessible by the supplier.

Carriers must comply with all Kodak site regulations regarding safety and security, hours of operation, proper identification, etc.

Definitions (in alphabetical order):

Bill of lading – a carrier’s contract and receipt for goods it agrees to transport from one place to another and to deliver to a designated person. In case of loss, damage, or delay, the Bill of lading is the basis for filing freight claims.

GM&L – Global Manufacturing and Logistics, the parent organization for Logistics

OS&D – Over, short, and damaged

Packing list/slip – a document that identifies in detail the contents of a package, carton, container, or pallet for shipment to a customer. The detail includes item description, supplier’s and/or customer’s item number, quantity in shipment, and unit of measure

Point of Use (POU) – point in manufacturing where material will be consumed in a production process

Process:

The overarching contract (i.e. Supply Agreement), where there is one, is the main document that will indicate any specific requirements related to packaging, preparation such as labeling, and shipping, including the use of Kodak’s common carriers. Any conflicts to this must be brought up to the purchasing representative for resolution.

In the absence of a Supply Agreement, the Purchase Order becomes the direction for such issues, whether specifically stated or by noting that suppliers are to refer to Kodak’s routing guide on their website: (www.kodak.com/US/en/corp/vendorTransportation) for shipping and routing information.

Key elements of shipping and routing information are:

1. Packaging
 - Refer to packaging specifications, as identified in the Supply Agreement or on the Purchase Order itself
2. Preparation for shipment
 - Put packing list on outside of box
 - Must contain Kodak Purchase Order (PO) Number on outside
 - Must state box # of total # if multiple pieces for single shipment

⇒ Refer to Standard Label Format (later in this section of the manual) for Kodak's standard label requirements

3. Use of Kodak's common carriers

- Refer to routing guide website

4. Preparing to enter a Kodak facility

- Security/Authorization
- Identification
- Confirmation of shipment

Standard Label Format:

The label provides for a common format and common content for specification of all incoming materials, in order to facilitate the receiving function and enable Kodak to implement other lean practices. All suppliers are expected to conform to the standard label format.

There are 2 sizes of the label – one for pallets, and one for packages. All fields are identical.

Ship To: <small>(show valid shipping address with Gate # from Kodak P.O.)</small> Eastman Kodak Company Field 1		Ship From: <small>(Shipper's shipping location)</small> Field 9 Shipper's Contact Phone # _____	
<small>Kodak Point of Use (content of this field may vary based on Kodak receiving plant requirements) (maximum characters = 24)</small>			
Field 2 Plant (4) - Bldg (3) - Door (3) - Floor (2) - Column (4) - Location (3) Kodak PU Number			
Field 3 <small>(note: to mode thru on nodek leper spec.123a to be placed here)</small> Kodak PU Line Number		Number of container(s) represented in this shipment Field 10	
Field 4 <small>(note: to mode thru on nodek leper spec.123a to be placed here)</small> Total quantity represented in this shipment		Kodak Material Description Field 11	
Field 5 <small>(note: to mode thru on nodek leper spec.123a to be placed here)</small> Kodak Material Number		Kodak PU Unit of Measure Field 12	Kodak SLOC Field 13
Field 6 <small>(note: to mode thru on nodek leper spec.123a to be placed here)</small>		Supplier's Internal Information (Supplier may insert any data) Field 14	
<small>Advance Ship Notice (ASN) = Vendor Number + Edg1/Sequential Number (defined as Lot/Shipments/Sequential # + 1) concatenated</small>			
Field 7 <small>(note: to mode thru on nodek leper spec.123a to be placed here)</small> Kodak Supply Hub Reference Number			
Field 8 <small>(note: to mode thru on nodek leper spec.123a to be placed here)</small>			

Who do I call if I have problems?

Conflicts in specifications/directions or for additional understanding, contact the Purchasing Representative to help seek resolution.

US Transportation-specific questions should be directed to the routing guide website:
www.kodak.com/US/en/corp/vendorTransportation

Logistics – Part B (specific suppliers)

Purpose:

This section describes the process and requirements for supplier participation in Kodak's KOS-specific (i.e. lean) projects related to logistics.

