

ATTACHMENT XX - QUALITY MANAGEMENT GUIDE FOR SELLERS

Quality Management Guide for Sellers

Quality is a central factor in competition, and, it goes without saying, a commitment to our customers all over the world. We are aware that our Sellers have a considerable influence on the quality of Kärcher Products. The aim of this guide is to help you to put the requirements of our common market into practice. Only on the basis of collaboration with partners who place equally high demands on the quality and quality management of their products can we make high quality Products at optimal prices. That is why we want to introduce our quality management system to you. Together with you, we want to address and lay down all the quality measures required in the process of creating a product.

The goals:

- To reduce development times and costs
- To find the most cost-efficient solutions for both companies
- High-quality, robust products
- To lower the risks and costs of defects and associated warranty costs
- Series production on schedule with technically perfected products

1 Introduction

The quality of our products is an essential component of our corporate policy as a producer of brand-name Products. Quality creates confidence and is an indispensable prerequisite for sustainable growth in our markets worldwide. In the context of international competition and against a background in which quality, as well as price and service, is an important factor influencing a decision to buy, Kärcher makes product quality an indispensable criterion. This ensures the success of our products on the international market, thus securing the livelihood of both Kärcher and our Sellers. In order to guarantee product quality, Kärcher has set up a comprehensive quality management system. In the past, quality management (QM) was essentially geared to identifying and eliminating faults. However, faults that had already occurred gave rise to costs, caused deadlines to be overrun and affected customers. Now, preventive measures are taken to ensure that faults do not happen in the first place. Thereby the “No-error-quality” requirement of all Sellers is necessary.

The Kärcher guiding principles on quality set out below express in brief the things that are important to use. Quality does not just happen by itself. Everyone involved in the production process must contribute to producing and improving it.

1. Satisfied customers are the aim of our work. That is why one of our foremost corporate goals; to provide products and services of the quality customers want. The same applies to services provided in our name by dealers and customer service providers.
2. The quality yardstick is set by the customer. It is the customer's verdict on our products and services that counts. Our quality goal is always “zero faults” or “100% correct.”
3. Every Seller has a contribution to make in achieving our quality aims. So it is the duty of every Seller to produce flawless work.
4. All work should be done correctly from the outset. That not only improves quality but reduces our costs. Quality enhances viability.

5. In addition to the faults themselves, the causes of faults must be eliminated. Fault avoidance takes priority over fault elimination.

6. This guide is not a set of rigid rules but an aid, reflecting current requirements, to ensure the quality of purchased Products. At the same time it sets out the demands we place on Sellers with whom we will work in a long-term partnership to the satisfaction of our common customers.

2 Product Safety and Product Liability

Kärcher bears responsibility for its products to those who buy them. Therefore the Seller is obliged to do everything technically and organizationally possible and reasonable to produce safe, faultless products and to minimize the risks of product liability. We therefore expect suppliers to have and actively manage its own QMS (Quality Management System), and meet all KPI requirements.

- Safe processes to be designed in advance through preliminary quality planning.
- Suitable measures to be taken to identify and rectify faults, and to rule out the possibility of delivering faulty Products.
- The use of tools or a system for product traceability, to allow prompt notification and corrective action for Quality escapes.

3 Quality Assurance for Purchased Parts

Quality assurance in the acquisition of purchased Products is divided into several steps:

1. Seller selection on the basis of information requested or Seller audits
2. Testing of initial samples
3. Inspection of incoming Products
4. Continuous Seller assessment
5. Support to Sellers in pursuing common quality goals

3.1 Seller selection

Due to the major significance of the quality of purchased products, cooperation with our Sellers is of utmost importance. That is why we obtain a general overview of a future partner right from the initial inquiry stage. This is done partly at trade fairs and on the Internet, but also on the basis of information provided by the Seller, for example on its machinery capacity. A visit to your premises helps us to get to know your company better. We then draw up a Seller profile. In this we go into various subjects that are important to us and which we set store by in your company (costs, technology/innovation, quality, flexibility/service and environment). If we find the result satisfactory we can take further steps towards collaboration. These give us an overview of your

Quality management system in terms of its ability to achieve quality. In addition to the fulfillment of technical specifications, price, and ability to meet delivery deadlines, your quality management is a fundamental criterion for selection as a Seller.

With new Sellers, we attach particular importance to:

- The organization of quality planning
- Initial sample testing
- The performance of incoming Products, production and final inspections
- The use of statistical methods

- Fault analysis and monitoring of the efficiency of measures to put a stop to faults
- The keeping and filing of test protocols
- Monitoring of measurement equipment
- QM system, description of processes in your operation
- Preventive measures such as fault potential and influence analysis (FMEA), QFD

3.2 System and Process Audit

We carry out system and process audits of our Sellers in order to identify the potential for improvement in your QM system and to institute appropriate measures.

