

Supplier Requirements

Quality, Purchasing and Material Control Systems

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VUTEQ Canada Inc.

Quality Policy

VUTEQ's goal is to provide World Class products and services that promote and enhance Customer Satisfaction.

We continually improve our system and processes through ongoing evaluation of Company Objectives that support progress.

Our commitment is to ensure that requirements and expectations for Quality and Safety are realized while continuing to remain competitive.

Canada Inc.**Section 1.0 Communication and Expectations**

VUTEQ has elected the requirements of the technical specification ISO / TS 16949: 2002 for automotive suppliers. We are committed to continually improve our systems during development planning, product / process validation, production and delivery of quality products for our customers.

This takes the commitment of all of our suppliers and associates to ensure that these requirements and those of our customers' are properly implemented and maintained. By adhering to this internationally recognized system, we assure our customers and ourselves a level of performance that is consistent with the quality requirements throughout the world.

As a supplier to VUTEQ we require, as a minimum that you are third body registered to ISO 9001: 2000 and / or are designated by our customer(s) as an approved source. Further development of your system to meet the requirements of ISO/TS 16949 is also required and will be contingent on your company's performance and the importance of the product, material or service that you provide.

Laboratory facilities used for inspection, testing or calibration services are required to be accredited to ISO / EC 17025 or national equivalent. Alternatively, our customers may approve these services. Laboratory facilities are also required to provide a defined scope detailing the qualified services including equipment and personnel.

VUTEQ Canada will provide the necessary direction towards meeting these requirements and provide support for supplier's development. Suppliers are required to monitor the performance of your manufacturing processes and documentation verifying these activities may be requested through our Purchasing and Quality departments.

Suppliers are encouraged to contact the Purchasing and Quality Coordinators with any questions regarding our requirements or other issues that may arise. The following Coordinators can be reached by phone at (519)421-0011 and / or fax (519)539-6385

Purchasing

Andrew Campagnoni	x243	acampagnoni@vuteq.ca
Mark Colley	x308	mcolley@vuteq.ca
Nicholas Caravaggio	x400	ncaravaggio@vuteq.ca
Bill Wilford	x285	bwilford@vuteq.ca

Quality

Marianne Low	x379	mlow@vuteq.ca
Jamie Atkinson	x302	jatkinson@vuteq.ca
Barb Wudrick	x246	bwudrick@vuteq.ca

In order to maintain clear communications, a contact person for purchasing and quality must be designated who has the authority and ability to assist, make decisions and are able to respond in a timely and efficient fashion. An **Emergency Contact Information** sheet is required to be completed and returned to the Purchasing Department.

1.1 Environmental Expectations

Vuteq Canada Inc. is required to comply with customer environmental material reporting directives and standards. In order to comply with these directives and standards, Vuteq requires our suppliers to report product structure, material and substance information for existing and new products. Our current list substances of concern are Lead, Mercury, Cadmium and Hex Chromium. This list is subject to change. Our expectations are to include all of your component parts that are being shipped to our Woodstock, Ontario facilities must meet the following OEM customer requirements in order to comply with the current European Union's End of Life Vehicle (ELV) directive:

- If you are a General Motors supplier – GMW3059
- If you are a Honda supplier – HES A3060
- If you are a Toyota supplier – TSZ0001G

Please note that it is the responsibility of the supplier to ensure that they are following the most up to date revision of the above standards.

Combined with the above requirements, the component parts must not contain the following Substance of Concern materials:

1. Hexavalent Chromium
2. Lead and Lead Compounds
3. Mercury and Mercury Compounds
4. Cadmium and Cadmium Compounds

As well, the following must be adhered to:

1. The complete chemical breakdown of each material (100% disclosure) must be provided; detailing the CAS number and percentage of each chemical.
2. The composition of the material must represent the composition of the material after processing.
3. If a miscellaneous, unspecified, or confidential chemical ingredients are used, the total percentage of such chemicals in the material must not be greater than 10% of the homogeneous material. In addition, the following statement must be included: "This material does not contain any GADSL substances, other than those specifically identified".

1.2 Terms and Conditions

Terms and conditions are provided on our web site www.vuteq.ca as well an electronic copy will be issued to each production supplier who have been issued a blanket purchase order or tooling purchase order.

Canada Inc.**Section 2.0 RFQ, Drawings and Documentation****2.1 RFQ (Request for Quote)**

A **Request for Quote** is initiated through the Purchasing Department at VUTEQ and is issued by the Purchasing Manager or one of the Purchasing Coordinators.

When new items or materials are required for quotation a quotation package will be sent out via email to the supplier. The RFQ form must be used for filling out the quotations. Submitting costs in any other format will invalidate the quote. Instructions for completing the form are included, however if you still require assistance, please contact the person who initiated the quote request.