Scope:

This section has been added to indicate future direction consistent with Kodak's lean objectives. It currently includes the project(s):

- Fast Flow (sometimes referred to as Milk Runs)

Unless suppliers have been notified that they are being included in implementation for these phases, they are not to be confused or concerned with the material thereabouts. Contact your purchasing representative if you are not sure whether this section has application to you.

Responsibilities:

In addition to responsibilities stated in Section A:

Kodak Logistics Transportation Planning is responsible to capture manufacturing orders, plan the transportation specifics, and communicate those plans to the suppliers, carriers, and manufacturing.

Kodak Logistics Traffic Management monitors transportation status and measures and reports system performance in order to identify opportunities for improvement.

Definitions (in alphabetical order):

Cross-Dock – routing material through a warehouse type of facility without storage beyond a predetermined delivery time to the customer

Direct Ship – pickup by a carrier at a supplier, and delivery by that carrier to the POU dock door without any intermediate stops

Fast Flow – a process for quick replenishment that covers daily orders from the customer, milk-run pick-ups at the supplier, delivery to Kodak, and cross-docking and delivery to the point-of-use.

KOS – Kodak Operating System (i.e. lean)

KPI's – Kodak Performance Indicators

KRT – Kodak Rochester Transportation

Milk Run – pickups of material at a geographically clustered set of suppliers. Also applies to deliveries to a geographically clustered set of POU's (e.g. KRT delivering to a set of buildings on a route in Kodak Park East)

POU – Point of Use

TP – Transportation Planning

Process(es):

For those suppliers who Kodak has engaged in Fast Flow, the following information will help to explain and supplement, but is not meant to replace, instructions provided by Purchasing and Logistics representatives implementing said process:

Fast Flow Process Details:

Daily Parts Ordering – occurs at a set time each day. Communication method to TP and suppliers currently a spreadsheet attached to an email. We expect to shift to electronic orders visible on the web.

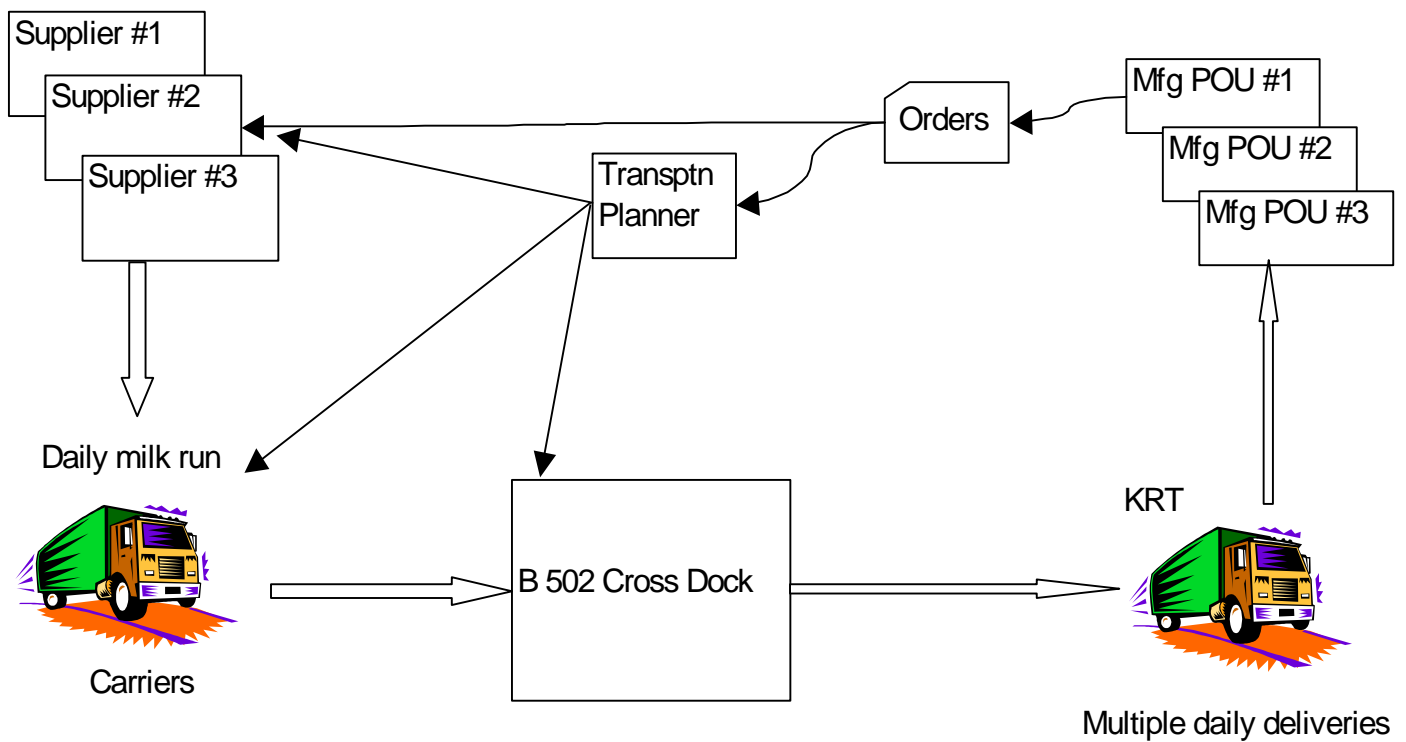
Transportation Planning – at a set time each day or several days, depending on order cycle, transportation planning receives email (or looks in a web-based folder) to capture requirements, uses trailer loading software tool to insure transportation optimization, creates route spec, driver check sheet, and load configuration diagram for each milk run and sends to manufacturing, supplier, carrier, and cross-dock.

