



**AGS**  
Automotive Systems

*"Changing The Automotive Landscape."*

# **Supplier Manual**

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## INTRODUCTION

In direct support of AG Simpson's (also referred to as "AGS" in this document) commitment to excellence and desire to "exceed our customer's expectations", it is expected that our Suppliers work toward exceeding the expectations and requirements of the AGS Supplier Manual. The purpose of this manual is to define policies, procedures and expectations of AGS and applies to all current and future Suppliers of production material and/or services.

## AGS' QUALITY POLICY

A.G. Simpson's (AGS) approach is to integrate sound quality principles into everything we do.

Following these principles will help assure that we provide superior value for our customers, employees, stakeholders, and communities.

### Principles:

- Promote our culture based on our three principles of quality, technology, and teamwork.
- Implement improvement plans at all organization levels company wide.
- Focus on processes and systems to improve results.
- Anticipate, understand, and exceed internal and external customer needs.
- Continually improve using both incremental and breakthrough improvement methods.

### Objectives:

It is the intent of AGS to do business with suppliers who are able to provide goods or services consistently to specification, at a competitive price and in accordance with our delivery schedule.

## QUALITY SYSTEM REQUIREMENTS:

### IATF / ISO Certification:

AGS' Suppliers are required to be ISO9001 or IATF16949 registered by an accredited third-party certified body. Suppliers who are making the transition to ISO9001 or IATF16949 "must" have a transition plan with timing, letter of commitment from senior management, and contracted a third-party accredited registrar in order to "petition" AGS for a waiver to this requirement.

Suppliers are required to provide evidence of their quality certification to AGS' corporate procurement annually.

### **Supplemental Requirements:**

The Automotive Industry Action Group (AIAG) has published a number of manuals that standardize procedures, reporting formats, and technical nomenclature, which are required by ISO/IATF and AGS. It is AGS' expectation that our Suppliers remain current with these standards to fully comply with the requirements of ISO9001 / IATF16949.

### **Supplier Audits & Access to Supplier Facility:**

All suppliers of AGS shall be required to give full access to supplier development personnel as required to conduct "Supplier Quality System Audits" as necessary to meet AGS and customer requirements. Supplier will be given, at a minimum a 24-hour advance notice of these scheduled audits and the areas to be reviewed.

## **SUPPLIER PERFORMANCE AND MONITORING**

### **Supplier Quality Performance:**

Supplier Quality Performance requirements are "Zero Defects" on all product supplied to AGS Automotive. Deviation from this requirement will result in the issuance of a Non-Conformance Report (NCR) and subsequent applicable charges. An administrative fee of \$250.00 USD will be applied to each NCR issued to cover the AGS costs associated with the issuance and tracking of the NCR.

Supplier initial response to an NCR shall be within 24 hours of initial receipt and final response shall be within 15 calendar days. Customer Warranty Debit Cost Recovery shall be exempt from Supplier Response Timing Requirement due to negotiation activity to finalize Warranty Charge Debits and Agreement.

Any extension of deadlines for response to an NCR shall be received in writing from AGS.

Key product characteristics established on a product supplied to AGS may require the supplier to submit product capability reports on an ongoing or requested basis to show conformance to customer requirements. This requirement will be set-up during the PPAP process and added to the supplier's control plan. A minimum of a 1.33 Cpk is required of all key product characteristics on an ongoing basis. Deviation of this requirement must be received in writing from the AGS plant being supplied.

Quality performance will be monitored by tracking AGS' Non-Conformance Reports (NCR's). Performance data, as well as Parts Per Million (PPM) rating, will be included in the Supplier's Scorecard calculation. AGS' requirement for quality performance is 100% - Zero Defects.

Supplier Performance Scorecards will be sent to the supplier by email on a quarterly basis. The quarterly report will be a consolidated report of the Supplier's performance to all AGS plants they supply over the previous three months.

Suppliers are required to submit "Action Plans" to AGS Automotive Corporate Quality when requested to address RED rating on Supplier Quarterly Performance Scorecard where the total score is 69 or below. Disputes on rating assigned must be submitted to AGS Corporate Quality within 15 calendar days after receipt of Supplier Performance Scorecard.

Suppliers of new programs will start being evaluated upon start of production.

#### **Delivery Performance:**

Supplier delivery performance will be monitored quarterly on AGS' Supplier Delivery Performance Reports. These reports will track compliance to shipping dates, quantities released, expedited freight, and issuance of an ASN. The results of this performance will be included in the quarterly Supplier Scorecard.

