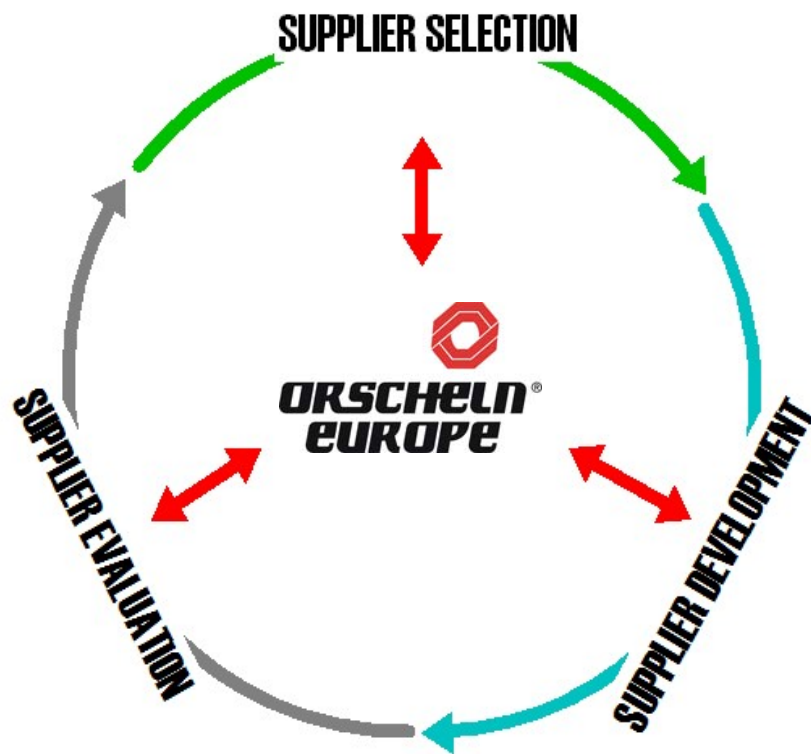


Orscheln Europe Rugby, UK



Supplier Quality Manual



Orscheln Europe Mission Statement

“To be the global leader in control systems and related industrial products, while providing the greatest value to our employees, customers and shareholders”

Orscheln Europe Quality Statement

“To provide products and services that meet the needs and expectations of our customers by striving to do everything right first time.”

Orscheln Europe Goals

- **Recognise our people as our most important asset.**
 - **Create customer/supplier partnership culture.**
 - **Develop effective common business systems.**
 - **Manage profitable growth.**

Orscheln Europe Ground Rules

- **Continuously improve everything we do through training and open minds to change.**
- **Respect everyone and their ideas opinions & suggestions.**
 - **Be committed and focused to the mission statement.**
 - **Be responsible and supportive of each other through communication, honesty and trust.**
 - **Believe in what we do and enjoy what we do.**



Orscheln Europe Supplier Quality Manual

Preface

The Orscheln Europe Supplier Quality Manual has been created to assist our suppliers in understanding the purchasing expectations and quality requirements for products and/or services supplied to Orscheln Europe and to help to meet the statements above.

Orscheln Europe recommends that suppliers achieve certification, by an accredited certification body, to a current version of either TS 16949 or ISO-9000 Quality Management Standards

For suppliers requiring assistance in development towards satisfying specific requirements from the ISO-9000 standards, Appropriate Orscheln Europe department representatives are available to assist upon your request.

Through implementation and adherence to the standards stated herein, Orscheln Europe looks forward to a long and mutually beneficial relationship with our Suppliers.

Mr. Pete Smith

General Manager, Orscheln Europe

Mr. Munish Mistry

Quality Engineer, Orscheln Europe



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SECTION 1.0 Introduction

1.1 Scope

The Orscheln Europe Supplier Quality Manual has been developed to communicate the operating principles, general expectations, requirements, and procedures of Orscheln Europe. For ease of reading Orscheln Europe where referenced has been shortened to OE.

Adherence to the guidelines described in this manual is required by all OE Suppliers. Acceptance of any and/or all purchase orders constitutes acceptance and commitment on behalf of the recipient to comply with this manual's content. These guidelines are provided as a 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.

1.2 Purpose

It is necessary that all functions within OE and their business associates operate on the "zero defects" philosophy. We must both strive for a fundamental quality system that provides for continual improvement in the quality of product, delivery and services. Emphasis should be on defect prevention and the reduction of variation and waste in the supply chain.

1.3 Application

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

1.4 Ethical Standards and Policies

OE is committed to a **Code of Business Ethics and Conduct** which describes our intention on how to behave when we do business.

OE strives to maintain a reputation for corporate trustworthiness around the world, based on consistently conducting business with integrity and in compliance with the laws and regulations governing its activities. Therefore we seek to ensure that all our officers, managers, employees and suppliers operate in compliance with our requirements. There is a Supplier Self Assessment at the end of this document and we would like all suppliers to complete this and send back to OE.

SECTION 2.0 Supplier Selection

OE supplier base will consist of organisations supportive of our business needs. OE utilises controlled methods through which suppliers are evaluated, selected, developed and monitored.

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

2.1 Supplier Data

It is a requirement of ISO 9001 : 2008 Standard that OE hold a list of Approved Suppliers. As part of this supplier list certain basic information is required to be held on record as well as copies of accredited Quality System Certificates.

The information required is captured through the issue of OE quality form **QF-041 Supplier Questionnaire Form** for all suppliers and potential suppliers to populate. OE will periodically re-issue the request for supplier data to all approved suppliers in order to ensure data is kept current.

2.2 Quality & Environmental Systems

Suppliers are strongly encouraged to comply with all requirements of a current ISO 9000 based standard. Supplier quality systems should be formally documented, implemented and maintained to ensure supplier's products/services conform to the identified purchase specifications, engineering or material specifications and/or contract requirements.

