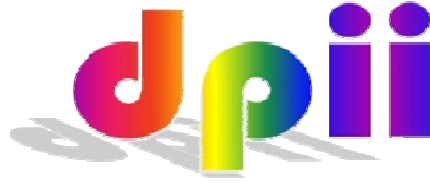


# Supplier Quality Manual



## Decorative Paint Incorporated

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## Decorative Paint, Incorporated Quality Policy

*Decorative Paint, Incorporated is committed to.....Providing our Employees with an atmosphere that encourages teamwork and trust. This atmosphere will be the foundation on which we will deliver products, systems, and services that meet or exceed our customers' expectations. We are committed to delivering the highest quality products to our customers through continuous improvement activities and effective team problem solving techniques. This commitment to quality will result in financial stability and improved Employee morale, while also providing greater value to our customers and greater returns for all our stakeholders.*

### 2.0 SUPPLIER ASSESSMENTS

#### 2.1 Supplier Requirements

- 2.1.1 Decorative Paint, Incorporated Purchasing and Quality are responsible for evaluating and selecting suppliers that will be used to supply product and services. Before approving a supplier, or ordering products or services, the supplier is evaluated on their ability to meet subcontract and quality requirements.
- 2.1.2 Decorative Paint, Incorporated and its customers reserve the right to verify that purchased product conforms to specified requirements at the supplier's facilities. Such verification will not be used by Decorative Paint, Incorporated as evidence of effective control by the supplier.
- 2.1.3 Suppliers shall ensure that all purchased materials used in part manufacture satisfy current governmental, regulatory and safety constraints on restricted, toxic and hazardous materials, (refer to Section 3.4.5 for more information on restricted & reportable substances) as well as environmental, electrical and electromagnetic considerations applicable to the country of manufacture and sale.
- 2.1.4 Suppliers must maintain quality, delivery, and any other performance levels to maintain approved or preferred status.
- 2.1.5 Suppliers must permanently mark all Decorative Paint, Incorporated owned or Decorative Paint, Incorporated customer owned tooling with Decorative Paint, Incorporated Tool Number and Decorative Paint, Incorporated Part Number. Digital photos of the completed tooling showing these markings should be submitted to the Decorative Paint, Incorporated Purchasing Agent.

#### 2.2 Supplier Assessments

##### 2.2.1 Supplier Self-Assessment

Quality Critical suppliers are required to complete a Supplier Assessment. Decorative Paint, Incorporated shall evaluate the supplier's response and determine if an on-site audit is warranted.

##### 2.2.2 On-Site Audit

An on-site audit may be necessary to fully evaluate supplier's capabilities. Circumstances that may prompt an on-site audit include:

**2.2.2.1** A new supplier of key components or materials.

**2.2.2.2** A new supplier with incomplete or inadequate responses on the “Supplier Quality Survey”.

**2.2.2.3** An existing supplier with poor performance.

**2.2.2.4** An existing supplier being asked to quote more complex product.

### 2.3 Supplier Status

After the assessment has been completed, Decorative Paint, Incorporated Purchasing and Quality shall designate the supplier’s status as approved or probationary. Status is defined as follows:

**2.3.1** Approved Supplier A supplier who has met minimum qualification criteria and has been approved to supply a required item. Decorative Paint, Incorporated inspection and/or testing may be required prior to use.

**2.3.2** Probationary Supplier An approved supplier who has demonstrated less than adequate quality, delivery or cost performance. A Probationary Supplier may not be given the opportunity to quote new business. Also, the supplier may be required to present corrective actions taken and/or propose an improvement plan for those areas where performance is less than adequate. Probationary suppliers may require increased audit and/or inspection frequencies.

## 3.0 PRODUCTION PART APPROVAL PROCESS

### 3.1 General Requirements for PPAP

**3.1.1** The purpose of a PPAP (Production Part Approval Process) submission is to ensure that all part requirements are understood by the supplier and that the supplier’s process has the potential to produce compliant product consistently. All suppliers are responsible for preparing and submitting a PPAP package to Decorative Paint, Incorporated prior to shipping production-intent product.

