

**Western
Diversified
Plastics, LLC.**

**Supplier
Manual**

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1. INTRODUCTION

This manual was developed to communicate the WDP Supplier requirements to all external suppliers and provide a common process that includes but not limited to all phases of APQP, Launch and Supplier Quality.

*Please sign and scan Pg. #3 and send to
(adam.timm@westerndp.com)*

MANUAL REVIEW AND APPROVAL:

SUPPLIER NAME: _____

SUPPLIER REPRESENTATIVE: _____

DATE: _____

WDP REPRESENTATIVE: _____

DATE: _____

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2. WDP SUPPLIER POLICY

To maintain a beneficial relationship with a supplier, WDP will provide prompt and specific feedback when purchased components do not meet specifications.

WDP's suppliers will supply zero non-conformances for all components with 100% on-time delivery performance. These performances are monitored and will be a significant part of WDP's supplier sourcing initiatives. Our first objective is to develop a long term relationship with our suppliers who are committed to improving quality and delivery.

When selecting a supplier WDP will screen a potential supplier based on several factors, the most important considerations are:

- Delivery performance
- Quality performance
- Registration to industry standard quality systems (i.e., IATF16949, ISO9001, etc.)
- Cost Competiveness
- Supplier Capabilities

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3. SCOPE

This manual applies to all WDP approved production part and material suppliers globally. For purposes of this manual, “WDP” refers to Western Diversified Plastics, LLC and all its affiliates and subsidiaries, who may issue purchase orders to suppliers.

Compliance to the requirements within this manual as well as the WDP Purchase Order Terms and Conditions are mandatory.

4. LAUNCH READINESS MEASURES

All approved external production suppliers involved in pre-production and new product launches are required to formulate advance quality plans to support the development of new product and/or services, in accordance with the guidelines in the *Advanced Product Quality Planning (APQP)* manual published by the Automotive Industry Action Group (AIAG).

New product/process launch, tool kickoff approval and readiness measures are implemented to ensure that suppliers are able to produce in accordance with all the requirements of the Purchase Order, Supplier Agreement (if applicable) and Customer Requirements.

4.1. Supplier Risk Assessment

Procurement, Quality and Program Management conduct Supplier Risk Assessments to determine those suppliers whose products are identified as “High-Risk” suppliers and will be tracked by WDP.

Criteria include, but are not limited to:

- Product/Process Complexity
- Product Specifications
- Past Product/Process concerns
- New product complexity for WDP
- Product environmental impact
- Supplier launch history
- New supplier production location
- Supplier financial concerns
- New supplier

4.2. Supplier Document/Reporting

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Proper documentation reporting is important to the overall success of not only your quality efforts but also ours. Please refer to PPAP 4th edition for a list of documentation required. Specific requirements will be conveyed on a case-by-case basis. If, for any reason, WDP does not receive the required documentation from you within the guidelines set below, WDP may reject shipments and return product at your expense.

These document-reporting requirements are standard policy at zero cost to WDP unless otherwise amended in writing by WDP Lead Purchaser. Please send the appropriate PPAP documents electronically to the PPAP coordinator listed on the project contact list.

4.3. Launch Support

During any program launch at a WDP facility, selected suppliers may be required to provide on-site representation. The supplier's launch support representative(s) must be knowledgeable, capable and empowered to make decisions. Coverage must be provided for all shifts.

Suppliers will be selected based on past quality performance and/or complexity of components or assemblies being supplied. The WDP Sales Engineers or Project Managers will identify suppliers.

Any component or assembly that is identified as a safety or critical item or contains any special record retention requirements must have additional inspection implemented prior to WDP receiving the component or assembly for launch.

Suppliers may be required to attend key build events prior to production launch. The WDP Lead Purchaser will identify suppliers.

4.4. Production Part Approval

Suppliers are not authorized to begin production or ship material to WDP prior to obtaining full approval from the WDP receiving facility per the requirements of the 4th edition AIAG Production Part Approval Process (PPAP) manual. Any deviation to this requirement must be approved in advance and agreed by WDP in writing.

5. PRODUCTION PHASE/MANUFACTURING

5.1. Part Certification Requirements

The Production Part Approval Process (PPAP) defines generic requirements for production part approval, including production of discrete parts and materials in bulk. The purpose of a PPAP is to determine if all WDP engineering design record and specification requirements are properly understood and implemented by the

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supplier and that the process has the potential to produce product consistently meeting those requirements during an actual production run at the quoted production rate.

The WDP blanket purchase order will include a line item that specifies if Production Part Approval Process (PPAP) requirements apply. If the PPAP requirements cannot be met for an interim period, a temporary deviation must be submitted and approved prior to parts being shipped. A PPAP submission shall be completed for all new products (new part numbers, new suppliers, revision changes, etc.)

5.2. Product Part Approval Process

WDP requires all suppliers to meet the specific component PPAP requirements prior to the first normal production shipment to any of our locations and after implementing any changes to the part affecting the original approved PPAP.