A list of assumptions will also be supplied with the quotation package describing VUTEQ's expectations unless otherwise negotiated. We also encourage the supplier to list your assumptions for each quotation package submitted to ensure that both of our needs are met.

Drawings, standards, specifications, samples or supporting information supplied with the RFQ are the property of VUTEQ or our Customer. **They shall not be disclosed, on whole or in part to any third party without prior permission.**

2.2 Drawings and Engineering Changes

VUTEQ's Purchasing department ensures that each Supplier has been provided with the latest drawing and / or specifications to produce each product, material and service supplied. Drawings, standards, specifications and master samples are obtained from our customers by the Sales department. This information may also be provided to Suppliers directly from our customer(s). The Sales and Quality departments maintain current files of these records.

Engineering changes are similarly controlled by the Sales and Purchasing departments who are responsible to communicate all required changes to each Supplier and establish the appropriate implementation timing. Costs for all tooling changes must be submitted and approved by VUTEQ. Proper identification of new / changed products must be strictly controlled. The Supplier is responsible to maintain records of all current tooling, drawings, specifications and engineering changes and ensure that all product, material and services supplied to VUTEQ meet the latest revision level.

2.3 Documentation

The supplier is expected to establish and maintain procedures to control all documents that define the quality system, as well as process / product requirements and performance. These procedures must support:

- Identification and Revision Control
- Review and Approval prior to issue
- Prompt removal of Obsolete documents
- Master list or equivalent to identify the most recent Revision Levels
- Availability at all applicable locations

Section 3.0 Sample Submission Requirements (PPAP)

Section 3.1 General

VUTEQ requires that all Suppliers providing materials or components used directly in finished product meet the requirements of the AIAG Production Part Approval Process (PPAP) manual or suppliers will confirm that their parts meet drawing quality outlined in the SQAM.

VUTEQ requires PPAP submission and approval prior to the first production shipment (unless otherwise notified) for the following:

- All new parts or products
- Correction of discrepancies on previously submitted products
- Product modified by engineering change to design, specification or materials

In addition VUTEQ requires notification of and a potential PPAP submission and approval prior to the first production shipment for:

- Use of optional constructions or materials not used in previously approved PPAP's
- Production from new or modified tools (see PPAP manual for further clarification)
- Production following refurbishment or rearrangement of existing tooling or equipment
- Production following any change in process or method of manufacture
- Production from tooling and equipment after a plant transfer
- Change of source for subcontracted parts, materials or services
- Tooling has been inactive for twelve months or more
- Following a request to suspend shipment due to quality concerns

Section 3.2 Additional PPAP Requirements

Level 3 Submission is the default for all submissions to VUTEQ unless a written waiver is granted by the Quality Department.

Dimensional evaluations should be performed on a minimum of one piece unless requested otherwise. If multiple cavities are used a minimum of one piece must be provided from each cavity unless requested otherwise.

Dimensional results, material certifications and performance testing requirements are to be provided from sources utilizing calibrated equipment traceable to National standards.

Process / product capability studies are to be conducted on those characteristics specified by VUTEQ and our customers.

In the event that proper documentation has not been received prior to the requested date, payment for parts will be withheld and any rework associated will be charged back to the supplier.

PPAP Rejection

PPAP's will be rejected either formally or informally. Formal rejection will be given based on numerous or major AIAG PPAP non-conformances and will result in administration fines of \$200.00 per day until the issues are corrected and the PPAP is approved.

Section 4.0 Forecasts, Ordering, Labels and Customs

4.1 Weekly Planning Forecasts

The Purchasing Coordinators will send via email or fax a **Planning Schedule** for the parts purchased from the supplier. VUTEQ does not run an MRP system and the planning forecast is not a firm order the supplier ships against. The planning forecast is an estimate of our usage based on our customers' requirements. Some weeks may have higher numbers than actual, some weeks may be lower than the actual numbers required. VUTEQ requires the supplier to manage their own inventory and that at least one week of finished goods material is available at the supplier's location at all times, based on the planning forecast. Failure to have sufficient inventory on hand causing expedites or delays to VUTEQ production will result in charge backs to the supplier for those expenses incurred.

Once a program is scheduled for build out, VUTEQ will issue a letter with the planning forecast showing the parts affected. The supplier must acknowledge receipt of the letter and understanding of the requirements for build out. The Purchasing Coordinators will communicate to the supplier on a weekly basis of the updated quantities required to satisfy the customer's requirements. At the end of the program it is the suppliers responsibility to ensure they are carrying proper inventory levels to ensure ZERO obsolescence.

