

# SUPPLIER QUALITY MANUAL



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### Excellence

This information package has been developed based on our Customer's expectations, internal guidelines, and ISO/IATF 16949 requirement.

Compliance to the requirements defined in this Supplier Quality Manual is mandatory for all suppliers conducting business with LP.

LP is committed to excellence in the manufacture and supply to our Customers. We realize that our objectives for quality can only be achieved through the collaborative efforts of everyone involved (internally & externally). Suppliers to LP are a key variable in our formula for success and are an essential part of our growth and prosperity.

At LP, quality doesn't just happen...it's planned. With regards to the establishment and development of a strong and robust supply base, we believe that the most important component of that plan is the clear and concise communication of our needs and expectations.

We are confident that through consistent conformance to the requirements outlined in this manual our suppliers will succeed in satisfying our needs and in realizing what we hope will become a business relationship.

The foundation of a good relationship with our supply base is premised on open, effective and proactive communication. The occurrence of non-conforming product, unauthorized changes or related supply or capacity issues, present risk to both LP and to our Customer when not communicated and managed effectively.

### Communication

An essential ingredient to a successful partnership is clear and concise communication. at LP, our means of communicating direction, expectations, guidelines and systems include:

- \*The Supplier Manual (QF-8.4-2B Latest Level Available on Website)
- \*Purchase Orders
- \*Regular scheduled meetings (Tech reviews)
- \*Supplier Non-Conformance Report
- \*Supplier Corrective Action Report
- \*Supplier Performance Data
- \*Supplier Quality Systems Audit
- \*Field Evaluation
- \*New Supplier Selection Form

**IMPORTANT NOTE:** IMMEDIATELY contact an LP representative if an issue arises that will affect your organization's ability to ship per the release.

Notifications of short shipping and/or the potential of such must be communicated directly to a LP Material Planner.

Voice or e-mail messages, without direct “one on one” contact, are not acceptable; you must speak directly to LP representative.

### **Commitment to Excellence**

LP’s commitment to excellence is to “exceed our customer’s expectations”. It is expected that our suppliers work toward exceeding the expectations and requirements of the LP Supplier Manual.

Excellence means perfection in all that you do: Perfect planning, perfect execution, perfect communications, perfect launch and perfect parts. This is demonstrated through consistent delivery of quality products to LP and our customers. Our suppliers are expected to have zero incidents and zero disruptions, provide products with zero defects, and have flawless delivery performance and rapid response to issues.

Suppliers must have a philosophy of total quality commitment, with subsequent planning and actions that drive for perfection. This commitment starts with top leadership and is driven through all levels and aspects of their operations.

## **QUALITY**

### **Quality System Requirement**

Suppliers are expected to implement a Quality Management System (QMS) that promotes defect free products through prevention, monitoring, and ongoing improvement.

LP prefers 3<sup>rd</sup> party certification to IATF 16949 (Latest revision) for its suppliers however we will accept 3<sup>rd</sup> party certification to ISO9001 (Latest revision) in conjunction with Lakeside’s Quality Systems Audit, minimum for supplier selection and meeting IATF section 7.4.1.2, supplier quality management system development. All suppliers that manufacture materials must comply with these requirements.

Suppliers must provide LP Supplier Quality Engineer a copy of the registration certificate for any amendments or renewals to the quality management system certification.

Suppliers should reference current Automotive Industry Action Group (AIAG) manuals for Advance Part Quality Planning (APQP), Production Part Approval Process (PPAP), Measurement System Analysis (MSA), Failure Mode and Effects Analysis (FMEA), Statistical Process Control (SPC).

## **Managing Supply Chain**

Suppliers are expected to ensure the quality and capacity of materials and component parts coming from their sub-suppliers through supplier selection and on going monitoring. Suppliers are responsible for ensuring that sub-suppliers develop a quality management system that facilitates defect prevention, monitoring, and continuous improvement.

## **Performance Monitoring**

LP has established a system to monitor and measure performance in the following areas: 1)Quality 2)Delivery and 3)Customer Disruption.

In support of Continuous Improvement, LP will provide rating information to suppliers that do not meet minimum requirements. LP traditional performance requirements will be tracked and measured including, but not limited to, various quality performance indicators such as premium freight, supplier non-conformance report, corrective actions, and customer disruptions. Suppliers will be required to complete and update a Supplier Quality Action Plan for communications back to LP on problem resolution.

## **Change Management**

Suppliers will not make any changes without prior written notification and approval from LP. Requests for change must be communicated through LP Engineering Group. These include changes to part design, material, sub-tier supplier, manufacturing location or process. (Reference PPAP, 3<sup>rd</sup> edition.)