Suppliers are required to meet "100% On-time" Delivery Performance for all products supplied to AGS. Shipping quantities and delivery date required for each product shipment will be specified on the "AGS Scheduled Release". Failure to meet this requirement may result in a non-conformance report being issued and/or negatively affect the supplier's delivery performance.

Non-conformance report may be issued, at AGS' Materials Department's discretion, for a noncompliance.

#### **Supplier Responsiveness:**

Responsiveness will be monitored and included in Supplier overall performance rating. Responsiveness includes, but is not limited to, timely receipt of all requests for quotes, timeliness in response to inquiries, complying with packaging requirements, and accuracy of invoices. Administrative accuracy goal is 100%.

#### **Supplier Performance Evaluation:**

Unsatisfactory supplier performance will be determined by the following:

- Less than 100% in delivery performance category.
- Less than 100% in quality
- Not responsive to customer service request(s).

#### **Corrective Action:**

Unsatisfactory Supplier performance will be monitored by the designated Buyer and/or Materials Representative and/or by Supplier Quality Engineer with any of the following steps being taken:

- Corrective action plans submitted by Supplier as requested and monitored for compliance.
- Meeting with Supplier and AGS personnel to issue timelines of completion for required corrective actions.
- On-site supplier audit by AGS personnel, as required.

- Notice of placement on Controlled Shipping - Level 1 (CS1), which requires 100% inspection of all parts prior to shipment to AGS.
- Notice of placement on Controlled Shipping – Level 2 (CS2), which requires 100% inspection by a 3rd party auditor approved by AGS prior to shipment. The cost associated with 3rd party inspection shall be at Supplier’s expense.
- Notification to Supplier of New Business Hold status or de-sourcing due to continued non-compliance.

## SUPPLIER SELECTION AND EVALUATION

### Consideration of a Supplier:

An Approved Supplier List exists for production suppliers and is utilized by AGS for strategic sourcing. A Supplier may qualify to be added to the Approved Supplier List through the following processes:

- **Potential New Suppliers:** Potential new Supplier will follow the competitive bidding process as the method for receiving business awards from AGS. Should it become evident that business will be awarded to a potential new Supplier; an optional onsite audit will be conducted to verify the Supplier’s capability to perform the work as required. Following a satisfactory quality review and financial assessment, potential new Suppliers will be added to the Approved Supplier List for consideration of future business awards.
- **Current Suppliers:** Current suppliers on the Approved Supplier List must continue to meet AGS’ performance objectives.

### Criteria for Selecting a Supplier:

AGS’ fundamentals for determining supplier selection include:

- **Technology:** Supplier continuously striving to achieve technological advancement in their respective fields.
- **Quality:** Compliance with AGS’ and our Customer’s requirements. AGS expects high quality, reliable, defect-free materials, developed through superior design, process control, and continuous process improvements.
- **Responsiveness:** Adjusting and adapting to meet AGS’ and our Customer’s changing requirements. AGS expects Suppliers to be responsive to those needs, as well as maintain global requirements and flexible capabilities.
- **Delivery:** Meeting 100% on time delivery.
- **Cost:** AGS expects its Suppliers to identify and eliminate non-productive costs and expensive operations.
- **Commercial:** Supplier’s acceptance to AGS’ terms and conditions of purchase. Prior to award of any business the supplier will be expected to complete a detailed cost breakdown.

- **Sustainability:** The selection of suppliers is based not only on the quality and competitiveness of their products and services, but also their adherence to social, ethical, and environmental principles, which is an integral part of establishing a lasting business relationship with AGS.

Suppliers are expected to comply with our AGS Supplier Sustainability Guidelines. This policy is available at [www.agsautomotive.com](http://www.agsautomotive.com) / Doing Business / Supplier.

Suppliers will be solicited on an annual basis for their compliance with social principals. It is AGS expectation that suppliers will complete an annual self-assessment.

### **Continuity of Supply**

Suppliers are required to have well defined business contingency plans in place to ensure continuity of supply in the event of disruption to their operations and/or supply of materials, as a result of man-made events, natural disasters, utility or labor disruptions, equipment or logistics failures or interruptions, or disruptions/attacks on information technology systems. These contingency plans shall be reviewed on a regular basis. Suppliers shall immediately notify AGS Corporate Procurement the moment they become aware of any potential supply disruption.

Utilizing AGS' Supplier Profile form each Supplier shall identify individual(s) from the Supplier's organization, with sufficient authority to assume responsibility for dealing with any product quality and/or delivery related issues that may impact AGS or AGS' Customers. The identified contact(s) need to be available at any time such issues arise.

