



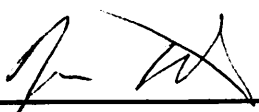
# Supplier Manual

*Fourth Edition*

**PROPRIETARY NOTICE:**

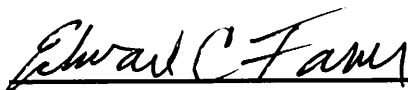
This Manual and its contents are the property of Principal Manufacturing Corporation and are subject to the confidentiality restrictions prohibiting unauthorized copying and disclosure. It is a guideline to a partnership for mutual success.

**CORPORATE SIGNATURES**



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President



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Director of Purchasing



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Director of Quality

## **QUALITY POLICY & EMS STATEMENT FOR SUPPLIERS TO PMC**

### **PMC's Mission Statement:**

100% on time delivery  
Defect free products and services  
Competitive pricing for products and services

### **PMC's Environmental Policy**

Suppliers must comply with environmental and regulatory requirements within their manufacturing processes. Additionally, PMC suppliers must acknowledge and be aware of our environmental policy and if they visit PMC (e.g. driver), they may be asked to acknowledge with their signature (electronic or paper) that they have read and understood our policy.

It is PMC policy to purchase from suppliers who consistently meet or exceed the company's requirements for quality, cost, reliability, value, service and on time delivery.

Suppliers shall be responsible for the quality and reliability of their products and services used by PMC for the manufacture of automotive and non-automotive components.

Responsibility is inclusive of all costs incurred in replacement, rework, and/or repair of defective material attributable to the supplier. PMC policy is to contract for zero defects, continuous improvement, and 100% on time delivery.

Suppliers are expected to develop, implement, and improve a quality assurance system committed to the conformance of quality and reliability of their products and services with the ultimate objective of becoming certified to the IATF 16949 standard. Minimally suppliers are required to be certified to ISO 9001.

Suppliers that strive to achieve registration to a recognized international quality management system such as ISO9001, ISO14001, or IATF16949 may receive preferential decisions in being awarded new work. In addition, suppliers should be able to support PMC's request for information to comply with international material data system (IMDS), all restricted/banned hazardous material, conflict mineral reporting, and any legal reporting or regulations. SDS documentation is required for all new products.

In the final analysis, each supplier must understand and set the quality standards for their organization so they are conducive to the requirements of PMC. The supplier shall assume the responsibility for producing their products at zero-defect quality levels and with goals, including continuous improvement methodology.

To achieve these goals, the supplier and PMC must share quality goals and strategies. To have a successful strategy, we must understand each other's needs and work together in a cooperative manner. Communication is the key to collective cooperation and must start in the advanced planning stages of product development. This will allow us to work as partners and to attain mutual success.

This supplier manual has been developed to assist the supplier's organization by showing our formal quality system and commercial expectations and the requirements it sets for their organizations to meet. In accomplishing the tasks and improving communication with PMC, detailed instructions and specific requirements are thoroughly described herein.

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## I. BASIC REQUIREMENTS FOR SUPPLIERS

### 1. Purpose

To establish supplier policy, procedural guidelines, communicate customer expectations, and assist suppliers in the establishment of a compliant system that will ensure the uninterrupted flow of conforming products and services. PMC will only consider suppliers who can comply with these requirements. The acceptance of a purchase order from PMC will constitute the acceptance of all requirements stated within this manual.

Principal Manufacturing Corporation requires that its suppliers shall:

- Adopt the standard of ZERO DEFECTS and 100% on-time delivery. Suppliers shall understand that any established PPM target is not an accepted quality level but is an intermediate continuous improvement step towards meeting the ZERO DEFECTS requirement.
- Provide objective evidence that all supplied products and services satisfy all AIAG production part approval process requirements.

### 2. Scope of Application

This manual applies to all raw materials, component parts, service parts, assemblies, bulk production materials, and production materials subcontracted by, or manufactured at, supplier locations for use by PMC. This manual is intended to provide the expectations and minimum mandatory requirements which must be maintained in order to supply products/services to Principal Manufacturing Corporation. This manual is to be used as a guideline and PMC may add or delete requirements on an as-needed basis.

### 3. Basic Requirements

Suppliers are solely responsible for the quality of all materials, products, and services delivered to PMC. Suppliers are required to establish a quality system that is adapted to their manufacturing process and can assure continuous production of their material/products that meet or exceed PMC requirements. To be considered for PMC's approved supplier list the supplier must have a system that is certified to IATF16949 or ISO9001. Eligible organizations must be pursuing IATF 16949 certification.

#### 3.1 Documentation

Upon request, the following documentation shall be provided to PMC for review:

- A. PMC Supplier self-assessment
- B. Certification of registration to ISO9001 or IATF16949 (copy of certificate required)
- C. Certification of registration to ISO14001 (copy of certificate required)
- D. Production part approval process (PPAP) per AIAG manual level 3 or as PMC requires for part submittal
- E. Special process on automotive parts that require a current CQI (continuous quality improvement) assessment on file.
- F. Supplier key contact list with phone numbers.
- G. International materials data system (IMDS) inventory disclosure for product / process provided to PMC for materials or substances used in product. (if capable upon request from PMC or support PMC in completing IMDS)
- H. Conflict mineral reporting records
- I. Minority-owned business certification
- J. Certificate of commercial general liability insurance naming Principal Manufacturing Corporation as additional insured. Minimum liability limits shall not be less than \$1,000,000, however PMC may request additional coverage(s) under certain circumstances.
- K. Volume of automotive business (absolute and as a percentage of total business)

- L. Financial statements
- M. Contingency plans

**NOTE: Suppliers are responsible for using current AIAG manuals and forms at time of PPAP submission.**

### 3.2 Process Control

Suppliers shall develop and maintain internal systems for the control of manufacturing and inspection processes. PMC reserves the right to review and approve the system prior to delivery of material to the latest AIAG revision.

