Introduction to the Fluke Supplier Handbook

Dear Fluke Supplier,

The Fluke Supplier Handbook was written 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 Fortive’s Values, Fortive’s Supplier Code of Conduct, and Fortive’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. Please take the time to read, and should you have any questions, please contact your Fluke Commodity Manager for clarification.

Thanks for your support.

Sincerely,

Scott Anderson
Vice President, Global Procurement
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FLUKE CORPORATION QUALITY POLICY:
See Fluke Corporate Quality Policy

FORTIVE CORE VALUES:
See https://www.fortive.com/shared-purpose-values

FORTIVE SUPPLIER CODE OF CONDUCT:
See https://www.fortive.com/suppliers

FORTIVE INTEGRITY AND COMPLIANCE:
See https://www.fortive.com/integrity-compliance

FORTIVE BUSINESS SYSTEMS:
See https://www.fortive.com/continuous-improvement-culture

Fortive Business System (FBS) 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 Fluke personnel. Through FBS, Fluke achieves world-class excellence in customer satisfaction, beginning with the voice of the customer, continuously improving quality, delivery, cost, and innovation.

FBS is at the core of our quality system. We focus on defect prevention contrary to defect detection. Suppliers must employ a valid methodology and error-proofing of their manufacturing processes so that zero defects can be achieved. To achieve zero defects, it is recommendable that the supplier has procedures in place using six sigma and lean manufacturing methodologies.

1.1 SCOPE
This handbook applies to all suppliers of raw material, components, and product to any Fluke facility.

1.2 PURPOSE
The Fluke Supplier Handbook details Fluke’s values, expectations, requirements, and the way we work with our suppliers in a long-term business relationship. It is essential to follow these requirements to ensure materials and components are not delayed or rejected at receiving.
2 QUALITY SYSTEM EXPECTATIONS AND REQUIREMENTS 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 document defines Fluke requirements that suppliers (Distributors, and Original Equipment Manufacturer (OEM)) must follow including its subcontractors of production parts and Out Sourced Product (OSP) and assemblies to all Fluke facilities.

2.1 SUPPLIER RESPONSIBILITIES

Suppliers are responsible for maintaining a quality system that ensures each product complies with all the requirements included in the engineering drawing, prescribed on the Purchase Order (PO), terms and conditions included with the PO and outlined in this handbook.

If the supplier accepts a PO from Fluke, the supplier agrees with the terms and conditions and this handbook.

Suppliers are responsible for all subcontractor quality non-conformances and quality performance. When instances occur, which warrant the review of a subcontractor’s process or control system, the supplier is expected to coordinate such review.

2.2 FLUKE PART QUALIFICATION PROCESS (FPQP)

To qualify custom parts, we use the FPQP. This process is used when a custom part is manufactured for Fluke for the first time, or if it moves from an existing manufacturer to a new manufacturer, or if there is a recurring quality issue with a current manufacturer. We may also use this process when an existing manufacturer is changing factory locations. The following link has supplier training for the FPQP process “FPQP Supplier training.”

2.3 FLUKE ENGINEERING DRAWINGS

When conflicts exist between engineering drawings, the PO, and/or this handbook, engineering drawings shall supersede any other document and will be the primary source of quality requirements; Fluke PO will be secondary, followed by this handbook.

Suppliers are responsible for understanding all engineering drawing and specification requirements. If any questionable areas appear to exist, the supplier must contact Fluke engineering for clarification. Drawing clarifications must be resolved before the manufacturing of production parts. Only deviations in our system authorized by engineering can supersede engineering drawings and specifications.

Suppliers shall establish internal critical characteristics and performance testing criteria in alignment with Fluke’s critical characteristics and performance criteria indicated in the Fluke drawing and implement appropriate controls for each.

Suppliers are responsible for extending the requirements of the Fluke engineering drawings, Fluke PO, “QSD111.12 Fluke Appearance Standard,” and this document to their suppliers.

2.4 ORIGINAL EQUIPMENT MANUFACTURER (OEM)

Suppliers who control the design of the product shall maintain enough technical documentation, such as DFMEA, PFMEA, Process Flow Diagram, and Control Plan.
2.5 SUPPLIER QUALITY

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. The use of sampling techniques is not intended to imply that defective material at any level is acceptable. Any defect found in a Fluke facility requires prompt investigation of the product failure mode, understanding root cause, and taking appropriate corrective action.

Suppliers are responsible for notifying Fluke of any proposed changes in design, processing, or manufacturing location before the change. Suppliers must obtain Fluke’s written approval of any proposed changes.