All PPAP submissions need to be per AIAG PPAP 4th edition manual and PPAP Level 3 is the default level for new PPAP's. Suppliers must be proactive on sending the PPAP documentation. All PPAP documents must be sent electronically for the following reasons:

- Initial submission
- Engineering Changes
- Tooling: Transfer, Replacement, Refurbishment
- Correction or Discrepancy
- Change to optional construction or material.
- Change in part processing
- Parts produced at an additional location

The WDP Quality Engineer specifies the submission levels at the time the information is requested and they may be as follows:

- Level 3: This level is required for all WDP designed components, some specific components if required by our customer, when there is a component change to fit, form, function or type of material and when we start receiving parts from new suppliers locations. The supplier shall submit all defined documents to a level 3 per table 4.2 in AIAG PPAP Manual 4th edition.

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- Level 4: This level is required per our customer requirements and the supplier shall submit at the very least PSW, dimensional results, material certification, numbered drawings or specifications and IMDS #. Supplier will be informed if additional documents are needed.

5.3. Once the PPAP documentation is received, reviewed and approved, the PPAP approver will send a copy of the PSW with his/her signature and date of approval back to the supplier. This indicates that the part meets all customer requirements, and the supplier can start shipping the part.

5.3.1. PPAP submissions over 1 year old

To comply with TS 16949, suppliers shall submit an annual certification for parts including the following: PSW, dimensional results and material certification, these documents must not be older that one year.

5.4. Suppler Change Request Process

No supplier-driven change (material, process or move of production location) must be made to any product supplied to WDP without prior approval from WDP. Consistent with AIAG PPAP 4th edition, all products supplied to any location of WDP are subject to obtaining the proper approval from WDP in advance. Supplier changes can include, but are not limited to the following:

- Changing design/specification of material
- Changing dimensions, tolerances or discontinuation of parts
- Changing sub-suppliers or raw materials or services
- Equipment/process changes to improve yields, capacities, and cycle times or part fabrication

5.5. The initial supplier change request must be made in writing to the WDP Lead Purchaser and Quality Director. Change requests must be submitted with sufficient time prior to implementation so WDP can review and approve the request. Suppliers will receive email notifications with the approval status. Once the approval is granted, a copy of the approval email shall be included with the PPAP submission.

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All change requests must be submitted to the Lead Purchaser and Quality Engineering Manager:

Email:

adam.timm@westerndp.com - Lead Purchaser

richard.schau@westerndp.com – Quality Engineering Manager

Please contact the WDP Lead Purchaser in the event of any questions. Through proper communication and cooperation prior to implementation of changes, we can help to ensure a flawless launch.

6. QUALITY DISCREPANCY REPORT

When a discrepancy is found in a component shipment and/or at the production lines, a reject is issued and sent to the supplier via email along with documented evidence of the defect and production traceability if available.

Containment actions are required from the supplier with one (1) calendar day (Initial Response) after the reject was reported. The supplier will have fourteen (14) calendar days to provide a full investigation report (Final Response) identifying the root cause and a solution for the problem in an 8D format. The supplier may use an 8D format that they are comfortable with to determine root cause and corrective action.

7. CONTROLLED SHIPPING STATUS

If required, WDP may formally place a supplier on Controlled Shipping. The intent of Controlled Shipping is to implement a rigorous process that protects WDP from the receipt of nonconforming parts and/or material. Controlled Shipping is put in place as an additional inspection process to sort for nonconforming material, while implementing root-cause analysis and corrective actions. The Controlled Shipping process is in addition to normal controls.

7.1. Controlled Shipping Containment Process to includes the following:

- A highly visible and equipped containment area
- A well-defined efficient flow of material in and out of the area
- Provisions for repairs/rework separate from the containment area.
- Containment area separated from the supplier’s normal production process.

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- Proper job instructions, quality standards, boundary samples, tools, equipment, and qualified measurement devices to facilitate the containment operations.
- Proper operator training with adequate details of the process

7.2. Determination of the Need for Controlled Shipping

The following are considered in determining the need for Controlled Shipping:

Repeat non-conformances.

Duration and severity of the problem

Incapable processes

Customer quality issues

Inadequate containment and/or resolution of non-conformances

Based on the above, WDP decides whether Level I Controlled Shipping or Level II Controlled Shipping would be appropriate.

7.3. Controlled Shipping Levels

7.3.1. CS1 (Controlled Shipment Level 1):

The supplier is required to perform a 100% certification of all products prior to shipment *through an additional, off-line inspection process. This measure would be in addition to* any existing controls and containment measures previously implemented. This level is imposed on suppliers who have failed to contain or correct quality issues effectively, and immediately. Each container of certified material must be clearly identified with a listing of all conditions for which the material has been certified.

7.3.2. CS2 (Controlled Shipment Level 2):

The supplier is required to subcontract a third party product certification contractor to independently 100% certify all products prior to shipment to WDP. This level is imposed on suppliers who fail to contain or correct quality issues through the Level 1 Containment program.