### 3.3 Control of Purchased Materials

#### 3.3.1 Bulk Materials

Only those materials approved through PPAP submission may be purchased for use in parts manufactured at PMC, its suppliers, and sub-suppliers. Approval shall be provided to the supplier by PMC after the PPAP has been reviewed.

#### 3.3.2 Component Items

Incoming components to PMC shall be approved through PPAP submission. Receiving inspection at PMC or lack of inspection shall not relieve the supplier or certified subcontractor from ensuring the quality of the product. Regardless of the number of parts checked, lots will be accepted on a C = 0 basis. Specifically, an entire lot shall be rejected based on identification of a single non-conforming or suspect condition.

#### 3.3.3 Hazardous Materials

Supplier shall ensure full compliance with all applicable legal or environmental requirements in the manufacture of PMC components at both the place of manufacture and the place of delivery. This includes, but is not limited, to:

- (EC) No. 1907/2006 Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH)
- Restriction of Hazardous Substances (RoHS)
- Directive 2000/53/EC The ELV Directive
- Workplace Hazardous Materials Information System (WHMIS)
- Toxic Substances Control Act (TSCA)

Additionally, as required, supplier shall provide information for, or, if PMC requests, will report directly to the following:

- International Material Data System (IMDS)
- China Automotive Material Data System (CAMDS)
- Global Automotive Declarable Substance List (GADSL)

As required, suppliers shall comply with applicable standards on the classification, packaging, and labeling of hazardous substances. Suppliers shall also, as appropriate, register and comply with all applicable reporting requirements that are applicable to their products and processes.

No hazardous materials may be used in the manufacture of PMC components. This includes any banned or restricted use material as designated by the (IMDS). In all cases, the minimum shall be the International Material Data System (IMDS) or PMC customer, which is referenced in CY2016 Restricted Substance Management Standard and Report Requirements. Please see this site for future communications. (This website is expected to change annually).

### 3.3.4 Conflict Minerals

It is PMC's established practice, and that of our customers, not to knowingly purchase any raw materials that contain conflict minerals and to comply with the requirements of our customers for conflict minerals reporting.

PMC suppliers shall source responsibly with certified conflict-free smelters and shall comply with the conflict minerals reporting requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act regarding tin, tantalum, tungsten, gold, and their ores originating in the Democratic Republic of Congo and adjoining areas. PMC suppliers shall provide any information to PMC that is required to comply with PMC customer's reporting requirements, including, but not limited to, a conflict minerals survey.

**Note: Corrective action and follow-up may be implemented with suppliers who provide inadequate or incomplete responses.**

### 3.4 Confidentiality

Principal Manufacturing Corporation recognizes the importance of confidentiality regarding customer-contracted products and will strive to ensure confidentiality of the development, testing, and related product information. PMC expects its suppliers to strive to ensure the same level of confidentiality. All PMC-supplied prints and specifications (both PMC-issued and customer-issued) shall be considered proprietary information. All prints and specifications shall only be distributed with the express written consent of Principal Manufacturing Corporation.

### 3.5 Contingency Plan

The supplier shall have a risk assessment process and prepare contingency plans to satisfy PMC requirements in the event of a disturbance affecting its logistics and/or production processes and the continuous supply of products to PMC, including, but not limited to, utility interruptions, labor shortages, key equipment failure, computer/network problems, and field returns. A copy of the risk assessment and contingency plan shall be provided upon request. When the supplier knows in advance of an impending production interruption, the supplier shall notify PMC at least 72 hours before the interruption. PMC shall be notified immediately when an unplanned interruption occurs.

### 3.6 Delivery Performance Requirements

PMC requires 100% on-time delivery from all suppliers in order to meet our customer's requirements. PMC will monitor delivery performance and evaluate annually. Corrective actions may be issued for delivery nonconformities. If for any reason the supplier is unable to meet the delivery or quantity requirements of an order, PMC should be contacted immediately and a new delivery date or quantity should be negotiated with PMC purchasing. **An order will be considered late if it is not complete or it is missing/has incomplete documentation (e.g. packing slips, certificates of compliance, in-process inspection results, etc....).**

To be considered on time, supplier is required to comply with specified score provided on the supplier scorecard.

\*PMC special requests for partial lots, modified delivery dates, and special requests will not affect the delivery score of our suppliers.

*PMC reserves the right to reject any shipment quantity greater than 110% of ordered quantity and return to the supplier at the supplier's expense. Any order that is shipped less than 90% complete will be considered late and any costs incurred by PMC due to a late delivery will be charged to the supplier (e.g. premium freight, overtime, break-in fees, line down charges, set-up fees, etc.).*

Packaging shall be capable to protect the quality of the parts and labeled appropriately. Supplier is to maintain lot integrity and traceability of parts through their processing.

### 3.7 **Principal Manufacturing Corporation Property and Tools**

All tools and equipment belonging to PMC or its customers shall be permanently marked "Property of Principal Manufacturing Corporation" or the applicable customer. These tools will only be used for Principal Manufacturing Corporation and its customer's products unless otherwise authorized in writing.

