



FULTON MANUFACTURING INDUSTRIES, L. L. C.

## **SUPPLIER EXPECTATIONS**

### **1 FMI SUPPLIER RELATIONSHIPS POLICY**

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The Fulton Manufacturing Industries, L.L.C. (heretofore known as FMI) Supplier Expectations is a fundamental element of the FMI Purchasing Strategy, an extract of which is shown below:

FMI believes that to achieve our objectives, our suppliers are integral to our success. We believe that FMI's suppliers must be successful in every way for FMI to be successful. It is our goal to identify the most capable suppliers and develop strong mutually beneficial relationships. FMI wants its suppliers to recognize FMI expectations and objectives and work with us to achieve our goals. The key elements of our strategy to develop strong supplier relationships include:

- Initiatives to continuously improve supplier performance;
- Active supplier contribution to improve the competitiveness of FMI (supplier suggestions);
- Mutual respect of intellectual property;
- Regular performance feedback to our suppliers.

It is our policy to establish high Quality, Service, Technology and Price performance expectations and to acknowledge superior achievement from our suppliers. We will treat suppliers with respect and dignity. Our goal is to earn the trust of all of our suppliers by our actions and integrity. Our commitments will be fulfilled.

### **2 PROVISIONS**

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The terms and conditions of this document shall be construed to be in addition to and cumulative to the pre-printed terms and conditions applicable to any and all purchases. In the event of any discrepancy or conflict between any terms and conditions of this document and said pre-printed terms, the latter shall prevail.

### **3 QUALITY**

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#### **3.1 General Statement**

FMI is committed to quality leadership and continuous improvement of products and services that offer the best value and exceed FMI customers' requirements. In order to provide quality products to FMI customers, it is essential that FMI suppliers deliver products, materials, good and services ("products") of the highest quality and which meet all criteria of the quality system that emphasizes problem prevention and closed loop corrective action rather than problem detection.

FMI suppliers shall achieve and maintain a "**Zero Defect**" performance goal, providing products, materials, goods, and services that meet FMI requirements the first time and every time. The supplier's definition of quality should not be limited to "total conformance to specifications", but should encompass "total conformance with continuous improvements".

#### **3.2 General Statement**

The FMI supplier quality policy is to only purchase product/services from suppliers who hold third party accreditation for their quality. FMI requires at least one of the following quality systems:

- ISO 9001/2
- ISO TS 16949
- QS 9000
- A2LA
- Guide 25
- ISO 17025
- ISO 14001



The acceptable equivalents to the above are:

- EAQF (latest revision)
- VDA 6.1 (latest revision)
- AVSQ (latest revision)

### **3.3 Audits (Quality System and Process)**

It is FMI policy to conduct evaluation audits (new suppliers) and maintenance audits (incumbent suppliers) at the supplier's facility. Therefore, the supplier should facilitate the organization of such audits when requested by FMI. The supplier will be informed 15 working days in advance. FMI is also entitled to perform non-scheduled audits in case a nonconformity is detected or a repetitive complaint occurred.

FMI reserves the right to not utilize suppliers who fail to meet FMI quality expectations in terms of accreditation and on-going performance.

### **3.4 Nonconformance**

The supplier is responsible for the quality of products delivered. The supplier's responsibility is not only for the individual product, but also for any concerns/rejections/recalls/problems, etc. ("problems") arising from or in connection with FMI products produced using the suppliers defective/suspect products.

The supplier shall apply Eight Disciplines 8D problem solving methodology and have evidence of official training on problem solving techniques. The supplier shall provide FMI facilities with 8D reports upon request.

### **3.5 Repetitive Complaints**

In the case of repetitive or generic or any other kind of problems, FMI may request the supplier's senior management to visit the FMI plant to propose and commit to a complete business action plan to be implemented as soon as possible.

The supplier must provide 100% inspection and identification of purchased products at no additional cost to FMI until the problem is eliminated.

### **3.6 New Products**

For each new part/product, the supplier must submit Initial Samples (free of charge) with a complete report and supporting documents in accordance with the requirements of FMI. The report must contain the FMI part number, technical engineering level, and clear and complete supplier identification data. For patented product, the supplier must provide documented evidence of formal OEM/customer approval of Initial Samples, which clearly demonstrates conformance to FMI requirements.

