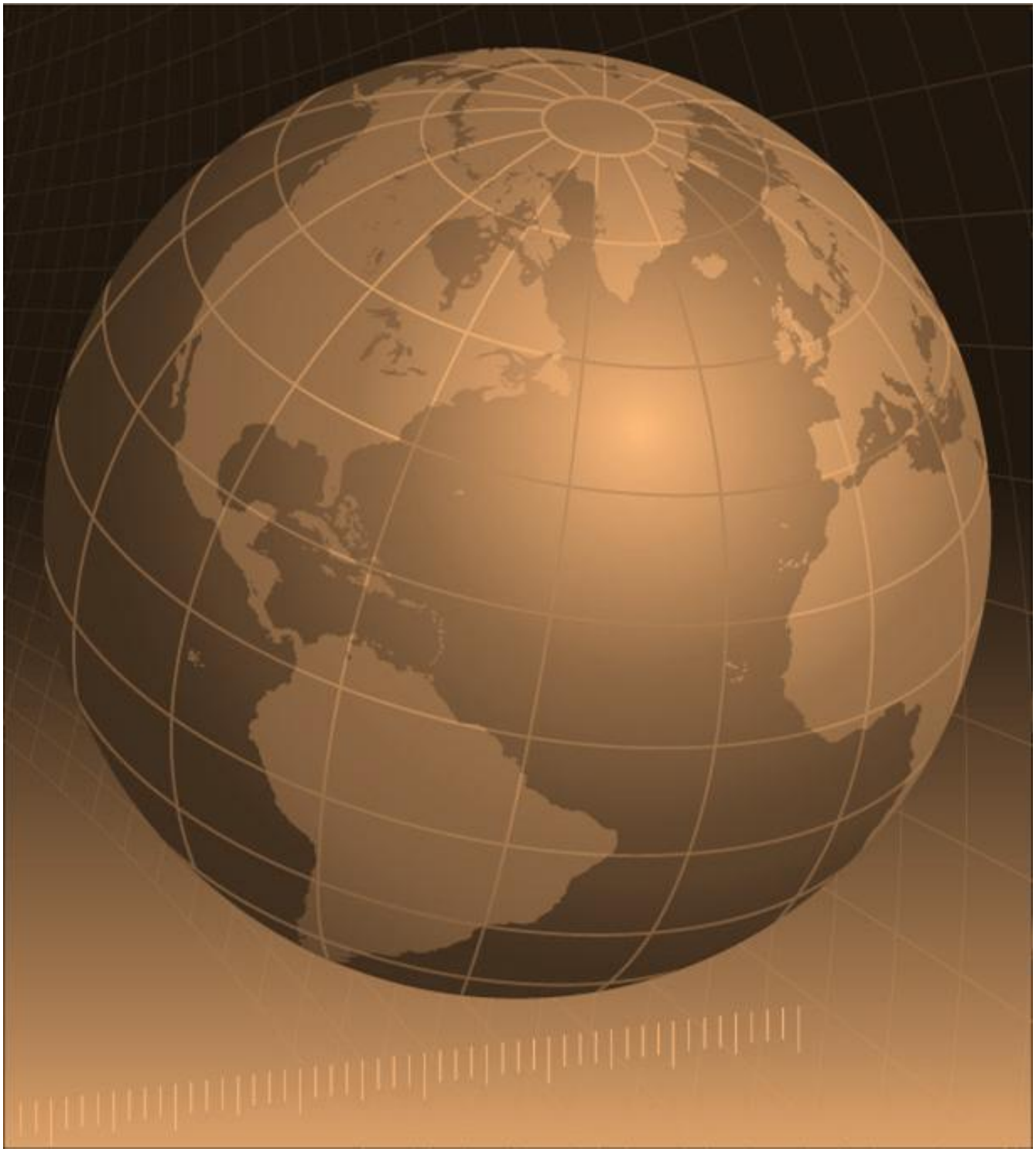
KOHLER. Global Procurement

Global Supplier Quality Manual



Title: Kohler Co. Global Supplier Quality Manual		Document No: GPI 2004
Revision: 3.0	Originator: Global Procurement & Quality Councils	Effective Date: 1 February 2020
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Introduction

Starting in 1873 as an iron and steel foundry, Kohler has evolved through unparalleled product design and innovation to offer a diverse portfolio of respected brand names with operations on six continents. Today, the Kohler family of businesses creates products that set the standard in kitchen and bath, engines and generators, furniture and accessories, cabinetry and tile, as well as resort, recreation and real estate.

