



The **NARMCO** Group

Supplier Performance Manual

The NARMCO Group specific requirements

Index

The NARMCO Group of Companies

Introduction and Overview

Supplier Expectations

- 1.0 Approved Supplier
- 2.0 Advanced Product Quality Planning
- 3.0 Requests for Deviations
- 4.0 Production Part Approval Process (PPAP)
- 5.0 Notice of product or process change
- 6.0 Shipments of New or Changed material
- 6.1 Sample Parts
- 7.0 Notice of Non-Conformance
- 7.0 Part Quality
- 7.1 Warranty Parts
- 7.2 Shipping/Delivery
- 7.3 Notice of Non-Conformance
- 7.4 Service Suppliers
- 8.0 Notice of Containment
- 9.0 Supplier Performance Ratings(Goods and Purchased Material for Production Purpose)
- 9.0a Supplier Performance Ratings (Services)
- 10.0 Supplier Management Quality Review (SMQR)
- 10.0a Second party audits
- 11.0 Quality Management System Development
- 12.0 Charge Back System
- 13.0 Special Process
- 14.0 Key Contact List

Forms

- Exhibit SQM 1.0A – Supplier Assessment
- Exhibit SQM 5.0A – NARMCO Supplier Process Change Notice
- Exhibit SQM 9.0A – Supplier Rating – Goods and Purchased Materials
- Exhibit SQM 9.0AA – Supplier Rating – Services
- Exhibit SQM 9.0B – Letter of Recognition
- Exhibit SQM 10.0A – Supplier Risk Analysis



Introduction and Overview

The purpose of this manual is to communicate our requirements and expectations to our suppliers. This manual provides a uniform standard of performance for all suppliers of material and parts, as well as subcontractors of equipment and services. The drive for continuous improvement, in conjunction with a close working relationship, will enable us both to become leaders in a world class supply base.



Supplier Expectations

The NARMCO Group is an ISO/IATF 16949 Certified supplier to the OEM Automotive Market. In support of that certification we expect our supplier to have at a minimum certification to the latest ISO 9001 standard with the ultimate objective of becoming IATF 16949 certified **and demonstrate compliance to the MINIMUM AUTOMOTIVE QUALITY MANAGEMENT SYSTEM REQUIREMENTS FOR SUB-TIER SUPPLIERS.** (This can be found on the IATF website under FCA US LLC Customer Specific Requirements)

If a supplier has been selected that is not ISO 9001 certified they will be deemed as high risk and subject to 10.0a and 11.

Note: Supplier's of calibration services must be ISO 17025 certified.

Additional OEM specific requirements may be attached to the purchase agreement. Those are to be considered as complementary to this manual.

Suppliers must also comply with all current applicable statutory and regulatory requirements in the country of Receipt, the country of shipment, and the customer-identified country of destination if provided. [Registration to ISO 14001 is strongly recommend.](#)

Suppliers are expected to maintain a score of 71 points or greater in order to remain in good standing. Suppliers whose score drops below that threshold could be placed on "Probation" status. More details concerning those designations can be found in Section 9.0

Suppliers of **Services** (sub-assembly, calibration, sorting & rework) are excluded from sections 2.0, 3.0, 4.0, 5.0, 6.0, 6.1, 8.0, 12.0.

1.0 Approved Supplier

The NARMCO Group maintains a list of “Approved Suppliers”. The Purchasing group maintains that list. It is not available outside the organization. New suppliers of goods and purchased materials for production will be required to complete a Narmco Supplier Self-Assessment form (Exhibit SQM 1.0A). The form will be supplied to them. It is our expectation that it will be completed and returned in a timely manner.

Suppliers who are on a current list are expected to give notice should any of the supplied information change. That notice is to be directed to NARMCO Purchasing as well as the individual Purchasing Department at the user plant.

VDA 6.3 - Section 5.1 – Suppliers of goods and purchased material where the end customer requires VDA 6.3 shall submit a VDA 6.3 Potential Analysis Assessment in place of the NARMCO self assessment. Current suppliers that are being evaluated for a new part shall also complete a new VDA 6.3 Potential Analysis Assessment based on the new part

Note: Supplier of services are not required to complete a Supplier Self Assessment.

