

AAP ST. MARYS CORP. OPERATING PROCEDURE	DEPARTMENT: GENERAL	NUMBER: GN – OP – 68
TITLE: SUPPLIER/SUBCONTRACTOR QUALITY AND DEVELOPMENT		

1. PURPOSE:

The purpose of this procedure is for clarification of the Quality Management System Requirements to those companies that supply parts and services to AAP, the development of a supplier for AAP and to help establish criteria for key suppliers.

2. APPLICATION

- 2.3 To ensure that AAP meets the intent of our Quality Management System and Customer Defined Requirements, respectively through our suppliers and our subcontractors.
- 2.4 To assist AAP in developing a key supplier list for all A and B ranked suppliers. To assist in development of criteria for such suppliers.
- 2.5 To define purchasing specification guidelines and criteria needed for these specifications.
- 2.6 To ensure that governmental and safety constraints on restricted, toxic and hazardous substances are complied with relative to purchased products and the manufacturing process.

3. RESPONSIBILITY

- 3.1 Quality Assurance is responsible for the development of clear supplier quality requirements, for conduct of supplier quality systems surveys (if applicable).
- 3.2 Quality Assurance and Purchasing are responsible for development of the key supplier list and Purchasing Specifications.
- 3.3 Quality Assurance is responsible for incoming inspection planning, nonconforming reactions, and verification schedules of materials. (ref. QA-OP-20 and GN-OP-67)
- 3.4 Quality Assurance is responsible for input into developing certified suppliers and the criteria to establish a certified supplier.
- 3.5 Purchasing is responsible for communications, certifying, and decertifying of suppliers.
- 3.6 Quality Assurance is responsible to manage suppliers' and subcontractors' quality through receiving audits, customer concerns, documentation receipt, and supplier performance record.
- 3.7 Quality Assurance and Purchasing are responsible for tracking and monitoring supplier performance.

4. PROCEDURE

- 4.1 **Key Suppliers:** Quality Assurance shall develop and transmit established guidelines to suppliers to describe AAP's expectations for key suppliers. AAP will establish a key list of suppliers based upon the product supplied.

The Key Supplier list will be divided into importance rankings as follows:

- A ranking*** = materials that are key components of the physical makeup of the wheels;
- B ranking** = secondary components critical to the creation of the wheels;
- C ranking** = important component;
- D ranking** = gauge certification companies to support measurement systems.

*All A-ranked suppliers will have a performance rating as detailed below.

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4.1.1 To be established as a key supplier the guidelines are as follows but not limited to this list.

- A. Supplier shall confirm that product meets AAP's Established Purchasing Specifications for that specific product and any other specific purchasing criteria.
- B. Supplier's Quality Management System shall be modeled and certified to ISO 9001:2000, TS16949 Certified; second party audited and accepted by AAP, or deemed a small supplier to be a key supplier. Certification will be provided to AAP on an annual basis. Should a supplier lose their accreditation or are in jeopardy of losing accreditation status, they must notify AAP within 5 working days (in writing). If a supplier is deemed by AAP as a small supplier, this supplier will communicate to AAP if any status changes occur that could affect small status criteria. If the supplier to AAP is just a distributor for the material, then the original manufacturer of the material may fall under these listed criteria.
- C. Criteria for small supplier is as such:
 - Percentage of business is automotive (less than 25%) and/or
 - Number of employees (less than 150)
 - Percentage of business is AAP business (less than 10%)
- D. Supplier Audits may be conducted based upon Quality System Accreditation. Self audits may be performed by the supplier based upon the evaluation of criteria that AAP has established. AAP reserves the right to audit the supplier's facility if deemed necessary. AAP's supplier audit survey form will be used to conduct either the supplier audit or the self assessment. See attached supplier audit forms GN-125 (Attachment 1) and GN-130 (Attachment 2).
- E. Supplier will ensure the quality of the product, provide AAP with a fair cost, maintain a reliable and flexible delivery system with a commitment to 100% on time delivery, and be willing to assist AAP with new development and innovative technology.
- F. Supplier will establish a system to control the updating, distribution, storage and removal of engineering drawings, specifications, control plans, FMEAs, procedures, work instructions, forms, etc.
- G. Unless otherwise agreed to, the supplier will maintain the ability to trace their product throughout their manufacturing system.
- H. Supplier should monitor product using statistical tools, especially those key characteristics established as such by AAP, Final Customer or Supplier.
- I. Supplier will adhere to any guidelines established by AAP on record retention or shall default to those set up in the automotive industry.
- J. Supplier will submit PPAP documentation or any specific documentation required by AAP. PPAP requirements will be established by an AAP Quality Representative. Annual layout submissions may be required by supplier as well.
- K. Supplier will submit required quality documentation with each shipment (C.O.C., C.O.A.) to AAP's Purchasing or Quality Department based on purchase specification requirements or critical characteristic (A Ranking).
- L. Supplier is encouraged to follow and document the cleanliness and orderliness of the facility (i.e. 5S)

