

Velvac Supplier Quality Manual

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Velvac Message

Dear suppliers this Quality Manual describes the supplier's requirements for Velvac quality System.

This manual is focused on ISO 9001:2015 and IATF 16949 :2016 international standards. Management understands that relevant interested parties influence our performance. Velvac team are aware our sustained success is more likely to be achieved when Velvac team manage our relationships with supplier, external provider, and partner networks.



Shane Herbig
Lean Supply Chain Director

Dan McGrew
Chief Operating Officer

Fernando Garcia
Quality Director

Section 1 – Introduction

1A. Policy

Quality Policy

It is Velvac's policy to supply our customers with products and services of high quality, which meet or exceed their requirements. To achieve this, Velvac is committed to a process of Continuous Improvement of its products, services, and Quality

1B. Purpose

The purpose of this Velvac Supplier Quality Manual (VSQM) is to specify Velvac requirements for our suppliers. These requirements extend from supplier qualification, to new product development, and supplier on normal production.

1C. Scope

This manual applies to all Direct material/service external suppliers. This manual applies to Indirect material/service suppliers only when it is required by a Velvac Purchase Order.

1D. Responsibility

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- Suppliers are responsible for meeting the VSQM requirements. Failure to meet these requirements may result in the loss of existing and/or future Velvac business, in addition to reimbursement of the cost to Velvac resulting from those failures.
- Suppliers shall ensure that their direct material/service suppliers comply with the requirements of ISO 9001:2015 and IATF 16949 :2016
- Suppliers shall adopt the standards of Zero Defects and 100% On Time Delivery to Velvac. Suppliers shall understand that any established PPM target is not an Accepted Quality Level, but represents an intermediate continuous improvement step toward shipment of components/materials meeting the Zero Defects requirement.

1E. Language

The manual official language is English. All official communication with Velvac will be done in English. Documents may display the native language when integrated in parallel translation. In this instance, the English is the only valid version. Exception for Mexican suppliers can send information in Spanish as needed

1F. Government Regulatory Compliance

Suppliers shall comply with all applicable governmental regulations. These regulations relate to the health and safety of the workers, environment protection, toxic and hazardous materials, and free trade. Suppliers should recognize that the applicable government regulations might include those in the country of manufacture, as well the country of sale. Registration to ISO14001 is strongly recommended.

Section 2 – Velvac Requirements

Velvac bases its supply management requirements on four key processes.

These are the supplier 1.- selection process, 2.- new product launch, 3.- Normal production/continuous improvements, and 4.- supplier intensive improvement.

Following are the requirements for this key process.

2A1. ISO 9001:2015 / IATF 16949:2016 Registration

Velvac goal for all suppliers of materials and services affecting production material is to demonstrate compliance to ISO 9001:2015 / IATF 16949:2016. Suppliers shall also comply with Velvac specific requirements defined in the Velvac Supplier Quality Manual (VSQM).

New suppliers under development or small suppliers, will meet as minimum, Minimum Automotive Quality Management System Requirements for Sub-Tier Suppliers (document reference on IATF web page) meantime obtain the ISO 9001:2015.

Suppliers to Velvac shall have a plan to achieve as a minimum conformity to ISO 9001:2015. Unless otherwise specified, conformity may be demonstrated by third party certification to ISO

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9001:2015 (at minimum) . Certification shall be achieved by September 14 2018. This is consistent with the expectations of Velvac customers and our business system that complies to ISO 9001:2015 / IATF 16949:2016. requirements. The scope of the requirement affects subassembly, sequencing, sorting, rework and calibration services in addition to direct material suppliers.

Velvac recommends for its suppliers to continue using the latest Automotive Industry Action Group (AIAG) versions of the Advanced Product Quality Planning and Control Plan (APQP), Potential Failure Mode and Effects Analysis (FMEA), Measurement System Analysis (MSA), Production Part Approval Process (PPAP), and Statistical Process Control (SPC) manuals as guidelines for their system development.

For these publications, visit <http://www.aiag.org> >Areas of Interest>Quality>Related Publications.

2A.2 e-Business Capabilities

Suppliers shall have email, Internet access and Internet browser as a minimum for e Business capability.

Suppliers are responsible for maintaining contact with Velvac quality. These contacts include the top management representatives, and the required information includes phone numbers and email addresses. Additionally, suppliers shall, at minimum, maintain and update their certification status, once per year. Suppliers shall immediately communicate any change in certification or status to Velvac SQE.

