

SUPPLIER MANUAL
November 2011



Guelph Operations

“Where Our People Make The Difference”

Introduction

The Supplier Requirements Manual is intended to be a communication instrument to suppliers on how to do business with CpK Interior Products Guelph. In all cases, Purchase Orders, supplier agreements, contracts and any other business agreements shall prevail. For additional information and periodic updates to this manual, you may visit the CpK Interior Products Guelph website at <http://www.cpkip.ca>.

CpK Interior Products Guelph - Basic Supplier Requirements

- All suppliers of production and service parts are required to be third-party certified to ISO/TS 16949:2002, ISO 9001, or other appropriate standard as approved by CPK.
- Supplier PPM performance to be consistent with CpK's customer requirements
 - 2011 = 25 PPM
- Supplier delivery performance shall be 100% on time
- Support Product Development Teams (PDT's) from pre-quote phase through to post-launch phase (via the Advanced Product Quality Planning Process) and through the production phase, for the lifetime of the product.
- Target price consistent with our agreements and customer requirements
- Yearly cost reductions consistent with our customer agreements
- Culture of continual improvement and World Class Manufacturing techniques
- Responsible for a proportionate share of systems E&D expenses (as applicable)
- Use of error-proofing in design and mistake-proofing in manufacturing processes
- Develop and maintain an aggressive warranty reduction program
- Requests for corrective action require an initial response within 24 hours and a final response (including root cause analysis and permanent corrective action) within 10 days
- Comply to requests to audit suppliers' financial documents for tooling and piece price audits
- All tooling for CpK injection molded components will be handled by CpK tooling organization

For United States Suppliers only

- All tooling suppliers are responsible to verify the part dimensionally, and all component suppliers shall be capable of providing data in the DCS/GDM format (North America suppliers only) or a format approved by the Guelph Quality Manager.

Section 1 – General Information

1.1 Scope

The intent of this manual is to broaden the scope of recognized automotive quality system standards to include additional requirements of CPK. It is imperative that every internal and external supplier location that manufactures and/or ships production or service parts and materials to CPK plants, or to our customer's plants, embrace the standards and business practices outlined in this manual.

1.2 Exceptions

The CPK purchase order, purchase contract, or a CPK Corporate Purchasing representative may waive conformance with the requirements described in this manual. Waiving of conformance must be in writing and appropriately signed by a CPK authorized representative.

1.3 Supplemental Requirements and Supporting References

The Automotive Industry Action Group (AIAG) has published several manuals that standardize procedures, reporting formats, and technical nomenclature, which are required by DaimlerChrysler, Ford and General Motors. Suppliers are responsible to remain current with these standards.

It is necessary and the responsibility of the supplier to obtain current editions of each of these reference manuals to fully comply with the requirements of ISO/TS and CpK's expectations. Copies of the following publications can be ordered from AIAG via website at <http://www.aiag.org>. Membership to AIAG is recommended.

Customer Specific Manuals

- OEM customer specific manuals and specifications are required as they apply to the suppliers end item customer base
- CPK APQP Check lists
- CPK Tool and Check Fixture Specifications
- CPK Corporation Material Specifications

1.4 Superseded Documents

This manual supercedes the CPK Global Supplier Development and Guidelines Manual Third Edition and all other supplier quality manuals issued by CPK. In cases of conflict, please refer the matter to your buyer or Guelph Quality Manager (519 767-4251).

1.5 Distribution and Revision Control

This manual is written under the direction of CPK Interior Products Guelph and is maintained electronically. This manual will be periodically reviewed. When changes occur, new edition will be posted on CpK's Intranet (ERC) and website (<http://www.cpkip.ca/profile/doingbiz.html>).

Section 2 – Product Quality

2.1 Standard Supplier Charge-Back Summary:

Errors in workmanship or discrepancies in delivery may result in a charge-back to the supplier. The actual charge to the supplier is determined by the costs incurred by CPK resulting from the discrepancy. Charge-backs are typically transacted as a debit against open invoices. The following is a summary of the charges typically assessed in North America. Additional charges may be assessed based on actual costs incurred on behalf of the supplied product.