Suppliers are responsible for implementing the “QSD111.12 Fluke Appearance Standard” and the “QSD111.56 Serialization and Part Marking Policy” in the final inspection, and if there is a concern in using these standards, suppliers must communicate it to the appropriate Commodity Manager.

2.6 NONCONFORMANCE MATERIAL

Suppliers are responsible for rework or replacing the non-conforming material with satisfying Fluke 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.

2.7 SUPPLIER CORRECTIVE ACTION REQUEST (SCAR)

SCAR may be initiated when the product arrived, at a later day because of production line rejects attributable to the supplier, as part of the Material Review Board (MRB) disposition, or upon discovery of any supplier caused issues during the products’ lifetime cycle. SCARs may also be initiated on first article failures, for poor cumulative supplier performance over time, unacceptable scorecard, and/or for other performance deficiencies such as poor on-time delivery.

The Commodity Manager will review the number of SCAR issued by Fluke personnel and Open SCARs during the Supplier Business Review (SBR)

2.8 FLUKE PROPERTY

Fluke-owned tooling, instruments, fixtures, and any other piece of equipment shall be permanently identified as Fluke property and be cared for per the terms and conditions outlined in the PO.

2.9 COMPLIANCE REGULATIONS

Suppliers are responsible for complying 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.

If the purchased product is flagged “Critical to Fluke Product Compliance and Safety” component in the PO, then the supplier must meet Fluke specification and PO instructions as indicated.

Unless requested otherwise, a Certificate of Conformity (CoC) must be supplied to Fluke with each lot of components or product critical to Fluke product compliance and safety. The CoC data must include a statement of conformity, including reference to any relevant quality management system standards, for example:
Declaration of conformity: The items detailed herein conform to the requirements of the purchase order number as detailed above unless otherwise stated and have been manufactured in accordance with appropriate Fluke engineering requirements and industrial regulations indicated in the PO.

2.9.1 EXPOSITIVE ATMOSPHERE (ATEX) DIRECTIVE
If the purchased product or component is flagged “Critical to Fluke Product Compliance and Safety” and “Fluke product certified for use in Explosive Atmospheres” in the PO, then the supplier must meet Fluke specification and PO instructions as indicated.

Unless otherwise requested, a Certificate of Conformity (CoC) will be provided to Fluke with the "SQF001 ATEX Supplier CoC Template" with each batch of components for all Fluke products certified for use in explosive atmospheres.

The CoC data must include:

- Unique Identifier
- Suppliers name
- Purchase order number
- Purchase order line item number
- Fluke part number
- Part description
- Fluke drawing revision
- Quantity
- Process specification number if applicable
- CoC of any treatments or processes from subcontractors
- Manufacturer's name
- If appropriate, traceability data (such as melt or heat number, batch, serial number, lot/date code or cure date)
- Supplier's authorized representative name, signature, title, and contact address
- Place (if different than contact address) and date of issue

The supplier shall retain CoC and test data for a period ending at least ten years. Upon request, the supplier shall provide Fluke with a copy of the completed CoC. The CoC should also include an unambiguous statement detailing the supplier’s conformity, inspection, test, and compliance with the purchase order requirement. No changes can be made without Fluke’s written approval; verbal approvals are not acceptable. As needed, Fluke may perform annual ATEX audit to ISO/IEC 800079-34 at supplier facility.

2.10 ISO CERTIFICATION
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 copy of the ISO certificate. Current suppliers who do not meet these criteria are expected to be working toward a viable quality system complying with a standard, such as ISO9001.

Suppliers are responsible to provide quality performance records upon request.
Suppliers shall participate in the “QSD111.04.App.A FTV Supplier Evaluation Tool,” which contains questions that allow Fluke or the supplier to evaluate the extent to which a given quality system addresses each of these elements.

2.11 APPROVED SUPPLIER LIST (ASL)
Suppliers are selected after a thorough review and evaluation of their overall business health, technology, 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 a fair assessment of the supplier’s complete evaluation, the supplier is included in the 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:

a. **Preferred:** suppliers as defined in section 2.14
b. **Qualified:** supplier can be anyone that meets our business need and is not in violation of governing laws of the land
   c. **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

2.12 BEGINNING THE SUPPLIER APPROVAL PROCESS
Suppliers with ISO certification may submit a quality manual and the QSD111.04.App.A FTV Supplier Evaluation Tool initiates the Fluke approval process. Suppliers without ISO certification may provide a FTV Supplier Self-Evaluation Audit form only.

