



# Supplier Quality Manual

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This manual applies to suppliers of:

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## Introduction

The purpose of this Supplier Quality Manual is to specify and explain the requirements and procedures that affect the relationship between Absolute Laser Welding Solutions (ALWS) and its suppliers, with the goal of ensuring quality and delivery throughout the entire supply chain.

The object is to clearly describe the minimum requirements for doing business with ALWS. Any additional requirements will be communicated on a case-by-case basis and will be addressed in some other form of documentation such as the purchase order.

All communications regarding the requirements and procedures in this document are to be directed to the ALWS Purchasing representative and/or Owner.

## Quality Objective

ALWS Quality objective is to meet and exceed our customers' expectations through excellence in Quality. Our goal is to achieve a clear, competitive advantage through continuous improvement in quality, delivery, service and cost. This philosophy is expected to be adopted and followed by all members of the supplier chain. The importance of ethical behavior is paramount.

Suppliers are responsible for the quality of their products and will be responsible for and expected to:

- Supply products/requirements as per the Purchase order
- On-Time Delivery
- Immediate responsiveness to quality or delivery issues
- Continuous improvement by proactively improving quality, delivery and value of product
- Update ALWS with current certificates/registrations that have expired

In order to achieve these goals, ALWS recognizes that it is our responsibility to assist our suppliers in achieving these goals. ALWS will provide the necessary personnel, data, procedures or other information to help our suppliers succeed. We recognize that we cannot succeed without a close relationship between us and our suppliers.

## Requirements to become an ALWS supplier

Requirements to become a supplier to ALWS include the following:

- Supplier must complete and return the Supplier Survey which acknowledges that the QMS manual is online ([alwsllc.com](http://alwsllc.com)) and that they have reviewed and understand all the flow down and other requirements within.
- Signed Non-Disclosure Agreement

## Purchase Orders

Once a purchase order is issued, it is considered to be a binding contract. ALWS expects that acceptance of a purchase order is acceptance of all conditions and requirements contained within it. ALWS will not be responsible for any jobs that do not meet the requirements of the purchase order.

## Deviation Requests

All requests to deviate from Purchase Order requirements must go through the Purchasing department. The request shall be in writing, with a detailed description of the deviation, including print callouts, tolerance, and actual readings. Deviations must obtain written approval prior to shipping the product.



## **Supplier Audits**

ALWS may request an on-site audit at the supplier's facility. Audits may be general in nature where ALWS is attempting to gather information on a supplier's core competencies, capacity or its strengths and weaknesses. ALWS may also conduct a process audit where the product is followed throughout its production cycle. ALWS will provide an audit outline in advance if the supplier requests. All results will be shared with the supplier. ALWS may request corrective actions based on the audit results.

## **Continual Improvement**

Continual Improvement is expected throughout the relationship with ALWS and its suppliers. In order to continue to be competitive, ALWS and its suppliers must be proactive in proposing improvements in processes as well as cost. All improvement ideas should be submitted to the Purchasing department.

## **Quality Clauses and Contract Deliverables**

### **Quality Program / System**

Suppliers shall have a quality system in place that allows purchase order, ALWS and statutory/regulatory requirements be met. Certification of compliance to the ISO9001 or AS9100 standard by a third-party registrar is recommended, although not required. If not currently certified, ALWS may complete a supplier audit to ensure that a system is in place to allow requirements to be achieved. Suppliers must ensure that proprietary information is maintained and disposed of properly.

### **Right of Entry**

ALWS reserves the right of entry to the Supplier's facilities for the purpose of verifying quality, auditing procedures or inspection of purchased items. The extent of entry shall extend to ALWS customers, government or other regulatory agencies. ALWS will notify Supplier with as much advanced notice as possible.

### **Non-conforming Product**

If product from a supplier's shipment is nonconforming, the Foreman will immediately notify the supplier. The entire shipment will be appropriately segregated in the Hold Area and inspected for compliance.

Note – The supplier must immediately notify, in writing, the ALWS Purchasing representative when:

1. The supplier determines that a nonconforming product has been shipped to ALWS.
2. The supplier has been notified by ALWS that the product they have shipped is or may be nonconforming, or that an identical or substantially similar product shipped to ALWS may be nonconforming.
3. The supplier commences an investigation relating to potential defects and/or potential nonconformance.

Pending the inspection results and per the Foreman's discretion, a Supplier Nonconformance Report (SNCR) or 8D Corrective Action may be required.

- (i) A Nonconformance Report is a report of an identified (or suspected) nonconformance.
- (ii) A Corrective Action Report is a report on what was done (if anything) to correct/eliminate future nonconformances.
- (iii) Note: not all nonconformances will trigger a corrective action.

### **Supplier Nonconformance Reports will be initiated for the following:**

- The part does not conform to the current drawing or specification.
- The part does not conform to applicable quality standards.
- The part does not perform or function per design intent.

Note 1: If the product can be immediately fixed and has no impact on delivery to the customer, the Foreman may use his discretion as to whether a SNCR is required.



Note 2: If the product is non-conforming, but the nature of the defect, subsequent processing or in-process inspection will ensure compliance with customer specifications and requirements, a Deviation request may be requested.

Note 3: When the Foreman decides a SNCR is not necessary, justification for the decision will be documented.

When an SNCR is issued, the supplier is expected to:

1. Undertake inspection, segregation, and/or repair of suspect parts
2. Analyze the cause(s) of nonconformance and implement corrective action.
3. Report results of sorts, suspect lot range information, repairs, investigations and corrective actions to ALWS.
4. Reflect results to similar systems or processes and to the supplier's problem history records.

