# SUPPLIER HANDBOOK

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Foreword by Steven Katzfey, Chief Procurement Officer, Global Supply Management:

Welcome to the Supplier Handbook which represents a guide for our valued Supply Partners to operate within “The Stanley Fulfillment System”.

Global Supply Management leverages best practices to manage Quality, Cost, Delivery and Sustainable Growth with the best Suppliers. Stanley Black & Decker’s Suppliers operate with values and behaviors aligned to our purpose.

FOR THOSE WHO MAKE THE WORLD™

We are Bold and Agile, Yet Thoughtful and Disciplined

The handbook details our expectations of world class suppliers with respect to Agility, Performance, Integrity and Innovation.

In close, please use these concepts to improve your business operating rhythms. Our goal of collaboration and sustaining best in class performance cannot happen without your full support. Our growth has become a product of Supply Chain Excellence and Global Cost Leadership. Again, thank you for your continuous focus and providing the performance that enables our mutual growth.
Global Supply Management (GSM) Mission

A Supply Management Center of Excellence that leverages standard processes to manage total cost with the best suppliers.

Stanley Fulfillment Systems-SFS

SFS is a business system that we use to continuously evaluate and improve every aspect of our operations from our customers’ perspective. The five principles of SFS - Communicate, Act, Simplify, Standardize, and Hate Waste - are used to make us faster, smarter and more agile every day, fueling profitable growth. It synchronizes the front end of the business with an ever-improving supply chain. We engage suppliers in SFS by looking at opportunities to reduce lead times, minimum order quantities for example.
Supplier Code of Conduct

Stanley Black & Decker is committed to engage in business relationships with partners who share our values. Therefore, our suppliers are required to acknowledge and comply with Stanley Black and Decker’s Code of Business Ethics and its referenced documents such as the Human Rights Policy statement, legal obligations and industry standards and establish a sustainable procurement policy (addressing regulations such as the UK Modern Slavery Act, Guiding Principles on Business and Human Rights etc.) regarding their suppliers’ operational practice and supply chain. As part of building a business relationship, we require our suppliers to embrace and implement the below standards.

I. Human Rights

CHILD LABOR
Suppliers must not use, benefit or gain in any form from child labor

- The term “child” refers to a person younger than 16, unless there is a local law specifying an older legal minimum age. The local legal minimum age for employment. Exception: if a person is between 14 and 16 years old, and employed on a recognized scheme, in partnership with an educational institution.
- Suppliers must validate ID’s of potential employees and keep copies to proof legitimacy.
- Suppliers ensure a child/prison or forced labor free production process, (internally and for outsourced work).

FORCED AND PRISON LABOUR
Suppliers must not use, benefit or tolerate any form of forced or prison labor
- Employment must be voluntary, employees are free to leave employment and premises.
- Applicable to labor (contracting/subcontracting/other manufacturing relationships) throughout the supply chain.
- No unreasonable wage deductions/deposits, or hold worker ID’s.

EQUAL OPPORTUNITIES AND FREEDOM OF ASSOCIATION
- Workers are employed and promoted based on their ability to perform the job.
- Suppliers must not discriminate against workers in hiring practices or promotions on the basis of race, color, national origin, gender, religion, disability, sexual orientation, affiliation to unions / collective bargaining associations or political belief, etc.
- Our suppliers must be committed to the basic principles of Human Rights (UN Global Compact).

DISCIPLINARY PRACTICE
- Suppliers adhere to a fair and ordered disciplinary process to determine penalty or dismissal.
- Under no circumstances is any form of physical or mental punishment tolerated.

COMPENSATION AND WORKING HOURS
- Minimum requirements - fair compensation, in accordance with local legal minimum wage/benefits, meeting local manufacturing standards.
- Maintain reasonable employee work hours (standard of daily 8 working hours and weekly of 40 working hours).
- Maintain overtime regulations (overtime must be agreed upon by employer and employee).
- Compliant with local standards, laws and local legislation, in which the suppliers operate.
- Overtime with normal work hours should NOT exceed 12 hours a day (*).
- Suppliers shall fully comply with the wage and hour provisions of the U.S. Fair Labor Standards Act if applicable and shall use only subcontractors who comply with this law if applicable.
II. Workplace Conditions

Suppliers are required, to adequate EHS management systems appropriate to local work scope, including but not limited to below, failing to provide satisfactory working conditions for their employees jeopardize their business relationship with Stanley Black & Decker.

PROTECTIVE EQUIPMENT

- Provide safe and healthy working conditions
- Provide and enforce the use of necessary personal protection equipment, e.g. eyewear, hearing protection, respirators, protective clothing and safety shoes (appropriate to work environment and requirements)

SAFE WORKING EQUIPMENT/ENVIRONMENT

- Manufacturing facilities must meet all legal building code requirements, i.e. ventilation, well-lit workstations, clean restrooms, First Aid facility, fire exits and firefighting equipment
- Fire protection system approval (fire protection system meets local regulatory requirements)
- Adequate employee WHS facilities i.e. drinking water, rest and break areas, sanitary and storage/locker facilities for personal belongings, readily accessible to each employee
- Workplace (Health, Safety and Welfare) regulations 1992

MACHINE GUARDING

- Machinery has adequate safety guarding to allow safe operation by any employee, preventing equipment misuse
- Details of ‘lock out / tag out’, electrical safety and incident reporting programs are available

FORKLIFT / HOIST / CRANE SAFETY REQUIREMENTS

- Fork lift trucks meet local legal requirements for operation
- Fork lift truck drivers must be trained/licensed or certified to meet local legal requirements
- Hoist lift cranes are not used to lift loads over their safe working load
- Vehicles are inspected in line with local requirements, the inspection result are documented and recorded

EMERGENCY EXITS

- Emergency exit doors open freely, at all times, without any special knowledge to open
- Clear route to the emergency

DORMITORY SAFETY & LOCATION

- Provide proper fire prevention and protection equipment according to the local law
- Dormitories must be separate from the work area, whether production, assembly, warehouse etc.
- Adequate arrangements regarding WHS facilities i.e. drinking water, rest and sanitary areas are readily accessible to each resident

III. Sustainability and Environmental Requirements

Stanley Black & Decker will only deal with suppliers that share our commitment to environmental excellence and sustainability.

