

# Guideline for suppliers

to the  
TTS Group

**FESTOOL**



## INTRODUCTION

Our activities are based on the corporate principles of the TTS Group. "We empower passionate people to achieve ambitious results. We make professional tradespeople successful and proud. Our profit allows us to grow and safeguards our independence as a family business." These basic principles underpin our purchasing strategy, which focuses on the following areas:

- **Promoting innovation**  
This includes introducing innovative and competitive technologies to the global procurement markets
- **Securing a competitive edge**  
We place great importance on keeping material costs low, providing quality that meets specification requirements and delivering the right volumes at the right time
- **Practising sustainable operations**  
Our goal is to provide a sustainable service through the use of environmentally friendly and legally compliant supply chains and socially responsible suppliers
- **Minimising risk**  
Actively managing risks and measures in collaboration with the suppliers
- **Forward sourcing for product and component development**  
By involving the supplier in the development processes early on
- **Digitisation and networking communication channels**  
By increasing the connections along the supply chain, making communication channels more effective and employing innovative tools and systems for automated procedures
- **Procurement controlling**  
By means of ambitious goals, regular assessment of effectiveness and a KPI dashboard featuring relevant target key values
- **Optimising cash flow**  
To optimise cash flow, we are planning to reduce stocks of purchased parts and improve the terms and conditions of payment and supply
- **Increasing flexibility**  
Increasing volatility in demand and compensating for this in line with best practices

The demands placed on our suppliers are high. It is therefore imperative that we select high-performing suppliers. In return, we offer a lasting partnership built on fairness and a mutual goal of long-term competitiveness.

Purchasing TTS Group  
Wendlingen, April 2019

**Objectives**

In procurement management, we monitor all supplier contacts and are involved early on in the product development process to gain relevant information in good time. In the TTS Group (hereinafter referred to as Festool), Purchasing is considered the driving force in supplier management. It is therefore imperative that the customer and supplier share a mutual understanding of procedures and processes. This guideline is therefore designed to guide you, as a supplier, through our procedures and processes to help establish an effective working relationship.

The benefits to both parties are clear:

- Regulated and effective communication channels
- Automated exchange of information
- Smooth-running procedures as a result of a better understanding of processes

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## **1 Festool purchasing**

### **1.1 Collaboration**

Festool promotes collaborative relationships, especially with core suppliers. Intensive collaboration requires concentration on a small number of high-performing suppliers. These suppliers meet our requirements in terms of quality, punctuality and general purchasing criteria, such as price, complaints procedures or collaboration on new developments.

Collaboration should begin as early as possible. We incorporate the supplier's expertise and design suggestions into their range of parts. In the current series, a demonstrable effort to make continual improvements must be evident.

It is also our objective to obtain all connected parts from one source, e.g.

- Injection-moulded housing components
- Installed assemblies
- Bevel gears as complete parts only
- Sheet metal parts that are welded or pre-assembled
- Trade goods

### **1.2 Information flow**

Purchasing actively researches the procurement market and involves alternative suppliers early on in the conceptual stage. This sees Purchasing and R&D (Research and Development) or Marketing working closely together in the development team.

The supplier has a fixed contact within our company's Purchasing department, who also acts as an intermediary for any questions directed at the appropriate contacts within the specialist departments. Information and data must be transferred via the quickest and most effective means possible. Communications technology is therefore a decisive factor when choosing suppliers.

Additionally, in the case of injection moulding and die casting, only suppliers who are able to process 3D CAD data and who can prepare initial sample test reports based on VDA are considered. Furthermore, order and batch tracking using EDP must be possible.

When deciding on a supplier, we prefer partnering with innovative companies.

### **1.3 Understanding of processes**

Our employees in Construction, Mechatronics, Testing, Product Design, Purchasing, Material Planning, Quality Assurance, Production Planning and Sales all understand that comprehensive processes result in fast and error-free developments. Every step of the process depends on the previous step. Our suppliers must also contribute to the overall process.

The principles of the procedures are defined in process descriptions and communicated to the supplier by means of these guidelines. Particular details of individual projects which deviate from or expand on this document are logged by the project manager and passed on to the supplier by the purchaser responsible.

For fault-free goods, the shortest possible lead time and smallest possible inventory determine the supplier's material planning requirements. Generally speaking, it is advisable to use our consignment warehouse to ensure there are no interruptions to supply.

Our objective is for you, the supplier, to fully understand our material planning processes and to have all the requisite information from our material planners.

#### **1.4 Team decisions**

Decisions that jointly affect the supplier and Festool are also taken jointly. This means suppliers are dealing with a fair partner who acts transparently according to objective criteria. As part of this, the supplier is confronted with the highest-performing alternatives on the procurement market.

#### **1.5 Trust**

Trust grows over a long time through understanding our partner's situation. This is why we want to build long-term supplier relationships. We therefore consider only the best-performing suppliers, including in the medium-term, to be our core suppliers.

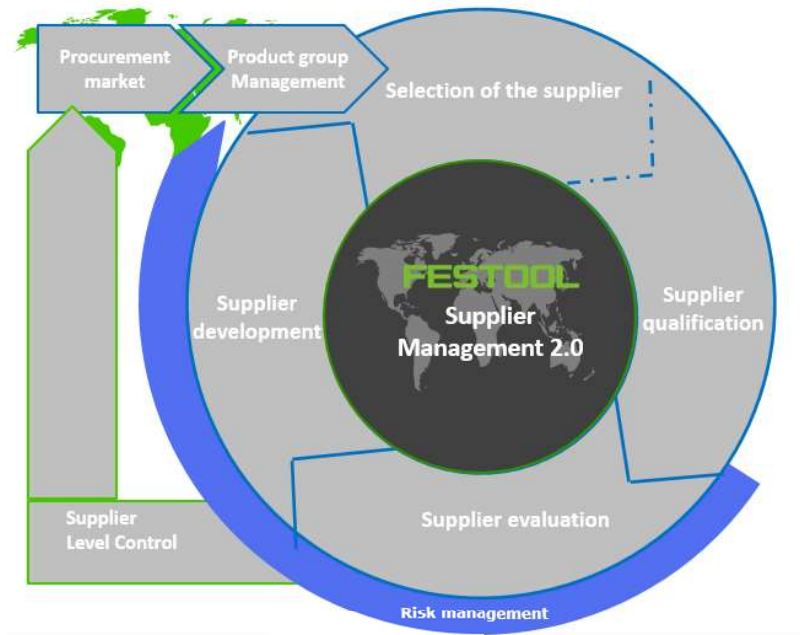
Suppliers can only gain an understanding of our situation once they are familiar with our

- Supplier processes
- Quality philosophy
- Logistics and production methods
- Market situation (electric tools)

These are clearly explained and agreed in the Festool purchasing guidelines, contracts, target agreements, conversations and supplier meetings.