In process audits we observe and inspect the process chain for planning and manufacturing a product, in order to see whether it meets the main requirements for fault-free manufacture. Other possible reasons for process audits can be:

- to identify the causes for deviations in the quality of Products supplied
- to optimize processes
- to inspect the process chain if production location is moved
- new production technology.

Depending on the reason, the audit can include all processes, or partial processes required in the planning and manufacture of a product. As part of this more in-depth quality capability assessment the Seller will provide evidence of the instruments and/or criteria applied to ensure its ability to supply products of the consistent quality required. Quality capability will be assessed on the basis of a checklist, with quality assurance measures being evaluated according to their level of development on a points system ranging from “non-existent” to “optimal.”

Detected weak points/risks will be discussed. The Seller will be asked to take improvement measures.

3.3 Quality Assurance Agreement

Before placing an order we enter into a quality assurance agreement which forms the framework for trusting collaboration in with our Seller. These requirements are captured in our Terms & Conditions of Purchase as well.

It includes agreements relating to requirements of:

- The quality management system
- Pollution-free products
- Testing instructions
- Documentation
- Initial sampling
- Quality audits

4 Technical Documents

The technical documents form the basis of collaboration with our Sellers. Kärcher refers to these in placing orders and reaching agreements.

Technical documents include but are not limited to:

- Kärcher specifications
- Kärcher test requirements
- Kärcher approved technical documents or SOW's

5 Initial Sampling Procedure

With new Sellers, initial samples based on the technical documents supplied are requested, together with an initial sample test report. The initial sample test forms part of a Product approval procedure. The procedure involves checking material, dimensional and functional features against the requirements stipulated in the technical documents (e. g. drawings, specification, test regulations). The first initial sample test is carried out by the Seller. This enables faults or deviations to be identified and corrected more quickly. The test for adherence to the agreed specifications must be carried out using appropriate testing means and methods. The Seller draws up an initial sample test protocol (for template see (<https://supplierinfo.karcher.com>) containing the desired and actual values of the agreed specification. This is handed over to Kärcher together with the initial samples. Approval of the initial sample by Kärcher does not release the Seller from responsibility for the quality of the subsequent series deliveries.

In the following cases the Seller must always produce initial sample test reports as a matter of principle:

- Changes to the technical documents
- Changes in the production process (use of new tools, subcontractors) or lengthy interruption in production
- Change in place of production (manufacturing location)
- Change in the source of supply of “critical” intermediate products

In sending initial samples and drawing up initial sample test reports, attention must be paid to the following points:

1. Initial samples must be accompanied by the Sellers’s test findings in the form of initial sample test reports and measurement sheets
2. The reason for sampling, e. g. modification, new product, must be stated.
3. Initial samples must have been fully manufactured with series-production machinery and in series-production conditions, and carefully tested with in respect of all quality characteristics. If you cannot carry out tests yourself, have them done by external testing authorities. If you need addresses, we will be pleased to assist you with them.
4. Initial sample consignments must be clearly marked “initial sample” on each package and on the delivery note.
5. The number of samples required in the individual case will be stipulated when the order is placed. As a rule, at least five samples are required.
6. In the case of multiple tools, samples from each application must be measured and supplied separately. Series deliveries will be approved when the samples meet requirements.
7. Series delivery may not be commenced without Kärcher’s approval and release
8. Samples for which the go-ahead has been given, and the test findings, must be kept until the relevant product is discontinued or modified

6 Ensuring Product Quality in Series Production

Regardless of Kärcher’s inspection of incoming Products, it is solely the Seller’s responsibility to adopt quality assurance measures to guarantee that the agreed product quality is maintained.

Quality Assurance Measures:

- Using competent personnel

- Planning and making a written record of the required production and testing operations and the related means of production and testing, as well as the procedure to be adopted if reworking is needed.
- If required, a failure mode and effect analysis (FMEA) of production and testing processes
- Using suitable equipment and procedures
- Process release and process supervision
- Carrying out machine and process capability investigations
- Statistical process control (SPC), use of quality control cards
- If processes are disrupted, faulty products must be sorted out, analyzed, improvement measures instituted and their effectiveness checked.
- Labeling faulty products to rule out the possibility of mixing up perfect and faulty products. Faulty products that have been reworked must be re-tested.
- If products not conforming to specification are to be supplied, a deviation permit must be obtained. The consignment must be clearly labeled.
- Kärcher must be informed without delay of any deviations identified retrospectively. Units or batches identified as non-conformity must without delay be labeled and stored accordingly (restricted access store), so as to rule out the possibility of further processing and / or delivery. In the case of parts or batches which have already been processed or delivered, inspections must be instituted immediately. If parts have already been delivered, Kärcher must be informed without delay. The cause of the fault must be analyzed and reliably eliminated by suitable process improvements. A written record must be kept of the cause of the fault, its consequences and corrective measures.