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- M. When applicable, supplier will establish and implement a system for tool control. All tooling purchased by the customer shall remain the property of the customer.
- N. Supplier will follow all safety guidelines established by Federal, State and Local authorities along with any safety guidelines required by AAP. Supplier should have a designated representative for product safety and warranty issues (see attachment 5).
- O. Suppliers are required to manage any of their sub-suppliers that directly affect the AAP product. Materials purchased by AAP from the primary supplier cannot be outsourced without prior approval by AAP. If defective product is the result of a sub-supplier, AAP reserves the right to review documentation and any other information pertinent to the defective product and also to incorporate outside laboratory testing is needed. If a visit is warranted to a sub-supplier, AAP reserves the right to visit this facility in conjunction with the tier one supplier to AAP.

4.2 Supplier Performance: Purchasing Department will maintain a supplier quality history file to document supplier incoming quality performance, delivery, customer disruptions, field returns, premium freight; special status notifications related to quality or delivery issues (ref. GN-OP-71).

- 4.2.1 AAP will continually monitor supplier performance and will assist suppliers with improving performance using various tools and methods, through new product development, periodic conference calls, establishing task teams, certification of material, and any other methods that will aid in performance. Any supplier with a Key Supplier Rating of “A” shall have their performance rated in addition to key shipping companies.

4.3 Purchasing Specifications: Quality Assurance and Purchasing Department shall mutually establish and provide purchasing specifications to key and potential key suppliers. These purchasing specifications are designed to communicate and establish controls on incoming product (ref. GN-OP-71 and applicable purchasing specification). Purchasing Specifications refer to all mass production and service expectations. Suppliers must re-qualify their product to established specifications at least every 5 years. Purchasing Specifications will reference to the following items pertaining to the product:

- A. General Description (of product)
- B. Detailed Requirements (i.e. composition of material)
- C. Quality Control Requirements
- D. Compliance Standards
- E. Shipping Requirements and Information
- F. Hazardous Materials Requirements

4.3.1 Containment action may become necessary if suspect/defective product is found. Suppliers are to contain suspect product at the pertinent manufacturing facilities, and may be requested to sort and contain product at AAP. Product that has been certified is to be clearly identified as such. In extreme circumstances where containment by the supplier is not effective, AAP reserves the right to request the supplier to attain and manage a 3rd party sorting company to conduct this activity per the supplier’s cost.

- 4.3.2 If Supplier needs to deviate from the established Purchasing Specification, the supplier must follow the following guidelines:
 - A. Supplier must notify AAP of intentions.
 - B. Supplier must submit Supplier Deviation Form (see form GN-89, Attachment 4) and all pertinent documentation to AAP and cannot ship deviated material until approval is received by AAP.
 - C. AAP will provide supplier with feedback to the deviation request. The supplier will not provide any deviated material to AAP unless approval is granted or if sample material is needed for a trial run.

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4.4 Incoming Inspection: All key suppliers will be required to submit certification documentation to AAP. The requirements will be established by AAP and/or will be specified in the Purchasing Specification.