2A.3 New Supplier/Location Qualification

New suppliers who wish to be added, as a supplier, to Velvac shall:

- Demonstrate compliance at a minimum to ISO 9001:2015. New suppliers, who have not completed their registration process, may be awarded business on the condition, unless otherwise specified Velvac, that they successfully pass the New Supplier Audit and have a reasonable plan to meet the VSQM and ISO 9001:2015 / IATF 16949:2016 requirements.
 - Meet all commercial and financial requirements of the relevant Velvac product line.
 - Complete the Velvac quality survey see fig 2
 - Complete the supplier audit self-assessment and send it to Velvac Quality by email see fig 3
 - Successfully pass Velvac Quality audit with a minimum score of 60
- ### 2A.4 New Supplier Assessment Criteria

Figure 2. Quality survey cover Page

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Quality Assurance Survey/Questionnaire Encuesta/Cuestionario de Calidad
VELVAC
 The survey is intended to evaluate your quality system, and to determine the extent of inspection being necessary to comply with customer and governmental safety requirements. El propósito de esta encuesta es determinar la necesidad de inspección y prueba necesarias para llevar los requisitos del cliente y gubernamentales.
 Velvac, Inc. 2405 S. Calhoun Road, New Berlin, WI 53151
 Phone: (262) 786-0700, Fax: (262) 786-7373, www.velvac.com

If your quality system has been accredited to either ISO 9001:2015 or IATF 16949:2016, complete only the first and second pages, attach a copy of the certificate, and return the survey.
Si su sistema de calidad ha sido acreditado como ISO 9001:2015 o IATF 16949, complete solamente las primeras dos paginas, adjunte una copia de la acreditación, y regrese la encuesta.

Company Name: _____
 Nombre de la compañía: _____

Address: _____ City: _____ State: _____ Zip: _____
 Dirección: _____ Ciudad: _____ Estado: _____ Código Postal: _____

Head of Quality Organization - Jefe del Departamento de Calidad:
 Name: _____ Title: _____
 Nombre: _____ Título: _____
 Phone: _____ Fax: _____ e-mail: _____
 Teléfono: _____

Head of Quality Reviewer - Jefe del Departamento de Calidad revisora:
 Name: _____ Title: _____
 Nombre: _____ Título: _____

Number of Locations: _____ Total Square Footage (This Facility): _____
 Número de lugares: _____ Pies cuadrados de la planta: _____

Type of Service Provided: _____
 Tipo de Servicios: _____

Number of Employees (This Facility): _____ Quality: _____ Production: _____
 Número total de empleados: _____ Calidad: _____ Producción: _____

System Approval: _____
 Sistema de Calidad: ISO 9000 TS 16949 Others (Specify): _____

Company Classification: Large/Grande Small/Pequeña Disadvantaged/Minoritaria
 Clasificación de la Compañía: Woman Owned Other/ Otro: _____

Date Company Founded/ Fecha de fundación: _____ Years at current address/ años en el domicilio actual: 2
 Is there a system in place ensuring compliance with Velvac's Supplier Quality Manual? **Hay un sistema implementado que asegura cumplimiento al Manual de Calidad de Velvac?** Yes/Sí No
Survey Completed By/ Encuesta fue llenada por: I certify the information supplied in this survey is true and complete/ **Certifico que la información presentada en esta encuesta es completa y verdadera.**
 Name: _____ Title: _____ Date: _____
 Nombre: _____ Título: _____ Fecha: _____

The information contained in this audit is kept confidential. Access to this information is limited to Velvac approval representatives and our customers. Completion of this survey does not constitute approval. Responses to this survey are subject to verification by Velvac, Inc. We reserve the right to audit your facility at any time during the course of the contract. La información contenida en esta encuesta es confidencial, acceso a ella es limitado solo a los representantes aprobados de Velvac y a nuestros clientes. El completar esta encuesta no significa aprobación. La respuesta está sujeta a verificación por Velvac, Inc. Nos reservamos el derecho de auditar su proceso en cualquier momento durante la duración del contrato.