Initial Samples must be sent as scheduled and always before the start of volume production. Volume production is not allowed until FMI gives its approval in writing. Samples must be identified with "Initial Sample" labels and accompanied by appropriate documentation.

For all design products and upon request of SQA, the APQP procedure must be applied. Additionally process audit (VMI procedure) may be carried out before Initial Sample submission in order to validate the process/product (in accordance with process/product requirements).

The Initial Samples shall comply with the specifications at the first submission to FMI. If not, FMI will request corrective actions, and a re-submission using the same process. Additionally, a process audit may be carried out at the supplier's manufacturing plant. In the case of an incomplete report, the Initial Samples are deemed to be unacceptable.



The FMI Purchasing Department notifies the supplier with written acceptance or rejection of the Initial Samples submission.

FMI will respect supplier's confidentiality/know how concerning data covering proprietary products and it is accepted that in these circumstances the supplier may not share all information/data with FMI. However, if problems or concerns arise, the supplier must be prepared to supply FMI with the minimum amount of information in order to review and eliminate such concerns or problems.

A PPAP, minimum Level III, per AIAG standards will also be required with any new product submission. In the event of customer directed materials, the applicable warrant, duly signed, will be accepted. PPAP's must include all FMI requirements, including: NAFTA documentation, IMDS compliance, etc.

### **3.7 Modified Products**

The procedure for management of product modification is the same as for new products. For FMI nominated product, no modifications will be accepted without prior written authorization from FMI. This applies to all modifications suggested or requested by: Supplier, FMI, or FMI customer. For non-FMI nominated products, the supplier shall inform FMI in writing with appropriate documentation, of any modification prior to the first shipment of products.

A modification may be:

- a. Production Modifications
  - Dimensions
  - Raw material
  - Technical specifications (performance/test method)
- b. Change of Supplier (Material or Service)
- c. Process Change
  - New tool
  - Tool modification/repair
  - New machine
  - Process modification
  - New process/technology
- d. Plant Change

In the case where FMI has agreed to supplier subcontracting, FMI shall be informed when products or products thereof are manufactured by a subcontractor, and also when a modification arises from a subcontractor.

The supplier procedure is as follows:

- a. Provide FMI with written details of the proposed modification (reason, objectives, drawings, cost implications, effect on form, fit, and function);
- b. Request FMI written approval;
- c. Provide FMI with a schedule for implementation of the modification;
- d. Provide a security stock during the modification and the time for balance out. In the event of irreversible modification, the security stock must be validated prior to implementation of the modification, and records kept and made available to FMI (if required), in the supplier facility.

In the event of any supplier instigated modification that requires the re-qualification of product (either within FMI and/or at the end customer of FMI) the supplier shall bear up to 100% of the associated prequalification cost and expenses.



### 3.8 Deviation

If the supplier cannot supply product in accordance with the specifications, they may request in writing a deviation from FMI. Deviations will only be considered for a specific quantity of products or a specific time frame, and must always be in writing from the SQA function of FMI.

Representative samples and the written request must be sent as soon as possible to the SQA function of FMI.

The deviation request must contain the following information:

- Supplier name, location, phone/fax contact numbers;
- Supplier personnel (name/position) responsible for handling deviation/concession;
- FMI part number and engineering level;
- Description of nonconformity with supplier's judgment of the effect on fit, form, and function;
- Products quantity/time frame.

If FMI accepts the deviations, each delivery must be identified with a label "Deviation 'X' ".

### 3.9 Cost of Non-Quality

In the case of quality and supply problems due to the supplier, all cost and expenses incurred by FMI for associated cost and expenses will be fully charged back to the supplier.

### 3.10 Quality Performance Measurement

FMI policy for defects is "**Zero Defects**". Except for products, goods or materials for Automotive Industry where Zero Defect criteria shall be strictly complied with, the current FMI expectation is that the maximum tolerance for defects is 25 PPM that will be measured and continuously reported through the "Supplier Score Card" (pending implementation). The supplier has to report the actual defective rate after products, goods, or material is returned. Supplier performance will be evaluated using the actual defective rate. If no feedback is received, the defective rate will be 100% of the material returned.

