Version 2

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ZULILY VENDOR QUALITY GUIDELINES

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OUR QUALITY EXPECTATIONS

1.1 Quality Definition

We at Zulily value the relationship we have with our vendor and factory partners. We believe in continuous improvement practices designed to deliver Right, First Time quality. We believe in delivering Great Fresh Finds that meet our customers' expectations in terms of size, appearance, workmanship, and value.

1.2 Product Quality Expectations

We work fast at Zulily to offer thousands of great products to our customers every day. We place trust in our vendors to provide a product that is produced and executed Right First Time and of a quality consistent with samples provided to our merchandising and QA teams. We expect our vendors to provide product information, images, packaging information, and pricing that is accurate to the actual products sold. And we request vendors meet our standard of quality assurance and implement Manufacturing Best Practices (MBP).

This program intends to build a close and direct partnership with key vendors and their manufacturing facilities to ensure that the Zulily customers receive a product that meets and exceed their expectations

We will seek clarity, transparency and consistency. Our expectations are that our vendors:

- Have an understanding of the Zulily customer's quality expectations.
- Have a trained Quality Control Team.
- Ensure proper Quality Standards are set in upstream manufacturing.
- Ensure that quality expectations are aligned with your manufacturing and vendor partners.
- Have established quality assurance plans, parameters, inspection systems, frequency, and sampling techniques to support manufacturing best practices.
- Conduct required product inspection, testing, and measurement controls to ensure consistency, safety, and regulatory compliance of goods per our Terms and Conditions

VENDOR FOCUSED QUALITY PROGRAM

2.1 Program Overview

The Vendor Focused Quality Program seeks to improve our overall product quality through partnering with our High Risk vendors that have had high returns and or poor customer reviews. We will assess each vendor through the Factory Process Audits to ensure all products we offer are executed in the mind-set of Right First Time.

2.3 What is a Factory Process Audit?

A Factory Process Audit (FPA) is a review of production practices and quality control processes that could impact final product quality. Generally, these audits are conducted by our partners at QVC though the Global Factory Management Team. The purpose of the FPA is to identify best practices in place and areas needing improvement to increase overall product quality.

2.4 What to Expect if you receive and FPA

If a vendor has been identified to receive an FPA they will be notified by the Zulily QA team and are requested to provide factory contact and address for all factories that are owned or contracted with producing a significant portion of your Zulily product.

- The local representatives from QVC will schedule the audit with the factory manager and send the audit checklist at least 2 weeks prior to the audit.
- Audit agenda:
    - Introduction and audit overview meeting
    - Document review
    - Factory Tour and onsite process assessment:
        - Raw Material & Storage
        - Manufacturing Process

        - Final Random Inspection
        - Final Product Packaging
        - Outgoing Quality Control
    - Closeout meeting:
        - Summary of major issues found during onsite process assessment
        - Corrective Action Plan (CAP) review and agreement for CAP follow up action timeline

- An official FP Audit report with a corrective action plan (CAP) will be sent to Zulily QA typically within one week of the audit.
- Upon receipt of FPA the QA/QVC team will review and evaluate the FPA, assigning one of the following ratings:

    A: 90% or Better Acceptable
    Current Vendors no further follow up required.
    Continuous Improvement Plan (CIP) is produced and sent electronically to QA team for distribution to vendor/factory.

    B: 89% to 70% Needs Improvement
    Activation with Corrective Action Plan (CAP)
    CAP is produced and sent electronically to QA team for distribution to vendor/factory.

    C: 69% and Below Unacceptable with Production Permitted
    Activated with 60 to 90 day VPE follow up required. To be ordered at time of initial review.
    (CAP is produced and sent electronically to QA/QVC for distribution to vendor/factory.)

FACTORY GUIDELINES & QA BEST PRACTICES

Following the factory guidelines will help ensure a successful factory process audit and minimal corrective actions needed.

3.1 Raw Material Storage & Inspection

3.1.1 Raw Material Storage Area

Raw Materials need to be store in an area that is clean, organized, and protected from environmental damage.

- To protect fabrics and other sensitive materials from mold or mildew damage the storage area needs to have necessary temperature and humidity control (air conditioning, dehumidifier, etc.) and accurate monitoring devices that are checked and recorded twice daily to ensure conditions are within acceptable ranges.
    - Temperature control within 20-25 degrees Celsius, 68 to 77 degrees Fahrenheit.
    - Humidity control within 35%-55% humidity
- To protect sensitive materials from sun or weather damage storage area should have adequate window coverings and materials should not be stored directly under or next to a window.
- To protect electrostatic-sensitive materials from dust or electrostatic discharge (ESD) proper ESD storage needs to set up and anti-static equipment provided to workers.