**Note: PMC or customer owned packaging & dunnage is included in this clause**

### 3.8 **Continuous Improvement**

Principal Manufacturing Corporation must continue to improve all areas of operations to meet customer demands. Current and future business depends on our ability to continue to produce the highest quality products while reducing costs increasing throughput. Robust and adaptable suppliers that understand PMC's requirements and the need to satisfy and exceed customer expectations are essential to continue to be a viable entity for years to come. PMC requires your commitment of continuous improvement. To assist our suppliers in helping us achieve our goals and objectives, PMC may deploy the necessary personnel to aid in our supplier's development and continuous improvement efforts. PMC may conduct supplier audits to assist our suppliers in setting up action plans for all identified improvement areas. Suppliers should be conducting internal audits to identify potential areas of improvement. Suppliers are expected to use lessons learned from each quality incident and customer complaint to improve their processes. Lessons learned are also expected to be used to eliminate the possibility of similar incidents occurring and identify and eliminate the environment that allowed for a quality incident to take place. Suppliers must demonstrate a positive trend in reducing their overall quality incidents and repeat quality incidents. Future business considerations will take into account continuous improvement efforts and our supplier's ability to adapt to the changing needs and expectations of PMC and its customers.

### 3.9 **Non-Conforming Material and Cost Recovery**

All suppliers are expected to meet PMC's zero-defect requirements. It is PMC's policy to not use any part that does not meet the specifications, however, due to extenuating circumstances, PMC may agree to approve a deviation. This deviation must be submitted in writing to PMC and a written agreement must be provided to the supplier prior to PMC receiving the suspect parts.

Supplier cost recovery will be initiated by PMC when it has been determined that the supplier is responsible for quality or delivery shortcomings. Suppliers to PMC are expected to stand behind their work and accept responsibility when quality and delivery problems arise due to their processes.

If PMC's production, and/or its customer's production is interrupted because of nonconforming material, the supplier shall be debited for all costs associated with line shutdowns, changeover charges, and/or expedited freight costs. If PMC is required to travel to a customer to perform a sort due to a supplier defect, those costs will be charged to the supplier.

PMC may hold supplier liable for any costs, claims, or damages from PMC's customer arising from supplier's delivery of nonconforming parts. Upon notification, the supplier will have ten (10) business days to acknowledge and discuss charges incurred for such activities. If no response is received, PMC will automatically debit the suppliers account for these costs. PMC reserves the right to debit supplier for administrative costs for quality and delivery issues.

### 3.10 **Control of Records**

Records shall be established and maintained to provide evidence of conformity to requirements and of the effective operation of the quality management system.

Production part approvals, tooling records (including maintenance and ownership), product and process design records, purchase orders (if applicable), or contracts and amendments shall be maintained for the length of time that the part is active for production plus one calendar year, unless otherwise specified. Production part approval documented information may include approved product,



applicable test equipment records, or approved test data.

Production inspection and test records shall be retained for the life of the product plus 1 year, or per customer requirements, whichever is longer.

Internal Quality Audits and Management Review Records shall be retained for three years.

Some parts or programs may require longer retention periods than specified above; the supplier will be notified in such events.

The above does not supersede any regulatory requirements.

### **3.11 Supplier Quality Commitment**

Acceptance of the requirements of this manual is indicated by the acceptance of the purchase order provided by Principal Manufacturing Corporation.

### **3.12 Supplier Audits and Facility Access**

Suppliers shall allow representatives of PMC and its customer's access to their facilities for the purpose of evaluating parts, processes, documents, and systems used in the manufacturing of Principal Manufacturing Corporation products. PMC reserves the right to conduct audits of supplier's processes to establish conformance to PMC supplier manual requirements.

### **3.13 Government and Regulatory Compliance**

3.13.1 All Principal Manufacturing Corporation suppliers shall comply with all applicable governmental regulations in the country of receipt, the country of shipment, and the customer-identified country of destination, if provided. These regulations relate to the health and safety of workers, toxic and hazardous materials, protection of the environment, and free trade.

3.13.2 PMC is certified to ISO14001. PMC reserves the right to deny products or services that may constitute a significant environmental impact or that is not consistent with our environmental policy.

3.13.3 Supplier and its subcontractors shall comply with applicable labor and employment laws regarding, and prohibit, any form of child labor or other exploitation of children in the manufacturing and delivery of any product to PMC, consistent with provisions of the International Labor Organizations (ILO) Minimum Age Convention (No. 138), 1973. In addition, in connection with any ISO certification, supplier represents and warrants that it complies with a Social Accountability Guideline pursuant to which supplier disqualifies any manufacturing site that uses unacceptable manufacturing practices, such as child labor, forced labor, or unsafe or unsanitary working conditions. Suppliers are expected to commit to continually improve safe and healthy work environments for all employees.

Suppliers' employees will receive compensation and benefits that are competitive and consistent with applicable laws regarding minimum wages, overtime hours, and legally mandated benefits. Suppliers will comply with applicable laws regulating hours of work. Suppliers are expected to have written policies promoting equal employment opportunities and formal, independent practices for responding to complaints.

PMC further encourages open communication between management and employees regarding working conditions without fear of retaliation, intimidation, or harassment. Suppliers throughout the entire supply chain are encouraged to adopt and enforce policies similar to those stated above.

### **3.14 Strategic Supplier Information**

All suppliers shall provide PMC with the names and phone numbers of personnel who can be contacted twenty-four hours per day in the case of unforeseen production emergency. All suppliers

shall provide a contact list (including 24-hour emergency contacts) to PMC.

### 3.15 Ethics

It is the policy of the company to provide our code of ethics and business conduct, which will serve as a guide to proper business conduct for all suppliers. We expect all suppliers to observe the highest standard of ethics and integrity in their conduct. All PMC employees must conduct their business activities with suppliers exhibiting the highest ethical standards. This means following a basic code of ethical behavior that includes the following:

- A. Build trust and credibility
- B. Respect for the individual
- C. Create a culture of open and honest communication
- D. Set the tone at the top
- E. Code of ethics and business conduct
- F. Uphold the law
- G. Competition
- H. Proprietary information
- I. Selective disclosure
- J. Avoid conflicts of interest
- K. Accepting business courtesies\*

*\*All Team members who award contracts or who can influence the allocation of business, who create specifications that result in the placement of business or who participate in negotiation of contracts must be particularly careful to avoid actions that create the appearance of favoritism or that may adversely affect the company's reputation for impartiality and fair dealing. The prudent course is to refuse a courtesy from a supplier when PMC is involved in choosing or reconfirming a supplier or under circumstances that would create an impression that offering courtesies is the way to obtain PMC business.*

## 4. Terms and Conditions

- See supplier terms and conditions, published on our website [www.principalmfg.com](http://www.principalmfg.com) and include in each purchase order.