The number of repetitive complaints and the impact of the complaints will also be tracked with the "Supplier Score Card".

## 4 DELIVERY

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### 4.1 General Statement

The products shall be delivered in accordance with quantities, timing, and locations specified in the Purchase Order (P.O.), and with the shipping schedule instructions and objectives provided by FMI. The supplier shall provide all details on delivery (Quantity, Quantity per box/reel and COC document if requested).

### 4.2 Packaging

All products shall be shipped in accordance with the packaging, labeling and handling specifications agreed upon by both parties. If there is no special agreement between FMI and the supplier, standard AIAG packaging procedures shall be applied.

### 4.3 On-Time-Delivery

The supplier shall only deliver according to schedule. Any cost and expenses related to early or late shipment (e.g. special freight costs), and over or under shipment will be charged to the supplier. The supplier shall investigate any transport damage caused during transit.



The supplier will be responsible to track all instances where premium freight was required in order to meet FMI delivery expectations. FMI reserves the right to request summary data from the supplier related to premium freight transactions.

#### **4.4 Vendor Managed Inventory (VMI)**

Vendor Managed Inventory (VMI) is defined as the product inventory owned and managed by the supplier in a secure and segregated space, until required by FMI for consumption. If appropriate (high volumes and/or critical products/materials), FMI may ask the supplier to sign a VMI agreement.

#### **4.5 Delivery Performance Measurement**

FMI will evaluate supplier delivery performance using the “Supplier Score Card” (pending implementation) which encompasses the following criteria:

- The on-time-delivery performance based on the acknowledgement dated. This incorporates 5 days early and zero days late;
- The on-time-delivery performance based on the request date. This incorporates 5 days early and zero days late;
- The compliance with quantities ordered;
- The average lead time agreed.

### **5 SERVICE**

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#### **5.1 General Statement**

FMI selects its suppliers based on their know-how, competence, and commodity knowledge/experience.

The supplier must be responsive and proactive for the entire life of the product:

- Design and Development Phase: If selected for development, the supplier must assist FMI project teams to find the best technical solutions at the most competitive prices, whilst maintaining the required level of quality.
- Production Phase: The supplier must be committed to providing the means/resource to resolving quality concerns as a top priority as well as technical support. The supplier will also undertake to inform FMI.
- Post-production Phase: The supplier must be committed to support and take responsibility for any issues or claims occurring after the production phase, i.e. field claims, warranty claims, timely complaint responses, etc...

#### **5.2 Treatment of Nonconformity**

The supplier must have on-line capability, unless specifically instructed by FMI, to respond to all complaints. The supplier shall apply the Eight Disciplines 8D problem solving methodology and have evidence of official training on problem solving techniques. The supplier will provide to FMI with 8D reports. Initial response (containment plan) must be received by FMI with 24 hours and final response (irreversible corrective action plan) within 5 working days.

#### **5.3 Flexibility**

FMI may, under exceptional circumstances, ask for deliveries with shorter lead times than the ones initially agreed. The supplier shall then use best efforts to fulfill the request without any price increase and impact on existing open orders.



#### **5.4 Purchase Order Acknowledgment**

The supplier will provide a written purchase order acknowledgment within 24 hours after receipt of an FMI purchase order.

#### **5.5 Exceptional Conditions**

The supplier shall notify FMI immediately in writing of any circumstance that may cause a delay in delivery, stating the period of the delay, the reasons, and the implemented actions to minimize the consequences of such delay and avoid further occurrence of such delay. If requested by FMI, the supplier additional cost and expenses resulting from such premium effort or premium transportation shall be borne by the supplier.

#### **5.6 Service Performance Measurement**

The “Supplier Score Card” (pending implementation) will allow tracking systematically the “flexibility effort” made by the supplier when FMI asks for deliveries with shorter lead times than the ones initially agreed.

When complaints are issued to the supplier, the “Supplier Score Card” will allow checking if the containment plan and the irreversible corrective action plan are received respectively within 1 to 5 working days.

### **6 COMPETITIVENESS EXPECTATIONS**

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#### **6.1 Pricing / Payment**

FMI expects its suppliers to maintain the highest level of competitiveness in the marketplace for products, materials, goods, and services. In order to accomplish this FMI will benchmark and monitor FMI suppliers against market conditions.

