



2006 Edition

SUPPLIER SELECTION

SUPPLIER AUDITS

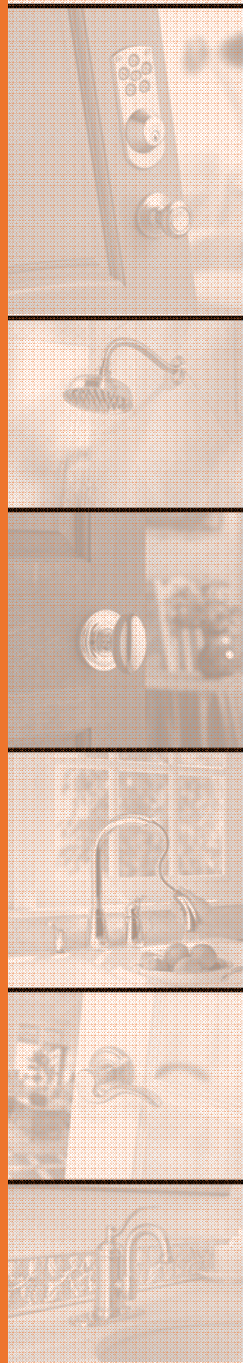
PART QUALIFICATION PROCESS

SUPPLIER QUALITY

CORRECTIVE ACTIONS

SUPPLIER EXPECTATIONS

SUPPLIER HANDBOOK



Oct. 17, 2006

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**EXPECTATIONS FOR BUSINESS**

To Supply BDHHI we expect you to:

	ACCEPT	NOT
- Accept BDHHI Audits and complete agreed improvement plans.	_____	_____
- Successfully complete the PQP Process on New Components, Specification Changes, and Process Changes properly utilizing PQP process when required by triggering event.	_____	_____
- Complete all Corrective Actions on-time using requested tools.	_____	_____
- Have at least one continuous improvement trained person actively supporting customer quality and delivery, driving productivity cost savings and improvement projects.	_____	_____
- Accept Responsibility for your Supply Base as it pertains to Social Accountability and your product quality and delivery.	_____	_____
- Complete a Request for Engineering Deviation and gets approval prior to any changes in manufacturing process or material.	_____	_____
- Complete Non-disclosure agreement	_____	_____
- Complete CMA Contract Manufacturing agreement when required	_____	_____
- Maintains a minimum of \$5.0 million commercial liability insurance with U.S. coverage. Supplier must provide a certificate of insurance.	_____	_____

Supplier \_\_\_\_\_

BDHHI Representative \_\_\_\_\_

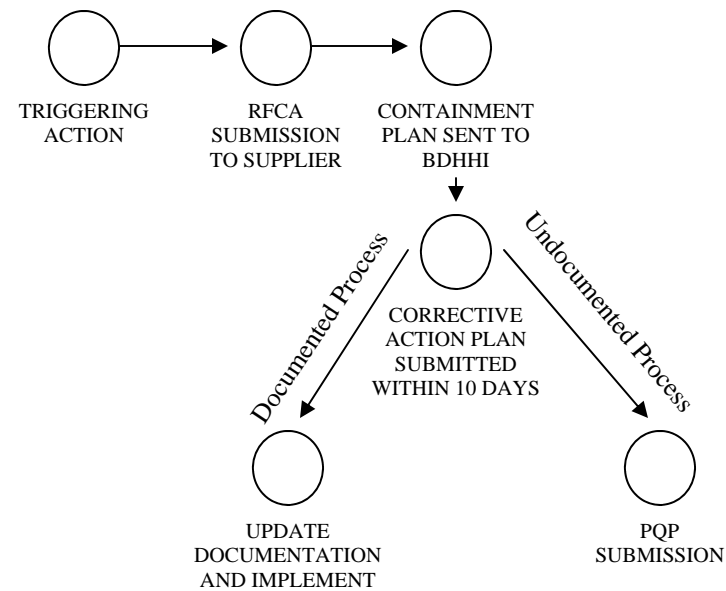
\*return a signed copy of the Expectations for Business to your BDHHI Commodity Leader or Advanced Sourcing Leader

Sign, cut along dotted line, and return to Sourcing Representative.