Kohler Mission Statement

The corporation and each associate have the mission of contributing to a higher level of gracious living for those who are touched by our products and services. Gracious living is marked by qualities of charm, good taste and generosity of spirit. It is further characterized by self-fulfillment and the enhancement of nature. We reflect this mission in our work, in our team approach to meeting objectives and in each of the products and services we provide our customers.

Suppliers are considered as an integral part of the business. The capabilities of our suppliers support the fulfillment of the Kohler mission and the achievement of company objectives. Relationships with our suppliers are built on total quality principles and practices to achieve the best performance, delivery, service and total cost.

As such, all suppliers must abide by the policies set forth in the Global Supplier Quality Manual (SQM). Kohler recognizes that our businesses are different and, in many cases, have unique supplier quality requirements which are market specific. Kohler Business Units and local organizations at their discretion may be more restrictive in implementation of the supplier policies and supporting procedures but in no case less restrictive.

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SUPPLIER QUALITY MANUAL

1.0 - Introduction

1.01 Kohler Quality Policy

Our policy is to design, produce, deliver and improve products of extraordinary quality, and to ensure that every aspect of the experience contributes to a higher level of gracious living for all who are touched by our products and services.

1.02 Purpose

This Global Supplier Quality Manual [SQM] establishes minimum quality requirements for all suppliers of production materials, products and services to the family of businesses owned directly or indirectly by Kohler Co. – hereafter referred to as Kohler.

The requirements within this manual are provided as a supplement to, and do not replace or alter the terms or conditions within Kohler supply and purchase documentation, engineering drawings and/or specifications. Business Units at their discretion may be more restrictive in implementation of the supplier policies and supporting procedures but in no case less restrictive.

The manual establishes general policy; however, when needed, suppliers may obtain additional information from the Global Procurement or Quality contact(s).
If conflicting interpretations arise, this order of precedence applies:

- Supply and Purchase Agreement and/or Purchase Order
- Specification or Drawing
- Kohler Business Unit Supplier Quality Requirements
- Global Supplier Quality Manual

1.03 Scope

Applies to all suppliers of materials, products or services to Kohler;
Suppliers must ensure that their suppliers also support compliance throughout the supply chain.

1.04 Responsibilities

The global, regional and local Procurement and Quality departments are responsible for SQM implementation and have authority to ensure all suppliers meet and fulfill requirements.

Suppliers are responsible for ensuring that products and/or services provided meet established requirements and assume full responsibility for the quality thereof. Approval and verification by Kohler of supplier's facilities, systems, records and product does not absolve the supplier of the responsibility to provide conforming product, nor shall it preclude subsequent rejection by the customer.

1.05 Expectations

Kohler has the following expectations of all global suppliers. The supplier shall:

.01 Provide 100% conforming parts/services with 100% on-time delivery;

.02 Strive to continuously improve product quality and manufacturing productivity to meet increasing competitive pressure in our global economies;

.03 (*If involved in importing goods to the United States of America)*, follow U.S. Customs security guidelines for C-TPAT. Kohler is a participant in the joint initiative between U.S. Customs and businesses to enhance homeland security via tighter controls on entering cargo.

.04 Follow the laws and security guidelines of other countries as applicable

.05 Be responsible to assure that material is radiation free when required. Suppliers will not ship any radioactive materials unless specifically pre-approved.

.06 Conform with the California Airborne Toxic Control Measure (ATCM) (CARB Rule) regarding composite wood products when applicable.

.07 Conform with RoHS (Restriction of Hazardous Substances Directive) and REACH (Registration, Evaluation, Authorization & Restriction of Chemicals) when applicable.

.08 Conform with the ISPM15 wood packaging regulations when applicable

.09 Review, sign, return and abide by the Supplier Code of Conduct; submit to third party Social Responsibility audits as deemed necessary by Kohler Co.

.10 Provide all documentation and information **in the language(s) directed by Kohler** to ensure documents are transferable and understood within all Kohler facilities. This requirement is for all requests for records and documentation submitted to Kohler as specified in this manual. *This requirement can only be waived by the Business Unit and/or Location receiving the documentation.*

.11 Support Kohler in addressing internal and external failures related to the supplier's product/service to include financial reimbursement and assisting customers;

.12 Embrace electronic communication with Kohler as an intended benefit to both parties. Kohler supports two electronic methods of sending data: via Electronic Data Interchange (EDI) and via the Internet. Using one of these two methods enables exchanging Planning Schedules, Inventory Position, Purchase Orders, Purchase Order Changes and Invoices, for example. Kohler has adopted the Jaggaer procurement management system software, which includes a supplier quality module;

.13 Demonstrate quality planning to foster continuous improvement, defect prevention and process optimization. Quality Planning methods for direct materials are detailed by the Kohler Business Units (BUs).

