



# **Contour Hardening, Inc.**

## **Supplier Manual**

M-0002 REV. 1

Effective May 1, 2018

## 1.0 INTRODUCTION

At Contour Hardening, Inc. (CHI), we recognize the critical role quality plays in our success; therefore, we are committed to meeting our customer's quality needs and expectations with excellence by pursuing continuous quality and productivity improvements. A large segment of our quality performance, of course, depends on you as our supplier.

In this light, quality is a prime consideration for supplier selection at CHI. Your dedication to quality and strict adherence to this Supplier Manual will clearly define your value as a CHI supplier.

This manual should be reviewed and communicated to the appropriate individuals within your organization. Compliance to all requirements listed within this manual is expected. Any deviation requires written approval from CHI.

### 1.1 Purpose

This Supplier Manual defines the expectations for CHI suppliers. The supplier shall meet or exceed the requirements and guidelines defined in this manual as long as it provides products and/or services to CHI and its customers.

Adhering to the guidelines established in this manual, the supplier should continually improve the processes used to design, manufacture, and deliver products or services to CHI.

Throughout this manual, the word "shall" or "must" indicates a requirement. The word "should" indicates a recommendation.

### 1.2 Scope

This Supplier Manual applies to all production material and service suppliers to CHI. This Supplier Manual is applicable to all existing and potential suppliers that provide materials or services which become a part of the finished product or contribute to the integrity of the quality system at CHI.

### 1.3 Distribution

This document is maintained by CHI and is available on the CHI website. It is the supplier's responsibility to maintain and comply with the latest version of this manual. The manual is subject to change by CHI as CHI unilaterally determines from time to time.

## 2.0 SUPPLIER QUALIFICATION PROCESS

All suppliers of production materials and services to CHI must be qualified suppliers. The extent of the qualification process is dependent upon the criticality of the product/service purchased and other factors determined by CHI. The qualification process in its most complete form consists of three parts:

- a supplier self-assessment
- an on-site assessment by CHI personnel or their authorized agents
- a first delivery assessment

### 2.1 Supplier Self-Assessment

Potential suppliers shall be required to complete a "Supplier Self-Assessment". This questionnaire and assessment solicits general information about the company such as location(s), size, capabilities, and financial stability as well as detailed questions regarding the company's quality management system and quality history.

## **2.2 On-Site Assessment**

Depending on the criticality of the product or service the supplier provides, an on-site assessment of the supplier's facility may be conducted. The on-site assessment includes:

- a quality assessment to determine whether the supplier's quality management system is in place and functioning effectively
- a business assessment to determine whether the supplier has production capacity and other business resources needed to fulfill CHI's production needs
- a technology assessment to determine whether the supplier has the needed technical resources, including production and inspection equipment, facilities, engineering resources, etc.

## **2.3 First Delivery Evaluation**

A supplier's first delivery run is subjected to a thorough and rigorous first delivery evaluation to ensure that the product or service meets CHI's requirements. If the assessment team determines that the supplier meets CHI's requirements, CHI approves the supplier.

## **2.4 Periodic Reevaluation**

CHI periodically reevaluates current production suppliers through the use of quality performance data and/or on-site assessments. If requested, the supplier shall make their facility available for the on-site visit by CHI personnel, with reasonable notice.

# **3.0 GENERAL REQUIREMENTS**

## **3.1 Conformance**

The Supplier shall ensure that products and services provided to CHI conform to all Purchase Order, specification, and drawing requirements, whether processed by the supplier or procured from subcontractors.

## **3.2 Supplier Facility Access**

By prior notice, suppliers shall allow CHI and CHI customers access to their facilities for the purpose of evaluating parts, processes, documents (for example FMEAs, control plans, process instructions, other records), methodologies and systems used in manufacturing of CHI's products to verify that the product(s) and subcontracted product(s) conform to requirements.