OE customers are beginning to demand that ISO14001 Environmental Management System standards are implemented by their suppliers and downwards through the supply chain, it is strongly encouraged that all OE suppliers should either have attained this standard or is working towards it.

The system should be defined and documented in the supplier's own Quality Manual. This manual should be made available to OE for review upon request.

Copies of latest certificates are requested from all suppliers to keep on file.



2.3 Product/Service Quality

Suppliers are fully responsible for the quality of their products/services. They are responsible for providing products/services which meet all OE current requirements, specifications, and drawings as identified on the purchase order.

Zero defects are expected from all suppliers.

- Exceptions to requirements must be noted in writing, in advance, for validation/concurrence by OE. An example of OE **QF-015 Product Deviation Form** is a suggested format for use.
- Where required as part of original approval process any certifying documents material and/or process certifications must accompany all shipments of product to OE for the requirements specified on the drawings.

2.4 Supplier Monitoring

Approved suppliers will be monitored/measured on a regular basis against a variety of performance indicators.

A supplier rating will be issued and communicated to all suppliers on a regular basis.

Any suppliers deemed as unsatisfactory or poor will be helped to improve their rating, any suppliers who do not meet required standards after all practical and reasonable assistance by OE may find themselves removed from the approved supplier list.

The supplier rating is a key indicator of the effectiveness of OE and Supplier partnership. A highly rated supplier gains the benefit of having opportunities for forthcoming projects whilst a poorly rated supplier will see a reduction/loss in future business opportunities.

Certain suppliers with whom OE had a working relationship prior to our registration to ISO 9001 and have a history of satisfactory performance have been "adopted", OE will endeavor to help where required to meet the requirements of this manual.

New suppliers may be granted temporary approval until review of their compliance to the requirements of the OE Supplier Quality Manual by Quality and Purchasing.

Approved Suppliers that have sufficient historical activity and current certification to a recognised quality standard may be awarded "Preferred Supplier" status. The supplier is included in all requests for quotes within a commodity group and will see growth in business and opportunities as OE grows.



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Certified supplier status is based on proven ability to maintain a “certified” rating. This is achieved by having an average score that is “preferred” as well as current registration to a nationally recognised Quality System (ISO 9001, AS9100, TS 16949) as well as, other criteria as outlined in the manual.

SECTION 3.0 Purchasing Expectations

3.1 Terms and Conditions

1. Normal Payment terms as stated on the purchase order.
2. Receipt of signed and dated Purchase Order Acknowledgment is requested within 3 working days.
3. OE expects suppliers to provide notification and information as soon as possible when conditions arise that prevent compliance with any requirement of an order. Any shutdown periods to be notified in writing in advance with any deliveries due during shutdown period to be delivered beforehand.

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

3.2 Engineering / Technical Support

OE is dedicated to the manufacture of highest quality products. In order for this objective to be achieved, all suppliers should offer engineering and technical support when said support is requested.

3.3 Customer Support

The Supplier is required to maintain a contact that can be readily available to assist in solving problems relating to poor quality, delivery and other issues. Focus should be on continual improvement.

3.4 Manufacture Capability / Capacity / Location

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

3.5 Competitive Pricing

OE expects all suppliers to remain competitively priced in their respective industries.

Cost reduction plans should be forwarded to OE for review by OE Purchasing and Engineering.

Consumer demands for high quality at low prices place demands on all manufacturing enterprises. For this reason, the mutual objectives of all must be to strive for ways of continual improvements in manufacturing, transport of product, communication, pricing, and quality of product and/or services.



It is strongly recommended that suppliers participate and suggest opportunities for VA/VE (Value Analysis/Value Engineering) exercises to reduce costs for mutual benefits.

3.6 Consistent Quality

100 % defect free product is expected for suppliers to OE. Any deviation from this may result in rejection and return of product to the supplier with subsequent charges attached. This is the industry standard that the market demands.

Any defective products supplied to OE will have a negative impact on the supplier rating.

All shipments are received subject to inspection and payment by OE shall not constitute acceptance. Even after acceptance of a shipment, OE reserves the right to return any material that proves to be defective for full credit including the reimbursement of additional costs incurred due to defects. Defective material shall be returned at the supplier's expense.

3.7 On-Time Delivery

OE expects all suppliers to 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 with formal reporting on a regular basis. To further clarify this, we consider unauthorised early or late deliveries and partial or over shipments to be unacceptable.

The quantity shipped to an order or release shall not exceed the specified quantity without the prior written consent of OE Purchasing.

If a production line is shut down due to poor quality, late delivery, or incorrect quantity on any shipment by the supplier, the supplier may be held responsible for any costs incurred including expediting shipments or charges from OE's customers or any other liabilities that may arise.

Late deliveries supplied to OE will have a negative impact on the supplier rating.

3.8 Transportation Costs

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

If the Supplier is late, from the date that had been confirmed on the PO, then it is the responsibility of the Supplier to ship product to OE at the Supplier's expense.



If supplier is not able to meet purchase order quantity requirements and has to supply in split batches then it is the responsibility of the Supplier to ship product to OE at the Supplier's expense until the requirements of the purchase order are fulfilled.

Unless agreed otherwise it is requested that all quotations and pricing is on a delivered basis.

Where supplier does not have preferential rates for carriers for delivery OE approved carrier list can be shared to obtain discounted courier rates for the mutual benefit of OE and supplier.

3.9 Co-operative Management Attitude

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

3.10 Rights of Verification of Products/Services

OE reserves the right to verify the products/services on the supplier's premises by OE representatives and our customer or their representative.

3.11 Purchase Orders

Supply of direct materials to OE must only be made against a valid Purchase Order signed by an authorised member of OE Purchasing Department.

Notes for Highlighted Areas on PO

- A. **Unique Supplier Code** – This is the unique supplier reference code.
- B. **Purchase Order Information** – Purchase order number, order date and order revision. A PO can have several revisions depending on a variety of factors, it is up to the supplier to ensure that deliveries conform to the latest revision of the purchase order.
- C. **Delivery and Payment Information** – Agreed delivery and payment terms are shown here

Each line on the purchase order corresponds to an individual item.

