

**CAPSONIC SUPPLIER QUALITY MANUAL**

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## **CAPSONIC SUPPLIER QUALITY MANUAL**

### **4. Context of the organization**

#### **4.1 Understanding the Organization and its Context:**

Capsonic Automotive and Aerospace (“Capsonic”) is committed to the continuous improvement of its people, its products, its processes, and its support of end customer programs. Growth of our business, and therefore growth of business with our supply base, is dependent upon becoming the market leader for cost, quality, delivery, and innovation. We recognize the effect of our Supply Base on our ability to accomplish this strategy at a pace that matches this plan. Following industry standards, Capsonic expects zero defects from our suppliers. In order to do so we must establish a consistent set of requirements/ expectations that define the necessary performance elements. Further, Capsonic must commit to its suppliers to support all areas of supply coordination that such a shared relationship entails.

Capsonic is, therefore, establishing this manual. This outlines the policies, procedures, documents, communications, and expectations that Capsonic has in each of the key supply disciplines. It also defines the procedures and documentation that Capsonic will use to support the supplier in their commitment of zero-defect supply. Due to the diverse markets that Capsonic supports, the requirements in this manual have been written to reflect the procedures common to all product lines, as well as define requirements that are unique to a specific end-market use. Unique requirements, as applicable, will be referred to on Purchase Order.

This manual will be openly available to all existing and new potential suppliers commonly through the Capsonic Website. Capsonic seeks clearly defined relationships of the highest integrity with its suppliers, and this manual, along with the Terms and Conditions of Purchase Order, will provide the defined basis in which the supply relationship will be conducted. Unless included on Purchase Order, no exceptions, or additions to the requirements of this manual are allowed. Any request made to a supplier that is not defined in this way should be referred to Capsonic Management.

We will hold suppliers accountable to the expectations outlined here and understand that suppliers expect to do the same in return. We will be open in citing supplier performance and will use same to make business decisions about the sourcing of new business opportunities. Uncorrected lack of performance by suppliers to these expectations may lead to loss of business.

In addition to the procedures and policies outlined here, Capsonic further intends each supply relationship to be conducted in a logical, professional, and honest manner, yielding a long and valuable relationship for both parties. We ask suppliers to proactively identify & communicate problems and opportunities in order that we can logically weigh choices and execute correctly. Ultimately, we ask that each supplier conduct its business with Capsonic using the philosophy of Continuous Improvement.

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**GENERAL INFORMATION**

|   |   |
|---|---|
| Capsonic Operating Locations  |   |
| Corporate Address:  | 460 Second St. Elgin IL 60123   |
| Sales Office Address:<br>(For Aerospace Product)  | 3121 University Dr. Suite 120, Auburn Hills, MI 48326<br>Phone: 248-754-1100 Fax: 248-754-1104            |
| Automotive Sales Office,<br>Engineering, Strategic Planning,<br>Design Engineering address: | 460 Second St. Elgin, IL 60123  |
| Distribution Center Address:  | Vista Corporate Center # 2<br>7B x Grey Street, El Paso TX 79906<br>Phone: 915-872-3590 Fax: 915-872-3501 |
| Manufacturing Address:  | 6551 hermanos Escobar - Parque Industrial Magnaplex Juarez,<br>Chihuahua 32320, Mexico                    |
| General email inquiries:  | capaa@capsonic.com  |
| Internet Address:   | www.capsonic.com  |

Any questions or concerns with information that has been supplied by Capsonic should be immediately addressed with the appropriate the Capsonic personnel. See the Capsonic Website for contact information.

**4.2 Understanding the Needs and Expectations of Interested Parties.**

**4.2.1 Capsonic “Forever Requirements”**

The foundation of a good relationship with our suppliers is based on open, effective, and proactive communication. The occurrence of non-conforming product, unauthorized changes and related supply or capability issues present risk to both Capsonic and to our customer when not communicated and managed effectively. This risk also generates when these occurrences happen at the Tier 2, 3 or 4 suppliers or sub- contractors’ facilities.

Our “” Forever Requirements” are as follows:

- Proactively communicate with your Customer Sites/Location(s). Know when to raise the “red flag”.
- Notify the Customer of proposed material or process changes.
- Notify the Customer of proposed manufacturing location changes.

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- Watch for Internal issues within your company that could affect supply and tell your Customer about them.
  
- Notify the Customer of potential supply and/or capability issues.
  
- Compliance with the Environmental, Regulatory and Government entities of the country in which the productive activity is performed.
  
- Supplier is responsible to maintain compliance to this manual and all its posted updates.

The intent of these requirements is to eliminate surprises and special cause events that can impact upon Capsonic's customer(s). The requirements apply to ALL suppliers and sub-contractors included as part of the process of manufacturing our components, and it is expected that you will manage your entire supply base with these principles.

We consider these requirements paramount in establishing a relationship of trust with our suppliers. Violation of any requirement will result in escalation to the Supplier Quality and Purchasing organizations within Capsonic. If deemed necessary, a Supplier's ISO/IATF/AS Registrar will be contacted and asked to conduct the appropriate investigations and assessments, at the Supplier's expense. Continued non-compliance could lead to loss of business. If you are uncertain when or for what reason(s) Capsonic should be notified, you are asked to contact your Capsonic Supplier Quality Engineer for guidance.

### **4.3 Scope of Quality Management System**

Vendors approved to supply products or services to Capsonic will be authorized during the Sourcing Meetings and will have as a minimum the authorization of the Plant, Purchasing and Supplier Quality Managers. The supplier is to provide Capsonic with current copies of their registration certificates. Additionally, the supplier will notify Capsonic of any change in registration status. The Purchasing Manager will require an evaluation of a potential supplier's quality system from the Quality Manager when it has been identified. Following a satisfactory assessment, potential new suppliers will be added to the Approved Supplier List for consideration of future business awards. Supplier Quality System assessment will be performed having as baseline the requirements from the ISO9001, ISO14001, IATF16949, and/or AS9100 Rev D standards. During this assessment, Materials Management and Logistics structure will be evaluated by using the criteria described in the MMOG/LE (Materials Management Organization Guidelines and Logistics Evaluation), in which Capsonic encourages suppliers to use to comply with Capsonic requirements.

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Capsonic Specific Requirements will supersede the OEM requirements, if and only if the Capsonic requirements are more stringent or are in addition to the OEM requirements.

If Capsonic not have defined requirements on some clauses, a legend "No Capsonic Specific Requirements for this Section" must appear. This legend means that Requirements for ISO9001/IATF16949/ISO14001 and/or AS9100 are applicable, and there are no additional requirements by Capsonic.

### **4.3.1 Competitive Bidding**

Potential New Suppliers follow the competitive bidding process as the method for receiving business awards from Capsonic, therefore supplier must submit quotations consistent with the instructions provided by Capsonic Purchasing group, this must occur through initial submission of a Request for Quotation for goods or services not previously supplied to Capsonic.

### **4.3.2 Customer Directed Suppliers**

In those instances where sources are directed by Capsonic's customer for a specific part or commodity, the directed sources shall meet all requirements as specified in this Supplier Manual and may also undergo an assessment review.

### **4.3.3 Supplier Profile/Non-Disclosure Agreement**

All suppliers are required to furnish a supplier profile consisting of general information, company contacts, etc. Other data may also be required, such as financial and technical information and union contract status as a means for supplier consideration and monitoring. It is the supplier's responsibility to provide an updated profile whenever there is a change in the reported information. CAPSONIC has developed a JADE Portal for managing supplier's information. Suppliers must keep their data updated.

All suppliers must have an active approved Non-Disclosure Agreement in place with Capsonic to receive Requests for Quotation and documentation associated with parts that have proprietary restrictions.

### **4.3.4 Approved Supplier List**

An Approved Supplier List exists for production suppliers and is utilized by Capsonic for strategic sourcing decision-making by commodity or service performed. The listing is updated on a continuous basis in order to reflect input from the assessment, development and performance monitoring systems maintained by Capsonic



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## SUPPLIER CHECKLIST

|                |  |                 |  |
|----------------|--|-----------------|--|
| Supplier Name: |  | Date Submitted: |  |
|----------------|--|-----------------|--|

Along with the signed acknowledgment page, the following documents are posted in the JADE library.

- Supplier Capability Survey or Supplier Profile\*
- Supplier Design Review Checklist [QAF010-033](#)
- Feasibility Commitment Form [QAF-SQM-001](#)
- Packaging Specifications Form [QAF010-032](#)
- Non-conforming material [QAP8.7.1-001](#)
- Air Shipment Control [BRF003-006](#)
- Premium Freight [PRF-003-008](#)
- Sample Labels for Each Part Number
- ISO 9001 :2015 Certificate \*
- IATF 16949: 2016 Certificate \*
- ISO 14001 :2015Certificate \*
- Certificate of Liability Insurance
- Minority Status Certificate (if applicable)
- Tooling Standards Form [QAF-SQM-002](#)
- Durs# \_\_\_\_\_

Please enclose this checklist with the required information and note below reason(s) for any omission(s).

|  |
|--|
|  |
|  |
|  |

**\*Note:** It is the supplier’s responsibility to provide updated copies of the certificates of registration and supplier profile whenever there is a change in the reported information

Supplier is responsible to maintain compliance to this manual and all its posted updates.

## ACKNOWLEDGMENT SHEET

|                 |                        |              |              |
|-----------------|------------------------|--------------|--------------|
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|-----------------|------------------------|--------------|--------------|

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Please retain this sheet and return a signed copy to the appropriate Buyer, indicating that you have received, reviewed and accepted in principle the contents of this manual. All communications with respect to the contents of this manual are to be addressed initially in writing to your designated Capsonic Buyer. Comments or concerns should be noted below prior to returning your acknowledgment sheet copy. Updates to this manual will be posted on the Capsonic website.

|                         |
|-------------------------|
| Comments (Please Type): |
|                         |
|                         |
|                         |
|                         |

|   |
|---|
| Supplier Name, Address, Telephone Number, E-Mail Address (Please Type): |
|   |
|   |
|   |
|   |

|                           |  |
|---------------------------|--|
| Authorized Signature      |  |
| Authorized Signature      |  |
| Date Signed (Please Type) |  |

**4.4 Quality Management System and its Processes**

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No Capsonic Specific Requirements for this section.

### **5. Leadership**

#### **5.1 Leadership and commitment**

##### **5.1.1 General**

No Capsonic Specific Requirements for this section.

##### **5.1.2 Corporate Responsibility**

Supplier shall comply with the required on this Supplier Manual, and with the Required-on Purchase Order Terms and Conditions [http://www.capsonic.com/CA2/#/terms\\_conditions](http://www.capsonic.com/CA2/#/terms_conditions).

#### **5.2 Policy**

##### **5.2.1 Establishing the quality policy**

No Capsonic Specific Requirements for this section.

##### **5.2.2 Communicating the quality policy**

No Capsonic Specific Requirements for this section.

#### **5.3 Organizational roles, responsibilities and authorities**

Supplier shall notify to Capsonic any changes to senior management responsible for Product Quality or company ownership.

### **6. Planning**

#### **6.1 Actions to Address Risk and Opportunities**

Suppliers will be accountable for all costs associated with an interruption in material supply to Capsonic resulting in a shut-down, due to labor, utility disruptions or equipment failures.

Suppliers must maintain an effective contingency plan, to mitigate undue risk to Capsonic, in the event of utility disruption, labor disruption and/or equipment failure. The intent of the contingency plan is to reasonably protect the procuring division from disruption of supply in the event of an emergency.