(*) Per local law, total overtime should NOT exceed 46 hours a month for suppliers located in Taiwan (36 hours a month for suppliers in China).
IMPACT AND STANDARDS
Suppliers must work to a minimum of applicable local environmental regulations and standards, as well as work towards United Nations Sustainable Development Goals and Science Based Targets Initiative.

- Compliant with local emission, water, affluent water and waste regulations
- Provide a waste management policy, reviewed regularly, waste is sold only to local government approved purchasers
- Demonstrate best efforts to minimize waste generation, emissions, energy and water usage
- Provide an environmental policy, demonstrating commitment to environmental management
- Provide copies of all relative environmental permits relating to operations
- Provide an Environment Impact Analysis (approved by EPA) for production processes
- Measure and record energy/water usage, greenhouse gas emission and solid waste generation to set reduction targets (reviewed/revised regularly)
- Suppliers are requested to have an Environmental, Health and Safety (EHS) Management system i.e. ISO 14001, ISO OHSAS 18001, Environmental Management Programs or similar
- Suppliers are encouraged to reduce excess packaging and to use recycled materials
- Suppliers are expected to purchase wood and wood products from Certified, Well-Managed sources (e.g. Forest Stewardship Council or other accredited timber management systems)
- Demonstrate active sub-contractor/ sub-supplier engagement to set goals and action energy usage, water withdrawal and emission control

Stanley Black & Decker is happy to direct its suppliers to information showing how energy, emission and waste savings may be made and support them through a supplier dialogue

HAZARDOUS MATERIALS
Suppliers must ensure correct, up-to-date training on storing, handling, and disposing of hazardous classified materials. Suppliers must be:

- Aware and understand current list of “substances of very high concern” (EU REACH Regulations and the US Proposition 65 chemical list)
- Non-conforming components must not be used in our products
- Safely stored hazardous materials (in-line with manufacturers’ recommendations and local laws)
- Incompatible hazardous materials must never be stored together

As appropriate suppliers are invited and required to access the Stanley Black & Decker Gensuite System to complete an on-line declaration for confirming the products and materials supplied to SBD meet all regulatory requirements applicable to SBD (e.g., Conflict Minerals, Country of Origin, RoHS, REACH, Prop. 65, and Stanley’s ES100118 specification) as well as to supply any information needed for SBD to make required disclosures to government agencies as well as customer requests.

IV. Legal Requirements

Stanley Black & Decker requires suppliers to respect and adhere to all contract provisions, applicable laws, regulations and import requirements of the countries in which they operate, purchase products from and in which they are to be sold. Suppliers must not engage in unethical business practices, gain unfair or improper business advantages or preferential treatment from indirect or direct giving, receiving or exchange of incentives.
SUPPLIER HANDBOOK
Commercial Guidelines

- Stanley Black & Decker policy prohibits Stanley Black & Decker employees from accepting any gifts, gratuities or other benefits that go beyond the common courtesies usually associated with business practices
- Prevent: bribery, conflict of interest, distortion of documents, fraudulent bidding, price fixing, price discrimination or unfair trade practices violating antitrust laws (OECD Guidelines for Multinational Enterprises)
- Suppliers are required to disclose any possible conflict of interest to Stanley Black & Decker employee(s) with whom they are negotiating or, if the possible conflict involves such persons, to the appropriate general manager or department head
- Ensure products are accurately marked/labelled with country of origin, and compliant with the laws of the country of production and the countries in which the ready products will be sold
- Comply with contract provisions, applicable laws, regulations and import requirements of the countries where the ready product will be sold
- Guarantee products sold to Stanley Black & Decker do not infringe on any patent, trademark or copyright and will provide upon request all necessary licenses.
- All suppliers must keep confidential all trade secrets, designs, data, know-how or other information which the supplier knows or should know is considered confidential by Stanley Black & Decker
- Periodically, suppliers will be asked to provide information showing their status against section 1502 of the US Dodd Frank Act. (presence and source of tin, tungsten, tantalum or gold in the components of products)

V. Transparency - Right of Inspection

In accordance with SBD due diligence responsibility based on SBD specific policies, international initiatives i.e. UN Global Compact, and legislations i.e. Supply chain due diligence legislation (UK, Germany etc.), SBD requires suppliers to accept, acknowledge and implement these requirements and transparently share and proof a required. Stanley Black & Decker (Audit Procedure explained in the Appendix) or a third party auditor (confirming i.e. BSCI, SMETA, WCA standards etc.), designated by Stanley Black & Decker will undertake affirmative measures, such as on-site audits, to confirm correct implementation and compliance with relevant internationally recognized standards. Subject to audits may be any supplier, based on internal evaluation with potential or acute risks e.g. local legislation, geographical/environmental (e.g. water risk), demographic risk factors and at random. Refusal to comply with these standards may be subject to immediate cancellation of outstanding orders / return of shipment/ terminate future business with Stanley Black & Decker. Failure of audit will require supplier to develop necessary mitigation actions and provide a timeline in accordance.
Supplier Relationship Management

Stanley Black & Decker relationship owners (Global Category Manager, Regional Category Manager, Buyer/Planner) work closely with suppliers to implement contracts establishing the terms and conditions of our business relationship including payment terms, non-disclosure clauses, quality and delivery obligations, and stocking agreements.

A subset of the SBD supply base will be considered “critical suppliers” and will fall into a risk assessment and monitoring process. The criticality of a supplier is based upon several factors including overall spend level, gross sales value tied to the material supplied, ease of switching supply (i.e., single- and sole-sourced suppliers are classified as critical), and strategic partnerships.

Expectations of Suppliers

Stanley Black & Decker seeks suppliers who possess our same deep desire to delight the customer. To facilitate our shared goal, a clear understanding of our needs and expectations must link our relationship.

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<th>Competitive</th>
<th>World Class</th>
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<td>4-7%</td>
<td>&gt;7%</td>
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<td>N90</td>
<td>N120</td>
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<tr>
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<td>96-98%</td>
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<td>&gt;1 Wk &lt;3 Wks</td>
<td>&lt;= 1 Wk</td>
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<table>
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<td>Occasional</td>
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<td>Not Compliant w CoC &amp; S/A</td>
<td>Compliant w CoC &amp; S/A</td>
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</table>

CoC - Code of Conduct
S/A - Social Accountability
New Supplier Selection Process

Stanley Black & Decker follows the below supplier selection process.