- D. **Orscheln Europe Part Number** – all data on item is referenced by its unique OE part number.



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- E. **Revision Level** – OE drawing revision level of item it is up to the supplier to ensure that items supplied correspond to the correct drawing revision level. If revision levels on PO and drawings held by supplier do not match then please contact OE purchasing department to resolve the issue.
- F. **Description and Supplier Part Number** – OE item description and supplier reference for part if advised.
- G. **Required delivery date** – Date item required by OE. If at any stage from receipt of PO to delivery of items there is any discrepancy on quantity or expected delivery date, the supplier is requested to communicate this with OE purchasing department as soon as issues become known.



Buyer / Coordinator

Seller
A Supplier
An Address

Attn:
Ship Via

Supplier
ABC112

Delivery Address
Orscheln Europe
1 Pelham Road
Central Park
Rugby CV23 0PB
UNITED KINGDOM

Terms of Delivery
Delivery Duty Unpaid
Payment Terms
Net 45

Purchase Order
12345

Order Date
01-Jan-2010

Revision
2

Rel	Part Number	Drawing	Description	Blanket ID	Quantity	Unit	Price	Deliver Tax	Total USD
1	12345678	C	FLUID LEVEL IND. SUP1234		75	PCS	7.82	7-Apr-10 Y	586.50
1	86675546	001	FLUID LEVEL IND. 78919191		75	PCS	8.12	7-Apr-10 Y	609.00
1	6546464	002	FLUID LEVEL IND. CAC7878		160	PCS	5.99	7-Apr-10 Y	958.40
1	67576575	001	FLUID LEVEL IND. 7662762727		200	PCS	8.48	7-Apr-10 Y	1,696.00

Total Order: USD 3,849.90

Please contact if required delivery date cannot be met: Marion Bloem Tel: +44(0)1788 561400 Fax: +44(0)1788 567555 E-Mail: mbloem@orschelneurope.co.uk

D

E

F

G

Figure 1 - Purchase Order

3.12 Purchase Order Acknowledgement

An acknowledgement of receipt of purchase order is requested within **3 working days** is requested.

Any deviation from due dates and quantities should be communicated in writing as part of the order acknowledgement and OE purchase order will be amended to reflect these changes if acceptable.

If due dates or any other details on purchase orders appear to be unrealistic or unreasonable for whatever reason the supplier must contact OE Purchasing and highlight this fact and a mutually agreeable solution to be found.

SECTION 4.0 Packaging and Delivery

The supplier shall package and ship product in a manner that provides protection of the product against damage, rust, corrosion and contamination. 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.

It is the supplier's responsibility to ensure components are received in line with packaging/labeling guidelines specified. It is the policy of OE to use recyclable packaging where appropriate.

All packaging to be agreed in advance as part of RFQ with a formal packaging specification agreed and signed off.

4.1 Box or Carton

OE adheres to health and safety guidelines, further details can be found at the UK Health and Safety Executive website.

<http://www.hse.gov.uk/pubns/INDG143.pdf>

All individual boxes of components or parts must not exceed 15kg unless agreed in writing in advance. Any individual boxes over this weight need to be clearly and appropriately marked with the weight of the box.

OE has standardised packaging to utilise the maximum available space within storage areas and avoid double handling/repacking of components.

OE standard packaging sizes are listed below:-

NAME	LENGT H	WIDTH	DEPTH	THICKNES S
TAXI BOX	56cm	56cm	18cm	5mm
MGG BOX	97cm	16cm	8cm	3mm
PIZZA BOX	53cm	53cm	5cm	3mm
SHOE BOX	37cm	20cm	14cm	3mm
TALL BOX	82cm	16cm	87cm	5mm



RVI BOX	44cm	30cm	36cm	5mm
---------	------	------	------	-----

It is requested that suppliers also package to these dimensions unless agreed in advance as part of original RFQ. This packaging is available from OE at cost and supplier is welcome to purchase the packaging through OE if it is beneficial to do so.

OE wherever possible endeavors to recycle all packaging materials and is open to suppliers using returnable containers if beneficial to do so.

4.2 Cartons on Pallet

Each box/carton should be individually labeled and stacked on the pallet in a way that prevents collapse of individual boxes and damage to the contents.

It is recommended that pallet loads are wrapped in plastic film and securely strapped.

The use of strengthening corners is encouraged to avoid collapse of individual boxes if stacking occurs during shipping.

4.3 Loaded Pallet Constraints

OE has certain storage constraints and norms and requests suppliers to adhere to these where practical to do so.

Unless otherwise agreed in advance or product is not suitable due to physical constraints OE strives to standardise and recycle packaging materials as part of this process we ask suppliers to work with us and comply with the specifications below.

Maximum height of palletised goods is to be **1000mm (39 inches)** including the pallet, this is the maximum clearance within the palletised storage bays at OE.

Maximum weight of single loaded pallet is to be **600Kg (1320 pounds)** unless the format of component does not support this specification e.g. Reels of Cable Material this is the maximum recommended rating of OE forklift at full height.