**3.1.2** Suppliers are also responsible for implementing and managing a sub-supplier part approval process that is recognized by Decorative Paint, Incorporated Please refer to the AIAG (Automotive Industry Action Group) PPAP reference manual for suggested methods to use.

### 3.2 When PPAP Submission is required

A PPAP submission **SHALL BE** required for the following circumstances:

**3.2.1** Initial production of a new or revised component and/or material.

**3.2.2** Correction of any discrepancy on a previous submission (resubmission of an Interim or rejected PPAP)

**3.2.3** Any change in process, tooling or engineering design that may affect form, fit or function of the product (resulting in change to process control plan).

- 3.2.4 Any change in the supplier manufacturing location or movement of any or all of the production processes used to manufacture the component.
- 3.2.5 Any change in sub-supplier (new sub-supplier).
- 3.2.6 Any change in the sub-suppliers process, tooling or engineering design that may affect form, fit or function of the suppliers' product.
- 3.2.7 Any change in the status of a component and/or material from inactive to active of the inactive period was longer than 12 months.

### 3.3 When PPAP Submission if NOT Required

A PPAP submission **IS NOT** required for the following circumstances:

- 3.3.1 Any changes to component-level drawings, manufactured internally or manufactured by sub-suppliers, that do not impact the product supplied to Decorative Paint, Incorporated.
- 3.3.2 Tool movement within the same facility (used in equivalent equipment, no change in process flow, no disassembly of tool) or equipment movement within the same facility (same equipment, no change in process flow).
- 3.3.3 Identical gage replacement (calibration and/or maintenance issues).
- 3.3.4 Any changes in process resulting in lower RPN's (Risk Priority Numbers) on the suppliers PFMEA (Process Failure Mode & Effects Analysis) that do not alter the process flow.

### 3.4 PPAP Submission Requirements

- 3.4.1 Purchasing shall notify Quality when a new/revised product is being ordered and also provide the Decorative Paint, Incorporated customer name, supplier name, part number, and Project Engineer name. Quality shall document specific requirements for PPAP for each part on a PPAP checklist, and Purchasing will send it to the supplier. A new checklist shall be documented and forwarded to the supplier for all new/revised products that require a PPAP submission. The supplier must assemble all items on the checklist and submit the PPAP package to Decorative Paint, Incorporated for evaluation. All data contained within the PPAP package must show evidence of being in full compliance with all specification.

#### 3.4.2 Dimensional Layout Data

The supplier is responsible for conducting and reporting a dimensional layout of all representative cavities of a component as part of the PPAP package, when applicable. Unless otherwise noted on the PPAP checklist, only one part per cavity needs to be measured. The supplier must submit actual layout parts and a copy of the print with ballooned dimensions linked to the dimensional layout results on the report. When multiple revision levels are started on a single part drawing (for example, when a Decorative Paint, Incorporated drawing is placed

inside of a customer's standard drawing border) the revision level in the outermost border shall be used and recorded on all applicable APQP/PPAP documentation.

**3.4.2.1** For those characteristics identified as critical or significant, the supplier is responsible for conducting a capability study on no less than 100 parts (unless otherwise noted on the PPAP checklist). Critical or significant characteristics require a Gage Repeatability and Reproducibility (GR&R) study for any tools or equipment used to measure the critical or significant characteristics. A gage is acceptable if total variation present in the measurement system is less than 10%. A gage may be acceptable if variation is between 10-30% (depends on the characteristic) but corrective action plan should be initiated to reduce variation present, unless waived by Decorative Paint, Incorporated, Inc.'s Quality Manager. The gage is unacceptable if total variation exceeds 30%.

**3.4.2.2** If any dimension does not meet specification, or capability study results are less than the required 1.67Cpk, the supplier must submit a corrective action plan for correcting the discrepancy.

### **3.4.3 Materials and Performance Test Data**

The supplier is responsible for conducting and submitting results of all material and performance testing as specified on the print. If the supplier is not capable of performing all tests, they can contract the service with a qualified source such as the sub-supplier or a third-party laboratory or test facility. The contracted source must be an accredited facility (A2LA, or ISO 17025). The supplier is responsible for maintaining and submitting certification of compliance and updated test results when applicable prior to the expiration date. Material test results and certificates of compliance should be renewed and submitted annually to Decorative Paint, Incorporated.