## 2 Supplier management

Our five-stage supplier management process is integral to Purchasing. It combines consistent product group strategies with consistent processes for selecting, qualifying, evaluating and developing suppliers, and for rejecting them. This supplier management process is underpinned by a preventive risk management process and a responsive system of supplier coaching.











### 2.1 Product group management

Festool's product group management looks at our internal requirements and compares these against the procurement market. It provides Procurement employees with certain definitions, including specifications for the required parts, the nature of the collaboration with the suppliers and the number of suppliers within a product group. In this way, it sets the principal strategic direction and is binding for Procurement employees.

For this reason, the product group strategy underpins our processes for selecting suppliers and reassigning parts.

Festool works with the following product groups, for which suppliers can tender their bids directly using our supplier portal → [www.festool.com/suppliers](http://www.festool.com/suppliers).



 <p><b>Electronic/ mechatronic components</b></p> <ul style="list-style-type: none"> <li>• Electronics</li> <li>• Electronic components</li> <li>• Battery chargers</li> <li>• Cables/ wires</li> <li>• Battery cells</li> <li>• Motors/ motor components</li> <li>• Sockets/ Outlets</li> <li>• Switches</li> </ul>	 <p><b>Machined Parts</b></p> <ul style="list-style-type: none"> <li>• Turned parts</li> <li>• Milled Parts</li> <li>• Extruded aluminium profiles</li> <li>• Cold/ hot formed parts</li> <li>• tube bending parts</li> </ul>	 <p><b>Moulded parts</b></p> <ul style="list-style-type: none"> <li>• Non-ferrous stampings</li> <li>• Stamped-bent parts</li> <li>• Injection moulded plastics</li> <li>• 1k and 2k component</li> <li>• Pressure die-cast parts (Al, Mg, Zn)</li> <li>• Sintered parts / MIM</li> <li>• Moulded rubber parts</li> </ul>	 <p><b>Accessories</b></p> <ul style="list-style-type: none"> <li>• Sanding</li> <li>• Cutting tools</li> <li>• Vacuuming</li> <li>• Polishing / Brushing</li> <li>• Bits/ bit holders</li> <li>• technical textiles</li> <li>• air filter</li> <li>• welded metal assemblies</li> </ul>
 <p><b>DIN and standard parts</b></p> <ul style="list-style-type: none"> <li>• Screws/ nuts</li> <li>• Springs/ bent wire parts</li> <li>• Rolling contact bearings</li> </ul>	 <p><b>Raw, auxiliary and operating materials</b></p> <ul style="list-style-type: none"> <li>• Iron</li> <li>• Plastic granules</li> <li>• Abrasives</li> <li>• Resins, paints</li> <li>• Adhesives and sealants</li> <li>• Moulding compounds</li> <li>• Grease and lubricants</li> </ul>	 <p><b>Capital goods</b></p> <ul style="list-style-type: none"> <li>• Machines</li> <li>• Vehicles</li> <li>• Buildings</li> </ul>	 <p><b>Packaging and print</b></p> <ul style="list-style-type: none"> <li>• Corrugated cardboard</li> <li>• Solid cardboard</li> <li>• Plastic thermoformed parts</li> <li>• Packaging for cutting tools</li> <li>• Labels</li> <li>• Print media (Brochures, price lists, posters)</li> </ul>

The product group strategy forms the basis of our supplier management.

## 2.2 Supplier selection and qualification

If you would like to become our partner, you can register as a potential supplier on our supplier portal. Once registration is complete, the purchaser responsible for the product group you have applied for will assess your application. Once approval is confirmed, we will send you your log-in details.

We are always on the lookout for successful partners. As a result, when selecting new suppliers we prefer to turn to our portfolio of potential suppliers in the supplier portal.

When selecting new suppliers or reassigning components, a potential supplier is put through three qualification stages within our organisation:

### 1. Supplier self-assessment

We send potential suppliers a supplier self-assessment via our supplier portal, which they are asked to fill out carefully with the correct details. This assessment form is used to rate the potential suppliers in order to make an initial selection.

### 2. Supplier audit

Suppliers who reach this round of selection are subject to a supplier audit, which takes place at the supplier's premises. This audit is designed to ensure that suppliers are in a position to fulfil our requirements in terms of quality and technical expertise.

The audit is conducted by means of a qualitative assessment based on an audit questionnaire from Festool. In particular, the auditing process is designed to indicate whether the supplier is able to maintain the required attributes of the proposed components by means of a reliable process. Irregularities are logged in an irregularity report and monitored until the effectiveness of the measures can be proven. Measures to improve supplier performance in different areas are sometimes defined; the supplier must implement these in order to qualify for the next stage of approval.

Following the audit, the supplier is graded. If the supplier achieves grade A, they are approved. Grade B suppliers are provisionally approved, pending further steps by our QA. If supplier is graded C, they are not suitable to be a supplier to Festool.

As a company certified to DIN EN ISO 9001, it is extremely important to us that our suppliers have a functioning quality management system in place.

Evidence of such a system can be submitted in the form of a suitable certificate, as agreed with Festool. In rare cases, approval can also be granted on account of special circumstances (e.g. technology, market situation, etc.).

### 3. Approval by Purchasing, Quality Assurance and Development departments

The third stage sees the potential supplier officially approved by the Purchasing, Quality Assurance and Development departments and named as a new supplier. For this to happen, the supplier must enter into a supply agreement and a quality assurance agreement with Festool.

Only once the entire qualification process has been completed is a supplier approved to be used by the TTS Group.

