

# **ALWS**

# **Supplier**

# **Quality**

# **Manual**

***10/2021 Rev: A***

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# **1. General Requirements**

## **1.1. Scope**

This document establishes policy, procedures, guidelines, and minimum expectations of all suppliers to ALWS together with the Purchase Order and ALWS & Conditions of Purchase (appendix A). This manual forms the purchase contract between ALWS and its suppliers. This includes production materials subcontracted by or manufactured at supplier's locations for use by ALWS or services contracted to perform any function on the same including tooling. This manual is to be used in conjunction with ISO/TS 16949:2009 and all referenced documents noted hereafter, all of which define the fundamental quality system requirements for ALWS suppliers. The Supplier Agreement form is required from each supplier location as acknowledgement and understanding of expectations.

## **1.2. Third-Party Registration Requirement**

ALWS expects its suppliers to develop and have system that meets requirements of ISO9001:2015. Suppliers that are registered are expected to provide proof of certification upon request.

Suppliers are expected to inform ALWS of expiration of certificates or loss of certification in a timely manner.

## **1.3. Supplier Requirements**

### **1.3.1. Quality**

- Suppliers are responsible for the Quality and Delivery of their products and services.
- Our suppliers are expected to provide Products and Services with:
- Zero Quality Defects
- 100% On-Time Delivery Performance. The delivery date is defined as the date the complete order is delivered to our facility and/or as defined on a separate document as a blanket PO release schedule.
- On-Time Responsiveness to issues and requests
- ALWS requires that a supplier must be and remain financially stable.
- ALWS requires that all requirements shall be passed down to all tiers of the supply chain.

# **2. Quality Management Systems**

## **2.1. General Quality Requirements**

### **2.1.1. Management Responsibility**

The supplier's top management shall provide evidence of conformity to requirements and of the effective operation of the quality management system. They shall also review the product realization processes and the support processes to assure their effectiveness.

The supplier shall ensure that ALWS requirements are understood and are met with the aim of enhancing customer satisfaction.

The supplier shall ensure that their quality policy

- a) Is appropriate to the purpose of the organization.
- b) Includes a commitment to comply with requirements and continually improve the effectiveness of the quality management system.

- c) Provides a framework for establishing and reviewing quality objectives.
- d) Is communicated and understood within the organization.
- e) Is reviewed for continuing suitability.

The supplier shall ensure that quality objectives, including those needed to meet ALWS's requirements or product(s) are established at relevant functions and levels within the organization and that the responsibilities and authorities are defined and communicated within the organization.

### **2.1.2. Quality System Representatives**

Suppliers shall designate personnel with responsibility and authority to ensure that ALWS's requirements and quality matters are addressed and resolved. This includes setting quality objectives and related training, corrective, and preventative actions. This person(s) shall be of a level to effectively interact with ALWS's Quality Department as well as their own management.

The supplier shall submit Contact Information to the ALWS Purchasing Department. This list should be updated annually, or as significant changes occur.

### **2.1.3. Quality Data**

#### **2.1.3.1. Development of Quality Data**

Records shall be established and maintained to provide evidence of conformity to requirements and specifications. Records shall remain legible, readily identifiable, and retrievable for min of 3 years.

#### **2.1.3.2. Control of Documents**

ALWS shall provide the supplier with the latest drawings and inform the supplier of any changes. Supplier shall control documents with a documented procedure established defining the controls needed to:

- a) Approve documents for adequacy prior to use.
- b) Ensure that changes and the current revision status of documents are identified.
- c) Ensure that relevant versions of applicable documents are available at points of use.
- d) Ensure that documents remain legible and readily identifiable.
- e) Ensure that documents of external origin are identified, and their distribution controlled.
- f) Prevent the unintended use of obsolete documents, and to apply suitable identification to them if they are retained for any purpose.

#### **2.1.3.3. Specifications**

The supplier shall have a process to assure the timely review, distribution and implementation of all standards/specifications and changes. Timely review should be as soon as possible and shall not exceed 10 working days of receiving this information from ALWS.

#### **2.1.3.4. Records of Inspection and Test Results**

These records shall include:

- a. The manufacturing data.
- b. Production lot size and specific lot information for traceability.
- c. Inspection and test dates.
- d. Quantities checked.
- e. Items checked.
- f. Results of checks
- g. Quantity of defects found & method of remedy.

- h. Inspection Frequency and schedules
- i. Process Capability Studies (if required)

#### **2.1.3.5. Record Retention**

The control of records shall satisfy regulatory as well as the following ALWS requirements:

- a. Documents associated with PPAP submission, including all production data, calibrations, tooling records, APQP records, purchase orders and amendments etc. shall be maintained for five (5) years after initial creation.
- b. Quality performance records, Audit records, calibration records, production data, test data, and SPC sheets, etc. shall be kept for Five (5) Years.

