 <b>DEP</b> ENGINEERING <i>Title: Supplier Quality Manual</i>	Document-Nomenclature: <b>BOS-SOP-19</b>
	Page 1 of 15

## Diversified Engineering & Plastics, LLC

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<i>Description of Changes</i>	<i>Rev #</i>	<i>Date</i>
<b>Added to section 10.0 Supplier Corrective Action</b>	<b>8</b>	<b>11.27.18</b>
Updated Confidentially portion 3.6, record retention 3.5, added new environmental policy and uploaded to website	7	05.11.18
Incorporated IATF 16949:2016 requirements	6	04.11.18
Updated company logo	5	04.12.11
Updated from QS9000 to TS16949	4	08.10.10
Added admin. fee	3	06.12.07
Added downtime charges	2	11.08.05
Add administrative fees for past due SCAR	1	04.07.05
Initial Release	0	1.30.03

	<i>Document-Nomenclature:</i> <b>BOS-SOP-19</b>
	Page 2 of 15
<i>Title:</i> Supplier Quality Manual	


## Table of Contents

Section	Content	Page
	Terms & Definitions	3
1.0	About Diversified Engineering & Plastics LLC	4
1.1	Organizational Policies	4-5
2.0	Purpose	6
3.0	General Supplier Requirements	6-7
4.0	Supplier Qualification	8
5.0	Management Expectations	9-10
6.0	Production Planning, Validation, and Approval	10
7.0	Product Specifications, Monitoring, and Process Changes	11
8.0	Product Identification, Traceability, and Packaging	11-12
9.0	Non-Conforming Product	12
<b>10.0</b>	<b>Supplier Corrective Action Request (SCAR)</b>	<b>13</b>
11.0	Supplier Performance and Development	14
12.0	Logistics	15

	<i>Document-Nomenclature:</i> <b>BOS-SOP-19</b>
	Page 3 of 15
<i>Title: Supplier Quality Manual</i>	

## Terms and Definitions

Term	Definition
<b>Buyer</b>	Diversified Engineering & Plastics, LLC. or an affiliate thereof identified as the Buyer in the applicable contracting document (e.g. purchase order or supply agreement). The term is used interchangeably with the term “Diversified Engineering & Plastics, LLC” in the Supplier Quality Assurance Manual.
<b>Confidential Information</b>	1) Information, knowledge or data disclosed by Buyer to supplier or that Supplier receives in the course of performance for Buyer, regardless of whether disclosed in written, tangible, oral, visual or other form, including, without limitation, sample products, equipment, software, or other objects or material provided by Buyer to supplier and 2) information, knowledge or data obtained from visits to Buyer facilities by supplier.
<b>Non-Conforming</b>	Product that fails to conform to any requirement, including, but not limited to, safety considerations and regulatory requirements.
<b>IAF MLA</b>	International Accreditation Forum Multilateral Recognition Arrangement.
<b>Incoterms</b>	International Commercial Terms, as published by the International Chamber of Commerce (ICC).
<b>Major Disruption</b>	Event resulting from Non-Conforming Products or services that do not meet the agreed quality and delivery specifications. Results in non-standard operations including: Quality Spills (product out-of-spec, stop shipments, production interruption, etc.) and Stock Outs (product not available).
<b>Major Supplier</b>	Determined by Buyer based on established criterion which includes volume, spend, and critical to quality metrics.
<b>Product</b>	Any kind of product or service. This includes the physical “manufactured” product, a provided service, engineering work such as drawings and specifications or any other internal product provided in a series of processes. The term “deliverable” is used interchangeably with the term product in the Supplier Quality Assurance Manual.
<b>RMS</b>	<b>Raw Material Specification:</b> Signed document defining agreed upon material specifications/tolerances, certificate of analysis requirements, as well as other product specific requirements.
<b>SCAR (8D)</b>	<b>Supplier Corrective Action Request:</b> A formal request to take action to eliminate the cause(s) of an existing Non-Conforming Product or other undesirable situation in order to prevent recurrence.
<b>Supplier</b>	The entity identified as the supplier in the applicable contracting document (e.g., purchase order or supply agreement).
<b>SSA</b>	Supplier Self-Assessment

	Document-Nomenclature: <b>BOS-SOP-19</b>
	Page 4 of 15
Title: Supplier Quality Manual	

## 1.0 About Diversified Engineering & Plastics, LLC.

Diversified Engineering & Plastics, LLC. is a leader in innovative designs and development of technical thermoplastics products.