.14 provide a key contact list. Supplier shall promptly notify Kohler Purchasing and Quality of any changes to the key contact list.

.15 document the processes used for equipment maintenance, including preventive maintenance records, scheduling, identification, and storage, and shall perform maintenance in accordance with such plans.

1.06 Supplier Receipt and Acceptance of the Quality Manual Content

Prior to being awarded business from Kohler all new suppliers must read the Kohler Global Supplier Quality Manual and confirm agreement they will comply with its content and requirements.

The manual may be updated periodically by Kohler. To verify revision level or obtain the latest version of this document refer to Global Supplier Quality Manual at http://www.kohler.com. Suppliers are responsible for obtaining and using the current revision of this document. Should a supplier be unable to comply with any revision, the supplier must immediately notify Kohler in writing of the details and reasons.

SUPPLIER QUALITY MANUAL

2.0 - Key Quality Requirements

2.01 Quality System Requirements

Suppliers must establish, maintain and demonstrate quality systems with supporting procedures to ensure that products and services always conform to Kohler purchase agreements and specifications.

All suppliers must complete and submit a supplier profile and provide their quality manual for review. A site audit by Kohler representatives may be required prior to awarding business.

The supplier shall demonstrate capability to attain appropriate internationally recognized standards certifications as required for the product/process involved. Examples include UL, UL GS, NSF, CSA, ASTM, CE, CCC, SAI, ISO, NF, ASME, IAPMO, ASSE, Lacey Act., ROHS, REACH and CARB.

.01 Requirements for Suppliers of Production Material, Non-Production Material and Services

Suppliers shall be required to show proof of an effective quality management system. In cases where a supplier's quality system is determined by Kohler to be inadequate, the supplier must provide an action plan and timeline for Kohler approval.

.001 Traceability Requirements

The supplier's quality system shall ensure that products are traceable to raw materials or components used in the manufacturing process, production operation, date of manufacture, revision level and records of evaluation of conformance. All product shipped to Kohler Co. shall always have positive identification to address traceability via lot numbers, date codes or other means as applicable. Exceptions are expected and must be approved by Kohler Supplier Quality.

.02 Change in Status

Kohler prefers suppliers of production materials with proof of certification to recognized quality systems by an accredited registrar. In the event a supplier's quality registration status changes or is suspended, the supplier must notify all Business Units and locations to which product is supplied, within (48) hours. In this case, the supplier may be audited by Kohler and/or be required to provide documentation explaining the status change including a plan for corrective action.

2.02 Record Retention Requirements

Process Control/Product Control/Quality records shall be maintained so they remain legible and are available for review upon request and may be in any media such as electronic or hardcopy. Records shall include accurate, updated and complete quality data.

Retention of Material Safety Data Sheets (MSDS) or applicable international documentation, certificates of analysis (C of A), process documentation, and other information as applicable is required. Records shall be kept for defective components and assembly processes to highlight problem areas and trends.

Records of production materials shall be maintained for a minimum of seven (7) calendar years, or per the accepted industry standard requirements, or per customer requirements whichever is greater.

Records of non-production materials and services shall be maintained for a minimum of three (3) calendar years, or per the accepted industry standard, or per customer requirements, whichever is greater.

2.03 Warranty

Suppliers must have the capability of supporting life cycle requirements of the product. Suppliers are expected to demonstrate reliability that meets or exceeds Kohler requirements.

Suppliers must participate in reducing the number of warranty concerns. The supplier must track and analyze the causes of warranty claims and use the information to improve processes and product quality. Suppliers shall provide Kohler with technical assistance, field support, and financial support to rectify any substantiated nonconformances. This will support enhanced customer satisfaction and continued business for Kohler and suppliers.

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3.0 - Supplier Approval/Qualification

Each Business Unit maintains a supplier selection and sourcing process to evaluate and identify potential sourcing partners. Suppliers must be capable of meeting quality, delivery, cost and continuous improvement objectives and are evaluated for such.

3.01 New Vendor Qualification

All suppliers must register and provide their quality manual for review. The Supplier Registration is completed through "Suppliers" section of Kohler.com website or equivalent.

Along with a business assessment (reference check, credit analyses, etc.) and a review of the quality manual and supplier profile results, candidate suppliers may also be subjected to a self-assessment questionnaire and an onsite evaluation in accordance with business unit procurement procedures to assess supplier effectiveness in key functional areas such as procurement, engineering, manufacturing and quality. In addition, the supplier must have appropriate regulatory approvals (ASTM, CSA, UL, IAPMO, NSF etc.) as required for the product/process involved.