Material forecasting information will be communicated to the supplier through weekly scheduled releases. While this information is an indication

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of future material requirements, it is not considered binding on the part of Capsonic unless supported by a specific purchase order.

The supplier must always maintain the ability to absorb a 15% volume increase (measured with reference to the nominal quoted volume) without additional cost to Capsonic.

Material authorization will typically include three to six weeks (combined finished goods, work in process and raw material) and is determined by Capsonic. In any case, additional material lead times require specific approval from Capsonic's Purchasing Department.

The supplier is expected to maintain enough safety stock and finished goods inventory to accommodate 100% on-time delivery. Short shipments must be communicated immediately, along with a Corrective Action/ Recovery Plan. Suppliers will abide by and provide all required documentation for progress tracking as spelled out in the purchase order and this supplier manual.

### **6.2 Quality objectives and planning to achieve them**

No Capsonic Specific Requirements for this section.

### **6.3 Planning of changes**

No Capsonic Specific Requirements for this section.

## **7. Support**

### **7.1 Resources**

#### **7.1.1 General**

No Capsonic Specific Requirements for this section.

#### **7.1.2 People**

No Capsonic Specific Requirements for this section.

#### **7.1.3 Infrastructure**

No Capsonic Specific Requirements for this section.

##### **7.1.3.1 Plant, Facility Panning**

As a condition of business, all suppliers/sub-contractors must be prepared, on request, to provide information required to substantiate the capacity to provide necessary products, commodities and services.

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This shall include, but is not limited to, technical capability systems/procedures to evaluate key product characteristics, price structure, and financial information.

Suppliers will hold a meeting with Capsonic SQE to complete a design review, to obtain a supplier commitment that product or component and service can be provided as described in the drawing/specification. Suppliers must provide evidences derived from this review and sign off completion will be provided by fulfill the information required in SDR form (Supplier Design Review QAF-010-033). In addition, the supplier must be prepared to provide proactive initiatives such as cost reduction proposals and recycling programs to Capsonic.

### **7.1.4 Environment for the operation of processes**

No Capsonic Specific Requirements for this section.

### **7.1.5 Monitoring and Measuring Resources.**

**7.1.5.1** The supplier must have a documented system for the control, calibration, analysis, use and maintenance of all gages, fixtures, measuring/testing instruments and equipment. This system must include a register of the monitoring, measurement and inspection equipment, as well as to define the process for the recall for calibration or verification.

**7.1.5.1.1** Gages, fixtures, and measuring/testing instruments/equipment are to be calibrated and adjusted at prescribed documented intervals or prior to each use, against certified equipment having a known valid relationship to nationally recognized standards.

**7.1.5.1.2** All gages and test equipment must be calibrated / verified for accuracy annually at a minimum.

**7.1.5.1.3** Gages, fixtures, and measuring/testing instruments/equipment are to be assessed for accuracy and repeatability /reproducibility (R&R) at prescribed documented intervals. Paying special attention to Inspection, Measurement and test equipment used to confirm a critical dimension/characteristic documented in Capsonic Drawings. Max 10% R&R will be accepted by CAPSONIC. Refer to MSA AIAG Manual.

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**7.1.5.1.4** The environmental conditions must be suitable for use and calibration/verification of the equipment.

**7.1.5.1.5** Handling, preservation and storage is to be such that accuracy and fitness for use is maintained.

**7.1.5.1.6** Documented procedures and instructions for the control, calibration, analysis, use and maintenance of all gages, fixtures and measuring/testing instruments and equipment are to be available at the point(s) of use.

**7.1.5.1.7** Records associated with the control of inspection gages, fixtures and measuring/testing instruments and equipment are to be properly maintained and available for review upon request.

**7.1.5.1.8** Control, acceptance criteria and procedural requirements are to be in accordance with the latest released edition of the AIAG Measurement System Analysis Guideline (MSA).

**7.1.5.1.9** If supplier maintain the scheme of using employee own gauges, these should be calibrated too as per previous paragraphs description.

**7.1.5.1.10** The calibration certificate must be on file at the supplier's facility and be traceable to the actual gage identification information. Calibration service provider must be accredited in ISO/IEC 17025 and / or A2LA.

### **7.1.5.2 Control of Capsonic Supplied/Owned Equipment**

**7.1.5.2.1** All tooling and equipment provided by, and/or property of, Capsonic provided for use at the suppliers/sub-contractors facility shall be monitored with respect to the latest product engineering change level for which each piece of equipment is used.

**7.1.5.2.2** Capsonic shall monitor the recall, modification, update, verification, return and/or replacement of all such equipment, using status forms that Suppliers are required to supply and keep updated

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**7.1.5.2.3** All suppliers/sub-contractors shall have a documented system in place for monitoring all changes to the Capsonic supplied/owned tools and/or equipment. The system shall address an annual verification procedure. Suppliers should provide evidence of their verification procedure to Capsonic.

**7.1.5.2.4** All tooling, inspection and test fixtures supplied by and/or property of Capsonic are to be permanently marked with clear identification indicating ownership and Capsonic Asset Number assigned.

**7.1.5.2.5** Pictures of changes performed to all tooling, inspection and test fixtures must be submitted to CAPSONIC Purchasing personnel as well as a description of the change, as evidence of this activity performed. These documents and pictures must be approved by CAPSONIC SQE.

### **7.1.5.3 Gage Instructions**

Operating instructions must be displayed at every inspection station requiring the use of a gage or other measuring /testing device used in the process, control, or checking of product manufactured for Capsonic. The operating instruction must describe the proper methodology for use the instrument during inspection. These instructions must include a reference to the gage identification number, and revision level, and be approved by appropriate management. Whenever there is any change to the inspection procedure that affects the use of the gage, or when any identification information is revised, the operating instructions must be updated to reflect the status.

### **7.1.5.4 Equipment Identification**

All tooling, general equipment, gages, fixtures, measuring devices and test equipment, including employee owned must be identified as follows:

- Unique identifier
- Revision level (when applicable)
- The calibration date and the next calibration due date.
- Name/initials of the person who performed the calibration.

### **7.1.5.5 Measurement System Analysis**

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**7.1.5.5.1** Evidence is required that appropriate statistical studies have been conducted to analyze the variation associated with each type of measuring and test equipment system. Analytical methods and acceptance criteria must conform to the latest released edition of the AIAG Measurement System Analysis (MSA) manual.

**7.1.5.5.2** The supplier must have a documented system in place to control, calibrate, and maintain the proper function and accepted level of gage repeatability and reproducibility (R&R) of all inspection fixtures, gages, measuring / testing instruments and equipment.

**7.1.5.5.3** Supplier must demonstrate Measurement, Inspection and test equipment used to confirm proper control of Critical, Major and minor Characteristics are capable and adequate for the intended use, linearity and bias must be determined in the MSA.

**7.1.5.5.4** Supplier must use Measurement, Inspection and Test Equipment with variable data output to determine the capability of the processes to meet the Critical, Major and Minor characteristics identified in Capsonic drawings.

### **7.1.5.6 Inspection, Measuring and Test Equipment Records**

Records of calibration, verification, maintenance and statistical analysis activities must be traceable to the part revision level demonstrating conformance to standards and corrective actions taken where applicable. Records must include:

- Device identification number and change level (when applicable).
- Date of calibration/analysis and identification of the person performing the activity.
- Conditions and readings as received and prior to calibration.
- Calibration results and actions taken (i.e. replace, repair, etc.)
- Gage R&R results.
- Action taken on products measured with out of calibration and/or non-capable equipment.

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Note: Capsonic must be notified if suspect or discrepant product has been shipped because of out of calibration gages, fixtures, measuring or test equipment.

**7.1.5.7 Tool/Mold Management**

**7.1.5.7.1 Tool/Mold Development.**

Suppliers must have a systematic process in place to ensure Tool Quoting and development processes ensures the product must comply with Capsonic/Customers expectations. These processes must make considerations that include information managed at supplier’s shop by incorporating common design standards and strategies into the quoting process, such as, material shrinkage parameters, part rotation and tip positions, and the use of standard components and machine configurations in such manner that will ensure the quote reflects how design and engineering will approach the job.

Capsonic purchasing department will request the basic information to supplier developing a tool using the form QAF-SQM-002 submitted to Capsonic SQE for analysis of content. This information will be used by Capsonic team to determine the supplier and tool structure quoted.

The Supplier (Mold/Tool Quality Planning Team) should address the development requirements by adding the key/critical items required to be completed into a Timing Chart. This chart should ensure that the activities planned for the new mold and tooling to be developed are capable to meet Capsonic expectations and deliver the mold/tool on time. Supplier progress should be monitored to assure completion to surpass planned production tryout.

The above requirement will be flow down to sub-tear when supplier uses a third party to develop the tool required by Capsonic product/processes. Capsonic reserves the right to access sub-tiers when progress of the tool/mold development is not presented to Capsonic according to the original plan.

Suppliers must first establish a streamlined process that covers all deliverables and milestones from the initial price quotation to the finished product samples. Inputs and outputs for each step in the process need to be clearly identified, along with quality expectations and the value added to the finished product. Once the entire process has been laid out, specific technologies and methods must be considered based on their impact on the process outcome.

Suppliers must be using Capsonic Mold Design Specification Guidelines for tool under construction. These standards will be assessed by Capsonic Engineering, SQE, and Buyer.



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Supplier must use the proper 3-D software tools (no 2-D model will be acceptable) during the design process to achieve standardization and synchronization across design and manufacturing, to minimize errors that may impact delivery. Software used must be able to identify manufacturing issues proactively. These issues must be documented as part of the potential failure modes that will be used during the PFMEA development. Examples of these conditions are detecting potential collisions, verify correct shrink values and determine whether parting surfaces can be manufacture.

Supplier must maintain the model obtained from this software throughout the design and manufacturing processes, if changes are required these must be controlled and validated (before the incorporation in the tool) from design to manufacturing and assembly. These changes /alterations must be approved by CAPSONIC Design Engineer that will be performed through CAPSONIC SQE assigned.

### **7.1.5.7.2 Tools/Molds Approval and Identification.**

Using documented timeline provided by Capsonic SQE, supplier must identify dates for production of samples required to confirm the tools will produce the product required by Capsonic. Supplier must make the considerations to run a minimum of 300 pieces or 8 hours of production rate to consider an acceptable sample size to be submitted as part of the PPAP process requirement (Automotive), and FAI (Aerospace Market) the sample size of this trial will be agreed with Capsonic SQE. Supplier will provide all the documentation generated to obtain the final status of the tool, as well as the documents required in the PPAP/FAI package. To obtain full Capsonic approval of the tool supplier must provide the following but not limited to:

- CAD Modeling files used to develop the tool/mold and that describes the final status of this (such as is approved in PPAP or FAI).
- Pictures of the mold properly identified with the asset tag provided by Capsonic personnel. Pictures me include legends describing final property of the tool/mold.
- Presentation with pictures describing the product and cavities for the mold (if applicable) or tool progressions.
- Pictures must be legible enough and can include key features/characteristics that demonstrate the tool in the picture is the same producing the component required. Highlights of these features can be described and communicated in these documents/pictures.

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**7.1.5.7.3 Tools/Molds Repair and Corrections Process.**

Supplier must notify CAPSONIC Buyer /SQE of any identified problem in a tool/mold that is derived in a quality issue in the component provided to Capsonic, and that is not subject to warranty. The causes of the problem that can be associated to; tool/mold not developed by the supplier, or the life of the tool and its use caused to be worn.