## 5. Quality System Representatives

The supplier shall submit names of individuals and day & night telephone numbers with appropriate cell phone availability to PMC.

- 5.1 The supplier shall appoint a qualified representative within the organization who has the responsibility and authority to resolve quality matters. This person(s) shall be of a level to effectively interact with their management and with PMC representatives.
- 5.2 The supplier's designated qualified representative within the organization shall be familiar with, and capable of interpreting, their company's policies. The representative shall provide written corrective actions in a timely manner on the 5P or 8-D format as required.

## 6. Control of Manufacture

Suppliers shall control manufacturing according to their quality system as established in sections 1 - 3. If that system should deviate, the suppliers shall take the necessary action to re-establish control and shall immediately notify the appropriate PMC quality representative (SQE/SQA). SPC data may be required to be maintained by the supplier and shall be available to PMC upon request.

- 6.1 SPC may be required on all key, significant, and critical characteristics (as defined by PMC or its customer). These characteristics shall meet the requirements within the AIAG manuals. The supplier

shall immediately notify PMC of any out of control conditions that may have been shipped and shall develop an action plan to regain control and contain suspect product.

- 6.2 Process capability studies on critical & key characteristics or processes may be required, per PPAP requirements, prior to sample submission to PMC. Studies not meeting minimal requirements will require supplier request for deviation with an action plan for improvement.
- 6.3 PMC customer special characteristics will be identified on the purchase order. The supplier is responsible to fully understand the process impact to their product and identify any process parameter special characteristics. Suppliers are also responsible for ensuring that special characteristics are explained, understood, and controlled by their sub-suppliers where applicable.

## 7. Control of Inspection

Suppliers shall perform inspections compatible with their system and compliant with appropriate measurement methodology. Defective material shall be isolated from the product stream, identifiable as to process, status, and shall be reviewed for correction or rejection in a timely manner per the suppliers documented quality system.

## 8. Control of Measuring Instruments

To assure the precision of measuring and testing instruments, suppliers shall establish written control procedures and enforce periodic inspection and calibration.

- 8.1 The supplier shall provide and maintain appropriate gauging, when required, to ensure manufacturing and inspection performance. The subcontractor shall conduct gage repeatability and reproducibility studies (see Measurement System Assessment {MSA} manual from AIAG) on each gage or family of gages used on material/product produced for PMC.
- 8.2 The supplier's gauging and testing equipment records shall be made available to PMC representatives upon request.
- 8.3 PMC supplied gauging shall be used in accordance with established instructions with frequency and SPC requirements as established by PPAP control plan. Supplier shall store and maintain all PMC-owned gages in a manner that protects from damage or premature wear.

## 9. Change Control - (Deviations and Engineering Changes)

All changes shall require a PMC-approved deviation or engineering change action form prior to implementation. Contact PMC Purchasing/Quality with change requests to obtain direction/approval for all changes

### 9.1 Drawing Control

When changes occur to drawings (including directions equivalent to drawings), suppliers may be required to submit a revised level 3 PPAP, unless otherwise directed.

### 9.2 Process Change Control

Any changes to the manufacturing processes, including but not limited to, material, component, equipment, die, tool mold or jig, or to any production sequence, method or condition, change in source of supply or subcontractor's process, require advance written authorization from PMC. In addition, the supplier shall submit a level 3 PPAP or to the level specified in writing by a PMC authorized representative.

### 9.3 Deviations

The supplier shall use an approved PMC form, unless otherwise agreed to by PMC, and written

authorization prior to shipment. All deviations shall have an end date specified and approved by PMC.

#### **9.4 Engineering Change**

The supplier shall use an approved PMC form, unless otherwise agreed to by PMC, and written approval prior to shipment.

### **10. Control of Initial Materials**

Prior to the delivery of new product, the supplier shall submit level 3 PPAP, unless otherwise agreed to by PMC to requirements as specified in the most current Production Part Approval Process (PPAP) manual from AIAG, and/or to a specification detailed in writing by PMC quality assurance and shall obtain PMC approval of the PPAP.

#### **10.1 Product Safety Requirements**

Product(s) shall perform to its designed or intended purpose without causing unacceptable harm or damage. Organizations shall have processes in place to ensure product safety throughout the entire product lifecycle.

Supplier (including customer-designated sources) shall have documented processes for the management of safety-related products and manufacturing processes including, but not limited to, the following:

- Identification by the supplier of statutory and regulatory product safety requirements
- Special approval of control plans and process FMEAs (if applicable)
- Identification of product safety-related characteristics
- Identification and controls of safety-related characteristics of product and at the point of manufacture
- Reaction plans in case of non-conformity or risk
- Defined responsibilities, definition of escalation process and flow of information, including top management and PMC notification
- Training identified by organization or PMC for personnel involved in product safety-related products and associated manufacturing processes
- Changes of product or process shall be approved prior to implementation, including evaluation of potential effects on product safety from process and product changes (see ISO 9001, Section 8.3.6)
- Transfer of requirements regarding product safety throughout the supply chain, including customer-designated sources
- Product traceability by manufactured lot (at a minimum) throughout the supply chain
- Lessons learned for new product introduction

#### **10.2 Containment and Identification of Initial Production Parts**

Following initial PPAP approval of new or modified product or material, the supplier may be required to institute level one (1) containment practices. Specifically, the supplier may be required to perform a 100% inspection of the subject product/material. In this event, each component shall be inspected for defects including, but not limited to, missing /defective areas, improper assembly, bent/broken or deformed product features. If required, level one (1) containment shall be enforced until the supplier can provide defect-free product/material for a period of thirty (30) consecutive days or three (3) production lots, whichever is greater. Upon fulfillment of these requirements, the supplier shall submit written application to the attention of the SQE/SQA for formal release from containment. Level one (1) containment may require extension, dependent on PMC customer requirements. The supplier

shall assume responsibility for all associated containment cost.