Buyer has expertise across many industries (automotive & industrial markets primarily), that demand high quality, variation-free manufacturing (locally/globally) conducted in a professional, high standards environment with personalized technical support.

Buyer seeks to achieve the highest quality products it provides for its customers, while complying with applicable environmental and legal requirements and other requirements to which Buyer subscribes. These standards are achieved by Buyer through the use of robust systems that are third party registered to IATF16949/ISO9001, ISO 14001, and ISO 17025. Buyer supports these systems with four key components: an ongoing commitment to employee safety and development, continuous improvement, pollution prevention, and customer satisfaction.


Buyer believes that the quality of its products is a result of its emphasis on internal process controls and focus on supply chain excellence. Buyer's objective is to strive towards zero defects, measuring its supplier performance via such key indicators as Quality, Service, and Delivery.

This Manual defines the role of Buyer's suppliers to help us meet these objectives.

### 1.1 Organizational (QMS and EMS) Policy

#### Quality Policy


A commitment to continually improve *performance to our* customers. We strive for higher quality product, on time delivery and supplier performance while increasing our overall effectiveness, improving gross margins and *our Quality Management System*.

	Document-Nomenclature: <b>BOS-SOP-19</b>
	Page 5 of 15
Title: Supplier Quality Manual	

## Environmental Policy

*At Diversified Engineering & Plastics, LLC, we strive to be not only a HIGH-QUALITY plastic injection molding & assembly facility but also committed to conducting our business in an environmentally responsible manner. We recognize that we have environmental opportunities and stand committed to aligning our customer's plastic injection needs with our social responsibility. Diversified Engineering & Plastics firmly believes in the protection and sustainability of the environment, and for this reason, we seek to continually improve and meet our environmental performance through commitment centered around our **C.O.R.E** environmental values:*

- **C**ommit to pollution prevention and continual improvement while fulfilling the compliance obligations of the company.
- **O**perate in an ethical and responsible manner, provide both capital and human resources to improve and develop the (EMS) Environmental Management System, objectives, targets and documentation.
- **R**eduction of wastes through Reduce, Reuse, Recycle and safely disposing of hazardous materials.
- **E**ducate and communicate our Environmental policy and procedures, aspects, goals & objectives to all our employees, visitors, customers, suppliers and contractors. The policy will be posted in various locations plant wide and on our website.

	<i>Document-Nomenclature:</i> <b>BOS-SOP-19</b>
	Page 6 of 15
<i>Title:</i> Supplier Quality Manual	

## 2.0 Purpose

This Supplier Quality Manual defines the expectations for all suppliers to Buyer. Supplier shall conform to specified requirements defined in this manual.


Adhering to the guidelines established in this manual, Supplier should continually improve the processes used to design, manufacture, and deliver Products or Services to Buyer

Throughout this manual, the word “shall” or “must” indicates a requirement. The word “should” indicates a recommendation. The word “may” indicates a permission and “can” indicates a possibility or a capability.

## 3.0 General Supplier Requirements

Supplier shall:

- 3.1 Satisfy the requirements established.
- 3.2 Maintain a working knowledge of all policies and procedures governing the relationship between Supplier and Buyer.
- 3.3 Accept responsibility for the quality, on time delivery, regulatory compliance, service requirements, and technical performance of all deliverables.
- 3.4 Provide Certificate of Analysis (COA) with each shipment, if applicable.
- 3.5 Maintain all records relating to deliverables provided for the life of the Product (including service) plus one (1) calendar year and any applicable contractual requirements, including but not limited to those for warranty and service for the purpose of this manual, unless otherwise specified. The life of the Product begins with Product concept and extends until the end of active part production and service requirements. Supplier shall provide records to Buyer when requested as part of record retention required by DEP.
- 3.6 Use Confidential Information solely for the purposes of supporting the current business relationship with Buyer. Supplier shall not disclose Confidential Information to any third party without Buyer’s express written consent. Supplier shall immediately notify Buyer of any breach of confidentiality. **See Confidentiality & Non-Use Agreement. Supplier to read, sign and return to Buyer.**
- 3.7 Comply with all EH&S regulations and have an established (EMS) Environmental Management System with the intent to prevent pollution.