- A \$300 administration cost recovery charge may be issued in the event of the following receiving discrepancies:
 - Incorrect ASN
 - Packing slip discrepancies or no packing slip submitted with the shipment
 - AIAG bar code label errors or no bar code label affixed to shipping container(s)
 - Bar code labels must be readable by scanners
 - Incorrectly labeled containers – label vs. actual container content
 - Material shipped in a manner other than first in first out (FIFO)
- A six hour minimum labor administration cost recovery charge may be issued with each notification of non-conforming product. Current rate is \$50/hr.
- In addition to the administrative charges, the charges listed below may also apply.
 - Any and all CPK customer charges incurred as a result of a supplier's non-conforming product.
 - A charge on behalf of CPK time spent sorting and/or re-working a supplier's product.
 - Any and all line stoppages based on both man-hour and machine idle time. (Charges will be determined through our accounting department.)

Debits for charges incurred will be made in the currency specified on the Purchase Order, and shall equal the above amounts in U.S. currency.

2.2 Containment

CPK Interior Products Guelph may place a supplier in immediate “containment” if:

- The supplier has been identified as a “High Impact Supplier” for a CPK product launch.
- The severity of the performance issue deems it appropriate.

Under these circumstances, the CPK Guelph Quality Manager will send a formal, written notification to the supplier. This notification identifies the specific containment level that applies to the supplier and the actions required to address that status.

Launch: Controlled Shipping Level 1 (CS1)

Launch CS1 requires:

- Immediate implementation of a containment system in addition to the supplier’s normal process controls and inspections.
- Submission of a CS1 containment plan and/or corrective action plan.
- Evidence based on data from the controlled shipping area that the normal production process is free of all non-conformances for a minimum of 30 working days after the start of mass production or implementation of permanent corrective action.

CS1 may be elevated to Controlled Shipping Level 2 (CS2) and/or Quote Hold if zero defects and/or permanent corrective action is not achieved.

Controlled Shipping Level 2 (CS2)

CS2 requires:

- Immediate implementation of a CPK approved third-party containment system. This containment is in addition to CS1 containment activity already in place.
- A formal meeting between CPK, the third-party and the supplier to establish all CS2 criteria.
- Evidence based on data from the controlled shipping area that the normal production process is free of all non-conformances for a minimum of 30 working days after the implementation of permanent corrective action.

CS2 may be elevated to Quote Hold if timely permanent corrective action is not achieved.

The supplier may submit a written request to be removed for any containment (CS) level to the CPK plant quality manager. This request must provide evidence that all the criteria of the containment have been met. CPK will remove the supplier containment status after verification of the effectiveness of implemented actions.

2.3 Supplier Performance Measurement

Performance Rating

The Performance Rating is based on data from the CPK Guelph plant and is comprised of the number of defects and PPM performance.

Section 3 – Quality, Environmental and Safety Management Systems

Suppliers are required to implement and maintain systems compliant to ISO/TS 16949 or ISO 9001, and the ISO 14001 standard. Refer to the appropriate document for specific requirements.

3.1 Quality Management System

All suppliers of production and service parts are required to be third-party certified to ISO/TS 16949:2002, ISO 9001, 2nd party CPK audit, or other appropriate standard as shown below, no later than December 31, 2006.

- Component Parts and Fasteners - ISO/TS 16949.
- Customer-Specified Materials - ISO/TS 16949.
- Chemical and Raw Materials - ISO 9001 or ISO/TS 16949.
- Tools, Molds, and Equipment - ISO-9001 or Tooling and Equipment Supplement.
- European Suppliers - ISO/TS 16949.

Suppliers are requested to forward evidence of their quality system certification to the CPK Interior Products Guelph Quality Manager.

3.2 Environmental Management System

All suppliers are required to be third-party registered to ISO 14001 Environmental Management Systems by December 31, 2003.

3.3 Customer-Specific Requirements and Supporting References

Suppliers are responsible for remaining current to customer-specific requirements (see section 1.3 for more detail).

3.4 CPK Supplemental Quality Management System Requirements Maintaining Process Control

Statistical process control (SPC) is mandatory for critical and significant characteristics as defined by CPK plant Quality, the PDT or the supplier's internal requirements. Critical/safety and significant characteristics shall have a minimum 1.67 Ppk at PPAP, and 1.33 Cpk in production, unless otherwise waived by CPK plant Quality. If there is any variation in these values, or the required capability cannot be met, contact the CPK plant Quality for further instructions.

Annual Validation

The supplier is responsible for conducting annual validation, which requires approval by CPK plant Quality. Annual validation is:

- Testing to the DVP&R and/or to all engineering drawings and applicable specifications. This testing applies to the supplier's parts and their sub-supplier's subcomponents.
- Layout of the supplier's parts and their subcomponents.