1. **Opportunity Assessment**
2. **Supplier Profile & standards**
3. **Develop sourcing strategy/ Portfolio**
4. **RF & supplier visit**
5. **Evaluate & select supplier**
6. **Negotiation/ contract**

Opportunity Assessment, Supplier Profile & Standards and Sourcing strategy will be Stanley Black and Decker background work. First direct contact with the potential supplier is the Request for Quote (RFQ) or Request for Information (RFI). The results of this initial RFQ/ RFI determines if the contact continues. We conduct RFQs, RFIs and electronic auctions for new or existing components, products or services via an online portal. All suppliers should be registered in this portal to be invited to participate in these events. Follow up after the RFQ or RFI activity may include Supplier Quality, Process, and ESG (appropriate management systems, ethical and environmental compliance), depending on the component or product. All suppliers should routinely maintain their profile in the portal, so Stanley Black & Decker be able to capture the latest update from the supplier. In some instances, pre-qualification audits may be conducted prior to the RFQ or RFI to determine business fit.

As part of the supplier onboarding process, we assess a supplier’s financial viability to ensure we can deliver the right product at the right time and the right cost to our customers. Any documents shared as a part of the process are for internal use only and are subject to our confidentiality agreement.
**SUPPLIER HANDBOOK**

**Commercial Guidelines**

**New Supplier Selection**

1. **Request by Buyer/Purchasing**
2. **Audit Notification**
   - **Audit Preparation/Audit Date**
3. **On Site Audit**
4. **Release Official Audit Report**
5. **Load Report Into Audit Database**
6. **Approval (CAP to follow)**
   - **YES**
   - **NO**
7. **Re-Audit**
   - **YES**
   - **NO**

**Quality Audits**

Global Supplier Quality Audit (SQA) guideline applies to the New Supplier Selection Process to ensure business is awarded to the right supplier. All new potentially factories supplying to Stanley Black & Decker are subject to prior audit.

**Technical Audits**

(also known as Technical Assessment)

Suppliers of highly engineered specialty/technical components or accessories are audited by our technical teams prior to business being awarded. This technical assessment (TA) is conducted on Professional Power Tool Components.

**Process Audits**

Based on supplier performance, a part specific process audit may be conducted to confirm that operating procedures, quality, safety and regulatory specifications are aligned with Stanley Black & Decker requirements. The supplier will receive prior audit notice and an outline of the audit requirements.

**Social Accountability and Sustainability Audit**

As a responsible corporate citizen Stanley Black & Decker sustainability is an integral aspect of our continued growth and business success which allows us to minimize waste and create a positive impact in our environment and within our communities.

Depending on the Supplier risk profile we request a SEDEX SAQ self-assessment (or similar), based on necessity this will be followed up with an ethical compliance audit (e.g.: SMETA, BSCI, WCA etc.). Predominantly in Asia we may accept audits actioned directly by Stanley Black & Decker’s GSMA team. These audits are to ensure the ethical compliance with internationally recognized standards, guidelines and Stanley Black & Decker’s supplier Code of Conduct (pg. 5-8).
Supplier Development

The Stanley Black & Decker Supplier LEAN program works with select key suppliers to improve operational efficiency while reducing the cost of quality and waste which may be commonly hidden in both production and transaction processes. Projects may fall within the scope of LEAN, Value Stream Mapping, Sell One, Replenish One (S1R1), VAVE or DTV (Design to Value), QI (Quality Improvement), Automation, Smart Factory, a journey toward Industry 4.0.

ESG Development, Stanley Black & Decker works with select suppliers to improve social and environmental footprint, support the supplier improving management systems, processes and/ or reporting as well as cooperating in joined environmental/ social projects.

Periodic audits (detailed pg. 11) may be requested, based on risk profile and necessity.

Supplier Diversity

Stanley Black & Decker is committed to developing a diverse supply chain that contributes to successful and sustainable businesses. Through inclusive procurement practices we can create long-term value for our clients, while helping us remain agile and ahead of the market. Stanley Black & Decker’s Supplier Diversity Program promotes collaboration, fosters strategic partnerships, and introduces competitive sourcing opportunities that will enhance our mutual growth. The program is designed to ensure Small, Minority, Women, Disabled owned, LGBTQ, Veteran and Disabled Veteran owned enterprises are provided the opportunity to participate in contract opportunities for products and service required by Stanley Black & Decker and its affiliates. The primary objective is to increase participation by these diverse enterprises while continuing to purchase based on quality, service, and total cost of ownership. Supplier Diversity will help make a positive impact on the communities we, our suppliers and customers represent.

Restricted Substances

Suppliers must fully understand current legislation on global material restrictions such as RoHS (Restriction on Hazardous Substances), REACH (registration, evaluation authorization and restriction of chemicals), both on a European Union directive, and United States Proposition 65 legislation. Non-conforming components must not be used in our products. Any changes to the material content of an approved part, sourced product, accessory or packaging must be reported to Stanley Black & Decker ensuring Controlled Substances Standards and/ or Electromagnetic Compatibility (EMC) compliance specifications are fully met. All documentation supporting these policies should be kept with the Supplier Quality Book and must be kept for 10 years by the supplier, even if we cease to have a relationship.

Conflict Materials

Stanley Black & Decker will not contribute to the financing of conflict we commit to comply with relevant United Nations sanctions and resolutions or, where applicable, domestic laws implementing such resolutions. Stanley Black & Decker will conduct due diligence throughout its supply chain ensuring compliance with the Conflict Minerals requirements of Section 1502 of the Dodd Frank Act. Furthermore, Stanley Black & Decker commits to engage with suppliers, governmental authorities, international organizations, civil society and affected third parties to immediately track and resolve with firm intention to eliminate conflict materials entering the supply chain.
For detailed information on requirements, expectations and consequences in the event of noncompliance of our suppliers, please refer to our website’s ‘Resources and Policies’ section at https://www.stanleyblackanddecker.com/social-responsibility/resources-policies.
New Product Development

Stanley Black & Decker has a rich legacy of innovation and continues to drive organic growth through faultless new product launches. 35% of yearly sales are generated by new product developed using multi-step milestone processes which include Early Supplier Involvement (ESI) to ensure we are building a robust supply chain. The key metrics which need to be addressed when launching these programs are outlined below.