All items listed above shall be the minimum number of years, unless otherwise notified in writing by ALWS Quality. These requirements are based on those requirements from ALWS's customers. **Please note that these requirements do not supersede any regulatory requirements.**

#### **2.1.3.6. Communication**

The supplier shall determine and implement effective arrangements for communicating with ALWS in relation to

- a) Product information,
- b) Inquiries, contracts, or order handling, including amendments, and
- c) Customer feedback, including customer complaints
- d) Material and inspection test results

### **2.3. Approval Process Requirements**

For approval of product and processes, ALWS may require that a PPAP, FAIR or some other submission criteria detailed on the purchase order to be submitted prior to shipment and shall obtain ALWS's approval of the submission prior to the delivery. Submissions samples shall be identified with the appropriate label (Appendix C.)

#### **2.3.1. Requirements For Production Part Approval Process**

When required by ALWS, the Supplier shall initiate the Production Part Approval Process (PPAP) system to ensure parts submitted to ALWS meet all requirements. This system should utilize the latest version of the AIAG standard documentation found in the Production Part Approval Process (PPAP) reference manual.

The ALWS Quality Department will identify what level the Supplier will submit to as referenced in the AIAG PPAP reference manual. The Supplier will receive a PPAP checklist as detailed in Appendix E. The Supplier shall use Level 3 as the default level for all submissions unless otherwise specified.

#### **2.3.2. Requirements For First Article Inspection Process**

The Supplier may be required to provide FAI (First Article Inspection) i.e. ALWS standard document or equivalent

When applicable any Aerospace applications, the FAI requirements MUST conform to the AS9102 (Partial FAI) standard. This includes using AS9102 Forms 1, 2, and 3 to document the results of the FAI.

#### **2.3.3. When to use the Approval Process**

The Initial Production Parts Process shall be used whenever there is any change, which affects the part in any way. All samples shall be properly identified before being shipped to ALWS.

#### **2.3.4. Sample Approval**

Samples are to be 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. Sample submission must be reviewed and approved by ALWS's Quality Department.

#### **2.3.5. Sample Evaluation**

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

- a. ALWS Quality Department will review the supplier's quality documents for adequacy
- b. 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 ALWS Quality and / or Purchasing representative prior to submission. Concurrently, the supplier shall submit an action plan detailing changes in the process that will meet the requirements. This may include a deviation or engineering change request. The ALWS Quality Representative will review and approve acceptance standards.

#### **2.3.6. Submission Approval**

Upon acceptance of all required documentation, the ALWS Quality Representative will issue approval.

### **2.4. Lot Traceability**

All suppliers shall practice lot identification and control in a manner consistent with good manufacturing practices using the following criteria:

- a) A new lot number should be assigned for all significant process variations.
- b) The supplier must have a documented system(s) to trace product to a raw material heat lot and date of manufacture or processing.
- c) The supplier must ensure that documented systems are in place at all sub-suppliers to trace product to the raw material lot and date of manufacture or processing.
- d) Suppliers shall establish and maintain documented procedures for unique identification of product lots.
- e) Lot numbers must be traceable through all stages of the supplier's process by the supplier, including shipments to ALWS.
- f) All products should be shipped on a "first in/ first out" (FIFO) method. This identification shall be recorded, maintained. All containers shipped ALWS shall be labeled clearly to show proper lot identification whether it be a lot number or date of manufacture.

### **2.5. Non-Conforming / Defective Material**

The supplier is responsible for supplying product, which meets all specifications. Receiving inspection at ALWS or lack of inspection shall not relieve the supplier from ensuring the quality of the product. The supplier shall ensure that product which does not conform to product requirements is identified and controlled to prevent its unintended use or delivery. Records of the nature of nonconformities, any subsequent actions taken, including concessions obtained, along with the expiration date or quantity authorized shall be maintained. When nonconforming product is corrected it may be subject to reverification to demonstrate conformity to the requirements.

### **2.5.1. Shipments of Non-Conforming / Defective Material**

Non-conforming or defective material is not to be shipped to ALWS without prior authorization. Any material shipped on an authorization shall be properly identified on each shipping container. If authorization has been granted, the supplier shall ensure compliance with the original or superseding specifications and requirements once the authorization expires and may be required to demonstrate such compliance to ALWS.

If a defect or non-conformance in goods is discovered or is suspected to be present in goods delivered or in transit to ALWS, ALWS's Quality Department is to be notified immediately and the supplier shall perform such remedial actions as instructed by ALWS. Specifically, an entire lot may be rejected based on identification of a single non-conforming or suspect condition.

### **2.5.3. Corrective and Preventive Actions**

The supplier shall take action to eliminate the cause of nonconformities to prevent recurrence. Corrective actions shall be appropriate to the effects of the nonconformities encountered.

The supplier shall have a defined process for problem solving leading to root cause identification and elimination, using error-proofing methods in any corrective process. The supplier shall apply all corrective actions and implemented controls to other, similar processes and products to eliminate the potential cause of nonconformity as well as include these actions in their lessons learned.