All SNCR's must be completed within 24 hours. If containment is required, containment action may include sort and containment activities at ALWS and/or customers' facilities. When non-conforming product is found, it is the supplier's full responsibility to sort, disposition and rework or scrap the product as needed. If immediate sort and containment actions are needed, the supplier will be notified of time constraints and will assume responsibility for associated costs.

The Supplier assumes any responsibility for parts that may need to be shipped back for non-conforming product found at ALWS or its customer.

**An 8D/Corrective Action will be initiated for the following:**

- Repeat incidents (including nonconformities, late deliveries, etc.)
- Customer, internal or AS9100 audit finding relating back to the supplier
- Defects with a high risk of reoccurrence
- A large volume of defects (whether minor or significant)
- Counterfeit product found
- Poor supplier performance history (score of less than 75%)

When an **8D / Corrective Action** is issued, the supplier is expected to:

1. Take action to eliminate the cause of nonconformities to prevent recurrence.
2. Take Corrective actions appropriate to the effects of the nonconformities encountered.
3. Have a defined process for problem solving leading to root cause identification and elimination, using error proofing methods in any corrective process. The preferred corrective action is 8D/5-Why but other quality tools may be used.
4. Apply all corrective actions and implemented controls to other, similar processes and products to eliminate the potential cause of nonconformity as well as includes these actions in their lessons learned.
5. Complete and submit corrective actions within 15 working days. If additional time is required, the supplier must attain written permission from ALWS Purchasing department.

Note1: ALWS reserves the right to reject, in writing, any corrective action report and request additional information. Continued poor performance and repeat issues will require presentation of corrective actions at ALWS by the Suppliers management and will be subject to removal from the approved supplier list.

Note 2: A supplier that fails or refuses to abide by the practices described above will result in the supplier being removed from the approved supplier list.

**Supplier Monitoring / Performance Expectations**

Suppliers will be monitored on quality, on-time delivery and responsiveness to nonconformities that may arise. Other factors may be noted, such as the response time to RFQ's or general customer service. ALWS' goal is for the supply base to achieve 100% On-Time Delivery, 100% Quality and 100% Responsiveness. If a supplier is not meeting expectations and the supplier performance impacts ALWS' ability to succeed in our quality and customer satisfaction missions, ALWS will issue a SNCR. If supplier performance scores hit 75% or lower, an 8D will be issued. Scores lower than 75% in a consecutive two quarters will result in the supplier being removed from the Approved Supplier List.



### **Shipping / Packaging**

All product shipped to ALWS must be packaged/secured in a manner to protect parts from contamination and damage. The supplier is responsible for the condition of the parts until the parts arrive at ALWS unless otherwise specified.

Packaging shall also include proper identification. Each job shall be clearly identified. Additional information may be requested on the purchase order.

### **Material Certifications**

A legible and reproducible copy of each certification may be required for each shipment. The supplier shall be responsible to verify that the results are conforming to the purchase order requirements. Mill certifications are the preferred and required standard for raw materials. Certificates must be signed.

### **Part Inspections and Reports**

The supplier is responsible for verifying compliance to all requirements on the purchase order. An inspection report may be required to accompany the job when shipped to ALWS. ALWS reserves the right to inspect any shipment under the purchase order. Evidence of any non-compliance shall be cause for rejection of the entire job. Any job rejected, may be returned to the supplier at their expense for re-inspection, re-processing, or replacement as directed by ALWS.

### **Certificate of Conformance**

Supplier may be required to provide a Certificate of Conformance with each shipment indicating all materials supplied meet the purchase order requirements. Suppliers must keep all objective evidence on file for ALWS to review if requested.

### **Process Certifications**

Suppliers providing products that require special processes, including but not limited to heat treatment, NDT, etc. shall provide written certification documenting that the special processes were performed in accordance with the purchase order. Certificates must be signed.

### **DFARS / Counterfeit Material**

The purchase of materials, components, or parts from non-approved countries is strictly prohibited. ALWS will not accept any such product unless written permission is expressly given. It is the responsibility of the supplier to review its sources to ensure that non-DFARS or counterfeit material is not being used. Certifications must be reviewed by the supplier to ensure that they meet all requirements of DFARS and counterfeit avoidance. All suppliers must purchase components from an authorized distributor.

### **Record Retention**

The supplier shall maintain records for 7 years after closure of the purchase order unless otherwise specified on the purchase order. All records shall be available to ALWS if and when they are requested. Additional copies may be requested by ALWS at no additional charge.

### **Sub-Tier Supplier Management**

All quality requirements will need to flow down to the sub-tier supplier. All quality requirements remain the responsibility of the supplier whom ALWS issued the purchase order.

### **Special Instruction Requirements**



ALWS may require specific requirements that are not previously outlined in these quality narratives. If the special instruction clause is invoked, the instructions will be outlined on the purchase order. The supplier will be entirely responsible for understanding the special notes/specifications required, and the conformance of the special requirements.

## TERMS AND CONDITIONS

**Seller acceptance of ALWS' 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.

**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.

**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.

**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.

**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.

**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.

**Sellers exclusive remedy/Buyers limit of liability.** Seller's sole and exclusive remedy and Buyers 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 Sellers sole remedy. In no event shall Buyer be liable for any punitive, incidental or consequential damages to seller or any third party.

**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.

**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.

**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.

**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.

**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.

#### Document Revision Record

Rev. Level	Rev.Date	Section/ Paragraph	Description of Change
1	02/21	Creation	Creation
2	10/22	Minor changes	Minor changes
3	01/25	Major revision	Updated more specific to ALWS
4	04/25	Pages 4-5	Revised Nonconforming Product & merged with Supplier Corrective Action requests made section to be more detailed; Revised Supplier Monitoring section to include Performance Expectations; Rearranged sections" Record Retention / Sub-Tier Management"