## **Problem Reporting and Resolution**

When a problem does occur, we expect our suppliers to immediately put their operations in containment to protect LP or LP customers from receiving any defective material. Suppliers will receive a Supplier Non-conformance/Corrective Action from LP (*F-7.4 -1 I/J*)

Suppliers are expected to monitor and respond to all Corrective Actions issued by LP. The initial response to a problem (essentially the containment plan) is due within 24 hours. Final response to a problem, (with verified root cause analysis), is due within 5 working days, unless additional time has been requested and approved.

Suppliers may be requested to complete a 5 phase Corrective Action as a means of ascertaining root cause analysis and verification.

Suppliers have financial responsibilities for non-conforming materials and their effects, which may include warranty issues and cost recoveries for sorting, re-work, scrap premium transportation and other related types of charges incurred at LP or by LP customer. Cost recovery will be communicated with a Supplier Non-conformance Report. Suppliers must respond to the cost recovery notice within 24 hours.

# PRICING/PAYMENT

## Pricing

Suppliers will be expected to be globally competitive, which will be benchmarked by competitive analysis.

All quotations must include a separate itemized price for 1) expendable packaging and 2) returnable packaging when specified and if applicable.

Suppliers are expected to have a continuous cost reduction improvement process in order to manage their costs.

With this in place, it is expected that increased costs are not passed on to LP.

In addition, suppliers are expected to work with LS toward annual price reductions, via long-term and lifetime contracts that parallel LS commitment to our customers.

Suppliers who provide prototype/pre-production part requirements are expected to provide those at normal production pricing.

Suppliers will provide service parts at same price as production volume pricing.

Suppliers should quote in the currency requested by LP buyer.

## Payment

LP's standard payment term is MSN 5. MSN 5 establishes the minimum payment term as the 5<sup>th</sup> day of the 2<sup>nd</sup> month (on average) following receipt of goods or receipt date of services unless otherwise arranged.

# PRODUCTION CONTROL & LOGISTICS

## Labeling

All material for prototype or production consumption, shipped to LP must be identified with a label containing both human-readable text/graphics, and machine-readable, bar coded symbols.

Label placement, orientation, quality and quantities shall follow the guidelines contained in the AIAG, B10 labeling requirement. Unless otherwise specified by LP specific requirements are as follows:

## Components

Barcodes must be scannable for the following fields

\*Lakeside Plastics Ltd. part number

\*Quantity in container

\*Supplier part number, part description

\*Serial number/Lot number

\*Purchase Order Number

And must contain the following:

- \*Manufacturing/packaging/and/or shipping date
- \*Engineering Change revision level

\*A legible packing slip must be affixed to each shipment

**Colour Concentrate Labels must contain:**

\*The let down ratio and the base resin to which the colour concentrate is formulated in addition to the OEM colour code.

\*

\*Each **packing slip** shall contain the following information:

- Part number/Revision
- Total quantity
- Bill of lading number/PRO #
- # of containers
- Quantity pre pack
- Weight
- Supplier number
- Deliver to Location
- Invoice Number
- Serial/Lot #
- Carrier
- PO number or Release No.

**Scheduling of Requirements**

All material, purchased components, assemblies and associated services will be ordered by issuance of an individual Purchase Order or Blanket Purchase Order.

Suppliers will be issued production material requirements weekly at a minimum, or, as need dictates. Schedules will be communicated via fax. **It is the responsibility of the supplier to immediately contact the Materials Department in the event they are unable to meet all requirements for delivery date, time, quantity, quality or if the supplier has not received weekly release.**

**NOTE:** Suppliers are responsible to acknowledge each fax by signing and returning to a LP Materials contact.

Suppliers must ship to the exact quantities, dates, and times specified on the release: no over, under, early or late shipments.

**(Forecasting)**

Material forecasting information will be communicated to the suppliers through their weekly scheduled releases. While this information is an indication of future material requirements, it is not considered binding on the part of LP, unless supported by a specific purchase order.

Suppliers shall maintain the ability to absorb a 15% volume increase at all times. They must also be able to accommodate a 30% increase within 24 hours notice, unless

other arrangements have been documented.

Suppliers need to maintain sufficient safety stock and finished good inventory to accommodate 100% on-time delivery.

## **TRANSPORTATION**

It is our expectation that suppliers will deliver 100% on time to our locations, in compliance to schedules. On time delivery is a key performance metric.

### **Schedules, Routing & Carriers**

All appropriate scheduling, routing, FOB points and delivery requirements will be communicated early in program award, typically through the Purchase Order.

### **Transportation Routing Information**

Suppliers will receive routing information including transportation method, pick up and delivery window times outlined on Purchase Order. All costs incurred as a result of missed or late shipments that are clearly the responsibility of the supplier, and shall be recovered from the supplier. All material entering from a foreign country must have "Country of Origin" clearly marked on the Performa Invoice, as well on the original Commercial Invoice. Brokerage fees for all imported product is typically the responsibility of LP, unless otherwise negotiated. All costs resulting from the export/return of defective product will be the responsibility of the appropriate supplier.