## Request for Corrective Action

A Request for Corrective Action (RFCA) may be initiated from several sources including incoming receipt rejections, rejection of material on the assembly line, failure of end of line testing, warranty returns data or missed delivery. In all cases, the same general process should be followed.

- A RFCA will be sent to the supplier.
- A containment plan through inspection or other means is required within 24 hours of RFCA receipt.
- Description of corrective action must include verification of corrective action effectiveness and maintenance plan through long term process control. This plan must be submitted to the RFCA Coordinator within 10 business days of RFCA receipt.
- If the process is not documented, then re-qualification through PQP is necessary.
- Update the affected process documentation and control plan for the part. Notify BDHHI that the correction has been implemented and effective



## Corporate Mission .....

**Black & Decker, Hardware and Home Improvement Division (BDHHI) is a division of Black & Decker which is a global manufacturer and marketer of quality power tools and accessories, hardware and home improvement products, and technology-based fastening systems. Our products and services are marketed in more than 100 countries, and we have manufacturing operations in eleven countries. Throughout our businesses, we have established a reputation for product innovation, quality, end-user focus, design, and value. Our strong brand names and new product development capabilities enjoy worldwide recognition, and our global distribution is unsurpassed in our industries.**

## Corporate Vision Statement ....

**Black & Decker's objective is to establish itself as the preeminent global manufacturer and marketer of power tools and accessories, hardware and home improvement products, and technology-based fastening systems.**

The statements above focus the efforts of Black & Decker to be the best. We deliver the benefits of our success to our shareholder while supporting our core values of Excellence, Integrity, Innovation, and Teamwork.

The basis for that success comes from driving Speed and Execution in **understanding** what the customer desires, **developing** products to fulfill those desires, and **delighting** the customer with superior products again and again.

This handbook is designed to give suppliers to Black & Decker, Hardware and Home Improvement (BDHHI) guidance through the sourcing process. It is equally applicable to current suppliers as it is to potential suppliers to BDHHI. The goal is to clearly define what we need from our supplier partners to meet the goals of our mission.

## Sourcing Mission Statement ....

Develop a **World Class** supply base whose objectives are strongly linked with those of the Black & Decker Corporation. We want our suppliers to act as **extensions** of our design and manufacturing capabilities, demonstrating performance in the areas of:

- **Cost:** Best Total Delivered Cost
- **Quality:** Uncompromising World Class Quality
- **Delivery:** Exceptional Fill Rates and Cycle Times
- **Innovation:** Deliver Cutting-edge Technology to keep BDHHI a World Leader

## Quality Policy .....

- **QUALITY** is a fundamental element of our business.
- We are dedicated to **UNDERSTANDING** the expectations of our internal and external customers.
- We are committed to meet or exceed our customers' expectations and provide **DEFECT-FREE** products and services.
- We use the **LEAN SIX SIGMA** process to continually improve.

## General Expectations .....

We seek suppliers who possess the same deep desire to delight the customer. To facilitate our shared goal, a clear mutual understanding of each other's needs and expectations must link the relationships with our suppliers. Understanding each other's processes is key to mutual success.

The following pages provide a rendering of our basic expectations for supplier performance. Please take the time to read and understand them. If you have any questions, contact your BDHHI representative for further clarification.

## CONDUCT

BDHHI expects employees and suppliers to act in an ethical manner when conducting business together. That includes avoiding conflicts of interest, accepting excess gifts, gratuities, and entertainment, and engaging in improper business payments. By conflict of interest we mean personal relationships with suppliers that could impair or call into question someone's judgment. By gifts, gratuities, and entertainment we mean accepting any gift that could unduly influence a business decision. By improper payment, we mean making a payment to an individual, group, or agent in expectation of a business favor.

Normal business considerations, like the courtesy of a business meal or a shared taxi ride, or a gift of nominal value (<\$50 US) is acceptable under the Black & Decker Code of Conduct.

Part Qualification Process (PQP) is a systemic approach for ensuring that our suppliers meet or exceed BDHHI needs.

BDHHI has procedures available for reference on:

Control Plans, FMEA, GR&R, Process Capability, Visual Inspection Standards, as well as Part Qualification Procedure (PQP) and submittal template.