2.0 Advanced Product Quality Planning

It is expected that the Supplier will have a documented APQP system that is based on the latest revision of the AIAG APQP Manual.

The Supplier shall document all meetings and activities related to a new product or and significant changes to a current product. Changes to material or a location change that may not be apparent on the finished part.

NARMCO holds the right to review the documentation at our customer's request or ours.

3.0 Requests for Deviations.

The supplier is responsible for product that meets all the product definition as defined in their PPAP submission. Should their product fail in any way to meet that commitment yet still remain “fit for use” it is expected that the supplier will request interim approval for the product. Request will be in the form of an interim PPAP as defined in the current AIAG PPAP manual. The request shall have full supporting documentation detailing

- The exact nature of the non-conformance
- The Quantity of parts
- Containment and certification activities
- The First date new parts will be available

The documentation is to be sent to the plant purchasing department. That department will be the main source of contact.

The supplier must give enough notice in the event that the request is denied so as not to affect NARMCO production schedules. The supplier is reminded that sample parts may be required.

No shipments are to be made until a signed interim warrant has been returned to the supplier. Any additional costs incurred by NARMCO that may be the result of special handling or increased inspection will be the responsibility of the supplier. Please refer to Section 12.0 Charge Back System.

If given approval the supplier is responsible for segregating the product inside their facility and controlling the shipment from that facility. All containers must be identified; the format is to be agreed on between the supplier and the receiving NARMCO facility.

NARMCO will take the responsibility of giving proper notice to our customers should that be required.

4.0 Production Part Approval Process (PPAP)

Unless otherwise requested, NARMCO expects a Level 3 PPAP as defined in the current edition of AIAG PPAP manual. Submission dates and part requirements will be communicated to the Supplier through Corporate Purchasing. Engineering changes will require a re-submission. Again a level 3 PPAP is expected unless otherwise agreed on between the supplier and NARMCO Purchasing. Re-submission dates will be through our Corporate Purchasing offices.

Consistent with the expectation of our end customer, if a currently approved component is carried over to a new assembly a new PPAP is required if the current version is more than a year old.

The NARMCO Group may request at PPAP that a FMEA review is performed in order to better link the process in order to increase the risk detection and the buy-in of reduction activities.

5.0 Notice of Product or Process Change

NARMCO subscribes to the same philosophy as our customers and expects our suppliers to provide proper notice of product or process changes. Examples of when notice is required are as follows.

- Use of other construction or material than was previously used in the previously approved part
 - Production from new or modified tools, dies molds, patterns, ect., including additional or replacement tooling
 - Production following upgrade or rearrangement of existing tooling or equipment
 - Production from tooling and equipment transferred to a different plant site or from an additional site
 - Change of supplier for parts, non-equivalent materials, or services (e.g.: plating, heat-treating)
 - Production produced after the tooling has been inactive for volume production for twelve months or more.
 - Product and process changes related to components of the production product manufactured internally or manufactured by suppliers.
 - Bulk material changes, new source of raw material from new or existing subcontractor, change in product appearance attributes.
 - Change in test/inspection method (new technique that has no effect on acceptance criteria)
- Written notice (Exhibit SQM 5.0A) is to be given to the Plant Purchasing department. Notice of intent must be given 90 days in advance of any change. When the supplier has received approval to proceed, the supplier will provide dates for implementation along with a notice of change in the form of a level 3 PPAP to the current AIAG PPAP Manual.

6.0 First Shipment of New or Changed Material

No shipments of new or changed product will be allowed without a signed Part Submission Warrant. The warrant could be full or an interim approval. All initial shipments will be clearly identified. The method of identification will be established between the supplier and the receiving NARMCO facility. When the first shipment has been inspected and released for shipment the supplier will give notice to the receiving facilities production and quality departments.

6.1 Sample parts

Sample parts (In limited quantities) follow a less formal procedure.