Good temperature control record example:

3.1.2 Incoming Material Inspection

Incoming materials need to be inspected with a consistent and recorded process to ensure products received are accurate to order and defective or damaged materials are identified at point of receiving.

- All incoming goods need to be checked against the bill of material (BOM) to ensure accurate shipment was received.
- All materials require a defined and consistent Incoming Quality Control inspection process.
    - All workers performing inspections should receive training and have written inspection procedure and criteria available for reference.

- Inspection records and results and should be kept for 18 months minimum.

- Fabric inspection should follow the 4-point inspection system to determine if the material is acceptable quality. (see section 3.1.3)
- Electronics
  - Electronic materials inspection needs to adhere to proper ESD protocols

Good incoming inspection area examples:

Fabric Inspection Machines

Organized receiving area

Organized receiving area

3.1.3 4-Point Inspection System for Fabric

Garment factory shall inspect no less than 10% of each dye lot of all deliveries. The percentage may be adjusted and increased if fault rating is unacceptably high, or if Zulily's QA Department thinks necessary. It is suggested that vendor should audit the bulk fabric before shipment.

All parties conducting fabric inspection for Zulily should adopt the "4-Point System" by counting the penalty

4-Point System:

- 4 penalty points will be assigned to (1) one splice within the roll.
- No more than 4 penalty points should be assigned for any single defects.
- No more than 4 points should be allocated to any single yard of fabric, regardless of the number of defects within that one yard.
- Defects running in both length and width direction receive equal points. No more than 4 points defect should be allowed in the first or last yard of a roll.
- All holes consisted of two broken yarns or above, regardless of size, dropped stitches, splices, or seams will be penalized 4 points.
- Continuous defects in the warp direction should be no longer than 3 running yards. If exceeded, the fault should be cut away from the roll.
- Defects that are not visible on the face of the fabric will not be counted unless agreed upon.

Counting Rules:

Point Count	Length
1	Defects up to 3"
2	Defects >3" <= 6"
3	Defects >6" <= 9"
4	Defects >9"

Sample Fabric Inspection Template:

Piece Good Inspection

Roll#	Dye Lot#	Width (In)		Length (yds)		Penalty Points				Total Points	Points Per	Punched	Accept	Reject	Comments
		Ordered	Actual	Ticketed	Actual	1 Point	2 Point	3 Point	4 Point						

Calculation:

- The penalty points total is divided by the yardage inspected multiplied by the actual width. Multiply the result by 3,600 in order to calculate the points per 100 square yards.

Formula:

- Point per 100 square yards = Total Penalty Points x 100 /Inspected Yards x 36 / fabric width
    - For best practice a fabric inspection machine should be utilized for 4-point inspection.

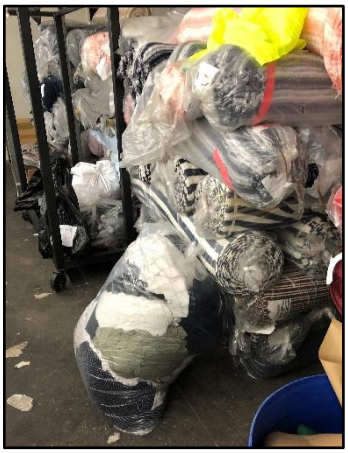
3.1.5 Defective and Non-Conforming Materials

Defective or non-conforming materials found in incoming inspection need to be clearly identified to prevent mixing with conforming materials.

- A designated area with clear signage should be set up near the incoming materials inspection area.

Poor non-conforming materials identification examples

Inspection status not identified



Damaged material portions trimmed off and discarded, not clearly labeled

3.1.6 Materials Storage

Materials need to be stored in a way that keeps them protected from damage. Materials should be organized and clearly labeled to ensure workers choose correct materials for production line.

Fabric:

- Fabric bolts should be stored on racks or pallets, never directly on the floor
- Bolts should be kept covered in plastic when possible
- Fabric bolts should not be stacked higher than 4 feet, 121 cm to prevent damage or warping of bolts at the bottom of the stack

Electronics:

- To protect electrostatic-sensitive materials from dust or electrostatic discharge (ESD) materials should be kept in ESD packaging with proper protocols followed.