PQP (QSP-06-0150-XXX) applies to the following triggering events:

- Supplier Change (including sub-tier suppliers)
- New Products
- Part Revision (s): Including ECN, EO
- Manufacturing Process/Material Changes
- New or Modified Tooling
- Change of Manufacturing Facility/Location
- Tooling for assemblies or components that have had 1 year or more lapse in time since they were last used and have been identified by the Quality Engineer and Product Manager as critical
- At the request of BDHHI

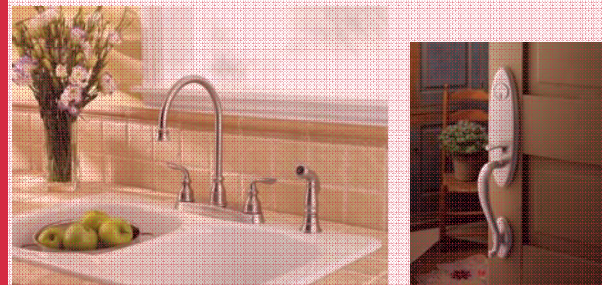
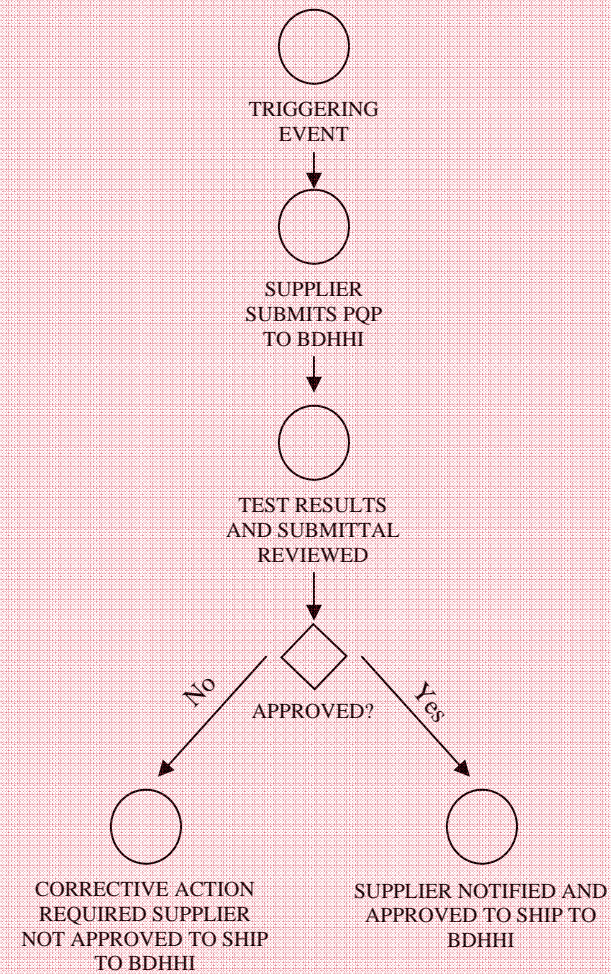
PQP assumes that the design is complete and supplier has been tentatively selected.

The PQP submittal package (QSP-06-0150-H-XXX-F2) covers:

1. Check Sheet and Supplier Information
2. Evaluation Form
3. Final Drawing
4. Material Certification
5. 100% Dimensional Inspection
6. Process Capability Study- Performed on CTQ's only
7. Gauge Repeatability and Reproducibility Studies
8. Process Flowcharts
9. Process Failure Mode and Effects Analysis (PFMEA)
10. Control Plan
11. Inspection Plan
12. Finish Testing
13. Engineering Testing: Visual, Performance, Functional, etc.

- BDHHI will evaluate the data and the parts to determine acceptability based on requirements and performance.
- Permission to go to production will be given if the parts and processes are acceptable and the PQP submittal package is approved.
- Feedback will be provided if the parts and / or processes are not acceptable.

## PART QUALIFICATION PROCESS



## QUALITY

### Quality System:

Every Supplier will have a quality system that effectively prevents the shipment of non-compliant material. The quality system should be based on an industry recognized standard. (i.e.: ISO9000, QS9000, Six Sigma, etc.)

### Part Variation:

Our goal is to have Zero Quality Defects Per Million Opportunities (DPMO) from our suppliers. We focus our qualification procedures on optimizing and standardizing the manufacturing process. Changes from the established qualification process inject an element of variation into the end product.