- Layout of all cavities, unless otherwise approved by CPK plant Quality.

Appearance Items

Suppliers of designated appearance items, per Chrysler Engineering Standard AS10119<A> and AIAG PPAP Manual shall also adhere to the requirements of Chrysler Engineering Standard CS9022.

Additionally, suppliers shall retain an extra appearance approved sample to be made available to CPK Guelph upon request.

3.5 Managing Engineering Changes

Suppliers will include additional labels on product containers to clearly identify the new level. Labels will also include a description of the change. The format of the additional labels will be discussed and approved by the Guelph Quality department and will continue for a minimum of 3 shipments, unless otherwise agreed to with CPK Quality.

Section 4 – Supplier Problem Communication

4.1 Defective Material Notice (DMN) and Corrective Action

A DMN may be issued to a supplier when nonconforming material is received at either a CPK or its customer's facility. The notification to the supplier will be via RMA Request form and will typically include the following information:

- Part number
- Part description
- Problem description
- Lot number
- Quantity rejected

CPK reserves the right to initiate sort, scrap, rework or repair activities without prior authorization from the supplier to protect customer build.

The supplier shall comply with the following corrective actions:

- Initiate containment and inspection of all suspect material including product in route, at the CPK plant or at the customer location.
- Post evidence of customer concerns at appropriate locations.
- Implement immediate corrective action to eliminate the discrepancy.

Supplier liability for sort, rework/repair, scrap, freight, customer charges, CPK administrative charges, etc., is detailed in a debit memo.

The supplier will complete and return the RMA request form to CPK Interior Products Guelph plant within 24 hours. Failure to respond to RMA requests will result in defective material

tickets being closed with a no-response status and a debit memo issued against the supplier's account. Non-conforming parts will be scrapped 5 days after the ticket is closed.

The supplier shall be responsible for supplying CpK current supplier RMA request contact e-mail addresses.

If sort and/or rework of defective material is required and the supplier chooses to subcontract the work, the supplier is responsible for appropriate supervision.

4.2 Corrective Action

Corrective action forms vary by plant. Contact the CPK receiving plant for appropriate forms.

The supplier shall complete the corrective action using an approach that typically includes the following steps:

- Immediate fix developed in the production operation: short-term corrective and containment actions such as sorting, reworking, reprocessing, temporary countermeasures, etc. A description of the fix is to be submitted to the CPK Guelph plant within 24 hours and include an authorization number to sort, scrap, rework or repair.
- Root cause established: in-depth analysis of the reported problem shall be conducted to determine the true underlying cause(s) and/or reason for the discrepancy.
- Corrective action implemented: long term action taken to ensure that the problem will not recur. Methods that may be used are mistake-proofing systems, training, process changes, or tool changes.
- Verification performed: objective evidence that the problem has been solved, including statistical capability studies where applicable.
- Certification obtained: a dated signature of a responsible supplier management representative who attests to the accuracy of all statements made on the form.

The written corrective action report is due to the CPK Guelph plant within 10 days of notice. The report will at minimum detail the problem description, interim actions, root cause and the permanent corrective action plan. If the report cannot be completed in 10 days, the supplier shall submit the incomplete report and include a timing plan for the submission of the completed report.

Upon implementation of permanent corrective action(s), the supplier will verify the corrective action's effectiveness for a period of 90 days. After successful completion of the 90 day verification phase, the supplier will submit the final completed copy of the corrective action report to CPK Interiors Guelph.

When requested, the supplier shall provide on-site support personnel at CPK and/or its customer's facilities.

Section 5 – CPK Specific Requirements by Commodity

5.1 *Product, Process and Material Changes*

Product, process and material changes are to be guided by the current AIAG PPAP (Production Part Approval Process) and OEM requirements.

5.2 *Run@Rate /Process Sign Off (PSO) and Production Part Approval Process (PPAP)*

Suppliers shall notify or confirm in advance to CPK of a scheduled or upcoming Run@Rate, PSO and/or PPAP.

Production Part Approval Process (PPAP)

All suppliers of raw materials and components used in the manufacture of CPK products are required to submit PPAP packages and receive PPAP approval prior to beginning shipments.