Based on favorable evaluation of the above information, a supplier can be listed as approved for business with Kohler. Supplier approval is site specific and achieved when the supplier (site) satisfies the minimum requirements. Two types of approval may be granted:

- Approved
- Conditional -- subject to specific corrective actions on a mutually agreed timeline; Conditional approval enables Kohler to contract with a supplier that is pending a site survey and/or corrective action from site survey. It is not to exceed 6 months.

If after six (6) months, a supplier has not satisfied approval requirements, the supplier may be removed as an Approved Supplier.

If a supplier is not approved, no contract or receipt of material or services are allowed until corrective action is taken to enable the supplier to achieve Conditional status, as a minimum.

3.02 New Vendor Qualification

Kohler reserves the right to perform periodic on-site appraisals of the supplier's facility, quality systems, records, and product ready for shipment. Supplier shall have a process to ensure compliance with all applicable government safety and environmental regulations. All applicable social responsibility expectations must be satisfied. The supplier's personnel, gauging, and test facilities shall be made available as required for surveillance.

- New Suppliers: Assessed prior to Kohler ordering production materials or services. A satisfactory capability rating or development plan is a prerequisite to the order.
- Current Suppliers: Assessed by Kohler to establish capability prior to placement of new business.

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4.0 - Part Approval

Parts or components being sourced must be approved for production by the Business Unit. It is the supplier's responsibility to meet all applicable specifications. Suppliers are not authorized to begin shipment of production quantity material to Kohler prior to part/process approval. Small quantities of parts for reliability/engineering testing, and sample needs are the only exception. A drawing/specification review will be conducted prior to the production part approval process.

The Business Unit will approve parts via one of the following:

4.01 Production Part Approval Process (PPAP)

The Production Part Approval Process (PPAP) certifies that suppliers can consistently and repeatedly produce product that meets all Kohler requirements.

Any new products or any product/process changes are subject to PPAP submission, as well as Supplier Deviation and Change Requests as outlined in section 6.0 of this manual. Kohler will identify the PPAP submission level requirements.

Upon receipt of the PPAP submission, Kohler will review and assign status as follows:

Approved: The part or material, including all sub-components, meets all Kohler requirements. The supplier is authorized to ship production quantities of the product.

Conditional Approval: Permits shipment of parts or material for production requirements on a limited time or piece quantity basis. Conditional approval will only be granted when the supplier has:

1. Clearly defined the non-compliances preventing approval; and
2. Prepared an action plan agreed upon by Kohler. PPAP re-submission is required to obtain a status of "approved". If the product does not meet specifications, a Supplier Deviation Request (SDR) or equivalent is also required.

Conditional approval can be extended. If additional time is required, it is the responsibility of the supplier to contact the appropriate Supplier Quality Engineer (SQE) with an expected completion date.

Rejected: The PPAP submission does not meet requirements based on the production lot from which it was taken and/or accompanying documentation. The submission process shall be corrected to meet requirements.

4.02 Product & Process Qualification

In rare circumstances when a proper PPAP is not possible, product and process may be approved at the discretion and under strict control of the SQE. In these exceptional cases, clear approval requirements will be communicated to the supplier by the SQE. Additional approval by other Business Unit team members may be required.

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5.0 - Corrective Action

Suppliers to Kohler are responsible to provide conforming products and services. If quality issues occur, the supplier is required to determine root cause and corrective action to resolve the issue and to ensure no recurrence. Suppliers will support Kohler with technical assistance and field support to rectify any substantiated non-conformance. Kohler reserves the right to recover justified expenses from suppliers for performance failures related to quality and delivery issues.

5.01 Non-Conformance

Nonconforming materials or services may be identified at any point in the process including incoming inspection, use, consumption, assembly or packaging. Nonconformances can also be discovered during surveillance, validation, at the end customer or through warranty claims.

Suppliers will be notified through communication of a Defective Material Report (DMR) or a Supplier Corrective Action Request (SCAR) upon the detection of non-conforming material and/or service (or when late delivery results in a line shutdown condition).

Non-conformances discovered at Kohler may be handled in the following ways and at the discretion of the Kohler Group/Business Unit and/or facility:

- Rejection of the entire lot and return to the supplier
- Sorted, screened or reworked at Kohler facility; Supplier resource(s) and or third party may be required to support rework.
- Deviation. Product cannot be shipped or consumed prior to deviation approval.

5.02 Supplier Response

Supplier must take immediate action upon receipt of a supplier corrective action request including direct contact with Supplier Quality as specified – unless the request states 'information only'. Supplier must acknowledge receipt of a corrective action request within 24 hours, provide a containment plan within 24 hours and provide a complete plan of permanent corrective action implementation once their analysis is complete.