### Deviations:

Any deviations from the approved engineering documentation or processes approved in qualification **require specific written approval from BDHHI**. Verbal approval is not acceptable. **DO NOT** change the process, material, specifications, or manufacturing location without notifying BDHHI and obtaining a BDHHI approved REQUEST FOR ENGINEERING DEVIATION in advance. Un-communicated changes to the process and/or Engineering documents could result in fines and the termination of your status as a supplier to BDHHI.

### Material / Test Certifications:

When requested, material certifications will accompany the supplied products. If a deviation is required, a formal request for deviation of the material must be submitted and approved in writing prior to shipment of product.

## INNOVATION

### Lean Six Sigma:

Lean Six Sigma is the conceptual foundation that BDHHI uses to drive continuous improvement and ultimately its customer satisfaction. It is expected that our suppliers be trained in continuous improvement methodologies and keep abreast of the management philosophies and strategies that will continue to improve our business. Customer focus and continuous improvement are keys to our future success.

### Supplier Portal:

BDHHI is always looking for new ways to improve our products and business effectiveness. Current and potential supplier partners can share their thoughts on new products, improving our existing products, enhancing quality, and more through BDHHI's Supplier Portal at: [supplier.bdhhi.com](http://supplier.bdhhi.com). Simply click on "Submit Innovative Ideas" and complete the online submission form.

## DELIVERY

### Supply Chain System:

Every Supplier will have a supply chain system that effectively prevents late, incorrect quantities, or non-compliant material. The supply chain system should be robust and utilize a corrective action system to address and fix issues – including a feedback loop.

### Delivery Variation:

Our goal is to have Zero Delivery DPMO from our suppliers. We focus our qualification procedures on understanding lead-times and driving inventory to cover customer and manufacturing variations in order to provide outstanding service. Communication is critical to ensuring uninterrupted service to our customers and returns to our shareholders.

### Flexibility:

BDHHI builds to stock and make to order which requires a high supplier delivery performance to react to fluctuating customer demands. BDHHI uses several programs and systems to manage this.

- **Supplier Managed Inventory (SMI)** is a program which allows suppliers to maintain a level of contracted consignment inventory, in BDHHI warehouses, as required to meet agreed flexibility targets.
- **Supplier Visualization (SV)** is a system which allows our suppliers to connect through the internet and gain access to critical information and reports. This allows our suppliers to more easily manage their business relationship with BDHHI. Suppliers are given access to BDHHI production needs, consignment activity, receipt activity, and other information as needed.
- **Capacity reviews** will periodically occur. This involves comparing upside future demand to available tooling and machine availability while factoring in lead-times, and mix across manufacturing operations.

### Logistics Administrative:

BDHHI has several established logistical administrative standards and guidelines. BDHHI uses an EDI / trading partner agreement, requires a standard bar coding on labels, uses freight routing guides, and utilizes some standardized terms and

## COST

BDHHI strongly encourages cost controls and continuous improvement. BDHHI expects a proactive year over year cost savings from suppliers with percent productivity of 5-8% being the main cost measurement as benchmarked by World Class Organizations.

There are five main audit types which will all be handled in a similar fashion. These audits are: Quality Systems, Social Accountability (SA), Supplier Qualification Audit (SQA), Technical Assessment, Commercial Assessment, and Customs-Trade Partnership Against Terrorism (CTPAT) Compliance. Additional audits may be conducted.

The supplier completes the Supplier Profile Survey.

This evaluation is then returned to the requesting BDHHI representative for initial evaluation.

The BDHHI Representative will use the BDHHI Supplier Profile Survey and previous performance (or other information if a supplier selection audit) and product knowledge to highlight areas of focus for the audit or if other audits may be needed.

The BDHHI Representative will finalize the audit agenda and timing with the supplier.

BDHHI will perform a Supplier Qualification Audit and Social Accountability Audit of the supplier's facility. Depending on the scope of the audit and the size of the facility, the audit may take from a few hours to a few days. The audit is performance on-site at the supplier's facility.

The supplier will be notified of the audit results and supplied with recommendations for improvement / corrective actions. The supplier will create a Corrective Action Plan detailing what, who, when, and how for each of the recommended items.

The supplier is responsible to complete the agreed improvements in the agreed timeframe and provide evidence upon request.

