



Supplier Manual

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1.0 Introduction

The quality policy of Kickhaefer Manufacturing Company is to provide defect-free parts on time every time, strive for continuous improvement, and achieve total customer satisfaction. We will do this through policies and procedures which are reliable, innovative, and documented every time.

At KMC, we recognize the critical role quality plays in our success; therefore, we are committed to meet our customer's quality needs and expectations with excellence by pursuing continuous quality and productivity improvements. A large segment of our quality performance, of course, depends on you as our supplier.

In this light, quality is a prime consideration for supplier selection at KMC. Your dedication to quality and strict adherence to this KMC Supplier Manual will clearly define your value as a KMC supplier.

This manual should be reviewed and communicated to the appropriate individuals within your organization. Compliance to all requirements listed within this manual is expected.

1.1 Purpose of this Supplier Manual

- 1.1.1 The purpose of this manual is to promote a clear understanding of KMC expectations and requirements for suppliers. This manual contains a basic quality format that lays the foundation for an effective quality assurance system.
- 1.1.2 This manual explains the process KMC follows to assess the capability and performance of each supplier. Those suppliers demonstrating the highest standards of quality and performance will be given first consideration when awarding new business opportunities.

1.2 Scope

- 1.2.1 These standards apply to all approved suppliers to KMC. Acceptance of any and all purchase orders constitutes acceptance and commitment on behalf of the recipient to comply with this manual's content. This manual establishes minimum requirements, is supplemental to, and does not replace or alter any purchase agreement.
- 1.2.2 The controlled version of this manual can be found on KMC's website at: <http://www.kmcstampings.com/design.html>.

*****Printed copies of this manual will be uncontrolled.*****

1.3 Concept

KMC suppliers are viewed as being fully responsible for the quality of their products. Therefore, they must ensure that all materials are produced in conformance to the required standards. It is our expectation that KMC will receive defect-free product. It is the supplier's responsibility to request an authorization to deviate from the purchase orders or the supplier manual before shipping the product. Failure to do so may result in a formal request for a corrective and preventive action from the supplier and/or debit cost incurred.

1.4 Supplier Involvement

KMC suppliers have an obligation to manage the product planning process. Suppliers must expect the same performance from their subcontractors.

1.5 Verification of Requirements

KMC reserves the right to audit contracted products and applicable processes/systems associated with those products at the supplier's premises. KMC will exercise this right within reason.

1.6 Additional Resources

1.6.1 Please refer to the Automotive Industry Action Group (AIAG) manuals for further details at www.aoag.org .

1.6.2 For further explanation of the KMC Supplier Manual, contact the KMC Quality Assurance Department.

2.0 Commercial Requirements

2.1 Terms and Conditions

2.1.1 Normal payment terms are net 45 days.

2.1.2 All KMC orders including outside service packing list instructions are subject to our terms and conditions as listed on our purchase orders.

2.2 Ethics

We request your cooperation and support in helping KMC maintain a fair, ethical, and effective procurement system for all products, supplies, and services. Our goal is to conduct business according to the highest ethical standards; we seek to avoid even the perception of a conflict of interest or other impropriety in order to maintain the integrity of our procurement system.

2.3 Acceptance of Gifts

We value the sound relationships we enjoy with our suppliers. These relationships are based on quality and service at a fair price. For this reason, the giving, and/or receiving of gifts at Christmas or any other time of the year is not condoned and will not be practiced. Promotional items of minor value, which we define as having a value of \$25.00 or less, may be accepted, or given, as a gesture of goodwill.

2.4 Quotations

Quotations must list the required **specification and revision level** as listed on our Request for Quotation form. Deviation to the required specification and revision level is not allowed without KMC approval. Deviations when granted must be clearly stated on the quotation. Quotation provided without the required information or received beyond our required date will be deemed invalid and will not be considered.

2.5 Service

2.5.1. Suppliers are required to notify KMC in advance of missed shipments or late deliveries.

2.5.2. Suppliers are required to provide the number and cost of premium freight shipments to KMC. This information is to be e-mailed or faxed to the KMC Quality Assurance Department by the 10th business day after the end of each quarter. To clarify, the information is due to KMC by April 10th, July 10th, November 10th, and January 10th.

2.5.3. Suppliers are expected to notify KMC of any changes in plant operations, capabilities, or process changes at the earliest possible time.

- 2.5.4. Holiday and predicted closures must be communicated to KMC at the earliest possible time.
- 2.5.5. All suppliers are required to have a fully trained backup to our primary customer service contact. This person must have a thorough understanding of all KMC requirements.

