



## Supplier Quality Manual, issue 6

### Preface

This manual has been created to assist our suppliers in understanding the purchasing expectations and quality requirements for products supplied to Marcus Komponenter AB (further called MKAB).

The manual is also a tool to assist MKAB in complying with ISO/TS 16949:2009 and to develop our suppliers. In order for MKAB to maintain compliance to the ISO/TS 16949:2009 requirements, suppliers to MKAB must achieve certification by an accredited certification body to a current version of the ISO 9001:2008 Quality Management System, or be able to demonstrate assessment by an OEM or by a system audit made by MKAB. When circumstances dictate the requirements of this manual may be modified to comply with the requirements for the supply of aviation products. Additionally suppliers of non-automotive parts and products may be excused from the ISO 9001:2008 accreditation requirement. Through implementation and adherence to the standards stated herein, MKAB looks forward to a long and mutually beneficial relationship with our suppliers.



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## 1 Introduction

### 1.1 Scope

This manual has been developed to communicate the operating principles, general expectations, requirements, and procedures of MKAB. Adherence to the guidelines described in this manual is required by all MKAB suppliers.

Acceptance of any and/or all purchase orders constitutes acceptance and commitment on behalf of the recipient to comply with this manual's content. This manual are provided as a supplement to, and do not replace or alter, any purchase agreement the general purchase conditions or requirements included in applicable engineering drawings, specifications and other contractual documents. This manual describes the minimum requirements for which the supplier has responsibility. However, system improvements that exceed the requirements specified within this manual are always encouraged.

### 1.2 Purpose

MKABs quality policy states, "Inspection of products supplied by MKAB is not necessary." In order for this objective to be achieved, it is necessary that all functions within MKAB and their business associates operate on the "Zero Defects" philosophy. We must both strive for a fundamental quality system that provides for continuous improvement in the quality of product, delivery and services. Emphasis should be on defect prevention and the reduction of variation and waste in the supply chain.

### 1.3 Application

The expectations and requirements described in this manual apply to all suppliers of serial production products. Suppliers must meet all applicable requirements specified herein.

### 1.4 Implementation

Suppliers are responsible for the development, documentation, implementation, and maintenance of a quality system that complies with the ISO 9001. Suppliers are encouraged to become certified to the quality management system standard ISO/TS 16949, and the environmental management system ISO 14001. When circumstances dictate the requirements of this manual may be modified to comply with the requirements for the supply of aviation products. Additionally suppliers of non-automotive parts and products may be excused from the ISO 9001 accreditation requirement.

## 2 : MKAB Expectations

### 2.1 Engineering / Technical Support

MKAB is dedicated to the manufacture of highest quality products. In order for this objective to be achieved, all suppliers should offer engineering and technical support to MKAB when said support is requested.

### 2.2 Manufacture Capability / Capacity / Location

Suppliers are expected to have the resources necessary (property, facilities, equipment, and materials) to supply the products required to accommodate MKAB's production schedule. This is a requirement to be able to be a preferred supplier to MKAB.

### 2.3 Consistent Quality

Zero-defect products are required from suppliers to MKAB. Any deviation from this will result in rejection and return of the product to the supplier with subsequent charges attached. This is according to the general automotive industry standard. Payment by MKAB shall not constitute acceptance. Even after acceptance of a shipment, MKAB reserves the right to return any material that proves to be defective for full credit. Defective material shall be returned at the supplier's expense and account debited accordingly. Additional charges for sorting, administrative fees and other related costs (extra transport, end customer charges, etc) will also be added.

## 2.4 On Time Delivery

MKAB requires all suppliers to provide 100% on time delivery performance with the correct quantity and pricing agreed upon. Monitoring of performance levels in this area will be ongoing with formal reporting on a monthly basis. To further clarify this, we consider unauthorized early or late deliveries and partial or over shipments to be unacceptable. The quantity shipped per order or release cannot vary from specified quantity without consent of the planner who is responsible at the receiving plant.

If a production line is shut down due to poor quality, late delivery, or incorrect quantity on any shipment, the supplier will be responsible for all costs incurred including expediting shipments or charges from MKAB customers.

## 2.5 Cooperative Management Attitude

MKAB expects our supplier's top management to share our commitment to meet or exceed customer's quality expectations through continuous improvements. It is also expected that they will give their full support to the relationship that exists between our companies and demonstrate flexibility in assisting MKAB in meeting all of our customer's requirements. The Supplier is required to maintain a MKAB plant contact, which can be readily available to assist in solving problems relating to quality, delivery and other issues. Focus should be on continuous improvements.