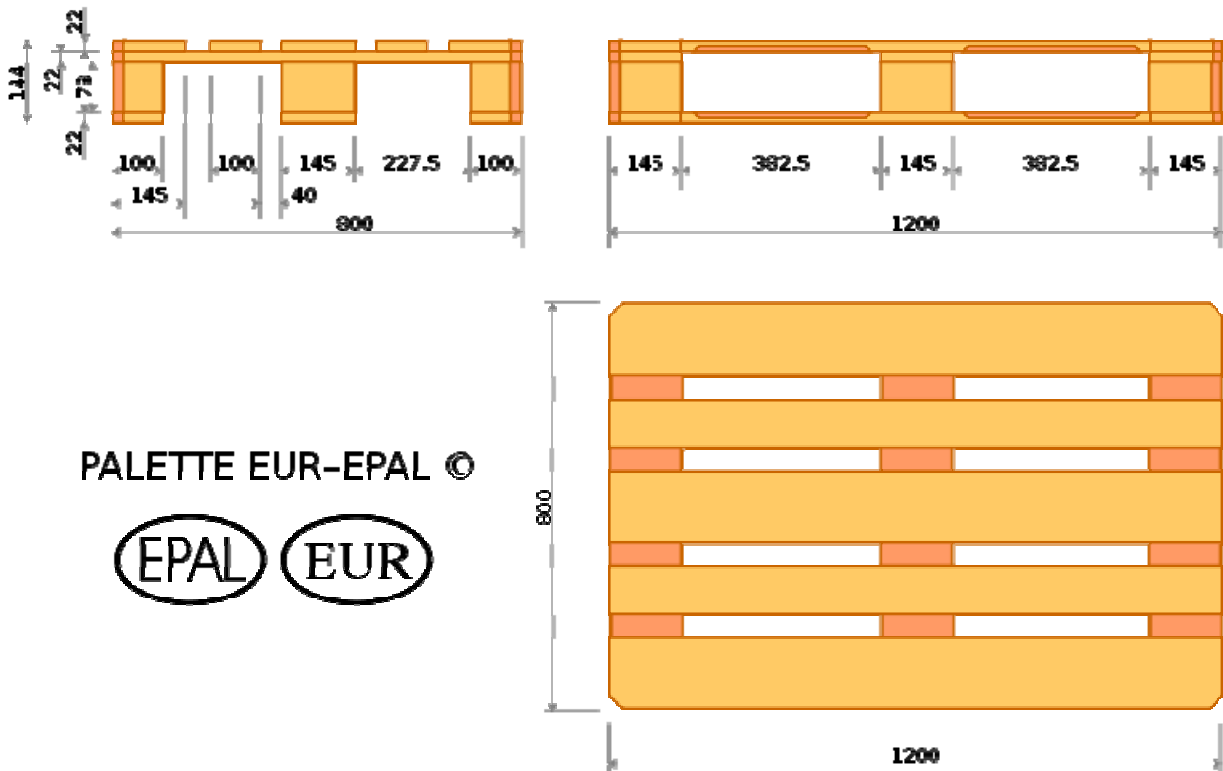
Due to the international nature of OE business, supplier and customer base it is requested that all pallets supplied with goods meet international norms detailed in the section below in both dimensions and also pest control treatments.

4.4 Standard Euro Pallets

OE specifies the EURO pallet or equivalent to be used, also called a [CEN](#) pallet, and is widely used in many industries. It measures 800 by 1200 by 120 mm.

The four common sizes of EURO pallets (alongside with ISO alternative sizes) are:

EURO pallet type	Dimensions, mm/in (W x L)	ISO pallet alternative
EUR, EUR 1	800 x 1,200 mm/31.50 x 47.24 in	ISO1, same size as EUR
EUR 2	1,200 x 1,000 mm/47.24 x 39.37 in	ISO2
EUR 3	1,000 x 1,200 mm/39.37 x 47.24 in	
EUR 6	800 x 600 mm/31.50 x 23.62 in	ISO0, half the size of EUR
	600 x 400 mm/23.62 x 15.75 in	quarter the size of EUR
	400 x 300 mm/15.75 x 11.81 in	one-eighth the size of EUR



4.5 Phytosanitary Sanitary Compliance

Due to the International Plant Protection Convention (abbreviated IPPC), most pallets shipped across national borders must be made of materials that are incapable of being a carrier of invasive species of insects and plant diseases.

Pallets made of raw, untreated wood are not compliant with ISPM 15. To be compliant the pallets (or other wood packaging material) must meet debarked standards, and must be treated by either of the following means under the supervision of an approved agency:

- Heat treatment the wood must be heated to achieve a minimum core temperature of 56 °C (132.8 °F) for at least 30 minutes. Pallets treated via this method bear the initials **HT** near the IPPC logo.
- Chemical fumigation the wood must be fumigated with methyl bromide. Pallets treated via this method bear the initials **MB** near the IPPC logo. From 19 March 2010 the use of Methyl Bromide as an acceptable treatment according to ISPM15 has now been phased out but may still be in circulation.

Pallets made of non-wood materials such as steel, aluminum, plastic, or engineered wood products, such as plywood, oriented strand board, or corrugated fiberboard do not need IPPC approval, and are considered to be exempt from ISPM 15 regulations.

4.6 Labeling

OE endeavors to re-use and recycle packaging materials wherever possible. It is requested that suppliers do not write information on the packaging material but any notes deemed to be necessary are written on a dedicated place on the label – see example below.

A label of dimension 100 x 160 MAX is requested with suggested minimum information of:-

- Supplier Code: As found on Purchase Order
- OE Part Number
- Part Description
- Part Revision Level
- Packaged Quantity
- OE PO Number
- Traceability Information: Manufacture date or other codes as used by supplier
- Additional notes to be added to label and not written on the packaging itself.