Figure 3. Self- assessment audit

VELVAC Supplier self assessment audit

Supplier Name				Date of Audit	
Location address					
Size of the location		Shifts of operation		ACALP 302302	Rev 3
Audited by: [Name] Self Assessment audit, Phase # 2, Audit by Velvac representative Rating: 80%					
Supplier represented by (name)					
ISO 9001:2015 certification(s)	Registered				
Certificate date	Number of quality engineers				
Number of employees	Number of quality employees				
Manufacturing engineers	Design engineers				
Dedicated Safety personnel	Sales (dollarized)				

Supplier Rating Print Workbook

2B.2 Advanced Product Quality Planning (APQP)

New Product Launch initiates at design concept and runs through a production launch of a new component. When specified by the Velvac SQE, suppliers shall use the Velvac Supplier quality manual. when launching new product for Velvac. Velvac New Product Introduction teams will define special Velvac requirements. This designation determines the involvement of Velvac SQE t in the APQP and launch process of suppliers. All suppliers, regardless of component priority, shall use a disciplined launch and APQP process.

Suppliers should provide APQP status reports for a new product with regard to meeting the Program objectives of quality, cost, performance and timing. Velvac will provide the format, frequency, and the required content of these reports. Velvac prefers their suppliers to use the forms included On IAIG PPAP /APQP requirements.

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Suppliers to Velvac are responsible for managing their new product introduction process to the guidelines provided in this document. Velvac APQP process consists of five phases as shown below. shows the deliverables for the five phases.

Program Sourcing and Early Supplier Involvement	APQP Phase 1: Supplier Kick-Off	APQP Phase 2: Equipment & Tool Design	APQP Phase 3: Product/Process Realization	APQP Phase 4: Pre-PPAP	APQP Phase 5: Product/Process Validation & Launch	Post-Launch Supplier Management
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APQP-1

This is the “Kick-off” phase. It begins once the supplier has been awarded new business. During this phase Velvac and the supplier define the key milestones, review of the supplier’s time line, conduct, when applicable, a detailed design review, and establish deliverables and expectations of the supplier for the given component and program. This activity creates the foundation for the phases that follow.

APQP-2

This phase represents the span of time during which the supplier completes designs for their tooling, assembly lines/cells, gauging and identifies additional capital equipment required to manufacture the component/material.

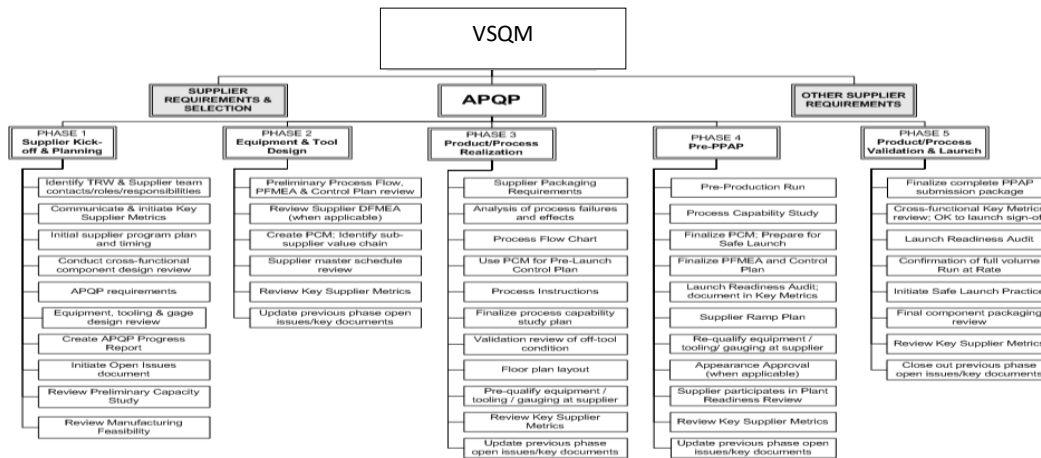


Figure 3. APQP: 5 Phases

APQP-3

This phase starts with the supplier’s direction to their manufacturers of the tooling, capital equipment, assembly cells and/or gauging to proceed and ends with the approval to ship the completed items. The supplier shall collect data required to assure that the manufactured items meet drawing, specification and capacity requirements before approval to ship is given.

APQP-4

This is the Pre-PPAP or Pre-Validation phase. This phase starts with the delivery of the tooling, capital equipment, assembly equipment and/or gauging to the supplier’s facility. It ends with the completion of the PPAP production run. The critical activity in this phase is the first parts off review, by the supplier, and subsequent tuning of the process to produce components/material that conform to the drawings and specification.