Contract information shall be made available to the AGS Corporate Procurement.

### **Supplier Profile / Quality System Certification Status:**

A Supplier Profile Form (reference Appendix A) may be forwarded to a Supplier for completion when AGS is considering awarding business to a potential new Supplier, or when an existing Supplier is being considered for additional business.

Suppliers are expected to complete an AGS Supplier Profile form annually. The completed form shall be submitted to AGS' Corporate Procurement Department by e-mail to the appropriate buyer. A copy of the supplier's quality system certification should be forwarded along with this form.

### **Continuous Improvement:**

As part of supplier continuous improvement process, AGS expects Suppliers to make available evidence of process capability improvement to the appropriate AGS facility upon request.

General Plan: Supplier shall develop an annual continuous improvement plan, approved by upper management, which establishes improvement goals,



implementation dates and responsible personnel. As part of Supplier Continuous Improvement System, AGS expects Suppliers to implement several interrelated systems.

**Lean Principles:** It is AGS' expectation that Suppliers recognize "Lean" as an inherently more cost-effective method of managing a business. Therefore, Suppliers are expected to adopt and implement "Lean" principles. Each Supplier is expected to develop company wide, as well as plant specific, Lean programs. All programs, at each level of the organization, shall include training of all employees, ongoing communication of plans and results to all employees, establishment of measurables with which to measure improvement progress, workshop (improvement events) schedules, the cascading of Lean to Tier 3 suppliers etc.

**Mistake-Proofing:** Automotive Customers require "Zero Defects." The most effective way to accomplish this task is to use error-proofing in product designs and mistake-proofing in manufacturing processes. AGS expects its Suppliers to adopt the same tools and operating philosophies as a fundamental responsibility of doing business. AGS' initial focus will be with new suppliers, existing "High Impact" suppliers and problem suppliers.

**Business Operating System:** It is AGS' expectation that Suppliers adopt and implement a visual business operating system (BOS) to involve all employees in driving continuous improvement activity throughout the work areas. It is expected that BOS, a measurement based continuous improvement methodology, be utilized to help prioritize and focus company resources on improving the most important aspects of the business in key areas such as safety, quality, cost, delivery, and people.

#### **Procurement Requirements:**

The corporate procurement department will be the point of contact for formal notification to supplier of all drawing changes via a purchase order amendment.

Current AGS engineering drawings and specifications shall be available and maintained at the supplier's manufacturing location.

The supplier is required to maintain confidentiality of drawings, specifications, documents, or information supplied by AGS.

AGS external website [www.agsautomotive.com](http://www.agsautomotive.com) under the link Doing Business with AGS / Suppliers contains our Terms & Conditions.

**Language:**

All supplier communications need to be provided in English.

#### **Supplier Competitiveness**

Supplier agrees to support AGS in any joint effort with respect to any cost reductions required by AGS' customer. Should Supplier be unable to support AGS' requirements, AGS reserves the right to competitively bid the products and/or services required to confirm market price and to award an agreement for those goods and/or services to the successful bidder.

**Warranty Requirements:**

The supplier shall document all warranty concerns, conduct analysis, perform required testing, and provide this information along with the corrective action to AGS upon request.

The supplier is responsible for all documented warranty claims and expenses that are supplier process related.

Supplier representative to attend warranty reviews at the final customer upon request by AGS.

**Labor Disputes:**

Supplier will notify AGS immediately of any actual or potential labor disputes delaying or threatening to delay timely performance of this order and will include all relevant information to AGS. Supplier will notify AGS in writing at least six (6) months in advance of the expiration of any current labor contract(s). If requested by AGS, Supplier will deliver a supply of finished goods at least 30 days prior to the expiration of any such labor contract, in quantities and for storage at any place or places designated by AGS at Supplier's expense.

**QUALITY REQUIREMENTS****Advanced Product Quality Planning (APQP):**

All Suppliers for production and/or service programs shall use the latest revision of the AIAG Advanced Product Quality Planning (APQP) and Control Plan reference manual.

All PPAP submissions to AGS shall contain Product Control Plans that meet the AIAG format. Suppliers may be required to attend prototype or pre-production meetings at AGS or the final customer's facility.

Representatives from both manufacturing and quality departments should attend the APQP program meetings.

**Product Part Approval Process (PPAP):**

Suppliers shall fully comply with all requirements specified in the Automotive Industry Action Group (AIAG) PPAP manual as well as any customer specific requirements referenced on the purchase order.