### 10.3 Use of Initial Production Parts Process

The initial production parts process shall be used whenever there is any change which affects the part in any way. Therefore, it is necessary to use this system whenever there is a:

- A. **Design Change** - when the part drawing changes, altering the physical structure of the part. A design change is only allowed when a new part drawing or manufacturing instruction is issued to the supplier.
- B. **New Supplier** - All tiers or levels of suppliers or subcontractors who have never produced this part begins manufacturing this part to PMC.
- C. **Material Change** - when any of the material(s) used to manufacture the part are changed or modified. This applies to all tiers or levels of suppliers or subcontractors.
- D. **Manufacturing Process Order Change** - any time the order or method of manufacturing is changed or deviates from the process quality control plan. This applies to all tiers or levels of suppliers or subcontractors and includes changes in materials such as lubricants used in the manufacture of the product and movement of equipment or process to different location. This applies to all tiers or levels of suppliers or subcontractors.
- E. **Die/Mold/Jig/Tool Change** - when any dies or molds or primary or secondary tooling, which are utilized in the manufacturing process, are new, changed, or modified, excluding routine maintenance. This applies to all tiers or levels of suppliers or subcontractors.
- F. **Inspection Method Change** - when the inspection method of the part is changed or deviates from the process quality control plan, thus resulting in either an improvement or change in the parts quality performance.

### 10.4 Sample Approval

Samples are to be dimensionally inspected by the supplier and all material or laboratory specifications are to be performed by the supplier as required. The inability of a supplier to perform on-site laboratory or other specified testing does not relieve the supplier of the responsibility of those tests being performed. Upon successful completion of all specified requirements and testing documentation as defined by print requirements, the supplier should notify PMC of the availability of samples. The supplier's notification must include the following information:

- A. Name of supplier and address.
- B. Part number and revision.
- C. Quantity of samples available, population size from which the samples were drawn.
- D. Part description.
- E. Drawing number and design engineering level.

Upon notification, PMC quality department will arrange with the supplier to conduct the necessary initial sample assessment. Sample submission must be reviewed and approved by PMC quality department.

When appearance standards are required, they will be handled separately from the initial sample submission. These requirements should be completed prior to the initial sample evaluation.

### 10.5 Sample Evaluation

The supplier is responsible for all specified requirements of initial samples. Evaluation of initial samples will include the following:

- A. The supplier must verify that the gauging used for PMC product has been certified and approved with the initial PPAP.
- B. PMC quality department will review the supplier's quality documents for adequacy.
- C. The supplier is responsible for reporting of test results and dimensional checks. If there are test results or dimensional checks that do not meet the requirements, the supplier shall notify the quality department and purchasing representative and indicate any issues on the PPAP warrant.
- D. The quality representative will review and approve acceptance standards.

### 10.6 Sample Masters

PMC quality department may require that special samples be prepared to reflect the specification tolerance limits (i.e. MIN., MAX Visual variation, etc....). These special samples (MASTERS) may be used as manufacturing assembly aids at the supplier's facility and will be signed and dated by PMC quality representative.

**Note: Masters/Master PPAP samples shall be retained per AIAG current requirements.**

## 11. Subcontractor Control

Supplier shall be completely responsible that the goods, or any portion thereof ("components /material"), purchased under subcontract conform to the drawings, specifications, and other requirements of PMC and its customers. Suppliers to Principal Manufacturing Corporation shall select subcontractors based on their ability to meet PMC and AIAG production part approval process requirements. PMC suppliers shall ensure that subcontractor quality and system controls are effective and meet PMC supplier manual requirements. The supplier shall be prepared to show documented evidence of subcontractor quality levels at the request of PMC and provide PMC and its customer access to subcontractor facilities and records if requested at any time. ***On an annual basis, the supplier may be required submit to PMC a Level III PPAP for each active part confirming that all approved PPAP conditions and dimensions have not deteriorated.***

## 12. Control of the Manufacturing Process

The supplier shall, for the purpose of ensuring stable production, establish and maintain the condition of production machinery, equipment, tools, dies, fixtures, gages, mistake proofs, and any customer-supplied items through documented preventive maintenance program(s). Both preventive and predictive maintenance will be practiced and documented.

The supplier shall periodically record the condition of all PMC supplied product and items, and report as necessary or upon request. Any loss, damage, or deterioration of PMC property shall be reported to PMC in a timely manner. Advance notice of tooling deterioration, that would necessitate replacement, shall be reported in adequate time to refurbish or replace said tooling. Updates on all records should allow enough time to not impact customers' requests. On new projects, quotation of perpetual tooling is encouraged and may be required.

## 13. In-Process Inspection and Test

To constantly maintain quality control and a zero-defect process, the supplier shall establish and maintain as part of the system a plan for performance of inspection and test per PPAP submission documents.

## 14. Final Inspection and Test

The supplier shall establish and maintain as part of the system, a final inspection audit and test procedure per PPAP submission documents.

#### **14.1 Reference Sample**

In any case where the supplier has completed or interrupted continuous production and has extended production idle time before starting the next production run, the last of the goods (with date) checked by gage or other inspection must be retained until start of the next production run for use as an inspection sample, as applicable. PMC shall determine if special testing or inspection is necessary for part approval.