#### **2.5.3.1. Corrective Action, 5WHY or 8D Reports**

**A corrective action 8D may be requested and if requested will be required within 10 working days of receiving the initial contact.** Included in the final report shall be a detailed list of all preventive actions that have been or will be taken.

If a corrective action plan requires an extended time period due to a hard fix, the supplier may be required to provide weekly updates on the corrective action (8D).

All corrective action reports must be complete with as much detail as possible. Whenever applicable, pictures, documents, or video should be provided to support written documentation.

All control plans, FMEA's, and any other documents shall be revised as changes are made.

ALWS reserves the right to reject, in writing, any corrective action 8D report and request additional information. Continued poor performance and repeat issues will require presentation of corrective actions at ALWS by the supplier's management.

### **2.5.4. Reworked or Repaired Goods**

Instructions for rework, including re-inspection requirements, shall be accessible to and utilized by the appropriate personnel. ALWS must approve, in writing, rework procedures before product may be released for shipping or use. ALWS may request sample parts in advance of shipment, at the supplier's cost, for evaluation before approval is complete.

### **2.5.5. Sorting of Product at ALWS or ALWS's Customer**

The supplier is responsible for the sorting, scrap, or rework of all non-conforming material. When feasible, non-conforming product will be returned to the Supplier. If ALWS is required to sort and/ or rework nonconforming product to maintain production requirements, the supplier will be charged a predetermined rate which will be debited back to the supplier.

In addition to sorting and/or rework costs, the supplier may be liable for other costs associated with the handling and disposition of non-conforming / defective product. This may include, but is not limited to, engineering costs, manufacturing down-time, test lab costs, supervision costs, and administrative costs. The Supplier may also be responsible for the costs of any customer related activities imposed on ALWS, if the root cause is found to be discrepant product from the Supplier. This includes, but is not limited to, sorts of finished product at ALWS's customers, field actions, and/ or recalls.

### **2.5.6. Containment Requirements**

#### **2.5.6.1. Containment**

A supplier that is issued a Corrective Action Request for a specific defect shall provide certified stock to ALWS. This stock shall be 100% sorted and designated with a special tag and/ or individual identification mark prior to shipment to ALWS for verification that no non-conforming parts are shipped. This requirement shall remain in effect until the supplier can provide 100% defect free components / material.

All costs associated with this requirement are the sole responsibility of the supplier.

#### **2.5.6.2. Containment Marking**

ALWS Quality Assurance must approve all marking for color, type and location.

#### **2.5.6.3. Failure to Comply**

A supplier that fails or refuses to abide by the practices described above shall be subject to "business hold", or complete revocation of the purchase order.

#### **2.5.6.4. Supplier Business Hold**

It is ALWS's policy to purchase from suppliers who consistently meet or exceed company requirements for quality, reliability, value, and service. When these requirements deteriorate, regrettably, it may become necessary to place an approved supplier on business hold.

## **2.6. Measurement Analysis and Improvement**

The supplier shall plan and implement the monitoring, measurement, analysis and improvement processes needed

- a) To demonstrate conformity of the product.
- b) To ensure conformity of the quality management system.
- c) To continually improve the effectiveness of the quality management system. This shall include determination of applicable methods, including statistical techniques, and the extent of their use.

### **2.6.1. Internal Audits**

The supplier may be required to conduct internal audits at planned intervals to determine whether the quality management system

- a) Conforms to the planned arrangements, to the requirements of this international standard and to the quality management system requirements established by the organization.
- b) Is effectively implemented and maintained.

## **2.6.2. Control of Monitoring and Measurement Devices**

The supplier shall determine the monitoring and measurement to be undertaken and the monitoring and measuring devices needed to provide evidence of conformity of product or service to determined requirements. The organization shall establish processes to ensure that monitoring and measurement can be carried out and are carried out in a manner that is consistent with the monitoring and measurement requirements.

### **2.6.2.1. Calibration**

Records of the calibration activity for all gauges, measuring and test equipment needed to provide evidence of conformity of product to determined requirements, shall include:

- Equipment identification, including the measurement standard against which the equipment is calibrated.
- Statements of conformity to specification after calibration/verification.

### **2.6.2.2. Internal Laboratories**

An organization's internal laboratory facility shall have a defined scope that includes its capability to perform the required inspection, test or calibration services. The laboratory shall specify and implement, as a minimum, technical requirements for:

- Adequacy of the laboratory procedures.
- Competency of the laboratory personnel.
- Testing of the product,
- Capability to perform these services correctly, traceable to the relevant process standard (such as ASTM, etc.).
- Review of the related records.

### **2.6.2.3. External Laboratories**

External/commercial laboratory facilities used for inspection, test or calibration services by the organization shall have a defined laboratory scope that includes the capability to perform the required inspection, test or calibration, and there shall be evidence that the external laboratory is acceptable to the customer. For ALWS, use of a lab that is ISO 17025 or A2LA certified is adequate to demonstrate acceptability, except where ALWS requests a specific lab.