Where not specified it is AGS' expectation to receive a level 3 PPAP.

Suppliers are required to "control" their sub-contractor's material and PPAP approvals.

PPAP submissions to AGS shall include all appropriate sub-contractor warrants, performance testing, dimensional results, material certifications, CQI and APQP required documents. CQI Self Assessments are required to be submitted to AGS Plant Quality Management on an annual basis (i.e. CQI-11, CQI-12 etc.).

Any proposed change to part or process after PPAP submission, must be communicated to the AGS' Corporate Procurement and the SQE at the impacted AGS facility prior to implementing change, written notification is preferred. The supplier is obligated to obtain PPAP approval from AGS prior to implementation.

See Appendix "B" for a reference PPAP Checklist.

IMDS documentation is required in all PPAP submissions to AGS Automotive.

**Early Containment:**

Suppliers shall utilize the early production containment plan for all pre-production requirements to AGS facilities and must follow GP-12 guidelines (or equivalent customer standard as applicable). Early production containment must be in place until all exit criteria specified by AGS and the OEM customer is complete.

**MATERIALS MANAGEMENT**

**Releases / Cums / Material Authorization:**

Products may be ordered by issuance of an individual Purchase Order for a specific quantity or through a "Supplier Schedule" Blanket Purchase Order supported by schedule releases.

Suppliers who have been issued an AGS supplier schedule purchase order, which is to be supported by releases, will be issued releases on a weekly basis. Releases will be communicated through a variety of options including e-mail or Electronic Data Interchange (EDI). If the release is not received, it is the Supplier's responsibility to notify their designated AGS Material Representative.

Deliveries are to be made both in the quantities and at the times specified in AGS' releases or as authorized in writing by the designated AGS Material Representative. All dates specified on the release are arrival dates at our dock.

Time is of the essence.

Suppliers who are unable to meet all requirements from AGS for delivery date, quantity, and quality as requested "must" notify AGS' Materials Representative immediately, no later than 24 hours prior to the designated shipping date. 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. During such delay, AGS may at its option buy the goods from other sources and reduce its schedules to Supplier by such quantities without liability to supplier.

Excess transportation charges resulting from unauthorized multiple shipments; past due requirements and/or unauthorized truck lines will be debited in full from the Supplier's account.

AGS' maximum liability or exposure is limited to 6 weeks cumulative of raw material, work-in-process and finished goods. AGS is not responsible for any raw material, work-in-process and/or finished goods in excess of the times stated above. Quantities on the release schedule beyond the cumulative

dates above are for planning purposes only. If additional lead-time is required, the supplier must obtain written approval from AGS Corporate Procurement.

Products shall not be considered received until AGS receives all required documentation. AGS reserves the right to reject and return such products, as Supplier's sole expense if documentation is not properly executed.

**Delivery Forecasting:**

Forecast information will be supplied to Suppliers through rolling 40-week production releases. Forecast information is provided as an indication of the requirements of AGS but is not considered binding except as provided in paragraph above.

To support changes in production rate, replace failed or damaged product and emergency requirements, Supplier shall establish procedures and maintain adequate product to support AGS' production requirements for 100% on-time delivery. As a minimum, such procedures shall be capable of supporting a 20% volume increase in production within 24 hours of notification.

**Packaging Requirement:**

Packaging will be designed to ensure that the integrity of the product is maintained throughout the supply chain.

If quantities justify it, returnable containers are the preferred packaging method. The containers are to be controlled and returned to the Supplier for reuse. "Returnable" pertains to Supplier owned or AGS owned containers such as plastic or metal bins, racks, pallets, trays, separators and/or loose components. All returnable containers and internal dunnage must be pre-approved by AGS.

Packaging proposals by Supplier's must be submitted to AGS Corporate Procurement for approval and be sign-off by an AGS Packaging Engineer prior to implementation.

**Notification of Shipment:**

An Advance Shipping Notification (ASN) must be sent via EDI or email to the AGS plant materials representative within 59 minutes of shipment leaving the supplier's facility.

In the event of a known shortage or late shipment, the supplier shall immediately contact the AGS materials representative (contact as indicated on AGS purchase order) to advise of the situation via telephone and follow-up email. The supplier shall also indicate the anticipated time of delivery of the expedite material.

Supplier shall immediately notify AGS, of any circumstances that it anticipates may cause a delay in delivery, quality or could impact Supplier's performance of its contractual obligations, stating the estimated period of delay, the reasons therefore and what is being done to rectify the situation. If requested by AGS, Supplier shall, at Supplier's risk and expense, use additional effort, including premium effort, and ship via air or other expedited routing to avoid or minimize delay to the maximum extent possible.