## 2.3 Supplier evaluation

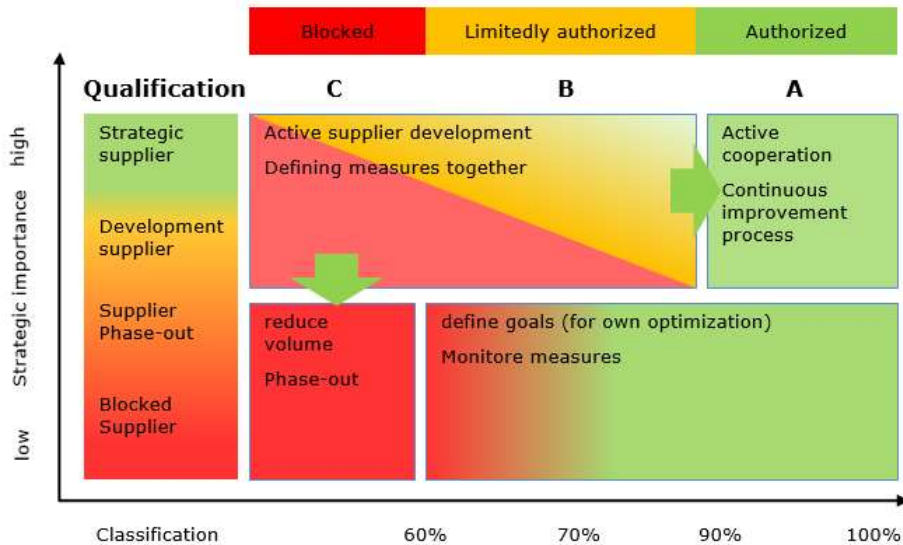
We are always seeking to improve the collaborative relationship between Festool and our suppliers. This is why we use a supplier evaluation tool to review the past 12 months at least twice per year.

For each Festool plant, our selected suppliers are evaluated in five key areas, in which we continually strive for improvement. The following table shows the weightings that apply:

Quality [25%]	PPM depending on the sector	50%	Key figure for the number of rejected amounts; ppm
	Complaint Management	30%	Key figure for the response rate regarding statements about the test report.
	First sample test report handling	20%	Key figure for the handling of first sample test reports
Strategic Purchasing [25%]	Price levels	30%	Subjective evaluation about the price competitiveness
	Price transparency	25%	Subjective evaluation about the suppliers price transparency
	Cooperation/communication	30%	Subjective evaluation about the availability, cooperation behaviour etc.

	Subsupplier Management	15%	Subjective evaluation about the suppliers, tool makers, etc. abilities
<b>Operative Purchasing</b> [25%]	Delivery capability consignment	35%	Key figure calculated based on your deliveries to consignment stock
	Delivery capability individual orders	35%	Key figure calculated based on your individual order deliveries
	Cooperation/ communication/ logistics concept	30%	Subjective evaluation about the cooperation with the dispatcher
<b>Development</b> [20%]	Development support	50%	Subjective evaluation about the development of the suppliers' willingness and support
	Technical competence	50%	Subjective evaluation about reliability and statements about feasibility, deadlines, process reliability and new product launch prices.
<b>Environment</b> [5%]	Processing of Material Compliance	50%	Processing of Material Compliance - Quality
	Duration Material Compliance process	50%	Duration Material Compliance process - Time

Once the supplier evaluation is completed, our suppliers can be classified in order to identify any further action required. The supplier evaluation is used, on the one hand, for internal decision making. However, it is also used to initiate an improvement process at the supplier's end.



Once the supplier evaluation and corresponding classification have been received, you will be asked to submit a response within two weeks. We ask that you analyse every detail of the evaluation, use it to identify measures for improvement and state these in your response to us.

**Things to consider when submitting your response:**

- Please send your response back to us no later than two weeks after receiving the evaluation
- Comment separately on every section in which you scored anything other than 100 points
- Name the causes that led to problems in the past year
- Describe – in as much detail as possible – the corrective measures that you will introduce and specify the dates by which these will be implemented
- Inform us if you have implemented the corrective measures, both for quality defects and delay in delivery.
- Please also state any elements that, in your opinion, Festool could improve upon and that potentially prevented you from working at your best. We will then work with you to find a solution to the problem.

Once the responses have been received, development meetings will be held with the supplier if required. In this meeting, specific measures and targets are defined and agreed in order to help you become an A-grade supplier.

**2.4 Risk management**

Festool operates a systematic risk management procedure. This is focused on identifying, analysing, monitoring and managing risks. A risk tool gives us risk-relevant information on our suppliers, collated from various data sources. This enables us to be informed about risk events such as fires, natural catastrophes and financial risks in good time and to take precautionary action.

**2.5 Supplier development**

The development of Festool suppliers is an important step in our procurement process for safeguarding supply to all areas.

Daily collaboration with the supplier, the findings from the supplier evaluation, the supplier's monthly delivery performance and other tools, such as risk management, are used to establish where action is required by the supplier. Regular meetings (supplier development meetings) should highlight to the supplier where there is room for improvement in terms of their delivery reliability, quality, development, environmental credentials and communication. In these meetings, measures and targets are mutually agreed with the supplier in order to prevent future errors or to put an end to pressing quality issues.

**2.6 Supplier disqualification**

Our suppliers are regularly evaluated on their delivery performance and on the quality of the goods delivered. This evaluation and any exceptional occurrences are used to identify suppliers at risk of disqualification. These suppliers are placed on our "disqualification list", which means they will not be used for any new assignments. From this point on, the performance of these suppliers will be checked at regular intervals and appropriate measures will be defined.

If individual suppliers can demonstrate that they have made improvements, they have the chance to be taken off the list. If, however, performance remains below our expectations, the supplier will be monitored in stages until the business relationship is eventually terminated. If an exceptional occurrence represents a dramatically increased risk for Festool, the supplier can also be disqualified immediately, bypassing the disqualification list entirely.

### **3 Procurement process**

#### **3.1 Procurement of new parts and simultaneous engineering**

##### **3.1.1 Simultaneous engineering**

At Festool we understand this term to mean the early inclusion of all the internal and external functions required for fast and successful product development. For our suppliers, this means: Suppliers are selected at an early stage in the development process and are involved in development in order to achieve the optimal result in terms of technical feasibility, costs and quality.