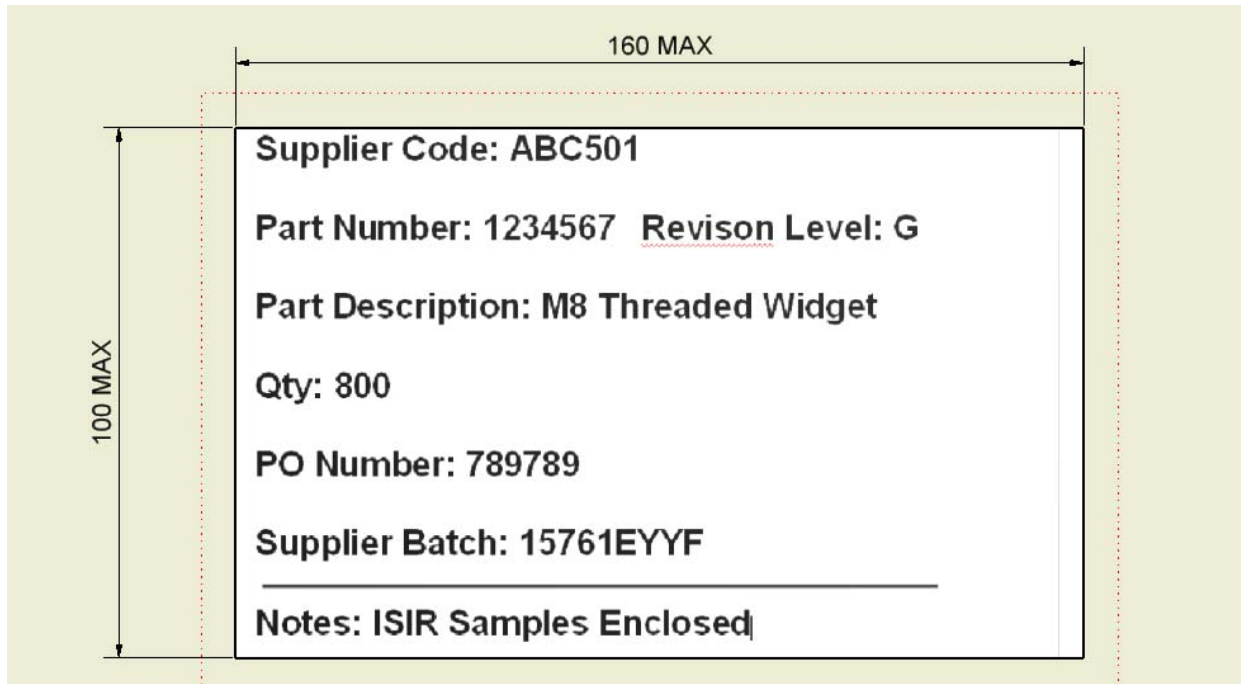


Figure 2 - Label Example

Please note if the minimum required information is not on the label incoming goods **MAY** get rejected back to supplier.

4.7 Delivery Documentation

4.7.1 Domestic Suppliers

Packing List/Slip inside 1 of the packages/boxes/pallet with a note on the label to state packing list enclosed.

Packing List/Slip on the outside of 1 of the packages/boxes/pallet in a documents enclosed pouch.

4.7.2 International Suppliers – Additional Requirements

Apart from the requirements set out above the following additional requirements will apply.

Suppliers are to forward copies by Email of all shipping packing lists and any other supporting documentation to OE purchasing, the originals are generally



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required by the shipping agents to clear shipment through various stages of transit.

Separate invoices are to be issued for each shipment.

SECTION 5.0 Non-Conforming Material Supplied to OE

If a supplier's parts are found to be defective (not meeting one or more specified requirements)

- Found at receiving inspection
- Found during assembly or at any other stage at an OE facility.

The supplier will be notified by OE personnel via Reject to Supplier Notification or via one of the methods detailed below depending on the severity and nature of the non-conformance found.

In all cases OE will undertake appropriate steps to prevent non-conforming material/product from being put to its intended use or application.

5.1 Incoming Inspection Procedures

On any new component procured from approved suppliers the first quantity (defined by OE) of deliveries are inspected at incoming inspection stage. If every incoming inspection is satisfactory the component will be placed on a status that allows it to be received straight into stock.

OE do not 100% inspect all incoming supplies but employ incoming inspection sampling plans to define quantities of product from a batch to be inspected, any defects found will be rejected as detailed below.

If a component is found at any stage to have non-conformances it is taken from receive into stock status and placed back into incoming inspection status and the inspection cycle is repeated.

5.2 Goods Inwards Rejections

Any components found to be out of specification at incoming inspection stage will automatically be rejected back to the supplier.

Return to supplier notification documentation will be sent to supplier detailing issues found. The supplier is expected to respond within 5 working days what they would like to do with the non-conforming material.

Options are:-

- OE to scrap parts and dispose.
- OE to send parts back to supplier and charge any associated carriage costs.
- Supplier to arrange collection.

The supplier is expected to undertake all necessary steps to ensure that OE receives correct parts to replace rejected items and fulfill the Purchase Order requirements.

5.3 Reject to Supplier Notification procedure

Reject value under OE specified value – Scrap and automatically invoice supplier for rejected material, under this nominal value the cost of returning items and processing rejects becomes prohibitive.

The supplier is welcome to collect reject parts by responding to the Reject Debit Note within 5 working days, if no response is given the parts will be disposed of.

If the reject Value over the specified value – the supplier will be given options for:-

- Supplier to send representative to sort through and segregate all affected stock.
- OE to rework/arrange to rework at local supplier - costs will be charged back to supplier
- Accept Debit invoice and scrap parts,
- Arrange to collect,
- OE to send back and charge carriage cost to supplier.

The supplier under no circumstances is to replace stock that has been rejected, OE will raise a new purchase order to cover stock requirements.

5.4 Non-Conforming Material/Product through Customer Complaint

This is the worst type of complaint that OE and its supplier base can be faced with and also the most damaging both financially and in reputation.

Depending on the issues or circumstances the supplier is expected where required to add full support to the activities of finding root cause and putting corrective actions in place usually by receiving a Corrective Action Request (CAR) by getting involved in an 8D team which may consist of Customer, OE and Supplier representatives and using various tools to hand as part of the process find the root cause and put the fixes in place to stop the situation re-occurring.