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APQP-5

This phase is the Product and Process Validation and Launch stage of the process. During this period that the supplier completes and submits a Production Product Approval Process (PPAP) package. A final review will be performed by Velvac SQE.

As stated previously, regardless of component/material complexity, every supplier is expected to conduct and execute an APQP process. Suppliers who wish to use other reporting formats than defined in this document shall have written approval from Velvac SQE.

2B3 Safe Launch Plan

(Dual Launch Netting, GP12, Pre-Launch Control Plan, etc.) – Extra inspection is a joint effort between the supplier and Velvac

Safe Launch Plan requires the creation of a Pre-Launch Control Plan, an enhancement to the supplier's Production Control Plan adding 100% extra inspection visual and critical characteristics.

- The implementation of an elevated, short-term Quality Inspection process is required. Safe Launch Plan plans will be documented using the Pre-Launch control plan,
- Suppliers shipping parts under Safe Launch Plan shall create a separate label, placed on each container, showing "SLP" to indicating the nature of the parts. See **Figure 1** for an example.



Figure 1. Example of a Safe Launch Plan Label

- Exit criteria for the Safe Launch Plan is shipment of zero defect parts that meet either the defined period of time (90 days +job 1) or number of pieces. Any defect discovered during the SLP period restarts the event a "0" pieces shipped.

Three key documents that are also associated with advanced quality planning are the Process Flow Diagram, PFMEA, and Control Plan. Velvac has definitive expectations, for these documents, that suppliers shall comply with.

2B.4 Process Flow Diagram

- Shall define the entire process flow starting with Receiving Inspection and finishing with Packaging and Shipping.
- Shall include any sub-tier, or outside, suppliers, along with the names of those suppliers.
- Shall include machine numbers or unique identifiers that reflect what has been approved as part of the process. Suppliers shall identify those operations linked to the manufacturing of features identified by special characteristics.

2B.5 Process Potential Failure Modes & Effects Analysis (PFMEA)

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- Unless otherwise specified, suppliers shall use the AIAG Potential Failure Mode & Effects Analysis (PFMEA) manual as the basis for creating this document.
- Shall follow flow established in Process Flow Diagram.
- Failure modes shall include designated characteristics from the VELVAC drawing in addition to the process and tooling based items.
- Suppliers shall have a process in place to report on their highest RPN numbers. This report may be in the form of a Pareto chart, displaying the RPNs from highest (100) to lowest. This system shall include documentation of recommended actions and verification of their implementation.
- The PFMEA shall be used as a continuous improvement tool. Suppliers shall be able to document continuous improvement efforts derived from RPN rankings below their target value for improvement actions.

2B.6 Control Plan

- The Control Plan shall appropriately reflect the same steps and flow established by the Process Flow diagram and PFMEA.
- The Control Plan shall include all features denoted SLP and notes that are designated as special characteristics. Each product line and/or region uses a unique set of special characteristics. Please see your SDE for those that affect your components.
- The Control Plan shall include those features, characteristics and notes that are used to create the annual revalidation package.

2B.7 Packaging and Labeling

Velvac and suppliers shall agree upon the packaging plan during APQP, including the following requirements.

- There shall be only one-part number in a box or packaging unit.
- All packaging units shall be labeled and the label shall include:
 - Velvac part number with engineering level and part description.
 - Quantity.
 - Supplier name and Velvac supplier code.
 - Lot traceability number and date -- this number shall have a direct relationship with Delivery Note supplied. Starting with the Delivery Note, the supplier shall be able to trace all the documents and record. Velvac, at its discretion, may specify additional traceability requirements.

VELVAC Automotive expects their suppliers to conduct, periodically, dock audits on packaged materials. Evidence of these audits shall be retained with other lot inspection documentation.