A request to submit sample parts is sent to the plant Purchasing Department in the form of a level 1 warrant. The warrant must state the reason behind the request and the quantity. A copy of the "NARMCO Approved Warrant" is to accompany each shipment of parts. Each container must be identified as per an agreement between the supplier and the NARMCO receiving plant.

7.0 Notice of Non-Conformance

7.0 Part Quality

The supplier is expected to provide product and services that meet the contract requirements. The supplier is also expected to maintain statistical evidence that all significant characteristics are in control. If non-conforming material is found in any step of the NARMCO manufacturing process the supplier will be held responsible for all cost incurred, this will include the full value for any partial or completed end items and any additional sorting, downtime or handling costs.

7.1 Warranty Parts

The supplier shall be responsible for supplied product when the customer is affected. No exemption is allowed unless it is contractually agreed upon by The NARMCO Group and the supplier. The NARMCO Group shall obtain the right to contact the supplier in the event that a customer warranty review is requested. Supply chain partners shall be integrated into the warranty management process. This includes but is not limited to, the sharing of warranty information, review and investigation of warranty issues, the development of corrective measures and the review of reducing warranty reduction risks when necessary.

7.2 Shipping/Delivery

The supplier is expected to provide product consistent with the NARMCO release schedules. Parts are to be protected against contamination, rust or damage. Any dunnage or rust preventative needed must be agreed to at PPAP.

7.3 Notice of Non-conformance

Formal notice of receipt of non-conforming product or delivery discrepancies will be in the form of a "Supplier Non-Conformance Material Report". The form will be completed and signed by the initiating department manager. For Quality related non-conformances it will be the Quality Department. For shipping non-conformances it will be from the receiving department. As noted on the form this is preliminary notice and may be followed with a "Cost Recovery Notice" when all impacts have been identified. The supplier is responsible for all in-process and end item product that was built with defective product. This form shall also be used for applicable warranty issues.

It will contain as much information as is available. Should more details be required it is expected that the supplier will contact the initiator. Should replacement stock be required the facilities Purchasing Department will contact the supplier.

An additional request may also be made for a Corrective Action. If asked the supplier will be provided with a copy of the NARMCO Corrective Action Report. Interim Corrective Action response is due back to the issuing plant within 24 hours. That response is to identify containment activities at the supplier as well as first certified shipment date. The completed

corrective action is to be submitted back to the issuing department manager. That manager will review the form for completeness and can close the corrective action at that time. Should a dispute arise between the supplier and the Manager the supplier may appeal directly to the either the Corporate Quality Manager or the Corporate Purchasing Manager.

7.4 Service Suppliers

Service suppliers such as sub-assembly, sorting, rework and calibration will be measured as defined in section 9.0A. Notice of non-conformance will be through e-mail notification to the appropriate contact.

8.0 Notice of Containment

NARMCO has developed a supplier containment policy that is constant with industry standards. These activities will only be initiated after repeated failures at the supplier location to contain non-conforming product inside their facility. They will be specific to a part number(s) and will not include all parts supplied unless the nature of the failure is systemic to the suppliers' management system.

The intent is to protect this organization and our customers from any repeat occurrences. The supplier will be given written notice requiring a Level 1 or Level 2 Containment requirement. Activities will remain in place until the supplier has again received written notice of removal from containment.

Level 1 Containment is at the supplier location staffed by the Supplier personnel. It is expected that this will set up as a separate off line operation. The supplier is to maintain training records that individuals involved in the sort have knowledge of defects and understand the importance of this activity.

Level 2 Containment will only be required after a failure in the suppliers Level 1 system and is to be in addition to the Level 1 activities. When the supplier is given notice of a Level 2 requirement they shall arrange for a second independent party to re-inspect the product before shipping. The NARMCO Group does not have a list of second party providers. That decision will be left with the supplier provided they prove an arms length arrangement.

The costs of these containment activities are to be carried by the Supplier.