5.5 Corrective Action Request (CAR) 8D

Product rejected due to quality requirement issues found in receiving or in-process inspection. The supplier is responsible to identify root cause of problems and implement corrective action on non-conforming material in order to prevent recurrence of the problem. This will be managed by the issuance of a **Corrective Action Request (CAR) or 8D, QF-003 8D OE 2011**

A copy of the CAR will be sent to the supplier, and must be completed and returned within ten (10) working days unless OE requests a different response time or the supplier asks for and is granted an extension.

It is preferred that OE CAR / 8D Corrective Action format be used, however, with the acceptance of the OE Quality Manager (or his designate) a supplier's corrective action format can be accepted provided it addresses, root cause and permanent corrective action for item rejected.

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 section of the Supplier Rating Report.

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

- Repeated early or late delivery (50% or more shipments more than 4 days early or 1 day late), or late delivery without prior notification.
- Repeated over/under shipments (50% or more shipments with shortages or overages).
- Incorrect items sent
- Inadequate or incorrect containers/packaging received without authorisation from OE.
- Lack of shipping and/or certification paperwork.
- Lack of timely response to concerns.

CAR Completion Requirements - 8 Steps / Disciplines

- 1 OE: Problem Identification / Part and Lot Information.
- 2 Supplier: Containment and Interim Corrective Action
- 3 RMA and Interim Response due within 24 hours or receipt.
- 4 Supplier: Assign Champion and Cross Functional Team to problem.
- 5 Supplier: Address Root Cause of Issue.
 - Why Made what failed in process to create defect



- Why Shipped what failed in inspection to allow defect to escape
- 6. Supplier: Complete Permanent Countermeasure
 - Why Made: Correction to Process
 - Why Shipped; Correction to Inspection Plan
 - Supplier: Verification of Corrective Action
- 7. Supplier: Feedback / Feed forward, update like processes, and PFMEA
- 8. All: Congratulate Team

5.6 Non-Conforming Product Control

Advanced Notification Shipment of Suspect Material

If a supplier detects non-conforming product prior to shipment to OE, the supplier must immediately determine the extent of the problem and take action to immediately correct the problem. If suspect material is released to ship, the supplier must notify OE Quality Department and identify the material and the suspect condition.

Product will be held at OE Facility, and returned to Supplier for certification. The returned parts, will not count against Supplier PPM for the quarter, provided ANSSM is received prior to delivery at OE.

Rework and Repair of Non Conforming Product at Supplier Site

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

Supplier On-going Containment Sort Status (SOCSS)

If a supplier cannot or will not implement a permanent corrective action to supply zero defects to OE and recurring problems continue, OE will notify the supplier (using the CAR format) that they have been placed in Ongoing Containment Sort Status and implement a 100% sort, with appropriate charges, at the OE facility 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 continuous basis.

SECTION 6.0 Supplier Monitoring/Rating

Approved Suppliers' performance will be measured and reported each Calendar Quarter via a Supplier Performance Letter.

Quarter 1: Jan-Mar

Quarter 2: Apr-Jun

Quarter 3: Jul-Sep

Quarter 4: Oct-Dec

Suppliers will be rated on the current Quarter Score, as well as, an Annual Average Performance Score. Supplier Performance will be rated in 4 categories.

Preferred: Suppliers that have a preferred of 91 – 100, and a current registration to a recognised Quality System.

Good: Suppliers that have a preferred average score of 91 - 100, but do not have a current registration to a recognised Quality System (or current registration on file at OE is past expiration date).

Average: Suppliers that have an average score (90-75), who either do or do not have a current registration to a recognised Quality System.

Poor: Suppliers that have a below average score (74-0), who either do or do not have a current registration to a recognised Quality System.

OE strives to have mutually beneficial relationships with its suppliers and where required or requested OE will provide support to existing suppliers in order to meet the criteria to be a preferred supplier.

Poor Rated suppliers may be contacted to discuss development to help aid them in improving their performance.

Poor rated suppliers that **do not show improvements** or the **willingness to improve** with the assistance of OE will find themselves removed from the Approved Supplier List and potentially **lose current business** and any **future opportunities** for involvement on any new projects with OE.

Supplier rating is calculated from 3 criteria Quality i.e. Reject Status, Delivery Status and Response Status.

6.1 Quality (Reject Status) – PPM and Scoring

PPM	SCORE
0 -150	100
151 – 300	90
301 – 600	80
601 – 900	70
901 – 1200	60
1201 - 1500	50
1501 - 3000	40
3001 - 6000	30
6001 - 9000	20
9001 - 15000	10
>15001	0

PPM is a figure that is a measure in terms of Parts Per Million

PPM is calculated from the number of rejects divided by the total number of parts delivered multiplied by one million.

$$\text{PPM} = (\text{Qty of Reject Parts} \div \text{Qty Delivered}) \times 1,000,000$$

E.g. 2 parts rejected out of a total delivered quantity of 10,000 pieces

$$\text{PPM} = (2 \div 10,000) \times 1,000,000$$

$$\text{PPM} = 0.0002 \times 1,000,000$$

$$\text{PPM} = 200$$

$$\text{Score} = 90$$

Orscheln Europe Expectation is for Zero Defects

6.2 Delivery Status

Delivery Status is the measure of Good Deliveries calculated as a percentage of total deliveries. A bad delivery is a delivery where parts do not conform to OE Specifications as set out in the requirements of the Purchase Order or any other issue such as incomplete documentation etc.

If a purchase order requirement is unachievable, than it is the suppliers responsibility to resolve the discrepancy as soon as it becomes apparent that there is going to be an issue.

Some examples of Bad Deliveries = Early Delivery, Late Delivery, Quantity Discrepancy etc.

$$\text{Delivery Status} = (\text{Good Deliveries} \div \text{Total Deliveries}) \times 100$$

E.g. A supplier delivers late 2 times out of 53 deliveries = 51 good deliveries.

$$\text{Delivery Status} = (51 \div 53) \times 100$$

$$\text{Delivery Status} = 0.96 \times 100$$

$$\text{Delivery Status Score} = 96$$

Orscheln Europe Expectation
On time delivery = 4 days early – 1day Late MAX

6.3 Response Status

Response status is scored on the basis of each action required from the supplier to correct any quality concerns, for example:-

- Issue of a Rejection Note – 1 mark
- Request for Response to a concern – 1 mark
- Issue of a Corrective Action Request – 1 mark
- RMA Returns not collected within timeframe – 1 mark
- Basically 1 mark for every response that is required from the supplier to address a quality concern.