### **2.6.2.4. Gauges**

All gauges, including ALWS supplied gauges, shall be used in accordance with established instructions.

The supplier's gauging and / or testing equipment shall be made available to ALWS representatives upon request for correlation with ALWS measurement methodology.

#### **2.6.2.4.1. Gauge calibration**

The supplier shall determine gauge calibration frequency, and may be requested, with any level submission, documented results of calibration.

### **2.6.3. In-Process and Final Inspection and Test**

The supplier shall monitor and measure the characteristics or specifications of the product or service to verify that the requirements have been met. Evidence of conformity with the acceptance criteria shall be maintained.

For suppliers manufacturing parts designated by ALWS or its customer as "appearance items", the supplier may be requested to provide the following:

- Appropriate resources including lighting for evaluation
- Masters of color, grain, gloss, metallic brilliance, texture, distinctness of image, as appropriate
- Maintenance and control of appearance masters and evaluation equipment, and verification that personnel making appearance evaluations are competent and qualified to do so.

## **3. Manufacturing**

### **3.1. Process Control**

Suppliers shall develop and maintain internal systems for the control of manufacturing and inspection processes. The supplier may be requested to submit and ALWS shall review and approve submission documenting the system prior to delivery of material, unless otherwise approved by ALWS.

#### **3.1.1. Customer Related Processes**

The supplier shall demonstrate conformity to customer requirements for designation, documentation, and control of special characteristics. The supplier shall review the requirements related to the product. This review shall be conducted prior to the supplier's commitment to supply products or services to ALWS and shall ensure that:

- a) Product requirements are defined,
- b) The supplier has the ability to meet the defined requirements

Where product requirements are changed, the supplier shall ensure that relevant documents are amended and that relevant personnel are made aware of the changed requirements.

### **3.2. Control of Systems / Processes/ Services**

Suppliers shall control their processes according to their quality system. If the system or process should deviate, suppliers shall implement the appropriate actions for Non-Conforming / Defective Material. The supplier shall take the necessary action to reestablish control, and shall immediately notify the appropriate ALWS Quality Representative.

#### **3.2.1. Control of Production and Services**

The supplier shall plan and carry out production and service provision under controlled conditions. Controlled conditions shall include, as applicable:

- The availability of information that describes the characteristics of the product.
- The availability of work instructions, as necessary.
- The use of suitable equipment.
- The availability and use of monitoring and measuring devices if applicable.

#### **3.2.2. Control Plans**

The supplier shall (if required by ALWS)

- Develop control plans at the system, subsystem, component and/or material level for the product supplied.

- Have a control plan for production that takes into account the design FMEA, where applicable, and manufacturing process FMEA outputs.

The control plan shall (if required by ALWS)

- List the controls used for the manufacturing process control.
- Include methods for monitoring of control exercised over special characteristics.

Control plans shall be reviewed and updated when any change occurs that affects the product, manufacturing process or FMEA.

### **3.2.3. Preventive and Predictive Maintenance**

The supplier shall establish, and maintain the condition of production machinery, equipment, fixtures, gauges, mistake proofs and any ALWS or ALWS customer supplied items through a documented preventive maintenance program.

### **3.2.4. ALWS Property**

The supplier shall mark each item supplied or purchased by ALWS with "Property of ALWS".

Any loss, damage, or deterioration of ALWS property shall be reported to ALWS Purchasing and Quality in a timely manner.

### **3.2.5. Preservation of Product**

The supplier shall preserve the conformity of product during internal processing and delivery to the intended destination

#### **3.2.5.1. Process Capability Studies**

Process capability studies on critical & key characteristics or processes may be requested. Studies not meeting minimal requirements shall require the supplier to request a deviation or engineering change with dated action plan to ALWS Quality and Purchasing Departments.

#### **3.2.5.2. SPC Data**

IF SPC data and measurement studies are required, documentation shall be made available upon request to ALWS.

### **3.2.6. Monitoring of Manufacturing Process**

The supplier shall apply suitable methods for monitoring and, where applicable, measurement of the quality management system processes. These methods shall demonstrate the ability of the processes to achieve planned results. When planned results are not achieved, correction and corrective action shall be taken to ensure conformity of the product. Significant process events, such as tool change or machine repair, shall be recorded.

## **3.3. Control of Purchased Materials**

The supplier shall ensure that purchased product conforms to specified purchase requirements. The type and extent of control applied to the supplier and the purchased product shall be dependent upon the effect of the purchased product on subsequent products or the final product.

ALWS's supplier shall evaluate and select suppliers based on their ability to supply products in accordance with ALWS's supplier's requirements.

### **3.3.1. Supplier Quality Management**

The supplier shall perform supplier quality management system development with the goal of conformity to ISO/IATF16949.

### **3.3.2. Subcontracted Goods or Materials**

The 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 ALWS.

### **3.3.3. Work Environment**

The supplier shall determine and manage the work environment needed to achieve conformity to product requirements. Product safety and means to minimize potential risks to employees shall be addressed.

