



T H E L I N C O L N E L E C T R I C C O M P A N Y

Supplier Guidelines & Expectations

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I. INTRODUCTION

Lincoln Electric developed this manual to assist our current and potential Suppliers in developing, maintaining and continually improving a Quality System that meets The Lincoln Electric Company's requirements. It is not Lincoln's intent to dictate the type of Quality System a supplier should have but, to encourage that a Supplier develop a quality system that is the most effective and suitable to the individual manufacturing facility. It is recommended, however, that a Supplier establish a quality system that complies with the ISO 9000 series standards.

*****This manual is not intended to contain all Lincoln programs or expectations.

Lincoln Electric's Quality Policy

The Lincoln Electric Company will provide Defect Free Products and Services to our customers which meet their specifications and expectations. Lincoln Electric shall strive to be the World Leader in the manufacture and distribution of the finest Quality Welding and Cutting Products. Lincoln Electric shall be driven by the philosophies of Customer Satisfaction and Continuous Improvements in all areas.

II. SUPPLIER SELECTION PROCESS

a. Purpose

To ensure supplier selection is accomplished in a consistent manner, while promoting a process that will guarantee the highest quality product at a fair market price.

b. Scope

Applies to all purchased materials and/or services used in the manufacture of Lincoln products.

c. Selection

Supplier selection is based upon an evaluation that may include, but is not limited to, the following criteria:

- i. Overall product quality and technical capability
- ii. Manufacturing capacity with an ability to meet delivery requirements
- iii. Acceptable Quality System
- iv. Approved sample parts with an approved trial material (as required)
- v. Performance history that will include evaluation of quality, delivery and/or service support
- vi. Financial stability
- vii. Competitive price and Total Landed Cost of Products and Services
- viii. Value added products and services



- ix. Lead time to Delivery
- x. NAFTA, RoHS and EHS compliance
- xi. Compliance with all local laws

Suppliers are encouraged to contact the appropriate buying personnel in Supply Management for information concerning potential opportunities. Data regarding product(s), manufacturing facilities, company history, available technical support, etc., along with a current annual report should be forwarded to the appropriate buyer in Supply Management. This information shall be retained on file and be reviewed for consideration when the buyer determines a need.

Unsolicited bids are discouraged. Purchasing may solicit quotes verbally or in writing. Buyers may utilize a Request for Quotation (RFQ) or Request for Proposal (RFP). The complexity of the item, value of the pending award and various contractual elements shall determine the format and process. In all cases the following shall apply:

“Lincoln Electric reserves the right to reject any and all offers, quotations, proposals, or bids with regard to quality, price, assurance of timely delivery, and all other factors that Lincoln, at its sole discretion, deems relevant; or to negotiate separately with any source, whatsoever, if such action is deemed necessary to serve the interest of Lincoln Electric.”

Lincoln Electric Supply Management personnel are the only representatives with the authority to contract with a supplier. It shall be the responsibility of the supplier to notify Supply Management of any contact by non-purchasing Lincoln Electric employees requesting service that is excessive and for which remuneration is standard business practice. Under no circumstances shall a supplier introduce trial or sample product to the production floor, either directly or indirectly, without going through the Supply Management Department.

Once a supplier has been selected, each part must be approved through the “Production Parts Approval Process” prior to shipment of production parts.

III. Production Parts Approval Process (PPAP)

[*Link to PPAP information*](#)

IV. Tooling Verification & Validation (TV&V)

[*Link to TV&V information*](#)



V. Mission Statement for the Lincoln Electric Supplier Diversity Program

At Lincoln Electric, diversity is promoted in a variety of ways. Today, you'll find diversity at every level of the company, from the board room to the research and development room and from the engineering room to the plant floors. We embrace and value each employee's contribution to the manufacture and distribution of world-class quality welding and cutting products based on their individualism and background.

Lincoln's commitment to supplier diversity is based upon an inclusive business model whereby, all suppliers are provided equal access to supply management purchasing opportunities. It promotes Supplier participation reflective of the diverse business community and encourages economic development through job creation. This includes but is not limited to businesses classified as small and those that are owned and operated by disadvantage, service-disabled veterans, veterans, minorities, women or those located in historically under utilized business zone (HUBZone).

In connection with our purchasing activities, it is important that we encourage opportunities in the regional and national market for diverse suppliers that are capable of meeting or exceeding the expectations of Lincoln Electric. To achieve this goal, The Lincoln Electric Company supports organizations such as the Northern Ohio Minority Business Council (NOMBC).