In the event, a response is unacceptably late, OE will issue a Late Response notice to Supplier notifying them of the late response, and supplier must take all reasonable steps to close out issues in a timely matter.

Response Mark	Response SCORE
0	100
1 – 5	90
6 – 10	80
11 – 15	70
16 – 20	60
21 – 25	50
26 – 30	25
31+	0

E.g. A supplier delivers a batch of parts with concerns and is issued with a Rejection.

The supplier then responds 1 day late for the RMA than was agreed this would add a further 1 to the response score.

Response Mark = no of requests issued + timely responses

Response Mark = 1 + 1

Response Status Score = 90

Orscheln Europe Expectation = No Concerns Issued

6.4 Supplier Rating Status

Supplier Rating Score	Status	Has Certified Quality Standards ISO/TS
91 or Above	PREFERRED	YES
91 or Above	GOOD	NO
75 - 90	AVERAGE	n/a
0 - 74	POOR	n/a

The supplier rating is calculated from the 3 Key Performance Indicators detailed previously and a weighting is applied to each to give a Supplier Rating Score.

Quality SCORE	Delivery Score	Response SCORE
50% Total	30% Total	20% Total

From the previous examples of each element:-

A supplier who has a Quality Score of 90, Delivery Score of 96 and a Response Score of 90.

$$\text{Supplier Rating Score} = (90 \times 50\%) + (96 \times 30\%) + (90 \times 20\%)$$

$$\text{Supplier Rating Score} = 45 + 28.8 + 18$$

$$\text{Supplier Rating Score} = 91.8$$

The above score would place that supplier into a **GOOD** rated supplier or **PREFERRED** supplier if a certified quality system is in place.



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Example 2 :-

A supplier has a low Quality Score of 50, a high Delivery Score of 70 and a high response score of 40.

$$\text{Supplier Rating Score} = (50 \times 50\%) + (70 \times 30\%) + (40 \times 20\%)$$

$$\text{Supplier Rating Score} = 25 + 21 + 8$$

$$\text{Supplier Rating Score} = 54$$

The above score would place that supplier into a **POOR rated supplier** and it would be the expectation of OE that the supplier shows improvements over the near future to remain on the OE Supplier list.

A quarterly and annual supplier performance letter will be sent out to all suppliers to communicate how OE expectations are being met and where there may be cause for concern or even better to congratulate our suppliers and their staff for helping achieve a status as a Good or Preferred Supplier.

SECTION 7.0 Quotation Requests

OE will approach suppliers for quotation for parts using a ***Supplier Request For Quotation form QF-029***.

It is requested that Suppliers acknowledge receipt of form and associated relevant documentation by signing and dating the bottom of the form and sending back and an anticipated date for which quotation will be available within 5 working days.

Every request for quotation has a reference number and it is requested that suppliers reference this number on any quotations submitted.

The volume data is indicative and not cast in stone as demand can fluctuate but is a value that the supplier must consider during the quotation process.

In order to understand cost implications for different size batch sizes the supplier is given values that are felt to be feasible for both parties and also the business requirements of OE, it is requested that the supplier quotes accordingly, if stated batches are not viable/economical the supplier is requested to contact Purchasing and advise what can be mutually beneficial to both parties.

The OE RFQ form clearly indicates the additional requirements that may be required as part of the quote/approval process e.g. ISIR's, C of C's, Material Certificates etc. (**See SECTION 8.0 Advanced Product Quality Planning – APQP**)

SECTION 8.0 Advanced Product Quality Planning – APQP

Prior to production of any product, the supplier should utilise quality planning techniques to ensure successful launches of these products. OE 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.

Further detail can be found at www.aiag.org

Depending on part to be procured the minimum requirement of OE is for:-

1. Material/Coating Specifications/Certificates
2. Initial Sample Inspection Reports (ISIR)
3. Packaging Specification
4. REACH Documentation
5. SPC – verification of process control

8.1 Continual Improvement and Statistical Process Control (SPC)

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

Further detail can be found at www.aiag.org

8.2 Calibration Systems

Suppliers are strongly encouraged to have a documented plan that provides for the control of gages and torque, measurement and test equipment to internationally recognised standards. Included with calibration requirements, suppliers are also asked to complete Gage R&R studies, for gages used to check OE Product. The system should be formally documented, implemented and maintained to ensure supplier's products/services conform to the identified purchase specifications, engineering or material specifications and/or contract requirements.

8.3 Environmental Health and Safety Program (EH&S)

Suppliers are strongly encouraged to have a document process for EH&S, with an overall goal to achieve certification to **ISO 14001**. At a minimum, suppliers should agree to: provide safe working conditions for all employees, customers and contractors; adhere to all applicable National, Regional, State and Local laws and regulations governing Environment, Health and Safety; operate in a manner that minimises the impact to the environment; limit use of natural resources and promote sustainable natural resource practices; extend and communicate these EH&S requirements to their suppliers.

8.4 Part Approvals - Initial Sample Inspection Report (ISIR)

OE default method of part submission approval is an ISIR. In addition to other contractual requirements, a completed ISIR must be sent to OE for all Initial Part Shipments.

All ISIR submissions should be made using off production intent machinery/processes, must be inspected for full dimensional conformance.

Unless otherwise specified OE require a minimum of 5 samples to be submitted clearly marked/labeled 1 – 5 with corresponding dimensional results on an ISIR inspection sheet. A copy of the drawing is required of the component with all the dimensions measures numerically labeled within a balloons of all the dimensions measured corresponding to the measurements recorded on the submission sheet. If supplier creates their own version of the OE drawing then a copy is requested as part of submission.