## **3.3 Sub-Supplier Management**

Suppliers of CHI shall have capabilities to manage their respective suppliers. CHI, when it deems necessary, will audit the critical processes of the sub-suppliers to assure that proper controls are in place throughout the entire supply chain.

Suppliers shall maintain a supplier management system including tracking the quality and delivery performance of their suppliers. Suppliers shall be able to demonstrate that they manage their suppliers' issues through documented corrective actions and verification activities.

Suppliers to CHI shall require their sub-suppliers to conform to the requirements described in this manual.

### **3.3.1 Customer (OEM) Specific Requirements**

If CHI's customer requirements call for additional specific details related to supplied products and services, suppliers shall comply with all requirements. This includes all sub-supplied materials.

### **3.4 Supplier Contingency Plan**

Suppliers shall develop a contingency plan for potential catastrophes disrupting product flow to CHI, and advise CHI at the earliest in the event of an actual disaster.

### **3.5 Supplier Delivery Standards**

Suppliers shall establish systems to support the delivery of products 100% on time.

### **3.6 Product Traceability**

Suppliers shall establish and maintain a system to provide full traceability and identification for their final product, as well as through all stations of their production and delivery.

### **3.7 Training**

The supplier must demonstrate a comprehensive training program for all levels of staff. Training must be applicable to each job function, supported by documented evidence of the standards achieved by each individual.

## **4.0 SUPPLIER PERFORMANCE and ENGINEERING REQUIREMENTS**

### **4.1 Quality System**

CHI suppliers must maintain a quality management system that is certified to ISO 9001 through third-party audits. Suppliers that are not currently certified shall demonstrate compliance to ISO 9001 through CHI second-party audits. Compliance with this requirement is not intended to be indefinite. Suppliers shall have an implementation plan for achieving third-party certification. As such, CHI and supplier shall agree on the timeframe for the supplier to obtain third-party certification to ISO 9001 through an accredited certification body based on an agreed upon timeframe between the supplier and CHI. Certified suppliers shall notify CHI within five (5) working days if any ISO or IATF certifications are revoked or suspended.

#### **4.1.1 Supplier Development to IATF 16949**

Critical suppliers shall have an objective of becoming certified to the IATF 16949 Standard. CHI will work with suppliers to achieve this requirement through the following sequence:

- compliance to other customer-defined QMS requirements (such as Minimum Automotive Quality Management System Requirements for Sub-Tier Suppliers [MAQMSR] or equivalent) through second-party audits
- compliance to IATF 16949 through second-party audits
- certification to IATF 16949 through third-party audits

### **4.2 Advanced Product Quality Planning**

CHI requirements shall be communicated to and understood by the supplier on special control items, critical quality characteristics, prototype requirements, PPAP requirements, packaging requirements, and all other quality related matters. Suppliers shall manage their understanding of CHI requirements for their products and document this activity using the AIAG Advanced Product Quality Planning (APQP) manual.

### **4.3 Production Part Approval Process (PPAP)**

If a PPAP submission has been requested, the supplier shall fully comply with all requirements in the Production Part Approval Process (PPAP) manual. In addition, certain customer specific requirements could apply.

If PPAP is not required, any specific requirements for approval shall be communicated by CHI to the supplier.

#### 4.4 Process/Engineering Changes

Suppliers shall not make any changes in product or manufacturing process without written approval from CHI.

#### 4.5 Supplier Performance Metrics

CHI will provide monthly scorecards to suppliers as a method to communicate supplier performance against established performance targets. Although a supplier may satisfactorily meet performance targets, CHI expects suppliers to drive continual improvement into their business and manufacturing operating systems.

A combined rating score will be generated by CHI using the following categories:

- Quality – 50%
- Delivery – 50%

##### 4.5.1 Quality Performance

*CHI should be notified as soon as a supplier is aware of a quality problem that has shipped from their facility.* In the event the supplier notifies CHI of a problem after product has shipped, but before product has arrived at CHI, no points will be deducted from their quality rating.

