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Supplier Handbook

Introduction to the Fluke Supplier Handbook

Dear Fluke Supplier,

The Fluke Supplier Handbook was created for you to better understand Fluke and Fluke's engagement with you, our valued supplier. I would especially encourage you to review our mission and quality policy along with the links to Fluke's Values, Fluke's Supplier Code of Conduct, and Fluke's expectations for Integrity and Compliance. This will go a long way in understanding Fluke, how we conduct business and how we expect our suppliers to do the same.

You will find two major sections in this handbook. The first focused on quality system expectations of suppliers and the second on purchasing processes and requirements. This is all what we consider "standard work". Please take the time to read and should you have any questions, please contact your Fluke Procurement professional for answers.

Thanks for your support of Fluke.

Sincerely,



Bob Mahlik

Vice President, Global Procurement – Test & Measurement Platform
Fluke Corporation

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FLUKE ELECTRONICS CORPORATION (FLUKE)

MISSION STATEMENT:

Be the leading worldwide supplier of portable test tools and related equipment for the service, installation and maintenance of electrical and electronic equipment.

FLUKE'S QUALITY POLICY:

To create and maintain a quality system of continuous improvement of key work processes focused on customer expectations.

VALUES:

See <http://www.danaher.com/core-values>

SUPPLIER CODE OF CONDUCT:

See <http://www.danaher.com/suppliers>

INTEGRITY AND COMPLIANCE:

See <http://www.danaher.com/integrity-and-compliance>

DANAHER BUSINESS SYSTEMS (DBS):

See <http://www.danaher.com/danaher-business-system>

The Danaher Business System (DBS) is who we are and how we do what we do. It is more than a management system or business model - it is part of the mentality of virtually every associate in the company. Through DBS, Fluke achieves world-class excellence in customer satisfaction, beginning with the voice of the customer, continuously improving quality, delivery, cost and innovation.

DBS is at the core of our quality system. We focus on defect prevention contrary to defect detection. Suppliers must employ effective methodology and error proofing of their manufacturing processes so that zero defects can be achieved. In order to achieve zero defects, it is imperative that the supplier have processes in place using six sigma and lean manufacturing methodologies.

1 QUALITY SYSTEM EXPECTATIONS FOR FLUKE SUPPLIERS

The ability of a supplier to develop and maintain an acceptable quality system is an essential factor in qualifying and continuing as a Fluke supplier. This section defines the quality systems expectations for suppliers (Sub-contractors, distributors, and OEMs) of production parts and assemblies to Fluke.

1.1 SUPPLIER RESPONSIBILITIES

- Suppliers are responsible for maintaining a quality system that ensures each product complies with all the requirements included on the engineering drawing, prescribed on the purchase order, and outlined in this handbook.
- Suppliers shall participate in the Supplier Evaluation which contains questions that allow Fluke or the supplier to evaluate the extent to which a given quality system addresses each of these elements.
- Suppliers are responsible for understanding all engineering drawing and specification requirements. If any questionable areas appear to exist, the supplier must contact Fluke for clarification. Drawing clarifications are to be resolved prior to production part manufacture, and in no case shall the engineering drawings and specifications be superseded by any informal agreement.
- Suppliers who control the design of the product shall maintain sufficient technical documentation.
- Suppliers are responsible for the quality of their products and are not to rely on Fluke to determine the quality level of their material or service. Use of sampling techniques is not intended to imply that defective material at any level is acceptable. Any defect found in a Fluke factory requires prompt investigation of the product failure mode, understanding root cause and taking appropriate corrective action.
- Suppliers are responsible to notify Fluke of any proposed changes in design, processing or manufacturing location prior to the change. Suppliers must obtain Fluke's approval of any proposed changes. Requests for changes or deviations may be submitted on a Supplier Deviation/Change Request Form.
- Suppliers are responsible for repairing or replacing non-conforming material with material satisfying specifications in time to meet Fluke delivery requirements. In some cases,

material urgently required to meet customer shipments may be reworked by Fluke at the supplier's expense.

- Fluke- owned tooling shall be permanently identified as Fluke property and be cared for per the terms and conditions outlined in the purchase order.
- Suppliers are responsible to provide quality performance records upon request.
- Suppliers are responsible for extending the requirements of the Fluke engineering drawings, the Fluke purchase order and this document to their suppliers.
- When conflicts exist between engineering drawings, purchase orders, and this handbook, engineering drawings shall supersede any other document and will be the primary source of quality requirements; purchase orders will be secondary, followed by this handbook.
- Suppliers are responsible for all the sub-contractor quality non-conformances and quality performance. When instances occur which warrant the review of a sub-supplier's process or control system, the supplier is expected to coordinate such review.
- Suppliers are responsible to comply with all specified regulatory and environmental compliance regulations that are detailed for Fluke products and components. The supplier is also expected to be a collaborative partner in resolving compliance related questions with these regulations. See the attached Danaher Restricted Materials Supplier Specification which specifically addresses materials restrictions, material declaration requirements, and supplier communication requirements.

