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## **1.0 INTRODUCTION**

- 1.1 This guidelines manual defines the minimum requirements for Supreme Machined Products Co.; Inc. LTD (to be referenced as Supreme throughout the document) Supplier's and does not supersede requirements specified in written contracts, product drawings and/or engineering specifications. In summary the objective of this guidelines manual to provide our suppliers with an understanding of the qualifying requirements to supply Supreme.
- 1.2 Thus the requirements set forth in this manual are the minimum requirements, which must be met in order for a Supplier to gain and maintain approved status from Supreme. Suppliers that do not meet these requirements may be granted a probation approval status and will be monitored until a formal approval is made.

## **2.0 QUALITY MANAGEMENT SYSTEMS REQUIREMENTS**

- 2.1 Supreme evaluates suppliers based on their ability to meet quality, delivery, & total cost of the product and or service. Suppliers of production materials and or services are encouraged to develop & implement a quality management system (QMS) based on the process management approach of IATF 16949/ISO 9001 quality systems requirements. At a minimum, suppliers shall be certified to the latest version of ISO 9001 and comply with the AIAG PPAP requirements latest edition. However, IATF 16949/ISO 9001 certification is the preferred (QMS) and may be required of suppliers based on Supreme and/or Supreme customer requirements. Supreme is dedicated not only to meeting our internal stakeholders and customer expectations, but we are also committed to meeting our community expectations by Complying with all legal and/or government environmental regulations to assure safety within the environment. We have obtained our ISO 14001 certification. We are also strongly encouraging our supply base to obtain this certification as well. At this time, it is not a requirement to become an approved supplier.
- 2.2 When applicable, audits for new and approved suppliers may be conducted as determined by Supreme. In some cases, suppliers may be requested to complete a self-assessment on a periodic basis. The supplier will be notified of the audit results within two weeks of the audit date. Suppliers are required to notify Supreme of certificates being revoked or placed on probation. Suppliers shall notify Supreme Purchasing if they plan on changing registrars.

## **3.0 PRODUCTION PART APPROVAL PROCESS**

- 3.1 Manufactured automotive components require compliance with all applicable pre-launch, production, & service requirements as prescribed in the current Automotive Industry Action Group (AIAG) Advanced Product Quality Planning & Control Plan (APQP) Manual.
- 3.2 The supplier shall comply with the AIAG Production Part Approval Manual (PPAP) unless otherwise specified by Supreme. Level 3 is the default submission level for all custom-made products. Any modifications to these requirements must be approved in writing by Supplier Quality. Sample submissions are required for new products and before changes are made to existing products or processes.
- 3.3 Preliminary Process Capability Studies are required for designated Safety, Key, Critical, or Significant Characteristics that can be measured using variable data. The number of parts sampled, methods, &



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capability requirements are as defined in the current AIAG PPAP Manual, unless otherwise specified in writing.

- 3.4 Material &/or performance tests are expected whenever chemical, physical, metallurgical, or performance requirements are specified on the engineering drawing or purchase order. Specific requirements for material tests & reports are as defined in the current AIAG PPAP Manual, unless otherwise specified in writing. The supplier is expected to have current revisions of required automotive or other industry specifications & will provide a copy to Supreme upon request.
- 3.6 All suppliers are required to notify Supreme Purchasing in advance of product or process changes. This includes changes in form, chemical changes, changes in the manufacturing process, changes in the sequence of the process, changes in the sub-contractors, changes in manufacturing location, change in plating sources, and any other change that can affect Supreme's manufacturing process or the durability of the end product.
- 3.7 For PPAP submissions, Supreme requires a minimum of (5) five pieces for dimensional layout and 300 pieces for a sample submission, unless otherwise specified by the Supreme. All sample products must be identified with a label to the attention of the Supreme Supplier Quality representative and must be shipped separate from production lots.
- 3.8 Full approval indicates that the supplier is authorized to ship production quantities of product per Supreme's releases. Interim approval pending customer approval indicates that Supreme is awaiting functional approval from our customer. Interim approval may permit shipment of parts or material for a limited time or quantity only.
- 3.9 Requirements for non-automotive production part approval will be specifically prescribed on the RFQ & initial purchase order. Where applicable one of the AIAG submission level requirements will be utilized.