Other materials:

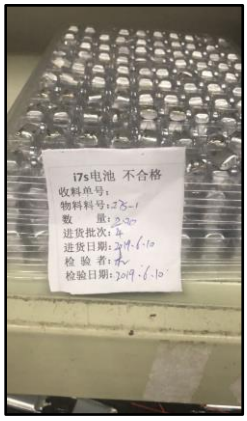
- All materials should be clearly labeled with identification consistent with work order/tech pack information.

Poor storage examples:

Materials stacked too high, disorganized, unprotected fabric.

Materials stored too close to a windor and against a dirty wall

Good storage examples:



Materials well organized, clearly labeled with style reference and inspection status.

3.2 Manufacturing Processes

Written production and process control procedures shall be followed in manufacturing and shall be documented at the time of performance. Any deviation from these procedures shall be recorded and explained or justified.

3.2.1 Manufacturing Best Practices

The Basics: Quality Control

- Product meets specifications
- Quality Assurance
    - Systems ensure control and consistency
    - Validation, validation, validation
- Documentation

  - If it is not documented, it did not happen
  - Production and control records shall be reviewed and approved by the quality control unit to determine compliance with all established, approved written procedures before a batch is released or distributed.

- Product Impact Assessment
  - Trend Analysis
  - Distributed Product

3.2.2 Work Environment

The work environment should be clean, organized, and otherwise protect products from environmental damage.

Sewing Factory Procedures

Sewing quality and efficiency are achieved by applying engineered methods and thorough training. Equipment must be correctly adjusted and maintained and machine operators trained in the proper use. Regular in-line quality checks must be performed to verify that standards are being met.

Sewing Work Area:

- The sewing production area must be clean, free of excessive waste, and with sufficient space to allow easy movement of workers and material handling equipment.
- It should be lighted to around 100 foot candles at the work surface, with task lighting where required.
- Personal Safety Equipment must be available and in use by relevant associates.
- Material handling equipment must be appropriate for maintaining the integrity of the product.
- Equipment must be checked daily for proper lubrication and Preventative Maintenance must take place regularly with individual equipment records maintained by the technicians.
- All equipment guards must be in place and adjusted correctly.
- Broken needles must have all pieces collected and accounted for before a replacement is issued.
- Cuttings trimming and other waste from production should be swept frequently to prevent build up of debris on tables or floors.
- Sharp tools should be tied to workstations and inventoried to prevent accidental dropping, loss, or mixing with products that could cause harm to workers or products.

Poor workplace examples:

Sharp tool not tied down

Cutting maching stored on ground

Disorganized workspace

No safety gear for cutting machine operator

Clutter and debris on workshop floor

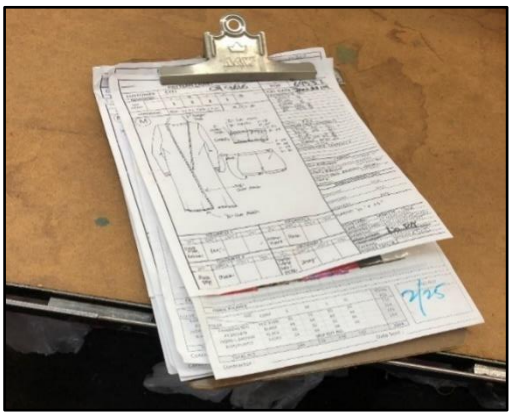
3.2.3 Work Instructions/Tech Packs

Workers need to be provided with appropriate work instructions to ensure consistent production and adherence to product specifications.

- Apparel Tech Packs should at a minimum contain the following information for each style in production:
    - Style name/number or other specific identification.
    - Bill of Material (BOM): For Fabrics, Trims, Labels, and Packaging. Each section should include Placement (the location of the element in the garment), Comments, Material (the fiber content, weight, identification number, or substance of the material), Supplier, and Color Number.
    - Sizing information and Point of Measure (POM): Precise measurement on each section of the garment such as — total length, chest, sleeve length, etc.
    - Technical sketches: At a minimum this should be the front image, and include back, side, or detail sketches for any design elements like embellishments, stitching, and trim detail.
    - Pack method and packing instructions.

- First piece verification should be recorded, and first piece sample should be displayed for workers reference during production.

Good work instruction examples:



3.2.4 Semi-Finished Goods Handling

The semi-finished goods need to be handled in a way to protect products from damage, defect, or production errors.