### **3.4.4 APQP (Advanced Product Quality Planning) Documentation**

The supplier is responsible for creating and submitting APQP documents to Decorative Paint, Incorporated. Advanced Product Quality Planning (APQP) is a structured method of defining and establishing the steps necessary to assure that a product satisfies the customer. The supplier must have a documentation process to ensure all elements of the APQP process are completed properly and on time.

**Elements of the APQP process include the following documents:**

#### **3.4.4.1 PFMEA (Process Failure Mode & Effects Analysis)**

A PFMEA should be conducted during product quality planning and prior to production. It is a disciplined review and analysis of a new and/or revised process and is conducted to anticipate, resolve, or monitor potential process problems for new and/or revised products. A PFMEA is a living document and needs to be reviewed and updated as new failure modes are discovered. A more detailed explanation and examples of forms can be found in the AIAG reference manual "Potential Failure Mode and Effects Analysis".

#### **3.4.4.2 Process Control Plan**

A process control plan is a written description of the system for controlling parts and processes. The process control plan is a living document and must be updated to reflect the addition/deletion of controls based on experience gained by producing parts. A more detailed explanation and examples of forms can be found in the AIAG reference manual. “Advanced Product Quality Planning and Control Plan”.

#### **3.4.4.3 Process Flow Diagram**

A process flow diagram is a schematic representation of the current or proposed process flow. It should be used to analyze sources of variation on machines, materials, methods and manpower from the beginning to the end of a manufacturing or assembly process. The flow diagram helps to analyze the total process rather than individual steps in the process. A more detailed explanation and examples of forms can be found in the AIAG reference manual. “Advanced Product Quality Planning and Control Plan”.

#### **3.4.5 International Material Data System – IMDS**

The International Materials Data System (IMDS) is a database created by the automobile industry to collect and report material composition data for components in a finished vehicle. IMDS enables vehicle manufacturers to meet national and international standards and laws, most notably the European End-of-Life Vehicles Directive.

IMDS collects material data via the internet on Material Data Sheets (MSDs) which are entered by Tier 1 suppliers and released to specific OEM’s. IMDS allow Tier 1 suppliers to receive MSDs from their suppliers, who also provide the data directly through the IMDS, and so on throughout the supply chain.

Decorative Paint, Incorporated requires suppliers to submit IMDS data as part of every PPAP submission unless otherwise noted on the PPAP Checklist. PPAP submissions will not be approved until IMDS data is received and accepted as adequate by Quality.

It is strongly recommended that suppliers access the IMDS data website at [www.mdssystem.com](http://www.mdssystem.com) to learn more about the system, access help files, and to obtain information regarding training in using the system.

#### **3.4.6 Appearance Approval Report**

The supplier must submit a separate Appearance Approval Report (AAR) for each part. The AAR only applies to parts with color, grain, or surface requirements.

#### **3.4.7 PPAP Checklist**

The Supplier PPAP checklist is used by Decorative Paint, Incorporated to communicate submission requirements to suppliers. Suppliers should use this checklist to ensure a complete PPAP package is assembled prior to shipping documentation and parts. The PPAP checklist

MUST BE INCLUDED in the package as well upon receipt. Decorative Paint, Incorporated will evaluate the package and determine if approval can be granted. The PPAP checklist will then be updated with “Full Production Approval”, “Interim Production Approval”, or “Rejected Submission”. A copy of the PPAP checklist with the appropriate approval or rejection signatures will be sent back to the supplier for their records.

#### **3.4.7.1 Full Production Approval Status**

The supplier had been granted full production approval and can begin shipping parts to Decorative Paint, Incorporated.

#### **3.4.7.2 Interim Production Approval Status**

The supplier may be granted an interim approval for the following reasons:

- Incomplete or incorrect PPAP package (missing and/or erroneous documentation).
- Parts do not meet print requirements (dimensional and/or test failures identified and a corrective/preventive action plan documentation).
- Material and/or performance testing not yet completed (long term environmental testing such as salt spray or corrosion testing).