## **4. Material Control**

### **4.1. Delivery**

The supplier shall make shipments per instructions with consideration for appropriate lead-time. In all cases the supplier shall be responsible for 100% on-time delivery.

If parts cannot meet the required delivery schedule, at no fault of ALWS, it is the supplier's responsibility to use the fastest possible delivery service. Costs incurred by ALWS and ALWS's customers due to late shipments, at no fault of ALWS, shall be the responsibility of the supplier. These charges may include, but not be limited to, expedited shipments, machine down-time, and administrative costs. It is a requirement that we have record of any shipment to our facility where expedite charges are incurred by either ALWS or by our suppliers.

### **4.2. Packaging Requirements and Guidelines**

The supplier is required to use appropriate means and methods of handling, storage and packaging methods to avoid damage to containers and product. Packaging and labeling methods listed on the purchase order are the responsibility of the supplier.

In cases where ALWS supplies packaging to its suppliers, it is the supplier's responsibility to contact ALWS immediately if insufficient packaging is provided preventing the supplier from fulfilling order requirements on the required due date.

### **4.3. Product Identification**

The supplier shall be responsible to ensure that all products are identified correctly and meet the ALWS requirements as described herein. If parts are not identified pursuant to these requirements the supplier will be issued a Corrective Action which will affect the supplier's performance rating.

#### **4.3.1. Segregating Similar Type Parts**

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

#### **4.3.2. Labeling of Product**

The supplier is responsible to ensure that all products are labeled based on ALWS requirements.

#### **4.3.3. Packing Slips**

Every supplier shipment to ALWS must have an accompanying packing list. Each packing list must be visible and not in an unmarked box. The packing list shall contain the following items:

- ALWS shipment location.
- ALWS part number.
- ALWS Purchase Order number
- Quantity ordered.
- Quantity shipped.
- Unit of measure shipped
- Date shipped.
- Lot number(s). If multiple lot numbers are shipped, the quantity of each lot number shall be identified.
- Identification if certifications were attached or included in the shipment.

#### **4.3.4. Certifications**

Raw material, such as steel is required to have material certifications for each lot shipped to ALWS. Additionally, ALWS requires certain parts or commodities be supplied with a certificate of conformance with each lot shipped.

- a. Must be for each part.
- b. Must be with each lot and lot number noted on certifications.
- c. Must be for each testing requirement on drawing (i.e. material, plating, tensile, hardness, anneal).
- d. Must have actual results of test on or attached to certifications.
- e. Must have design requirements on or attached to certifications.
- f. Must have quantity of parts certified.

## **5. Engineering**

### **5.1. Change Control**

The supplier shall have a process to assure the timely review, distribution and implementation of all customer engineering standards/specifications and changes based on customer-required date. The effects of any change, including those changes caused by any sub-supplier, shall be reviewed and validation activities shall be defined, to ensure compliance with ALWS and ALWS's customer(s) requirements. Changes shall be validated before implementation and shall require ALWS Purchasing and/or ALWS Quality Assurance authorization prior to implementation.

#### **5.1.1. Drawing Changes**

When any change occurs to drawings, process, or other specification, the supplier may be required to submit a revised PPAP, FAIR or other submission unless otherwise agreed to from a ALWS Supplier Quality Representative.

#### **5.1.2. Deviation**

The supplier shall obtain a ALWS deviation request prior to further processing whenever the product or manufacturing process is different from that which is currently approved. If parts are non-conforming and do not meet the drawing requirements a supplier may request a temporary or permanent drawing change. This request shall be made on ALWS's Deviation form ([Appendix D](#)). The supplier will be notified by ALWS as to the disposition(s) of the deviation. If the deviation is

approved by ALWS the supplier will receive authorization to proceed from ALWS Purchasing or Supplier Quality.

The supplier shall not ship non-conforming product to ALWS without an approved deviation, unless directed in writing by ALWS Management.

## **6. QUALITY SYSTEM AUDITS and ASSESSMENTS**

### **6.1 Quality System Audits and Assessments**

ALWS and ALWS's customers reserve the right to audit, without limitation, the supplier's, sub-supplier's and sub-contractor's facilities, processes, components, materials and finished goods. In addition, ALWS reserves the right to conduct quality assessments on all suppliers. The purpose is intended to identify a good fit between ALWS's needs and the supplier's quality system and process controls.

A ALWS supplier quality assessment may be conducted:

- With all new suppliers before the award of any purchase orders.
- As required due to new product, process or corrective action verification.
- As required resulting from below-standard supplier performance.
- As required by ALWS's customers.

Typically, ALWS will conduct assessments only on suppliers that supply direct to ALWS. However, ALWS reserves the right to selectively conduct Supplier Quality Assessments on sub-suppliers.

Prior to a supplier quality assessment,

- a) The supplier will be contacted by a ALWS Supplier Quality or Purchasing Representative to confirm a schedule for the assessment. The supplier shall make suitable arrangements to complete the assessment.
- b) The supplier may be required to complete and submit a pre-assessment form in advance of the full assessment. A ALWS Supplier Quality System Audit Form will be used for all assessments.