- 4.4.1 Quality Assurance and designated production departments shall conduct inspections of incoming shipments of purchased production parts and materials in accordance with the Control Plan and the provisions of Quality Operating Procedure QA-OP-20.
- 4.4.2 Die Suppliers need to follow the Die Receiving Inspection Purchasing Specification (PS-032). This document must be completed and sent to AAP before die will be approved. AAP will review documentation and will provide feedback to supplier based upon the documentation as well as the actual tooling.
- 4.4.3 In the event of a shipment rejection, Quality Assurance and/or Purchasing shall notify the supplier immediately (by wire, electronic or telephone). Quality Assurance will arrange for the segregation and prompt disposition of rejected material (ref. GN-OP-67).
- 4.4.4 A Quality/Purchasing representative will request a completed corrective action report such as an 8D report from the supplier. Containment will be required within the first 24 hours of notification of the concern. The completed corrective action report is required no later than two weeks from the initial report unless otherwise stipulated by the AAP representative initiating the report. After receiving the written response from the supplier, the report will be reviewed by the AAP team and disposition of the rejected material will be arranged. (ref. GN-OP-67) The verification of these reports could include an onsite visit by AAP representatives. Any costs incurred by AAP directly related to this issue (i.e. sorts, shipping costs, etc) could become a charge back to the supplier.

4.5 Verification: AAP reserves the right to conduct verification on potential key supplier to their certification sheets for confirmation. Critical elements are periodically scheduled for verification on incoming stock. All supplied product must conform to AAP's requirements as well as the final automotive customer specific requirements.

- 4.5.1 Aluminum – sample buttons will be provided and tested with each shipment. Questionable material may be retested. Disposition of material will adhere to Quality Control of Nonconforming Product, GN OP-67.
- 4.5.2 Strontium and Magnesium– product will be sent out annually by commodity for outside laboratory verification.
- 4.5.3 Key suppliers may supply AAP on a quarterly basis Pass Through Characteristic Data. These characteristics will be established by the supplier and AAP. C.O.A. /C.O.C information will be provided with each shipment unless otherwise specified by AAP.
- 4.5.4 AAP inspection and verification can be modified if supplier is deemed a certified key supplier.
- 4.5.5 Criteria for certified key supplier is as follows if requested by Quality Engineer:
 - A. Performance – minimum of one full year with no issues, or similar past history.
 - B. Capability submissions. CPK values acceptable and process in control, G.R. & R's submitted and deemed acceptable to AAP standards.
 - C. Customer directed supplier (see verification process). *Note:* A supplier can be added to the certified Key Supplier List or removed from the Key Supplier List based upon performance and established guidelines.

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- 4.6 Subcontractor:** Subcontractors shall adhere to all customer specifications (Final Automotive Customer. AAP). Criteria for Subcontractor is as follows:
- A. Subcontractor shall confirm that product meets AAP's established Purchasing Specifications for that specific product and any other specific purchasing criteria.
 - B. Subcontractor's Quality Management System shall be modeled and certified to ISO 9001:2000, TS 16949 Certified, second party audited and accepted by AAP, or deemed a small supplier to be a key supplier. Certification will be provided to AAP on an annual basis. Should a subcontractor lose their accreditation or are in jeopardy of losing accreditation status, they must notify AAP within 5 working days (in writing). If a subcontractor is deemed by AAP as a small supplier, this subcontractor will communicate to AAP if any status changes occur that could affect small status criteria.
 - C. Subcontractors will ensure the quality of the product, provide AAP with a fair cost, maintain a reliable and flexible delivery system with a commitment to 100% on time delivery, and be willing to assist AAP with new development and innovative technology.
 - D. Containment action may become necessary if suspect/defective product is found. Subcontractors are to contain suspect product at the pertinent manufacturing facilities, and may be requested to sort and contain product at AAP. Product that has been certified is to be clearly identified as such. In extreme circumstances where containment by the subcontractor is not effective, AAP reserves the right to request the subcontractor to attain and manage a 3rd party sorting company to conduct this activity per the subcontractor's cost.
 - E. Subcontractors will submit required quality documentation with each shipment (C.O.C., C.O.A.) to AAP's Purchasing or Quality Department, unless Direct Ship Tier relationship exists.
 - F. Subcontractor will establish a system to control the updating, distribution, storage and removal of engineering drawings, specifications, control plans, FMEA's, procedures, work instructions, forms, etc.
 - G. Unless otherwise agreed to, the subcontractor will maintain the ability to trace their product throughout the manufacturing system.
 - H. Subcontractor is encouraged to follow and document the cleanliness and orderliness of the facility (i.e. 5S)
 - I. Subcontractors will follow all safety guidelines established by Federal, State and Local authorities along with any safety guidelines required by AAP.
 - J. When applicable, subcontractor will establish and implement a system for tool control. All tooling purchased by the customer shall remain the property of the customer.
 - K. Subcontractors are to assist AAP in obtaining nonconforming wheels from the automotive customer with concerns related to that subcontractor's process/product, and will help support, if necessary, any sorts at the automotive customer. Formal corrective actions (such as 8D's) will be conducted by the subcontractor and submitted to AAP in the deadlines provided. AAP will submit this documentation to the appropriate automotive customer. The verification of these reports could include an onsite visit by AAP representatives to ensure the effectiveness of the corrective actions.