Transport from Supplier to Kodak – Carrier checks quantities of each item vs. driver check sheet at time of pickup. If problems, carrier calls Kodak Traffic for decision. Carrier and supplier both sign check sheet. Materials transported to Kodak Park.

Traffic Management – Carriers should keep Kodak updated re: status vs. plan. If not, Traffic should call carriers to inquire re: status on the road vs. planned delivery times to Kodak. Notify cross-dock of deviations from plan. Notify customers if deviations will affect delivery to them. Collect data as input to KPI's.

Kodak Internal Logistics (Cross Dock and Delivery to point of use) – at time of physical receipt to Kodak, insure paperwork is complete and matches freight. Apply OS&D procedures as needed. Unload trailers and stage product for scheduled deliveries as indicated.

Key Performance Indicators (KPI's) – metrics to track performance of overall system – includes carrier delivery performance, KRT delivery performance, etc.



Process for Daily Orders and Deliveries

The overall flow of information is diagrammed above.

Note: The chart shows the repetitive process for milk runs that have been designed and implemented. Logistics, in collaboration with Demand & Supply Planning, and Purchasing, designs milk runs consistent with the Inbound Logistics Strategy for GM&L.

Fast Flow Process Summary:

1. Customer (Manufacturing) determines orders to place from kanbans, pull signals, etc.
2. Customer places order with Supplier, and also sends to Transportation Planner (Logistics)
3. Transportation Planner (TP) plans next set of deliveries (typically next day)
4. TP notifies Mfg, Supplier, Carrier, and Cross Dock of planned deliveries
5. Carrier insures quality at the source (at time of pickup) – counts of pallets / unit loads
6. Kodak Logistics Traffic monitors status of incoming freight
7. Cross dock verifies materials and counts are correct, applies OS&D procedures, if needed
8. KRT delivers materials to Mfg per previously agreed to schedule

Flowing Inbound material to Kodak via milk runs and the cross dock is typically the preferred method. There are situations where direct ship, LTL, or storage may be used.

Invoicing

Purpose:

The purpose of this section is to provide vendors with exact detail needed when submitting a paper invoice.

Responsibilities:

It is the responsibility of the vendor to provide the correct information on each paper invoice they submit and to submit it to the correct address, which is printed on the purchase order issued by the Eastman Kodak Company. This address should contain the company name they are submitting to.

Definitions:

Purchase order – The purchaser’s document used to formalize a purchase transaction with a supplier. A purchase order, when given to a supplier, should contain statements of quantity, description, and price of the goods or services ordered; agreement to terms of payment, discounts, date of performance, and transportation; and all other agreements pertinent to the purchase and its execution by the supplier.

Purchase order number - This is an internal Kodak number assigned to each outside purchase of material or services.