- Semi-finished products should never be stored directly on the floor, next to a wall, or underneath a window that could dirty or cause damage to the products.
- All sharp tools need to be tied to tables and inventoried regularly to prevent mixing with products and causing potential damage or harm to workers.
- Sewn goods- Needle control process is necessary to prevent broken needles from becoming caught in products and causing harm to workers or consumers or damaging products.

- Best Practice- 100% of goods should be run through a needle detection machine to check for needle parts at the final QC.
- If the factory is not able to acquire a needle detection machine another process must be in place for broken needle control to assure 100% of goods are checked.

- In process, products should be kept organized and clearly identified to prevent a mix of sizes or similar products in production.

Poor Examples of Semi-Finished Product handling:

Semi-finished product stacked too high, on cardboard

Semi-finished product next to dirty wall, under a window

All semi finished products on tables or in bins

3.2.5 In Process Quality Control

Responsibility of Quality Control:

The Quality control team shall have the responsibility and authority to approve or reject all components, product, closures, in-process materials, packaging material, labeling, and the authority to review production records to assure that no errors have occurred or, if errors have occurred, that they have been fully investigated. The quality control team shall be responsible for approving or rejecting drug products manufactured, processed, packed, or held under contract by another company.

In-Process QC Checks: In-Line and End of Line Inspections:

The purpose of in-process QC Checks is to establish and reinforce a "Right First Time" culture and develop effective and efficient Brand/Vendor relationships across the supply base.

This on-site inspection system is to determine the quality of order by checking the semi-finished and finished products' quality level in the production lines and ultimately to ensure that supply base performance will meet brand expectations.

There is no substitute for In-Process/ In-line inspection. It should take place as early as possible.

In-process auditing will provide the factory the ability to identify problems at an early stage, the opportunity to rectify quality issues before packing, a preliminary checking of the production status to prevent any unnecessary delivery slides and short shipments in the final stage.

In-Process/In-line Inspection Preparation:

- Have on hand the approved manufacturing standard, the style product file, the preproduction (PP) sample evaluation document, and all the standards including the approved tech pack.
- Review the style product file, the PP sample, and the approved standards, and any approval comments.
- Follow up on all lab-test reports for fabric and garments and make sure they are complete, passed/approved.
- Review the list of critical operations that were marked on the preproduction meeting minutes.
- The auditor must walk through the production lines, check each operation in sequence, and not be solely stationed at an inspection point or QC room.
- Review Pilot Run and preproduction meeting comments.
- If Inspection is on Bulk Launch, review Preproduction comments and Pilot Run reports including all
- comments on specification, quality, and garment presentation.
- Have a copy of the operational breakdown from the factory technical department.
- Review with factory management if necessary.

- The semi-finished goods should receive in-process QC checks to ensure any non-conforming goods are identified and the production line issue corrected.
    - All workers performing inspections should receive training and have written inspection procedure and criteria available for reference.
    - Inspection records and results and should be kept 18 months.

Good instructions for in-process QC check example

3.2.5 Defective and Non-Conforming Products

Defective or non-conforming materials found in IPQC inspection need to be clearly identified to prevent mixing with conforming materials.

- A designated area with clear signage should be set up the IPQC area.
- Rework goods are to be clearly labeled, defects identified, and sent to separate rework area

Poor non-conforming identification examples:

Conforming and non-conforming products not clearly

Good non-conforming identification examples:

Bins for defective products clearly labeled

Inspection status label on conforming products

3.3 Final Quality Control

3.3.1 Final Random Inspection (FRI)

The primary goal of the finished goods audit or final random inspection is to be able to determine at the factory whether a shipment is passed or failed to the inspection criteria. There should be no inspections pending buyer's approval; a passed inspection is approved to ship on confirmed delivery, a failed inspection must be re-inspected for any defect or other non-compliance.

While audits or inspections conducted at the factory are intended to assess adherence to Zulily's Quality Standards, the performance of such audit or inspection does not constitute Zulily's waiver of any defect or other non-compliance.

Zulily reserves the right to RTV in-stock merchandise and remove from Events within a reasonable time after it becomes aware of such non-compliance, up to and including after resale to its customers.