2.13 ON-SITE QUALITY SYSTEM AUDIT
Fluke may request to conduct on-site quality system audit after a review of the supplier quality manual and the QSD111.04.App.A FTV Supplier Evaluation Tool, or where supply chain risk, key technology, chronic quality issues, or single-source supply are identified. The audit conducted at the supplier’s manufacturing location will determine conformance to the Fluke quality requirements. The audit will be performed using the completed FTV Supplier Self-Evaluation Audit form.

2.14 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 on growth and consolidation efforts with these suppliers. Select preferred suppliers will have the opportunity to learn appropriate FBS tools and Kaizen to improve quality and processes. The preferred supplier program supports all commodities in Fluke.

Fluke awards preferred supplier status to suppliers that meet the following objectives:
Preferred Supplier achieves a minimum score of \( \geq 70 \) on the QSD111.04.App.A FTV Supplier Evaluation Tool document for each applicable section

- Preferred Supplier performs less than 2,000 PPMs three months rolling
- Preferred Supplier extends 5% per year over year (YOY) price reductions (contractual commitment across the entire spend portfolio), proactive price benchmarking, and YOY productivity gains
- Preferred Supplier achieves on-time delivery % of \( \geq 98\% \) measured by dock date and no more than three days early and zero days late
- Preferred Supplier can accept minimum 90-days payment term or accept P-card
- Preferred Supplier participates in e-auctions with experience
- Preferred Supplier has a written business continuity plan
- Preferred Supplier has signed a Memorandum of Understanding (MOU) with Fluke
- Preferred Supplier provides value engineering support through the product lifecycle
- Preferred Supplier offers 24-hour turnaround on warranty/non-warranty repair support
- Holding safety stock for unplanned upside in demand (Lead-Time = Transit Time = 5-Day Maximum)
- Preferred suppliers will have a preferred position relative to future sourcing opportunities.

2.15 DISQUALIFICATION
Any supplier failing to meet the quality or performance requirements is subject to removal from Fluke’s ASL.

2.16 QUALITY SYSTEMS ASSESSMENT
The audit checklist and scoring guidelines included in the QSD111.04.App.A FTV Supplier Evaluation Tool document reflects the elements expected of a sufficient 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 scorecard, 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 continuous improvement in quality, both of which mutually benefit Fluke and the supplier.

The minimum target score is 70 in each section of the QSD111.04.App.A FTV Supplier Evaluation Tool document for approval. If a supplier score is < 70 on any section, they must submit a corrective action plan to improve performance.

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

3 PURCHASING PROCESSES AND REQUIREMENTS
This section defines the Fluke procurement process, including requests for quotation, initial supplier
approval, contracts and PO, shipping and transportation, communications, expectations concerning cost savings, proprietary information, and supplier performance rating.

3.1 REQUEST FOR QUOTATION (RFQ) ACTIVITIES
The Commodity Managers, New-Product Introduction (NPI) Buyers, and Buyer Planners will submit RFQs to potential suppliers.

The RFQ will include the following:

- Work Package
- Terms and Conditions
- Link to access the Fluke Supplier Handbook
- QSD111.12 Fluke Appearance Standard
- Packaging Handbook for Suppliers
- 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 a detailed list of exceptions to those terms and conditions
- Suppliers shall use Fluke endorsed carriers when Fluke incurs transportation costs. A list of approved carriers is available from the buyer and is updated annually
- RoHS certification
- Fluke Supplier Handbook acknowledgment of understanding

3.2 PROPRIETARY INFORMATION
Fluke will initiate a Non-Disclosure Agreement (NDA) between Fluke and the supplier early in the relationship.

Fluke information such as drawings, materials used, technology, customers, and financial information are proprietary information. As such, the supplier will not divulge this information to other parties. Drawings of parts designed by Fluke are exclusive, and as such, the supplier should not manufacture parts from these drawings for any party other than Fluke.

3.3 COMMUNICATION
The Commodity Manager, in conjunction with the Fluke factory and supplier, will define the appropriate communication channel at the commencement of the relationship. The Commodity Manager is responsible for communications regarding:

- Price changes
- Multiple Fluke factory quality/delivery issues
3.4 COST REDUCTIONS/IMPROVEMENTS
We expect suppliers to proactively engage with Fluke to reduce costs on an ongoing/annual basis.