#### **3.4.7.3 Rejected Submission Status**

The PPAP package may be rejected for the following reasons:

- Incorrect documentation does not match Decorative Paint, Incorporated requirements as stated on the PPAP checklist.
- Parts do not meet print specification (dimensional and/or test failures with NO corrective/preventive action documented).
- Material and/or performance test failures.

### **3.5 Shipment of PPAP Package**

The PPAP parts and documentation must be packaged with sufficient care and planning in order to prevent damage to the parts. The package must be clearly identified/labeled as “PPAP Samples and Documentation”.

**3.5.7** The Supplier must make every effort to ship parts and documentation in the same package they arrived in. When this is not feasible, due to the potential for damage to the documentation, the supplier may ship sample parts in a separate container. Parts may also be shipped in a smaller container within a larger shipment of parts. The label or identification should be affixed to the specific container holding the sample parts.

**3.5.8** In all cases, the supplier must ship PPAP sample parts and documentation to the attention of the Decorative Paint, Incorporated Quality Manager.

### **3.6 Shipment of Initial Production**

No shipment of parts will be accepted by Decorative Paint, Incorporated until the PPAP package has been approved. In situations where the initial production order is shipped at the same time as the PPAP



package, the parts shall be placed in a hold location until a decision is made regarding the submission. There may also be occasions where Decorative Paint, Incorporated will order parts for sample purposes. These must be labeled as samples. In all cases, the supplier must label all cartons in the first shipment of new or revised parts with a bright-colored label stating "1<sup>st</sup> Shipment of New Parts" or "1<sup>st</sup> Shipment of Revised Parts"

#### 4.0 Packaging and Labeling Requirements

##### 4.1 General Label Requirements

**4.1.1** All suppliers, unless waived by Decorative Paint, Incorporated, are required to use bar-coded labels when shipping to Decorative Paint, Incorporated. Labels must be attached to the top right corner on the front of the box. Label elements must include: Product Reference, Revision Level, Description, Batch/Lot Number, Manufacture Date, Shelf Life (where applicable), and Quantity and contain the formatting labels as follows:

Item #	Label Element	Data Description
1	DPII PO#	Human readable and barcode with optional "K" data identifier in front of PO #
2	PO Line#	Human readable and barcode without data identifier
3	Decorative Paint, Incorporated Item #	Human readable and barcode with optional "P" data identifier in front of item #. This information shall match the purchase order description and part number
4	Lot # (if applicable)	Human readable and barcode with optional "L" data identifier in front of Lot #
5	Quantity	Human readable and barcode with optional "Q" data identifier in front of quantity
6	REVISION LEVEL	Revision level that matches product (letter, number, etc.) Please reference Section 3.4.2 for more information
7	Other Information	As specified by DPII

**4.1.2** Suppliers must also adhere to the following:

Note#	Details
1	The suggested label stock is 4.0 wide x 6.0 deep or equivalent
2	Barcode symbology must be approved by Decorative Paint, Incorporated Quality Manager
3	Data identifiers are alphanumeric characters that are imbedded in barcodes to identify the type of data contained in the code (e.g. part number vs. lot number vs. quantity). Generally, data identifiers are excluded from the human readable portion of the label. Data identifiers are specific to bar code symbology and/or industry standards (for example, AIAG for the Automotive Industry).
4	AIAG or other format can be used, however, the label element list above in Section 3.7.1 should be considered as minimum requirements in addition to other Decorative Paint, Incorporated label requirements. NOTE: a sample label should be sent to the Decorative Paint, Incorporated Quality Manager for review and approval prior to the first shipment.
5	Packaging Requirements: Parts should be in corrugated containers. Containers should be taped. NO STAPLES ALLOWED. Containers should also protect parts while in transit. Containers must not exceed 35lb. Parts must be packed in a manner as to protect the parts. Packaging must be approved by Decorative Paint, Incorporated.