- Performance
- Durability
- Ergonomics
- Schedule
- Speed to Market
- MOQ
- Lead Time
- Payment Terms

Business award and supplier strategy is aligned between the Advanced Sourcing Team (ASE) and the Commodity Management Team – only suppliers achieving SBD Goals will be engaged in New Product quotations to ensure we are partnered with the correct suppliers to deliver cost, quality, launch schedule and growth.
Transaction Requirements

**No PO, No Buy**: All purchases of goods and services must be ordered using a Purchase Order, unless prevented by SBD system constraints. A fully approved PO is required prior to ordering products or services or the fulfillment thereof. Goods or services must only be supplied when a valid purchase order number has been issued by the business or function to the supplier. SBD reserves the right return invoices to suppliers unless a valid and complete invoice is provided that includes reference to the applicable purchase order. Certain categories of indirect procurement spend may follow an exception process, including the use of credit cards for low value, low risk transactions.

Note after-the-fact purchase orders are in violation of the spirit of this policy. The Accounts Payable department is not authorized to pay invoices where the PO is dated after the invoice date without the approval of the SBD CPO and VP Global Shared Services.

Purchase Orders are to cover no more than a 12-month period.

In most cases, a PO Acknowledgement is requested, and may be required prior to invoicing. Invoices are to be submitted electronically, refer to the PO number against which they are being submitted, and in some cases must be submitted via a designated invoicing portal. The preferred payment method is ACH.

Further details are in our complete Global Procurement Policy posted in the “Public” section of the Stanley Black & Decker Global Supplier Portal: [https://gsp.sbdinc.com/](https://gsp.sbdinc.com/).

Transportation

Suppliers to Stanley Black & Decker should work closely with their relationship owner(s) to ensure that approved and agreed upon shipping modes, freight forwarders, carriers, and Incoterms (International Commercial terms) are used for sample and production shipments to get the most cost competitive and efficient solutions. Free Carriage (FCA), Carriage and Insurance Paid (CIP) with exception to carriage, and Delivered Duty Paid (DDP) are common Incoterms used by Stanley Black & Decker for International shipments. For suppliers shipping through Global Supply Management Asia, FCA should be used. For direct suppliers, CIP with exception to Carriage or FCA are used. Air shipments are commonly DDP.

Suppliers should take necessary steps to create and maintain secure manufacturing processes and facilities in accordance with the directives of Stanley Black & Decker or any applicable governmental agency, including, but not limited to security procedures and processes recommended by the United States Customs Service. In this connection, The Customs and Border Protection Agency (CBP) developed the Customs–Trade Partnership Against Terrorism (C-TPAT) to protect the security of cargo entering the United States without interfering with the flow of trade. Through C-TPAT, CBP asks businesses to ensure the integrity of their supply chain security practices, and to communicate certain security guidelines to their employees and suppliers throughout the supply chain. All suppliers must comply with CBP’s and Stanley Black & Decker, Inc’s C-TPAT Program when shipping to Stanley Black & Decker (world-wide) facilities or its receiving agents in the United States.
Quality Policy

Quality is defined by the customer. It is imperative for Stanley Black & Decker to always fulfill quality requirements each time.

We commit to exceed customer expectations with our innovative products and personal approach to service.

We drive this ambition through our Stanley Fulfilment System to ensure continuous improvement enabling growth and eliminating waste.

Nonetheless, safety is of the highest priority for Stanley Black & Decker. Everyone at any level of our organization at Stanley Black & Decker strives to ensure that our users, customers and employees are safely guarded within our products and processes. Furthermore, legal requirements and industry standards are enforced throughout our supply chain.

If the supplier causes a quality issue either in our facilities or in the market place, then they will be responsible for the cost that this issue has caused and the cost of correcting the issue. This could include, but is not limited to rework, scrap, recall, shipping (including air freight), warranty, Government or Compliance authority fines, and re-auditing costs.

Quality Road Map

The Quality Road Map below presents an overview of our expectations for quality and the various tools we use to build in quality to our products and services. Please follow up with your relationship manager for questions or concerns.
# Quality Requirements

## New Product Development Approval Documents

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<th>Required Documents</th>
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<th>HTAS</th>
<th>Component</th>
<th>SEP</th>
<th>Industrial</th>
<th>O&amp;G</th>
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</tr>
<tr>
<td>Basic EMC (Electro-Magnetic Compatibility)</td>
<td>X Selected items (f)</td>
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<tr>
<td>Basic Combustible/Polymeric weights</td>
<td>X Selected items (f)</td>
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<td></td>
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<tr>
<td>Advanced FMEA</td>
<td>X Selected items (f)</td>
<td>X</td>
<td></td>
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<td></td>
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<tr>
<td>Advanced GB&amp;R Analysis</td>
<td>X for CTQ, X for CTQ</td>
<td></td>
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<tr>
<td>Advanced CPK Study</td>
<td>X for CTQ, X for CTQ</td>
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<tr>
<td>Advanced Process Flow Diagram</td>
<td>X for CTQ, X for CTQ</td>
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</tr>
</tbody>
</table>

(*) Sourced Product Specification  
(**) PPS (Product Performance Specification)  
(***): Specification Contract  
(a): CP01.2: Supplier Quality Manual for SSS  
(b): The approved template; VCR (vendor control report); FSA (Final stock audit) or similar  
(c): SQA-045: This is a guideline for Power Tool components approval  
(d): Professional Power Tools (PPT) require drawings. Consumer Power Tools (CPT) may not all have drawings for suppliers.  
(e): Refer to ES100118 for Restricted Substance Requirements  
(f): Please verify with the Project Manager

Please contact your relationship manager if there are any issues or questions
Component Qualification

All Strategic Business units of Stanley Black & Decker require different levels of a Production Part Approval Process (PPAP) and will be detailed by your relationship manager. These requirements ensure that production parts are in full compliance with Stanley Black & Decker specifications, and supplier process capabilities and controls provide consistent conformance to specifications over future production runs.

The supplier shall adhere to the requirements outlined in this procedure when:

- Developing new components for new Stanley Black & Decker products
- Engineering changes occur before a new product launch
- Engineering changes are implemented post product launch

The supplier is responsible for retaining and maintaining all records relating to part qualification and quality control in the “Supplier Quality Book,” for review by our Supplier Quality Engineer or Commodity Manager during periodic audits. These records may be retained and maintained preferably in electronic form and depending on the business unit may contain the following elements: Final Approval, Process map, current print/specification, GR&R, normality, stability, and capability for the Qc features, Quality Control Plan, Request for Engineering Action (if applicable).