- Identify and initiate a short-term containment plan to prevent additional non-conformance at Kohler. This may include the inventory at Kohler facilities, in the distribution system, at the supplier and in supplier production.
- Identify a short-term corrective action plan with timing to replace non-conforming material with conforming material.
- The containment actions, short-term corrective actions and date implemented must be documented in writing by the supplier and communicated to Supplier Quality as prescribed in the corrective action request.

Supplier must provide response to a corrective action request to their proper contacts (ex: Buyer and SQE). The response must include or document:

- Definition and verification of the non-conformance root cause including supporting data and/or study results;
- Verification of permanent corrective action including supporting data, implementation dates and updated APQP documentation;
- The lot number/effectivity date for the long-term corrective action implementation date must be identified. Any updates to the corrective action plan, such as completion dates, must be communicated to Kohler.

5.03 Product Disposition

Supplier of suspect material must provide a disposition within (5) business days. If no response received, Kohler will disposition the material. Supplier shall ensure that no quality compromise will be made when dispositioning suspect or nonconforming product. There shall be no shipment of suspect products to Kohler Company without an approved deviation. If supplier agrees that material is nonconforming, a Return Material Authorization (RMA) must be processed within (5) business days.

5.04 Supplier Containment

Kohler has defined 2 containment levels to contain defective product and to protect the company from receiving additional non-conforming material.

.01 Containment Level 1 (Default level for all DMR/SCAR)

For this level, Kohler requires that a supplier put into place a redundant inspection process at the supplying location. The supplier is responsible to sort for a specific non-conformance, execute corrective action, and ensure Kohler does not receive any additional non-conforming parts/material. The redundant inspection is required in addition to Supplier's normal production process controls, and is executed by the supplier's employees.

Sample Criteria:

- Repeat non-conformances
- Major disruptions
- Production Line Down
- Production Shortage
- Supplier's current controls are not sufficient to ensure conformance to requirements
- Proactively, as part of a Safe Launch Plan (SLP)

Required Actions:

- Establish a separate containment process at the supplier's facility within 24 hours of notification of Containment Level 1
- Create standardized inspection instructions
- Provide floor space and proper tooling to execute standardized inspection instructions
- Purge supply chain of suspect material in transit and at all storage locations to confirm identification of breakpoints of non-conforming material
- Identify individual parts, material, and containers, as agreed upon by Kohler, to have traceability of parts certified for production.
- Certify all shipments of material to Kohler during this period.
- The supplier must document the (CL1) inspection results daily and provide at a minimum weekly status updates to Kohler.

Exit Criteria:

- Root cause of the issue was identified and verified to be resolved.
- Defect free shipments are received by Kohler facility for a period of time or material quantity to be specified by the SQE
- The initiator of corrective action must approve the exit of CL1 prior to stopping the CL1 activity.
- If the exit criteria are not met in the agreed upon timeline or if the CL1 process is deemed ineffective, the Supplier will be placed in Containment Level 2.

.02 Containment Level 2 (Third Party Containment & Problem Resolution – 3CPR)

This is a Kohler requirement that includes the same processes as Containment Level 1, with an additional inspection process by a 3rd party inspection and rework company representing Kohler's interests specific to the containment activity. The third party will be selected by the supplier, approved by Kohler and paid for by the supplier. This level of containment would be utilized as a last resort action.

Sample Criteria:

- The supplier did not meet the exit criteria for Containment Level 1
- Proactively for high risk launches (at Kohler's expense while no nonconformances detected)

Required Actions:

- Containment Level 1 activity must continue along with Containment Level 2.
- Provide a Purchase Order (PO) to the 3rd party company
- Material must be provided to the 3rd party inspector.
- Establish a separate containment process at the supplier's facility or at a 3rd party inspection and rework company within 24 hours of notification of CL2.
- Create standardized inspection instructions for CL2.
- Provide floor space and proper tooling to execute standardized inspection instructions for the CL2 3rd party inspection and rework company.
- Identify individual parts, material, and containers, as agreed upon by Kohler, to have traceability of parts certified for production.
- Only CL2 material must be delivered to Kohler.
- The 3rd party will document the (CL1 and CL2) inspection results daily and provide at a minimum weekly status updates to Kohler.

Exit Criteria:

- Root cause of the issue was identified and verified to be resolved.
- Defect free shipments are received by Kohler facility for a period of time or material quantity to be specified by the SQE
- The initiator of corrective action must approve the exit of CL2 prior to stopping the CL2 activity.
- If the exit criteria are not met in the agreed upon timeline, the Supplier will be placed in new business hold and could result in de-sourcing the Supplier.