2.6 Lead-Time

- 2.6.1 KMC and the supplier will agree to the assigned lead-time for the purchased product or service before or during the ordering process. Transit time is to be considered in the development of lead-time. When lead-time is not formally agreed upon, lead-time will be interpreted as a maximum of seven calendar days.
- 2.6.2 Changes or anticipated changes in lead-time must be communicated to the KMC Purchasing Department.

2.7 Delivery

- 2.7.1 100% on-time delivery performance is required. The delivery date is defined as the date the complete order is delivered to the correct KMC facility.
- 2.7.2 Materials, Components, Tools, Supplies – Delivery is measured against our Purchase Order required date. The required date is not the supplier's ship date; it is the date KMC requires the product delivered to our facility.
- 2.7.3 Outside Processing – Delivery for outside processes including plating, painting, heat-treating, and assembly is measured against the lead-time for that process.
- 2.7.4 KMC will react to our customer's requirements and at times may request a product or service to be delivered sooner than the agreed upon lead-time. Suppliers are expected to respond accordingly to assist KMC in meeting those requirements. In the event that the supplier is not able to meet our required date, it is the supplier's responsibility to advise KMC of the best delivery date within the agreed, normal lead-time. Delivery will then be measured against this "promise" delivery date. Requests to change the required delivery date will only be accepted by KMC if they are received by KMC within 2 days of the original purchase order issuance date.
- 2.7.5 Delivery for materials may be made on the required date or three days before the required date. Material deliveries received prior to the first date of the delivery window will be considered early. Any delivery of materials received after the required date will be considered late.
- 2.7.6 Delivery for components, supplies, and tooling may be made from the purchase order issuance date to the required date. Any delivery of components, supplies, or tooling received after the required date will be considered late.

2.7.7 Delivery for outside processes may be made from the packing slip issuance date through the last day of the agreed lead-time. Any delivery of outside processing received beyond the agreed lead-time will be considered late.

2.8 Shipment Quantities

- 2.8.1 Unless otherwise specified, KMC's allowable shipping tolerance is +/- 10%. Shipments received outside of this tolerance are subject to rejection unless authorized by the KMC Purchasing Department.
- 2.8.1 KMC weigh-counts all outbound shipments and receipts of product for outside processes. It is the supplier's responsibility to verify our counts upon receipt and to determine shipping quantities before shipment back to KMC or drop ship location. Discrepancies must be reported immediately to the KMC Purchasing Department. KMC will issue payment based on the quantity of product weigh-counted upon receipt at KMC.
- 2.8.2 Partial shipments are not allowed unless authorized by the KMC.

2.9 Packaging

- 2.9.1 Packaging for all materials, components, supplies, parts returned from outside operations and tools must be sufficient to provide suitable protection against nonconforming condition.
- 2.9.2 Unless otherwise specified, parts returned from outside operations must be delivered back to KMC in their original container and the quantity per each container should approximate the original container quantity.
- 2.9.3 When bin liners are used for finished parts returned from outside services, they must be closed to prevent contamination.
- 2.9.4 Stacking of skids is not acceptable.

2.10 Shipping Documents

2.10.1 All shipments must include the following:

- KMC requires the use of an Advance Shipping Notification, indicating part number, shop order, quantity, and number of containers to be faxed or e-mailed to KMC receiving office prior to shipment.
 - **Port Washington Fax: (262)375-6477**
 - **Walkers Point Fax: (414)273-3151**
 - **For current e-mail addresses, please contact the appropriate KMC shipping department.**
- Packing slip detailing the contents of the shipment. For materials, components, and supplies, the KMC part number and purchase order number must be printed on the packing slip. For outside services, the part number is required along with the shipment and stop number listed on the KMC outside service packing slip.
- Documentation to satisfy current governmental and safety constraints on restricted, toxic, and hazardous materials.
- Certification that clearly state compliance to the required **specification** as listed on the KMC Purchase Order or Outside Service Packing Slip. Chemical analysis is required for metal purchases. Certification must list the KMC part number, purchase order number and the shipment/stop number listed on the KMC outside service packing slip where applicable.
- Identification labels or tags listing the KMC part number, purchase order number, net quantity. Where applicable, gross, tare, and net weights are required.
- Quality documents, when requested.
- Sample coupons for coil material shipments.

2.11 Drop Shipments

2.11.1 The subcontractor will follow the AQL/Sampling Plan (AQL 1.0) unless an alternate inspection/sampling plan has been approved by the KMC Quality Department.