2B.8 Production Part Approval Process (PPAP)

Suppliers shall ensure that the PPAP document and sample submissions are in accordance with the requirements of the Automotive Industry Action Group (AIAG) PPAP Manual. Suppliers shall only submit PPAP packages for production-released drawings, and a copy of this drawing shall

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be included in the submission package. Each supplier is responsible for meeting all these requirements before submission to Velvac, including obtaining Velvac approvals for any change requests. (Approval need to be obtain before any change implementation)

Suppliers need to submit the PPAP package in an electronic format to Velvac SQE

PPAP validation requirement that further defines submission levels, including what the supplier submits and/or retains. The order that the package is to be organized is indicated in the IAIG manual. Suppliers should use the forms identified in the AIAG PPAP manual. Suppliers may use their forms only if they are equivalent to the AIAG forms and if they have the written approval of the Velvac SQE. Velvac may require their suppliers to submit a validation package that contains additional documents and forms beyond those required by AIAG. In addition, the supplier is responsible for all sub-tier PPAP submissions and approvals, including those suppliers Velvac has directed for use. A PPAP Checklist is available upon request for suppliers to use, assuring that the submission meets Velvac expectations.

For all new components and materials, suppliers shall submit with the validation package a copy of IMDS. This form verifies the submission of End-of-Life Vehicle component content. Based on the absence of this document, Velvac will not approve the PPAP submission.

Suppliers of plastic components to Velvac are required to comply with regrind levels specified on the component's drawing. Components produced throughout the APQP process, including DV, PV, and PPAP, shall be representative of the maximum allowable regrind, and is confirmed by certified laboratory analysis. Additionally, suppliers are responsible to assure that the component's PFMEA and Control Plan specifically address, and control, this requirement.

Supplier submission of a non-conforming PPAP package may be recorded as a supplier performance failure and could affect the supplier's performance rating. Velvac will determine the Level of PPAP submission, and any special requirements if applicable.

When applicable, suppliers shall include in the PPAP submission the Engineering Specification (ES) test plan and the ES test results. An approved/accredited laboratory shall conduct the ES tests.

2B.9 Lot Traceability

All suppliers to Velvac shall have an effective lot definition and traceability procedure. The shipper number will be linked to the lot traceability procedure in such a way that the delivered product can be traced back to the raw material. Suppliers shall ensure that their lot traceability system maintains its integrity throughout entire extended supply chain, including not only raw material, but also purchased components/products.

2B.10 Special Characteristics

At a minimum, suppliers shall implement process controls for Special Characteristics as designated on Velvac drawings. Additional characteristics deemed germane to be 'predictors of process stability and feedback' should also be identified in the supplier's Control Plan.

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Unless otherwise specified by Velvac, for characteristics/features designated as significant or critical, during launch, the supplier must meet minimum of Cpk 1.67 and the minimum acceptable sample size for variable data is 30 pieces, and for attribute is 100 pieces. Containment must effectively separate non-conforming material from the population. Containment, generally either 100% sort or some form of 100% poke yoke, must continue until such time that the process Cpk demonstrates capability greater than, or equal to, 1.33.

2B.11 Supplier Request for Change

Suppliers shall submit a written request for product or process change and obtain Velvac quality approval prior to implementing the change. This includes changes at Sub-suppliers throughout the supply chain. Additionally, suppliers shall submit a written request for all items listed in Table I.3.3 of the AIAG PPAP Manual. Suppliers are also required to submit all supporting validation data including necessary dimensional reports, performance testing, before/after process parameters, updated APQP documentation (PFMEA/Control Plan) and a detailed timeline demonstrating proper change control that identifies necessary safety stock/bank requirements including timing for Velvac /Customer validation timing and designated resources to manage the change.

Change approval may take an extended period when Velvac customer approval is required. Changes **shall not** be implemented prior to the receipt of written approval from Velvac . **VERBAL REQUESTS WILL NOT BE ACCEPTED.** Below are the defined notification requirements,

Velvac notification and submission requirements

Requirement	Clarification or Examples
1. Use of other construction or material than was used in the previously approved part or product	For example, other construction as documented on a deviation (permit) or included as a note on the design record and not covered by an approved engineering change and PPAP approval.
2. Production from new or modified tools (except perishable tools), dies, molds, patterns, etc., including additional or replacement tooling	This requirement only applies to tools, which due to their unique form or functions, can be expected to influence the integrity of the final product. It is NOT meant to describe standard tools (new or repaired), such as standard measuring devices, drivers, (manual or power), etc.
3.- Production from tooling and equipment transferred to a different plant location or from an additional plant location.	Production process tooling and/or equipment transferred between buildings or facilities in one or more locations.
4 Change of subcontractor for parts, non-equivalent materials, or services (e.g. Heat Treating, Plating, protective or functional coatings) that affect Velvac or OEM fit, form, function, durability, or performance requirements.	Suppliers to Velvac are responsible for approval of subcontracted material and services that do not affect customer fit, form, function, durability, or performance requirements and demonstrate appropriate APQP and PPAP discipline! Suppliers ARE responsible to communicate and obtain approval for all tiers of supply chain within the manufacturing process!
5.- Product produced after the tooling has been inactive for volume production for twelve	For product that produced after tooling has been inactive for twelve months or more: Notification is required when the part has had