##### **3.1.2 Pre-selection – new part supplier**

The process of selecting a suitable supplier is based on data obtained from previous collaborations. This is primarily made up of key performance indicators reflecting parts quality, delivery capability, reliability of supply, project management experience and the collaborative relationship. Project Purchasing coordinates with Development, Quality Assurance and Series Purchasing to make a decision that is heavily influenced by the product group strategy.

Furthermore, we attach great importance not only to the supplier's capacity for series supply but also to their ability to provide expert support for our development processes.

##### **3.1.3 Points of contact during the development stage**

While we are working together to develop a component, your assigned project purchaser is still your main contact. Technical questions, however, can be clarified directly with our Development department, facilitated by your project purchaser.

##### **3.1.4 Pricing and simultaneous engineering**

When a component is being developed together with the supplier, it is not clear from the start what the eventual price of the component will be. By involving the supplier and their expertise on manufacturability and price, we expect to see an optimised component take shape. Collaboration during the development stage must have a positive impact on quality and part price, which in turn gives you, as the supplier, an advantage when subsequent Festool parts are assigned. You can also make sure that the components are built in a way that avoids excessive production costs. By tailoring the component to the specifics of your company, you can secure a significant cost advantage over your competitors.

#### **3.2 Procurement of drawing-based parts**

This refers to components that have been fully developed or are already being deployed in series production at the time of the tendering phase. However, the parts could be optimised at any time if the improvements in price, quality and manufacturability justify the costs of implementing and certifying the change. Please speak with us if you have any improvements to suggest.

##### **3.2.1 Submission of tenders**

In order to assign components that have already been fully developed or are already being deployed in series production, we need to receive tenders. Please ensure your tender applications are clear with regard to all the following points.

**When submitting tender applications, please take the following into account:**

- The terms and conditions of purchase and supply that can be found on the application form or supply agreement (new suppliers who have not yet signed a supply agreement can request a sample contract from the purchaser responsible)
- The application number must be referenced in all written correspondence
- The application must always be submitted by the specified deadline
- For mould-dependent parts, please describe the construction of the tools  
The pricing should be based on "free delivery, including packaging". Please select packaging carefully to ensure parts are delivered whole and undamaged by transit. If these parts require a detailed packaging specification, please notify us of this on the application form
- Dimensions of design specifications are to be followed accurately.  
Please make clear in your applications if the set specifications cannot be complied with (e.g. technical restrictions prevent dimensional tolerances from being fulfilled)

If you have suggestions for optimising costs or improving processes, please do share these with us. We are always open to suggestions and any improvements strengthen your competitive edge and ours.

### **3.3 Assignment of parts**

If we have chosen you as a supplier, you will receive an order for sample parts or, in the case of mould-dependent components, an order for a tool. In exceptional cases, you will simply be informed by us that you will be supplying this component in the future and will receive a first order direct from our material planning department.

#### **3.3.1 Ordering samples**

The purchaser responsible raises an initial sample order with you for sample parts and a sample report. Please ensure that we receive sample deliveries, just like series deliveries, on schedule and in the quantity ordered. Any delay impacts directly on the development schedule. Shortfalls in the quantity supplied also cause unacceptable delays, leading to large cost increases for Testing and Construction.

#### **3.3.2 Ordering tools**

For mould-dependent parts, you will receive a tool order from us, which contains all the relevant data for producing the shape.

**When processing tool orders, please always take the following into account:**

- The purchasing conditions and the conditions in the supply agreement
- The PO number and the Festool part number must be referenced in all written correspondence.

- The delivery date given on the order must be fulfilled. If the delivery date cannot be fulfilled, the project purchaser must be notified as soon as the delay becomes apparent.
- Ensure the dimensions and tolerances specified in the drawing are adhered to.
- Payment of tool costs is made by agreement.
- Samples and sample reports are required for every type of component change
- Detailed documentation must be provided with every tool. As a minimum, this should contain the following items:
  - Tool drawing
  - Electronic data storage device or CD with 3D editing data
  - Photographic representation in its open position
- Tool service life should be defined as a guaranteed number of operating hours.
- The costs for wear caused by the process shall be borne by the supplier.
- Electrodes are included in the scope of delivery for the tool and remain with the supplier while the tool is being used in production. If a tool is relocated, the electrodes must be delivered with it.
- A tool hire agreement is made for every tool.

### **3.4 Procurement of trade goods**

The term "trade goods" is used to describe individual parts, assemblies and devices including spare parts, which are sourced from external partners and distributed without any further value being added. These include catalogue products in private label designs or products and devices that have been developed to our specifications and manufactured externally.

#### **3.4.1 Accessories and consumables (private label design)**

Festool sets precise specifications for the technical requirements, appearance and packaging. Before procurement approval can be granted, appropriate qualifying/testing measures must be performed. Please also refer to section 5 on quality, as well as the quality assurance agreement.

#### **3.4.2 External development of products**

To protect the expertise of the partners involved, a non-disclosure agreement (NDA) is signed at the start of the development process. After this, a project-specific development agreement is formed.

#### **3.4.3 Procurement of components by system suppliers**

The majority of individual parts of assemblies are independently procured by the relevant assembly supplier. To this end, we give suppliers technical specifications together with exact specifications for supply sources and purchasing conditions. Testing/measuring equipment may also be provided on a case-by-case basis. This facilitates an autonomous procurement process, including storage of the components concerned. Production approvals and/or material approvals at our end largely spare the system suppliers from the risks surrounding acceptance. The supplier's responsibility extends to material planning and ensuring technical quality standards are met. Festool's quality assurance department, however, will provide the necessary support in this area. We place great importance on a smooth-running material planning and procurement system and on an IT-based warehouse administration system for achieving

an optimal level of supply. Since the system supplier generally procures the individual parts independently, they are also single-handedly responsible for ensuring compliance with the requisite measures from Festool's environmental standard and the legal requirements laid out in section 6, Environmental Management.