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7.4. Suppliers required to implement either Level 1 or 2 Containment will be notified by WDP Buyer or Lead Purchaser. These additional containment measures are intended to be interim steps to ensure conforming product is shipped to WDP. Each container of certified material must be clearly identified with a listing of all conditions for which the material has been certified. Permanent Corrective Actions to prevent recurrence are to be implemented in conjunction with these containment programs. Once permanent actions are implemented and verified effective for 30 days, containment may cease with the approval of WDP Buyer or Lead Purchaser.

8. COST RECOVERY

WDP selects our suppliers based on their ability to manufacture and provide components to our specific drawing specifications without visual or functional discrepancies. Suppliers are required to meet delivery and quality targets. Conformance to this requirement is the supplier’s responsibility. Suppliers awarded with WDP business will be held accountable and responsible for all costs incurred due to non-conforming product identified during WDP manufacturing or final customer use of our finished product. For each incident, a debit memo will be issued to the supplier. Debits are issued to the supplier through the WDP Finance Department in cooperation with WDP Purchasing.

Please refer to the guidelines below regarding applicable charge backs to suppliers. The following charges will be calculated on the actual time incurred for the associated action. These charges include, but are not limited to, the following:

8.1. Administrative Charge:

- Each supplier cost recovery that gets processed by WDP will carry a \$200 administrative fee. This charge is to cover the collection of data and documentation in support of cost recovery.

8.2. Freight charges:

- Premium freight costs above standard freight including air charter if required.
- Any other expedited freight incurred.

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8.3. Labor Charges:

- Rework/Repair/Containment – Man hours used for sorting or reworking components/finished goods @\$50.00 USD (US Rate/hr.) to meet production requirements.
- Overtime to avoid production interruption @\$50.00 USD (US Rate/hr.)
- Sorting of suspect material in house, at the customer location or third party
- Receiving inspection, material handling and associated scrap and replacement material

8.4. Downtime Charges:

- Production downtime/Overtime incurred due to supplier quality issues will be charged @\$25.00 USD (US Rate/hr.)
- End customer downtime could vary and will be passed on to the supplier.

8.5. Other Charges:

- Rework or repair materials, tooling, gauges, testing equipment or third party testing.
- Travel expenses for WDP employees required for incident management and resolution.
- Delays in customer PPAP, customer launch or other approvals based upon submissions of the necessary data to WDP in a timely manner.
- Customs charges, duties, taxes, and other fees.
- WDP customer exposure (if any) including recovery costs to vehicle recall, or warranty claims
- Customer charge backs.

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9. SUPPLIER QUALITY RATING SYSTEM

To meet requirements of measuring supplier performance, the WDP supplier rating system will utilize composite measures (such as PPM, Issue Response and PPAP performance) which cover various aspects of the supplier's performance.

It provides a record of the suppliers' quality, delivery, written complaints, and customer satisfaction ratings.

9.1. Parts Per Million

One of the measurements of Quality Performance of suppliers is defective parts per million (PPM). The expectation for supplier performance is 0 PPM. Product received into WDP plants that do not conform to the drawing, specifications and/or agreed upon standards will be counted against a suppliers PPM record. Quantities will be reported in the units of measure in which they are purchased.

The following are PPM assignable:

- Production parts which do not meet drawing specifications or dimensional, functional, or appearance standards as called out in the specification or from an agreed upon boundary sample
- Out-of-spec parts that require rework/repair in order to be used
- Shipments that are received with mixed parts or parts that are wrong revision level after the break point has been established. PPM is assigned for the quantity of incorrect parts only.
- Shipments that are received as mislabeled containers are considered PPM assignable. The reject quantity shall reflect the total number of containers with the incorrect labels. In cases where each individual part requires identification, the total number of incorrectly labeled parts will be counted toward PPM. If mislabeled products are used incorrectly in production operations, the total number of incorrect assemblies will be counted against the suppliers reject quantity.

9.2. Escalation Process

For suppliers with chronic or repetitive quality issues, Western Diversified Plastics (WDP) reserves the right to impose additional containment measures (at supplier expense) to ensure conforming product is received at WDP plants.

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9.3. Supplier Expectations

- ❖ **QUALITY - Quality PPM less than or equal to 10 PPM**
- ❖ **DELIVERY - 100% On-time Delivery**
- ❖ **PPAP - 100% PPAP submissions on time**
- ❖ **CA - Initial Responses within 48 hours**
- ❖ **RESPONSIVENESS - Requested responses within 24 hours**
- ❖ **CERTIFICATION – Supplier needs to be Certified to ISO 9001 and Compliant to IATF 16949**

9.4. Supplier Monitoring / Evaluations

9.4.1. Suppliers will be monitored By the Purchasing department per the IATF 16949 section 8.4.2.4 Supplier Monitoring at a minimum:

- Delivered product conformity.
- Customer Disruptions including yard holds and stop shipments.
- Delivery schedule performance
- Number of occurrences of premium freight
- Supplier responsiveness to requests.
- Warranty issues.

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