9.0 Supplier Performance Ratings(Goods and Purchased Material for Production Purpose)

On a Quarterly basis, the NARMCO Group utilizes a rating system to monitor and assess supplier performance. The Narmco group supplier rating system uses quality, delivery, response time and cost reduction data to calculate an overall performance rating. The rating is then factored into future source decisions.

Each supplier will start with a score of 100 points.

The following rating system will be implemented to determine the supplier’s final rating score:

| <u>Deductions will be taken as follows:</u> | <u>Deduction/Event</u> |
|--|-------------------------------|
| DELIVERY: No Issues | -0 pts |
| Late with no disruption | -1 pt |
| Late with disruption, Occurrence of Premium freight | -5 pts |
| Late with customer down-time | -10 pts |
| QUALITY: No issues | -0 pts |
| Rejection with no down-time, Dealer Returns | -1 pt |
| Rejection with down-time, Occurrence of Premium Freight | -5 pts |
| Rejection (Repeat Issue) with containment | -10 pts |
| Warranty Issues, Field Actions, Not ISO Certified | -10 pts |
| Rejection at customer, Recall | -15 pts |
| RESPONSE TIME: | |
| Response to issue(s) was timely | -0 pts |
| Response to issue(s) was not timely or past due | -2 pts |
| PRICE (Less Resale): | |
| No Cost Reductions | -5 pts |
| Cost Increases | -10 pts |
| SOCIAL Responsibility: Conflict Minerals not returned | -10pts |
| SECURITY: Program questionnaire not returned | -3pts |
| <u>BONUS Points can be earned by the supplier as follows:</u> | <u>BONUS</u> |
| Price: Cost Reduction Program | |
| • 1% of Total Sales | 1 pt |
| • 2% of Total Sales | 2 pts |

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- 3% of Total Sales 3 pts
- >3% of Total Sales 4 pts

INNOVATION:

- No submissions 0 pts
- Submission – Not accepted 2 pts
- Submission leading to cost savings 4 pts

SECURITY:

- Program questionnaire supplied 1 pt
- Participant in PIP / C-TPAT programs 2 pts

IATF

- Approved Supplier 3 pts

9.0A Supplier Performance Ratings (Services)

On a Quarterly basis, the NARMCO Group utilizes a rating system to monitor and assess supplier performance. The Narmco group supplier rating system uses quality, performance (Delivery to task) and response time to calculate an overall performance rating. The rating is then factored into future source decisions.

Each supplier will start with a score of 100 points.

The following rating system will be implemented to determine the supplier’s final rating score:

Deductions will be taken as follows:

Deduction/Event

- DELIVERY:**
- No Issues -0 pts
 - Late with no disruption -1 pt
 - Late with disruption, Occurrence of Premium freight -5 pts
 - Late with customer down-time -10 pts

- QUALITY:**
- No issues -0 pts
 - Rejection with no down-time, Dealer/ Returns -5 pt
 - Rejection with down-time, Occurrence of Premium Freight -10 pts
 - Rejection (Repeat Issue) with containment, -30 pts
 - Warranty Issues, Field Actions, Not ISO Certified (Supplier of Calibration Services Not ISO 17025 Certified) -30 pts
 - Rejection at customer, -30 pts
 - Recall at customer, -45 pts

RESPONSE TIME:

- Response to issue(s) was timely -0 pts

Response to issue(s) was not timely or past due -2 pts

BONUS Points can be earned by the supplier as follows: **BONUS**

SECURITY: Program questionnaire supplied 1 pt
 Participant in PIP / C-TPAT programs 2 pts

IATF
 Approved Supplier 3 pt

SUPPLIER RATING SCALE

Suppliers will be rated with the following classifications established:

- 81 pts or more (Green) Excellent - strong candidate for future business
- 71 – 80 pts (Yellow) Acceptable- candidate for future business
- 0 – 70 pts (Red) Unacceptable, supplier will be placed on “probation “and may not be considered for new business at any manufacturing site within the NARMCO group. (Purchasing discretion). Permanent corrective action is required to address a rating that is below 70 points.

PREFERRED SUPPLIER STATUS

A Supplier who has held Green status for two consecutive rating periods will qualify as a “Preferred Supplier Level 1”. Those suppliers qualify for a reduction at Receiving Inspection.

