



**QUALITY
METALCRAFT**

Supplier Quality Manual

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1.0 Introduction

Scope

The **Quality Metalcraft (QMC) Supplier Quality Manual** has been developed to communicate the operating principles, general expectations, requirements, and procedures of QMC to the guidelines described in this manual is required of all suppliers. Acceptance of any and/or all purchase orders constitutes acceptance and commitment on behalf of the supplier to comply with this manual's content. These guidelines are provided as supplement to, and do not replace or alter, any purchase agreement terms or conditions which are included as requirements of applicable engineering drawings, specifications and other contractual documents. This manual describes the minimum requirements for which the supplier has responsibility. However, system improvements that exceed the requirements specified within this manual are always encouraged.

Purpose

Mission Statement

It is our goal to be considered the best niche production and prototype supplier of stampings and assemblies in North America. We will achieve this through continually improving the effectiveness of our processes and the quality of our products. We measure our success against how safely and efficiently we can deliver our customers the highest quality products and services on time.

It is our goal to remain a committed partner within our community. We will achieve this through meeting all applicable requirements and regulations, looking for opportunities to reduce our impact to the environment, preventing pollution, and actively pursuing relationships with local charitable, governmental, and developmental organizations.

For us to achieve our goals and objectives, it is necessary that all functions within QMC and their business associates operate on the "Lean" philosophy. We must all strive for a fundamental Business Management System that provides for continual improvement in the quality of product, on time delivery, and services. Emphasis should be on defect prevention and the reduction of variation and waste in the supply chain.

Application

The expectations and requirements described in this manual apply to all suppliers of production and prototype products and/or services. Suppliers must meet all applicable requirements specified herein.

Implementation

Suppliers who manufacture product(s) for QMC are responsible for the development, documentation, implementation, and maintenance of a management system that complies with IATF-16949. As a minimum, all suppliers and distributors must be certified to ISO-9001. Suppliers are also encouraged to pursue ISO-14001 certification or have an environmental management system in place that complies with the requirements of ISO-14001. Suppliers of inspection or calibration services must be registered to ISO/IEC-17025 or be A2LA certified. Please contact our Quality Department if you would like to participate in benchmarking activities for the improvement of your business management systems.

2.0 Purchasing Expectations

Terms and Conditions

1. Normal Payment terms are net 45 days. Exceptions are granted for Long-Term Agreement (LTA) suppliers.
2. Proof of Financial stability must be submitted upon request.
3. Receipt of "written" credits within 30 days.
4. Receipt of "signed and dated" Purchase Order Acknowledgement within 5 business days.
5. QMC expects suppliers to provide written notification and information as soon as possible when conditions arise that prevents compliance with any requirement of an order.

Additional terms, conditions and requirements may be documented on purchase orders and other supplemental documents.

Engineering / Technical Support

QMC is dedicated to manufacturing products of the highest quality. To achieve this objective; all suppliers should offer engineering and technical support to QMC when said support is requested.

Customer Support

The Supplier is required to maintain a QMC plant contact who is readily available to assist in the timely resolve of problems relating to poor quality, delivery and other issues. The supplier's main focus should be on continual improvement.

Resources

Suppliers are expected to have the resources necessary (property, facilities, equipment, and materials) to supply the products and/or services required to accommodate QMC's production schedule. The supplier should plan for fluctuations in requirements due to scheduling changes.

Pricing

QMC expects all suppliers to remain competitively priced in their respective industries. Cost reduction plans shall be forwarded to QMC's Purchasing and Supplier Quality representatives for review. Consumer demands for high Quality at low prices place demands on all manufacturing enterprises. For this reason, our mutual objectives must be to find ways to continually improve manufacturing processes, transportation of product, internal and external communication, pricing, and quality of products and/or services.

Consistent Quality

100% defect free product is required from all suppliers. Any deviation from this may result in rejection and return of product to the supplier with subsequent charges attached. This is the industry standard the market demands. All shipments received are subject to inspection. Payment by QMC shall not constitute acceptance of material or services provided. Even after acceptance of a shipment, we reserve the right to return any material that proves to be defective for full credit. Defective material shall be returned at the supplier's expense and their account debited accordingly.

On-Time Delivery

QMC requires that all suppliers provide 100% on-time delivery performance with the exact product and/or services promised and correct quantity and pricing agreed upon. Monitoring of performance levels in this area will be ongoing. To further clarify this, we consider unauthorized early or late deliveries and partial or over shipments to be unacceptable. The quantity shipped per order or release cannot vary from the specified quantity without the prior written consent from QMC.