**7.1.5.7.4** Supplier must complete the supplier tool modification approval form QAF-06-070 to include all the activities that are required to be performed to the tool if a problem is identified to operate in an efficient manner the tool or suffers damage. This form must be filled out by a supplier and approved by a Capsonic SQE any time a production tool is scheduled to be taken out of production for more than 48 hours for service, modification, or engineering change.

**7.1.5.7.5** Supplier must provide completed form with the need to repair/correct molds/tools to Capsonic SQE. Supplier must appoint the area that requires correction/repair in the tool and correlate this condition in the component produced, via business case for the tool in concern with Capsonic buyer when required. This activity will be documented including tooling photos as applicable.

**7.1.5.7.6** Capsonic SQE and buyer must make considerations based on component demand and how critical the item is for the finished good/ customer requirements. They will use the input from purchasing, production, and engineering to make the decision to repair/correct the tool, after this is agreed with in Capsonic organization. This authorization is officially communicated to supplier through purchasing department to correct the tool.

**7.1.5.7.7** Purchasing will request to supplier to respond to the RFQ. This will be supported with the previous form submitted to SQE and including the Supplier Tools Form QAF-06-071 to describe the cost of the service.

**7.1.5.7.8** After tool is repaired PPAP or FAI documents will be submitted by supplier to SQE for approval when applicable.

**7.1.5.7.9** Tooling build suppliers will need to provide weekly status updates on the Capsonic provided timeline and to work directly with the Capsonic appointed SQE to fulfill the update requirements and abide by the Capsonic Tooling Standards form.

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### **7.1.6 Organizational Knowledge**

No Capsonic Specific Requirements for this section.

### **7.2 Competence**

No Capsonic Specific Requirements for this section.

### **7.3 Awareness**

No Capsonic Specific Requirements for this section.

### **7.4. Communication**

#### **7.4.1 General Communication**

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

- Purchase Orders
- Supplier Performance Data
- Letter of Intent
- Authorized Request for Quote (RFQ) forms
- Capsonic's Internet site [www.capsonic.com](http://www.capsonic.com)
- Regular scheduled meetings
- Cross Functional Launch Team meetings
- Performance Review meetings
- The Supplier Manual
- JADE Capsonic Portal

Details are noted in the appropriate sections of this manual. Refer to the Table of Contents.

Although we communicate in numerous ways, Supplier Performance Ratings are indicative of a supplier's overall performance and is the main input of new business sourcing.

#### **7.4.2 Revisions to the Supplier Manual**

This manual will occasionally require revision as requirements, expectations and systems change. It is the suppliers' responsibility to ensure they have the

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latest released edition. Suppliers will be able to access the most current edition at [www.capsonic.com](http://www.capsonic.com) and the JADE portal with access assigned to each supplier. It is the supplier's responsibility to contact the appropriate Capsonic personnel with any questions regarding the requirements contained within the Supplier Manual.

**7.4.3** Suppliers must be capable to work with the JADE portal <https://capsonic.jadeinnovations.com>

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 through JADE.

It is the supplier's responsibility to respond via JADE or contact the Capsonic Buyer if a weekly release was not received or if unable to meet all requirements for delivery date, time, quantity or quality.

### **7.5 Documented Information**

#### **7.5.1 Control of Design Records**

All suppliers/subcontractors must have a documented system in place for monitoring receipt, control, and obsolescence of all Capsonic supplied design records. Suppliers will be responsible for being able to read math data files in the appropriate language (NO Translations, i.e. IGES), and can print files which include wire frame, GD&T, and notes (i.e. performance and material requirements).

Note: Confidentiality applies to all customer supplied drawings, math data media and specifications.

#### **7.5.2 Control of Specifications**

Specifications noted on drawings and/or sketches supplied by Capsonic, and subsequent specifications referred to within the body of those specifications not supplied by Capsonic shall be obtained by the supplier/sub-contractor directly from the controlling authorities (i.e. ASTM, SAE, etc.)

All suppliers/sub-contractors must have a documented system in place for obtaining the latest released editions of required specifications. The system shall address annual verifications by suppliers/sub-contractors to the controlling authorities.

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### **7.5.3 Control of Procedures QUALITY**

**7.5.3.1** Suppliers/sub-contractors shall establish documented quality practices for all areas of the quality function based on AIAG Advanced Product Quality Planning (APQP) Guidelines.

**7.5.3.1** A multi-disciplined approach shall be utilized for approval of quality documentation.

**7.5.3.1** A documented method shall exist for revising, approving, re-issuing and implementing policies, procedures and work instructions.

**7.5.3.1** All procedures and supporting documentation shall be controlled, maintained and available on site for review, upon request by Capsonic personnel.

### **7.5.4 Record Retention**

Suppliers are expected to maintain applicable retention periods to the records derived from the manufacture processes as well as the inspection activities that show compliance with the specification, these retention periods are based on the nature of product, process and the sector of use. All records must be retained by suppliers as a minimum of 10 years for Automotive, and 15 years for Aerospace product and/or records that demonstrate compliance with Government and/or regulatory agencies. Disposition of these records must meet OEM Specific Requirements when applicable, unless otherwise specified by Capsonic. Legal or government requirements prevail. Suppliers must make this requirement extensive to sub-suppliers to make sure the information generated by sub-suppliers are kept and supportive to the Capsonic Supplier Quality System.

## **8. Operation**

### **8.1 Operational Planning and Control**

#### **8.1.1 Advance Product Quality Planning (APQP)**

All suppliers are required to utilize the methodologies defined in the latest released editions of AIAG Core Tools manuals, including:

- Advanced Product Quality Planning and Control Plan (APQP).
- Failure Modes and Effects Analysis (FMEA)
- Statistical Process Control (SPC)
- Measurement System Analysis (MSA)

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These manuals are tools intended to assist the suppliers in meeting the requirements necessary to produce a world-class product.

It is the responsibility of each supplier to ensure that their subcontractors (Tier 3 suppliers to Capsonic) are meeting similar expectations and requirements.

### **8.1.2 Foreign Object Debris/Damage (FOD) Prevention**

As part of the requirements for AS9100 that requires to the organization to have provisions for the prevention, detection, and removal of foreign objects FOD, Supplier is required to establish and maintain a FOD prevention program in compliance with AS9146 to control and eliminate FOD, assuring work is accomplished in a manner preventing foreign objects or material from entering and remaining in deliverable products.

## **8.2 Requirements for Products and Services**

### **8.2.1 Customer Communication**

After part approval, Supplier shall use the SREA (Supplier Request for Engineering Approval) process to submit approval requests for supplier-initiated process change proposals. This form is needed to be submitted to Capsonic SQE, for proper approbation.

### **8.2.2 Determining the Requirements for Products and Services**

No Capsonic Specific Requirements for this section.

### **8.2.3 Review of the Requirements for Products and Services**

#### **8.2.3.1 Process Characteristics Notes**

SUPPLIER is obliged to monitor and document the manufacturing process by using suitable statistical methods so that the continuous process capability as per the following criteria:

1. Critical characteristics (Cpk  $\geq$  1.67)  $\Delta$  1
2. Major characteristics (Cpk  $\geq$  1.33)  $\Delta$  2 can be verified over the entire production time. Critical characteristics shall be monitored 100%.
3. Major characteristics without process capability shall be monitored 100%.
4. Minor characteristics can be verified with audit or boundary checks (GO/NO-GO).

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5. Critical characteristics needs to be inspected 100% if they do not meet the CpK of 1.33 minimum.
6. If any of these are not possible (for example because only destructive testing is possible), the parameters controlling the process must be clearly identified by means of statistical test planning and to be displayed as control parameters. Once the process intervention parameters have been defined and documented the process concerned shall be controlled using these parameters. Capability studies performed must meet the SPC criteria, through the evaluation of the capability of at least 125 readings of the characteristic to be evaluated. 7.
7. The instrument used to obtain the Cpk value must be able to deliver variable data and meet the criteria for the R&R defined in the MSA
8. If Capsonic does not provide Key Characteristic on Drawing, supplier is required to define their own KCs.

### **8.2.4 Changes to Requirements for Products and Services**

No Capsonic Specific Requirements for this section.

## **8.3 Design and Development of Products and Services**

### **8.3.1 General**

No Capsonic Specific Requirements for this section.

### **8.3.2 Design and Development planning**

The organization should consider Incoming inspection when to prevent the use of non-conforming incoming material.

#### **8.3.2.1 Control Plan Requirements**

Suppliers must utilize appropriate APQP techniques as identified in the AIAG Advance Product Quality Planning and Control Plan reference manual or similar techniques.

#### **8.3.2.2 FMEA Requirements**

All suppliers are required to utilize the methodologies defined in the latest released editions of AIAG Core Tools manuals for FMEA development.

#### **8.3.2.3 APQP/PLP Kick-Off**

An APQP / PLP kick-off meeting will be scheduled upon business award. Personnel representing the supplier's Program Management and Quality Assurance shall participate to establish and outline

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requirements, timetables, and contacts. All immediate technical concerns will be addressed at this time. CAPSONIC SQE and Buyer will obtain the supplier commitment to comply with CAPSONIC requirements, a documented timeline (Microsoft Project Desirable) will be provided by supplier with specific dates to meet key dates (Milestone), Program progress review (meetings Capsonic-Supplier), PPAP/FAI due date, and define run @ rate requirements.

Management supplier is required to appoint a responsible function within their organization to review, submit/provide status of launch activities to CAPSONIC SQE/Buyer in a periodic manner and to reflecting process assumptions as well as key launch events, associated timing and progress to plan.

### **8.3.3 Design and Development Inputs**

Capsonic, its customers and regulatory authorities expect to have access to Capsonic's supplier facilities and records at reasonable times for the purposes of audits, assessments, inspection of goods and associated control systems.

**8.3.3.1** Suppliers are expected to share with Capsonic detailed cost data. Suppliers are also expected to use a fair and consistent method of applying the profit factor and distribution of overhead expenses in support of Capsonic requirements, consistent with goals of long-term financial viability.

Suppliers must be willing to extend the benefits of cost reduction efforts with Capsonic.

As a condition of business, all suppliers must be prepared, on request, to provide any information required by the Capsonic Purchasing Department to substantiate the ability to provide the necessary products, commodities and services. This shall include, but is not limited to:

- Quotes provided on Capsonic developed cost model,
- Technical capability and systems/procedures to evaluate key product characteristics and
- Financial information.

In addition, the supplier must be prepared to provide proactive initiatives such as cost reduction proposals and recycling programs to Capsonic.

**8.3.3.2** It is expected that a target for compliance of zero discrepancies be set for all goods and services to be supplied to Capsonic.



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Warrants and certification requirements will be stated on Capsonic purchase orders or on Product Drawing(s) defining the Product to be supplied to Capsonic by Supplier. Annual validations for raw material must performed by supplier (Dimensional layout, material confirmation) are to be carried out by an independent accredited testing when required by Capsonic.

Suppliers will be held accountable for warranty costs due to negligence, process and supplier design issues.

**8.3.3.3** Products/processes that are jointly developed between Capsonic and its suppliers will be Considered to have co-ownership and be royalties free unless otherwise negotiated.

### **8.3.3.4 Reporting Material Composition (IMDS)**

Automotive suppliers are required to provide evidence that the Material/substance Composition reporting for each part has been completed and complies with requirements. Material is to be reported in the International Materials Data System (IMDS) unless another system or method is pre-approved by Capsonic authorized personnel.