## 2.6 Rights of Verification of Products/Processes

MKAB reserves the right to verify the products on the supplier's premises by their representatives and our customer and/or their representative. This can be done by different kinds of audits and the supplier will be notified in a timely fashion.

# 3 : Supplier Selection and Performance

## 3.1 Supplier Assessment and Selection

MKAB supply base will consist of organizations supportive of our business needs. MKAB utilizes controlled methods through which suppliers are evaluated, selected, developed and monitored. Criteria for assessment and selection of suppliers for placement on MKAB's approved supplier list is based on the supplier's abilities to meet our specific supplier requirements.

## 3.2 Quality and logistic performance

Zero-Defect strategy and agreement concerning PPM

MKAB expects its suppliers to incorporate the zero-defect-strategy in all aspects of production and delivery and take all necessary actions to achieve the Zero-Defect target. Besides that parties may agree upon special quantities of defect parts per million (PPM-agreement).

MKAB on a half-year-base is monitoring quality and delivery performance of its suppliers:

1. Delivery precision (may not go beyond 95%)
2. Number of deviation reports
3. Failure PPM (0 defects, unless special PPM level agreement for individual parts has been met)
4. Number of premium (extraordinary) freights.

Supplier performance shall be communicated with the suppliers at least twice a year. We expect written reply/action plan within two weeks when it's required.

## 3.3 Supplier Monitoring

All vendor claims on suppliers will be reported into the MKAB system. On a quarter base the purchasing department will present internal reports based on this data (e.g. PPM and number of claims) and follow up the suppliers that can not meet our requirements. On a regular basis MKAB will call these suppliers for meetings and will expect that the top management is involved and can show us their action plans to solve

the problem. New Business Hold status will be raised based on the supplier's performance and their ability to solve the problems.

## 4 : Quality Requirements

### 4.1 Quality Management System

Our suppliers are required to be certified to the quality management system ISO 9001 by an accredited 3rd party registration body. Suppliers are however encouraged to register to the automotive quality management system ISO/TS16949. Supplier quality systems shall be formally documented, implemented and maintained to ensure that supplier's products conform to the identified purchase specifications, engineering or material specifications and/or contract requirements. The system should be defined and documented in the supplier's own Quality Manual. This manual should be made available to MKAB for review upon request.

### 4.2 Product Quality

Suppliers are fully responsible for the quality of their products including their sub-suppliers. Both are responsible for providing products that meet all MKAB requirements, specifications, and drawings as identified on the purchase order and that the products are free from defects as warranted in MKAB general purchasing conditions. Zero-defect products are expected from all suppliers.

### 4.3 Quality Planning (QAP/APQP)

All suppliers are required to complete a QAP/APQP on all projects (new or changed parts) according to the provided time schedule, and report on the activity as requested. Any change in the time schedule needs to be approved by MKAB. The QAP will be followed up by the responsible Supplier Quality Development Engineer.

### 4.4 Handling of Non PPAP Approved Parts

If requested, for all deliveries of prototype, first off tool and pre series components, the supplier must provide an inspection report detailing for:

- Five parts per batch – full 100% control on all characteristics (must be separately identified).
- The remaining parts – inspection of all key characteristics defined on the drawing, specification or as detailed in the QAP/APQP process.

### 4.5 Production Part Approval Process (PPAP)

The PPAP with all requested documentation and samples according to the QAP/APQP shall be available or submitted on the agreed date. This documentation shall show that all requirements specified in our drawings and specifications are fulfilled. The supplier can apply for an Interim approval if the part or documentation cannot conform to all specified requirements. The supplier must apply for this as soon as they see that they cannot present a complete PPAP on the agreed date. The Interim approval shall specify what requirement that the supplier cannot fulfil and an action plan showing how and when the part or documentation will be according to specification. An interim approval is always restricted for a limited number of parts or time period.

MKAB reserves the right to inspect these samples for conformance and will return a signed Warrant indicating whether it is approved to produce parts for serial production purposes. This report will be submitted to the Supplier. Shipping of serial production material is only allowed with an approved PSW (Part submission Warrant) by MKAB.

### 4.6 Serial Production Ramp up Inspection

At the Start Of Production (SOP) the Supplier is required to implement a reinforced inspection for an agreed period of time, produced number of parts or until all requirements regarding capability studies are fulfilled. This reinforced inspection plan must contain all key characteristics defined on the drawing as a minimum requirement and will require submission and approval by the receiving MKAB plant before the SOP. It must be submitted during the QAP/APQP process and is a part of the PPAP submission. The reinforced inspection plan will be subject to the following rules:

- 100% inspection of all key characteristics based on the MKAB requirements and/or non-conforming capability results.
- The production control plan frequency shall be doubled for all other characteristics.
- For appearance items 100% inspection shall be based on the approved boundary and master samples.