2.11.2 For unplanned drop shipments, as dictated by the KMC Scheduling Department, the subcontractor will send to KMC a representative sample of the finished product in the quantity dictated by the KMC Quality Department.

The subcontractor is authorized to ship parts only upon KMC Quality Department approval. Approval will be granted if parts are deemed acceptable through KMC Final Quality Inspection or KMC receives customer authorization to ship in lieu of KMC Final Quality Inspection approval.

2.11.3 The subcontractor must forward OS Inspection Verification form and a copy of shipping documents to the KMC Scheduling Department within 24 hours of the shipment. For the current rx number or email address, contact the KMC Scheduling Department.

2.12 KMC Locations and Receiving Hours:

KMC Port Washington Receiving Hours: 7:00 AM – 4:00 PM
1221 S. Park Street
Port Washington WI 53074

KMC Walkers Point Receiving Hours: 6:00 AM – 4:00 PM
620 S. 1st Street
Milwaukee WI 53204

Custom Tool & Engineering Inc Receiving Hours: 6:00 AM – 2:00 PM
624 Tower Drive
Fredonia WI 53021

3.0 Supplier Performance & Development

3.1 Supplier Quality Rating System

3.1.1 Suppliers will be rated on the following:

- **Delivery Performance:** If the supplier is late or delivers before the agreed upon shipment window, the performance rating will reflect such discrepancies. Suppliers are required to provide 100% on-time delivery.
- **Quality Performance:** Quality Performance will be tracked using PPM (Parts Per Million) measurement. Suppliers are to provide product that meets the requirements of a C = 0 defect sampling plan for each shipment.

3.1.2 Composite Performance: Points awarded for delivery and quality rating for the time period are totaled into a Composite Performance score. The composite performance score is used to determine the performance rating for the time period.

3.2 Supplier Performance Reporting

3.2.1 KMC will issue performance reports on a semi-annual basis as a minimum.

3.2.2 Corrective Actions Requests may be included with the performance report for all suppliers who have received an “unacceptable” rating.

3.3 Supplier Control

3.3.1 Suppliers, who fail to meet expectations for three consecutive quarters, or at the discretion of Purchasing and Quality Assurance, may be placed on New Business Hold. This could lead to removal from the Approved Subcontractor Listing.

3.3.2 Exit criteria from New Business Hold could have the supplier complete one or more of the following:

- Submitting a corrective action with verified effectiveness.
- Successful completion of a surveillance audit from KMC.
- Concurrence from KMC Purchasing and KMC Quality Department.

3.3.3 A supplier’s product may be removed from certified status if any of the following occur:

- Defective product found and verified.
- Field complaints related to the supplier’s product or process.

3.3.4 Once removed from certified status, the supplier will not be reinstated until the following occur:

- An acceptable Corrective Action is received and verified effective.
- The responsible KMC Quality Engineer may waive this requirement.

3.4 Formalizing Your Quality System

3.4.1 KMC suppliers shall be at a minimum certified to ISO-9001 unless waived by the customer.

3.4.2 Conformance is demonstrated through

- 1) ISO 9001 registration or
- 2) TS 16949 registration or
- 3) ISO 170250

Quality Requirements

4.0 Advanced Product Quality Planning (APQP)

KMC performs APQP on its products and asks that its suppliers participate with KMC in this endeavor. The supplier and KMC must understand and agree on all applicable quality standards and requirements. Agreement must be reached on all critical quality characteristics, control items, check fixtures, packaging requirements, and all other quality-related matters.

4.1.1 APQP Tools

KMC requires that supplier use the advanced quality planning techniques (as they apply) described in the AIAG Advanced Product Quality Planning and Control Plan manual.

4.1.2 Sampling Plan

KMC requires that the supplier use a formal sampling plan. At KMC, we use a Zero-Based Acceptance Plan.

4.1.3 Packaging

Suppliers are asked to suggest packaging that will allow conformance to the deliverable product specifications. Suppliers are expected to promote certain packaging methods based on experience.

4.1.4 Guideline Samples

Suppliers are responsible for maintaining reference materials for cosmetic issues. This shall include OEM paint chips, texture, and plating “master” samples. The samples will be approved by KMC prior to shipping questionable product to KMC.

4.2 Production Part Approval Process (PPAP)

4.2.1.1 Procedure

KMC suppliers may be responsible for creating Control Plans, Process Flow Charts, and Process Failure Mode Effects Analysis (PFMEA) in order to substantiate conformance to all applicable product requirements. You are not authorized to begin production or ship product to KMC prior to approval of these elements.