A Supplier who has held Green status for three consecutive rating periods will qualify as a “Preferred Supplier Level 2”. Those suppliers qualify for a reduction at Receiving Inspection.

SUPPLIER RATING EXAMPLE:

- Supplier XYZ had no issues with delivery this term (-0pts)
 - Narmco Quality Dept caught quality issue with parts at time of production which caused down-time as XYZ had to replace rejected parts (-5pts)
 - Supplier XYZ responded in a timely manner to the rejection with a C.A. (-0pts)
 - Supplier XYZ did not provide cost reductions this rating term (-5pts)
 - Supplier XYZ submits [Security Program Questionnaire](#) (+1pt)
- TOTAL RATING for Supplier XYZ for this term would be a score of 91pts

Suppliers who receive a rating of 95 points or greater for two consecutive rating periods will be awarded with a NARMCO Letter of Recognition (Exhibit SQM 9.0B).

10.0 Supplier Management Quality Review (SMQR)

The poorest performing suppliers with poor delivery and repetitive quality issues are required to attend a Supplier Management Quality Review. The goal is to ensure that the supplier is improving its quality and/or delivery performance. This is a pro-active extension of the supplier rating system. Suppliers are required to present action plans to address poor performance.

The action plan must (at a minimum), address the following:

- Trend and Pareto analysis with containment and corrective actions related to the different types of defects.
- Action plans for logistical issues.
- Review and verification of the different corrective actions.

If a Corrective Action is required the incident will reside with the Plant Quality or Plant Buyer for 24 hrs waiting for the Supplier Interim Corrective Action response. If there is no response from the Supplier, the Plant Buyer will send the Corrective Action Report to the Corporate Buyer to follow up and follow the Supplier Management Quality Review as outlined below.

There are 3 levels of Supplier Management Quality Review (SMQR):

- Level 1 – Annual meeting managed by the Corporate Material and Quality managers.
- Level 2 – Quarterly meetings managed by Purchasing and Supplier Quality Development at a corporate level.
 - A supplier with pattern repetitive issues will be invited to a SMQR2 meeting. The purpose of the meeting is to emphasize and prioritize high-risk problems and obtain resolution.
- Level 3 – Quarterly meetings managed by NARMCO plant specific personnel with support from corporate associates.
 - A supplier with a pattern of chronic issues will be invited to a SMQR3 meeting. The purpose of the meeting is to bring additional focus to the top issues facing the organization in order to bring about necessary improvement.

NOTE: Suppliers have the right to call a SMQR level I meeting. This is encouraged as a method for the supplier to raise problems which are not being resolved in a timely manner.

10A Second Party Audits

Second party audits will be scheduled at supplier locations based on risk level.

Suppliers will be audited to the most current version of the Supplier Assessment (except service suppliers, purchasing may conduct a process/procedures review)

Supplier will be notified prior to audit when an audit is required. Number of audit days shall follow IATF rules.

Current risk factors include:

- Suppliers Not ISO 9001 Certified (High Risk)
- ISO Certified but not IATF Certified (Medium)
- IATF Certified (Low Risk)
- Supplier performance (less than 70 for 2 consecutive quarters) (Medium Risk)
- Product Safety / Regulatory Requirements (Low Risk)

| Risk Level | Score | Audit Frequency |
|-----------------------|------------|-----------------------------|
| High risk suppliers | 15 or more | Annually |
| Medium risk suppliers | 10 – 14 | Bi-annually or *As required |
| Low risk suppliers | 9 or less | *As required |

*As required – example – new product launch

11.0 Quality Management System Development

11.1 Suppliers of Goods and Material Purchased used for production and service suppliers shall develop, implement and improve a QMS certified to ISO 9001 (unless authorized by the OEM/ Tier 1 Customer or NARMCO Corporate Purchasing / Quality) with the ultimate objective of becoming IATF 16949 certified. [Based on current performance and the potential risk to the customer, the objective shall](#)

- a) Compliance to ISO 9001 through second party audits. [\(with approval from the OEM\)](#)
- b) Certification to ISO 9001 through third-party audits
- c) Certification to ISO9001 with customer defined requirements
- d) Certification to ISO9001 with compliance to IATF 16949 through second-party audits.
- e) Certification to IATF 16949 through third party audits.