#### 5.0 Suspect and/or Nonconforming Material

## **5.1 Suspect and/or Nonconforming Material Found at Suppliers Location**

- 5.1.1** The supplier must have a written procedure for handling suspect and/or nonconforming materials found at their location. Immediate containment actions must be implemented to ensure no defective product is shipped to Decorative Paint, Incorporated All lots and/or shipments that may contain defective product must be quarantined until product can be certified as defect-free.
- 5.1.2** The supplier is required to notify Decorative Paint, Incorporated of any shipments in transit that may be affected. Advance notification of suspect and/or defective product will enable Decorative Paint, Incorporated to deny the shipment and this eliminates the need to issue a rejection which would negatively affect the suppliers PPM.
- 5.1.3** The supplier shall be held responsible for all costs incurred in sorting, reworking, or other corrective action steps taken due to supplier quality spills.

## **5.2 Nonconforming Material Found at Decorative Paint, Incorporated**

- 5.2.1** Decorative Paint, Incorporated shall initiate a Material Rejection Report (MRR) (ISO 8.3 – 003) & in some cases Corrective Action Report (CAR) (ISO 8.5.2 – 011) and notify the supplier when nonconforming material is detected.
- 5.2.2** An initial written response to the CAR is required within 24 hours. The CAR must be used to respond and it MUST include containment actions to prevent additional defective product being shipped to Decorative Paint, Incorporated
- 5.2.3** Replacement stock is required in all cases unless specifically directed otherwise by Decorative Paint, Incorporated Purchasing.
- 5.2.4** A sort at Decorative Paint, Incorporated may be required if replacement stock is not available or production needs parts. On-site sorting needs will be communicated by Decorative Paint, Incorporated. If Decorative Paint, Incorporated employees sort supplier products, the supplier shall be billed at an appropriate rate per hour. The supplier may contract a local sorting facility to perform the sort at Decorative Paint, Incorporated at their own cost or they may be charged back for the service as part of the Cost Recovery Process detailed in Section 7.
- 5.2.5** ALL shipments to Decorative Paint, Incorporated of the defective part number MUST be inspected and labeled as “Certified” (containing no defects). Certification labels are required until permanent corrective action is implemented, verified, & approved by Decorative Paint, Incorporated Quality Manager.
- 5.2.6** Corrective action implementation and elimination of the root causes of the defects is required. The supplier MUST contact the Decorative Paint, Incorporated Quality Department to obtain approval for root cause analysis with permanent corrective action.
- 5.2.7** The supplier shall be held responsible for all costs incurred in sorting, reworking or other corrective action steps taken to address the issue.

## 5.3 Corrective and Preventive Action

### 5.3.1 General Requirements

Suppliers are required to use disciplined problem-solving methods to investigate and eliminate the root causes of defective product. Decorative Paint, Incorporated strongly recommends the use of a problem similar to the *Ford Eight Discipline Method (8D)* when addressing the problem. At a minimum, the written supplier corrective action report must include the following information:

#### 5.3.1.1 Assemble a Cross-Functional Team to Investigate

Provide the names and functions of team members associated with the corrective action effort. A cross-functional team including personnel with solid product and process knowledge is recommended to ensure effective resolution.

#### 5.3.1.2 Describe/Define the Problem

Describe the problem symptoms as experienced by the customer. Determine the extent of the problem and its effects in technical and quantifiable terms. Include the Five “W’s” and Two “H’s” (who, what where when why, how and how many) of the problem.

#### 5.3.1.3 Plan, Implement and Verify Immediate Containment Actions

Decorative Paint, Incorporated cannot emphasize enough the critical importance of planning, implementing, and verifying effective containment actions for preventing the shipment of defective product to Decorative Paint, Incorporated. These actions must be immediate and should only be in place until permanent corrective actions are implemented and verified. The supplier should note that containment actions will not be considered by Decorative Paint, Incorporated to be a permanent solution to the problem. Common containment actions include:

- 100% Inspection to sort out defects
- Increased measurements of key characteristics (above the normal frequency shown on the process control plan)
- Manual processing when automated equipment is suspected to be part of the problem
- Labeling cartons as “100% Certified” until permanent corrective action is implemented and verified.