#### 4.7 Annual PPAP Re-Validations

Whenever MKAB is required to submit PPAP to their customers, all supplier PPAP documentation must not be more than one year old. At the time, all PPAP's over one year old is to be updated upon request by MKAB.

#### 4.8 Continuous Improvements and Statistical Process Control (SPC)

Continuous improvements in the quality of products and/or processes are important to be a preferred supplier to MKAB. The supplier should maintain documented evidence of continuous improvement for review upon request by MKAB's representative. One portion of any continuous improvement program should be the proper use of statistical methodologies. Statistical data shall be provided as required from MKAB representative, as identified by the respective engineering drawing, applicable specifications or standards, and/or the purchase order.

Critical characteristics:

Designated critical characteristics shall be subject to continuous ongoing Statistical Process Control. Other characteristics may be called out for initial or continues ongoing SPC control. Customers generally select special characteristics (dimensions) impacted by safety standards and/or critical to fit or function. Those are identified by symbols.

Capability studies and Statistical Process Control shall be performed in accordance with the rules defined in the latest edition of the AIAG PPAP and SPC manuals. Initial Capability: Products are taken from pre production at the manufacturing location(s) and analyzed statistically. Parts from each unique production process e.g. duplicate assembly line and/or work cell, each position of a multiple cavity die, mold or pattern, shall be measured and representative parts tested. MKAB requirement on initial capability studies are Min 1,67 Ppk. A Pp of minimum 2,0 can also be required. For non critical dimensions a minimum Ppk of 1,33 might be required. On-going Control: For critical or agreed characteristics where the process can be adjusted during the production run, SPC will be used to control the process output. If nothing else is agreed the MKAB requirement on serial production capability are Min 1,33 Cpk.

In the event of non compliance with the capability requirements, the supplier is required to perform 100% sorting (visual sorting is not accepted) and/or to implement a mechanical poka-yoke on the corresponding characteristics until the agreed action plan is completed and the capability results fully comply with the requirements. These actions (100% sorting or addition of mechanical poka-yoke) will have to be fully documented in the Control Plan and the process FMEA.

#### 4.9 Process Records

Process records shall be maintained and be available for MKAB upon request. All records shall be retained for a time period of minimum 3 years after production end or for an agreed period of time.

As a minimum, during the production, the supplier shall maintain:

- Process change record
- Ongoing quality control records
- Production record

#### 4.10 Non Conforming Product Control

If a supplier's parts are found to be defective the supplier will be notified by MKAB personnel to provide immediate containment and support to resolve the problem using the 8D format.

A most serious concern is when a supplier product/process shuts down a MKAB production line making delivery to a MKAB customer late. Any condition causing line shutdown and late shipment warrants the supplier's immediate action to eliminate the condition. The supplier is responsible to address containment of the problem at their facility, and with regard to parts in transit and parts in MKAB stock and at MKAB end customer(s). If requested by MKAB a supplier or a supplier hired third party company (can be directed by

MKAB) may send in a team to sort parts in house at the supplier expense. If MKAB must sort supplier parts in order to keep production supplied with defect free components, the supplier will be charged for the sorting cost. This charge may be applied to both components and finished assemblies in which the components are used. If a supplier defect causes MKAB's finished product to be reworked or scrapped, all charges incurred will be the responsibility of the supplier. All other related costs will be charged to the supplier including eventual costs from MKAB customer.

If a supplier can not implement a permanent corrective action to supply zero defects to MKAB and problems continue, MKAB will implement QIP level 2 (Quality Improvement Plan). This is a containment process that will be implemented until the supplier has shown their ability to ship defect-free material on a continuous basis.

A MKAB representative will follow up the containment actions.

If another defect is discovered within this containment period, QIP-level 3 (New Business on Hold) will be implemented at the Supplier expense. The QIP process is not designed to penalize our supplier, but the purpose is to prevent any non conforming part to be delivered to MKAB and to assist our supplier's efforts to achieve the 0-defect quality level.

If a supplier detects non conforming product prior to shipment to MKAB, the supplier must immediately determine the extent of the problem and take action to correct the problem. If suspect material has been shipped, the supplier must notify all user plants and implement all necessary actions to prevent the material to be used in MKAB production.

Any rework or repairs to suspect material must be conducted in a controlled manner that assures that the reworked or repaired product meets MKAB specifications. Written instructions should detail the rework or repair, the re-inspection of reworked product and the return of this product to normal production flow.

A formal deviation request from the supplier must be sent to MKAB, and an approval must be received from the user plant before any reworked material is shipped to MKAB.