#### **3.4.4 Procurement of packaging for "self-service cartons"**

Packaging for accessories and consumables is CI-compatible and designed to provide optimum protection, information and presentation. In the case of packaging, therefore, we also place a strong emphasis on compliance with our specifications and quality regulations. This also includes keeping a very tight circle of packaging suppliers, allowing standards to be more easily observed and requirements to be concentrated. For accessories and consumables, the two main packaging types used are "cartons" and "folding blisters".

##### **3.4.4.1 Procurement of self-service cartons**

The procurement of cartons by our suppliers is carried out in accordance with our own specifications and our own general conditions (producer, conditions).

##### **3.4.4.2 Procurement of folding blister packaging**

Please refer to our folding blister guidelines, which are available from your purchaser.



## **4 Material planning**

### **4.1 Our partnership philosophy**

Festool operates in an industry where service and flexibility are fundamental to sales and long-term business development. This is why every catalogue part is delivered to our end customers in Germany within one day. For this reason, it is crucial that our suppliers' individual components are delivered on schedule too.

To ensure the process runs smoothly, the following delivery principles should be followed:

- Delivery to consignment warehouse
- Open, direct and fast two-way communication and information
- Use of modern communication methods
- Joint and continuous optimisation of the material flow between supplier and Festool
- Working together to solve problems that arise and prevent them from happening in future

### **4.2 Basic rules**

#### **4.2.1 EDP support**

Festool uses an EDP-supported production planning and control system (PPS) from SAP. It presents us with the following benefits, which our suppliers can also make use of:

- Rolling planning horizon over eight months
- Constant access to all required data
- Clear overview of stock and requirements
- Automatic monitoring of delivery deadline compliance

#### **4.2.2 Material planning based on customer orders**

Because our material planning and production is based on customer orders, we can offer our customers 100% delivery capability while also maintaining optimised warehouse stocks. In order to react quickly to changes in customer requirements, we have transferred our production and procurement of trade goods to a consumption control system.

##### **The benefits**

- Customer focus (goods are only produced in response to demand)
- Reduction in stock and lead times

##### **For you, the supplier, this means fulfilling the following requirements:**

- Complete adherence to supply quantities and deadlines
- Very high product quality

### 4.3 Delivery processes

#### 4.3.1 Pre-series and pilot-series parts

Long before series assembly of new products begins, pre-series parts have already been procured and used in Development to construct close-to-production prototypes and test machines. We order these parts before sample approvals (series approvals) are available.

Keep to the exact order quantity, specified delivery date and specified delivery address; these deliveries also have an influence on your supplier evaluation.

#### 4.3.2 Delivery of series parts

The following provisions apply for the delivery of parts for series production at Festool:

- ✓ The supplier has signed the quality assurance agreement (appendix 2 of the supply agreement)
- ✓ The component has been issued series approval by our Development department
- ✓ Proof of performance for the test dimensions and shape and position tolerances specified in the drawing is available.
- ✓ No more design changes to the component are necessary.
- ✓ Quality Assurance has no concerns. The separate REACH/RoHS2 explanation has been submitted for each component/supplier, and has been checked and approved by Festool

During the new product launch and in the first quarter after series start, the approval must be issued jointly by Development and Quality Assurance. Following this, Quality Assurance is solely responsible for the approval.

##### 4.3.2.1 Delivery to the consignment warehouse

The consignment process is the standard process that Festool aims to follow, together with the supplier, for virtually every part. Festool provides a consignment warehouse to which the supplier should deliver their goods. The supplier is responsible for ensuring that stocks do not fall below the mutually defined safety stock level.

#### Process description

- You receive a **delivery schedule** for the planned annual requirements, together with material and production approvals for each part, a quality agreement and a packaging specification
- Each month, you also receive a rolling **requirements forecast** covering a time frame of at least eight months
- For each part, we define a **safety stock level** in the consignment warehouse. This critical stock level must be maintained at all times.
- You produce and deliver goods within the scope of these agreements, independent of Festool's current required amounts
- Several times each day, we remove the items we require from the consignment warehouse
- On a weekly or daily basis, you receive a **withdrawal notice** as shown in the following diagram ("Withdrawal notice"). This contains the information you need for managing stock replenishment and invoicing

- We can offer German companies a **credit memo procedure**. Following receipt of goods at Festool, a credit note will be prepared and the agreed price paid by bank credit memo. This means that you do not need to issue an invoice

**The benefits for you as a supplier**

- Reduction in transport costs, because you can group multiple deliveries together
- No need for storage space on your own premises
- Control your own production independently of Festool's short-notice requirements (optimise batch size, smooth out production)

**Location of consignment warehouse**

As we have multiple plants in different locations, please take the exact address from the supply and consignment agreements that you signed.