#### 5.3.1.4 Define and Verify Root Cause (s) of the problem

Identify all potential causes which could explain why the problem occurred. Isolate and verify the root cause(s) by testing each potential cause against the problem description and test data. Decorative Paint, Incorporated recommends that the supplier use root cause analysis tools such as a “Cause and Effect Diagram” (Fish Bone) and/or the “Five

Why” approach (asking why at least 5 times until you can no longer reasonably ask why). An example of the “Five Why” approach is shown below:

Question #	Question	Response
1	Why did the machine stop?	Because the fuse blew due to an overload
2	Why was there an overload	Because the bearing lubrication was inadequate
3	Why was the bearing lubrication inadequate?	Because the lubrication pump was not working properly
4	Why wasn't the lubrication pump working properly	Because the pump axle was worn out
5	Why was the pump axle worn out?	Because the sludge got into the axle
6	Why did sludge get into the axle?	Because there is no filter on the lubrication pump to keep sludge out

### 5.3.1.5 Plan, Implement and Verify Permanent Corrective Actions

Once the root cause of the problem has been identified the supplier then needs to plan, implement and verify corrective actions to permanently eliminate the cause of the problem. The supplier must also verify that the selected actions will resolve the problems for the customer without causing undesirable side effects (for example, changing to high-impact plastic resin without verifying the shrink rate effects on the parts.

Some examples of effective verification methods include:

- Short and long-term capability studies on key characteristics
- Statistical process control (SPC) charting and analysis
- Designated experiments
- Destructive Testing (internal or external)

Verification should take place prior to implementation whenever possible.

### 5.3.1.6 Plan and implement Preventive Actions

The supplier should plan and implement actions intended to prevent recurrence of the problem. Prevention methods include modifying management or operation systems, modifying procedures and/or work instruction, monitoring process or SPC data, and evaluating similar processes and/or products.

Suppliers are required to submit a written initial response to all CAR’s issued by Decorative Paint, Incorporated. The supplier is also responsible for submitting a written plan detailing their permanent corrective action within 15 days of receipt of a rejection notice. If more time is needed, the supplier must contact the Decorative Paint, Incorporated Quality Department prior to the original due date.

## **6.0 Supplier Performance Expectations**

### **6.1 General Requirements**

**6.1.1** Supplier performance will be evaluated by Decorative Paint, Incorporated on a regular basis. Suppliers not meeting the minimum performance expectations may be required to present a detailed plan to Decorative Paint, Incorporated outlining actions that will be taken to correct any deficiencies. Supplier performance expectations have been defined by Decorative Paint, Incorporated for on-time delivery, quality and responsiveness to key issues.

### **6.2 On-Time Delivery**

**6.1.2** Decorative Paint, Incorporated suppliers are required to achieve 100% on-time delivery (defined as minus four days early plus zero days late). Suppliers delivering less than 100% on-time may be required to submit a corrective action plan to improve and meet the requirements.

**6.2.2** Suppliers will be responsible for all costs incurred by Decorative Paint, Incorporated as a result of late shipments.

**6.2.3** Suppliers consistently failing to meet the 100% delivery requirement may have their status changed to “Probationary”. The supplier may not be eligible for additional business until the supplier is removed from probation and their status changed back to “Approved”.

**6.2.4** If the supplier is unable to ship product as scheduled, notification must be sent to Decorative Paint, Incorporated by the supplier indicating the reasons for the delay and the target date for supplying the product.

### **6.3 Quality and Compliance**

**6.3.1** Decorative Paint, Incorporated suppliers are required to provide product that is defect-free and complies with all specifications. Suppliers delivering product that is defective or does not meet all specifications may be required to submit a corrective action plan for each problem, in addition, Decorative Paint, Incorporated may require that the supplier engage in an outside source to provide a Level II Containment and Shipping if they fail to prevent additional defective product from reaching Decorative Paint, Incorporated.

**6.3.2** Suppliers will be responsible for all costs incurred by Decorative Paint, Incorporated as a result of a quality issue or the supplier’s failure to meet specification.