VI. Lincoln Electric Compliance Programs

At Lincoln Electric, there are many compliance programs that are required as part of doing business globally. The list below is intended to represent many of the programs that may be relevant to our supply base. It is not intended to be comprehensive.

- i. **FCPA** - The **F**oreign **C**orrupt **P**ractices **A**ct is a federal law enacted in 1977 which prohibits companies from paying bribes to foreign government officials and political figures for the purpose of obtaining business. There are two provisions to the Foreign Corrupt Practices Act. First, the anti-bribery provisions which are enforced by the Department of Justice and second, the accounting provisions which are enforced by the Securities and Exchange Commission (SEC).



- ii. **Slavery and Human Trafficking:** Lincoln requires its suppliers to operate their businesses in compliance with all applicable laws, including, but not limited to, those related to employment and labor, environmental, health, and safety practices. Lincoln, therefore, prohibits the use of slavery, forced, involuntary or coerced labor, child labor, human trafficking or sex trafficking by any employee, agent, subcontractor or supplier in the operation or support of our business or the manufacture and distribution of our products.

To that end, Lincoln requires that its subcontractors, and suppliers:

1. Not engage in any form of human trafficking, whether by force, fraud, or coercion; or any form of involuntary servitude or slavery; or any form of sex trafficking or the procurement of any commercial sex act;
2. Not knowingly use any form of forced or involuntary labor, including through the use of (a) threats of harm to, or restraint against, any person; (b) any scheme, plan, or pattern intended to cause a person to believe that, if the person did not perform such labor or services, that they or another person would suffer serious harm or restraint; or (c) threaten any abuse of legal process;
3. Not engage in, or support the use of child labor and shall comply with all applicable local child labor laws;
4. Not destroy, conceal, confiscate, or otherwise deny access by an employee to the employee's identity or immigration documents, such as passports or drivers' licenses;
5. Not use misleading practices during the recruitment of employees or offering of employment, and shall reasonably disclose to employees, the terms and conditions of employment, including wages and benefits, the location of work, the housing conditions and associated costs (if provided), any costs to be charged to the employee or withheld from earnings, and, if applicable, the hazardous nature of the work.
6. Comply with all applicable local wages, benefit, and working hours labor laws;



7. Not charge employees or prospective employees a recruitment fee and shall not use recruiters that do not comply with local labor laws of the country in which the recruiting or employment takes place;

Lincoln relies on its suppliers to audit or monitor compliance within their own respective supply chains and may verify and/or require written certifications from suppliers confirming their compliance with law.

Reporting: Lincoln maintains a Compliance Hotline, available 24 hours a day, 365 days a year, for anyone to report possible violations of law, the Code, or other policies by employees and other third parties, including suppliers and their employees.

Lincoln will not hesitate to take appropriate corrective action, up to and including termination of any of its employees, agents, subcontractors or suppliers who engage in or support the use of slavery, forced, involuntary or coerced labor, child labor, human trafficking or sex trafficking.

- iii. **Non-Disclosure Agreement** - A confidentiality agreement (also called a nondisclosure agreement or NDA) is a legally binding contract in which a person or business promises to treat specific information as a trade secret and promises not to disclose the secret to others without proper authorization.
- iv. **Supplier Information Sheet** - As a supplier/contractor for the Lincoln Electric Company, we require a supplier information sheet that details basic information needed to conduct business with a supplier/contractor to be in our possession before a contract/purchase order can be issued or work can commence.
- v. **RoHS** - The definition and aim of the RoHS directive is quite simple. The RoHS directive aims to restrict certain dangerous substances commonly used in electronic and electronic equipment. Any RoHS compliant component is tested for the presence of Lead (Pb), Cadmium (Cd), Mercury (Hg), Hexavalent chromium (Hex-Cr), Polybrominated biphenyls (PBB), and Polybrominated diphenyl ethers (PBDE). For Cadmium and Hexavalent chromium, there must be less than 0.01% of the substance by weight at raw homogeneous materials level. For Lead, PBB, and PBDE, there must be no more than 0.1% of the material, when calculated by weight at raw homogeneous materials. Any RoHS compliant component must have 100 ppm or less of mercury and the mercury must not have been intentionally added to the component. In the EU, some military and medical equipment are exempt from RoHS compliance.

- vi. **REACH** is the European Community Regulation on chemicals and their safe use. It deals with the **R**egistration, **E**valuation, **A**uthorization and Restriction of **C**hemical substances. The law entered into force on 1 June 2007.

