

Communication Letter to NPS

At Middle of FY13

Dear IKEA Partners,

We have started business for over a year and we developed quality together. We are sending you this letter to describe recent quality concerns and quality updates.

We hope the quality responsible person and top management in your company will pay high attention on these topics since these happened and we all want to avoid repeating happening in future business:

➤ Qualification, see attached the (updated) routine. Highlights:

- You can only deliver the corrugated boards which have been qualified in ITTC; it's not allowed to change the composition without ITTC qualification, no matter what kind of composition you have changed.
- 2 separate cases with separate procedures:
 - Regular qualification (when test the same composition): min 30 calendar days before old TR expires; if failure: stop deliveries because of 8 Points GO/NO-GO;
 - Improving of the composition: min 90 days before old TR expires and if getting failed report within 30 days before expiring, it should go for regular qualification.
- Once you have qualified all the IKEA corrugated boards in ITTC, It's not necessary to qualify them again once per year if you are not doing business with these corrugated boards (such as CB 10, 25, 30, 40, 60, 70, 80, 100, 110). But some corrugated boards are mandatory to be qualified in ITTC once per year: **CB 20, CB 50, CB 90, CB 120, CB 150 and CB 230**. Please inform us the quality codes which you don't have any business before you decide not to test them anymore.
- Once you have optimized the composition and complete the qualification, please in the first time update the self-declaration and send it to us and all your IKEA customers. Meanwhile, please also send new reference samples to them.

It is not allowed to use the new composition without any announcement. NPS should give their IKEA customers minimum **one month** to transfer from old composition to

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optimized composition. That means during this period, NPS should still supply the old composition.

- We will from time to time to conduct “unannounced sample qualification” activity as we described in latest version of “ed.3 Set of Guiding Rules for samples qualification process”, please also be aware of the consequence of the failure of that. IKEA Suppliers will also participate into this activity;

We expect your company will understand and support it.

- When filling in the ITTC application form, please always notice that:

-Vic Zhang is the contact person for central and north NPS, Allen Yu for south NPS.

-For annual qualification, the test type must be “**verifying test**”; other test type is not admitted by us.

-Please fill composition of the sample into CB composition in “liner composition”
Composition must include weight, raw paper producer and grade.

- Composition details in the SD must be very clear: what name, grade and weight are used.
- **Thickness and weight assessment should always be tested together with the mechanical tests (Bending Stiffness, FCT, BST, ECT, Cobb) to make the report complete.**
- It’s not allowed to have more than one compositions qualified in the same time, SD must always show the current composition(including name of the paper, grade, weight)
- We recommend that the test value in SD should be bigger than IKEA’s limit about 10%.
- Please find attached updated SD form for PP, and start to implement it from week 1310.

➤ Business consequence:

- Quality non-compliances will cause business consequence to your company, the same as availability and IWAY non-compliance. There are several levels in business consequence like “warning letter to top management”, “critical hearing meeting”, “reduce volume”,

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“third party inspection”, “not invite into next RFQ”, “no new products development”, “terminate the business” etc...

Please keep this rule in mind that all your performance will influence your business very much.

- Consequences of failure of “unannounced sample qualification” tests:
 - a. For weight test, if deviation from SD >5% , NPS stop deliveries & issue the 8D report & pay the testing cost;
 - b. For Bending or BST or ECT or FCT or thickness test, if deviation from SD > =10% and <=15% , NPS issues the 8D report & pay the testing cost; If deviation from SD >15% , NPS stop delivery & issue the 8D report & pay the testing cost;
 - c. For Cobb test, if deviation(higher Cobb value) from SD > 15% or Cobb value less than 19, NPS issue the 8D report; if Cobb value exceed 40, NPS stop delivery & issue the 8D report & pay the testing cost .
 - d. No matter percentage deviation comparing with SD, if bending stiffness or BST or ECT or FCT are less than IKEA limit, NPS stop delivery and issue 8D report & pay the testing cost.
- 8 Points GO/NO-GO next steps after the implementation was taken during 2012:
 - NPS continues to work internally with the agreed 8 Points GO/NO-GO actions (TR/SD, CTQ, Control Plan, signed drawings, records, paper tracking, own lab testing of each corrugator batch, final inspection etc) and with incoming inspection;
 - NPS performs the internal 8 Points GO/NO-GO audit during April 2013 and sends the audit report (filled in English) to IKEA Components Technician by 30 April 2013;
 - IKEA Components performs an un-announced 8 Points GO/NO-GO full audit after 30 April 2013; Consequence of failing the audit is stopping deliveries or 3rd party inspection until solving the non-conformity;