With the exception of chemical suppliers, suppliers shall comply with the current version of the PPAP manual, or the OEM customer's specific requirements for product approval. The Product Development Team or other designated CPK representative may modify these requirements. The default level for all submissions is Level 3. CPK must approve any change to this submission level. All items that do not meet specification shall be clearly identified on the PSW and a CPK pre-approved action plan for each discrepancy shall accompany the submission.

For formal sign-off and approval, all PPAP submissions shall be forwarded to the assigned product/quality engineer at the CPK manufacturing plant receiving the material.

Validation shall follow the requirements of PPAP. Annual PPAP validation submissions are required at the supplier's expense, unless the receipt of a written waiver is obtained from CPK. See section 3.4 for annual validation requirements.

5.3 *Plastic Components*

Regrind

The percentage of regrind shall be verified by appropriate validation testing and approved through PPAP submission. The supplier shall document a policy/procedure outlining the method of control of regrind used in the product. Documentation of all blending, by lot, shall be filed for CPK review and approval when requested.

Processing Aids

There shall be no oil, lubricant, mold release or other contaminant on product shipped to CPK plants, unless CPK or its customer specifies the presence of such material in

engineering drawings, specifications, etc. In such cases the supplier shall obtain approval in writing from CPK plant Quality prior to product shipment. The same requirement applies to the following scenarios:

When it is required by the supplier's manufacturing process and cannot be entirely removed prior to shipment of the product.

When it is indirectly required in order to meet CpK's or its customer's requirements (for example, salt spray resistance).

5.4 Drysol, Resins, and Other Raw Material (i.e. Paint)

The supplier shall receive and evaluate raw material certifications showing actual test results prior to use of each batch of material. If a subcontractor performs material blending (glass, etc.) the certifications for all virgin materials shall be maintained on file by the supplier for CPK review.

The supplier shall provide a certificate of analysis prior to shipment to guelph.certificate@cpkip.ca.

Section 6 – CPK Packaging Requirements

Determination of Packaging Types:

Suppliers of production parts and materials are to be held responsible for packaging their products in **pre-approved** packaging and in accordance with the instructions contained herein. All pack size, packaging, container or pallet dimensions and or type shall be pre-approved by the appropriate CPK facility.

It should be noted that burlap or cloth bags, barrels, drums, kegs, cans or pails are not acceptable as shipping containers for other than granular or liquid materials; generally they are inefficient and difficult to handle and do not conform to the integrated handling systems employed at the CPK facility.

Selection of a Method:

Generally, selection of the method of packaging will depend upon the specific part or material, the method of transportation and the method of handling required by the receiver. However, certain basic factors deserve consideration. Packages, which are to be hand handled, are subject to rougher handling than those handled mechanically. Package size, strength and type must be selected to provide protection and to fit the mode of transportation, applicable carrier regulations and distance of transit.

Other factors of equal importance must receive equal consideration are the packaging costs. In finalizing the packaging design, the following cost factors will be considered:

- a) Handling Labor

- b) Material handling equipment
- c) Transportation cost (optimum cube utilization)
- d) Floor space availability
- e) Direct Labor
- f) Recyclability, Disposal or Return
- g) Design shall follow 'best practices' criteria

CPK– has the option of reviewing all supplier-packaging designs and rejecting those designs, which are not compatible or adequate to CPK systems. Additionally, suppliers are to review their packaging on an on-going basis in order to improve deliverable part quality, part presentation, and continual minimization of costs.

The specific method used should be chosen to best fulfill the requisites of good packaging practice for any given commodity.

It is mandatory that when a supplier ships in sufficient volume to warrant palletization that the parts or materials be loaded on a pallet or packaged as a unit load.

There may not be more than one part number packaged in any container unless specifically directed by the CPK receiving operation.

All expendable containers must be loaded to cubic capacity to maintain load density, package integrity and obtain optimum freight rates; unless the quantity of parts on release do not allow for optimum efficiency in pack.

All cardboard corrugated containers must have a manufacturer's certificate with bursting or puncture test visible on the assembled container.

CPK must approve the standard pack density per pack and unit load quantities.

Section 7 - Continual Improvement

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. CPK expects its suppliers to adopt the same tools and operating philosophies as a fundamental responsibility of doing business. CpK's initial focus will be with new suppliers, existing "High Impact" suppliers and problem suppliers.

CPK Interior Product Guelph will monitor mistake-proofing progress as required.

Benchmarking

It is CpK's expectation that suppliers establish benchmarking facilities and activities to develop and maintain a database of information on competitor parts and materials. This information shall be a source of input to all current and new program activities.