The BDHHI Supplier Profile is a self assessment form designed for the supplier to evaluate his / her own facility. This includes:

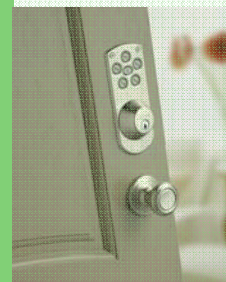
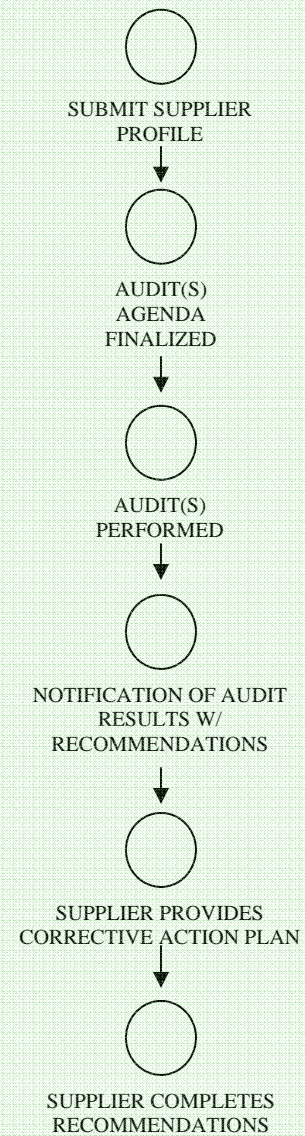
**Quality System**  
**Manufacturing and Finish Capability**  
**Ordering and Delivery**  
**General Business Summary**

Non-disclosure agreement is required to engage BDHHI as a potential supplier.

An evaluation team can visit the supplier's facility. A supplier can be evaluated on:

**Quality Systems**  
**Social Accountability Audit (SA)**  
**Technical Assessment**  
**Commercial Assessment**  
**CTPAT / EHS**  
**SQA**

## SUPPLIER AUDIT



## ADMINISTRATIVE

### Supplier Initiative:

BDHHI has historically focused on supplier relationships. To support increased product complexity, we need suppliers who will:

- Communicate performance relative to schedule and improvement projects,
- Provide quality and delivery information to BDHHI regarding your products,
- Pass the expectations provided here on to your suppliers,
- Submit productivity and value engineering suggestions, quality improvements, and delivery improvements to BDHHI and act on them to drive continuous improvement.