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months or more.	no active purchase order and the existing tooling has been inactive for volume production for twelve months or more. The only exception is when the part has low volume, e.g. service or specialty vehicles. However, Velvac or its customers may specify certain PPAP requirements for service parts.
6.- Product and process changes related to components of the production product manufactured internally or manufactured by subcontractors that impact fit, form, function, performance, and/or durability of the salable product. Additionally, the supplier shall concur with any requests by a subcontractor before submission to Velvac and its respective customer base.	Any change that affects Velvac/Customer requirements for fit, form, function, performance, and/or durability requires notification to Velvac . Note: The fit, form, function, performance, and/or durability requirements should be part of Velvac /Customer specifications as agreed on during contract review.
7.- Change in test/inspection method – new technique (no effect on acceptance criteria)	For change in test method, supplier should have evidence that the new method provides results equivalent to the old (previous) method.

Off-Line **rework**, not included in the original Control Plan, is considered a process change and suppliers shall obtain Velvac approval for it as specified above. Rework shall be supported by operating and inspection instructions. The inspection instructions shall be consistent with an updated production process control plan. Velvac will require special identification and segregation of the reworked product.

2B.12 Supplier Deviation

Suppliers shall request, in writing, a deviation (or concession) before shipping material with discrepancies or not meet Velvac drawing requirements. A plan to return to normal production and the time required to do so shall be submitted at same time as the written request. Material shipped under an approved deviation shall be labeled with the Deviation Number and its expiration date. For an example



Figure 10. Example of a Deviation Label

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2B.13 Concern Management

Velvac will initiate NCMR (No confirming material report) when material problems are detected during Velvac assembly process, end-customer return, warranty problems or delivery . , When the supplier received the NCMR shall implement containment action within 24 hours. Including sorting at Velvac locations as needed and send back notification, for corrective and preventive actions supplier will have 10 working days, unless otherwise specified, the suppliers shall submit a corrective action plan or a reasonable approach to developing one in case of complex issues. These targets are standard, but the concern creator can establish other target dates, if needed. Suppliers shall use a systematic problem solving method such as 8D, 5 Phase, 7-Step, PDCA's 3 layers 5 whys etc.

2B.14 Concern Criteria

The criteria for level of concerns (NCMR) issued against no conforming material /delivery/warranty problems are ranked A, B, and C level.

- An "A" concern is any component defect that
 - Is raised by the customer/warranty/delivery
 - Affects a defined critical or significant characteristic. require Formal 8-d and cost recovery process (supplier will need use 8d, and problem solving technics as fishbone ,5whys and systematic actions)
- "B" concern is causing chargeback.
- "C" Notification only no 8-d or charges

Suppliers shall **immediately notify** Velvac upon discovery that they might have shipped nonconforming or suspect product to Velvac. Notification shall go to the Velvac SQE, Quality Manager and the Materials Manager,

Suppliers are responsible for all costs and expenses created by any defect from Velvac assembly process, customer return or warranty return will recover these costs from the responsible supplier using NCMR process

2B.15 Supplier Audits

VELVAC Automotive employs a number of audit tools in its Supplier Development Process. This starts with the assessment of a potential new supplier who desires to enter a business relationship with Velvac to 2nd Party compliance audits to the latest version of ISO 9001:2015 and IATF 16949 :2016

2B.16 Sub-Supplier Management

Suppliers of Velvac shall have capabilities to manage their respective suppliers (regardless of how directed) including APQP disciplines and periodic auditing. Velvac, when it deems necessary, will audit the critical processes of the sub-tier suppliers to assure that proper controls are in place throughout the entire supply stream. Suppliers of Velvac shall ensure they audit and manage critical processes such as heat-treating and plating

Sub-tier suppliers have a tremendous impact on the quality of the final component. Whether they provide raw materials, services or sub-components their influence is so profound that it is critical for each of Velvac suppliers to have a supplier management system in place.