VUTEQ may have service parts requirements for the materials or components from the supplier. These materials or components may be required for a period of 15 years after the end of the program. The Purchasing Coordinators will work with the supplier to establish those requirements and determine how best to supply those parts for the required timeframe.

4.2 Blanket Purchase Orders

Once quotations have been submitted to the purchasing group and agreed upon, that information will be used to make the **Blanket Purchase Order**. The blanket order covers the items quoted and the agreed upon price for as long as VUTEQ has a requirement for the parts or materials from our customer's. VUTEQ may terminate a blanket order agreement with written notice. When blanket orders are changed with additional / deleted items, pricing changes etc. the same blanket order number will be used but the revision level will change. Pricing on blanket orders are to remain firm for the length of the program and cost downs are required on a yearly basis in order to support our Customers. If the supplier has any questions or concerns regarding the blanket order they should contact the Purchasing Coordinator who issued the blanket order.

4.3 Order Release

Releases are generated from our Kanban demand and are faxed to the supplier based on the agreed upon lead times and order schedule. The **Release** is a firm order to the supplier with the quantity, part numbers and expected delivery date. It is the supplier's responsibility to acknowledge the order by signing the release and faxing it back to the listed number. This confirms that the order has been received and that the delivery date is acceptable. If you are unable to meet the delivery date or the quantity you must contact the Purchasing Coordinator and advise them of the situation.

4.5 Backorder Materials

If a shipment will be backordered, it is up to the supplier to contact VUTEQ prior to the shipment. If the contact has not been made after the receipt of the goods, a copy of the release will be faxed over showing the backordered items. It is the supplier's responsibility to update VUTEQ on the expected delivery date. If there is a potential impact on our production line or our customer's production line, expedites may be necessary. VUTEQ will work with the supplier to minimize the expedite costs but the supplier is ultimately responsible.

4.6 Customs Requirements

All suppliers shipping parts to VUTEQ Canada must submit a **NAFTA Certificate** showing the country of origin for the parts supplied on a yearly basis. Any charges incurred by VUTEQ because of insufficient paperwork will be charged back to the supplier. We encourage all suppliers to be familiar with the changing regulations for Customs Clearance, participation in programs such as FAST, CTPAT is highly recommended.

4.7 US Suppliers

To ensure supply of goods across the border in a timely fashion and to ensure that goods are qualified for NAFTA properly, it is important that suppliers understand their requirements. On a yearly basis, a competent person who understands NAFTA and customs regulations must complete a NAFTA Certificate. The Supplier or an outside source such as **Willson's International** may be solicited by VUTEQ on our behalf to provide this information.

Each shipment leaving your facility must have a Commercial Invoice, NAFTA Certificate, Bill of Lading and Packing slip. If you are unsure of what paperwork is required before shipping, please contact VUTEQ for direction and we will be able to assist you.

With the ever-changing directives of border security initiatives on the US and Canada border crossings, additional requirements for shipping, tracking, verification, identification, etc. may be requested of the Supplier.

Section 5.0 Supplier Management and Performance

5.1 Supplier Selection

One or more of the following criteria approves new Suppliers placement on the ASL:

- (RA) Proof of current ISO based registration
- (CA) Customer approval, following product testing
- (CS) Supplier specified by the Customer

5.2 Supplier Performance

Supplier performance is measured in three ways, Delivery, Quality and Expedited Freight. Suppliers are expected to deliver product on time 100%. PPM levels should not exceed 15.

Suppliers' monthly performance is rated by the Purchasing and Quality departments utilizing the following criteria:

Rating	Delivery		Quality
	On Time	Impacts	PPM
Top	Meets Delivery dates 100% without follow-up	0	0 – 15
Good	Meets Delivery dates 90% without expediting	0	>15

Suppliers are issued, on a quarterly basis, a **Supplier Evaluation Report** detailing their monthly delivery and quality performance.

Suppliers with an overall rating of “Good” may be required to upgrade their performance over the next quarter. If improvements are not made, further corrective action is required or re-sourcing of their materials may occur.

Section 6.0 Nonconforming Product and Corrective Action

6.1 Nonconforming Product

The Supplier is expected to establish and maintain procedures to control all Nonconforming products. These procedures must provide the following:

- Proper Identification of all Nonconforming product
- Immediate Containment of all suspect product
- Prevention of further inadvertent processing
- Disposition authority and timely response
- Re-inspection of repaired or reworked product

If Nonconforming product is discovered at VUTEQ the supplier will be contacted by our Quality or Purchasing Department. Depending on the impact of the problem, VUTEQ will direct appropriate containment activities, provisions for replacement stock and an investigation to be initiated immediately. These initial actions must be completed within 24 hours of the problem notification. Nonconforming product is the supplier's responsibility to correct in a timely manner so VUTEQ's production is not adversely affected and we do not impact our Customer.