5.05 Cost Recovery

Kohler Co. reserves the right to recover administrative costs incurred due to quality issues on purchased product. A nominal charge for each DMR, SCAR and Deviation may be levied to offset these costs (see Section 13 of this manual for definitions).

Quality spills that cause significant disruption to Kohler Operations or high warranty shall be evaluated for cost recovery. In these cases, specific costs incurred will be itemized and recovered.

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6.0 - Supplier Deviation Requests and Supplier Change Requests

6.01 Issues Requiring a Supplier Deviation Request

The supplier shall notify all Business Units and locations to which their product is supplied in writing as soon as they suspect the product to be shipped does not conform to design requirements. The supplier shall notify their supplier quality and purchasing contacts, in writing, prior to any change in process or modification of tooling. Product must not be shipped until disposition is received.

All requests for deviation must include the reasons why the product has deviated from specification, i.e. the supplier must demonstrate an understanding of the inputs that caused the nonconformance.

When the deviation expires, no additional product can be shipped until product meets print requirements. If needed, the supplier may request a deviation extension.

Should the supplier be able to supply conforming product prior to the deviation expiration date, it is the responsibility of the supplier to contact Kohler Quality to determine what, if any, submittal data or paperwork is required. Additional data may be necessary depending on the severity of non-conformance.

Any supplier shipping product to Kohler prior to obtaining an approved deviation may be required to sort product at Kohler or have the product returned at the supplier's expense. If sorting is required to be done at Kohler due to production needs and the supplier is not able to provide support within the required timeframe, Kohler or a 3rd party will complete the sort and the supplier will be responsible for all charges incurred.

Supplier should supply the date, purchase order number, and/or lot number of the first shipment of product that meets print requirements.

6.02 Supplier-Initiated Change Requests

All proposed changes to supplied production materials must be properly documented and approved in writing by Kohler prior to implementation. If uncertain whether a request is required, the supplier shall consult the related procurement or supplier quality contact.

Product and process changes having the potential of affecting form, fit, or function require a formal "Supplier Request for Change" document or equivalent to be submitted to Kohler for review and approval. As default, Part approval (PPAP) resubmission shall be required.

Examples of proposed changes that require approval include:

Process:

- Movement of production line equipment
- Production line machine/equipment changes
- Manufacturing location changes
- Tooling transfer, refurbishment, repair, replacement or additions
- Any change in product testing frequency or method
- Sub-contracting an operation normally undertaken in-house
- Changes that occur at sub-tier suppliers

Design:

- Construction changes or assembly methods
- Change to optional construction material or method including packaging
- Constituent material changes
- Constituent material sourcing changes
- Dimensional changes
- Aesthetic changes

6.03 Submitting the Deviation or Change Request

A form may be obtained at http://www.kohler.com/corporate/supplier/conducting-business.html or from the business units and must be completed and submitted to the appropriate contact for approval by the Business Unit and locations.

6.04 Kohler Initiated Changes

Kohler business units may use various methods to request a change in specifications. It is the supplier's responsibility to review and agree to the change and resubmit a PPAP package. Suppliers must inform Kohler Purchasing of inventory of parts which may not meet the new requirements.

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7.0 – Supplier Scorecards

7.01 Quality Component

Kohler Company uses a Scorecard system to monitor supplier performance in various areas, including quality. Scorecards are a tool for both Kohler and the supplier to identify areas of opportunity to improve performance. The scorecard may be used as a reference when making strategic decisions, thus it is important for suppliers to monitor their scorecards and immediately take action to address any areas that require attention.

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8.0 - Management of Kohler Supplied Product / Tooling / Gauges

8.01 General Requirements

All tools, manufacturing, test or inspection equipment belonging to Kohler, or their customers, shall be used exclusively for Kohler products unless an authorization in writing exists.

All suppliers with Kohler owned tooling on-site must carry insurance and provide proof of the insurance that covers cost of replacing the tool. Events such as those caused by nature, misuse, maintenance neglect, or fit-for-use should also be included in the insurance carried by the supplier.

8.02 Tracking

All Kohler tooling or capital assets must have an asset number for tracking. This information shall be captured by Kohler in the purchase order transaction record. The supplier shall establish procedures for the permanent identification and tracking of Kohler supplied product and equipment including preservation of the asset number.

8.03 Tooling and Gauging Requirements

The Supplier shall notify Kohler in writing of supplied tooling or gauges that are lost, damaged, in need of repair/refurbishment or are otherwise unsuitable for use. Kohler supplied tooling and gauges shall not be disposed of without written authorization from Kohler.