12.0 Charge Back System

The NARMCO Group expects that its suppliers will provide product at an agreed upon quality level as per the release schedule. Failure to do so could result in the supplier being held financially liable for the cost to NARMCO of those failures.

- Charge backs will only be the result of a “Supplier Non-Conformance Material Report”
- A complete break down of the cost will be provided to the supplier.
- Once the supplier has agreed that the charges are justified Accounts Payable will debit the suppliers account.
- If neither party can agree the issue will be referred directly to the Corporate Purchasing Manager.
- The Corporate Purchasing Manager can under their authority draw information and experience from other NARMCO facilities.
- The decision of the Corporate Purchasing Manager is final.

Note: Service suppliers will be handled as per section 7.4.

13.0 Special Process

Some Original Equipment Manufactures have made it a requirement that Self-assessments are provided on an annual basis.

- **CQI-9 Special Process: Heat Treat System Assessment**
- **CQI-11 Special Process: Plating**
- **CQI-12 Special Process: Coating**
- **CQI-14 Consumer– Centric Warranty Management Assessment**
- **CQI-15 Special Process: Welding**
- **CQI-17 Special Process: Soldering**

Consistent with that request The NARMCO Group is asking from our suppliers of heat-treated components, plated product and/or coated products provide that information with their PPAP to NARMCO.

From that point as our customers have demanded this is to be an annual assessment and is due again by June 1 of each calendar year. (To be available by the July Supplier Rating)

Current revisions of the CQI-9, CQI-11, CQI-12, CQI-14, CQI-15 and CQI 17 assessments are available through AIAG (Automotive Industry Action Group). It is the suppliers' responsibility to ensure they are using the revision current with the date of their submission.

14.0 Key Contact List

The supplier is expected to provide and maintain a list of Key individuals at their manufacturing location. The original and any revision to the list shall be forwarded to the NARMCO Plant Purchasing Manager.

Failure of the supplier to maintain a current list could result in unnecessary down time and associated charges back to the supplier.

The list should include but not limited to

- 24 hour contact information
- Plant Manager
- Production Manager
- Quality Manager
- Sales Account Manager
- Program Manager (if applicable)
- Product Safety Representative

Narmco Supplier Process Change Notice

Supplier Name: _____ **Supplier Code:** _____
Supplier Address: _____ **Customer Part #:** _____
Supplier Telephone #: _____
Contact Name: _____ **Date of Notice:** _____
E-mail Address: _____ *(90 Days Prior to Change)*

The information contained within this form is to identify the change/s to an existing approved process for value added work completed for any part shipped to Narmco facilities.

Type of Proposed change:

- Manufacturing Location Change
- Supplier Shipping Location
- Change in Part Processing
- Sub Supplier or Material Source Change
- Supplier Proposed Engineering Change
- Alternate Material
- Temporary Change
- Other Describe _____

Facilities Affected

- Narmx
- Central Stampings
- Prince Metal Products
- Canadian Electrocoating
- Nartech Metal Products
- Prince Metal Stampings USA
- JFK Systems

Reason for Change:

- Cost Improvements
- Emergency
- Capacity Issues
- Other Describe: _____

Current Process (Describe how it is now)

Proposed Process (Describe the requested change)

New PPAP Submission Date: _____

Proposed first Shipment to Narmco: _____

Sign Off Requirements:

| | | | | |
|------------------------------|-------------------------------|-------------------------------------|--------------------------------------|----------------------------------|
| _____ Supplier Quality | _____ Narmco Purchasing | _____ Narmco Plant Purchasing | _____ Narmco Corporate Quality | _____ Narmco Plant Quality |
|------------------------------|-------------------------------|-------------------------------------|--------------------------------------|----------------------------------|