7 Continuous Assessment of Sellers

Continuous assessment of suppliers enables to identify the current position and any changes in quality capability. After approval and commencement of series production for Kärcher, all Sellers are regularly assessed in terms of:

- the quality of Products received
- non-conformity rate
- costs resulting from quality deficiency
- pricing
- accuracy of deadlines and quantities
- time taken to respond to inquiries, orders, changes
- cooperation and flexibility


8 Statement of Compliance with the California Safe Drinking Water & Toxic Enforcement Act of 1986 (Prop. 65)

On August 30, 2018, the California Office of Environmental Health Hazard Assessment (OEHHA) will enforce new regulations under California Proposition 65 concerning the exposure warnings required for consumer products.

The new regulations significantly modify the warning language required for a consumer product exposure, provide clearer guidance on how to transmit the warning, and provide many retailers with welcome relief from compliance obligations.

California consumers are accustomed to seeing products labeled with a warning such as "This product contains a chemical known to the State of California to cause cancer and birth defects or other reproductive harm." Under the new regulations such a warning will no longer be considered "clear and reasonable."

The new warnings must include:

- The name of at least one chemical in the product for each type of exposure (carcinogen or reproductive toxicant)
- A warning symbol in yellow 
- The word "WARNING" in all capital letters and bold print
- The font size should be no smaller than a 6-point size font
- It should be included in both English and Spanish
- For products causing exposure to listed carcinogens, the statement: "This product can expose you to chemicals including [name one or more chemicals] which is [are] known to the State of California to cause cancer. For more information go to www.P65Warnings.ca.gov."
- For products causing exposure to reproductive toxicants, the statement: "This product can expose you to chemicals including [name one or more chemicals] which is [are] known to the State of California to cause birth defects or other reproductive harm. For more information go to www.P65Warnings.ca.gov."
- For products causing exposure to both carcinogens and reproductive toxicants, the statement: "This product can expose you to chemicals including [name one or more chemicals], which is [are] known to the State of California to cause cancer, and [name one or more chemicals], which is [are] known to the State of California to cause birth defects or other reproductive harm. For more information go to www.P65Warnings.ca.gov."

A manufacturer, producer, packager, importer, Seller, or distributor may provide the warning by affixing it to the product or its packaging, or by providing notice and warning materials (such as labels, labeling, shelf signs, tags, or warning language for products sold on the Internet) to a retailer's "authorized agent" for the retailer to display.

Alternative Warning A truncated warning may be used if the warning is an "on-product warning." The term "on-product warning" is not defined in the regulations but according to OEHHA guidance, an on-product warning would include one on "the immediate container (box, packaging) or wrapper for the product." This type of warning will be "clear and reasonable" if it consists of the yellow triangular warning symbol, the word "WARNING" in all capital letters and bold print, and, as appropriate depending on the chemicals in the product, as seen in the below examples:

www.P65Warnings.ca.gov

toxicants.

Additional requirements for either warning:

For internet sales, the complete warning must be provided (i) on the product display page by displaying either the complete warning or a clearly marked hyperlink labeled "WARNING" that links to the complete warning, or (ii) by otherwise prominently displaying the warning to the purchaser prior to completing the purchase. *A warning is not sufficient if the purchaser must search for it in the general content of the website, as has been a common practice. For catalog sales, the warning must be provided in a manner that clearly associates the warning with the item being sold.*

With respect to both internet and catalog sales, if an on-product warning is provided with the product, the warning provided on the Website or catalog may use the same truncated content as the on-product warning.

What we need from our Sellers: NO LATER THAN August 15, 2018*, either meet the labeling requirements, or provide chemical analyses of your products**Labeling:** Please provide us with:

1. A list of your products that require Prop 65 warnings
2. The exact warning that will be placed on each product or product package,
3. What chemicals you have tested for.
4. Your labeling policies, i.e., will you label all products shipped to any U.S. location, only on products shipped to CA, or only when specified on a Purchase Order?

Chemical analysis: Please submit written confirmation that your company complies with the new requirements by means of an SDS or chemical analysis prepared by an accredited chemical analysis lab specifying the chemical composition of your products.

**Failure to provide the above information by the deadline may result in a compulsory arrangement by KNA for a lab analysis of your product. You will receive an invoice for the cost of that analysis.*