FMI purchasing policy for payment terms and conditions should be honored and agreed for all products, services, and material supplied. Any deviations from these terms and conditions must be approved by FMI.

#### **6.2 Long Term Contracts and Cost Reduction**

Long-term contracts might be executed with FMI strategic suppliers based on their ability to demonstrate genuine and continuous commitments to working with and building long term relationships with FMI. FMI will measure its suppliers commitments based on a number of strategic factors such as:

- Ability to demonstrate genuine ongoing cost reductions in line with the demands of FMI customers;
- Active participation to Value Analysis/Value Engineering initiatives;
- Conformance to FMI supplier expectations and standard terms/conditions;
- Ability to perform against pre-defined QSTP productivity improvement plans.

The supplier’s ability to meet and exceed FMI expectations will have a significant bearing on FMI’s decision making process when discussing additional business.

### **7 COMPETITIVENESS EXPECTATIONS**

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FMI is very favorable to the implementation of an environmental management system at its suppliers. Such system aimed at controlling the results of their activity on the environment shall be based on the following principles:

- Compliance with the sense and provisions of legal rules related to the environment;
- Prevention and control of risks with regards to the environment;
- Conservation of natural resources included in the design of new products and processes.



The supplier shall ensure that its employees are provided with safe and healthy working conditions. The supplier shall inform FMI of its current status and what its plans are towards developing or improving an environmental management system (e.g. ISO 140001).

The supplier will also be expected to conform to the requirements of FMI customers in terms of disclosure of controlled substances in order to comply with certain industry specific regulations (e.g. IMDS compliance for automotive suppliers).

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## **8 CONTINUOUS IMPROVEMENT**

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On a yearly basis (minimum) the supplier may be requested to present to FMI, a detailed plan for continuous improvement of their system organization, etc., showing how quality, cost, and delivery objectives are to be achieved.

Depending on the results of the supplier's performance evaluation (Score Card results), specific short and middle term action plans may be requested by FMI.

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## **9 TOOLS INVENTORY / MANAGEMENT**

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Upon request, the supplier shall furnish a tool inventory of all FMI tools (active and inactive) for which the supplier is responsible per a purchase order or specific agreement with FMI. The tool inventory must be submitted to the FMI buyer annually by January 31<sup>st</sup>.

The inventory must contain the following information for each tool:

- Tool part number;
- Current tool revision;
- Description;
- Part number/s produced with tool (indicate if part number has changed during the year) during previous year;
- Quantity of products produced from tool during previous year;
- Date products last ordered;
- Total cost of tool;
- Remaining tool life.

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## **10 COMPLIANCE WITH APPLICABLE LAWS**

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FMI's suppliers shall comply with the legal requirements and standards of their industry as applicable under the national law of countries in which suppliers are in operation. This includes, but is not limited to the laws and regulations governing the following: Environmental, Health, Safety, Employment, Child Labor, Discrimination, and Human Rights.

FMI's suppliers shall ensure the compliance of their components and products with specific legal requirements applicable to the countries into which their products are being sold.

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## **11 ETHIC, CONFLICTS OF INTEREST**

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Supplier shall not pay salaries, commission or fees, or make any payments or rebates to any employee or officer or director of FMI or any designee of any such person or favor such person with gifts or entertainment of significant cost or value or enter into any business arrangements with any such employee or officer other than as a representative of FMI.



## **12 OTHER INFORMATION**

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### **12.1 Duns Code**

The supplier must provide the authentic Dun and Bradstreet identification number (Duns Code) to FMI for each specific manufacturing plant address as well as the primary sales office.

### **12.2 AVAILABILITY - 24 Hour Contact**

The supplier must provide 24-hour service by providing contact names and phone number where they can be contacted during off-hours and weekends.

### **12.3 RECOVERY PLANNING**

The supplier must provide FMI with a recovery plan in the event of disruptions caused to FMI as a result of material shortage, fire, software failure, natural disaster, etc...

### **12.4 INQUIRIES**

The supplier must respond to all inquiries in writing on or before the due date stated on the inquiry.