A copy of the vendor complaint will be distributed to the supplier when defective material has been found, initial response with initial containment must be completed and returned latest within 24 hours, long-term actions must be defined and reported within 7 calendar days unless otherwise agreed. The supplier is expected to implement all necessary actions to close the 8D within 30 calendar days unless otherwise agreed. The supplier will be notified if any aspect of the 8D report is not acceptable and will be required to resubmit the updated report in a timely fashion.

A vendor complaint may also be issued for other reasons. Some examples include, but not limited to;

1. Repeated early or late delivery, or late delivery without prior notification.
2. Repeated over/under shipments.
3. Incorrect items sent.
4. Inadequate or incorrect containers/packaging received without authorization from MKAB.
5. Lack of shipping and/or certification paperwork.
6. Lack of timely response to vendor complaints.

#### 4.11 Supplier Request for Change Approval

No changes on the product, process or sub-supplier is allowed without written MKAB approval. The supplier must send a notification specifying the change to MKAB. MKAB will then investigate the possibility to implement the change and inform the supplier when a decision has been taken. A re-validation of the part and process will be requested if the change is accepted. Notification and request has to comply with the latest edition of AIAG PPAP manual or VDA 2 as agreed upon.

#### 4.12 Packaging and Shipping Requirements

The supplier shall package, label and ship products according to the agreed packaging instruction and shipping agreement.

#### 4.13 IMDS Report (International Material Data System)

All components, semi-components and materials delivered to MKAB which will finally be mounted in personal cars weighing less than 3500 kg must be entered into the IMDS system. This will be requested in the QAP. The IMDS report must be accepted before the PPAP can be approved. EU directive 2000/53/CE dated 27 June 2002.

#### 4.14 Special Processes

When required in QAP/APQP plan suppliers shall comply of the following AIAG standards:  
CQI 9 Special process heat treat system process  
CQI 11 Special process plaiting system assessment  
CQI 12 Special process Paint process assessment

#### 4.15 REACH report

When required in QAP/APQP plan suppliers shall comply of the following REACH requirement EC 1907/2006. One of the requirements of REACH is that manufacturers and importers have a duty to register, for each legal entity, substances on their own, or in preparations that they produce or import in quantities over 1 tonne per year (per manufacturer/ importer), unless the substance is exempt from registration. Registration requirements also apply to substance(s) intentionally released from articles under certain conditions, in which case the article producer/importer is responsible for the registration.

#### 4.16 Material Safety Data Sheet

A material safety data sheet in accordance with EU guideline must be sent and approved by the receiving plant before delivery, of any chemicals used in production processes, is allowed.

#### 4.17 Radioactive materials; primary material (bar steel or wire road)

In addition to the regulations in the GADSL, the total gamma activity may not exceed the upper limit of 0,1 Bq/g. Surface contamination on the exterior surfaces of objects and packaging should be as minimal as possible and may not exceed 4 Bq/cm<sup>2</sup> for beta and gamma radiation. Areas of 300 cm<sup>2</sup> may be used for measurements. It is not necessary to differentiate between permanent and removable contamination. In addition, the local gamma dose rate on the surface of packing, containers and equipment may only exceed the natural radiation exposure by a maximum of 0,1/h. Equipment may only exceed the natural radiation exposure by a maximum of 0,1h.

#### 4.18 Product Traceability

All Suppliers to MKAB must have an identification system that distinguishes one lot/batch/part from another when shipping finished product.

Each lot/batch/part of material should be clearly identified on the product (where applicable) according to the part drawing or agreement if not specified on the drawing, and on the product packaging. The traceability system must comply with the FIFO (First In – First Out) principles for incoming and outgoing material.

#### 4.18 Code of Conduct / Corporate Social Responsibility

Good ethics and business acumen coupled with loyalty and trust are important fundamental concepts for MKAB. We want these qualities to characterize MKAB's corporate culture and the way we treat personnel, shareholders, customers, suppliers and other stakeholders. MKAB shall only work with suppliers sharing these core values and we encourage our suppliers in spreading these values to their sub-tier suppliers.

MKAB's suppliers shall have a Code of Conduct (or similar) that meets the ten principles of the UN Global Compact and thus covering the four areas of:

**HUMAN RIGHTS** – respecting and supporting human rights remains one of the most challenging areas of corporate sustainability.

**LABOUR** – Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

**ENVIRONMENTAL** – businesses should support a precautionary approach to environmental challenges and, *preferably, being certified acc. to environmental management system ISO 14001*.

**ANTI-CORRUPTION** – corruption is a major hindrance to sustainable development, with a disproportionate impact on poor communities and is corrosive on the very fabric of society.

<http://www.unglobalcompact.org>