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- Evaluation of 8 Points GO/NO-GO: during FY13 is calculated as percent of number of visits or cases (like un-announced tests) where there are observed 8 Points GO/NO-GO deviations divided with total number of visits and cases. Each IKEA visit is an 8 Points GO/NO-GO evaluation opportunity. The goal is to have all the time 100% conformity with 8 Points GO/NO-GO.
 - Final Inspection minimal must items on the check –list are the same as the Incoming Inspection performed by the IKEA Suppliers:
 - Weight assessment (max 5% deviation from SD, recommended max 3%);
 - Thickness (max 0,3 mm deviation from SD);
 - Visual tests (based on the reference sample);
 - 90 seconds water test;
 - Shearing test (for paper pallets);
 - Barcode;
 - The conformity with the signed drawing.
 - CTQ records and further steps
 - **keep records for all items;**
 - collect them on the computer;
 - Start analyzing (SPC, MSA, etc...)
- **Supplier Evaluation**
- Supplier evaluation is part of supplier classification.

We will consider your quality level in supplier evaluation, including: lab competence, 8 points GO/NOGO performance, records and other quality status.

Quality performance will influence supplier classification, and supplier classification will also decide our future business.

We will come to you more information about supplier evaluation in coming months.
- Round Robin

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- It's very important to participate to the Round Robin lab calibration with ITTC and the followed audit, in order to improve your lab competence. It is part of 8 points GO/NOGO and hope you can have high initiative on that. It is also a way to reduce the testing costs.

We see it's a mandatory to calibrate your own lab Round Robin results with ITTC, which could be done by attending the audit from ITTC or other 3rd party lab (recognized by CNAS).
- NPS which do not take consistent action (for example: not accepting the ITTC audit followed by the improvement actions) will be regarded as partners with no willing for long partnership with IKEA and will be treated accordingly in the coming common development plans.
- **Claim handling:**
 - In IKEA suppliers' incoming inspection, they will check weight assessment, thickness assessment and other visualized items. Please agree with them the way to measure these items in their factories. If there is any disagreement for a certain batch, ITTC will always be the reference lab to solve the argument. The mistaken party will take the test cost.
 - **All the claim/remark should be initiated by IKEA suppliers with "8D report"**. Without "8D report", you can refuse any request like directly returning, re-produce or sorting, etc...

The rest of "8D report" should be finalized by you, and it is mandatory to fill it in at least **English**.
 - **Evaluation: we will evaluate the 8D Report (RCA part) from now on according below staircase.** Our aim is that you evaluate the same way before sending the 8D Report to IKEA Components Technician.
 - Was the root cause clearly identified?
 - How effective was the corrective action solving the root cause?
 - Is it secured this issue will not happen again to similar articles?

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Root Cause Analysis - Calibration Material
 based on IKEAs material for analysis of Q-alarm and RCA

Measuring Quality of Root Causes - Levels' Staircase

Level	0	1	2	3	4	5
Lev Description	No root cause has been identified, no action .	No root cause identified, action taken on product in complaint based on assumption. It is not secured that the problem will happen again.	Attempt to find root cause but not successfully, action taken on symptom of root cause problem. Action taken on product in complaint only. It is not secured that the problem will not happen again.	Attempt to find root cause but not successfully, action taken on symptom of root cause problem. Action taken on product in complaint + other similar products (clearly described in text, or corrective action is taken on the process). It is not secured that the problem will not happen again.	Root cause(s) clearly identified and described . Action taken on product in complaint only. (based on identified root causes) For the concerned product it is secured that the problem will not happen again.	Root cause(s) clearly identified and described , action based on the root cause. Action taken on product in complaint + other similar products. (clearly described in text, or corrective action is taken on the process) It is secured that the problem will not happen again.

➤ **Monthly Quality reports:**

- Monthly claim report is a must for you to submit to IKEA. The submitting should be done in the **first 5 days (that means 1st ~ 5th)** of every month.

There two changes recently in the claim monthly report form:

-The "follow-up date" in L column is changed to "close date", which refers to the finalization date of D3 (short term action).




-The "IKEA supplier number" has been added in new column B

- Please fill in the Reports in **English** as mandatory. (You could add also the Chinese text, but the English text is mandatory.)