	<i>Document-Nomenclature:</i> <b>BOS-SOP-19</b>
	Page 7 of 15
<i>Title:</i> Supplier Quality Manual	

- 3.8** Supplier shall comply with all Buyer requests for information and other reasonable requests related to Product Safety and International logistics such as: Conflict minerals, SVHC/REACH, HS Code / COO / CTPAT / CQI'S & Flammability Testing.
- 3.9** Supplier shall provide requested regulatory information, and Safety Data Sheet (SDS) information when requested. The SDS is required for but not limited to:
- Resins
  - Components
  - Fillers
  - Additives
  - Other chemicals
- 3.10** Buyer-owned assets shall be used exclusively for the development, production, and testing of Buyer Products. Such assets may include, but are not limited to: Tooling, Packaging, Testing and measuring equipment; Dedicated processing equipment; Prototype or production components; or Licensed software and hardware.


Supplier must identify Buyer owned asset with tagging asset with identifier property of Buyer. Supplier shall immediately notify Buyer if any asset is found to be defective or unsuitable for production. Records of all repair or replacements actions must be submitted to Buyer. Supplier shall not transfer, or consign to another party, any Buyer-owned assets without prior written approval from Buyer.

The provisions and requirements in this Supplier Quality Manual are in addition to, and not in lieu of, any requirements in any Supply Agreement formed under Buyer's Terms and Conditions of Purchase. This Supplier Quality Manual will, where possible, be construed consistently with each such Supply Agreement. Where it is not possible to construe a provision of the Supply Agreement consistently with this Supplier Quality Manual, the provision of the Supply Agreement will control.

Supplier shall be responsible for ensuring all sub-tier suppliers adhere to these requirements.

At Buyer's discretion, a waiver of certain manual requirements may be granted and approved for a specific Product or duration. All such waivers shall be effective only upon express written approval by Buyer.



	<i>Document-Nomenclature:</i> <b>BOS-SOP-19</b>
	Page 8 of 15
<i>Title:</i> Supplier Quality Manual	

## 4.0 Supplier Qualification


Buyer manages its supply chain by qualifying new suppliers and maintaining existing suppliers who are capable of distribution or manufacturing and delivering quality product on time. Suppliers shall have an established and effective quality management system that meets buyer's supplier audit requirements. Buyer's supplier audit follows the basic elements of ISO 9001, with some elements of IATF 16949 and/or ISO 14001 as applicable. The supplier's quality system must adhere to these elements depending on the type of product or service being provided to Buyer. Buyer may request supplier to complete Supplier Self-Assessment (SSA), Risk Assessment, and/or conduct an on-site audit of Supplier's facility and operations. An on-site audit is generally conducted for potential new suppliers, an existing supplier's new facility, or performance concerns.

Buyer requires its suppliers providing product being used in the automotive industry to demonstrate conformity to ISO 9001 by maintaining a third-party certification issued by a certification body bearing the accreditation mark of a recognized IAF MLA member, with the ultimate objective of becoming certified to IATF 16949. DEP is not responsible for "customer directed" suppliers, if changes are made by the customer. Customer waiver shall be required for "Customer direct" suppliers if requirements are not meant.

Buyer's qualification process evaluates supplier capabilities/strengths within these key areas:

- 4.1 Risk assessment of supplier and sub-tier supplier financial, social, environmental, safety, supply chain, delivery and quality) to ensure on-going financial viability and business continuity.
- 4.2 Technical capabilities to meet design, production, quality, and project management requirements
- 4.3 Quality System maturity/functionality to drive overall operational excellence
- 4.4 Continual improvement & six sigma/lean manufacturing initiatives to drive cost down and improve quality




	<i>Document-Nomenclature:</i> <b>BOS-SOP-19</b>
	Page 9 of 15
<i>Title: Supplier Quality Manual</i>	

## 5.0 Management Expectations

Buyers' management team expects suppliers to maintain the necessary resources and capabilities to continually provide Buyer with on-time product delivery and quality. To this end, Buyer requires that suppliers shall:

- 5.1 Abide by DEP, Purchasing Terms and Conditions
- 5.2 Provide Products at a competitive price
- 5.3 30 day written notification of any price increases or decreases.
- 5.4 Maintain financial strength to support current business and promote growth
- 5.5 Comply with all applicable labor laws requirements including those of ILO (International labor Organization)
- 5.6 Maintain and follow a business code of conduct including anti-bribery policy
- 5.7 Communicate essential business information to Buyer such information may pertain to contractual issues including, but not limited to:
  - Inquiries, orders, bids, amendments and invoices
  - Equipment changes
  - Product quality issues relating to design, specifications, changes and notifications
  - Delivery delays and/or shortages
  - Buyer feedback and information
- 5.8 Develop a Contingency plan which addresses how the supplier will minimize delivery interruptions to buyer when faced by unexpected emergencies. The plan should address items such as environmental disasters (i.e. hurricanes, floods, fire, and health pandemics), facility interruptions (caused by such issues as labor strikes, extended power outages, computer system failures, and key equipment failure), transportation barriers, and sub-tier supplier logistics/supply issues.
- 5.9 Notify Buyer in writing of any organizational changes such as a reduction in workforce or changes in key management positions involving, quality, manufacturing, or purchasing.
- 5.10 Notify Buyer of any major changes in facility or process equipment that effects buyer purchased products.
- 5.11 Allow Buyer to perform pre-announced audits at the suppliers' sites and provide Buyer personnel access to manufacturing areas and documentation related to the product and the quality system used to manufacture the product.
- 5.12 Issue Buyer a copy of all updated ISO/IATF certifications where applicable to demonstrate the ongoing certification of their quality system. A second party audit may be required to verify Supplier's QMS if Supplier has not achieved compliance or is not certified. Supplier shall notify Buyer of any significant changes in their QMS including loss of certification.

	<i>Document-Nomenclature:</i> <b>BOS-SOP-19</b>
	Page 10 of 15
<i>Title:</i> Supplier Quality Manual	


The effective transmission of such information requires that all suppliers identify and register key points of contact with their Buyer counterparts. The majority of the communication shall be handled through electronic documents and systems. Supplier should adopt the necessary electronic systems to manage these processes and improve communications with Buyer. Supplier is responsible for the validity and accuracy of the documents submitted electronically and must comply with all applicable legal requirements regarding electronic signatures.

All communications, both electronic and otherwise, with Buyer shall be in English.

## **6.0 Production Planning, Validation and PPAP.**

Buyer requires its suppliers to plan, implement, and control processes needed to meet agreed upon product/service requirements per AIAG AQPQ & PPAP Manual (Core tool Manuals).

- 6.1** Supplier must submit Level 3 PPAP for approval to DEP. Including identification of Statutory and regulatory product safety requirements.
- 6.2** Product: Suppliers shall determine, establish criteria, and implement controls for their processes and acceptance of products and retain required documents to the extent necessary. Supplier shall provide process capability data, upon request during the program at any time.
- 6.3** Supplier material certifications (conformance to specifications) must be supplied with Each lot/batch or shipment. Complete dimensional, testing results, Conflict Materials report. and flammability results shall be provided annually.

	<i>Document-Nomenclature:</i> <b>BOS-SOP-19</b>
	Page 11 of 15
<i>Title:</i> Supplier Quality Manual	

## 7.0 Product Specifications, Monitoring, and Process Changes

Suppliers are expected to provide product that meets Buyer's specifications and requirements. Requirements are communicated to the supplier, and can include:

- 7.1 Raw Material Specification (RMS) agreement
- 7.2 Packaging Requirements
- 7.3 Purchase Order, including PO terms issued by Buyer
- 7.4 Conflict Materials Report / CTPAT / CQI'S/Flammability Testing

The supplier is ultimately responsible for compliance to all requirements on products manufactured and/or processed by them or at their sub-tier suppliers.

Supplier's control plan shall identify all Buyer requirements and the method of inspection. The control plan establishes the method and frequency of monitoring and measuring the Product and processes to ensure conformity to Buyer requirements.

In the event that the supplier is not able to comply with one or more of the above, they must promptly notify Buyer so that the issue can be addressed. Where justified, Buyer may grant a temporary concession (deviation) for specific requirements, but the supplier may not deviate from established requirements before receiving written authorization from a Buyer's representative.