### Socially Accountable:

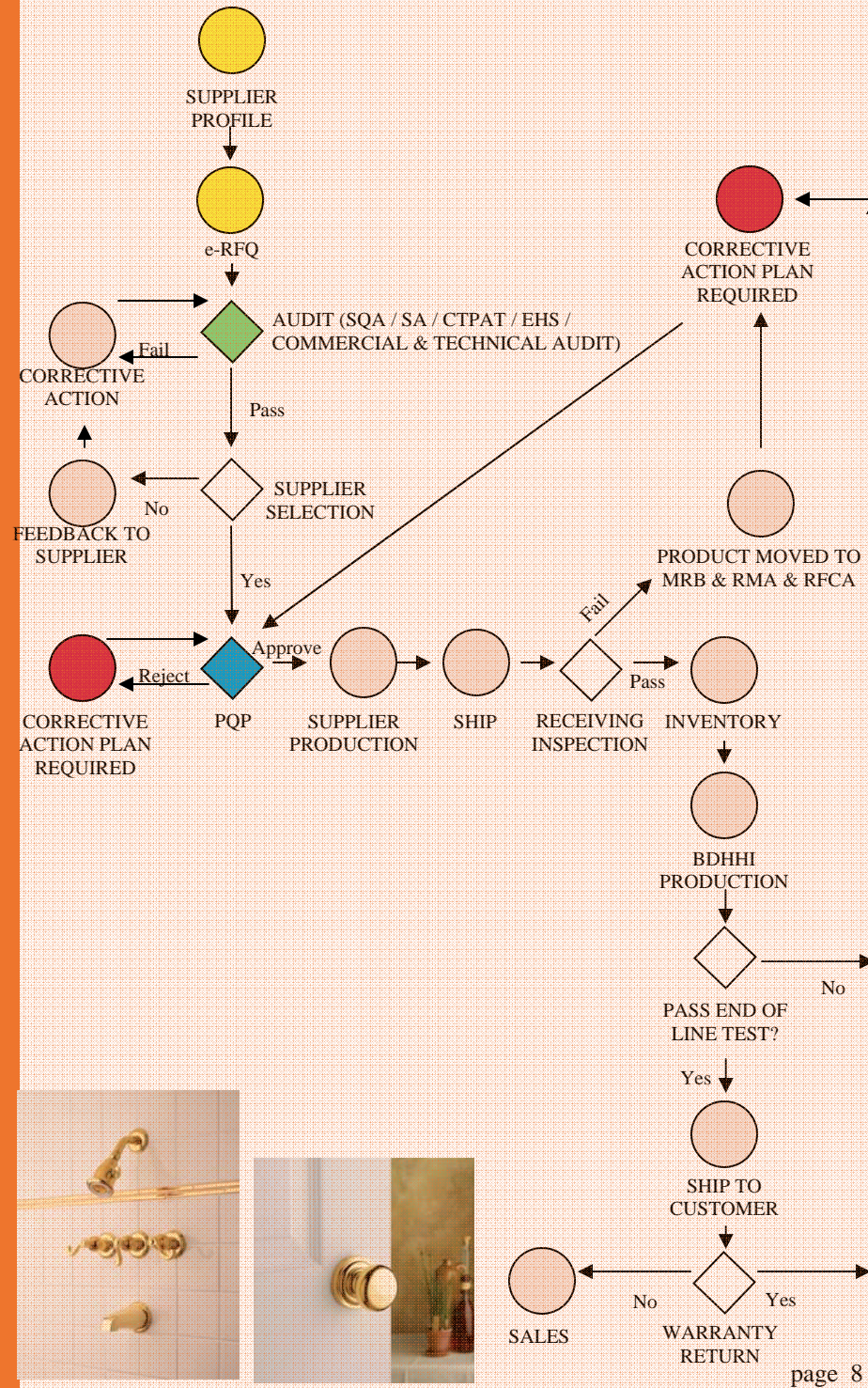
BDHHI is a global corporation and we are determined to continue to take a responsible manufacturing and sourcing approach from a social, ethical, and environmental standpoint. BDHHI has built in standards to our manufacturing plants that exceed the local market and legal requirement. We continue to assess all potential or active suppliers, and refuse to do business with those who demonstrate substandard performance or attention to social, ethical, or environmental concerns. We have standard terms and conditions of purchase that include a clause on Social Accountability. As a supplier for BDHHI we also expect you to adopt and follow the same high standards in operations and with your suppliers. A social accountability audit will be performed regularly as a requirement to supply BDHHI.

### Supplier Scorecard:

BDHHI utilizes a supplier scorecard to communicate metrics and goals for the year and performance towards those goals. This score card is separated into four main areas:

- Cost Reduction / Productivity,
- Quality,
- Working Capital,
- Integration.

## BLACK & DECKER SUPPLIER ROADMAP



The Request for Quote (RFQ) is usually the initial contact with a potential supplier. Further contact continues based on this initial quote. (Note: Additional information including similar component capability and engineering support may be requested.)

The audit procedures are in accordance with the Supplier Audit section later in the handbook. Other areas of evaluation are done in accordance with BDHHI Supplier Selection guidelines.

Suppliers will receive feedback from the BDHHI team.

If the potential supplier meets the criteria to be a BDHHI supplier, final negotiations will determine the agreed pricing and delivery requirements. A purchase order or schedule agreement will be determined and communicated.

Some requirements / Expectations of BDHHI Suppliers are:

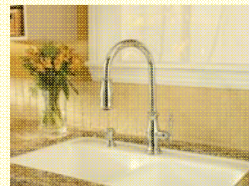
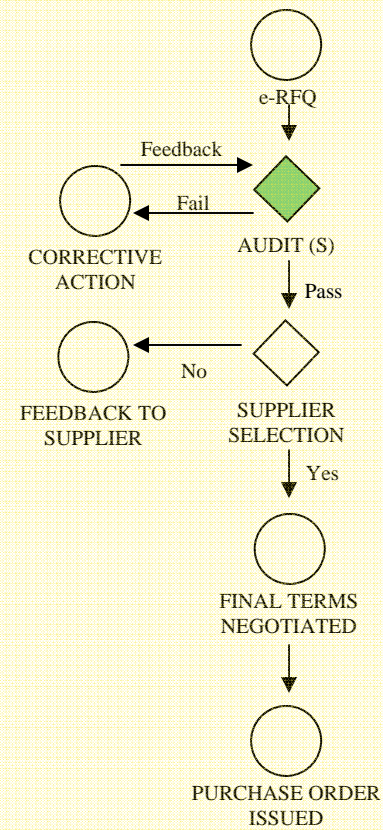
EDI, Bar-coding, Warranty, Continuous Improvement  
Productivity Programs, Inventory Flexibility (JIT or SMI).