If the supplier shuts down QMC production due to poor quality, late delivery, or incorrect quantity on any shipment, the supplier may be responsible for any costs incurred including but not limited to down time, expediting shipments, or charges from QMC customers.

Transportation Costs

Unless otherwise instructed, a supplier shall forward all materials in the manner and by the route providing the lowest transportation rate or as directed by QMC. Any excess transportation costs incurred by QMC will be deducted from the purchase price.

Cooperative Management Attitude

QMC expects our suppliers' Top Management to share our commitment to meet or exceed our customers' expectations through continual improvement. It is also expected that they will give their full support to the relationship that exists between our companies and demonstrate flexibility in assisting QMC in meeting all of our customer's requirements.

Verification of Products/Services

QMC reserves the right to verify any products/services supplied on the supplier's premises by QMC representatives, our customers and their representatives.

3.0 Supplier Selection and Performance

Supplier Evaluation and Selection

QMC supply base will consist of organizations supportive of our business commodity needs. QMC utilizes controlled methods through which suppliers are evaluated, selected, developed and monitored.

Criteria for evaluation and selection of suppliers for placement on QMC's Approved Supplier List is based on suppliers' abilities to consistently deliver defect-free products and/or services, vendor certifications, meet or exceed our delivery requirements, be cost competitive, and be responsive to QMC's needs.

Those vendors without certifications will be audited to assure they have systems in place to assure quality, defect free product for the commodity they supply to QMC.

Approved suppliers that have sufficient historical activity may be awarded "Certified Supplier" status. Benefits may include:

- Supplied product being inspected on a skip lot basis.
- Material/treatment certification is retained at the supplier's facility unless otherwise required by QMC or its customers.
- Supplier is included in all requests for quotes within a commodity group.

Certified supplier status is based on proven ability to maintain 3rd party registration to an approved quality system (ISO9001:2015, IATF-16949:2016), and proven ability to maintain a high Supplier Rating.

Supplier Monitoring

Approved Suppliers' performance will be measured per the supplier rating formula on a quarterly basis. Suppliers should have a goal of maintaining a 100% rating in each category of the Supplier Rating Report. Failure to do so will require the supplier to submit a corrective action or plan for improvement, subject to overall rating falling within Red status. The supplier may be contacted to discuss development goals to help aid in improving their performance.

Supplier performance shall be measured on the ability to meet QMC quality expectations and requirements. To remain on the QMC Approved Supplier List, suppliers must meet minimum requirements defined for product quality, delivery, overall responsiveness, and registration.

The organization requires its suppliers to have a risk assessment process in place to identify areas within the supply chain process that could affect the ability to meet the organization's requirements in the event of a deviation from the normal business process.

Rating Categories

RED (Probationary) Status Suppliers:

The Supplier is required to submit a corrective action or improvement plan for systemic improvement within 30 days of rating publication. The plan shall be submitted to QMC personnel

for approval. On site presentation of the plan may be necessary when justified by circumstances. To fall to a Red Overall status, you must fall in Red status rating in one of the following Delivery (Less than 74% quarterly), Quality (3 or more Issues quarterly), Response (No Response), or Registration.

YELLOW Status Suppliers:

To fall to a Yellow status, you must fall in yellow rating in one or more of the following, Delivery (Between 75%-90% quarterly), Quality (1-2 Issues quarterly) or Response (Slow Responsiveness). Supplier status will be updated to Green upon demonstration of a positive trend in the related rating category.

GREEN (Certified) Status Suppliers:

The Supplier is required to continue with current quality performance and strive towards continual improvement. To maintain a Green or "Certified" status, you must maintain Green status in each rating category Delivery (Greater or equal to 91% quarterly) Quality (0 Issues quarterly) Response (Consistent communication).

Certifications

Copies of all third party certificates for registration to Quality or Environmental Systems must be forwarded to and be kept on file at QMC. This is also a requirement for our Certified Supplier Program. If you have a current certificate, please email updated copies to: luisarredondo@qualitymetalcraft.com.