Any audit or assessment shall not absolve the supplier, sub-supplier or subcontractor of the responsibility to provide conforming material/product. Under no circumstances shall an audit or assessment be used by the supplier, sub-supplier or subcontractor as evidence of effective control of quality, nor shall it preclude subsequent rejection or further evaluation.

## **7. Supplier Rating**

### **7.1.1. Annual Evaluation**

Suppliers will be rated, typically on a quarterly basis. Suppliers may be evaluated more or less frequently, based on their importance to ALWS. Supplier rating incorporates both quality and delivery performance items. "Acceptable" performance shall be the goal of all suppliers. When requested, the supplier is to provide formal correction action, e.g., for continuing NG performance.

# APPENDIX A

## ALWS.

### TERMS AND CONDITIONS OF PURCHASE

1. **SELLER'S ACCEPTANCE OF BUYER'S TERMS AND CONDITIONS OF PURCHASE.** Seller agrees that these Terms and Conditions of Purchase are incorporated in, and made a part of, this contract and each purchase order, shipping release or instruction, or other document issued by Buyer whether in written form or by electronic data interchange, relating to the goods or services to be provided by Seller pursuant to this contract (collectively this "Contract"). Seller agrees that it has read and understands these Terms and Conditions. If Seller accepts this Contract in writing or commences any of the work or services which are the subject of this Contract, Seller will be deemed to have accepted this Contract and these Terms and Conditions of Purchase in their entirety without modification. Any additions to, changes in, or modifications of this Contract (including these Terms and Conditions of Purchase) which Seller proposes are to be deemed rejected by Buyer except to the extent that Buyer expressly agrees to accept any such proposals in writing.
2. **PRICES AND DISCOUNTS.** Unless otherwise agreed, prices shall remain fixed for the duration of Buyer's order. Seller warrants that the prices of the items covered by this order are not and shall not be in excess of Seller's lowest lawful prices for comparable quantities of similar items. If Buyer has reasonable cause to believe that Seller has violated this covenant, Seller agrees that Buyer or its representatives may, upon request, audit the records of Seller for the sole purpose of establishing Seller's compliance herewith. Any discount period provided herein shall begin either upon the date of delivery at destination, or the date of mailing of invoice, whichever is later.
3. **PACKING AND SHIPMENT.** No charge will be allowed for packing or shipment unless stated on Buyer's order. Bills of lading must accompany each invoice. Orders not accompanied by packing lists will be conclusively presumed to be in the amount of Buyer's count and weight. Risk of loss and title to all goods shall pass to Buyer only upon delivery to Buyer's specified destination.
4. **CERTIFICATION.** When this order or the specifications referred to herein, requires documentation or certification, this requirement is a material requirement of this order and Seller's failure to provide such information prior to or at the time of delivery shall entitle Buyer to withhold payment until Seller provides such documentation or certification.
5. **WARRANTIES/PROHIBITION AGAINST EXCLUSION OF WARRANTIES.** SELLER EXPRESSLY WARRANTS TO BUYER THAT ALL MATERIALS, WORK OR GOODS COVERED BY THIS ORDER WILL (a) CONFORM TO THE SPECIFICATIONS AND OTHER DESCRIPTIONS FURNISHED BY BUYER, (b) BE FREE FROM DEFECTS IN OR CLAIMS AGAINST GOOD TITLE THERETO, (c) BE FREE FROM DEFECTS IN MATERIAL AND WORKMANSHIP, (d) BE MERCHANTABLE IN ALL RESPECTS, AND (e) BE FIT FOR THE PARTICULAR PURPOSE FOR WHICH BUYER INTENDS TO USE SUCH GOODS. ANY ATTEMPT BY SELLER TO EXCLUDE, LIMIT, DISCLAIM OR RESTRICT ANY OF THE FOREGOING WARRANTIES, WHETHER CONTAINED IN SELLER'S ACKNOWLEDGMENT, INVOICE OR OTHERWISE, SHALL BE NULL, VOID AND UNENFORCEABLE AGAINST BUYER IN ALL RESPECTS. BUYER SHALL NOT BE DEEMED TO WAIVE ANY WARRANTY BY REASON OF RECEIPT, ACCEPTANCE OR PAYMENT. IF BUYER SHALL GIVE SELLER NOTICE OF ANY DEFECT OR NON-CONFORMITY WITHIN ONE YEAR FROM THE DATE OF DELIVERY, SELLER SHALL, AT NO COST TO BUYER, PROMPTLY FURNISH REPLACEMENT GOODS OR REFUND BUYER'S PURCHASE PRICE. ALL WARRANTIES SHALL RUN BOTH TO BUYER AND TO BUYER'S CUSTOMERS.
6. **DELIVERY/RELEASE SCHEDULES.** Deliveries will be made in the quantities, on the dates, and at the time specified by Buyer in this Contract or any subsequent releases or instructions Buyer issues under this Contract. Time is of the essence with respect to all delivery schedules Buyer establishes. Buyer will not be required to pay for any goods that exceed the quantities specified in Buyer's delivery schedules or to accept goods that are delivered in advance of the delivery date specified in Buyer's delivery schedules. Seller bears the risk of loss of all goods delivered in advance of the delivery date specified in Buyer's delivery schedules. If the requirements of Buyer's customers or market, economic or other conditions require changes in delivery schedules, Buyer may change the rate of scheduled shipments or direct temporary suspension of schedule shipments without entitling Seller to a price adjustment or other compensation.
7. **VOLUME FORECASTS.** Buyer may provide Seller with estimates, forecasts or projections of its future anticipated volume or quantity requirements for goods. Seller acknowledges that any such