**6.3.3** Suppliers consistently failing to provide defect-free product that complies with all specification may have their status changed to “Probationary”. The supplier will not be eligible for additional business until the supplier is removed from probation and their status changed back to “Approved”.

### **6.4 Responsiveness**

- 6.4.1** Decorative Paint, Incorporated suppliers are required to provide timely responses to key issues including rejection notices and PPAP submissions.
- 6.4.2** Suppliers that consistently fail to provide timely responses may have their status changed to “Probationary”. The suppliers will not be eligible for additional business until the supplier is removed from probation and their status changed back to “Approved”.

## **6.5 Quarterly Performance Reporting**

- 6.5.1** The Decorative Paint, Incorporated Purchasing Representative and Quality Representative are responsible for evaluating and reporting supplier performance on an annual basis. The performance evaluation shall include the following metrics:

<b>Performance Element</b>	<b>Expected Performance Level</b>
On-Time Delivery	100% On-Time (-4/+0 Days Late)
Quality and Compliance	Zero PPM (# of rejects / # of parts received x 1,000,000)
Responsiveness to Key Issues	1. 100% On-Time (Initial 24 Hour Responses to Rejections) 2. 100% On-Time (PPAP Submissions)
Incidents of Premium Freight	Zero Dollar Value Per Incident of Premium Freight

## **6.6 Supplier Improvement and Development**

Decorative Paint, Incorporated is committed to helping suppliers maintain and improve their overall systems. The Decorative Paint, Incorporated Quality Manager shall provide assistance to suppliers when needed to ensure effective quality system development and continuous process improvement. Other supplier development or improvement initiatives may include, but are not limited to:

- Training on Quality System (ISO/TS-16949:2009) elements
- Conducting a Second Party Audit on the suppliers quality system
- Training or assistance on Advanced Product Quality Planning (APQP)
- Training on problem-solving methods

## **7.0 General Considerations**

### **7.1 Cost Recovery Process**

- 7.1.1** The Supplier shall be held financially responsible for all costs incurred as a result of a nonconforming product and/or late shipment to Decorative Paint, Incorporated
- 7.1.2** The Decorative Paint, Incorporated Quality Manager shall document all associated costs on a detailed Material Rejection Report (MRR) (ISO 8.3 – 003) and send it to the DPII Controller. The Controller will forward to the supplier. Associated costs include, but not limited to:
- Labor Costs Total cost to sort, rework, repair, etc.

- Production Overtime Premium: Total cost
- Scrap Cost: For parts and/or assemblies up to the point in the process where the defects was discovered.
- Premium Transportation Costs: Inbound and Outbound
- Outside Services: Third Party Sorting, Travel Costs
- Customer Costs: Costs Incurred by Decorative Paint, Incorporated Customers

**7.1.3** If the supplier believes that they should not be responsible for part or all of the costs assigned, they have five working days to notify Decorative Paint, Incorporated and request a review with applicable personnel. After five working days, or after a discussion where costs are reviewed and assigned to the supplier, a debit memo will be issued for the amount shown on the final version of the worksheet.

**7.2 Annual Review of the Supplier Quality Manual**

The Decorative Paint, Incorporated Quality Manager and Purchasing Agent are responsible for reviewing the Supplier Quality Manual on a periodic basis and making any appropriate revisions. The supplier is encouraged to provide feedback to Decorative Paint, Incorporated regarding the content of the purpose of continuous improvement and to ensure an effective working document.

**Acknowledgement of Receipt of SQM Guide**

I confirm that I have received this edition of the document:

**Decorative Paint, Incorporated**

**SUPPLIER ASSURANCE QUALITY GUIDE**

I assure that this document will be circulated to all departments concerned with the application of this guide within my company.

The supplier commits itself to ensuring the application of the development stages as well as the use of the documents detailed within this guide.

**COMPANY:** .....

Printed name: .....

Function: .....

Telephone: .....

Fax: .....

E-mail: .....

Date: .....

Signature: .....

This document should be completed and returned, via fax, postal, or e-mail, to your usual Quality Representative or Purchasing Representative.