Note: IMDS is available through [mdsystem.com](http://mdsystem.com). Capsonic Automotive company ID is 8304.

## **8.3.4 Design and Development Controls**

### **8.3.4.1 Manufacturing Process**

If the supplier manufacturing process assumptions are based on new technology, or on new processes for the supplier, the supplier must document how and when the processes will be proven out in a pilot program prior to production launch. The pilot program must provide for the manufacture of enough quantity of parts so that the program production launch curve is based on the experience of the pilot program rather than unproven assumptions.

If a pilot program cannot be accomplished, the supplier must provide a detailed back-up manufacturing plan based on proven processes; to be implemented in the event problems are encountered during the launch of the new technology or processes that may impact supply to Capsonic.

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Regardless of process assumptions, the supplier must submit periodic launch plans (Timing report with specific due dates) reflecting process assumptions as well as key launch events, associated timing and progress to plan. The due date for the first submission will be discussed at the APQP / PLP kick-off. These will be confirmed and authorized by CAPSONIC SQE.

### **8.3.4.2 Process Sign-Off Requirements**

Process Sign-Off (PSO) must be performed on all new or modified parts determined by Capsonic to be high or medium or initial risk. Products that have a high or medium Initial Risk Evaluation will require that the PSO be led by Capsonic personnel. Parts with a low risk evaluation will have a supplier led PSO.

Any product or process change that occurs during the lifecycle of a part or system must be reviewed by the product team to determine whether a new PSO is required. Submission for full PPAP/FAIR approval will not be accepted unless PSO sign off approval is achieved.

It is the responsibility of the supplier to submit PPAP/FAIR documentation for review and approval prior to shipping products to Capsonic. Failure to obtain PPAP/FAI approval from CAPSONIC SQE may impact supplier scorecard, due to a documented DMR.

### **8.3.4.3 Sample Submission Requirements**

These will be communicated to suppliers by Capsonic SQE/Buyer via the Capsonic JADE portal based on requirement level submission documented in Capsonic PO provided to supplier. These requirements will be based on final customer/program requirements.

Capsonic Supplier Quality Manual requires the compliance of PPAP and FAI requirements to address the drawing design characteristics generated by Capsonic from the supplier and their sub-tiers. In all instances PPAP and FAI requirements applies to each bill of

material or parts list item with in a CAPSONIC part number that is invoked in the product design. Capsonic or Customer PPAP/ FAI approval does not relieve the supplier of the responsibility and/or liability for full compliance with all Drawing/Contract requirements.

Capsonic will be using the JADE Portal to communicate PPAP/FAI when a new product is released or when a change in product feature, process, location is performed at supplier location.

Capsonic requires its suppliers to annually perform and provide to Capsonic a product validation. Also, Capsonic reserves the right to validate multiple production lots if needed to determine overall process capability.

### **8.3.4.4 General Sample Submission Requirements**

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**8.3.4.4.1** Suppliers are to meet all requirements of the latest released edition of the AIAG Production Part Approval Process (PPAP) and for Aerospace product the First Article Inspection report (FAI) defined on SAE AS9102 manual. These requirements extend to all commodities supplied by the supplier's subcontractors and third tier suppliers.

**8.3.4.4.2** All submissions for production part approval must include the required information as specified for a Level 3 submission, unless otherwise instructed in writing. All submissions for prototype part approval must include the requirements specified for Capsonic verification package unless otherwise instructed in writing.

**8.3.4.4.3** Regardless of submission level, all documentation defined in the AIAG PPAP/FAI manual and Capsonic specific requirements are to be on file and available for review upon request.

**8.3.4.4.4** Suppliers working with OEM programs are required to perform an annual validation of the component produced for Capsonic, as a proactive activity to identify variation in the supplier manufacture process. Results of the validation must be filed in supplier premises and these will be provided to Capsonic.

**8.3.4.4.5** Suppliers are responsible for costs incurred by Capsonic resulting from late or incomplete submissions.

### **8.3.4.5 Specific Sample Submission Requirements**

**8.3.4.5.1** When requested, PPAP/FAI submissions must be made in accordance with OEM specific requirements. Examples of OEM specific PPAP/FAI Submission requirements can be provided to suppliers when these are requested to SQE's.

**8.3.4.5.2** All supplier PPAP or FAI submissions will be made in the JADE portal where the checklist for required items is found as selected by the SQE. All necessary files for the part submission are to be uploaded in JADE. Part submission warrant must be filled out completely, indicating the finished part number(s) that are being submitted. Only parts within the same product "family" (i.e. multiple colors of the same product) and of the same revision level may be submitted on a single warrant. All part numbers must be listed on the warrant. Unless otherwise instructed, five (5) sample parts per cavity will be required to be measured 100% on the feature/characteristics.

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**8.3.4.5.3 FAI** sample must be obtained from same condition of manufacturing process configured for production releases, therefore samples must be provided according to the following criteria:

- Stamping metal parts. - From a 300 pcs produced continually or 8 production hours. 5 pcs measured to be measured 100% on the feature/characteristics from a sample obtained randomly.
- Die Cast. - A sample from each cavity.
- Machining Parts. - 1 Pc.
- Molded Components. - a Sample from each cavity.

**8.3.4.5.4-Dimensional** layout data must be provided for each drawing dimension and note. A ballooned reference drawing provided by Capsonic showing the relationship between the layout results and drawing specifications must accompany the layout report. Graphical math data plots are acceptable for profile dimensions. Enough inspection points to adequately define the surface are required. Prior approval by Capsonic of inspection points is required.

**8.3.4.5.5** Only PPAP/FAI approved raw material sources may be used. Material certifications must include a copy of the OEM customer color and/or construction approval (e.g. General Motors Material Evaluation Form). Material certifications must indicate lot numbers and dates as certification that these approved materials were used in the manufacture of the submitted samples.

**8.3.4.5.6** Laboratory testing, when applicable, must be conducted by an accredited facility (ISO / IEC17025 and / or A2LA). A copy of the accreditation with scope of testing is to be included with the submission.

**8.3.4.5.7** Appearance approval, when required, must be submitted via an Appearance Approval Report (AAR). The AAR is to be completed in its entirety. On occasion, the supplier may be requested to obtain appearance approval directly from the end customer. Suppliers will be notified in writing when this is the case.

**8.3.4.5.8** Restricted and reportable chemicals contained in the raw materials and parts used in the manufacture of supplied components must be reported based on the IMDS (International Material Data System) requirements. This form must be submitted to CAPSONIC AUTOMOTIVE company ID 8304, with packages whether reportable chemicals are contained in components or not.

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Note: All questions regarding PPAP/FAI submission should be directed to the appropriate Capsonic Supplier Quality Engineer.

### **8.3.4.6 Supplier Prototype Product Requirements**

The requirements noted below pertain to prototype submissions received from suppliers providing component parts during the Design Verification and Prototype builds. If for any reason the Supplier cannot meet these requirements, they are required to notify Capsonic Supplier Quality in writing, prior to shipment. The supplier is to use the appropriate program documentation to note discrepancies.

**8.3.4.6.1 Prototype Submission:** The following verification package documentation must be completed and provided with each shipment supplied for the prototype build. Capsonic customers may also require additional documentation such as a Prototype Control plan and Pre-Production Sample Report. All documentation must reference the product number and the drawing date/level.

- Capsonic provided balloon Drawings
- Dimensional Results
- Sample Parts
- Material Certification
- Proper Identification

### **8.3.4.7 Automotive Product Submission Disposition Status**

#### **8.3.4.7.1 FULL Approval**

Full approval indicates that ALL engineering design record and specification requirements have been satisfactorily met.

#### **8.3.4.7.2 CONDITIONAL Approval**

Conditional approval MAY be granted under the following conditions:

- Product is from production tooling and meets all Appearance, Dimensional, & Test Specifications.

Exceptions/examples: Document missing/incomplete, Capability 1.0 to < 1.67 - Action Plan Required

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- Product is not from production tooling or production tooling is off-site, but product meets all customer requirements.

Exceptions/examples: Production tooling not complete or off-site, low volume tooling used, conveyors not in place, automation not complete – Action Plan Required.

SQE should indicate on the PSW when a Conditional or interim approval is granted and the reason for the conditional approval as well as the timing for its expiration.

### **8.3.4.7.3 REJECTED**

Rejected status indicates that the product does not meet the required customer specifications

### **8.3.5 Design and Development Outputs**

No Capsonic Specific Requirements for this Section

### **8.3.6 Design and Development Changes**

No Capsonic Specific Requirements for this Section

## **8.4 Control of Externally Provided Processes, Products and Services**

### **8.4.1 Conditions of Business Placement and Purchase Orders**

The extent of the purchase contract and order of precedence shall be:

- 1) Compliance with all relevant local, provincial, state and federal government legislation with special emphasis on hazardous waste and other environmental requirements
- 2) General Supply Agreement [GSA] (if applicable)
- 3) The Purchase Order terms and conditions
- 4) Capsonic Request for Quotation Form
- 5) Requirements as stated in the Supplier Manual
- 6) Letter of Intent
- 7) Statement of Requirements

**8.4.2** All suppliers/sub-contractors must provide Country of Origin Certification and other documentation required under the US/Canada Free Trade Agreement and the North American Free Trade Agreement (NAFTA). All customs requirements must be met in a timely manner to ensure efficient transportation of goods. These documents must be posted in JADE portal.

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**8.4.3** All suppliers shall have documented procedures for assessing, selecting, monitoring and developing their suppliers/sub-contractors with adherence to a continual improvement philosophy geared to complete customer satisfaction and cost reductions.

**8.4.4** Suppliers / sub-contractors are expected to sign up to a Long-Term Agreement (LTA), Productivity Program or other type of cost savings agreement. This LTA is to provide cost savings through, but not limited to, raw material price decreases, value analysis, or productivity improvements.

### **8.4.5 Compliance of Business and Purchase Orders**

#### **8.4.5.1 Purchase Order / Letter of Intent**

Capsonic will issue purchase orders to suppliers for awarded programs. In advance of receipt of purchase orders, suppliers to Capsonic may receive a letter of intent from the Purchasing Department providing the following information pertaining to Supplier conditions, requirements, and responsibilities:

- Design, development, prototype and production source award.
- Pricing
- Packaging (Expendable and Returnable)
- Tooling design and timing
- Freight and Customs
- Pre-Production Activity
- Cost Reduction
- Currency

It is the intent of Capsonic, that the supplier be the product supplier for the related program provided, the supplier meets commercial, design, program support, quality, and delivery requirements. Where Capsonic or OEM dictated program, changes necessitate adjustments to the purchase order or Letter of Intent, the Supplier will be required to quote and substantiate such adjustments.

The supplier will be required to conform to Capsonic and/or OEM tooling documentation and audit requirements. Capsonic reserves the right to audit tool costs incurred by the supplier in support of awarded programs. Such an audit may include, but not be limited to, a review of quotes, purchase orders, invoices, and other documentation.

Business award is conditional upon the supplier's concurrence with the requirements of Capsonic's process procedures and terms and conditions.

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### **8.4.5.2 Product / Program Changes**

Capsonic will not accept cost increases due to process-oriented developmental changes that are necessary to meet the design requirement. The supplier will be reimbursed only for approved costs associated with product/program changes mandated by Capsonic or the applicable OEM. If Capsonic initiates product/program changes that result in reduced production tooling or manufacturing costs, Capsonic will expect piece price or tooling costs to be reduced to reflect the entire amount of the reduction.