Finished Product Qualification

Finished Products qualification follows a milestone process through which the product is tested and approved in accordance with requirements by applicable Compliance Agencies (example UL, CSA) and Stanley Black & Decker specifications. Product labels and manuals will be provided by Stanley Black & Decker, and unless explicitly requested to do so, the supplier must reproduce these labels and manuals exactly as specified. During the Product Development Process, the supplier will work with Stanley Black & Decker to develop a detailed Quality Plan outlining incoming component inspection, in process inspection, pre-shipment inspection and conformance test requirements. This Quality Plan should be followed throughout the lifecycle of the product. It is the responsibility of the finished product manufacturer that they stay up to date with Compliance Agency standards and ensure that the product sold complies in full with the regions to which they are selling.

Continued Production

It is expected that production of components or finished products will continue in the same manner as they have been initially approved, within the terms and conditions that have been laid out within the Supplier Quality Book.

Corrective Action

Once the supplier is notified about quality issues, steps must be taken to immediately contain the problem either through inspection or other means and evaluate what the process or material failure is to determine the root cause. Once the issue is corrected, Stanley Black & Decker should be notified in writing that the corrective action is complete, and the process has been updated (including Process Flow Diagram, FMEA, QPCP, etc.). Depending on the requirements of the receiving Stanley Black & Decker plant, this may include resubmitting all or part of the original approval data package. The supplier should monitor their processes internally to continuously improve the product and reduce variation.
**Existing Parts Process-REA**

Once a part has been qualified, any deviations from the released engineering and process documentation requires submission of a Request for Engineering Action (REA) or Engineering Change Notice (ECN) in advance of proposed changes. The REA/ECN process drives the approval of product and process changes prior to implementation through communication and evaluation, to prevent field failures from occurring. Written approval must be received from Stanley Black & Decker after completion of the REA/ECN process, verbal approval is not acceptable.

<table>
<thead>
<tr>
<th>Major Categories</th>
<th>Change Description</th>
<th>Requires REA/ECN</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Product</td>
<td>New Parts for Stanley Black &amp; Decker</td>
<td>No</td>
</tr>
<tr>
<td>Print Change</td>
<td>Specification Changes for Existing Parts</td>
<td>Yes</td>
</tr>
<tr>
<td>Supplier</td>
<td>Change Supplier</td>
<td>Yes</td>
</tr>
<tr>
<td>Supplier</td>
<td>Change Sub-Contract Supplier (i.e. heat-treat, machining, etc.)</td>
<td>Yes</td>
</tr>
<tr>
<td>Process</td>
<td>Change Machining Finish</td>
<td>Yes</td>
</tr>
<tr>
<td>Process</td>
<td>Change Heat-Treat Process Parameters</td>
<td>Yes</td>
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<tr>
<td>Process</td>
<td>Change Plastic Part Process Parameters</td>
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</tr>
<tr>
<td>Process</td>
<td>Change Packing and Shipping Methods</td>
<td>Yes</td>
</tr>
<tr>
<td>Process</td>
<td>Change Paint Process (i.e. time, temperature, equipment)</td>
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</tr>
<tr>
<td>Process</td>
<td>Change Amount of “Regrind” Plastic Allowed in a Part</td>
<td>Yes</td>
</tr>
<tr>
<td>Equipment</td>
<td>*Change to Different Machine</td>
<td>Yes</td>
</tr>
<tr>
<td>Equipment</td>
<td>*Change to Different Fixture</td>
<td>Yes</td>
</tr>
<tr>
<td>Equipment</td>
<td>*Rebuild Machine or Equipment</td>
<td>Yes</td>
</tr>
<tr>
<td>Equipment</td>
<td>Perform Routine Die Maintenance or Equipment Repair</td>
<td>No</td>
</tr>
<tr>
<td>Equipment</td>
<td>Build Parts on New Die or Mold or Rebuild Die or Mold</td>
<td>No</td>
</tr>
<tr>
<td>Equipment</td>
<td>Change In-Process Chemical Types (i.e. Cutting Fluids, Rust Preventative, Cleaners, Mold Releases, etc.)</td>
<td>Yes</td>
</tr>
<tr>
<td>Equipment</td>
<td>Relocate Equipment to New Facility</td>
<td>Yes</td>
</tr>
<tr>
<td>Inspection</td>
<td>Change to Quality Plan or Audit Plan</td>
<td>Yes</td>
</tr>
<tr>
<td>Other</td>
<td>Any Change Not being processed as an Engineering Change, BUT WHICH MAY AFFECT: Fit Form, Function, Cosmetics, Visible to Customer</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Teardowns - Returned Product Analysis

Stanley Black & Decker is continuously driving initiatives to reduce warranty related costs as well as improve customer satisfaction. A critical aspect of these initiatives is to perform product teardowns to identify and resolve factors contributing to warranty returns. We encourage our suppliers to participate in these events to go back and review any manufacturing related issues. While our main objective is improving the quality performance of our products, the contributing factors to the returns are reviewed and agreed upon, to define if any warranty reimbursement cost is required from our suppliers.

In instances where the supplier has been found to be negligent in any of the Quality systems defined above, then the supplier may be liable for those costs that Stanley Black & Decker would otherwise not have incurred as detailed with the Supplier contract.
Appendices

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  • Appendix 1.1 - Audit Procedure
  • Appendix 1.2 – Document Requirements
  • Appendix 1.3 - Areas of Emphasis during Audit
  • Appendix 1.4 – Audit Report / CAP
  • Appendix 1.5 – Contacts
  • Appendix 1.6 – Code of Conduct Acknowledgement Form
  • Appendix 1.7 - Sustainability & Social Accountability in the Supply Chain (Annual Statement of Intent)

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Appendix 1.1 - Audit Procedure

I. Audit Type
II. Audit Process
III. Assessment Definition
IV. CONTINUOUS IMPROVEMENT

Procedure Map

Audit results are ranked in a traffic light system. (*. If the result is Orange, the re-audit plan will be reviewed urgently with the supplier

I. Audit Type

INITIAL ON-SITE SBD AUDIT
Any new factory planned to produce Stanley Black & Decker components or products is required to be audited before the start of supply. The resulting assessment may prompt a follow-up schedule for re-audit.