**Identification Labels:**

It is AGS' preference that all inbound shipments be labeled in accordance to AIAG's B10 label (detailed information on this label is available on the AIAG website).

Suppliers must obtain approval to introduce label formats other than AIAG's B10, prior to implementation.

All containers shall have a Production / Service Bar Code Label, affixed to the upper right-hand corner of at least two adjacent sides. If the container is returnable, Supplier shall ensure that old labels are removed and replaced with new ones. Note: Label must be legible, scannable, and unobstructed from banding or other packaging materials.

All products received by AGS must contain a manufacturing lot number and/or date that are clearly identified on each label and every container.

"Mixed Load" labels shall be on all mixed pallet loads and clearly identified. In the event of a mixed pallet every effort should be made to ensure that the smaller quantity part is loaded as the top layer of the pallet.

All Suppliers supplying materials to AGS, which are considered to be "controlled" under Workplace Hazardous Material Information Systems (W.H.I.M.S.), must be familiar with and comply with all such regulations, for packaging and shipping.

Material Safety Data Sheets (M.S.D.S.) must accompany all initial shipments from Suppliers and marked to the attention of AGS' Health and Safety Representative.

**LOGISTICS****Transportation & Freight:**

Supplier must use specified transportation methods as indicated on AGS' purchase order. AGS' Corporate Procurement must approve any permanent changes to carrier or delivery frequency in writing.

All regular freight, payable by AGS must be shipped in accordance with AGS' purchase order. Non-compliance to these routing instructions will result in a debiting of Supplier back for all applicable shipping charges.

Suppliers are expected to contact their approved carrier, or expedited carrier, to set up all pick-ups, unless otherwise advised.

All expedited ground freight, payable by AGS must be authorized in writing from AGS. All invoices for expedited freight must be accompanied with the written authorization to ensure payment. All excess transportation charges, which have been determined to be Supplier's responsibility, will result in a charge-back.

All pick-ups for dedicated milk runs must adhere to shipping schedules without exception. Any delay in shipping to schedule must be communicated to AGS immediately to avoid downtime issues. Excess freight incurred as a result of a

missed or later pick-ups, for which Supplier is responsible, will result in a charge-back.

It is critical to AGS' operation that shipments leave the Supplier's facility and arrive at AGS on time. Failure to deliver shipments as scheduled may result in charges for AGS production downtime.

If past due or defective material is deemed the fault of the Supplier, the Supplier shall bear the cost of all excess freight charges required to meet AGS' requirements. It is Supplier's responsibility to automatically expedite should the Supplier foresee or incur a past due situation. The Supplier shall also be liable for all costs associated with downtime of AGS and/or downtime costs billed to AGS by its customer. (AGS' standard downtime costs are \$250.00 USD per minute).

#### **CUSTOMS:**

All material shipping cross border must have "Country of Origin" and "HS Tariff Classification" clearly marked on the commercial invoice.

The Supplier is responsible for accurate completion customs documents and for filing with AGS' broker a minimum of four hours prior to truck arriving at Canada/US/Mexico border.

All charges resulting from the export/return of defective product shall be the responsibility of the supplier.

All Suppliers are obligated to annually provide AGS with all the appropriate Certificates of Origin to satisfy free trade and origin requirements along with a Manufacturer's Affidavit. Supplier will be responsible for any costs or penalties relating to Supplier's failing to provide certification or providing fraudulent certification.

It is AGS' expectation that all suppliers work towards achieving C-TPAT (Customs Trade Partnership Against Terrorism) and/or PIP (Partners in Protection) certification.

#### **OTHER:**

##### **Tooling, Equipment and Gauges:**

Suppliers contracted to design and manufacture tooling, equipment and gauges that are funded by AGS are required to provide a detailed drawing of proposed tooling, equipment, and gauge designs to AGS for approval and sign-off prior to commencing work.

Tooling and equipment designs shall adhere to the AGS applicable riders that are supplied with the purchase order.

Final tooling, equipment and gauge detailed drawings must be supplied to AGS in an electronic format such as IGES, Unigraphics, AutoCAD or other agreed upon format.

**Labeling of Tools:**

All Tooling that has been identified as AGS property shall be identified with appropriate tags or labels containing such information as AGS may require. Suppliers are required to attach these tags or labels to the tools and forward a signed Bailee Bond clearly establishing ownership to AGS' Corporate Procurement Department.