### **8.4.5.3 Quotation Response Requirements**

When Capsonic is considering a product or program change, an RFQ (Request for Quote) form will be generated and forwarded to the supplier. Suppliers are expected to respond by the due date identified in the RFQ, with documentation as defined by the Capsonic initiator. The information on the RFQ Form, once signed by the vendor's responsible agent, obligates the vendor to all the information provided, supporting documentation, and terms and conditions (found at <http://www.capsonic.com/Auto/Suppliers/>). Any deviations to the RFQ Form must have prior approval from the Capsonic initiator. These will be represented in the Notes section on the RFQ Form. RFQ response is a measurable for supplier performance. Failure to meet response expectations may result in new business hold or removal from the Approved Supplier List.

When supplier receives RFQ a Feasibility Commitment form QAF-SQM-001 must be completed. With this form supplier must be satisfied that proposed product can be manufactured, assembled, tested, packaged and delivered in enough quantity to Capsonic. All the RQF are provided electronically to suppliers, and suppliers are expected to respond in the same way through the portal.

### **8.4.6 Duration of Supply**

The supplier must meet program commercial, design, support, quality, and delivery requirements to be selected as Capsonic' production source for awarded program component(s). The supplier must remain fully cost competitive with qualified alternate suppliers throughout the life of the program.

### **8.4.7 Counterfeit Control Process**

Authorized Manufacturers usually have a list of their authorized distributors. All the distributors of Capsonic shall demonstrate that are an authorized distributor for the initial manufacturer. This to assure that no counterfeit parts are received in Capsonic.



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Supplier shall provide a Material Certification on each shipment, if material certification is not received Material cannot be used on the products manufactured on Capsonic, until cert was provided by supplier.

Supplier shall ensure that the materials used to produce raw material sell to Capsonic was manufactured with no Counterfeit Parts.

The requirement for Counterfeit Control shall apply to sub-suppliers.

Suppliers that provide to Capsonic components for Aerospace business shall comply with the requirements for counterfeit control on SAE AS5553 and SAE AS6174.

### **8.4.8 Scheduling and Releases**

**8.4.8.1** Raw material may be ordered by issuance of individual purchase orders or releases under a “blanket” Purchase Order.

**8.4.8.2** Suppliers who have been issued a “blanket” Purchase Order will typically receive weekly releases; however, some suppliers may receive less frequent, depending on the product type and/or volume. The notification of these releases will be performed via JADE portal.

**8.4.8.3** The supplier is to ship only those quantities that have been released unless the Material Representative has authorized other arrangements. If deviations are made, a revised release will be issued as documentation of scheduling deviation approval. Over shipments may be subject to return at supplier’s expense and without receipt of a return material authorization. Excess Transportation Charges resulting from unauthorized multiple shipments; past due requirements and/or unauthorized truck lines will be debited in full to the supplier.

**8.4.8.4** Suppliers who are unable to meet all delivery requirements including date, time, quantity and quality must notify the Buyer immediately, and officially confirm the condition using JADE portal. Note that this communication does not alleviate the supplier of any of the related costs and penalties associated with being past due or shipping defective material.

**8.4.8.5** Telephone calls noting schedule deviations, while appreciated for planning purposes, do not result in allowances for deviation of the requirement schedule. If a shipment is missed or is incomplete, an expedited carrier must be set up at the supplier’s expense.

### **8.4.9 Cumulative (CUM) and Material Authorization**

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**8.4.9.1** CUMs that do not match is an indication that an error has been made either in receipt history or ship history. CUMs must match to ensure the correct release of parts. It is recommended that the supplier review CUMs daily. At a minimum, CUMs should be reviewed weekly.

**8.4.9.2** In the event the received and the shipped CUMs do not match, the supplier must immediately notify the appropriate Materials Representative. Until the CUM discrepancy is resolved, the supplier should consider the Capsonic CUM to be correct, and shipper the current release. It is the supplier's responsibility to provide proof of delivery when a discrepancy is found.

**8.4.9.3** The supplier will have 30 calendar days after product shipment receipt to resolve invoice CUM discrepancies. Failure to resolve discrepancies may result in non-payment of open invoices items. CUM discrepancies must be communicated in writing to the Materials Department.

**8.4.9.4** Unless otherwise specified, standard FAB authorization is 2 weeks and RAW authorization is 4 weeks. Exceptions to these authorizations require written approval by the appropriate Materials Representative.

**8.4.9.5** Capsonic will not be responsible for material beyond the CUMs as authorized above. Quantities on release beyond the RAW cum are for planning purposes only.

Capsonic's release requirements may change on a daily basis due to fluctuations of customer requirements. Capsonic is committed to meeting these requirements without exception or assistance from our customer. Excess freight or labor costs incurred by Capsonic in order to meet delivery requirements are not passed on to our customer, no matter the circumstance. Because of this, we require our supply base to provide the same level of flexibility and support. This is the basis for FAB and RAW authorizations as stated

**8.4.10 Third party verification**

Capsonic verifies product using a third-party laboratory (when applicable) during Capsonic FAI documentation preparation, this to ensure that the provided product follows the required. If verification shows parts that are as a non-compliant, actions will be taken as defined in clause 8.7 from this manual

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### **8.5 Production and Service Production**

#### **8.5.1 Control of Production and Service Provision**

When so directed, suppliers will be required to certify product after a lot rejection has occurred. Two types of controlled shipping actions are employed when this situation occurs.

- Supplier conducted sort and certification of subsequent part shipments (CS1).
- Third party sort and certification (CS2).

**8.5.1.1** The level of inspection (CS1 or CS2) will be determined based on one or more of the following reasons:

- Repeat quality issues and/or failure to resolve a quality issue.
- Severity or risk to the organization.
- Incapable supplier process(s).
- Line disruption.
- High PPM level.
- Customer complaints.
- Other factors deemed applicable.

**8.5.1.2** The Controlled Shipping Process will be applied as follows:

- The Capsonic SQE will initiate controlled shipping as deemed necessary based on a review of the quality concern(s).
- The supplier will be notified of their Controlled Shipping status. Additionally, Capsonic's customer and/or the supplier's quality system registrar may be notified of Controlled Shipping Level 2 as deemed necessary.
- Controlled Shipping status will be reflected in the Supplier Performance Rating System.
- Capsonic SQE will develop and review the Controlled Shipping expectations and exit criteria with the supplier, and Capsonic buyer.
- Capsonic Purchasing, Supplier Quality Engineer will monitor the supplier's progress to plan.

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- When the supplier has met the exit criteria, the Controlled Shipping status will be removed. Capsonic’s customer and the supplier’s quality system registrar will be notified of the change in status as applicable.

- Failure to exit from Controlled Shipping status may result in New Business Hold or de-sourcing.

**8.5.1.3** Coordination and follow up of all controlled shipping actions are the sole responsibility of the supplier. Part supply to Capsonic must meet released quantities without supply interruption.

**8.5.1.4** The supplier and Capsonic SQE will mutually define the certified material identification requirements.

### **8.5.1.5 Delivery Non-conformances**

**8.5.1.5.1** A Delivery Performance Report (DPR) will be issued to the supplier via JADE portal, for any delivery related nonconformance. If the supplier does not agree with the reported discrepancy, the supplier must document this decision through JADE within 24 hours from receipt of the DPR notification of the discrepancy via JADE.

**8.5.1.5.2** A DPR may be issued for any of the following reasons, but is not limited to:

- Under, over, late or early shipments
- No ASN or late ASN
- No documentation or inaccurate documentation
- Damaged freight
- No label or inaccurate label
- Incorrect packaging

**8.5.1.5.3** A corrective action report detailing immediate actions taken to address the reported discrepancy is to be submitted via JADE within 24 hours.

**8.5.1.5.4** A completed corrective action report including root cause and preventive action is required within 3 business days.

**8.5.1.5.5** At the discretion of Capsonic’ Purchasing or Materials Representatives, the supplier will be required to submit a detailed plan addressing behind schedule situations (as applicable). The plan

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is subject to Capsonic Purchasing and/or Materials Representatives approval and will be closely monitored for adherence.

**8.5.1.5.6** The supplier is to immediately notify the Capsonic Buyer of an inability to ship to schedule requirements. Notification is to be followed by documented corrective action as previously described.

**8.5.1.5.7** The supplier is expected to automatically expedite shipment should they foresee or incur a past due situation. In addition, it is the supplier's responsibility to contact the Buyer to ensure availability of a receiving dock.

### **8.5.1.6 Premium Freight**

**8.5.1.6.1** All requests for premium freight (PRF-003-008) must be submitted to the Purchasing Manager for approval. Reasons for air freight must fall in the following categories:

- Capsonic placed the order late (not enough lead time)
- Supplier is late (in this case supplier will pay shipping cost)

**8.5.1.6.2** All approved requests for premium freight must be logged into the Air Shipment Control (PRF-003-006). Those that are prepaid by the supplier must also be logged into The Air Shipment Control Log.

**8.5.1.6.3** Copies of the Air Authorization form will be kept on file by supplier and available for clarifications if these are required by Accounts Payable. All unauthorized shipments will not be paid.

**8.5.1.6.4** If the shipment was not authorized, the Purchasing Manager will instruct accounting to reverse the payment.

**8.5.1.6.5** Air freight charges due to supplier late shipment, should be approved by supplier, via JADE for their approval.

### **8.5.1.7 Downtime Costs**

**8.5.1.7.1** The supplier is responsible for all costs associated to downtime at Capsonic and/or downtime costs billed to Capsonic by their customer when such costs are deemed to be the fault of the supplier due to quality, delivery and/or other incidents of nonconformance.

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**8.5.1.7.2** The supplier is responsible for all costs associated with downtime at Capsonic and/or downtime costs billed to Capsonic by their customer when such costs are deemed to be the fault of the supplier due to quality, delivery and/or other incidents of nonconformance

**8.5.1.7.3** These costs will be published and updated as soon as these are documented in the JADE portal.

### **8.5.2 Identification and Traceability**

#### **8.5.2.1 Lot Traceability**

**8.5.2.1.1** All material received by Capsonic must contain a lot code, or serial number, clearly identified on each label and container, ensuring full traceability of all material. Material must be traceable from receipt of raw material, to each processing stage and through final assembly and shipping to Capsonic.

**8.5.2.1.2** The supplier shall communicate, to Capsonic, the traceability method used (e.g. date and shift of manufacture along with sequential processing number). In some cases, the component may be critical enough to warrant part identification; these instances will be communicated through the appropriate quality and engineering groups.

**8.5.2.1.3** A lot should contain a specific quantity of parts and should not exceed eight hours or one day of production, at a maximum. In the event of certain commodity-based material, methods such as “dye lots” or steel coils will be acceptable.

**8.5.2.1.4** The supplier shall ensure implementation and management of an effective FIFO (First in First Out) method of stock rotation. Failure to comply with traceability requirements may lead to rejection of material and issuance of non-conforming material reports.

Traceability Records shall be maintained and accessible for the life of the product, including Service, plus one year.

#### **8.5.2.2 Labeling**

##### **8.5.2.2.1 Container Label Requirements**

**8.5.2.2.1.1** All materials for prototype, PPAP, or production consumption, shipped to divisions of Capsonic, must be

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identified with labeling containing human-readable text / graphics, and machine- readable bar-coded symbols.

Containers shall be identified with the following, as applicable:

- Container labels
- C of C Enclosed
- master labels
- mixed load labels
- primary paper labels
- part labels when specified by design records, specifications, or other written requirements

All labels must be legible and scan able to AIAG Standard and unobstructed from banding and other packaging materials.