### **Material Releases**

Suppliers are responsible for ensuring that they ship and/ or are able to ship to LP material releases based upon authorization provided. Suppliers are responsible to reconcile their shipping cums to match LP cums ongoing basis.

### **NAFTA**

All certificates must be faxed to LP prior to initial shipment. All suppliers must submit NAFTA's annually to Lakeside Plastics Ltd. prior to the end of each year. In the absence of a NAFTA certificate suppliers will be charged an administration fee along with any additional costs incurred as a result of the suppliers non-conformance.

### **Capacity**

The capacity information provided with your quote should reflect the available daily capacity and the basis on which your capacity was calculated.

### **Lead Time**

The shipment lead-time will be quoted in calendar days and should quantify the time from receipt of order to ship availability.



# ENGINEERING

## Document Control

### (Control of Design Records)

All suppliers must have a documented system in place for monitoring receipt, control, and obsolescence for all LP supplied design records and specifications as per TS16949 standard or its equivalent unless specified by LP.

## Engineering Changes

### (Lakeside Plastic and Customer Initiated Changes)

Potential and proposed engineering change, affecting purchased product, will be submitted to the supplier for impact and timing.

All changes are required to be approved in accordance to the PPAP requirements before production implementation.

### (Supplier Initiated Change Request)

Supplier proposed changes must be submitted in writing to LP Engineering for approval consideration.

Rejected requests will be returned to the supplier with an explanation or a request for further action.

### **FIRST SHIPMENTS OF ALL MODIFIED PRODUCT MUST BE CLEARLY IDENTIFIED WITH AN 8 1/2 X 11 COPY OF THE ECN**

Suppliers should communicate technology development activities and new technology ideas to LP.

Suppliers should ensure that engineering contacts are in place and available to LP personnel.

# CUSTOMER EXPECTATION

## Material Expectations

Suppliers must provide Certificates of Origin and Manufacturing Affidavit.

Suppliers will provide samples, testing, environmental and MSDS (Material Safety Data Sheet) information in the timeframe requested.

Also to meet the demands of ELV legislation, the International Material Data System (IMDS) was developed to collect and report material composition data for every component in a finished vehicle. So it is mandatory for our suppliers to submit requirements to [www.mdssystem.com](http://www.mdssystem.com). (Lakeside ID# 13532) also in the requested time frame.

# PACKAGING

LP requires that suppliers adhere to all AIAG specifications, unless written authorization to deviate has been provided.

It is the supplier's responsibility to develop and control all packaging (including material used) to the extent necessary to ensure that all product is protected.

When multiple packages are being shipped, a stackable pallet should be used.

The supplier may receive packaging specifications and/or special requirements with the quote package. When definition is provided, the supplier must quote to the packaging specifications provided.

The overall responsibility for the design of the packaging system and the quality of the part remains with the supplier.

Ergonomic guidelines must be followed. The weight limit of containers may be specified in your quote package. If no weight limit is specified, the weight of any manually handled container cannot exceed 40 pounds (18 kilograms) unless specifically authorized by exception.

Containers must meet all current International and governmental regulations. (i.e. NAFTA requirements)

The packaging system must ensure part integrity during transportation and subsequent handling and storage through point of use. For this reason, the supplier should develop methods to test the pack design under simulated real life conditions. Suppliers may be required to provide validation results and testing documentation.

No price increases will be granted to correct defective and/or non-conforming packaging. Suppliers will provide packaging samples, when requested. In all cases, the supplier must receive packaging approval prior to the start of production.

Once the standard pack and containers have been established, it must be adhered to. Any changes or deviations from the standard pack and container must be requested through and agreed to by LP Materials Dept prior to making the change.

## Equipment

Supplier's equipment should meet industry standards for quality, maintenance, safety, changeover and production yield requirements.

## Tools

If tooling is to be paid by LP, suppliers will be paid for tooling contingent on full PPAP approval or by alternate payment arrangements i.e.-amortization.

Maintenance, refurbishment and replacement of LP owned tooling are the responsibility of the supplier.

## **CHANGE APPROVAL**

Any changes including but not limited to process, design, component, packaging, component suppliers, or facilities, must be communicated to and receive written authorization from LP prior to implementation.

## **GENERAL INFORMATION**

**24 Hour contact** – Supplier must provide 24 hour emergency service by providing contact names and phone numbers after-hours, and weekends.

**Routine Contact** – A regular contact person or competent back up must be established and available during all operating hours of the receiving location.

**Supplier Planned Down Time** – Supplier must provide annually a listing of planned Plant down time for holidays, vacations, etc. to LP.

## **PROTOTYPE PARTS PROVISIONS**

Delivery date(s) for samples of prototype components shall be established by LP and noted on the purchase order. The delivery date(s) reflect the date(s) parts are to be received at LP dock.

All prototype components must be clearly identified as such noting the LP part number and have a current revision level. These parts are to be delivered as noted on the purchase order.

All prototype shipments must include a blue label marked “Prototype Parts”.