Probation Criteria

Approved Subcontractors who fall in Red Overall rating will be put on a probationary status. At this time a request including recommended improvements will be issued to the probationary supplier to submit a formal Corrective Action Plan for approval. The formal Corrective Action Plan must be submitted to QMC Supplier Quality contact in a timely fashion. The QMC Purchasing Manager, Supplier Quality Engineer, or plant designate will review the submitted action plans. Acceptable plans will be acknowledged and the subcontractor will submit progress reports. Subcontractors who show minimal improvement or deterioration in product Quality in the following 12 months **may** be subject to:

- On-Site Survey
- Limited access to new business
- Removal from Approved Subcontractor Status

Unacceptable Corrective Action Plans shall be critiqued, and reviewed with the Supplier until a satisfactory Corrective Action Plan can be developed or the Supplier shall be removed from the Approved Subcontractor List. Suppliers shall not be awarded new contracts if they have been removed from the Approved Subcontractors List. If a Subcontractor is determined to be unacceptable, the Purchasing Director will initiate the appropriate actions to resource the product prior to the removal of the Subcontractor from the Approved Subcontractor List. In the event a subcontractor is a mandated source by a QMC customer, said customer's approval to resource may be required.

4.0 Quality Requirements

Product/Service Quality

Suppliers are fully responsible for their products/services including their subcontractors. They are responsible for providing products/services that meet all QMC current requirements, specifications, and drawings as identified on the purchase order. Zero defects are expected from all suppliers.

Containment of Non-Conforming Product

If a supplier's parts are found to be defective (do not meet one or more specified requirements) in receiving inspection or during assembly at QMC, or if a customer complaint is confirmed to be a supplier quality problem; the supplier will be notified by QMC personnel (Supplier Quality contact or Purchasing) to provide immediate containment and support to resolve the problem using the 8-D format for Corrective Actions. Any defective product found at QMC will be returned to the supplier, and a debit will be issued for said material. Furthermore, replacement shipments must be sent to QMC "freight Prepaid". The supplier is responsible for expediting charges, if required to assure timely product delivery.

A most serious concern is when a supplier product/service shuts down a QMC production process. Any condition causing process shutdown or late shipment warrants the supplier's immediate action to eliminate the condition. The supplier is responsible to address containment of the problem at their facility, and with regard to parts in transit and parts at QMC. A supplier may send in a sort team to sort parts in-house at QMC. If no one from supplier is with the sort team in a supervisory role, QMC will furnish someone to oversee the sort as a support person per our debit structure. The supplier will be responsible for all costs incurred at the time of the sort. If we must sort supplier parts in order to keep production supplied with defect free components, the supplier will be charged per our debit structure. This charge may be applied to both components and finished assemblies in which the components are used. If a supplier defect causes finished product to be reworked or scrapped, all charges incurred will be the responsibility of the supplier. Other charge-back costs may include material, shipping or handling, direct and indirect labor, contracted services, living and travel expenses, and costs incurred by our customer.

If a supplier cannot implement a permanent corrective action to supply zero defects to QMC and problems continue, we will implement Controlled Shipping – Level 1 Containment for a pre-determined period by our Quality Manager not to exceed 90 days. If another defect is discovered within the pre-determined period, Controlled Shipping – Level 2 containment will be implemented at the supplier expense. This process will be enforced to ensure problems do not occur in production. This may continue until the supplier has demonstrated the ability to ship defect-free material on a continual basis. Controlled Level 1 & 2 can be found in the Appendix
If a supplier detects non-conforming product prior to shipment to QMC, the supplier must immediately determine the extent of the problem and take action to correct the problem. If suspect material has been released to ship, the supplier must notify QMC and identify the material and the suspect condition.

The supplier's Quality System must provide for the effective isolation of all suspect materials or product within their facility. A specific area should be utilized which allows for the segregation of suspect materials for normal approved production product. Specific details of the defects must be clearly identified and attached to the suspect product.

Any rework or repairs to suspect material must be conducted in a controlled manner that assures reworked or repaired product meets QMC specifications and customers' requirements. Written instructions should detail the rework or repair, the re-inspection of reworked product and the return of this product to normal production flow.

In the event that a supplier finds a defect on incoming product or during the processing of parts received from Quality Metalcraft we ask that an e-mail is sent to document the issue with pictures and a description of the issue. These items are to be e-mailed to our Supplier Quality Engineer-Luis Arredondo at luis.arredondo@qualitymetalcraft.com.

Supplier Corrective Action Request (SCAR)

A Supplier Corrective Action Request will be issued for any non-conforming product. The supplier is responsible to identify the root cause of problem and implement corrective action in order to prevent recurrence. This will be managed by the issuance of a Supplier Corrective Action Request (SCAR).