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4.7 Key Supplier/Subcontractor Production Part Approval Process (PPAP) or initial submission:

- 4.7.1 Key Supplier/Subcontractor must adhere to established AIAG guidelines for general requirements for a PPAP/initial submission.
- 4.7.2 Key Supplier/Subcontractor will provide all documentation required and any unique customer specifications at a minimum one month prior to potential launch date.
- 4.7.3 Customer directed suppliers submit PPAP documentation directly to the end customer and not through AAP. When applicable, AAP would require a courtesy copy of the documentation.
- 4.7.4 A new supplier must first complete AAP's Supplier Quality Survey (Attachment 1) as an initial self assessment. The new product will be tracked through AAP's system via the EMR process.
- 4.7.5 An AAP PSW form (Attachment 3) must be completed and approved prior to shipping of any material, when an existing key supplier has any of the following:
 - A. Change in raw material or where raw material comes from;
 - B. Change in technology;
 - C. Change in where the material is manufactured

4.8 Standard of Business Conduct

- 4.8.1 AAP requests Suppliers/Subcontractors to follow all business guidelines established by Federal, State and Local governments as well and specific guidelines that have been established by AAP.
- 4.8.2 Subcontractors will adhere to any further specific guidelines required and mandated by any of the applicable customers.

4.9 Restricted Substances

- 4.9.1 Suppliers/Subcontractors must assure compliance with all governmental and safety requirements on restricted, toxic, and hazardous used in the manufactured products or the manufacture of products for AAP.
- 4.9.2 Material Safety Data Sheets (MSDS) are to be sent to AAP.
- 4.9.3 Suppliers/Subcontractors are required to report any hazardous materials contained in any part of the product shipped to AAP. Suppliers/Subcontractors could be requested to submit International Materials Data System (IMDS).

4.10 AAP encourages their suppliers to monitor their own manufacturing processes by using tools such as SPC charts, TS guidelines etc.

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5. DEFINITION

- A. AIAG – Automotive Industry Action Group
- B. C.O.A- Certificate of Analysis
- C. C.O.C. – Certificate of Compliance
- D. G. R. & R – Gage Repeatability and Reproducibility
- E. IMDS – International Materials Data System
- F. MSDS – Material Safety Data Sheets
- G. P.P.A.P. – Production Part Approval Process
- H. PSW – PPAP Supplier Warrant
- I. SPC- Statistical Process Control

6. END

7. REFERENCE:

AIAG Manuals:

- A. FMEA Manual
- B. ISO/TS 16949 Manual
- C. MSA Manual
- D. PPAP Manual
- E. Quality System Assessment Manual
- F. Statistical Process Control Manual

8. AUTHORIZATIONS:

Vice-President, Finance & Procurement

Vice-President, Operations

QA Manager

Senior Buyer