ETHICAL COMPLIANCE AUDIT
Based on risk profile Stanley Back and Decker can request the supplier to undergo a third party ethical compliance audit of Stanley Black and Decker’s choice, recent valid alternatively equivalent audit certificates/ results may be accepted by Stanley Back& Decker (commonly accepted are SMETA, BSCI, WCA).

RE AUDIT (ON SITE)
If a factory requires a re-audit, it should be scheduled once the corrective actions identified in the letter accompanying the audit findings are documented as ‘implemented’. Photo evidence will be provided ahead of the audit to help the re-audit process. During a re-audit, the auditor will be checking on issues that originally caused the factory to receive the initial assessment. If all the issues are corrected, then the factory will be assigned an appropriate new rating. However, occasionally the auditors notice some other non-conformance during the re-audit. In such cases, the auditor will evaluate and document the new violations carefully.

REQUALIFICATION AUDIT (ON SITE)
All Green and Yellow rated factories will be re-audited on regular basis to ensure ongoing compliance with the standards or CAP improvements have been implemented. The auditing timing schedule is between 1 and 3 years outlined in the assessment definitions section of the manual.

II. Audit Process

SELF-ASSESSMENT
Prior to an ethical compliance audit, the supplier is to complete a self-assessment (i.e. SSEDEX SAQ) and provide it to Stanley Black & Decker and the third party auditor. The supplier must up-date the self-assessment annually/ bi-annually (dependent on risk profile), as well as after any significant change to the production site, process etc.

THE AUDIT
It is preferred that audit teams are conversant in the local language. The audit will be conducted in the local language.

OPENING MEETING
When auditors first arrive at the factory and meet with factory management, factory management should provide the completed factory questionnaire that is included in the factory audit packet forwarded to each supplier. Auditors will confirm all factory information submitted for verification.

FACTORY TOUR
On concluding the opening meeting, the auditor will conduct a factory walk-through. Typically, the auditor conducts the walk-through with minimal assistance from factory management. Minimal oversight allows the auditor to perform the audit in the most efficient way possible. Obviously, time allocated to this portion of the audit varies substantially depending on the size of the factory.

Auditors will speak with factory employees briefly on the production floor, asking questions regarding the operation of machinery as well as other issues impacting Stanley Black & Decker’s Supplier Standards. Additionally, auditors may measure spaces, test fire equipment and other equipment under controlled conditions, as well as checking general maintenance records. Upon completion of the walk-through, auditors will request documentation related to personnel, time, and pay records. Payroll review varies depending on the size of the factory.

EMPLOYEE INTERVIEWS
Employee interviews are accepted as an industry standard in assessing code of conduct (supplier standard) issues. Stanley Black & Decker considers the input of employees an integral component of the audit process. Findings and observations are verified through such interviews.

Employee interviews are conducted away from the production floor in a private area. Ideally, factory management should provide a private room. Under no circumstances are interviews conducted with factory management or their
representatives present. The objective of these interviews is to find out what the worker has to say relevant to the audit.
Interviewees are selected randomly and diverse in age, gender etc. and representative of different departments, although it is preferable to interview workers in key production positions. Typically, auditors will identify individuals for interviewing during the walk-through of the factory. Some workers may, however, be requested for interviewing as a result of observations surfaced in the document review portion of the audit.

FACTORY RECAP VISIT
The audit findings are summarized in a closing meeting with the factory’s management. If there are major violations noted that are out of compliance with international standards/guidelines/directives, local regulation and/or Stanley Black & Decker Supplier Standards (Orange issues), immediate corrective action will be discussed with factory management. This recap is formalized in a corrective action plan. Auditors are required to send a copy of the signed audit findings to the factory management in 5 working days after the audit so that the factory has a record of the deficiencies observed during the audit. This will include photo evidence where applicable.

III. Assessment Definition
All factories are inspected to confirm that components or products being produced are in factory conditions that meet Stanley Black & Decker supplier standards. Once a factory is inspected and audited for compliance, it is given an audit rating. The rating criteria are discussed below:

- Green
- Yellow
- Orange
- Red

GREEN (FULLY APPROVED)
The following are some of the consequences when a factory receives a ‘Green’ rating:
- Re-qualification Audit is required (within xx years)
- Current orders can ship
- Future orders can be placed
- New Product can be developed
- No need to provide CAP to Stanley Black & Decker

YELLOW (MINOR MISDEMEANOR REQUIRE CORRECTIVE ACTION)
The following are some of the consequences when a factory receives a ‘Yellow’ rating:
- The supplier improves within 1 year
- Re-qualification Audit is required (within 1 year)
- Current orders can ship
- Future orders can be placed
- New Product can be developed
- CAP must be received in 30 calendar days from the initial audit date. Before the CAP closure date, the factory should conduct a self-assessment
ORANGE (SOME HIGH-RISK VIOLATIONS REQUIRE IMMEDIATE CORRECTIVE ACTION)
The following are some of the consequences when a factory receives an ‘Orange’ rating:
- The supplier IS REQUIRED to improve within 180 days
- Stanley Black & Decker can conduct a re-audit of the supplier to update assessment result.
- Current orders can ship
- Future orders can be placed under caution
- New Product can be developed under caution
- 3 consecutives orange audit outcomes will result in a RED rating
- CAP must be received in 30 calendar days from the initial audit date. Before the CAP closure date, the factory should conduct a self-assessment.

RED (NO BUSINESS DUE TO CRITICAL VIOLATION FOUND)
The following are some of the consequences when a factory receives a ‘Red’ rating:
- Supplier is REQUIRED to rectify violation within 1 year
- Current orders may be shipped depending on violation
- No new business (new orders or new product development) with this supplier until self-assessment and re-audit confirm rectification of violation

RATING CONSEQUENCE INTERPRETATION
Green - Full approved, re-qualification audit is necessary
Yellow - 1 year for improvement, 180 days for improvement and required re-audit after
Orange - 3X continuous Orange audits turns to Red
Red - No business for 1 year

IV. CONTINUOUS IMPROVEMENT
- Stanley Black & Decker is committed to continuous improvement and open communication with its suppliers. This extends to suppliers’ employee and their human rights.
- Stanley Black & Decker will not tolerate e.g., child labor, forced labor, corporal punishment. However, Stanley Black & Decker believes that for the majority of the non-critical violations observed it can work with the supplier to help raise social, ethical and environmental standards and practices.
- There is on-going communication with our shareholders and business partners on the issues of human rights, integrity, and best practices. As industry practices improve Stanley Black & Decker will continue to raise the level of requirements in these areas however we continue to look at standardization where appropriate to ease duplication and the auditing burden.
- With a positive attitude to improvement from factory management in these areas, Stanley Black & Decker believes suppliers can forge a successful business partnership through the adoption of best practice.