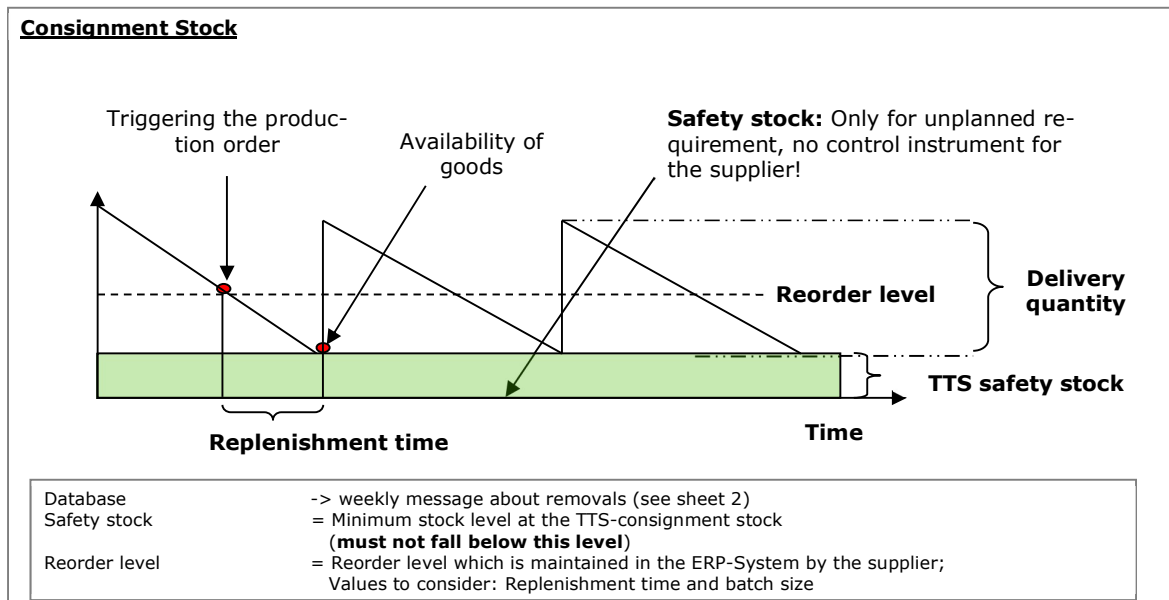
**Supplier evaluation**

The stock level of each individual part in the consignment warehouse is checked daily by our SAP system. This counts the parts that are identified as below minimum stock levels or at zero stock. This stock analysis is used to calculate the delivery capability, which can be presented to the supplier in a monthly report.

If performance is found to be consistently poor, Festool will implement an escalation process in cooperation with the supplier, which can result in parts being relocated.

It should, however, be the primary objective of both parties to ensure consistently high supplier performance through a collaborative relationship.

**Diagrams showing how the consignment process works**



### Delivery forecast

Delivery forecast		FESTOOL											
Supplier: 50000	EXAMPLE GMBH Mr. Example Fax-Nr.: 07335/921870 E-Mail: Example@example.com	Date: 08.11.2017 07:16:52											
Info:		Plant: Festool (W32) Wendlingen, Germany											
Dispatcher	Part num	Name	Supplier Part number	Index	Consignment	NOV. 17	DEC. 17	JAN. 18	FEB. 18	MAR. 18	APR. 18	MAY 18	JUNE 18
	32	451402				0	0	0	0	0	0	0	0
	32	459176				20.140	9.920	8.820	12.180	11.220	11.760	12.320	10.920
	32	459199				19.500	12.900	10.800	14.400	13.200	13.800	14.400	13.200
	32	459226				18.048	12.800	12.288	15.616	14.336	14.848	15.360	14.080
	32	462602				0	1.080	2.000	2.040	1.840	1.920	2.520	1.920
	32	462603				2.200	1.480	2.000	2.040	1.840	2.000	2.520	1.920
	32	463087				2.892	1.524	2.412	2.760	2.136	2.280	2.076	3.276

### Withdrawal notice

Withdrawal notice 30150635		FESTOOL												
Supplier: 50000	Example GmbH Example City Mr. Example E-Mail: <a href="mailto:Example@example.com">Example@example.com</a>	Date: 2017-06-19												
Accounting period: 2017-06-09 – 2017-06-18		Plant: Festool (W32), Wendlingen, Germany												
Info: Always note the number of the withdrawal notice and your supplier number on your invoices!		Contact person												
		Our contact data												
Part No.	Name	Supplier Part No.	Q U	Opening balance	accruals	withdrawal	Closing balance	Reserv. <= 7 days	Reserv. <= 28 days	Reserv. > 28 days	Available stock	Safety stock	Maximum stock	Alert
458806	Klappblister 87,5X142,5X34	KLAPPLISTER		2.250,000	375,000-	0,000	1.875,000	0,000	0,000	0,000	1.875,000	60,000	0,000	
460510	KLAPPLISTER PT-STFD150177,5X167,5X55			62.480,000	0,000	1.320,000	61.160,000	0,000	0,000	0,000	61.160,000	5.280,000	0,000	
464648	Klappblister 93x175/Delta		P	8.330,000	0,000	0,000	8.330,000	0,000	0,000	0,000	8.330,000	1.000,000	0,000	
464649	KLAPPLISTER 110 X215 X34		i	2.800,000	0,000	200,000	2.600,000	0,000	0,000	0,000	2.600,000	200,000	0,000	
467311	KLAPPLISTER 39 x 91 x30		e	9.520,000	0,000	0,000	9.520,000	0,000	0,000	0,000	9.520,000	400,000	0,000	
467502	KLAPPLISTER 160 x 90 x360mm		s	800,000	0,000	100,000	700,000	0,000	0,000	0,000	700,000	200,000	0,000	
469448	KLAPPLISTER 160 x 80 x260mm			4.436,000	0,000	110,000	4.326,000	0,000	0,000	0,000	4.326,000	990,000	0,000	
472796	Klappblister 210x 80x 60			6.720,000	0,000	525,000	6.195,000	0,000	0,000	0,000	6.195,000	630,000	0,000	
474983	Klappblister PT-STF-D180-M14			6.570,000	0,000	90,000	6.480,000	0,000	0,000	0,000	6.480,000	360,000	0,000	

### Inventory

The inventory of the consignment stock is basically the task of the consignment user. As service provider for our suppliers, we can offer you our inventory method "Permanent fixed date stock-taking of storage positions", which we have already been using for years.

For correct inventory management, as Festool we have a responsibility to our consignment partners. The continuous count guarantees a high stock quality.

The inventory costs for the individual consignment users will be recorded by us and remunerated accordingly by the receiver.

### Concluding remarks

**If differences are determined, we request that you always immediately contact the contact persons known to you in Material Planning and/or Accounting.**

### Your obligation as a supplier

**The primary obligation for you as supplier is to replenish the stock at the consignment warehouse based on the weekly stock notifications, ensuring that supplies do not fall below safety stock levels. This is a prerequisite for the Festool production system and Festool's ability to deliver to our customers.**

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<b>Our standard method is delivery via the consignment warehouse.</b>
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#### **4.3.2.2 Delivery by individual orders (standard orders)**

Individual orders define the scope of services requested. They also specify the quantity, price, delivery date and delivery address, as well as the agreed terms and conditions of payment and supply.

**Advantage:** Fast, simple, EDP-supported processing for routine and non-routine requirements

##### **Order confirmations**

We insist on order confirmations for any irregularities, which you are then obligated to mark as such on your order confirmations. A general obligation regarding order confirmations can be agreed between the contractual parties on a case-by-case basis.