Process:

Each invoice submitted, MUST contain the following information:

1. **An invoice number.** This number will then be referenced on the check (or electronic record) when issued to help the Vendor apply the cash to the correct item on their Accounts Receivable ledger.
2. **An invoice date.** This date is used by Kodak to start the payment cycle. The check will be issued and mailed 5 days prior to the date the invoice is due for payment according to the terms indicated on the Eastman Kodak purchase order. This will enable the check to arrive at the Vendor’s remittance address on the due date.

3. **The dollar amount that Kodak owes to the vendor.** This should be broken down into product/service total, taxes (when applicable) and freight (when applicable). These items need to match the same units of measures and prices listed on the purchase order issued by Eastman Kodak. Any discrepancies need to be communicated to the person issuing the purchase order before the invoice is issued, otherwise, payment will be delayed.
4. **Itemization of each item.** Each invoice should be itemized to show the date on which the shipment was made or the date the service was performed. This should include the quantity and the unit price agreed upon by Kodak.
5. **Type of currency, if other than USD.** If the invoice is to be paid in currency other than USD, it must be printed on the face of the invoice.
6. **Purchase order number.** The Eastman Kodak purchase order number must be contained in its entirety on the face of the invoice otherwise payment may be delayed.
7. **Remittance address.** The address where the payment should be sent.

Other Notes:

- § The terms of the invoice do not need to be printed on the face of the invoice, but it is advisable for the vendor to check the terms of the purchase order. The terms on the purchase order will be adhered to for payment of the invoice. Any corrections need to be communicated to the person issuing the purchase order before the invoice is created.
- § Eastman Kodak only pays from invoices. If a statement is going to be submitted for payment instead of an invoice, it will need to be set up as an exception and manual handling may be necessary to have this paid.

Who do I call if I have problems?

If a vendor has not been paid according to the terms of the purchase order and the payment is overdue, the phone number for assistance is: Toll Free 877-777-5003.

This call center will advise where to fax a copy of the overdue invoice or how to submit the invoice for payment.

Terms and conditions of the purchase order cannot be discussed by calling this number. Any questions regarding terms and conditions should be discussed prior to issuing the invoice and should be directed to the person who placed the purchase order.

Payment

Purpose:

The purpose of this section is to provide an understanding of the various methods Kodak issues payment, and of the payment process overall.

Payment Methods:

There are primarily three different methods Kodak has for paying its vendors:

- 1) **Paper check**
- 2) **Electronic Funds transfer (EFT)**
- 3) **Wire transfer.**

A **paper check** is mailed to the vendor's remittance address. A remittance advice is included with the check. This is a statement that lists each invoice number, date, and amount that is being paid on that check.

With **EFT**, the funds are transferred directly to the vendor's checking account. Only those vendors who are paid in **US \$ to a US bank** are eligible for EFT.

To be set up for EFT, the vendor must complete an EFT Enrollment form to provide all of the necessary bank information. A pre-note, or penny test is performed prior to turning on EFT to ensure the set up was accurate and transmission was successful. Kodak sends all invoice detail information in the transmission to the bank and does not send a separate remittance advice to the vendor. The bank must provide the remittance advice to the vendor.

Wire Transfer is for payments to foreign vendors who are being paid in **foreign currency or to a foreign bank**. The bank information must be provided to the buyer who will forward to the appropriate group for set up. A separate remittance advice is sent via Electronic Data Interchange (EDI) to the bank.

Process:

The payment process begins when the invoice is received and entered by the Accounts Payable department at Kodak. Please refer to the Invoice Information section for what is required to be on the invoice.

The invoice date, and the payment terms from the PO, determines the payment due date.

The invoice date is what is used to begin the aging cycle. If the payment terms are net 45, the payment due date should be 45 days after the invoice date.

When the payment leaves Kodak depends upon the method used for payment. If it is a check, it is mailed 5 days prior to the due date. If it is electronic, it is sent in less than 5 days prior to the due date.

Who to call if there are problems

If a vendor has not been paid according to the terms of the purchase order and the payment is overdue, the number for assistance is: Toll free 877-777-5003.

If the vendor is being paid via EFT or wire transfer, and there are changes to their bank account information, they should contact their buyer who will put in the request for bank information changes.