Whenever a change in setup is made during production, a special inspection or test shall be performed by the supplier.

### **15. Parts Identification**

Supplier shall practice lot control in a manner consistent with good manufacturing practices. This shall include but not be limited to identification of lot number and production date with timely rotation of materials and goods. In all cases, the practice of FIFO (first in/first out) shall be applied.

#### **15.1 Product Identification and Traceability (Lot Control/Traceability)**

The supplier shall establish a documented procedure for lot traceability that identifies the product/material from receipt through all stages of the production process, including secondary and third party.

A packing slip must be provided with each shipment, and should meet the following requirements:

1. Lot number clearly identified as lot number.
2. Quantity of product/material.
3. Number of containers.
4. PMC part number with revision level.
5. Purchase order number.
6. Date of shipment.
7. Indicate if PPAP samples and label accordingly.
8. PO number.
9. Visible (readily available on exterior surface) (not in an unmarked box).
10. Any other information requested by PMC (where applicable).

#### **15.2 Labeling**

The supplier shall label product/material per PMC instructions.

The supplier shall display the following information on all shipping containers:

- A. Supplier's name.
- B. PMC part name and part number with revision level as designated by PMC.
- C. Quantity.
- D. Production Lot Number.
- E. Any other information requested by PMC (where applicable).

#### **15.3 Segregating Similar Type Parts**

The supplier shall maintain positive control of the goods destined for PMC to prevent mixing with other similar type of goods manufactured or sold by the supplier.

#### **15.4 Non-Conforming Parts Identification**

The supplier shall establish and maintain, as part of the system, a plan and procedure for the control of defective goods to maintain containment at the supplier and avoid shipment to PMC.

#### **15.5 Shipping Requirements**

Supplier shall provide PMC purchasing with all required shipment information including total weight, freight class and pick-up address for PMC to provide preferred carrier. Failure to comply could result in debit of freight charges. An electronic advance shipping notice(ASN) may be required.

### 15.6 Defective Parts Identification

The supplier shall establish and maintain, as part of the system, a plan and procedure for the control of defective goods. These goods shall be segregated from the production flow of acceptable goods, and shall be identified separately by container, color, tag, or plate for the purpose of preventing their use, shipment, or mixing with acceptable goods.

### 16. Prevention of Quality Deterioration during Storage

The supplier shall maintain necessary control to prevent deterioration of goods. Product to remain free of rust/oxidation for a period of at least 90 days from receipt at PMC facility. Any goods stored at the supplier's facility for a period of more than six months must be re-inspected and verified prior to shipment.

### 17. Quality Data

#### 17.1 Development of Quality Data

The supplier shall develop, as part of the system, a record of data as evidence of assurance of the quality required by PMC. This data shall include, without limitation, at least the following listed items:

##### 17.1.1 Records of Inspection and Test Results

These records shall include:

1. The manufacturing data.
2. Production lot size.
3. Inspection and test dates.
4. Quantities checked.
5. Items checked.
6. Results of checks (statistical figures and data to indicate relative level).
7. *100% Layout (if required to be completed annually, reported via Level 2 PPAP after the initial Level 3 PPAP has been accepted.)*

##### 17.1.2 Control Records of Inspection Tools and Test Equipment Calibration:

Included in each of the above-mentioned items shall be: inspection frequencies, schedules, inspection results, remedies, R&R studies, process capability studies, and signatures of inspectors.

### 18. General Rules for Contractors/Suppliers on Site at PMC

1. Do not enter any door at PMC except for the front office door, the receiving dock in plant 1, or the loading dock in plant 2. Non-PMC employees must be accompanied by a PMC employee at all times.
2. Do not enter the production area unless escorted by a PMC employee.
3. Safety glasses must be worn at all times in all areas except the office and break rooms. Hearing protection is required in designated areas.
4. Do not disturb any team member on the floor for any reason.
5. Do not touch parts, equipment, etc. in the production area unless instructed to do so by a PMC employee.
6. Always read signs and follow all safety instructions posted.
7. Do not bring chemicals on-site unless prior written approval has been obtained by PMC Safety or Environmental Department. A SDS sheet must be provided prior to bringing the substance on site.

## II. HANDLING OF DEFECTS WHEN DISCOVERED

### 1. Defects Discovered by Supplier

When any defect is discovered by the supplier, the supplier shall segregate, inspect, and test, for the purpose of repair or disposal of all suspect product/material. When a defect in goods is discovered or is suspected to



be present in goods delivered by the supplier or in transit to PMC, PMC quality department will be so notified immediately and the supplier must comply with such remedial actions as instructed by PMC.

**2. Defect Discovered at PMC Plant**

Defective goods discovered at PMC plant will be dispositioned by PMC. The supplier will comply with PMC disposition instructions without delay.

**3. Defects Discovered at PMC Customer's Plant**

When supplier defects are identified at a PMC customer's facility, the supplier shall provide any and all assistance requested.

**Note: In all cases the supplier shall assume responsibility for all costs that PMC incurs as a result of non-conforming material.**

**4. Corrective and Preventive Actions**

As part of an effort to promote continuous improvement, PMC may request a supplier of defective material/product or services to prepare and submit a corrective action report. Corrective action reports may be requested verbally or formally with a corrective action request. When a corrective action report is requested, a preliminary containment response shall be prepared by the supplier and submitted to PMC in writing within 24 hours following notification. Any corrective action plans requiring an extended time period for hard fix installation will require submission of documented 8-D. An update to the 8-D, with actions planned, will be submitted within ten (10) business days. All corrective actions must be complete with as much detail as possible. Where technology allows, only hard fixes that produce zero defects are allowed. **Operator dependent corrective actions are not acceptable.** When applicable the supplier shall provide pictures, updated documents, or video to support what is being reported.