The inspection takes place when the merchandise is 100% complete and ready for final packing. For Workmanship & Measurement, a random sample of finished goods is selected, and the inspection conducted with reference to:

- ANSI/ASQZ1.4-2003: Inspection Method: Attributes For Workmanship Single Sampling Plan
    - Sample size - Normal Inspection Level II
    - Acceptable Quality Levels
        - Critical Defects: AQL 0
        - Major Defects: AQL 2.5
        - Minor Defects: AQL 4.0

QUALITY INSPECTION TABLES

ANSI/ASQ Z 1.4 - 2003								
(Equivalent to MIL-STD 105E, BS 6001, ABC 105, NFX 06-22, DIN 40.080, ISO 2859)								
Sample Size								
			Special Inspection Levels			General Inspection Levels		
Lot or Batch Size			S-2	S-3	S-4	I	II	III
26	to	50	3	3	5	5	8	13
51	to	90	3	5	5	5	13	20
91	to	150	3	5	8	8	20	32
151	to	280	5	8	13	13	32	50
281	to	500	5	8	13	20	50	80
501	to	1200	5	13	20	32	80	125
1201	to	3200	8	13	32	50	125	200
3201	to	10000	8	20	32	80	200	315
10001	to	35000	8	20	50	125	315	500
35001	to	150000	13	32	80	200	500	800
150001	to	500000	13	32	80	315	800	1250

500001 and Over	13	50	125	500	1250	2000		

SINGLE SAMPLING PLAN FOR NORMAL INPSECTION

Sample Size	Acceptable Quality Levels (Normal Inspection)										
	0.065	0.10	0.15	0.25	0.40	.065	1.0	1.5	2.5	4.0	6.5
	Ac	Ac	Ac	Ac	Ac	Ac	Ac	Ac	Ac	Ac	Ac
3	⇩	⇩	⇩	⇩	⇩	⇩	⇩	⇩	⇩	0	0
5	⇩	⇩	⇩	⇩	⇩	⇩	⇩	⇩	0	⇕	⇕
8	⇩	⇩	⇩	⇩	⇩	⇩	⇩	0	⇕	⇕	1
13	⇩	⇩	⇩	⇩	⇩	⇩	0	⇕	⇕	1	2
20	⇩	⇩	⇩	⇩	⇩	0	⇕	⇕	1	2	3
32	⇩	⇩	⇩	⇩	0	⇕	⇩	1	2	3	5
50	⇩	⇩	⇩	0	⇕	⇩	1	2	3	5	7
80	⇩	⇩	0	⇕	⇩	1	2	3	5	7	10
125	⇩	0	⇕	⇩	1	2	3	5	7	10	14
200	0	⇕	⇩	1	2	3	5	7	10	14	21
315	⇕	⇩	1	2	3	5	7	10	14	21	⇑
500	⇩	1	2	3	5	7	10	14	21	⇑	⇑
800	1	2	3	5	7	10	14	21	⇑	⇑	⇑
1250	2	3	5	7	10	14	21	⇑	⇑	⇑	⇑
2000	3	5	7	10	14	21	⇑	⇑	⇑	⇑	⇑

⇩ = Use first sampling plan below arrow

⇑ = Use first sampling plan above arrow

Ac = Acceptance number

The inspection takes place when Defect Classification- Workmanship

> **Critical Defect**: A defect which could result in hazardous or unsafe conditions for individuals using the product, as well as defects that violate legal regulations. Examples of critical defects include: broken needle parts in garment, incorrect country of origin label, incorrect care/content label.
>
> **Major Defect**: A defect that is likely to result in failure, or reduce materially the usability of the product for its intended purposes, or making it not possible for sale. Examples of major defects include holes, broken stitches.
>
> **Minor Defect**: A defect that is not likely to reduce materially the usability of the product for its intended purposes, or is a departure from established standards having little bearing on the product's effective use. An example of a minor defect is untrimmed threads.

An inspection of finished garments is primarily concerned with defects in workmanship and measurement although inspectors evaluate overall quality with a view to ensuring contract specifications are met.

Product is inspected for workmanship and construction defects. Inspection starts with measurement, followed by workmanship, then color.

Measurement (Apparel and Non-Apparel Textiles):

Samples are selected from the workmanship inspection sample and must be in purchased size & color ratio. If by meeting the purchased size & color ratio requirement in (a) the number of units to be measured exceeds the relevant inspection sample size in the chart above, the auditor should increase the number of units measured to the next sample size & accept/reject accordingly.

- All units in the measurement sample are measured for primary points of measurement .
- Two units per size and color are measured for all points.
- Points that are not identified as primary measurements are considered secondary measurement points.
- Measurements outside of tolerance for primary points count as a failed garment and the defect is counted in the statistical quality audit as a major defect.
- A sample with a measurement and a workmanship defect will be counted in both the respective inspection results.