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This system shall include a function that tracks and reports on their supply base quality and delivery performance. Supplier shall be able to demonstrate that they manage their suppliers' issues through documented corrective actions and verification activities.

2B.17 Annual Revalidation

Unless otherwise specified, a complete annual layout inspection, including all sub-components, is required for all parts supplier will need send information report by email to Velvac SQE .

All suppliers shall annually revalidate their respective production components, and be able to provide the results to Velvac within 48 hours of the request. Revalidation submission requirements are a product line specific criteria based on supplier performance and PPAP process flow. Suppliers shall compile revalidations and document this requirement in the Production Control Plan for all parts supplied regardless of the products Velvac shall review changes to the revalidation package content before any changes are made.

2B.18 Supplier Facility Access

By prior notice, suppliers shall allow Velvac representative access to both their facilities and those of their suppliers, for the purpose of evaluating parts, processes, documents (i.e., FMEA, Control Plan, Instructions, records...), methodologies and systems used in manufacturing of Velvac products.

Velvac may, at its discretion, use 3rd Party independent auditors. These individuals represent Velvac and will audit the supplier's processes to establish conformance to validated quality systems.

2B.19 Contingency Plan

Suppliers shall develop a contingency plan for potential catastrophes disrupting product flow to Velvac, and advise Velvac at the earliest in the event of an actual disaster. In an actual catastrophe, supplier will need use the ISO 9001:2015 section 6 including process for risk analysis, classification and actions plans for mitigation

Minimally, the contingency plans will include plans for EDI receipt and ASN's, transportation plans for both incoming and outgoing material, packaging, labor interruptions, cost control and equipment failure.

Contingency Plans Must be submitted annually as per your Supplier Contract to your Commodity Manager.

2B.20 Document and Product Sample Retention

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Suppliers shall retain documents and product samples for the time the part is active (a part is active as long as it is being supplied to the customer for original or service applications) in production plus a minimum customer requirement, (SEE IATF reference manual to identify your specific final customer)

The supplier shall retain a master sample from each cavity, die, and pattern for the length of time that the component/material is active plus one year. The master sample shall be identified as such and shall show PPAP submission reference and Velvac approval date.

2B.21 VELVAC Property – Tools

All tools, manufacturing, test or inspection equipment belonging to Velvac, or their customers, will be permanently marked to clearly show that they are Property of Velvac (see reference on ISO 9001:2015), or the customer. These tools will only be used for Velvac products unless an authorization in writing exists. Contact your Product Line buyer for information regarding this subject.

2B.22 Supplier Performance SCORECARD

Velvac will monitoring the supplier performance including key elements that affects Velvac requirements, Velvac will submit SCORECARD on monthly bases by e mail to all suppliers , category for supplier are A.- Acceptable from 80-100 points , B.- Need improvement from 60 to 80 and unacceptable less than 60 , Scoring will be include NCMR by category , PPAP on time ,PPMs ,Delivery ,on time response and on time chargeback approval , suppliers under unacceptable category will be eligible for CS1 or CS2 extra inspection

2B.23 Controlled Shipping

When Velvac detects low performance and lack of containment from suppliers will send CS1 or CS2 letter to supplier and will need to respond in 24 hours

Controlled Shipping (CS) Level I and II will be levied against the supplier when the Velvac plant has determined that the supplier does not have the necessary safeguards preventing non-conforming products from Velvac

Controlled Shipping, Level I initiated by Velvac and performed at the supplier location by supplier employees. Controlled Shipping Inspection process must be performed in a controlled area of the plant. Secondary Inspection data must be collected, and inspected product must be certified and data provided to Velvac SQE.

Controlled Shipping, Level II includes all of Level I, with an added inspection by a Velvac approved 3 third party. Third party is selected by the supplier and approved by Velvac, and paid by the Supplier.

NOTE: Minimum of 30 days Corrective Actions verification period with no re-occurrences is mandatory.

2B.24 Cost Recovery

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Supplier Cost Recovery (CR) will be initiated by Velvac when it has been determined that the supplier is responsible for quality and or delivery shortcomings. Cost Recovery will be communicated using e mail from Velvac SQE

Cost Recovery process will include, but is not limited to: contaminated stock at Velvac plant, product in transit, OEM assembly plant, non-conforming received goods, assembly line downtime due to delivery or quality related issues, and warranty returns. Cost Recovery Concerns will be a significant factor in Velvac for sourcing decisions.