4.2.2 Submission Level/Due Date

- 4.2.2.1 All submissions will be specified by KMC at the commencement of the KMC Advanced Quality Planning process (APQP I). If submission is requested the default will always be a Control Plan, Flowchart, PFMEA, and material tests performed by an A2LA accredited laboratory unless otherwise communicated by the KMC Quality Assurance Department.
- 4.2.2.2 The KMC Quality Assurance Department will establish the due date for requested documentation.

4.3 Problem Resolution

4.3.1 Introduction

- 4.3.1.1 KMC suppliers are responsible for providing defect-free product to KMC and ultimately our customers. When quality issues occur, the supplier is required to initiate problem-solving techniques and corrective action to resolve the issue and ensure no reoccurrence.
- 4.3.1.2 This section covers the KMC specific requirements for problem solving and corrective action reporting. It is designed to guide KMC suppliers in the development of a corrective action system that will meet KMC's minimum requirements.

4.3.2 Methods

- 4.3.2.1 KMC requires that a systematic problem-solving method be utilized or the use of KMC's, Corrective and Preventive Action Request.
- 4.3.2.2 The team is required to implement short-term and long-term corrective action plans and verify the effectiveness of the corrective action taken.
- 4.3.1.3 Initial response/containment is required within 24 hours, and final response is required within 14 calendar days. The KMC Quality Assurance Manager must approve further extensions.
- 4.3.1.4 Suppliers should include opportunities to mistake-proof the product or process and apply the corrective actions to all KMC products in their facility (if possible).

4.4 Supplier Response

- 4.4.1 Once the supplier has been notified of a nonconforming issue, they are required to:
- Define and verify the root cause.
 - Identify and implement short term containment and corrective action plan.
 - Identify and implement permanent root cause/corrective action.
 - Verify the effectiveness of the corrective action.

- 4.4.1.1 Update all relevant documentation that is affected to standardize corrective actions into the quality system. For example, Process FMEA, control plan, and job instructions.

4.5 Handling Nonconforming Product

- 4.5.1 When a supplier detects or suspects nonconforming material, they are expected to contact the KMC Quality Engineer before shipment.
- 4.5.2 The KMC Quality Department may initiate a deviation upon a supplier's request to accept the nonconforming product.
- 4.5.3 Nonconforming product received from a supplier may be handled in any of the following ways:
 - 4.5.3.1 Sorting/rework.
 - KMC Quality Assurance Department must approve the sorting method.
 - Sorted product must be identified as agreed upon by KMC and the supplier.
 - Sorting nonconforming parts are to be segregated from normal production and disposition accordingly.
 - 4.5.3.2 Deviation request.
 - 4.5.3.3 Reject the entire lot.
 - 4.5.3.4 Disposition for nonconforming product

It is the supplier's responsibility to disposition nonconforming product identified at a KMC location promptly. Nonconforming product held at KMC for more than one week after determination and conformation of the nonconforming condition will either be returned freight collect to the supplier or scrapped at KMC. KMC does not provide scrap credit to suppliers.
- 4.5.4 KMC reserves the right to invoke Level II containment with each lot of material to verify that corrective actions are implemented and conformance maintained. Under Level II containment, the supplier will absorb all the costs associated with shipment to a KMC certified sorting house for verifying containment of discrepant material. The supplier will be furnished data from the sort, for the condition (mixed part, missing treatment), that warranted the sort.
- 4.5.5 To exit Level II containment, the supplier must:
 - Submit a corrective action, which is verified effective by the KMC Quality Assurance Department.
 - Supply defect free product based on a mutually agreed upon plan.

4.6 Charge Back Policy

- 4.6.1 Costs associated with supplier part quality or delivery issues and PPAP rejection issues, that are deemed the supplier's responsibility, will be charged back to the supplier. Costs may include customer-imposed charges if the quality or delivery issue result in a late order or quality complaint from our customer.

4.7 Traceability

4.7.1 Material Traceability

The supplier's quality system shall ensure that all products are traceable to raw materials or settings used in the manufacturing process, production operation, date of manufacture, spec change level, and records of evaluation of conformance. All product shall have a positive identification at all times to address these requirements via date codes, lot numbers, or other means.

4.7.2 Record Traceability

The quality system shall ensure that all applicable quality records and data are traceable to the appropriate drawing revision level.