


Velvac, Inc.

SUPPLIER QUALITY MANUAL

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 VELVAC [®] <small>Quality Driven 18468 Components Since 1934</small> Supplier Quality Manual	No.: PF-7.4
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Written By: Director of Supply Chain	Revision Date: 2-05-2018
Approved By: Director of Quality	Revision Level: 008

1. DEFINITIONS

PPAP – Production Part Approval Process – defines the initial production approval requirements for Velvac parts. Velvac prints, specifications and PPAP package are the controlling documents.

Non-Conforming Material (NCM) – material that does not conform to Velvac print, purchase order, specifications or quality requirements.

Non-Conformance Material Report (NCRM) – A document that records the non-conforming material description, engineering evaluation, and quality disposition.

Supplier Corrective Action Request (SCAR) - A document issued as a result of a non-conformance which requests and documents corrective action.

2. INTRODUCTION

Velvac Supplier Quality Manual (SQM) has been developed to communicate to our suppliers the minimum level of management system functionality and documentation necessary to complement our system and meet our intended quality objectives.

Defect free means that all shipments of purchased components or materials meet all of Velvac's stated requirements and are properly documented. All shipments will completely conform to all drawings, 3-D models, specifications and purchase order requirements including arrival within Velvac's delivery window.

NOTE: Suppliers shall use English as the primary communication language, including day-to-day communications.

Please check with Velvac purchasing for correct email addresses, as needed.

Email 'subject line' should read: "PN_Rev_SupplierName", where the PN, Rev and SupplierName are filled in appropriately.

3. SUPPLIER RESPONSIBILITIES

3.1 The supplier quality system to include:

- 1) Documentation of Conformance to requirements including purchase order requirements.
- 2) Management of Non-conforming material. The process must include the segregation and formal disposition of discrepant of material.
- 3) Corrective action system to address and confirm the effectiveness of corrective actions, both external and internal.
- 4) Document Revision Control drawings and specifications.
- 5) Records Control and retention.

3.2 The supplier will provide parts that:

- 1) Conform to all dimensions on Velvac drawings and 3-D models and purchase orders.
- 2) Conform to all specifications on Velvac drawings.
- 3) Conform to all requirements, including quality clauses, listed on the purchase order.
- 4) Conform to applicable industry accepted standards for characteristics that are not called out on drawings.

Supplier Quality Manual and other Velvac documents may be found on Velvac's website, www.velvac.com, under 'Library'

For password access and any additional Velvac documents, specs etc., please contact Velvac purchasing agent.

3.3 Supplier Requirements include:

- 1) Adherence to Velvac's Code of Conduct.
- 2) Must provide inspection results for all dimensions on the Velvac drawing upon request.
- 3) Must provide certificates for all specifications on the Velvac drawing upon request.

- 4) Must meet Velvac requirements for EDI. Selected suppliers will be required to access a supplier portal to receive POs and send ASNs.
- 5) Must maintain manufacturing capacity based on Velvac material demand requirements including flexibility to meet changing demand requirements (if needed), working with Velvac purchasing.
- 6) Must be responsible to initiate any/all agreements for Material commitment beyond PO stated requirements. Agreements must be written and signed by both parties. Obsolescent material will be responsibility of supplier unless agreed to by Velvac purchasing agent.

7) Packaging and shipments

- a) Package and label all materials according to Velvac specification #EIP00001, unless otherwise indicated.
- b) Include the revision of the part with all references to the part number, i.e., certificates, labels, packing lists,

NOTE: Requests waivers must be documented in writing and written approval given from your Velvac purchasing representative.

8) Tooling

- a) Follow Velvac's Tooling Policy (QS090201)
- b) Follow industry accepted tooling maintenance practices which are detailed in Velvac's Form (QS090202)

3.4 Conflict Mineral Compliance

- 1) Velvac requires that all suppliers are in compliance with the Conflict Minerals Directive:
- 2) Any change in the process or product causing Velvac products, parts or components causing non-compliant must be submitted to your Velvac representative in writing.
- 3) Acknowledgement expressing acceptance to this change has to be received from your Velvac representative prior to shipment of these products, parts or components to Velvac.

3.5 C-TPAT

- 1) Velvac requires that Suppliers are compliant with C-TPAT Certification requirements (where applicable).

4. Engineering Change Notice

4.1 Velvac Proposed Product Changes (ECN)

When Velvac creates a new revision level (the "ECN" change) to a part, component or product, (referred to as an "Engineering Change Notice"), Velvac sourcing or purchasing will communicate the proposed ECN Change to the Supplier. The Supplier needs to respond to Velvac within five (5) working days after receipt of such proposed or mandatory ECN Change with the following information, as applicable:

- 1) Lead time required to implement the ECN Change
- 2) Impact of the ECN Change on product, including, but not limited to, any parts, tooling, and testing
- 3) Impact of the ECN Change on scrap material and work in process
- 4) Any non-recurring engineering ECN Charge to implement such ECN Change
- 5) Impact of the ECN Change on the lead time of the product and inventory (quantity of existing parts) at the Supplier along with the amount or quantify for all open purchase orders and material agreements. Velvac shall not at any time be liable for excess inventory beyond any amounts expressly agreed to in writing by Velvac.
- 6) The Supplier will provide supporting documentation when requested by Velvac.
- 7) Piece part price change, if applicable, to manufacture future production parts to a new revision level
- 8) If existing parts can be reworked by the Supplier, then the Supplier will quote the costs and lead times to rework the obligated inventory.
- 9) Existing inventory at the Supplier premises or location requires formal disposition before the Purchase Planning Task can be closed at Velvac.
- 10) Rework existing inventory at the Supplier to the new revision (Velvac Buyer or will issue rework P.O.).
- 11) Deviation to ship existing Supplier inventory (Velvac will issue a deviation to the Supplier to allow the Supplier to ship current revision inventory)
- 12) Velvac discrete P.O. to ship all existing inventory at the Supplier.

If the Supplier does not respond to Velvac five (5) working days, then the Purchase Planning Task will be closed and considered to be accepted "as is" by the Supplier, assuming there is no inventory or any price impact.

4.2 Supplier Proposed Change Notification (SCN)

- 1) Changes proposed by Supplier, including material, process, or software changes, which may affect form, fit, function, reliability, serviceability, performance, functional interchangeability, safety of a Product must be submitted along with a written change notice, for Velvac prior written approval. This may include, but is not limited to, changes

in sources of material and parts, product discontinuation, changes in manufacturing processes, test procedures, manufacturing locations, relocation or replacement of equipment and any similar changes that are anticipated by sub-suppliers. Products affected by such any changes will not be delivered to Velvac until Supplier has received written approval for the changes from Velvac.

- 2) Supply Chain Management Coding Task (or equivalent). At this stage, the part, component or product print has been updated in Velvac's system. Velvac Purchasing will send this new revision production print to the Supplier. The Supplier needs to respond to the Velvac Buyer within five (5) business days to confirm the receipt of the new revision print, and that all future shipments will be compliant to the new revision (unless Supplier has an Velvac deviation to ship the old revision which shall also be communicated to Velvac within the same time frame as indicated above).

5. LETTER OF ACCEPTANCE

A copy of signed "Letter of Acceptance for Velvac's Supplier Quality Manual" must be sent to and be on file with Velvac. The letter is the last page of this manual.

Velvac Inc.
2405 South 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 Authorized Signatory

Supplier Legal Name and Location

Name (Print) _____

Title _____

Signature _____

Date signed _____

Please email the signature page to your Velvac representative.