**8.5.2.2.1.2** Characters and symbols shall comply with the Capsonic requirements of the AIAG, B-8 standard – Quality Assurance Guide for Shipping Labels and Other Bar Code Applications, to ensure consistency of supplier meeting these requirements JADE portal have included the ability to print labels according to these specifications.

**8.5.2.2.2** Parts Shipping Labels (container, master, and mixed load), shall comply with the layout formats defined in the AIAG, B-3 standard – Parts Shipping Label. Custom formats may be specified by a Capsonic via a Customer Compliance Specification Sheet. Supplier must use JADE portal to print out labels using CAPSONIC formats, this feature in the system allows the supplier to provide the basic information required by CAPSONIC.

**8.5.2.2.3** Primary labels shall comply with the layout format defined in the AIAG, B-5 standard – Primary Metals. These labels can be found in JADE Capsonic portal.

**8.5.2.2.4** Label placement, orientation, quality and quantities shall follow the guidelines contained in the AIAG, B10 standard – Trading Partner Labels Implementation Guide.

**8.5.2.2.5** Each container must have two AIAG bar-coded labels (formatted as described above); this also includes any items not in cartons such as rolls, bundles, drums, etc. The labels must be affixed to the upper RH corner of at least two adjacent sides. If the container

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is returnable, the supplier is to ensure that old labels are removed and replaced.

**8.5.2.2.6** Labels formats posted in JADE Capsonic portal will include the following information:

- Part Number
- Revision Level
- Description (the description must exactly match the description on the Purchase Order and Releases).
- Quantity (the quantity must be as per the standard Unit of Measure
- Unit of Measure (UOM).
- supplier lot number, or lot code
- manufacture date

**8.5.2.2.7** Pre-production and/or trial material must be clearly identified by Program and Purchase Order Number, as well as any other information defined by Capsonic. The use of JADE Capsonic portal is required to print out labels identifying these parts.

**8.5.2.2.7.1** PPAP samples will be identified with a label QAF-001-060 orange color describing the PPAP shipment. Prototype samples use the QAF-7362-001 yellow color label. These can be printed from JADE Capsonic portal or provided by Capsonic Supplier Quality Engineer upon request.

### **8.5.2.3 Part Barcode Labels**

**8.5.2.3.1** When required that a barcode label be affixed to each part, such labels must be affixed in an area as not to interfere with the part function or appearance. Exceptions to part labeling requirements are made for components that are restricted in size (i.e., fasteners). Contact the appropriate Capsonic Division Material Manager for requirements and exception details.

**8.5.2.3.2** Part labels shall comply with the requirements defined in the AIAG, B-4 standard – Parts Identification and Tracking Application Standard, unless otherwise specified by design records or Capsonic division specific requirements.

**8.5.2.3.3** Typical Part Barcode Labels will include, at a minimum the following information:

- Part Number
- Part Revision Level



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### •Part Description

The supplier shall submit a sample label for each component that is to be barcode labeled to Capsonic for approval.

#### **8.5.2.4 Label Approval**

Suppliers must obtain approval of newly introduced label formats from Capsonic prior to implementation.

#### **8.5.3 Property Belonging Customers or External Providers**

Supplier must have a documented procedure to perform the Preventive maintenance activities for the tool's property of Capsonic that are required for the production of components. The procedure must include a program to make sure the condition of these assets is properly maintained, therefore the quality of the components produced will be consistently in specification. Records of these activities must be available and submitted to CAPSONIC SQE when these are required.

#### **8.5.4 Preservation**

##### **8.5.4.1 Packaging**

###### **8.5.4.1.1 Packaging Suitability**

It is the supplier's responsibility to provide any product sold to Capsonic in approved packaging as determined by Capsonic's APQP / PLP (Product Launch Process) process. The criteria necessary to determine suitability may include:

- Robustness to ensure integrity of product
- Compliance with health and safety guidelines
- Compliance to Capsonic Operations requirements
- Compliance to AIAG standard guidelines
- Compliance to MMOG/LE Chapter 4.2
- All expendable packaging should be recyclable.

**8.5.4.1.2** Suppliers are encouraged to confirm with Capsonic any additional requirements such as:

- Container fill and identification for a "balance out" or "final release" situation
- Foamed plastics or expanded polystyrenes (EPS)

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- ISO Modular Packaging Requirements for import/export product
- Maximum weight for manually and mechanically handled goods

**8.5.4.1.3** All goods sold to Capsonic that are “controlled” under Workplace Hazardous Material Information Systems must comply with appropriate legislated regulations for packaging and shipping.

### **8.5.4.2 Returnable Containers**

Returnable containers may be recommended as the primary packaging method considered on new programs. On an individual basis, Capsonic may assess current production part packaging feasibility using returnable containers. Suppliers are encouraged to consider conversion to reusable containers.

Capsonic has developed and implemented returnable containers with many suppliers. As a result, specific styles of containers best suited to shipping, storage and manufacturing requirements have been identified. Any inquiries regarding this packaging may be submitted to the Capsonic Packaging Engineer or designated Buyer.

**8.5.4.2.1** The Supplier shall be responsible to maintain the cleanliness of all returnable containers.

This requirement extends to removing all prior container labels.

**8.5.4.2.2** The supplier shall be responsible for all maintenance and logistical tracking of the returnable. The supplier shall notify Capsonic when repairs are necessary.

**8.5.4.2.3** Financing of returnable packaging will comply to mutually agreed upon terms.

### **8.5.4.3 Pallets**

Pallets are to meet the following specifications:

- Pallets are to be banded and/or stretch wrapped.
- Boxes must fit on pallet, without any overhang.
- Pallet height limit is 48”, unless otherwise authorized.
- “DO NOT STACK” sticker is to be affixed to 2 adjacent sides (when applicable).
- Pallets must be 4-way entry.

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- Like parts may be mixed on a skid only if less than a skid quantity of each part is required. Otherwise, all cartons for the same part number must be on the same skid(s).
- All mixed pallets must be clearly labeled as “MIXED SKID” on 2 adjacent sides.
- Parts should be palletized by program and by part number.
- DO NOT mix RH/LH, FRONT/ REAR or programs together on a pallet, unless otherwise authorized.

Pallet information must be included on the Packaging Specifications Form.

### **8.5.4.4 Transportation**

It is important that Capsonic suppliers are aware of transportation and delivery requirements, as it is one of the key performance metrics upon which they will be assessed. Capsonic supports the industry initiative of inventory reduction, recognizing however the importance this places on accurate and timely delivery of quality product. It is our expectation that suppliers will deliver 100% on time to our locations, in compliance to schedules.

In an effort to support On Time delivery, we expect our suppliers to constantly strive to reduce lead times with their suppliers, improve flexibility and minimize changeover times. If necessary to support On Time schedules, the supplier may be asked to support local warehousing or supply terms providing for FOB Capsonic Distribution Center location.

The supplier must refer to MMOG/LE for guidelines to meet Capsonic requirements.

### **8.5.4.5 Schedules, Routing and Carriers**

**8.5.4.5.1** All appropriate scheduling, routing, FOB points and delivery requirements will be communicated early in program award, typically through the Supplier Statement of Work or similar documentation. All transportation arrangements and requirements must be signed and agreed to by both organizations.

**8.5.4.5.2** Specified truck lines along with customs and brokerage information, if required, will be detailed on Capsonic Routing Instructions.

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**8.5.4.5.3** All goods imported into the USA must show the Capsonic Custom Bond Number and Importer Number on all required documentation. Contact your Logistics and Packaging Representative to ensure that you have the correct numbers.

**8.5.4.5.4** Any changes to carrier or delivery frequency must be approved in writing by the Capsonic Materials Department, unless it is for an expedited shipment.

### **8.5.4.6 Transportation Routing Information**

**8.5.4.6.1** Suppliers will receive routing information including transportation method, and pick-up and delivery window times. Routing information will be communicated using a Routing Control Notice, Transport Routing Information Sheet, Routing Instruction, or similar document used by Capsonic. Capsonic will make certain that all transportation and routing details are clearly specified. Suppliers shall question any ambiguous instructions. All costs incurred as a result of missed or late shipments that are clearly the responsibility of the supplier, shall be recovered from the supplier.

**8.5.4.6.2** All material entering from a foreign country must have “Country of Origin” clearly marked on the Pro forma Invoice, as well as on the original Commercial Invoice. Brokerage fees for all imported product is typically the responsibility of Capsonic, unless otherwise negotiated. All fees and charges resulting from the export / return of defective product shall be the responsibility of the supplier.

### **8.5.4.7 Packing Slip and Bill of Lading**

#### **8.5.4.7.1 Packing Slip**

It is required that all material shipped be identified on a Packing Slip or Bill of Lading. The Suppliers must use JADE portal to print out the packing slip required in each shipment, this is required during receiving process to acknowledge that supplier shipped the material required, however information typically required includes:

- Ship date
- Invoice/Packing Slip number
- Ship to and Sold to Addresses
- Separate line item for each part number shipped
- Part number(s) and descriptions

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- Engineering change level of each part number
  - Purchase Order number for each part
  - Order release number
  - Quantity ordered, and Quantity shipped of each part
  - Manufacture date and/or code lot for material shipped
  - Number of cartons/skids/containers/weights per part
  - Supplier Code
  - Ship via
  - Indicate whether freight is prepaid or collect
- The packing slip is to be attached in a clearly visible location.

### 8.5.4.8 Bill of Lading

The Bill of Lading must include the following information:

- Total Number of Containers Shipped.

Examples of Containers Shipped:

- 20 cartons on 1 skid -or- 1 skid @ 20 cartons
- 50 cartons on 3 skids -or- 2 skids @ 20 cartons ea + 1 skid @ 10 cartons
- 70 cartons on 4 skids + 3 loose cartons -or- or 3 skids @ 20 cartons ea+ 1 skid @ 10 cartons + 3 loose cartons

- Number of Cartons Per Skid and/or the Number of Loose Cartons

- Total Weight

- Proper NMFC Description, Item Number, and Class

Example:

- OEM PLASTIC AUTOMOTIVE COMPONENTS, NM18850, CL 85.

- Indicate whether freight is prepaid or collect

Questions regarding the correct NMFC description, item number, or class should be directed to the designated carrier. Because this information affects freight rates, it is critical to ensure its accuracy. This information is also to be included on the Packaging Specifications Form.

### 8.5.4.9 Advance Shipping Notice (ASN)

**8.5.4.9.1** The ASN must be sent within 1 hour of the shipment leaving the supplier's facility. ASNs

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may NOT be sent early. This process must be completed via JADE portal.

**8.5.4.9.2** In the event of a known shortage or late shipments, the supplier must immediately notify Capsonic by using JADE portal and advise them of the shortage or late shipment. The supplier shall also indicate the anticipated time of delivery of the expedited material required to complete the original schedule.

**8.5.4.9.3** The supplier must communicate directly to Capsonic buyer when ASN's cannot be transmitted via JADE portal. The Capsonic Materials Representative must be in agreement with the change by confirming in writing de acknowledging of the change.

### **8.5.4.10 Hazard / Non-Hazard Chemical Requirements and Material Certifications**

**8.5.4.10.1** Capsonic suppliers/sub-contractors considered to be “controlled” under W.H.M.I.S. (Workplace Hazardous Material Information Systems) must be familiar with and comply with all such regulations, for packaging and shipping. Chemical and Hazardous substances with a “shelf life identification” must be well specified and with enough active life.