The aim of REACH is to improve the protection of human health and the environment through the better and earlier identification of the intrinsic properties of chemical substances. At the same time, REACH aims to enhance innovation and competitiveness of the EU chemicals industry. The benefits of the REACH system will come gradually, as more and more substances are phased into REACH.

- vii. **TSCA – T**oxic **S**ubstances **C**ontrol **A**ct - A law that requires tests of chemicals that may harm human health or the environment, reviews of new chemical substances, limits on the availability of some existing chemicals, and standards on imports to ensure that imported chemicals comply with domestic rules.
- viii. **Conflict Minerals** - The term "conflict minerals" is defined as columbite-tantalite, also known as coltan (from which tantalum is derived); cassiterite (tin); gold; wolframite (tungsten); or their derivatives; or any other mineral or its derivatives determined by the Secretary of State to be financing conflict in the Democratic Republic of the Congo or an adjoining country. Additional information can be found on our website.
[Link to Conflict Minerals information](#)

VII. Supplier Performance Reporting

a. Purpose

The purpose of the Supplier Performance rating system is to document Suppliers' performance and provide a platform to improve their Quality, Delivery, Corrective Action response, or other metrics to achieve world class performance levels and meet or exceed Lincoln Electric's expectations.

b. Scope

Any approved Suppliers that supply products or services to Lincoln Electric.

- c. **Metrics Used for Performance Reporting** – Typical metrics used are listed below and may include, but are not limited to, the following areas. Some or all of these metrics may be used.



- i. **Quality** – Typically expressed as defective **P**arts **P**er **M**illion metric. Calculating PPM Performance – Quantity defective divided by quantity received times 1 million. Suppliers are expected to actively seek to have a “0” PPM each rating period.

- ii. **Delivery** – Delivery timeliness is calculated using performance data collected and is based on the Delivery Date set on Lincoln’s Purchasing Order. On-time performance is measured against the requirements communicated to suppliers. The “on time” calculation is based on an acceptable delivery window. Anything outside of the required delivery window will be considered as not on-time. The on-time percentage will be stated as a percentage. Suppliers are expected to actively seek to have a 100% on-time delivery each rating period.

- iii. **Supplier Corrective Action Request – Responsiveness**
Ideally, Lincoln Electric prefers its suppliers to provide an immediate SCAR response outlining their containment measures within 24 hours of issue notification. A reply due date will be listed on the SCAR. An extension of the due date may be requested by the supplier and requires a short explanation of progress to date. Suppliers are required to complete a Lincoln form QC-230 (Supplier Corrective and Preventive Action (8D) Request). Emphasis should be placed on the following areas:
 - a. Containment of nonconforming material
 - b. Thorough Root Cause Analysis
 - c. Effective Corrective Action
 - d. Permanent Preventive Action
 - e. Closure

- iv. **Supplier Flexibility** - Supplier Flexibility is a measure of working capital flexibility and in some cases a subjective assessment. Components of this rating category are lead times, minimum order quantities, Payment terms and subjective assessments. This measurement may also be expressed in flexibility days. See Guidelines to reading and Understanding the Supplier Scorecard (documents on this website) or the senior buyer whom you communicate with regularly for more details.
[Link to Guidelines for Reading the Supplier Scorecard](#)

VIII. SUPPLIER AUDITING PROCESS

a. Purpose

To collaboratively improve supplier processes in order to consistently improve supplier performance to Lincoln Electric.

b. Scope

Applies to all purchased materials and/or services used in the manufacture of Lincoln products.

c. Selection

Supplier selection for Audit may include, but is not limited to, the following criteria:

- i. Any Existing Supplier
- ii. Any Potential New Supplier
- iii. Any Second Tier (or higher) Supplier

d. Self-Assessment

The Supplier will be sent an electronic self-assessment. The supplier will complete all sections and return the electronic file with an uncontrolled electronic copy of their Quality System Manual if one exists.

e. Scheduling of Audit

The Supplier Development group or designee will work with the supplier to arrive on a mutually agreed upon date for the on-site audit.

f. Audit Attendance

The Supplier Development group will assign an auditor or audit team to complete the on-site audit. This may consist of one or more Lincoln employees and/or Lincoln contracted professional auditors. The Supplier must have sufficient personal available during the on-site audit to complete the assessment.

g. Audit Follow-up

The Supplier Development group will coordinate a conference call/ on-site visit to distribute the results of the audit and answer any questions. Timing of any follow up actions will be discussed during this meeting.