1.2 SUPPLIER EVALUATION, SELECTION AND PREFERENCE

Suppliers who maintain a continuing business relationship with Fluke must demonstrate that they have a quality system that meets or exceeds Fluke requirements. Suppliers with ISO certification must provide a written quality manual that meets or exceeds the requirements outlined in this handbook. Current suppliers who do not meet these criteria are expected to be working toward a viable quality system such as ISO.

1.2.1 APPROVED SUPPLIER LIST (ASL)

Suppliers are selected after a thorough review and evaluation of their overall business health and their ability to manufacture products that meet Fluke's requirements. Fluke reserves the right to audit the suppliers' quality system. Fluke may conduct audits at the supplier's manufacturing facilities. Following an acceptable assessment of the supplier's complete evaluation, the supplier is included on the Approved Supplier List (ASL).

Ongoing supplier performance is measured by monitoring quality, delivery and cost performance as described in Section 2. Any supplier failing to meet the Fluke performance requirements may be subject to removal from the ASL.

Supplier status is noted on the ASL as either:

- Preferred: suppliers as defined in section 1.2.4
- Qualified: suppliers who have been approved and are a candidate for preferred status
- Approved: suppliers who have been assessed and meet the minimum requirements of this document.
- Disqualified: suppliers who have been assessed in the past but have been removed from the ASL or who have not met the minimum Fluke's requirements.

1.2.2 QUALITY MANUAL

Suppliers with ISO certification must submit a quality manual and complete a Supplier Evaluation (document attached) to initiate the Fluke approval process. Suppliers without ISO certification must submit a Supplier Evaluation only.

1.2.3 ON-SITE QUALITY SYSTEM AUDIT

After review of the quality manual and/or Supplier Evaluation, an on-site quality system audit may be conducted. The audit conducted at the supplier's manufacturing location will determine conformance to the Fluke quality requirements and its compliance with the ISO standard. The audit will be conducted using the completed Supplier Evaluation document.

1.2.4 PREFERRED SUPPLIER PROGRAM

Preferred suppliers are fundamental to Fluke's success. The objective of the preferred supplier program is to develop our supply base to consistently provide parts which meet the quality, delivery, cost, and service objectives to maintain Fluke as a world-class manufacturer.

The preferred supply base is a managed group of suppliers who align with Fluke's strategic vision and performance expectations. Fluke will focus growth and consolidation efforts with these suppliers. Select preferred suppliers will have the opportunity to learn appropriate DBS tools and Kaizen to improve quality and processes. The preferred supplier program supports all commodities in Fluke.

Fluke awards preferred Supplier status to suppliers who work with Fluke on the following objectives:

- Achieves a minimum score of ≥ 70 on the Supplier Evaluation document for each applicable section.
- Extends 5% per year over year (YOY) price reductions (contractual commitment across entire spend portfolio), proactive price benchmarking, and YOY productivity gains.
- Achieves on-time delivery % of $\geq 98\%$ measured by dock date and no more than 3 days early and 0 days late.
- Can accept minimum 90 days payment term or accept P-card
- Participates in e-auctions with experience
- Has a written business continuity plan
- Has signed a Memorandum of Understanding (MOU) with Fluke
- Provides value engineering support through product lifecycle
- Offers 24 hour turnaround on warranty/non-warranty repair support

- Holding safety stock for unplanned upside in demand (lead-time = transit time = 5 days maximum).

Preferred suppliers will have a preferential position relative to future sourcing opportunities.

1.2.5 DISQUALIFICATION

Any supplier failing to meet the quality system or performance requirements may be subject to removal from Fluke's ASL.

1.2.6 QUALITY SYSTEMS ASSESSMENT

The audit checklist and scoring guidelines included in the Supplier Evaluation document reflect the elements expected of an effective quality system and will be used in Fluke's evaluation of a supplier's quality system. The audit summary should not be confused with a supplier rating system or score card, which might include such performance factors as quality of received material, on-time delivery, etc.

The audit and classification sections of this document allow suppliers to understand Fluke expectations.

The design and operation of the supplier's quality system must direct the quality approach toward prevention of defects through product qualification planning and process control techniques in place of defect detection through inspection or test methods. This type of system leads to increased productivity and never ending improvement in quality, both of which mutually benefit Fluke and the supplier.

The minimum target score is = 70 in each section on the Supplier Evaluation document for approval. If a supplier reaches a score of < 70 on any section, they must submit a corrective action to improve performance.

The corrective action plan will be tracked by Supplier Quality Assurance (SQA) and reassessed when corrective actions have been implemented.