**8.5.4.10.2** Material Safety Data Sheets (M.S.D.S.) must accompany all initial shipments from all suppliers/sub-contractors and marked to the attention of the Environmental Health and Safety Coordinator.

**8.5.4.10.3** Where required, Material Certifications are to be placed in a separate envelope and addressed to the using division's Materials Department.

### **8.5.5 Post-Delivery Activities**

No Capsonic Specific Requirements for this section.

### **8.5.6 Control of Changes**

#### **8.5.6.1 Initial Packaging Approval/Change Requests**

Capsonic must approve all packaging prior to the first shipment. Approval is required for packaging type (i.e. returnable, expendable), container size, container quantity and pallet quantity. The supplier must submit a completed “Supplier Packaging Proposal” form QAF-010-032 to the applicable

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Capsonic SQE. Any changes or deviations from the approved packaging require written approval.

Note: Packaging is also part of the PPAP/FAIR submission.

### **8.5.6.2 Capsonic and Customer initiated Changes**

**8.5.6.2.1** All potential, proposed and/or mandated engineering changes affecting purchased product, will be submitted to the supplier for impact and timing. These engineering change/change request documents will be processed via Capsonic Engineering Change Notification and supplier request for quote (ECN/RFQ) procedures. Documentation for approved engineering changes will be forwarded to the supplier for execution as defined in the Capsonic ECN/RFQ procedures. All changes are required to be approved in accordance to the PPAP/FAIR requirements before production implementation.

**8.5.6.2.2** The supplier is required to:

- Respond to ECN/RFQ requests within 5 business days or as otherwise arranged with the designated Buyer.
- Itemize applicable cost and timing in the required format.
- Manage and report all applicable engineering changes of the Lower Tier supply base.
- Once concerns are cleared, official updated drawing is provided by buyer to supplier.
- Submit samples of all executed changes, in accordance with Production Part Approval Process (PPAP/FAIR) requirements prior to production implementation. Report Tier 3 sub-supplier changes as part of the PPAP/FAIR process.
- When PPAP submission includes the use of developed Tools, Molds, Fixtures and/or Test Equipment in which these are considered CAPSONIC assets, or those of Capsonic's customers. Pictures of such items must be submitted as well as PPAP information to CAPSONIC SQE, to obtain the PPAP approval.

### **8.5.6.2.3 Supplier Proposed Engineering Changes**

Supplier proposed changes must be submitted for approval consideration via the Capsonic SREA (Supplier Request Engineering Approval) form PRF-8.4-002. All proposed changes, including but not limited to the following are to be communicated as applicable:

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- Proposed material changes.
- Proposed process changes.
- Proposed tooling and/or fixture changes.
- Proposed manufacturing location changes.
- Proposed Tier 3 sub-supplier changes.
- Any other changes as defined in the AIAG PPAP/FAIR manual, including Customer Specifics.

**8.5.6.2.4** Rejected Supplier Change Requests will be returned to the supplier with an explanation and/or request for additional information.

**8.5.6.2.5** Approved Supplier Change Requests will be communicated to the supplier through Capsonic CN process documentation. The SQE will communicate sample submission expectations and timing requirements via the JADE portal. Other instructions and required documentation, when applicable, will also be communicated at this time.

### **8.5.6.3 Engineering Change Notification and Control**

All applicable documents and data to support engineering changes will be forwarded to the affected supplier(s) by Capsonic buyer. This will be controlled as defined in the Document Control Requirements section. All executed engineering changes are to be submitted and approved in accordance with Production Part Approval Process (PPAP/FAIR) requirements prior to production implementation.

### **8.5.6.4 Engineering Change Product Identification**

The first shipment of engineering change products is to be identified as directed by the applicable Capsonic Quality Engineer or other authorized Capsonic Representative. Subsequent shipments may also require engineering change identification when deemed necessary by Capsonic. Each container of engineering change product is to include this identification. Failure to properly identify engineering change materials may result in the issuance of a Defective Material Report. Related DMR charges may apply.

### **8.5.6.5 Product Obsolescence**



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Suppliers must submit obsolescence claims resulting from engineering changes within 30 days of the change implementation date. Suppliers must use the Obsolescence Claim form posted on Supply Web and submit via email to the appropriate Capsonic Material Planner. Claims received outside of the 30 days will not be processed. Submission of claim does not guarantee validity of claim nor assure approval and payment of the claim.

### **8.6 Release of Products and Services**

No Capsonic Specific Requirements for this section.

### **8.7 Control of Nonconforming Outputs**

#### **8.7.1 Quality Non-conformances**

**8.7.1.1** Due to industry requirements the Capsonic Automotive and Aerospace Inc. goal is to receive zero defective materials from suppliers, for that reason, suppliers must consider all the necessary actions to protect Capsonic Automotive and Aerospace Inc. from receiving defective material.

**8.7.1.2** When a defect is detected at Capsonic derived from an out-of-control process condition from a supplier, the discrepancy will be documented in JADE portal by Capsonic SQE, in which the defect will be communicated to the supplier via automated JADE email:

**8.7.1.2.1** Supplier will be communicated of the quality problem through the JADE portal, in which suppliers are required to access once the email notification alert them of the defect.

**8.7.1.2.2** Supplier must evaluate the condition reported and confirm their stock is free of that defective situation.

**8.7.1.2.3** Supplier must respond with interim activities/**containment activities** and confirmation/acknowledge of the problem via JADE portal **within the following 24 hours**. If supplier does not agree with the rejection this decision must be addressed via JADE portal too.

**8.7.1.2.4** A completed corrective action report including root cause and preventive action is required within 3 business days.

**8.7.1.2.5** Supplier must provide a plan to minimize the impact in production based on the analysis of the discrepant condition and inventory available, via JADE portal.

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**8.7.1.2.6** Supplier may contact Capsonic SQE, in case of additional clarification / information is required. However official information must be originated/posted into JADE Portal.

**8.7.1.3** The Supplier must initiate the actions needed to contain the problem at its facilities as well as the actions required to avoid the Capsonic Production Department to stop due to a quality issue arising at the supplier's facilities.

**8.7.1.4.** Material provided by supplier will be identified with a tag that indicates to Capsonic that the supplier performs the properly activities to avoid send non-conforming material related to the finding.

**8.7.1.4.1** Tag must contain the following information:

- Affected Part Number
- Condition that is certified
- Quantity certified

**8.7.1.5** Some of the actions performed to keep Capsonic production requirements are to sort, rework or replace suspected stock at the supplier's premises. If this is not possible, the supplier must send a representative to the Capsonic facilities to perform the actions required to keep the Capsonic Production Department running.

**8.7.1.6** If the supplier requires performing the interim actions at the Capsonic installations, the supplier must observe the safety rules established at Capsonic.

**8.7.1.7** The supplier must make the necessary arrangements with the Supplier Quality Engineer (SQE) to coordinate the activities that could include sorting or material rework to be performed by the supplier. The supplier must be responsible for coordinating the activities and the personnel designated to perform the job. No unattended personnel will be accepted at any Capsonic facility.

**8.7.1.8** Actions derived from these types of contingencies must be agreed to by the Supplier Quality Engineer responsible for the product. If sort and/or rework is performed by Capsonic personnel, supplier will be charged with \$20.00 dollars per hour per person required to support Capsonic production demand.

**8.7.1.9** A Return Material Authorization (RMA) must be provided to Capsonic via JADE Portal by suppliers to return and/or scrap defective

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material resulted from a defective shipment or/and sorting operation performed at Capsonic premises.

**8.7.1.10** Supplier must be charged with a fee of \$150.00 U.S. dollars due to Administrative activities and \$150.00 U.S. dollars fee due to customs charges originated from crossing material from El Paso TX and Juarez.

**8.7.1.11** These charges will be submitted by Capsonic SQE via JADE based on supplier performance and support provided.

**8.7.1.12** Supplier must be contacting Buyer as well as SQE when quality problem is reported by Capsonic to make the arrangements necessary to replace defective/suspicious material with certified components and support Capsonic production requirements.

**8.7.1.13** If extended periods of bad quality of components are delivered to Capsonic, the supplier will be hiring external services for sorting/reworking material to ensure the quality of the product delivered to Capsonic.

**8.7.1.14** All of the above activities must be documented in JADE portal and suppliers must be using this system as an official communication method to address the quality issues reported by Capsonic and to document out the corrective actions derived from activities performed by suppliers to avoid eliminate quality problems from their quality system.

## **9. Performance Evaluation**

### **9.1 Monitoring, Measurement, Analysis and Evaluation**

#### **9.1.1 General**

No Capsonic Specific Requirements for this section.

### **9.2 Customer Satisfaction**

#### **9.2.1 Evaluating Vendors**

**9.2.1.1** Each vendor listed on the authorized vendor listing will be evaluated every month.

**9.2.1.2** A report will be generated by the Purchasing Department, rating the vendors will be referred to as the monthly Vendor Performance Rating Report (VPRR).

**9.2.1.3** The goal established for each vendor will be based on 100% on-time delivery and an overall VPR score of 95%.

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**9.2.1.4** Each vendor will be provided appropriate planning information and purchase commitments to enable vendor to meet the 100% rating.

**9.2.1.5** At the end of the rating period, the Purchasing Manager will run the Vendor Performance rating on JADE Portal. A report will be generated for each vendor providing information based on on-time delivery; quantity received versus quantity ordered, and the quality of the components received.

**9.2.1.6** Based on the information received from JADE Portal, a consolidated VPR report will be generated.

### **9.2.2 Supplier Evaluation Report**

Capsonic suppliers will be evaluated in these areas following these criteria:

**9.2.2.1 Quality (ppm's); up to 25 Total points** with the following reductions if these situations take place:

Ten points will be deducted for the first DMR and/or corrective action requested during the month. i.e. one Corrective Action (8D's) = -10 points, Two corrective actions (2 8 D's) = -25 points, etc.

Reoccurrence = - 5 points  
PPM's greater than 1 = -5 points

**9.2.2.2 Delivery; 100% delivery = 25 points,**  
95% = 7.25, 90% = 12.5 points, 80% = 0 points

**9.2.2.3 Cost-** If yearly improvement is demonstrated = **25 points.**

**9.2.2.4 Technical and Service Support;** If proactive actions and Corrective Action Response (CAR) effectiveness is demonstrated = **25 points** awarded.

**9.2.2.5** A total of 100 points can be awarded meaning that 100% score has been given to this supplier.

### **9.2.3 Vendors Qualifications:**

**9.2.3.1** A letter from the Purchasing Manager will be sent to each vendor notifying them of their rating every month.

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**9.2.3.2** In the letter sent to the vendors, details of what is to be expected such as 100% on-time deliveries and maximum 20 ppms is to be reinforced in the letter.

**9.2.3.3** Each Buyer will also be given a copy of the VPRR.

**9.2.3.4** Each vendor has the opportunity to appeal his rating. The appeal must be addressed to the Purchasing Manager. If sufficient grounds can be provided by the vendor, the Purchasing Manager can adjust the rating accordingly.

**9.2.3.5** Part of the Vendors Qualifications will be the Onsite Supplier Audit which will be documented on the Supplier Audit report and follow up to any findings thru the open items list as well as timing for closing open items.

**9.2.4 Unsuitable Ratings**

**9.2.4.1** The Purchasing Manager will contact and request corrective actions for those vendors that have an unsuitable rating over a two-month period.

**9.2.4.2** The vendors that continue to have unsuitable ratings over a three-month period will be placed on probation. A letter will be sent to them notifying them of such action. If the vendor cannot obtain a suitable rating over the next six months, that vendor will be removed from the authorized vendor listing.

