



SUPPLIER MANUAL

SM REV. 0

November 26, 2008

1.0 **INTRODUCTION**

At Contour Hardening, Inc. (CHI), we recognize the critical role quality plays in our success; therefore, we are committed to meet 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 manual is issued to suppliers to stipulate the minimum quality requirements of products supplied to CHI and to identify other practices, procedures and requirements for CHI suppliers. This manual will provide suppliers with specific details and procedures which outline CHI's requirements and expectations. The manual should not be construed to supersede ISO/TS 16949:2002 requirements or any higher degree of Federal or State law, where conflicts exist.

The terms and conditions of CHI's purchase orders require CHI suppliers to adhere to the applicable requirements of this manual. This manual and any updates will be available on the CHI website (www.contourhardening.com). 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.

1.2 **Scope**

This manual applies to suppliers for CHI's contract processing division. This Supplier Manual is applicable to all existing and potential suppliers that provide materials, components or services which become a part of the finished product or contribute to the integrity of the quality system through calibration or testing at CHI.

2.0 **SUPPLIER SELECTION**

2.1 **New Supplier Qualification**

New suppliers who wish to be added as a supplier to CHI shall:

- Demonstrate compliance with ISO 9001:2000 with a plan to achieve compliance with ISO/TS 16949:2002 (if industry appropriate).
- Suppliers who provide inspection, test or calibration services shall be registered to ISO/IEC 17025.
- Meet all the criteria defined by this document.

2.2 **Supplier Quality System Certification Status**

Suppliers shall ensure CHI always has a current copy of their Quality System certification. For those suppliers not certified to the appropriate standard, CHI requires the supplier to complete a Supplier Self-Assessment and, at the option of the Heat Treat Operations Manager and Purchasing, may require an on-site audit.

2.3 **Supplier Facility Access**

By prior notice, suppliers shall allow CHI and CHI customers access to their facilities and those of their suppliers 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.

2.4 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.

3.0 NEW PRODUCT INTRODUCTION

3.1 Advanced Product Quality Planning (APQP)

Suppliers shall establish cross-functional teams to develop and manage the product planning process and requirements.

Suppliers shall understand and abide by all CHI quality standards, specifications, and requirements from product concept through all phases of product production. 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 their own Advanced Product Quality Planning (APQP) process.

3.2 Production Part Approval Process (PPAP)

If a PPAP submission has been requested, the supplier shall be responsible for submitting all materials for the PPAP package as an element of the verification process. The PPAP package shall establish that the products produced are in conformance with all applicable product specifications and requirements.

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

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 components, suppliers shall comply with all requirements. This includes all sub-supplied components.

4.0 PRODUCTION CONTROL

4.1 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.

4.2 Change Management

Suppliers shall not make any changes in product or manufacturing process without prior customer approval.

4.3 Nonconforming Product

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.

4.3.1 Corrective Action

CHI shall supply Corrective Action Requests to suppliers of nonconforming product or services. Corrective Action can be required at anytime and may be issued for the following:

- Nonconforming product
- Improper packaging or labeling
- Identified process improvement

The supplier is expected to respond immediately to any quality or delivery issues.

A completed corrective action is required within 10 working days after the occurrence. The timeliness of supplier responses to corrective action requests is monitored by CHI and reported as a metric in the supplier performance evaluation report.

4.4 Supplier Delivery Standards

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

5.0 SUPPLIER PERFORMANCE AND EVALUATION

CHI has established a supplier monitoring and evaluation system that will be monitored through the use of the following metrics:

- Quality (PPM)
- On-Time Delivery
- Corrective Action Requests (CAR's)
- Technical Responsiveness

The quality (PPM) rating is determined by comparing the number of parts received to the number of parts rejected. The quality percentage is 50% of the supplier's overall rating.

The on-time delivery rating is calculated as the number of shipments received versus number of late shipments. A late shipment is defined as a shipment received after the confirmed ship date. On-time delivery is 30% of the supplier's overall rating.

Corrective Action Requests is 10% of the supplier's overall rating.

Technical responsiveness is determined by the quality and timeliness of responses to PPAP submission, corrective action requests, Supplier Self-Assessments, provision of quality system certifications, or other technical requests. It is 10% of the supplier's overall rating.

CHI Purchasing monitors the performance of suppliers. A supplier is designated as "Green" if their rating is 95% or above. A supplier is designated as "Red" if their rating is below 75%. A designation of "Yellow" is assigned to suppliers with a rating of 75% to 94.9%.

Purchasing reviews each report and notes the suppliers whose ratings fell below an acceptable (Green or Yellow) status.

If a supplier's rating on the previous month's report is unacceptable (Red), a corrective action may be requested and the supplier is closely monitored in the future months.

Suppliers with three consecutive overall rating reports of less than 75% may be asked for a corrective action plan. CHI may require the supplier to visit CHI and explain to our management their corrective action plan or why they cannot provide quality materials or services.

Any supplier with late deliveries as the reason for "Red" status may need to provide a reason for the late deliveries and a corrective action plan.

CHI may request corrective action for late delivery or any nonconformance.

If a supplier's rating for the past twelve months is "Red", Purchasing will place such suppliers into a "Probationary" category and no quotes are placed with this supplier until acceptable corrective action has occurred.

If there are any extenuating circumstances such as a business necessity, unique commodity, or the customer will not allow CHI to change suppliers, Purchasing may use the supplier.

CHI will continuously monitor our supplier's performance on a monthly basis, but reports will be provided to the supplier on a six-month time cycle or upon request.

6.0 **SUPPLIER CHARGEBACKS**

Supplier error in workmanship, material defects and/or discrepancies in delivery may result in chargebacks to the supplier. Chargebacks shall be recorded by CHI as debits against open invoices.

Debits may include, but are not limited to, any or all of the following:

- Material returned freight costs.
- A burdened labor charge (per man hour) on behalf of CHI's time spent inspecting, sorting, reworking and disposing/scraping our supplier's product.
- Any and all CHI customer charges incurred as a result of our supplier's nonconforming product.
- Any and all premium freight incurred by CHI to move supplier's product and/or CHI's product due to shortage in material supply that is the fault of the supplier.

7.0 **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