The supplier may be requested to come onsite at VUTEQ to perform sorts, rework and certify product. If the supplier is unable to arrange an onsite visit in an appropriate amount of time, VUTEQ will require an outside sorting company to be contracted by the supplier to perform the work on your behalf. On occasion VUTEQ may use our own associates to perform the sort and certify product. The supplier is responsible for the costs associated with the outside sorting company, VUTEQ sorting and an Administration fee to cover overhead.

VUTEQ's Quality department will issue a Cost of Poor Quality (CPQ) tracking form to the supplier with details of the sorting, rework, product certification and administration costing for those situations that impact or potentially impact VUTEQ or our customers. The overhead costs are \$350.00 per day and the sort charge for each VUTEQ associates is \$40.00 per hour. The supplier is required to provide an RMA # within 48 hours acknowledging these costs and payment is expected within 30 days from receipt. **If an RMA is not received within 48 hours parts will be scrapped and the supplier charged.**

Corrective Actions, as described below, are required for all issues having major impact on VUTEQ's production and /or ability to provide quality products to our customers.

On a regular basis, either weekly or at least monthly, VUTEQ's Quality department will also request an RMA# for the disposition of supplier's nonconforming product accumulated from our production areas that does not immediately impact our ability to provide quality products. Again, the supplier is required to provide an RMA # within 48 hours to authorize disposition.

VUTEQ's Quality department may also initiate corrective Actions for these supplier accumulated nonconforming products especially to address repeat problems or worsening defect trends. The

supplier is expected to address all defect conditions and implement continual improvement initiatives for all supplied materials, product and services.

6.2 Corrective Actions

The Supplier is expected to establish and maintain procedures for dealing with corrective actions. These procedures must provide the following:

- Investigation of the Root Cause of nonconforming product
- Implementation of Corrective Actions to prevent recurrence of problems
- Analysis of processes, concessions, quality records, service reports and customer complaints to identify & eliminate potential causes of problems
- Application of controls to ensure corrective actions are effective

VUTEQ's Quality department will issue a **Supplier Problem Report** to communicate and initiate corrective action requirements to the Supplier. The report formats correspond to our end customers' requirements and follow their expectations for thorough investigation, root cause analysis, countermeasure implementation and verification. For suppliers providing products used by more than one of our customers, there will be different formats of the Supplier Problem Report issued depending on the end customer program (see attached samples).

The Supplier is responsible to provide their initial response for containment and temporary countermeasures within 48 hours of the issuance date for all Quality and Delivery problems.

The supplier must submit their permanent corrective actions within **14 working days** of the original issuance date. The proposed / implemented C/M's and targeted completion date(s) are returned to the originator at VUTEQ along with any supporting documentation for approval. A follow-up investigation is conducted by VUTEQ to ensure that the corrective actions are in place and effective prior to closing out the Supplier Problem Report.

The Supplier Problem Reports are communication tools that allow VUTEQ and the supplier to document and correct issues that may arise during the relationship. Failure to properly respond in accordance with the timing requirements and ensure corrective actions are effectively implemented to meet VUTEQ's criteria, will result in an audit from the Purchasing and Quality groups and may damage that relationship for further and / or future business.

Suppliers having difficulty in understanding VUTEQ's requirements or need assistance in completing any documentation are encouraged to immediately contact our Purchasing and Quality groups for their support and clarification.

VUTEQ strongly believes that solid relationships with our suppliers are essential for our success as well as our customers' success and developing those partnerships through effective communication is key.

AMENDMENT RECORD

Date	Description	Revision
04.03.97	Draft Procedure released for review.	A
05.30.97	Supplier Rating scores modified, VCR system revised	B
05.01.99	Modified to meet QS-9000 needs	C
05.05.00	Supplier Rating scores revised	D
07.12.01	Changed from Vendor to Supplier	E
07.21.03	Modified to meet TS 16949: 2002 requirements	F
02.04.05	Added Material Control documents and revised Supplier Management	G
01.04.06	Updated manual, yearly review, sections 1.1, 2.1, 5.2, 6.1, 6.2	H
Date	Description	Revision
09.25.07	Updated manual, sections 3.1, 4.1, 4.2, 4.7, 5.2	I
01.02.08	Updated manual, sections 1.1, 5.2	J
01.09.09	Updated manual, contacts	K
01/07/10	Updated manual, contacts, sections 4.1, 6.2	L
01/17/11	Updated manual, contacts, added 1.2 Terms and Conditions	M