Supplier is responsible for timely calibration, proper storage, etc. of all gauges and tooling. As part of the calibration requirements, supplier shall maintain records of the equipment calibrated, equipment labeling, calibration processes used, and the frequency of calibration. Any outside calibration labs utilized for any equipment shall have the signed lab or calibration service certificate, NIST traceability number, and lab accreditation.

Tooling refurbishment requirements shall be communicated to Kohler Co. at least six weeks ahead of the required refurbishment date.

Kohler reserves the right to request, at any time, prints, documentation, and models of tooling and gauging owned by Kohler Co.

Upon program completion, the supplier shall ensure tooling is properly stored to prevent any damage and is readily available for production or service requirements.

9.0 - Packaging, Labeling, & Handling

In-process and finished products shall be appropriately packaged to protect from damage. Packaging shall meet all applicable shipping laws, codes, and regulations. All shipments shall be packaged or placed in a new container unless otherwise specified. Packing slips shall be attached to the carton exterior in shipping envelopes. All packaging must be qualified to International Safe Transit Association (ISTA) test standards as appropriate.
Wood packaging must comply with ISPM15 regulations.

The supplier shall ensure that all Kohler packaging is clean and free from dirt, debris, foreign materials, and damage. All returnable packaging and dunnage that is not clean and free from dirt, debris, foreign material and damage may be subject to rejection.

Packaging shall be labeled in accordance with all Kohler standards, unless otherwise specified. The packaging and labeling shall meet Kohler specifications or requirements. Each shipment shall be marked with the Kohler part number, manufacturing part number, quantity, lot number, Kohler site name, address, gross weight in pounds, and any other specified requirements as applicable. Suppliers shall notify Kohler when labelling methods or documents will be changed related to Codes, Standards, and/or Regulatory requirements.

Supplier shall identify items(s), and/or package(s) container(s) of shelf-life material with the manufacture date or the expiration date along with any special storage and handling conditions, in addition to the normal identification requirements. If not otherwise specified, a minimum of 75% shelf-life must be remaining upon receipt at Kohler.

Product is to be shipped in standard specified quantities, in approved packaging, for every shipment. Any exceptions require specific approval from Kohler.

When applicable, barcode labels for US bound products shall comply with ANSI MH10.8M or AIAG standards and are to be in Code 39. Details for applicable barcode label requirements can be found under “Conducting Business” section of Kohler Suppliers website.

10.0 - Product Characteristics

Kohler specifies the use of symbols to identify product key characteristics that affect Safety, Legal, Codes and Standards regulations, consequential damage, fit, form, function, and appearance. These characteristics shall be identified on drawings prior to quote and identified with unique symbols. Symbols may vary by Business Unit procedure.

Discussions with the supplier shall be held early in the process to review, jointly discuss and agree on customer and significant characteristics. Any concerns by a supplier on the ability to meet the requirements shall be communicated as early as possible.

Features not labeled as a key characteristic are considered normal characteristics. If discrepant, the characteristic is likely to have a minor effect on function or appearance. Features classified as normal must conform to specification.

Assignment of key characteristics does not reduce the importance of any other characteristic on a drawing. Every tolerance is absolute and shall not be exceeded regardless of classification.

11.0 - Government, Safety, Compliance and Environmental Regulations

All purchased materials shall satisfy current governmental, compliance and safety constraints on restricted, toxic and hazardous materials; as well as environmental, electrical, and electromagnetic considerations applicable to the countries of manufacture and sale. The supplier must follow U.S. Customs security guidelines for C-TPAT if involved in importing goods to the United States of America.

Kohler specific requirements may exceed general requirements.

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12.0 – Sub-Tier Supplier Management

Tier 1 Suppliers of Kohler are fully responsible for the quality of their sub-tier supply base. During product development, Kohler Supplier Quality will verify that all Tier 1 Suppliers have robust sub-tier management plans in place. Expectations are:

- Tier 1 to have *basic knowledge* of the sub tier processes (Tier 1 does not have to be an expert);

- verification that all specifications are understood and being met at all tier levels – ask Kohler for clarification if needed; and

- all sub-tiers must have a quality system in place – PFMEA, Control Plan, process audits, 5S, standard work instructions, part handling, preventive maintenance, PPAP, etc. All sub-tier process approvals are the responsibility of the Tier 1;

Even in situations where use of a sub-tier has been directed or consigned, the Tier 1 supplier has ultimate responsibility to ensure the final product is completely conforming. Any concerns must be escalated to Kohler as soon as possible for resolution.