forecasts are provided for informational purposes only and, like any other forward-looking projections, are based on a number of economic and business factors, variables and assumptions, some or all of which may change over time. Buyer makes no representation, warranty, guaranty or commitment of any kind or nature, express or implied, regarding any such forecasts provided to Seller, including with respect to the accuracy or completeness of such forecasts.

8. **INSPECTION AND DEFECTIVE/NONCONFORMING GOODS.** All goods or work furnished by Seller shall be subject to inspection and verification of count, quality, and conformity with Buyer's specifications. Buyer shall have the right to reject and return, at Seller's risk, any goods or work, which fail to conform to Buyer's specifications. Alternatively, Buyer may, at Buyer's option, (a) correct or have corrected any such defect or nonconformity at Seller's expense; or (b) make an equitable adjustment to the price for such goods on account of the defect or nonconformity. Buyer's acknowledgment of receipt shall not release Seller from any liability for defects discovered after delivery. Buyer's payment to Seller shall not constitute acceptance. Any cost, expense, or damages, related to nonconforming goods will be the responsibility of Seller. Seller shall reply within two (2) business days to any notification from Buyer to Seller as to nonconforming goods and shall be responsible for removing nonconforming goods from Buyer's premises F.O.B. Seller's original shipping location within five (5) business days from such notification.
9. **DELIVERY.** Time is of the essence in connection with the delivery of any goods or work released by Buyer. Seller shall advise Buyer within ten (10) days of Seller's knowledge that any delivery may be delayed. In the case of delay, Buyer may consult with Seller as to possible rescheduling and alternative sources of supply, and Buyer may, at Buyer's option, (a) cancel any open order without incurring any liability to Seller, or (b) purchase similar merchandise on the open market in such quantities as Buyer deems necessary (but not exceeding the quantities set forth in Buyer's order) and Seller shall reimburse Buyer for any difference between the price paid by Buyer and the price set forth in Buyer's order.
10. **COMPLIANCE WITH LAWS AND REGULATIONS.** Seller agrees that it will comply with all federal, state and local laws and regulations applicable to the production, sale, labeling and delivery of the goods and the performance of any work set forth herein. Seller shall not discriminate against any employee or applicant for employment because of race, creed, color, sex or national origin and shall not maintain any segregated facilities at Seller's facilities on the basis of race, creed, color, sex or national origin. Without limiting the generality of the foregoing, Seller certifies that the materials and work performed by Seller shall be in compliance with the requirements of the Fair Labor Standards Act, the Rehabilitation Act of 1973, the Vietnam Era Veterans Readjustment Assistance Act of 1972, all as amended, and of the regulations issued pursuant thereto. Seller shall develop and maintain affirmative action programs to employ and advance minorities and minority business enterprises, handicapped workers, disabled veterans and veterans of the Vietnam era.
11. **TAXES.** Except for any state or local sales, use or other taxes from which an exemption is available to Buyer for the purposes hereof, all prices payable by Buyer include all applicable federal, state and local taxes. Seller agrees to accept, apply and submit tax exemption certificates when supplied by Buyer, if acceptable, to the appropriate taxing authorities.
12. **TERMINATION.** (a) Buyer shall have the right to terminate this order, at any time, without cause, for Buyer's convenience. Upon receipt of notice of termination, Seller shall immediately discontinue performance and shall comply with Buyer's instructions concerning the disposition of completed and partially completed items, work in progress and materials acquired pursuant to this order. In the event of a termination, without cause, Seller shall be reimbursed for the reasonable costs incurred by Seller prior to termination. (b) Buyer may terminate this order on five (5) days written notice to Seller, if Seller: (i) fails to perform any of Seller's obligations under this order; or (ii) demonstrates an inability to perform this order in accordance with its terms; or (iii) becomes insolvent, makes a general assignment for the benefit of creditors or files a petition under any bankruptcy act or similar statute. Upon the termination of this order, Buyer may procure, upon such terms as Buyer shall deem appropriate, goods or services similar to the goods and services so described in this order and Seller shall be liable to Buyer for any excess costs incurred by Buyer.
13. **SET OFF.** Buyer is authorized to apply any monies due Seller hereunder toward the payment of any sums which Seller or any company affiliated with Seller may now or hereafter owe to Buyer.
14. **INDEMNITY.** Seller shall at all times indemnify, save and hold harmless Buyer, its directors, officers, employees, servants, agents, shareholders, and its affiliates (each an "Indemnified Party") from and against all legal actions, claims, judgments, loss, damages, costs, liabilities, charges or