#### **4.0 PURCHASE ORDER RECEIPT & VERIFICATION**

- 4.1 Suppliers shall acknowledge, via email or fax, all purchase orders (P.O.s) issued by Supreme upon receipt of said P.O. Any discrepancies in price, quantity, specifications, packaging, or delivery requirements must be communicated to & resolved with Supreme Purchasing before taking action on the purchase order. Amendments to a contract shall require contract or purchase order review. Any freight, handling or other charges need to be communicated at supplier's acknowledgement of Purchase Order.
- 4.2 The supplier accepts responsibility for compliance with the current Supreme purchase order terms & conditions by accepting & acting upon the P.O.

#### **5.0 CONTROL OF RECORDS**

- 5.1 Suppliers shall (unless otherwise specified by Supreme and its customers) retain for the length of time that the part is active for production plus a minimum period of 5 years, the following documents: Purchase contracts, drawings, specifications, complete PPAP documents package, re-validation documents, quality concern documents and corresponding corrective action reports. These requirements do not supersede any regulatory requirements. Records can be in the form of electronic media.
- 5.2 Suppliers shall assure timely review, distribution and implementation of all customer engineering standards / specifications and changes.



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## **6.0 MATERIAL & PROCESS CERTIFICATIONS**

- 6.1 When requested on our P.O., material certification &/or process certification to automotive or other industry specifications must accompany the shipments when delivered, unless otherwise arranged. Material certifications must have lot test data attached specifically showing the specification requirements & results of the tested lots. Certifications must refer to the shipment lot, shipment date, Supreme's purchase order number, & the name of the specification the product is being certified to.
- 6.2 In response to violence and human rights violations in the mining of certain minerals from the "Conflict Region", which is situated in the eastern portion of the Democratic Republic of the Congo (DRC) and surrounding countries, the U.S. Securities and Exchange Commission (SEC) has adopted rules to implement reporting and disclosure requirements related to "conflict minerals," as directed by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. -The definition of "conflict minerals" refers to gold, as well as tin, tantalum, and tungsten, the derivatives of cassiterite, columbite-tantalite, and wolframite, regardless of where they are sourced, processed or sold.

Supreme Machined Products requires its suppliers who utilize any of the above Minerals, to provide a Conflict Materials statement confirming that they do not purchase any of these Conflict Minerals from any "Conflict Region".

Supreme Machined Products requires its supplier to have all necessary controls in place to prevent unlawful Child Labor and remain in compliance with any applicable federal, state or local laws and regulations regarding unlawful child labor. Supplier is required to notify Supreme if they cannot meet these requirements or if at any point supplier is found to be non-compliant.

- 6.3 External Laboratory - Commercial and independent laboratory facilities utilized by the supplier must be approved prior to use. The acceptance criteria shall be based on the latest ISO/IEC 17025 (or national equivalent) accreditation and have a scope and capability for the laboratory consistent with the test to be performed. Copies of lab accreditation are required if materials are being tested & certified by ISO 17025 or national equivalent laboratory. New proof of accreditation must be sent when expiration has occurred.
- 6.4 Suppliers of Supreme shall ensure critical processes such as heat treating and plating are audited and managed. Suppliers and sub-contractors providing heat-treating services will be required to demonstrate conformance.
- 6.4 Suppliers of heat-treated components to Supreme which are IATF/ISO certified must conform to the requirements referenced in the drawing notes. The supplier shall demonstrate compliance to the AIAG CQI-9 Heat Treat System Assessment or applicable customer specific requirement (i.e: Ford Engineering Material Specification W-HTX). Assessments must be conducted annually and results must be made available to Supreme on request.