For critical or complex projects, Kohler reserves the right to request on site verification of sub-tier supplier processes. In these cases, Kohler will work though the Tier 1 Supplier to make arrangements.

As a Tier 1 suppler, think about Kohler's quality expectations of you – do not accept anything less from your sub-tiers.

SUPPLIER QUALITY MANUAL

13.0 - Glossary/Appendix

13.01 Terms

Supplier Approval – Pre-award process to determine capability and compatibility to support Kohler long-term plans and vision.

Supplier Development – Proactive program for development and continuous improvement.

- Joint improvement projects
- Identifying tools for continuous improvement
- Supplier training
- Supplier conferences

Certificate of Analysis (C of A) – A quality record received from a supplier that indicates the results of specified tests on products performed before shipment. It may also indicate performance of the process used to make the purchased goods or products.

C-TPAT (CUSTOMS TRADE PARTNERSHIP AGAINST TERRORISM) --
For further information on the areas of focus please visit the C-TPAT website:
http://www.customs.gov/xp/cgov/import/commercial_enforcement/ctpat/foreign_manuf/security_recommendations.xml

EDI – Electronic Data Interchange --
Electronic transmission of purchase orders and invoices; (not facsimile transmission)
The transfer of data between different companies using networks, such as the Internet. As more and more companies get connected to the Internet, EDI is becoming increasingly important as an easy mechanism for companies to buy, sell, and trade information.

LEP (Leading Edge Procurement) --
Planning techniques used to control assets (inventory) such that processes optimize availability of material inventories at the manufacturing site to only what, when & how much is necessary. LEP processes include consignment, dock-to-shop and demand/pull. The supplier may apply 'Just-in-Time' (JIT) manufacturing where product is "pulled" along to finish rather than conventional mass production "push" system. Application of tools such as Kanban (Japanese: signal) signals a cycle of replenishment for production and materials and maintains an orderly and efficient flow of materials throughout the entire manufacturing process.

Production Part Approval Process (PPAP) --
When required by the business unit or facility, supplier may be asked to obtain part or component part approval via PPAP submission. The purpose of part approval is to determine if the suppliers understand all Kohler requirements and if supplier processes demonstrate the capability to consistently produce parts that satisfy the requirements. For further information, see AIAG and Group/Business Unit requirements.

AIAG: Automotive Industry Action Group (http://www.aiag.org/)

ISPM15: International standards calling for wood packaging material to be either heat treated or fumigated with methyl bromide and marked with an approved international mark certifying treatment https://www.ippc.int/servlet/CDSServlet?status=ND0xMzM5OSY2PWVuJjMzPSomMzc9a29z

Regulations for the importation of wood packaging materials to the U.S. --
The regulations now incorporate international standards calling for wood packaging material to be either heat treated or fumigated with methyl bromide and marked with an approved international mark certifying treatment. For more information please see web site at http://www.aphis.usda.gov/ppq/swp/import.html

Business Unit – Divisions or legal entities of the Kohler, e.g. Plumbing Americas, Kohler Engines, Ann Sacks, etc.

Business Group – Organization of related Business Units, e.g. Kitchen and Bath Group; Global Power Group; Interiors Group; and Hospitality and Real Estate Group

Defective Material Report (DMR) – Information only defect notification sent to the supplier to document defective material issues.

Supplier Corrective Action Request (SCAR) – Notification of corrective action requirement from supplier. SCAR's usually require an initial reply within 24-hours of issuance.

13.02 Quality Records

- Supplier Corrective Action Request (SCAR)
- Defective Material Report (DMR)
- Supplier Defective Material Report (SDMR)
- Product Key Characteristics Classification Symbols:
    - Product key characteristics are identified on drawings prior to quote and identified with unique symbols. Symbols may vary by group/sector/local procedure with such terms as customer/major or significant/critical.

Document #: GPI 2004

Revision Level: 3.0 Revision

Date Issued/Revised: 20 June 2013 / 27 January 2014 / 1 February 2020

Approval: Global Procurement Council
Global Quality Council

Revision History:

REV #	CHANGE	AUTHOR	DATE
1.0	Initial release	L. McAdam	08/30/2005
1.1	Enhancement of 11.0 Supplier Request for Change (SRC)	L. McAdam	11/14/2008
2.0	Re-arranged sections about Supplier Change Request Added a new section for advanced containment Detailed definition of PPAP process	Global Procurement Council Global Quality Council	06/20/2013
2.1	GPI# changed from 3009 to 2004.	B. Fenner	01/27/2014
3.0	Updated SQM to reflect current Kohler SQ practices used across all Business Units, added cost recovery section 5.05, revised Section 12 content	G.C. Wilson et al	1/15/2020