expenses, including, without limitation, reasonable attorney's fees, which an Indemnified Party may incur, be liable for, suffer or sustain on account of any damage, wrong, loss, death, or injury of any kind or nature whatsoever caused by or resulting from (a) any act, breach, conduct, or omission of Seller related to or arising out of this transaction, including, without limitation, any alleged breach of warranty (whether express or implied); (b) any failure of the goods or work described herein to conform to any applicable specifications, descriptions or samples; (c) any defects in materials or workmanship; or (d) any claim or infringement of any patent in connection with the production of goods or performance of any work hereunder or the use of such goods. If this order includes performance of services or labor on Buyer's premises, Seller agrees to provide and maintain insurance coverage until such work is completed and accepted by Buyer and to furnish upon request certificates from its insurance carriers that it is covered by insurance adequate to provide workmen's compensation, general public liability and automobile public liability coverage with limits and with companies acceptable to Buyer.

15. **SELLER'S EXCLUSIVE REMEDY/BUYER'S LIMIT OF LIABILITY.** SELLER'S SOLE AND EXCLUSIVE REMEDY AND BUYER'S ABSOLUTE LIMIT OF LIABILITY IN CONNECTION WITH ANY LAWSUIT, CLAIM OR CAUSE WHATSOEVER DIRECTLY OR INDIRECTLY RELATING TO OR ARISING OUT OF THIS TRANSACTION WHETHER BASED ON CONTRACT, TORT OR ANY OTHER LEGAL THEORY OF RECOVERY SHALL IN ALL CASES BE STRICTLY LIMITED TO THE CONTRACT PRICE FOR THE MATERIALS OR WORK ORDERED BY BUYER. SELLER ACKNOWLEDGES AND AGREES THAT THE FOREGOING EXCLUSIVE REMEDY SHALL BE SELLER'S SOLE REMEDY. IN NO EVENT SHALL BUYER BE LIABLE FOR ANY PUNITIVE, INCIDENTAL OR CONSEQUENTIAL DAMAGES TO SELLER OR ANY THIRD PARTY.
16. **ATTORNEY'S FEES.** In the event that Buyer must institute a lawsuit against Seller for any reason hereunder or if Buyer successfully defends any lawsuit instituted by Seller, then Buyer shall be entitled to recover its costs and expenses, including reasonable attorney's fees, from Seller.
17. **NON-WAIVER BY BUYER.** No waiver of any term, provision or other condition hereof by Buyer, whether by conduct or otherwise, in any one or more instances shall be deemed to be or be construed as a further or continuing waiver of any such term, provision or condition or as a waiver of any other term, provision or condition.
18. **SEVERABILITY.** If any term, covenant or condition herein, or the application thereof to any person or circumstance, shall be invalid or unenforceable, the remainder of these terms shall not be affected thereby, and all such terms, covenants or conditions shall be valid and shall be enforced to the fullest extent permitted by law.
19. **GOVERNING LAW AND VENUE.** This order shall be governed in all respects by the laws of the State of Michigan and any and all actions commenced against Buyer with respect hereto shall be filed in the state or federal court in Macomb County or Detroit, MI.
20. **ENTIRE CONTRACT.** These terms and conditions constitute the entire understanding between the parties with respect to the terms governing the subject matter hereof and supersede all prior negotiations, discussions and preliminary agreements, if any. Except as set forth herein, neither party has relied upon any promise or representation made by the other or any third party as an inducement to enter into the subject transaction.

# APPENDIX B

## IQ 8-D Corrective Action

**PUT LOGO HERE**

CAR NUMBER:  
CAR #:  
INITIATED BY:  
RGA NUMBER:  
ISSUED DATE:

ASSIGNED TO:  
PART NAME:  
PART NUMBER:  
QUANTITY:  
DUE DATE:

PRIMARY CONTACT (Team Members):

PROBLEM DESCRIPTION:

**ROOT CAUSE** (Probable)

ACTIONS (Interim):

SIMILAR PRODUCT LINE - Y/N  
COMMENTS:

ACTION (Permanent):

VERIFICATION:

Short Term –Signed:	
Long Term – Signed:	

PREVENTION:

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Control Plan Updated/Comments

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SUBMITTED BY:		DATE RETURNED:	
APPROVAL BY:		DATE CLOSED:	

Corrective Action Effectiveness Verification

Target Date for review:	
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Review Date:	
--------------	--

Reviewed by:	
--------------	--

Was corrective action effective:    Yes    No ___
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If no, reissue corrective action referencing the above corrective action number
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Comments:
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