QF-002 ISIR Initial Sample Inspection Report is a suggested format.

Any deviation from the required dimensions or specifications should be clearly identified within the notes section if corrections are to be made or on a product deviation sign-off.

QF-015 Product Deviation Form is a suggested format.

As part of the submission material/plating/hardness specs & certificates are also required.

OE Quality department will verify these readings and either approve or reject the sample submission. If ISIR is rejected the process will need to be repeated.

8.5 Part Approvals - Production Part Approval Process (PPAP)

When required by OE's Customers, parts may require an AIAG compliant PPAP submission. The default submission requirement will be defined by OE depending on the end customer's requirements.

The supplier shall maintain a Production Part Approval Process (PPAP) system to ensure parts submitted to OE meet all requirements.

This system should utilise the AIAG standard documentation found in the Production Part Approval Process (PPAP) reference manual. Full approval of this process must take place on or before the established PPAP date.

Further detail can be found at www.aiag.org

8.6 Catalog Item Certificate of Conformance (COC)

Product ordered as a catalog part will have the catalog part number called out on the OE drawing. Sample submissions will be to the catalog print. Subsequent shipments will be accepted with a Certificate of Conformance to the catalog part number.

Any changes to a catalog item will require notification to OE and possible re-submission.

8.7 Submissions Missing Data, or No Data provided

In the event, that Supplier does not provide ISIR dimensional submission paperwork with shipment. OE can perform ISIR Acceptance, at the cost to be agreed with supplier beforehand for each submission. Submission charges will be documented and debited from the price of the parts and or billed to the Supplier. (Off the shelf items / catalog items are exempt from charge)

Any other missing documentation will result in a rejection, and request to Supplier for completion, prior to acceptance.

Repeated offenses, can lead to Supplier CAR being issued.

8.8 ISIR / PPAP Approvals

OE Quality department will inspect these samples for conformance and issue an ISIR Response Form indicating whether it is "OK" to produce parts for production purposes. This report will be e-mailed and/or faxed to the Supplier. The ISIR submission must be approved by OE prior to acceptance of production material.

8.9 Resubmissions

Process or product changes will require resubmissions for approval. Process or product changes are defined as changes in the process or product that could affect its capability to meet design requirements or the durability and reliability of the product, including :-

- Engineering changes to the design records, specifications, or materials;
- Changes to component level requirements that impact the fit, form, function, durability or performance requirements of the product supplied to OE;
- New, different, relocated or rebuilt production tooling or equipment;
- Any change in material, including not only raw material but also chemical compounds or processes (i.e. paints, adhesives, sealers, lubricants, plating, heat treat processes, etc.) which become a part of the finished product; this includes changing to an engineering approved alternate material;
- Any change in the sequence of operations.
- Any changes to sub-suppliers or re-sourcing of raw material or sub-components.

8.10 International Material Data System Entry (IMDS)

In order to help OE comply with current (and pending) Governmental, Environmental, and Industrial Directives for the elimination of certain substances, we are documenting all elemental and chemical breakdowns for each of the materials that are used within the products that we produce. This submission is done via the IMDS data base.

If your company submits to IMDS please release the MDS number for the listed part(s) to us. Our IMDS ID# is 10382. If you do not currently submit to IMDS you can register and use at no charge via their web site at www.mdsystem.com .

If a supplier does not have this information, such as, you purchase the part from someone else. OE will require their Material Certification, IMDS MDS number released or a means to obtain this information.

Note the requested information is NOT for a Certificate of Compliance or a MSDS, but more specifically a detailed Material Certification or an IMDS MDS number.

A separate controlled document may in the future be issued that clearly details Prohibitive and Restricted Materials.

8.11 REACH - Registration, Evaluation, Authorisation and Restriction of Chemicals

Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) is a European Union Regulation of 18 December 2006 REACH addresses the production and use of chemical substances, and their potential impacts on both human health and the environment.

Further information on reach can be found at
www.ec.europa.eu/environment/index_en.htm

The UK Health and Safety Executive Website gives further information.

www.hse.gov.uk/reach

Basically all suppliers in the European Union need to be REACH Compliant or they will be forced to cease trading.

This means that it is the individual companies responsibility that they comply with the regulations, for suppliers trading in solely within the European Union the requirement is a statement by letter from their vendor base to state that they are REACH compliant – this is a very basic requirement.

For anyone importing any item from Outside the European Union it becomes the Importers responsibility to ensure compliance and registration if required.

Orscheln Europe expects its supplier base to be REACH compliant if based within the European Union and sign a letter declaring that all product supplied is compliant, if unsure then help will be available to review any item that the supplier is unsure of as long as full technical data is available.

For suppliers from outside the European Union countries Orscheln Europe will have to take full responsibility of compliance to the regulations and certify the product being the sole importer. It will be requested that the supplier provide all support and technical queries including but not limited to material specs, chemical compositions, certified supplies etc.

If the supplier makes any change to any part of production/procurement or specs of a product then full PPAP activities will be required to ensure any changes made comply with legislation.

If a supplier cannot comply than there is a significant risk that the business will have to be resourced.

REACH regulations basically state that if anyone makes a formal request from a company about compliance to REACH, then that company is legally responsible to provide full information within a specified time period, this may pass totally down the supply chain right down to individual raw chemical stage.



8.12 Supplier Request for Engineering Approval (SREA)

SREA's are used to get agreement from OE 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 made. Resubmissions will be required as stated above.

8.13 Product Traceability

All suppliers to OE must have a lot/batch 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.

Suppliers are to determine appropriate quantities and/or methods to define and determine the size of individual lots. Internally, lot sizes should not represent quantities larger than one (1) day's production run; after inspection these may be grouped together for shipment if they are of the same raw material lot.