Compliance to W-HTX or CQI-9 does not relieve the organization of full responsibility for the quality of supplied product. Traceability shall be maintained for lot control to the chemical composition and/or quenched hardness testing. The CQI-9 standard specifies the requirements for the type of process monitors, laboratory controls, and in-process inspection tests to be performed and the maintenance of records.



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- 6.5 Suppliers of plated or special coated components which are IATF/ISO certified shall demonstrate compliance to AIAG CQI-11 Plating System Assessment and AIAG CQI-12 Special Coating System Assessment. Assessments must be conducted annually and results must be made available to Supreme upon request.

## **7.0 CONTROL OF SUPREME (CUSTOMER) SUPPLIED PRODUCT**

- 7.1 Suppliers shall have procedures and record retention as required for consignment material if applicable at the specific plant of function. Verification of storage, and maintenance of Supreme (customer) supplied product (including tooling and returnable packaging) is required and must be controlled.

## **8.0 IN-PROCESS CONTROL OF CRITICAL PRODUCT OR PROCESS CHARACTERISTICS**

- 8.1 Suppliers must establish in-process controls for any print designated critical (special, functional, etc.) characteristics. Normally these characteristics are designated by the end-customer with design responsibility, although Supreme may designate additional characteristics critical to our manufacturing operations. Critical characteristics will either be evident on the referenced print or specifically identified on the purchase order requirements.

## **9.0 IDENTIFICATION OF STATISTICAL TOOLS**

- 9.1 The organization shall use the latest edition of AIAG SPC for manufacturing process controls and AIAG MSA for measurement system equipment.
- 9.2 All gauges shall have a gauge study performed in accordance with the methods described in the latest AIAG Measurement System Analysis Manual to determine measurement system capability. Gauges not meeting the specification in the MSA must have a containment plan (such as 100% inspection, gauge improvement) that is approved by Supreme.
- 9.2 If specified as a P.O. requirement, the supplier shall provide appropriate SPC charts demonstrating statistical control of a capable process. SPC charts must identify the product inspected by sampled lot numbers & Supreme's part number.

## **10.0 CONFORMANCE TO SPECIFICATIONS**

- 10.1 Supreme expects all materials & components to arrive defect free. "Zero Defects" must be the standard that all suppliers accept responsibility for & strive towards.
- 10.2 Product is expected to meet all purchase order & reference engineering drawing specifications unless a "Request for Deviation" is submitted by the supplier prior to shipment & approved by Supreme in writing.
- 10.3 The supplier is expected to quickly respond to notifications of nonconforming material, contain, & sort or replace suspect or defective product as necessary to meet Supreme production requirements. The supplier will ensure the defect is effectively contained until effective corrective actions have been implemented & verified.



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## **11.0 SUB-CONTRACTORS**

- 11.1 Control of Subcontracted Suppliers that perform manufacturing processes is the responsibility of the Supplier for all products supplied, whether produced in its own plant or obtained elsewhere. Supreme retains the right to require sub-supplier approval, identification of key components and review certifications
- 11.2 The Supplier shall request Supreme approval of any subcontracted service or change in such service. This co-qualification process can take place on the following but not limited to new parts, change of suppliers, or supplier change processes.

## **12.0 CONTROL OF NONCONFORMING PRODUCT OR MATERIAL**

- 12.1 The supplier shall have processes and systems in place to prevent the shipment of non-conforming material to Supreme. The supplier shall ensure that the root cause is investigated and that corrective actions are implemented to prevent recurrence. If there is any opportunity that non-conforming product has escaped the supplier, the supplier shall notify Supreme at once.
- 12.2 The supplier shall take reasonable measures to ensure that product is intercepted and quarantined. If Supreme already received or used suspect product, the supplier shall implement immediate containment action at Supreme or applicable customer's location.
- 12.3 When non-conformances are detected, whether at receiving or in process, Supreme will notify the supplier and may create an Problem Log in Plex and request corrective action from the supplier, which may include an 8D. (see part 13.0) If it is necessary to return the product, Supreme will request authorization to do so. An administration fee of \$50.00 may be issued at that time, at the discretion of Supreme. The supplier will be held financially liable for any associated costs incurred by Supreme whenever a supplier's nonconforming material is reported as discrepant by a Supreme customer or by Supreme.