2 PURCHASING PROCESSES AND REQUIREMENTS

This section defines the Fluke procurement process including requests for quotation, initial supplier approval, contracts and purchase orders, shipping and transportation, communications, expectations concerning cost savings, proprietary information and supplier performance rating.

2.1 REQUEST FOR QUOTATION (RFQ) ACTIVITIES

The commodity manager, New Product Introduction (NPI) and production buyers will submit requests for quotation (RFQs) to potential suppliers.

The RFQ will include the following:

- Work Package
- Terms and Conditions
- Fluke Supplier Handbook
- Bid Due Date
- Method of shipment and F.O.B. point
- Terms of payment
- Engineering Drawing
- Request for Country of Origin
- All other pertinent information to ensure the accuracy of the suppliers' quotes

The Supplier quotation should be returned to the requestor and include the following:

- All requested quote information
- Supplier acceptance of Fluke Terms and Conditions or provide a detailed list of exceptions to it.
- Suppliers shall use Fluke endorsed carriers when transportation costs are incurred by Fluke. A list of endorsed carriers is available from the buyer and is updated annually.

2.2 PROPRIETARY INFORMATION

Fluke information such as drawings, materials used, technology, customers, and financial information is proprietary information. As such, the supplier will not divulge this information to other parties. In particular, drawings of parts designed by Fluke are proprietary and as such, the supplier should not manufacture parts from these drawings for any party other than Fluke. Fluke will initiate a non-disclosure agreement between Fluke and the supplier early in the relationship.

2.3 COMMUNICATION

The commodity manager, in conjunction with the Fluke factory and supplier, will define the appropriate communication channel at the commencement of the agreement. The commodity manager is responsible for communications regarding:

- Price changes
- Multiple Fluke factory quality / delivery issues
- Contractual changes

The commodity manager will be responsible for providing the Fluke Supplier Handbook to the supplier and organizing quality audits.

- All verbal instructions must be confirmed in writing. A Fax or email is considered an acceptable form of written communication.
- Changes to the purchase order will be communicated via a written change notice such as a purchase order change.
- Acceptance of the purchase order should be communicated to the appropriate buyer

- Supplier requests for temporary deviations or permanent changes may be documented on a Supplier Deviation/Change Request form and forwarded to Fluke. This form, or an equivalent, should be used to request temporary deviations or permanent changes with materials, dimensions, cosmetic, processes, etc. Fluke will review the request and respond to the supplier. See attached form.
- Suppliers are required to communicate potential late deliveries and deviations to Fluke as soon as the supplier is aware them. This communication can be verbal but must be confirmed in writing.

2.4 COST REDUCTIONS/IMPROVEMENTS

Suppliers are encouraged to recommend both product and process improvements to reduce total costs.

2.5 SUPPLIER PERFORMANCE RATING

Fluke maintains a supplier rating system to measure supplier performance. This performance information will be one factor used by Purchasing to select suppliers and to determine the supplier's status in the preferred supplier program. The overall rating is based on the supplier's monthly performance, which is monitored by a supplier performance scorecard and reviewed in periodic business reviews. Though these rating systems vary by Fluke factory location, suppliers can expect to dialog about overall performance. Below is an example of the Fluke North America scorecard that is shared with suppliers routinely.

Supplier ABC Inc.

APR-13

1. Rating

PDM%	OTD%	MOQ Turn	WALT	PPV%	Quality Rating	Delivery Rating	Cost Rating	MOQ Rating	LT Rating	Rating
100%	76%	82	7.11	1.22%	1	-1	0	.5	.5	Acceptable

2. Criteria

Quality - Metric: PDM% PDM% ≥ 99.98 PPM Sigma Points 99.98-99.98 233 - 6210 4 - 5 0 < 99.98 > 6210 < 4 -1				Delivery - Metric: OTD% OTD% ≥ 98 Points 90 - 98 0 < 90 -1			
Cost - Metric: PPV% PPV% ≥ 4 Points > 0 - 4 0 < 0 -1				MOQ Turns - Metric: dEAU \$\$/dMOQ \$ MOQ Turns Points ≥ 25 0.5 < 25 0			
Weighted Average Lead Time - Metric: Working Days Weighted Average Lead Time Points ≤ 30 days 0.5 30 - 45 0 > 45 -0.5				Final Rating Outstanding: Score of 3 or higher Acceptable: Score of 1 to 2.5 Unacceptable: Score of less than 1 Not Rated: No Score			
				Description These suppliers are considered growth partners for the future. New business should be directed towards these suppliers. These suppliers are important to Fluke's business and have the potential to become outstanding. No new business should be awarded to these suppliers. Additionally, Fluke should pursue alternative sourcing. Less than 3 months of data exists for the supplier. Re-examine status at the next quarterly review meeting as described in above process for becoming an outstanding supplier.			