➤ **Chemical compliance:**

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- As we communicated, there are totally 3 sets of chemical documents which are mandatory for you to prepare. 1 TSS, 3 MSDS and 3 SD. Please well organize them and IKEA will arrange 24-hours drill activity from time to time to review them. Don't remember all SD and TSS must be in English, and the 2nd part of MSDS (composition of the chemical substance) should also be translated to English. 
- It is **not allowed to use Chlorine** to produce white raw paper according to P-0010. Please inspect in your sub raw paper suppliers to make sure that they don't use it.
- Please make sure all the **CAS number in MSDS is true**, you may check it in this IKEA nominated web site: <http://esis.jrc.ec.europa.eu/>
- **Deviation from P-0010**
 - It is **not allowed to produce products which are disobeying P-0010 (latest version)**, even if IKEA suppliers promise you they will not claim you in the future, it is still not acceptable.
 - There is only one exception, which is the 4-way handling deviation of paper pallet. Please review again in your production that if all pallets meet with 4-way handling requirement in P-0010. Only two situations can create deviation for 2-way handling:
 - Approval from IOS packaging concept: Mikael Lindmark, or TAGC packaging specialists before week 1217 with a "D number". 
 - IKEA suppliers can provide the DWP screen shot to prove their pallets only need 2-way handling in store.
 - In the future, we will upload all the paper pallet articles into our system, and if non-conforming articles are uploaded, it will create big trouble, thus, please treat "deviation" really carefully.
- **Samples**
 - Please update your sample book with new qualified samples in your factory. And also prepare several more samples for technicians; we will take them back to office to update our sample books during the visit to your factory. 

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- All the reference samples (4 pieces of 500x500mm) should be delivered to your IKEA customers **before** delivery. You just need to send the samples with business to relevant IKEA customers, non-business samples are not mandatory.

The samples must contain as minimum:

1. *NPS name,*
2. *CB quality code,*
3. *Sample production Date stamp,*
4. *Test Report number with valid date,*
5. *Company stamp & signature.*



- It is also recommended to have samples for final products in both IKEA supplier's factory and your factory. In case IKEA suppliers are not clear about the drawings on technical description, you can also attach the drawing on the products to make the connection.

➤ Dust at the feet block cutting

- Risks: It has a very big risk on safety and environmental protection if the exhausting system in your cutting process is not working well. It is the top priority to solve these risks before starting the production.
- **IWAY actions: we recommend you to invite people from local environmental organization to measure in your factory the environmental influence outside the cutting room & people from "occupational disease prevention and control centre" to measure the air quality inside the cutting room.**



Please also ask them to issue a report to prove that your sawing workshop can meet Chinese laws and standards. Deadline: 10 April 2013.

➤ New Article Start-up Procedure time schedule:


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- Pilot roll-out: there are three NPS in whole China which are selected to make the trial of “new article start-up procedure” in the beginning of this February. The estimated review time is the beginning of April.
 - Roll-out for all NPS: we will collect the input from the pilots and improve the Procedure, after that we will send the final version in middle of this April to all of NPS and start to implement.
- Other points
- Please secure quality folder always being updated in your factory. And sample book should be completed all the time whenever you have new qualification. We will keep one of your sample books in IKEA offices and you should keep the samples (A4 size) for newly qualified corrugated board and provide to technicians for refreshment.
 - Before delivery, all the drawings should be confirmed and signed by IKEA suppliers, and if IKEA suppliers raise their concern (on the accuracy of the drawing), you may send the samples for them to sign together with the drawing. (It’s also recommended to stick drawings on the samples in order to make linkage between them) This is part of 8 Points
GO/NOGO: NO SIGNED DRAWINGS, NO DELIVERIES.
- The drawing must contain at least below information:
- Size, inside dimension, IKEA quality code, packaging article name (IKEA components article name), box type, (IKEA components article number), flute direction, view angle, Pantone, tolerance, drawing version, date, line type, signature from NPS, signature from IKEA supplier, IKEA supplier name (number), NPS name (number), special production requirement.*
- After our each visit, we will issue business report to you, please confirm (scan and sign) to us **within 24 hours**. If you have disagreement, please also feedback us within 24 hours.
 - When you submit claim monthly report to us, please also send “qualification following-up” monthly report to us too, what actions do you plan for the coming month in order to meet the qualification deadlines.

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- Barcode label: it should be easily readable within 5 seconds. You could always ask IKEA Supplier to provide you the electronic file of the label so you could print an A4 reference printout.
- Supplier Academy 
 - We start to do regular supplier academy (not only for our category) in IKEA Components, and you will get monthly invitation for coming section (in Shanghai & Shenzhen)
 - It covers below causes: FMEA, MSA, RCA, QAP, etc...
 - It's highly recommended that your people can attend and get more trainings & inspiration.



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Please review your quality book in your factory according to attached updated procedures.

List of the attached documents:

- Set of Guiding Rules for samples qualification process, ed3

- IKEA Components Packaging, Claim Procedure, v2, will be sent later

- 8D report form v2



- BUSINESS CONSEQUENCES PROCEDURE IN BA3 IKEA COMPONENTS CHINA v2, will be sent later

-Self declaration form (ed. 1250 for CB & ed. 1309 for PP)

- Guideline for Q Responsibilities in trading of components, version 2

- IKEA Supplier Quality Standard, v2

- TSS standard form (for chemical compliance)

- PA form v3

-Delivery Guide Package Material, ed1

Vic Zhang

Allen Yu

Vicențiu Mureșan

Confirmed by NPS _____ Implementation from date _____

NPS responsible person _____

Signature and stamp _____