## **13.0 SUPPLIER CORRECTIVE ACTIONS**

- 13.1 Suppliers are expected to respond promptly to any quality & delivery problems. Initial corrective actions to contain the problem & prevent or alleviate disruption of production at Supreme must be initiated immediately upon notification of a problem. Written documentation as to the containment actions performed & results must be submitted to Supreme no later than the next business day after notification.
- 13.2 Suppliers must follow-up with corrective actions to determine root cause of the occurrence & implement solutions to prevent recurrence. A written explanation of actions taken &/or planned will be expected in writing within 7 business days from the date of occurrence unless otherwise approved by Supreme. Corrective action must adequately address the root cause/s of both occurrence & escape (non-detection at the supplier's facility).
- 13.3 Each issued Corrective Action requires written response and action by the supplier. The use of 8D format may be required. Additional problem-solving methods (i.e.5 Why Analysis, Is/Is Not) may also be



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required. It is recommended that the supplier use AIAG CQI-10, Effective Problem Solving Guideline as a fundamental foundation of the problem solving process. The supplier is requested to communicate frequently during the resolution of the problem including, at the minimum, information on containment, root cause analysis, effective corrective and preventative action, and objective evidence (Control Plan, FMEA, etc.). These will be required for 8D closure acceptance.

- 13.4 Supreme reserves the right to sort product in question, at the supplier's expense, to support the needs of scheduled production. The supplier may be held financially liable for any associated costs incurred by Supreme nonconforming defects are encountered.
- 13.5 Supreme may issue a Corrective Action for any failure to meet our requirements, including but not limited to problems with labeling, certifications, packaging, and, of course, problem products.
- 13.6 Suppliers will be issued a corrective action if there is a disruption to Supreme's customer.

#### **14.0 PRODUCT STORAGE, IDENTIFICATION AND TRACEABILITY**

- 14.1 Procedures must be established and maintained for identifying product from receipt and during all stages of production, and delivery. The suppliers' lot traceability system must be capable of identifying lots of material via labels and/or physical marking. The system shall include procedures and practices for identifying, segregating, and disposing of nonconforming material.
- 14.2 The supplier shall use an inventory management system to assure "first-in-first out" (FIFO). Suppliers shall monitor stock for deterioration at appropriate intervals. Obsolete product shall be controlled as nonconforming product.
- 14.3 Records of lot traceability must be maintained and readily accessible upon request.
- 14.4 Materials subject to deterioration or sensitive materials need to have the expiration date clearly marked on the container and the date included on the certificate of conformance.

#### **15.0 PACKAGING & LABELING**

- 15.1 Weight per container must be limited to 30 pounds or less, unless otherwise authorized in writing.
- 15.2 Unless packaging &/or mode of transportation are specified, it is the responsibility of the supplier to determine the appropriate means to ensure product arrives on time & undamaged. Supreme works off the premise that the supplier knows their product & process best & should have the expertise necessary to determine the most appropriate packaging & transportation at the time of quotation.
- 15.3 Suppliers shall ensure that products, when complete, are rust and corrosion free, and packaged in such a manner as to provide adequate protection against damage, rust and corrosion.
- 15.4 Expediting charges for shipments must be authorized ahead of time to receive payment by Supreme. Supreme will only pay expedited costs when adequate lead-time has not been provided. Deliveries being expedited due to delays at the supplier's facility or due to returned non-conforming product will be at the expense of the Supplier or Subcontractor.





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- 15.5 Packing lists must contain the Supreme part number, manufacturer's part number, all lot numbers in the shipment with quantities per lot, P.O. number, number of cartons, quantity per carton, & total quantity shipped.
- 15.6 Shipping labels shall be formatted according to AIAG standards. Labels must contain Supremes' part number, quantity per container, P.O. number, lot number, part description, engineering revision level, & the name of supplying subcontractor in human readable format. The Supreme part number, quantity, P.O. number, & lot number must also be in scan able bar code format.
- 15.7 All information on shipping labels & packing lists must be accurate. Quantities shown on the shipping documentation must be reflective of the actual piece count, unless specified in writing by Supreme.