***PMC reserves the right to reject any 8-D and request additional information. Any such request shall be in writing. Continued poor performance, rejections, and repeat issues will require presentation of corrective actions at PMC.***

Should the supplier fail to submit the corrective action within the 10 business days as stated above, they will be subject to the escalation process.

- If no response is received after 30 days from the original notification, purchasing shall be notified.
- If no response is received after 45 days from the original notification, supplier may be placed on new business hold.
- If no response is received after 60 days from the original notification, the supplier shall be recommended for removal from supplying components and services to PMC.

Occurrences of non-conforming issues that have been addressed to the supplier may result in the need for the supplier to perform the following activities:

- A. The supplier may be required to provide certified stock to PMC, this stock shall be 100% sorted and designated with a special label and individual identification mark, prior to shipment to PMC for verification that no non-conforming parts are shipped. All marking must be approved by PMC quality assurance for color, type, and location. PMC and our customer vision systems can be affected by markings on the products.
- B. If non-conforming parts are found in shipments that the supplier has 100% sorted and certified, one of the following may be required to take place:
  - B.1 The supplier may be required to provide personnel to PMC to perform sort/rework activities prior to material being released to PMC manufacturing. A third-party sorting company may be required to perform this activity at the discretion of PMC and at the expense of the supplier.
  - B.2 The supplier shall be responsible for PMC's cost to perform sort/rework activities prior to being released to PMC manufacturing. This activity will be performed at the discretion of PMC and will be handled on a case by case basis by PMC quality assurance and purchasing.
  - B.3 If extra documentation or samples are required from PMC or PMC customers the cost

- of such items shall be the supplier's responsibility. In addition, a charge for the time of PMC associates shall be incurred.
- C. It is the responsibility of the supplier to provide PMC with material that is defect-free. If the supplier is unable to control their process, PMC must protect its customers, both internal and external, by initiating the above actions.

## 5. Containment Requirements

- 5.1 A supplier that is issued a corrective action request for a specific defect that has previously occurred once within a 12 calendar month period, will be subject to review. Upon notification, the supplier shall be required to perform a 100% inspection of the subject component for the suspect condition at their location. Each subject component and container shall be identified with an indelible mark that is acceptable to PMC and its customer. 100% inspection shall be enforced until the supplier can provide defect-free components/material based on their implementation of the corrective action. ***The supplier shall assume the responsibility of all costs related to containment.*** The supplier may be required to present their corrective action plan at PMC at a time and date selected by PMC.

### 5.2 Controlled Shipping

Controlled shipping may be levied against the supplier when PMC has determined that the supplier does not have the necessary safeguards preventing nonconforming products from reaching PMC and/or its customers. Suppliers shall certify product until corrective action(s) is initiated AND verified. Examples that warrant controlled shipping include: defects found at PMC customers, repetitive quality issues discovered at PMC, and ineffective corrective actions. One of two levels of controlled shipping shall be selected by PMC and the supplier will be notified in writing/email. The two levels of controlled shipping are:

Controlled Shipping Level 1 (CS1): CS1 shall be asked of the supplier when PMC deems the supplier's quality system is unable to protect PMC from receiving defective product. CS1 requires 100% inspection that must be performed in a controlled area of the plant in addition to the normal inspection outlined in the supplier's control plan. Secondary inspection data must be collected. All certified product must be identified by an agreed-upon method determined by the supplier and PMC (e.g., certified label, colored dot sticker, etc.) The supplier shall continue to perform CS1 until they are authorized to stop by PMC. Should PMC find an additional defect of the same nonconformity, the CS1 period will restart or the supplier will be placed on CS2.

Controlled Shipping Level 2 (CS2): CS2 shall be asked of the supplier when a major defect is found at PMC's customer or CS1 has allowed a reoccurring defect to reach PMC. In addition to all CS1 shipping requirement, supplier shall, at its expense, contract additional 100% inspection by a PMC-approved third party. Secondary inspection data must be collected by the third-party sorters along with the data collected by the supplier during their CS1 inspection. All certified product must be identified by an agreed-upon method determined by the supplier, third party sorters and PMC. CS2 shall continue until they are authorized to stop by PMC.

- 5.3 A supplier that fails or refuses to abide by the practices described above shall be subject to disciplinary actions including but not limited to the invocation of new business hold procedures, loss of approved supplier status, notification to their third-party registrar, or complete revocation of contract.

### 5.4 Supplier New Business Hold (NBH)

PMC's policy to purchase from suppliers who consistently meet or exceed the company requirements for quality, reliability, value, and service. In the event that these requirements deteriorate, it may become necessary to place an approved supplier on NBH. A supplier on NBH shall not be allowed to bid on any new business. Upon notification, the supplier may be required to submit a written action plan for correcting the situation/problem(s) involved within the ninety (90) day probation period. A plan should be submitted within five business days. Restoration from NBH and reinstatement to PMC-approved supplier status will begin when the supplier has instituted corrective actions for which measurable evidence supports their effectiveness. Verification of corrective actions may include PMC

on-site review. The supplier's top management, at a time, location, and date selected by PMC, shall present all evidence to PMC management. If the supplier performance is not restored to acceptable quality performance levels within the probation period, a written notification of revocation will be sent. Restoration from revocation and reinstatement to PMC-approved supplier status will begin only after revalidation to the full PMC supplier systems survey and any other PMC requirements.

## 6. Reworked or Repaired Goods

The supplier shall establish and maintain as part of the system a plan and procedure for reworked or repaired goods. All reworked product shall be re-inspected in accordance with the quality plan (control plan) and or documented procedures.