##### **Requirements forecast**

The requirements forecast in connection with individual orders (on demand) aids your in-house controlling and material planning and can be made available to you on request. It is presented as a list in the form of a table.

##### **Technical change**

This includes all drawing changes, possibly in conjunction with necessary tool or form changes. You will be informed in writing by our Purchasing department about any implemented change(s). You will receive a drawing corresponding to the latest index and a brief description of the change. If the supplier has other subcontractors who are affected by the changes, the supplier is obligated to relay the changes as necessary, and to supply the modified components in future deliveries.

To guarantee our parts supply, it is therefore absolutely necessary that you consult your responsible material planner prior to making a component or tool change. They will then coordinate quantities and deadlines with you.

##### **Reminders**

To help with your in-house material planning, we will in some instances send you "reminders". These are not the same as overdue notices. The reminders, received in good time before the order is due, should serve to balance the order backlog, giving the supplier the time and opportunity to react.

##### **Overdue notices**

Open orders that run into delays are subject to weekly overdue notices. We expect you to deliver the outstanding goods without delay and send us your response within one day. Your reply must state the new, updated delivery date, the delivery volume, the reasons for the delay and the counter-measures to prevent repeat delays. We reserve the right to charge you for the costs we

incur as a result of your delayed delivery and the process of issuing an overdue notice. Every delayed delivery has an impact on the supplier evaluation.

**Partial deliveries**

Should the volume you deliver not match the volume we ordered, a manual booking process must be undertaken in coordination with the material planner responsible. These partial or incomplete deliveries represent a financial cost to the procurement process. They are basically undesirable. If partial deliveries should be necessary in exceptional cases, they must only be made following prior coordination with the responsible material planner.

**Supplier evaluation**

A supplier performance evaluation is conducted each month on the basis of analysed SAP posting documents. This evaluation presents the SAP orders completed behind schedule in relation to the total of all SAP orders.

Exemplary description of a punctual delivery													
Agreed delivery date: 2017-10-11													
	2017-10-04	2017-10-05	2017-10-06	2017-10-07	2017-10-08	2017-10-09	2017-10-10	2017-10-11	2017-10-12	2017-10-13	2017-10-14	2017-10-15	2017-10-16
	Wednesday	Thursday	Friday	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Monday
gap-days	-7	-6	-5	-4	-3	-2	-1	0	1	2	3	4	5
Valuation	too early	too early	ok	ok	ok	ok	ok	ok	ok	ok	ok	too late	too late

This evaluation, like the consignment evaluation, is used to calculate the delivery capability, which can be presented to the supplier in a monthly report. If performance is found to be consistently poor, Festool will implement an escalation process in cooperation with the supplier, which can result in parts being relocated. It should, however, be the primary objective of both parties to ensure consistently high supplier performance through a collaborative relationship.

## 5 Quality

To ensure product quality is maintained in the long term, Festool intends to set up and follow a quality assurance system with suppliers, which incorporates all the applicable technical matters of quality assurance and quality control in relation to manufacturing and delivering the contractual products. The introduction of the quality assurance system should also serve to lower the costs of sub-quality goods, prevent claims for defects, including product liability claims in particular, and increase the efficiency of the collaborative relationship. To ensure the products delivered are of a high technical standard and a reliable quality, Festool forms a separate quality assurance agreement (hereinafter referred to as QAA) with the supplier. This is the ultimate reference document for all matters relating to quality. For more detailed information, requirements and processes, we will refer you to the QAA, which you will receive and sign at the start of our business relationship. The following sections provide detailed explanations of excerpts from the QAA regarding the approval process, how to deal with test dimensions and complaints regarding quality defects.

### 5.1 Sample reports – approval process

The basis of the procurement requirements and specifications for contractual products agreed between the supplier and Festool includes, but is not limited to, drawings, purchase order texts, catalogues, parts lists, sample reports and change notifications. Sampling is required for all new parts (hereinafter referred to as "initial sampling").

The procedure for preparing the initial sample report comprises eight stages and is attached to the sample report with all the necessary information. The sample report also specifies which appendices are required from the supplier as part of the initial sampling. For the initial sampling, Festool only accepts capability inspections and initial samples from processes that correspond to the series status.

Random samples of standard-dimension parts, the number of which is defined in the initial sample test report (EMPB) process, are taken from the series process. The sampled parts are numbered consecutively. All parts are measured, tested and if required, the short-term capability is documented. If test dimensions are specified on the drawing, a short-term capability inspection is required, as stated in the request form or on the sample report cover sheet. In this instance, additional parts are to be taken from the supplier (the quantity is determined by the requirements laid out in the EMPB). In accordance with the standard, all shape and position tolerances must be regarded as test dimensions and treated as such because they represent important and functional characteristics for the component. With the shape and position tolerances, in particular, measurement with a 3D co-ordinate measuring machine is highly important. In many cases, these requirements can no longer be covered by conventional testing equipment. The capability inspection must be enclosed with the sample report cover sheet and is regarded as an attribute that has to be released in the same manner as all other attributes. The sample report form is to be filled out in digital format (Adobe Acrobat). Additional documents requested are to be attached to the sample report and sent to the email address given in the sample report. The delivery of the initial sample test report and the corresponding initial samples must take place before the delivery of the first order to the address specified in the initial sampling report. The samples are to be delivered separately and are not to be incorporated into other deliveries.

In the case of multiple moulds, sample parts and the dimensions of each mould cavity must be produced. As a general rule, varying dimensions are to be noted and highlighted by the supplier. If Festool identifies a defect during the sampling process (incorrect tolerances, missing dimensions, deviations from target value, etc.), the supplier receives a notification containing information about the sample report.

Timings for the sampling process are agreed with the Purchaser responsible. If delays become apparent, please be proactive and contact our Purchasing department straight away.

The suppliers are notified of the findings from the sample report and their qualification status for the scope of delivery. If all elements of the sample report or qualification are in order and accepted by Festool, approval is granted and the supplier is notified. If defects are identified, a resampling can take place or approval can be denied (no approval). The supplier is then required to correct the fault or implement separately agreed measures. Approval is required before a production and series approval can be granted.