## **16.0 DELIVERY EXPECTATIONS**

- 16.1 Supreme expects 100% on-time delivery. Deliveries are considered on time if the required product, as specified on the P.O. or release, is received on the due date or up to 2 days early. Suppliers are expected to notify Supreme Purchasing on or prior to the due date whenever a delivery date will not be met.
- 16.2 Standard receiving hours are 7:00am to 4:00pm, Monday through Friday, announced holidays excluded. Deliveries will not be accepted outside of these hours unless specific arrangements have been made & approved by Supreme.
- 16.3 Applicable documents, such as packing lists, material certifications of conformance, certificates of analysis, material safety data sheets, etc., must arrive with or prior to receipt of the shipment.
- 16.4 Continuity of Supply - Every supplier is faced with the possibility of production being interrupted by unforeseen circumstances, such as power loss or machine breakdown. Because any interruption in supply may result in substantial damages, particularly if it results in Supreme not being able to meet customer demands, we require each of our component suppliers to develop a plan for continuity of supply. This plan must be immediately available on request.
- 16.5 Supplier Planned Downtime - Suppliers must provide detailed plans to Supremes' Purchasing for protection of supply during planned downtimes (holidays, vacations, etc.).

## **17.0 SUPPLIER PERFORMANCE EVALUATION**

- 17.1 Supreme has a system for tracking supplier quality and delivery performance. The information gathered is reviewed by Supreme management and will be used for continual improvement and awarding future business. Supreme tracks it's Approved Key Supplier Partners and may issue Reports cards at its discretion.
- 17.2 The supplier report card is a framework for measuring supplier performance in Quality and Delivery.

## **18.0 INTERNATIONAL MATERIAL DATA SYSTEM (IMDS)**



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- 18.1 Suppliers of automotive components & materials are responsible for accurately entering substance data into the IMDS on-line reporting system & providing the ID version number that the IMDS assigns when the data has been entered & accepted. This IMDS submission & acceptance is required prior to production part approval (PPAP).

## **19.0 REGULATORY CONFORMITY (EPA/DOT/SAFETY)**

- 19.1 The supplier shall have a process to ensure compliance with all applicable legal, safety, health and environmental regulations, including those concerning handlings, recycling, and elimination or disposing of hazardous material. These regulations relate to the health and safety of the workers, environment protections, toxic and hazardous materials, and free trade. Suppliers shall recognize that the applicable government regulations may include those in the country of manufacture as well as the country of sale. An ISO 14001 certification is strongly encouraged.
- 19.2 Material Safety Data Sheets or (SDS) must be provided electronically for new items prior to delivery of samples or production materials. An updated version of the SDS will be forwarded to Supreme Purchasing whenever it is revised. Any contractors entering supreme Machined Products building or property are required to provide a list of any and all chemicals or substances along with an SDS sheet prior to entry.
- 19.3 Supreme requires its Suppliers to conform to the current applicable statutory and regulatory requirements in the country of receipt, the country of shipment, and the customer identified country of destination, if provided.

## **20.0 SUPPLIER CONDUCT WHEN VISITING OR WORKING AT SUPREME MACHINED PRODUCTS**

- 20.1 Contractors / Suppliers Visiting or Working at Supreme must follow the same rules as our employees
- 20.2 These are a few highlights that should keep everyone on the same page. Any questions please see your main contact person.
  - 1) Basic professional etiquette when interacting with others
  - 2) No tobacco policy in the building, the only smoking area on premises, is on the south side of the building, exit through door S7 and the covered smoking area is visible to the east.
  - 3) Safety glasses must be worn at all times.
  - 4) Slip resistant shoes or slip resistant covers must be worn.
  - 5) No headphones allowed.
  - 6) Work pants must be worn, No shorts.