Any parts agreed to be purchased must satisfactorily complete Supplier Parts Qualification Procedure (PQP) requirements.

Suppliers' systems are initially surveyed and audited during supplier selection. In addition, certain suppliers are audited on a periodic basis. These suppliers include:

- Strategic Suppliers who are those that have established a mutual partnership and provide critical products to BDHHI.
- Suppliers with discrepancies in quality, delivery, security, work practices or technical areas and are not in-line with BDHHI expectations.

## REQUEST FOR QUOTE



This flow chart represents a basic overview of the relationship of our suppliers to our sourcing processes, our manufacturing processes and our warranty process.

- *Initial Contact is usually in the form of a visit or request for a quotation.*
- *Further consideration is based on a combination of Pricing, Working Capital, Technology, Services, Location, Quality, and Delivery.*
- *Suppliers may be audited during the selection process to evaluate the ability to meet BDHHI's needs.*
- *If selected (or if an existing Supplier) products that fall into the criteria requiring qualification will be evaluated using BDHHI's PQP Process.*
- *Additional periodic audits may be performed based on a supplier's performance, type of supplier, or consideration for more critical supplied products.*
- *Corrective Actions will be required by several trigger points:*
  - Suppliers that determine that their processes produced a defect
  - Delivery Issues to our Manufacturing Sites / Distribution Centers.
  - Manufacturing Sites that detect defects when the products are received.
  - Manufacturing Sites that detect defects at End of Line testing.
  - Defects detected by a return of one of our products.

The following pages provide additional information to aid our suppliers' understanding of each of the key areas:

METRIC DEFINITIONS

SUPPLIER SELECTION

SUPPLIER AUDITS

PURCHASED PART QUALIFICATION (PQP)

CORRECTIVE ACTIONS

COMMUNICATION SYSTEM

\*The associated topics are color keyed throughout the handbook to show the relationship of each key topic with one another as well as an easy reference to quickly flip to additional information on a specific area.

## METRIC DEFINITIONS

### COST REDUCTION / PRODUCTIVITY

#### **Percent Productivity (Cost)**

- Productivity is the Year over Year improvement in Unit Cost (Price, VE, etc) based on previous Weighted Average Price (WAP) to current actual

#### **Payment Terms – Days Payable Outstanding (DPO)**

Terms given to suppliers to pay invoices  
{Average Accounts Payable / 12 months rolling Purchase \* 365 days}  
Goal = 2 % 75 days, net 90 days

### QUALITY

#### **DPMO**

Count of defective lots received in Defects per Million Opportunities {Quantity Defective Lots / Quantity Total Lots Shipped \* 1,000,000}  
Goal = 0 DPMO

#### **PQP**

On-Time Compliance  
Goal = 100%  
1<sup>st</sup> Pass Submittal  
Goal = 100%

#### **Request for Corrective Action (CA)**

Count of Requests for Corrective Action  
Goal = 0

### WORKING CAPITAL & SERVICE LEVELS

#### **Stock Outs**

Line shutdowns due to part shortage

#### **Non-GPA Supply Base:**

##### **Inventory**

Compliance to Supplier Visualization or Min / Max Levels

##### **Consignment or JIT**

#### **GPA Supply Base:**

##### **Lead Times**

Performance to supplier stated lead times

### INTEGRATION

#### **Communication**

Suppliers responsiveness to BDHHI requests, such as delivery, quality, general communication, etc.

#### **Quote Responsiveness**

Goal = accurate quotes earlier than stated / agreed on time schedule

#### **VE Drive**

Supplier should complete VE project and pass savings along to BDHHI

#### **Project Management**

Supplier should lead / direct project activity

#### **System Compliance**

Bar Code, S.V., Engineering software, EDI, etc.