### III. SUPPLIER EVALUATION

#### 1. Supplier Rating System / Scorecard

All suppliers shall be rated as to their performance in quality and delivery capability as judged through quality occurrences, on-time delivery, and such other criteria as PMC representatives may communicate to the supplier in written form. Supplier performance reports shall be issued in the following manner: on an as needed basis, at the request of the supplier, or at the direction of PMC Management. Purchasing will monitor the delivery performance of all suppliers. A scorecard will be issued on an annual basis as a means of measuring and reporting supplier performance in the areas of quality and delivery.

#### 2. Supplier Scorecard Criteria

PMC Internal Review & Approval Scorecard. Suppliers must be at an 80% or better to be an approved supplier as listed in section 2.4

##### 2.1 Quality corrective action:

- A. A quality corrective action is issued based upon the following:
  - a. Severity of the customer impact
  - b. Repetitive problems
  - c. Statistical data or request by customer or PMC personnel
  - d. Director of Purchasing and quality designees may use discretionary authority as to when supplier corrective action needs to be issued.

##### 2.2 Supplier Delivery Performance:

- A. Raw material, purchase parts, and plastic raw material
- B. Early tolerance: 3 days
- C. Late tolerance: 7 days
- D. Outside processing is based on manufacturing needs
- E. Early tolerance: 5 days
- F. Late tolerance: 17 days

##### 2.3 Subjective Rating:

- A. Discretionary score is based on responsiveness, technical support, customer service, superior customer service, ability to add value, and cost improvement.

##### 2.4 Overall Score (Quality, Delivery, and Subjective):

- A. 90-100 Acceptable. No action required
- B. 80-89 Satisfactory. Meets requirements.
- C. 79-below Poor performance. Corrective action required (detail on cover letter)

##### 2.5 Probationary Suppliers

- A. -New suppliers (including customer directed) are added to the probationary list.
- B. \*Good overall performance over time could allow probationary suppliers to become approved.

**3. Supplier Assessment (Audit)**

All potential new suppliers to PMC will be assessed in one or more of the following ways. Your quality contact will give information regarding individual cases.

- A. Self-assessment (filled out by supplier)
- B. PMC assessment (at supplier by PMC)
- C. 3<sup>rd</sup>-Party assessment (at supplier by registrar or 3<sup>rd</sup> party)

Suppliers shall be required to cooperate in scheduling any visit. A self-assessment shall be forwarded in advance of the audit. Actual questions may change from supplier to supplier and time to time as PMC deems necessary.

# APPENDIX

## Principal Manufacturing Corporation

### Organizational Structure

President: Benjamin Barnett

Director of Purchasing: Edward C. Farrer

### Supplier Contacts

Director of Purchasing	Edward C. Farrer, C.P.M T: 708-865-5058 M: 773-951-6769 <a href="mailto:efarrer@priman.com">efarrer@priman.com</a>
Outside Processing Manager	Julio Villalba T: 708-865-5040 M: 708-426-8749 <a href="mailto:jvillalba@priman.com">jvillalba@priman.com</a>
Director of Quality	Joseph Muchna T: 708-865-7500 x575 <a href="mailto:jmuchna@priman.com">jmuchna@priman.com</a>
Mailing Address	2800 S 19 <sup>th</sup> Ave Broadview, IL 60155

# Shipping Instructions

## Small Package Shipments:

### **Preferred Carrier:**

UPS - Collect

Account #: 624584

\*Any Air freight arrangements require Principal Manufacturing Corporation (PMC) Purchasing Authorization

## Shipments Requiring LTL carrier within the US

Please contact PMC, Bob Stankus at 708-865-5066 for Carrier Preference

## International Shipments: For Importing

Please contact your PMC customer service representative for preferred freight forwarder.

### **PMC Receiving**

Standard Hours: 7:00 AM – 3:00 PM

### **Ship to:**

Principal Manufacturing Corporation

Rear Dock

2800 S. 19<sup>th</sup> Ave

Broadview, IL 60155

[www.principalmfg.com](http://www.principalmfg.com)

### **Customs Broker**

FedEx Trade Networks

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# Revision History

<u>Date</u>	<u>Change Summary/Description of change</u>	<u>Responsible</u>
6/1/2010	Supplier Manual First edition	Ed. F
6/1/2015	Supplier Manual Second edition	Ed. F
8/1/2016	Supplier Manual Third Edition	Ed. F
8/1/2016	Footer update to current date on all pages	J.V and N.H
8/1/2016	III Policy & EMS statement added conflict mineral reporting and MSDS requirements	J.V and N.H
8/1/2016	IV Manual control sheet eliminated	J.V and N.H
8/1/2016	3 Basic Requirements added to the SQAM	J.V and N.H
8/1/2016	3.3.3 Update the CY2016 Restricted Substance Management	J.V and N.H
8/1/2016	3.6 Delivery Performance Requirements updated	J.V and N.H
8/1/2016	3.8 Added Continues Improvements	J.V and N.H
8/1/2016	12 Control of the Manufacturing Process comments added	J.V and N.H
8/1/2016	15.5.1 #7 worded accordingly	J.V and N.H
8/1/2016	Appendix Updated to current management	J.V and N.H
8/1/2016	PPAP Tag Page removed	J.V and N.H
8/1/2016	Rework Tag Page removed	J.V and N.H
8/1/2016	Shipping Instructions Page was updated with current transportation information.	J.V and N.H
11/1/2016	Revision History Page added	J.V and N.H
11/1/2016	Supplier Scorecard Criteria Page added	J.V and N.H
11/2/2016	Table of Contents Page updated	J.V and N.H
05/22/18	Supplier Manual Fourth Edition	Ed and J.V
07/26/18	Changes made for IATF standards	Ed and J.V
08/06/20	Changes made per IATF SI#8. Change made to scorecard calculation	Ed and JM