Measurement (Hardlines):

- Measurement samples for Hardline goods are selected at final assembly to ensure are components are attached and secured in place for safety.
- As with apparel and non-apparel goods, key primary measurements are taken.

Workmanship Inspection (Apparel Specific):

- Inspectors thoroughly check all garment seams for stitching defects or notched fabric under stitches.
- Construction is as specified – all gauges/stitch types/tacks/stitches per inch
- Multiple defects – A sample with more than one defect will have the worst defect only count towards the total defects. A sample with one major and one minor defect will be counted as one major defect.
- Inspected samples with multiple defects will be noted on the inspection report.
- Only one (the worst) workmanship or measurement defect is counted per inspected sample
- Buttons, rivets, and snaps are checked for secure attachment.
- Fasteners (buttons, zippers, Velcro, etc.) are checked for proper functioning.
- Embellishment is as specified.
- Shading within the garment.
- Stripe Match as specified
- Tapes and linings as specified

- **Color Management (Apparel and Textiles):**
- Item-to-item shade band continuity and number of shades are checked.
- The assortment of colors and sizes is checked against the purchase order requirement.
- Correct labeling, including care and content, size, and color code etc.
- Fabric/finish/wash (are to be taken under Color Management)
- Packaging/hangtags/spare trims/shipping marks, etc. {are to be taken under Color Management}

FRI should be conducted in a dedicated space and workers trained in FRI standards.

- All workers performing inspections should receive training and have written inspection procedure and criteria available for reference.
- Inspection records and results and should be kept for 18 months.

Sample Audit Template

FINAL RANDOM INSPECTION REPORT

INSPECTION REPORT #:				INSPECTION TYPE	
DATE OF INSPECTION:				OVERALL INSPECTION RESULT	
ATTN:			C.C		
SUPPLIER :		FACTORY:			
FTY. ADDRESS:					
P/O :		TICKET NAME:		COO:	
STYLE NO:		DESCRIPTION			
STYLE NAME :		ORDER QTY:		SHIPPING QTY:	
CONFIRMED DLVY /NDC:		XFTY :		X-COUNTRY	
BY SEA ☐	BY AIR ☐				
COLORS :		NO. OF SHADES:			

I. INSPECTION SUMMARY	PASS	FAIL
QUANTITY AVAILABLE	☐	☐
PRODUCT DESCRIPTION	☐	☐
WORKMANSHIP	☐	☐
MEASUREMENT	☐	☐
COLOR/SHADING	☐	☐
PACKING	☐	☐
SHIPPING MARK	☐	☐
HAND FEEL:	☐	☐
GARMENT WT, SWEATERS ONLY	☐	☐
CARTON AUDIT	☐	☐

PRODUCT FRONT PHOTO

UNIT PACKING PHOTO

II. ANSI/ASQZ1.4-2003-WORKMANSHIP-SAMPLING PLAN LEVEL II = AQL. Critical 0.0, MAJOR 2.5, 1 MINOR =1/2 MAJOR.

PO QTY	SHIP QTY	PACKED	UNPACKED	SAMPLE SIZE	DEFECTS ALLOWED	DEFECTS FOUND	RESULT

III, MEASUREMENT: SAMPLING PLAN-S4 (MINIMUM 20 PCS.) AQL 2.5, 1 MINOR = ½ MAJOR

SAMPLE SIZE	DEFECTS ALLOWED	DEFECTS FOUND	RESULT

IV. CARTON AUDIT. AQL.0.0, MIN 1 CTNS /SIZE

NO. OF CTNS SELECTED	RESULT

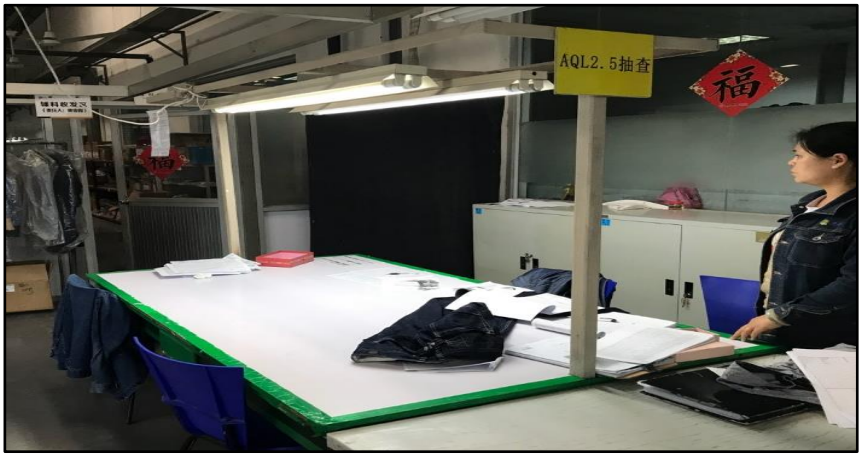
V. CARTON NO. SELECTED FOR AUDIT:

VI. THE CAPTIONED ORDER HAS BEEN INSPECTED AND FOLLOWING DEFECTS / DISCREPANCIES ARE FOUND:-

DEFECTS / DISCREPANCIES / COMMENTS	MAJOR	MINOR
TOTAL		
ACCUMULATED DEFECTS AFTER CONVERTING MINOR TO MAJOR		

REMARKS :		VENDOR TO REFURBISH/MAKE ALL CORRECTIONS AS PER LISTED POINTS

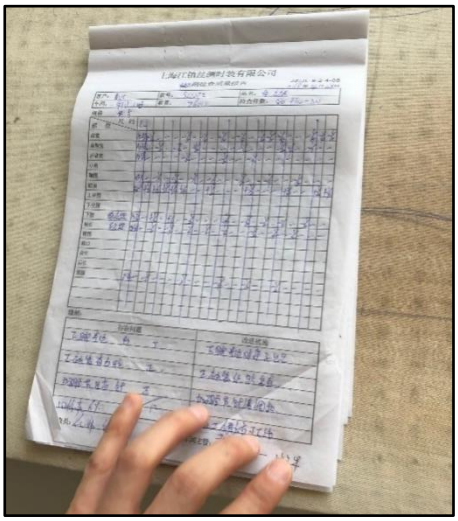
Good Final Random Inspection examples:



Dedicated FRI space with AQL standard clearly displayed

Finished products being checked against product specifications

Clearly labeled racks for conforming, repairable, and defective products



Measurement check records

3.3.2 Defective and Non-Conforming Products

Defective or non-conforming materials found in FRI inspection need to be clearly identified to prevent mixing with conforming materials.

- A designated area with clear signage should be set up the OQC area.
- Rework goods are to be clearly labeled, defects identified, and sent to separate rework area

- Rework goods should go through FQC inspection after corrections have been made.

Good non-conforming identification examples:


Bins labeled for non-conforming goods and temporary labels for non-conforming

3.4 Packaging

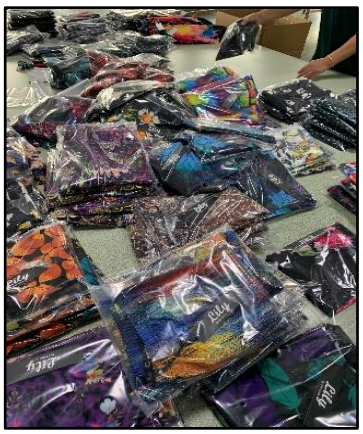
Company must have written procedures designed to assure that correct labels, labeling and packaging materials are used for products; such written procedures shall be followed. Consistent and accurate packing is an important part of the product making process. Packing directly influences the presentation of the product and design to stimulate customer desire for the product. Packing work area.

- Packing area must be clean, free of excessive dust and with sufficient space to allow easy movement of workers and material handling equipment.
- It should be lighted to around 100 foot-candles at work area.
- Personal safety equipment must be available and in use by relevant associates.
- Appropriate machinery must be used to attach Hang Tag, Joker Tag and Price Ticket.

3.4.1 Packaging Workspace

- Dedicated packaging workspace should have all tools and products necessary for product packaging clearly labeled and organized to prevent mixing or mis-labeling products

Poor packaging area examples:



Disorganized packing space

Product labels mixed with material and cleaning supplies

Good packaging area examples:

Organized packing space sorted by style and size to prevent mislabeling

Clean and organized packaging area

3.4.2 Packaging Instructions

- Packaging instructions and example needs to be available to all packaging workers for reference to ensure consistent packaging.

3.4.3 Product Storage in Packaging Area

Packaged products need to be stored in a way that keeps them protected from damage.