3.5 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 (See Table 1) and reviewed in periodic business reviews. Though these rating systems may vary by Fluke factory location, suppliers can expect to dialog about overall performance. Below is an example of the Fluke scorecard that is shared with suppliers routinely.

| PDM%  | OTD%  | MOQ Turn | WALT | PPV%  | Quality Rating | Delivery Rating | Cost Rating | MOQ Rating | LT Rating | Rating   |
|-------|-------|----------|------|-------|---------------|----------------|-------------|------------|-----------|----------|---------|
| 99.97 | 85.37 | 35.25    | 11.27| 6.75% | 0             | -1             | 1           | .5         | .5        | Acceptable|

Table 1

The supplier scorecard rating is measured based on five criteria – quality, delivery, cost, (QDC) weighted average lead time, and Minimum Order Quantity (MOQ) turns. If the supplier is not meeting acceptable score, a Supplier Quality Request (SCAR), a Supplier action plan, or on-site audit may be initiated.

4 APPROVAL and NOTIFICATIONS
Approver: Process owner, Supplier Quality Manager
Approver: Director of Global Quality
Approver: Quality Systems Manager
Approver: Vice-president of Global Procurement
Document Reviewer: Corporate Quality Council
Document Owner: Supplier Quality Engineer
Date: 9/23, 2019

5 CHANGE HISTORY
The translated version of this document must be reviewed and revised each time this document is revised to ensure changes area easily identified for translation purposes.
<table>
<thead>
<tr>
<th>REV/ DATE</th>
<th>BRIEF DESCRIPTION OF CHANGE(S)</th>
</tr>
</thead>
</table>
| Rev. 07 5/17/2018 | Sections 1.1, 1.4, 1.5 The name of the file “Fluke Supplier QDCIR and EHS Evaluation Audit” changed to “Fluke Supplier Self-Evaluation.”  
Page 4 Fluke Electronics Corporation title change to Fluke Corporation.  
Section 2 the title changes from Quality system expectations for fluke suppliers to Quality system expectations and requirements for fluke suppliers.  
Section 2.1 adding subtitles, Fluke Engineering Drawing, Original Equipment Manufacturer (OEM), Supplier Quality, Nonconformance Material, Fluke Property, and Compliance Regulation.  
Section 2.1.5 The ATEX components requirements were listed.  
Section 2.5 Quality Manual title change to “Initial Supplier Approval Process.”                                                                                                                                                                                                                                           |
| Rev. 08 10/26/2018 | Section 2.1.1 - FPQP statement was included.  
Page 4 - The links were updated.  
Fluke logo was changed to the 70 years version.                                                                                                                                                                                                                                                                                                                                                                                              |
| Rev. 9 9/23/2019  | All links were updated  
Page 2 – New Vice president signature and replaced Fluke term to Fortive  
The last word of the statement was replaced from answers to clarification  
Page 4 – Title Included FLUKE Corporation is a subsidiary of FORTIVE Corporation  
The statement was updated, deleted “Virtually every associate” and “company.”  
The Fluke Quality Policy link was replaced to a written quality policy  
Section 1.1 and 1.2 Scope and Purpose was added  
Section 2 the abbreviations OEM and OSP were defined  
Section 2 and 3 FTV Supplier Self-Evaluation form link was updated  
Section 2.1 the statement “terms and conditions listed on the back of the PO” was replaced to “terms and conditions included with the PO.”  
Section 2.5 The link of “Serialization and Part Marking Policy” was included  
Section 2.7 The SCAR description section was included  
Section 2.9 The “Compliance Regulations” section was added  
Section 2.9.1 The ATEx section now is a subset of Compliance Regulations  
Section 2.1.4 The statement “Requests for changes or deviations must be submitted on a “Supplier Deviation/Change Request Form.” was removed, added Fluke Serialization link  
Section 2.1.5 Changed the term repair to rework  
Section 2.1.8 adding a link to ATEx Supplier CoC Template  
Section 2.11 Supplier Qualified definition was updated, and Approved status was deleted  
Section 2.12 The title was updated from Initial Supplier Approval Process to Beginning the Supplier Approval Process  
Section 3.5 The scorecard was updated and labeled as Table 1 |
| Document number was added to all document titles |
| Add an approval and Notification list |
| All pages were updated with the document number in the top of the page |
| The History change table was implemented and added a statement about the translated version. |
| The footer was updated reflecting QSD template format. |
| General grammar and document format corrections |
| All the links were updated with the document number |
| Added, “End the Doc” on the last page of the document. |

End of Doc