Line Accumulation

The minor defects detected during line process on small quantities from suppliers That are, Velvac will use option for line accumulation process, we will collect the defects and we will issue charge back on weekly bases, this option will not affect the NCMR process

2B.25 MMOG supplier's special requirements

Velvac customer required special requirements for sub suppliers, following we describe this requirements,

MMOG requirement 6.2.1.3

Capacity Planning

The supplier as required by the buyer, will complete Capacity Verification Worksheets.

Tooling

Follow Velvac's Tooling Policy (QS090201)

Follow industry accepted tooling maintenance practices which are detailed in Velvac's Form (QS090202)

Packaging and shipments

Package and label all materials according to Velvac specification #EIP00001

Include the revision of the part with all references to the part number, i.e., certificates, labels, packing lists,

MMOG requirement 6.2.1.4

Business Language

The official language for business communication is English.

MMOG requirement 6.3.2.1

EDI Requirements

Supplier may be required to use EDI. If required, the buyer will contact the supplier to setup EDI using Velvac's WebDX Supplier Portal.

It is required that all suppliers that are required to use the portal, will receive all PO releases and send ASN's through the portal.

MMOG requirement 6.7.1.2

MMOG and Risk Management

Supplier will be required to obtain and complete the MMOG version 4.0 Basic version on an annual basis. This will be submitted to the buyer by December 31 or each year. Any deviation from this requirement must be obtained in writing from the buyer.

2B 26 C-TPAT certification

All Velvac supplier will need respond a C-TPAT questioner provided by Velvac

purchasing, some questions of this questioner are as follow

Velvac Supplier Quality Manual

1.- Is your company a member of C-TPAT or another government-administered supply chain security program in your home country?

2.- Within your Company and including Inland Freight transportation, do you meet C-TPAT Security Requirements?

3.- Does your Company maintain written procedures to protect against unauthorized materials or persons within your company including inland freight transportation?

4.- Does your Company use Velvac Approved (Velvac paid) Routing for overseas freight list the name of your overseas freight routing company

2B.27 Warranty responsibilities

Velvac supplier are responsible to prepare actions plan for all warranties returned from end-customers to Velvac caused by supplier's quality problems, also suppliers are responsible for the cost involved in each warranty problem, Velvac SQE will prepare the evidence and facts confirming problem is related to supplier quality, also Velvac will initiate chargeback process for each supplier using NCMR process

Supplier will have 5 working days to review and dispute the warranty

The time for warranty responsibility for Velvac suppliers is 12 months from the date the part is put into service by the end-customer, to know more details for warranty period please contact you Velvac SQE or your supplier chain engineer

Any special situation need approval from Velvac quality director

3C.1 SQM knowledge letter from supplier

All Velvac supplier will need review this quality manual and send back the attached letter confirming that your understand this Velvac requirements

Revision History

Revision Date	Revision Level	Changes	Responsible Person
8/28/2018	A	<ul style="list-style-type: none">New released according ISO 9001:2015/IATF 16949:2016	F.Garcia
9/15/2018	B	<ul style="list-style-type: none">Updated section 2A1 and 2B24	F.Garcia
10/25/2018	C	<ul style="list-style-type: none">Add section 2B25 MMOG special requirements	F.Garcia
2/19/2019	D	<ul style="list-style-type: none">Add C-TPAT requirements	F.Garcia

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12/5/2019	E	<ul style="list-style-type: none">• Supplier warranty responsibilities and supplier knowledge letter	F.Garcia
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Attachment # 1

Velvac Supplier Quality Manual



2405 S. Calhoun Road
New Berlin, WI 53151-2709

Letter of Acceptance

For

Velvac's Supplier Quality Manual:

Dear Velvac:

We have read and understand the expectations communicated by Velvac in the attached Supplier Quality Manual (SQM). We agree to conduct business in accordance with and meet these expectations.

We also agree to openly communicate with Velvac concerning issues which may affect our ability to meet these expectations.

Supplier's Name

Supplier's Location

Management Representative

Title

Quality Representative

Title

Purchasing Representative

Title

Date Signed: _____