If changes are made to a product or process, or production is relocated to a different site, a resampling is required as per the QAA. For series components or products, it is essential that the supplier and the relevant material planner maintain close coordination regarding the parts roll-out. This coordination is even more important when dealing with consignment parts because, in this case, Festool has no direct access option. Following an index change, the packaging and delivery note must be labelled with details of the new index (at least) to provide a clear indication of the number of deliveries (to be defined). For tool-bound components, you must also remember to update the index in the tool.

## **5.2 Test dimensions**

The provision of test dimensions and/or shape and position tolerances in drawings helps to identify important functional or procedural features of each component, assembly or machine. Because of their significance, capability studies are therefore mandatory.

Further to this, however, the supplier must ensure they can comply with these dimensions in the long term for series production. This is why test dimensions must be included in the supplier's inspection plans as features to be tested.

We prefer monitoring to take place as a measurable feature, which is documented with variable quality control charts. However, as an alternative, following co-ordination with Festool a regular gauge check (e.g. with limit plug gauges, limit gap gauges, test probes, etc.) can be carried out.

This procedure, of course, is modelled on the specified shape and position tolerances. If necessary, the responsible co-worker from Festool Quality Assurance will gladly help you with detailed coordination of the series inspections.

## **5.3 Changes to components by the supplier**

Mould-dependent parts often require mould repairs (wear, etc.), which are carried out by the supplier. **We must be notified of all measures and operations carried out on moulds, material composition and changes that affect weight**, because even the slightest change to the parts – **even within tolerance** – can lead to faults and/or failure to meet environmental standards. A check of the change by Festool also gives you the assurance that the parts can continue to be accepted without problems. This not only applies to moulded parts. For example, a change to the recesses on turned parts or a material change on a sheet metal part can often have major consequences which should be examined jointly in advance.

## **5.4 Quality defects and complaints**

In the event of defects found in series deliveries, the supplier is informed of the return delivery, reworking or possible check exceptions. The supplier receives a written complaint with a report attached. This complaint is included with its shown not-OK unit count in the supplier evaluation.



However, the supplier has the possibility of having the not-OK unit count with return deliveries corrected, provided he informs us of the actual number of not-OK parts in a timely manner. Defective parts that are sorted out of the consignment warehouse or exchanged by the supplier, or on behalf of the supplier by third parties, are not taken into account during the ppm evaluation of the supplier. With regard to agreed targets, it is therefore highly important that fault-free goods are delivered to the consignment warehouse on schedule.

For every complaint, we expect to receive your detailed response to our report. We place particular emphasis on comprehensive details on the cause of fault, immediate measures, long-term measures, proof of effectiveness and the respective implementation dates. For us, your statement constitutes an important element of the cooperative customer-supplier relationship. We therefore attach a high value to it. Timely dispatch is very important to us for risk assessment in the case of follow-up deliveries. For this reason, please observe the respective defined time for receipt of statements at our company.

If the supplier has been informed about problems by telephone or in writing by means of a complaint or info mail, they are obliged to inspect the warehouse stocks at their own company and the consignment warehouse. This inspection is documented by means of an accompanying note on every container. This must be carried out without request for the following three deliveries.

In this regard, we must remind you that a short reaction time in the event of problems represents a central component of our cooperative customer-supplier relationship. If immediate measures (e.g. screening inspection, rework measures, etc.) are required at Festool, these must be carried out immediately and directly by the supplier or a service provider contracted by the supplier. In the event of supplier error, fast action is required to ensure assembly/production continues. A day's volume can then be arranged and charged to the supplier without their prior consent. In the case of sorting and reworking by external companies, payments are made directly between the supplier and the external company. However, Festool staff can provide a briefing for the external company. In special cases, Festool employees can also be called on. The supplier will be invoiced for the costs. Our intention is to find a cost-effective solution. However, if specialists or technicians have to be employed, a minimum cost unit rate of EUR 50.00/hour has to be charged.

## 6 Environmental management

We act responsibly when it comes to the environment, because we want future generations to have the same opportunities that we have now.

To ensure this is possible, our product development and production sets out not only to use resources (water, energy) sparingly and reduce air pollution and harmful emissions, but also to safeguard the health of our employees and customers (reducing airborne emissions and dust, vibrations, climate impacts). We have optimised the way we recycle the waste created by our production processes. We also require our suppliers and partners to take this responsible approach and we select them with this particular quality in mind.

As a manufacturer and distributor, Festool has a responsibility to comply with product-related environmental requirements and laws regarding harmful substances. In this regard, we are reliant upon our suppliers' cooperation and responsibility.

We therefore also expect our suppliers to reduce the impact their products and emissions have on the environment.

The Festool environmental standard is the supplier's ultimate reference document for all matters relating to the environment and is based on legal principles, including the REACH regulation, the RoHS2 directive and the WEEE directive. It provides information on banned substances, restricted substances and mandatory declarations and refers to compliance with applicable environmental laws and regulations.

The environmental standard is regularly reviewed to ensure it is up to date and fit for purpose and, if required, it is amended without delay. It is based on our conditions of purchase and every order and is an applicable document of the framework purchase contract.

For more detailed information and requirements, please refer to the **Festool environmental standard**. The most up-to-date version can be downloaded from **our website** <https://www.festool.com/suppliers>.

## **7 Contact details and addresses**

### **Festool GmbH**

#### **Purchasing Department**

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Fax +49 (0) 7024 804 20599

E-Mail [einkauf@festool.com](mailto:einkauf@festool.com)

### **Wendlingen plant**

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### **Neidlingen plant**

#### **Festool GmbH**

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### **Illertissen plant**

#### **TTS Cleantec GmbH**

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### **Ceska Lipa plant**

#### **Festool CZ s.r.o.**

Chelčického 1932

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Tel +42 (0) 481 645 111

**8 Abbreviations**

CAD	Computer-aided design
CL	Ceska Lipa plant
EDP	Electronic data processing
EMPB	Initial sample test report
ILL	Illertissen plant
KBV	Folding blister packaging
n.b.	Not evaluated/not considered in the supplier evaluation
n.i.o.	Not-OK parts
NDL	Neidlingen plant
ppm	Parts per million
QAA	Quality assurance agreement
VDA	Verband der Automobilindustrie (Automotive Industry Association)
WDL	Wendlingen plant