**9.2.4.3 Supplier Rating Category & Action.**

Supplier rating category & action taken will be based on the table as follow:

| Supplier Category        | Percentage / Performance Remark  | Actions   |
|--------------------------|--|---|
| Green<br>(Best Supplier) | 95-100%<br>Outstanding performance,<br>During 6 consecutive<br>months. | <ul style="list-style-type: none"> <li>Post supplier as Green Status in Bid List.</li> </ul>                                |
| Blue<br>(Good Supplier)  | 90 ~ 94.9%<br>Satisfactory performance,<br>For 6 months.               | <ul style="list-style-type: none"> <li>Communicate to Sourcing committee of potential supplier in new businesses</li> </ul> |

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|                               |   |   |
|-------------------------------|---|---|
|                               |   | (Require an assessment before sourcing new business).   |
| Yellow<br>(Moderate Supplier) | 85-89.9%<br>Below average performance, improvement required.                      | <ul style="list-style-type: none"> <li>• Issue Supplier Corrective Action Report (SCAR) to suppliers.</li> <li>• SQE, Buyer &amp; Material Management Sections shall monitor corrective action plan from supplier.</li> <li>• If remain at same category during 3 consecutive months, Purchasing issue acknowledgement letter to supplier's top management for action.</li> <li>• If remain at same category for 6 consecutive months, supplier will be recommended to be removed from bid list.</li> </ul> |
| RED<br>(Very Poor Supplier)   | Below 84.9%<br>Very unsatisfactory performance, immediate action plan is required | <ul style="list-style-type: none"> <li>• Issue Supplier Corrective Action</li> <li>• Plan (SCAR) to supplier.</li> <li>• On Site Audit is required QE, SOM &amp; Material Management Sections shall monitor corrective action plan from supplier.</li> <li>• Issue acknowledgement letter to supplier's top management for action.</li> <li>• If remain at same category for 9 consecutive months, supplier will be removed from bid list.</li> </ul>   |

### 9.1.3 Analysis and Evaluation

No Capsonic Specific Requirements for this section.

## 9.2 Internal Audit

### 9.2.1 Supplier/Sub-Contractor Internal Audits

**9.2.1.1** Suppliers and sub-contractors will perform internal audits to verify the continued effectiveness of the Quality and Environmental Management Systems.

**9.2.1.2** The internal audit will be performed at least once per year in accordance with a documented audit schedule. The audit schedule will be revised to increase audit frequency when warranted by internal and/or external performance issues.

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**9.2.1.3** Internal audits are to be conducted by personnel who are independent of the organizational or functional activity that is being audited.

**9.2.1.4** Documented internal audit procedures will be in effect indicating:

- Audit system review for effectiveness and continuous improvement.
- Defined responsibilities for personnel conducting the audit.
- Content/questions within the audit.
- Documented audit schedule and frequencies.
- Follow-up procedures to monitor and confirm that corrective actions are completed and verified for effectiveness.

**9.2.1.5** Internal audits and corrective action activities are to be maintained on file for three years and are to be available for review, upon request by Capsonic.

**9.2.1.6** Capsonic may perform an audit review anytime a supplier/sub-contractor falls within the unsatisfactory supplier performance guidelines as previously established in the Supplier Manual.

**9.2.1.7** Capsonic may review the suppliers' internal and/or third-party audit results when based on just cause and reason.

**9.2.1.8** Capsonic may perform audits of the suppliers'/subcontractors' Quality and/or Environmental Management Systems as deemed appropriate based on supplier performance issues and/or for supplier development purposes.

### **9.3 Management Review**

#### **9.3.1 General**

No Capsonic Specific Requirements for this section.

#### **9.3.2 Management Review Inputs**

No Capsonic Specific Requirements for this section.

#### **9.3.3 Management Review Outputs**

No Capsonic Specific Requirements for this section.

## **10. Improvement**

### **10.1 General**

No Capsonic Specific Requirements for this section.

### **10.2 Nonconformity and Corrective Action**

|                        |                               |                      |                     |
|------------------------|-------------------------------|----------------------|---------------------|
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### 10.2.1 Warranty

A primary focus of OEM Customers is expenses attributed to product performance after vehicle sale. Financial liability associated with warranty is more significant now due to consumer awareness and extended warranty coverage. Extensions of warranty periods from the traditional 12-months to 36-months and beyond have emphasized the need to deliver reliable and durable product or face warranty costs and owner dissatisfaction.

OEM's have stipulated that warranty costs will be shared with their supply base. As such, with respect to new and carryover programs, suppliers will be required to participate in warranty activities including:

- Warranty return reviews/analysis
- Improvement actions
- Warranty cost responsibility

When a supplier's component is clearly implicated in a warranty issue with financial consequences, the supplier will accept these costs. Currently purchase orders contain terms relative to warranty cost. The Statement of Work will specifically define details of the supplier participation.

### 10.3 Continual Improvement

No Capsonic Specific Requirements for this section.

| History Changes Log |                         |                     |  |             |
|---------------------|-------------------------|---------------------|--|-------------|
| Document:           | Supplier Quality Manual |                     |  |             |
| REVISION            | DATE OF REVISION        | SECTIONS            | DESCRIPTION OF CHANGE                                    | APPROVED BY |
| 1                   | 5/24/2010               | ALL                 | NEW MANUAL   | J.A./ S.A.  |
| 2                   | 2/24/2012               | Supplier Check List | Supplier Commitment Form was added                       |             |
|                     |                         | 2.1                 | Removed sourcing meeting every week                      |             |
|                     |                         |                     | Change BT to Plant Mgr.                                  |             |
|                     |                         | 4.1.1               | Added process for recall equipment under calibration     |             |
|                     |                         | 4.1.3               | Added MSA AIAG Manual reference                          |             |
|                     |                         | 4.1.4               | Added controlled conditions for Calibration/verification |             |



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|   |            |                     |  |             |
|---|------------|---------------------|--|-------------|
|   |            | 8.2.4               | Added the feasibility form in the RFQ process  |             |
|   |            | 10.1.7              | Added 20.00 dls per hour per person when Capsonic Personnel perform the intermin activities.         |             |
|   |            | 11.1 and 11.3       | Defined buyer responsibility to provide revised drawing.   |             |
|   |            | 12.3.8.             | Added the requirement for Cpk, R&R study for instrument used and MSA.                                |             |
| 3 | 3/23/2012  | 12.2.5              | Annual dimensional layout requirement included.  | J.A./ S.A.  |
| 4 | 5/14/2012  | 4.2.5               | Requirement for tool pictures was added  | J.A../ S.A. |
|   |            | 10.2.7.1            | Changed the method to measure quality  |             |
|   |            | 11.2.2              | Added PPAP checklist   |             |
|   |            | 12                  | PPAP Checklist added and SQE responsibility  |             |
|   |            | 12.3.2              | PPAP Checklist added and SQE responsibility  |             |
|   |            | 11.1                | Requirement for tool pictures was added  |             |
| 5 | 6/11/2012  | 12.3.8              | Process requirements added for Key and Major Characteristics   | J.A./ S.A.  |
| 6 | 8/1/2012   | 13                  | Added general, lot control and FIFO  | J.A./ S.A.  |
|   |            | 15.1                | Right to access supplier premises.   |             |
|   |            | 15.2                | Cost Policy  |             |
|   |            | 15.3                | Quality of Products and Services   |             |
|   |            | 15.4                | Product and Processes developed with suppliers   |             |
|   |            | 15.5                | NAFTA was added  |             |
|   |            | 15.6                | Interruption in Material supply  |             |
|   |            | 15.7                | Tool development Report  |             |
| 7 | 11/20/2012 | 1.2                 | Change from www.capsonic.com to B2B for SQM access   |             |
|   |            | 3.4                 | Record retention for aerospace product increased from 10 to 15 years                                 |             |
|   |            | 9.1                 | Change from EDI to B2B to communicate with Capsonic.   |             |
|   |            | 10.1.11 and 10.1.12 | Added to contact buyer and SQE when a rejected material is identified at Capsonic. Make reference to |             |

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|    |            |                     |   |  |
|----|------------|---------------------|---|--|
|    |            |                     | QAP-13-002 procedure.   |  |
|    |            | 10.1.13             | Actions for extended periods for bad quality components delivered to Capsonic was added.  |  |
|    |            | 10.1.2.1            | Added the detail of activities and communication to be followed by suppliers when a quality issue is documented.  |  |
|    |            | 17.4-17.8           | Added details for processing mold forms   |  |
| 8  | 9/30/2013  | Supplier Check List | Added hyperlinks to forms   |  |
|    |            | 3.4                 | Added record retention criteria for Sub-suppliers   |  |
|    |            | 4.1.3               | Added the criteria for performing the R&R studies.  |  |
|    |            | 4.1.9               | Calibration is required for employee own gauges   |  |
|    |            | 4.3.3               | Change from Guide 25 to ISO17025  |  |
|    |            | 4.5.3 and 4.5.4     | Added to determine MSA requirements for linearity and bias  |  |
|    |            | 12.3.3              | Added the amount of samples required for PPAP and FAIR  |  |
| 9  | 3/3/2014   | ALL                 | Change of Logo  |  |
|    |            | 12.3.9              | Correction of IMDS Number 8403 to 8304  |  |
| 10 | 6/22/2016  | 12.3.2              | Change number of parts to be inspected, from 6 pieces to 5 pieces per cavity.   |  |
| 11 | 10/20/2016 | 10.3.5              | Added paragraph "Part of the Vendors Qualifications will be the Onsite Supplier Audit which will be documented on the Supplier Audit report, and follow up to any findings thru the open items list as well as timing for closing open items" |  |
|    |            | 12.6.2              | Added paragraph "SQE should indicate on the PSW when a Conditional or interim approval is granted and the reason for the conditional approval as well as the timing for it's expiration"  |  |
| 12 | 5/25/2017  | 15.1                | "regulatory authorities" was added  |  |

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|    |           |                          |   |  |
|----|-----------|--------------------------|---|--|
|    |           | 2.1<br>4.1.11            | "IATF 16949" Replace "ISO/TS 16949"   |  |
| 13 | 8/28/2018 | All                      | Rearrange Manual to match with ISO9001:2015 structure.  |  |
|    |           | 4.1                      | Distribution center address: 7B Zane Grey street 79906 replaces 12120 Esther Lama Suite #120 79936  |  |
|    |           | All                      | Material Engineer and Business Team Manager was replaced by "Buyer"   |  |
|    |           | 8.4.7                    | Requirements for Counterfeit Parts was included   |  |
|    |           | 8.5.6.2.3                | Format QAF-SQM-004 changes to PRF-8.4-002   |  |
| 14 | 2/08/2019 | 8.7.1.2.3                | Within following 24 hours was added   |  |
|    |           | 8.7.1.2.4                | Paragraph added   |  |
|    |           | 8.7.1.4 and<br>8.7.1.4.1 | Paragraphs added  |  |
| 15 | 9/5/2019  | 8.1.2                    | FOD requirements for supplier were added  |  |
|    |           | 8.2.3.1                  | Items 5 and 8 were added  |  |
|    |           | 8.4.10                   | Third party verification added  |  |
| 16 | 8/7/2020  |                          | Logo Change   |  |
|    |           | General information      | 460 replaces 260 south<br>Added (For aerospace product)<br>Added automotive sales office, strategic planning, design engineering address<br>460 Second St. replaces 1595 highpoint drive<br>Delete Phone, Fax |  |