APPENDIX 1.2 - DOCUMENT REQUIREMENTS
In preparation for the on-site audit, please provide the following documents for review, depending on the audit additional documents may be required which the auditor will inform accordingly.
• Internal operating policies and procedures (Company Policy).
• Business licenses, maintenance and health licenses.
• Wage and working time policies (Minimum wage, overtime, maximum daily/ weekly hours)
• Annual leave and required holidays
• Non-discrimination/ Harassment
• Other benefits and allowances
• Any other government licenses, certificates of operation, etc.

GENERAL ENVIRONMENTAL HEALTH & SAFETY
• Plant layout or facility map
• Environmental Health & Safety manual and/or written programs
• Assessment records (machinery, fire extinguisher, eyewash/shower, etc.)
• Dormitories (government licenses, assessment reports)
• Fire protection system approval

ENVIRONMENTAL
• Hazardous waste manifests or shipping papers
• Waste profiles / test results / waste analyses
• Waste water permits
• Air emission permit
• Waste generation permits
• Noise at boundary permits
• Energy Usage Profiles

HEALTH AND SAFETY
• Accident or injury reports including near miss and first aid
• Chemical inventory
• Material safety data sheets (MSDS)
• List of required / approved personal protective equipment
• Emergency response plan
• Testing, inspection, and maintenance records for fixed and portable fire equipment
• Evacuation / emergency maps
• Electrical safety inspection reports
• ‘Lock out Tag out’ programs
• Chemical GHS (Globally Harmonized System) Labels are pasted on the chemical containers.

APPENDIX 1.3 - AREAS OF EMPHASIS DURING AUDIT

COMPENSATION
Stanley Black & Decker encourages factories to employ an electronic time system with punch cards and train employees how to use the system. Where this is not possible, it is required that employees sign their hours daily. It is also recommended that employees sign their agreement to work overtime (OT) beyond the daily schedule. Stanley Black & Decker requires all legally required benefits be paid to employees. Factories should provide supporting documentation
(e.g. payroll, notarized insurances, local exemption certificates). Employees should be educated by the factory regarding their pay and the legal deductions taken. Factories must comply with legally required benefits and permissible deductions. Factories must provide copies of paid insurance for the auditor’s review. Factories must educate workers on the contents of their pay check. Stanley Black & Decker requires all legally required wages, incentives, premiums and increments be paid to employees in accordance with the law.

Below are some common violations:
- Probation wages are only applicable to new hires with no previous experience for a specific period.
- Non-payment of applicable wages
- Wages cannot be verified / wage system not clear
- Failure to pay minimum wage
- Failure to pay legally required overtime premium
- Legally required benefits not paid
- Illegal deductions including employee deposits
- No pay slips for workers
- Workers unaware of pay rates and deductions
- Delaying payment of any portion of wages
- Unpaid piece work / No payment for rework
- Manipulation of payroll

WORKING HOURS
Working hours must be posted in the facility. Hours worked in excess of those hours must be compensated accordingly. Overtime must not exceed the amount permitted by national / local standards, unless the factory possesses a document explicitly granting temporary exemption from this law for a specific period and a specific amount of additional overtime. In general, all-inclusive exemption is unacceptable.

Below are some common violations:
- One day off for every seven-day period not allowed
- OT - Routine coerced overtime
- OT - Excessive overtime
- OT exceeding local law requirement

FORCED LABOUR
Below are some common violations:
- Workers are locked in the factory, unable to gain free access outside
- Use of bonded laborers
- Purchasing supplies from state entities using prison labor
- Unreasonable limits on access to basic needs (i.e. food, water, and toilet.)
- Terminating or disciplining workers who will not work OT hours
- Factory holds government issued identity papers against worker’s will
- Excessive restrictions on movement - not allowed to leave at night, can only go out on certain days, etc.
- Illegal/unreasonable terms in contract / factory rules and regulations
CHILD LABOUR
Below are some common violations:
- Minor’s age cannot be verified
- Underage workers hired
- During the audit date - If worker is below the legally required working age (based on the western birth date), it is categorized as Child Labor.
- Backdate 6 months from the audit date - if worker is below legal required working age (based on the western birth date), it is categorized as Child Labor. (*)
- Underage workers working “off the books” Incomplete age documentation
- Numerous discrepancies in age verification records
- Workers/children allowed on production floor
- No hiring procedures to ensure compliance
- Job applicants falsifying age documentation

(*) If the suppliers provide CAP and auditor reviewing that can effectively avoid the same issue, Result to Yellow

DISCRIMINATION
Below are some common violations:
- Maternity and paternity rights not upheld in accordance with current national legislation.
- Pregnancy testing, for reasons other than verifiable legal requirement verifiable incidents of pregnant women denied jobs or dismissed
- Verifiable incidents of promotions and pay based on personal characteristics

DISCIPLINARY PRACTICE
Below are some common violations:
- Abuse - Corporal punishment / Physical abuse
- Body Search - Strip searches
- Harassment - Verbal abuse
- Pat down searches by opposite sex
- Harassment - Sexual harassment

ENVIRONMENTAL CONCERNS
Below are some common violations:
- Willful violation of environmental legal requirements
- Workers exposed to toxic levels of pollutants
- Inappropriate storing / handling of chemicals

WORKPLACE ENVIRONMENT (HEALTH & SAFETY -DORMITORIES)
Below are some common violations (*):
- Exits - Locked and / or permanently blocked exits
- Exits - Emergency exit access / passage impeded by stored materials
- Exits - Emergency exits unmarked
- Health & Safety - Restricted access
- Health & Safety - Hazardous chemicals are present
• Health & Safety - Lack of access to potable water
• First Aid - Empty / not present / locked first aid box (kit)
• Fire Safety – No access to fire safety equipment / impeded by stored materials

(*) The auditor should base assessment on the local law to judge if there are other serious violations.