- Product ready to be packed should not be stored in a way that could damage product:
  - Products should never:

- Be on the ground or directly on a palette that could damage product
- Stacked too high to cause damage to products on the bottom of the stack,
- Uncovered in a dusty/dirty environment

3.5 Outgoing Quality Control

Carton audit and Final Random inspection. Quality Assurance must conduct the Carton Audit and Final Random inspection before shipment in order to ensure that the entire shipment is First Quality.

3.5.1 Storage Area

Products should be organized and clearly labeled to ensure products are protected and outgoing shipments have the correct inventory.

- Warehoused products should be clearly labeled with style specific information (size, color, model number, etc..) to ensure workers choose correct products for outgoing orders or shipments.
- Boxed products should be packaged and stored in a way to prevent damage of finished goods.
    - Boxes should never be overfilled to squish or damage product or risk box busting in transit.
    - Stacked boxes should never be so high or heavy to crush boxes at bottom of stack.
    - Boxes should never be near a wall or window that could cause environmental damage to the boxes.

Poor storage examples:

Incoming materials mixed with outgoing shipments

Inventory storage boxes not on racks, unclear labeling and mixed SKUs

Good storage examples:

Shipments well organized on palettes

Inventory clearly labeled and seperated by style, size and color

3.5.2 Outgoing QC inspection

A clear and defined process for Outgoing Quality Control (OQC) on ready to be shipped goods is required to ensure consistent inspection of products for damage and defect.

- Shipments should be checked for the following:
    - Quantity and PO inventory matching
    - Packaging and labeling
    - Product quality
        - Products should be checked with consistent sampling plan and record keeping
    - Box weight, dimensions, order information and other shipment labeling
- Sewn goods- Needle control process is necessary to prevent broken needles from becoming caught in products and causing harm to workers or consumers or damaging product.
    - Best Practice- 100% of goods should be run through a needle detection machine to check for needle parts at final QC.
        - If the factory is not able to acquire a needle detection machine another process must be in place for broken needle control to assure 100% of goods are checked.

Best practice: Needle detection machine

100% check with portable needle detector

3.5.3 Defective and Non-Conforming Products

Defective or non-conforming shipments or products found in OQC inspection need to be clearly identified to prevent mixing with conforming materials.

- A designated area with clear signage should be set up the OQC area.
- Rework goods are to be clearly labeled, defects identified, and sent to separate rework area
    - Rework goods should go through FQC inspection after corrections have been made.

Poor non-conforming identification examples:

Non-conforming goods not clearly labeled

Good non-conforming identification examples:

Non-conforming goods clearly labeled

FAQ

Vendor Guideline |Factory Process Audits

What is the FPA?

The goal of this is to improve our overall quality and assist our vendors in identifying and improving upstream factory processes.

What are the criteria's for the FPA?

Allover Product Quality Score (% of good rated styles) , Customer Rating, Vendor|Factory Return/Refund %

How is a vendor | factory selected for this audit?

Merchant confirmation on vendor type National Brand, Consolidator, or Manufacturer

What is the Quality Review?

The review of the factory's end to end quality management processes.

Who will receive copies of the final report?

Zulily VPE, the vendor and factory representatives.

What is the Corrective Action Plan (CAPA)?

It is usually a set of actions that requires an organization to take in manufacturing, documentation, procedures, or systems to rectify and eliminate recurring non-conformance.

Who will conduct the audit?

The FPA will be conduct by a QVC China Quality Team Member.

As a vendor what is my role in the Factory Audit Process?

Partner with Zulily VPE to ensure factory information is accurate and factory cooperation in the FPA.

Whom from the factory is required to participate in the audit?

The Factory Manager and or the factory Quality Manager.

Who should complete the CAPA?

The Factory Manager and the Quality Manager.

How long will the audit take?

The FPA should take 4 to 6 hours depending on factory operations.

What documents should I as a vendor need to prepare?

It would be helpful if the vendor submitted a complete Factory Profile and completed the Zulily Quality Questionnaire.

What documents should the factory prepare?

All documents related to the factory's quality and production processes.

CONTACT LIST:

Kristie Metcalf
QA & Pricing Team Leader
kmetcalf@zulily.com

Marvin Langston
Vendor Performance Evaluator
malangston@zulily.com

Annelise Pasnau
Product Validation & Approval Specialist, Compliance
apasnau@zulily.com

Shining Zhang
Product Validation & Approval Specialist (In-Country)
shiningzhang@qvc.com.cn