##### 4.5.1.1 Supplier Corrective Action Request (SCAR) – 20 Points

This score is determined by the number of SCARs in a rolling six-month period. A supplier with a total of 0 SCARs over the previous six months will receive the full 20 points as the current score. Likewise, a supplier with a total of 3 SCARs over the previous six months will receive 14 points as the current score.

Total SCAR (6 Month)	Points
0	20
1	18
2	16
3	14
4	10
5	5
≥ 6	0

##### 4.5.1.2 Response – 10 Points

This score is based on the timeliness of supplier response to SCARs. *Initial response to a problem is expected in less than 24 hours.*

# Days to Close SCAR	Points
≤ 30	10
> 30	0

**4.5.1.3 Defect Rate – 20 Points**

This score is determined by comparing the number of parts received to the number of parts rejected. For Critical suppliers, this score will be represented in parts per million (PPM). For Key suppliers, this will be represented in percentage.

PPM	%	Points
0	0	20
1-20	1-11	18
21-40	12-23	15
51-60	24-35	12
61-80	36-47	10
81-100	48-59	8
101-120	60-71	6
121-140	72-83	4
141-160	84-95	2
161+	96+	0

**4.5.2 Delivery Performance**

CHI expects 100% on-time delivery. The supplier is evaluated by comparing the actual receipt date against the required delivery date as specified on the purchase order.

**4.5.2.1 On-Time Delivery – 40 Points**

This score is calculated as the number of shipments received versus number of late shipments.

%	Points	%	Points	%	Points	%	Points
100	40	94	30	88	18	82	6
99	39	93	28	87	16	81	4
98	38	92	26	86	14	80	2
97	36	91	24	85	12	79	0
96	34	90	22	84	10		
95	32	89	20	83	8		

**4.5.2.2 Premium Freight – 10 Points**

This score is based on the number of supplier-induced expedited shipments.

# Expedites	Points
0	10
1+	0

**4.5.3 Supplier Rating System**

Rating	Total Score	Consequences/Actions Taken
Green	90-100	Supplier is a preferred supplier for new business opportunities
Yellow	75-89	Sourcing opportunities are limited based on reasons for status. Corrective action plans may be required.
Red	<75	Supplier is not eligible for new business award. Corrective action plans will be required.

**4.6 Continual Improvement**

Continual improvement is essential to successfully compete in today's business environment. All suppliers shall continually improve in quality and delivery to benefit CHI and the supplier's own organization.

**4.7 Nonconforming Material**

CHI suppliers are fully responsible for the quality of their products and shall ensure that all products are produced in conformance to all required standards and specifications. Nonconforming products or services from suppliers are **NOT** acceptable.

**4.8 Supplier Corrective Action and Responsiveness**

CHI issues Supplier Corrective Action Request (SCAR) and requires appropriate actions to be taken within a timely manner to ensure supply continuity. The required actions by the supplier and timing are outlined below.

Action	Timing
Immediate Correction/Containment	24 Hours
Identify Root Cause	5 Working Days
Determine Permanent Corrective Action Plan	10 Working Days
Verify Corrective Action Implementation	30 Days

**4.9 Cost Recovery**

The supplier shall be responsible for all costs incurred by CHI and its customers in conjunction with a corrective action or any failure of the supplier's deliverables. Cost recovery shall be recorded by CHI as debits against open invoices.

Potential costs incurred include, but are not limited to:

- Incoming inspections
- Sorting activities
- Scrap
- Return shipments or shipments to a third party location
- Premium freight

**5.0 REVISION HISTORY**

<i>Revision</i>	<i>Description of Change</i>	<i>Author</i>	<i>Effective Date</i>
0	Initial Release	M. Kniffin	11/26/2008
1	Changes made to align with IATF 16949:2016	M. Kniffin	5/1/2018