A copy of the SCAR will be faxed or emailed to the supplier, and must be completed through the containment stage within 24 hours and fully implemented within 15 days unless QMC requests a different response time or the supplier asks for (and is granted) an extension. A supplier's corrective action format will be acceptable as long as all of the information requested by the SCAR is contained therein. The supplier will be notified if any aspect of the SCAR is not acceptable. Failure to respond to a SCAR in a timely manner will adversely affect the response portion of your overall supplier score.

A SCAR may also be issued when it is deemed necessary for other occurrence including, however not limited to:

- Repeated early or late delivery, or late delivery without prior notification.
- Repeated over/under shipments
- Incorrect items sent.
- Inadequate or incorrect containers/packaging received.
- Lack of shipping and/or certification paperwork.
- Lack of timely response to concerns.

Example of the SCAR form can be found in the Appendix.

Advanced Quality Planning/ Process Documentation

Prior to production of any product, the supplier should utilize Advanced Quality Planning techniques to ensure successful launches of these products. QMC recommends the use of the Advanced Product Quality Planning and Control Plan (APQP) reference manual published by the Automotive Industry Action Group (AIAG) as a guide to proper use and documentation. In addition to documented processes, the vendor shall also have persons/ authorities responsible for those processes documented.

Production Part Approval Process (PPAP)

When required by QMC's customer(s), the supplier shall maintain a Production Part Approval Process (PPAP) system to ensure parts submitted meet all requirements. This system should utilize the AIAG standard documentation found in the Production Part Approval Process (PPAP) reference manual. The QMC (ship to) manufacturing site will state what level the supplier will submit to as referenced in the AIAG manual. A level 3 is the default. Full approval of this process must take place on or before the established QMC date unless the Supplier Quality contact has waived this requirement. The PPAP file shall contain the name of the responsible product approval activity person granting the waiver and the date.

Continual Improvements and Statistical Process Control (SPC)

Continual improvement in the Quality of products and/or services is encouraged to remain a supplier to QMC. The supplier, for review by our Quality or Purchasing Departments upon request, should maintain documented evidence of continual improvement. One portion of any continual improvement program should be the proper use of statistical methodologies. Statistical data shall be provided as identified by the respective engineering drawing, applicable specifications or standards, and/or purchase order. We recommend the use of the Statistical Process Control (SPC) reference manual published by AIAG.

Supplier Request for Engineering Approval (SREA)

SREA's are used to document an agreement from QMC personnel on process, material and design changes prior to implementation. The supplier will submit the SREA to the Purchasing Manager. An internal Engineering Change Procedure will then be followed with the supplier being issued a new drawing if the change is approved. Resubmissions will be required as stated above. A SREA form is attached in the Appendix.

Product Traceability

All suppliers must have a lot identification system that distinguishes one lot from another when shipping finished product. Each lot of material should be clearly identified on the product (where applicable) and/or on the product packaging. All material lots should be traceable to raw or component material lots as identified by supplier's vendor. Barcode labeling practices should be implemented by all suppliers of production material and purchased parts.

Packaging and Shipping Requirements

The supplier shall package and ship product in a manner that provides protection against damage, rust, corrosion, contamination, and anything that would render the product unfit for its intended use. The use of commercial carriers does not relieve the supplier of the responsibility for properly packaging products to ensure acceptance at the point of delivery. Product should be packaged so that the product weight or size does not adversely impact the type of transportation chosen. The agreed upon shipping specifications must be adhered to in all instances. Failure to comply with packaging requirements may result in the supplier receiving a downgrade in status, and a debit for excess handling charges.

Invoices, Packing Lists, Identification

Suppliers are to forward invoices with each shipment accompanied by a bill of lading or other receipt from the carrier. Invoices must state PO number, shipping point, route, and whether freight is prepaid or collect. Separate invoices are to be issued for each shipment. Itemized packing lists including the PO number must accompany all shipments, and the packing list container must be plainly marked to indicate its shipping and receiving locations. In the case of

steel suppliers, QMC requires that every coil/pallet of steel has its own label and that the labels are marked correctly with the correct part number and weight.

Control of Records

Records shall be established to provide evidence of conformity to requirements and of the effective operation of the quality management system shall be controlled. The organization shall establish a documented procedure to define the controls needed for the identification, storage, protection, retrieval, retention and disposition of records. The documented procedure shall define the method for controlling records that are created by and/or retained by suppliers. Records shall remain legible, readily identifiable and retrievable.

Supplier Signature Acknowledgment

I, _____, of _____ (company) have read the Quality Metalcraft Supplier Quality Manual on _____ (today's date) and agree to the terms set forth herein.

Signature

Title