WORKPLACE ENVIRONMENT (HEALTH & SAFETY)
Below are some common violations (*):
• Health - Lack of access to potable water
• Health - Work area poorly ventilated
• First Aid - Empty / No / Locked first aid box (kit)
• Protective Equipment – Appropriate personal protective equipment not provided to worker (i.e. lint masks, eye protection, gloves)
• Protective Equipment - Machinery not fitted with safety features
• Fire Safety – Access to Fire extinguishers is impeded or blocked
• Fire Safety - No fire alarms, emergency lighting, or sprinkler system
• Fire Safety - Fire extinguishers are past their expiry date
• Fire Safety - Storage of finished goods presents fire hazard
• Exits - Locked and / or fully blocked exits
• Toilets - Failure to provide gender segregated bathrooms

(*) The auditor should base assessment on the local law to judge if there are other serious violations.
APPENDIX 1.4 - AUDIT REPORT/CAP

AUDIT REPORT/CAP
The supplier will sign the official report to confirm they agree with the findings.

Example
AUDIT REPORT/CAP

The audit report has a series of questions that will be checked during the audit. The auditor must add his/her findings.
AUDIT REPORT/CAP
Photographic evidence is essential and will be added to the report. This serves as a record of the conditions found and a reference for corrective action.

- The Corrective Action Plan (CAP) should be completed using the Stanley Black & Decker standard form.
- Photographic evidence (before and after the change) should be included.
- The CAP should be submitted to the appropriate SA auditor.
APPENDIX 1.5 - CONTACT INFORMATION

If you have any questions regarding the Sustainability and Social Accountability standard for Suppliers, please contact:

**Compliance and Strategic Sourcing**

Colin Thirlaway  
Director Global Product Compliance  
Email: colin.thirlaway@sbdinc.com

George Wilson  
VP, Process Excellence and Compliance  
Email: george.wilson@sbdinc.com

Chris Ren  
Quality & Supplier Development Director  
Email: chris.ren@sbdinc.com

Julia Wang  
Corporate Asia EHS Director  
Email: Julia.Wang@sbdinc.com
APPENDIX 1.6 - CODE OF CONDUCT ACKNOWLEDGEMENT PAGE

ACKNOWLEDGEMENT OF TERMS

As an officer of ______________________________, supplier of Stanley Black & Decker, I have read the principles and terms described in this document and understand my company's business relationship with Stanley Black & Decker is based upon said company being in full compliance with these principles and terms. I further understand that failure to abide by any of the terms and conditions stated herein may result in the immediate cancellation by Stanley Black & Decker of all outstanding orders and refusal by Stanley Black & Decker to continue to do business with my company. I am signing this statement to acknowledge, accept and agree to abide by the standards, terms and conditions set forth in this Standard for Suppliers between my company and Stanley Black & Decker. I hereby affirm that all actions, legal and corporate, to make this agreement binding and enforceable have been completed, and that I have authority to sign on behalf of the company.

Supplier Name: ______________________________

Address: ______________________________________

Signature: __________________ Date: ______ __ __

Title: ________________________________________

Please return this executed signature page to the Stanley Black & Decker or 3rd party representative who requested the audit. (Version 4.0)
APPENDIX 1.7 – SUSTAINABILITY & SOCIAL ACCOUNTABILITY IN THE SUPPLY CHAIN

Sustainability & Social Accountability in the Supply Chain (Annual Statement of intent)

We have been actively working with you to implement the Stanley Black & Decker “Sustainability & Social Accountability Standards for Suppliers” into your manufacturing facilities. We expect that as a supplier of Stanley Black & Decker you will implement these same standards into your suppliers and your entire supply chain. To comply we require that your company take responsibility for the environmental and working conditions in your supply chain:

- Review and develop these same standards within your suppliers to ensure the Stanley Black & Decker “Sustainability & Social Accountability Standards for Suppliers” are met or exceeded.
- Understand the entire supply chain of components used in your products.
- Visit and assess suppliers in your supply chain to assess the level of ethical practices.
- Develop and follow up corrective action plans where deficiencies are found. Keep an up-to-date list of subcontractors’ home workers and component suppliers.
- Approve all new suppliers to the standard before using them for component supply.

Additionally, Stanley Black & Decker contributes annually to the CDP Climate Change, Water and Supply Chain exercises. CDP is an organisation that works with shareholders and corporations to disclose their greenhouse gas emissions. This data is then used by investors as a decision-making tool in developing their investment strategies. SBD has a strong working relationship with CDP and we are proud of our achievements in this field and the improvements that this has driven through our business. It is expected that as a supplier to SBD, you will take part in the annual CDP Supply Chain exercise by submitting your greenhouse gas / carbon emission data to CDP web portal.

On an ongoing basis Stanley Black & Decker will periodically audit your suppliers, which may be unannounced, to determine the SA controls that are in place and that you are actively promoting the Stanley Black & Decker standard.

As a supplier of Stanley Black & Decker, signing this statement means you fully understand and will work towards the above requirements through a continuous improvement program.

Supplier Name: __________________________________________
Address: ________________________________________________
Signature: ___________________________ Date: ____________
Typed Name: ____________________________________________
Title: __________________________________________________

Please return this executed signature page to Stanley Black & Decker sourcing representative.
(Version: 4.0)
# APPENDIX 2 – GLOSSARY

<table>
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<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOM</td>
<td>Bill of Material</td>
</tr>
<tr>
<td>CAP</td>
<td>Corrective Action Plan</td>
</tr>
<tr>
<td>CAPA</td>
<td>Compliance and Process Audit</td>
</tr>
<tr>
<td>CIF</td>
<td>Cost Insurance &amp; Freight</td>
</tr>
<tr>
<td>CIP</td>
<td>Carriage and Insurance Paid</td>
</tr>
<tr>
<td>CBP</td>
<td>Customs &amp; Border Protection Agency</td>
</tr>
<tr>
<td>CoC</td>
<td>Code of Conduct</td>
</tr>
<tr>
<td>CSA</td>
<td>Canadian Standards Association</td>
</tr>
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<td>Contract Manufacturing Agreement</td>
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<td>C-TPAT</td>
<td>Customs-Trade Partnership Against Terrorism</td>
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<td>Dunst &amp; Bradstreet</td>
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<td>Deviant Material Report</td>
</tr>
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<td>Delegation of Authority</td>
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