Suppliers are not authorized to make changes to process parameters or substitute key process inputs such as equipment, material, manufacturing methods, packaging or location, etcetera, without Buyers' PRIOR WRITTEN APPROVAL. All products shall be manufactured and supplied using the processes which were used during initial PPAP validation and which resulted in approval from DEP. **Any changes must be resubmitted, through the PPAP process.**

Buyer shall be notified of planned changes prior to starting the project. The acceptance criteria and implementation date shall be agreed upon by Buyer and Supplier.

## 8.0 Product Identification, Traceability, and Packaging

Suppliers must use suitable means to clearly identify product including customer specific identification requirements. These standards shall be approved by DEP at PPAP.

Suppliers shall maintain product traceability from raw material through product delivery for all product shipped to Buyer. The fundamental components of traceability include, at a minimum, manufacturing date, quantity, lot/batch identification, process parameters with history of changes, manufacturing data, inspection data, machine information, and calibration /maintenance/repair history.

	<i>Document-Nomenclature:</i> <b>BOS-SOP-19</b>
	Page 12 of 15
<i>Title: Supplier Quality Manual</i>	

Suppliers must also assure that the required traceability exists at their sub-tier suppliers. Packaging labels and shipping paperwork must clearly identify:

- Buyer's:
  - Purchase order / Item number
  - Buyer Part number
- Supplier's:
  - Product description
  - Lot Number(s)
  - Quantity (Net Lbs.)
  - Tare: In pounds


Suppliers shall utilize packaging that preserves the product's integrity during transportation and during storage at Buyer. Material handling, packaging and storage shall be designed to:

- Prevent contamination
- Reduce environmental effects on Product
- Prevent degradation of Product
- Prevent loss or damage in transport
- Properly manage shelf life (FIFO)

## 9.0 Non-Conforming Product

Buyer will notify the supplier if discrepant product is received. Suppliers must have a documented and effectively implemented non-conformance handling system to assure containment of nonconforming product. Non-conforming product/materials must be prevented from shipment to Buyer or from unintended use in products being manufactured for Buyer. The supplier's system must include the following elements:

- 9.1** Immediate containment and segregation of suspect product to prevent mixing and use of non-conforming product. A minimum of three (3) certified shipments
- 9.2** Process to identify and trace non-conforming product, including backward and forward traceability to enable accurate identification of affected product.
- 9.3** Identification of non-conforming product throughout the manufacturing, warehousing, inspection and shipping functions
- 9.4** Notification process for shipment of non-conforming product to notify Buyer if such product is accidentally released/shipped
- 9.5** Process to determine product disposition of use as is, rework, or scrap. The disposition process requires DEP's written approval when it affects product quality requirements. All rework must be done in accordance with approved written rework instructions.
- 9.6** Return authorization mechanism to quickly provide Buyer with authorization for product that is to be returned to the supplier due to unmet buyer quality requirements/standards.

	<i>Document-Nomenclature:</i> <b>BOS-SOP-19</b>
	Page 13 of 15
<i>Title: Supplier Quality Manual</i>	

## 10.0 Supplier Corrective Action Request (SCAR)

Buyer may issue a SCAR when nonconforming product, miss shipment, inaccurate documentation, packaging, or labeling is found at DEP's receiving inspection, warehouse, or production operations. In addition, if a field failure or a customer complaint is caused by the supplier's product or performance, Buyer may again require the supplier to perform a formal corrective action. A SCAR may also be issued for systemic problems or quality system issues e.g. unacceptable SSA or risk assessment results or audit findings.

Suppliers shall implement a documented corrective and preventive action process which states the problem, identifies root cause, determines interim & permanent corrective actions, confirms the effectiveness of such actions, and implements these actions across similar product/systems, as deemed appropriate.

DEP requires formal response to SCAR within 10 working days of issue. Completed closure of SCAR 30-calendar days from issue. After closure DEP requires a 60-calendar day from issued SCAR an audit verification of the countermeasures is current and being followed. Documentation of verification audit needs to be returned to DEP Quality for review & acceptance.

- 10.1 Suppliers shall utilize error proofing and disciplined problem-solving methods as part of the corrective action process. Results of these methods shall be documented and retained at the suppliers' location, and be made available upon request by DEP.
- 10.2 Supplier shall evaluate the effectiveness of its problem-solving process through feedback of internal audits, process audits, performance data and review of repeat SCARs.
- 10.3 Suppliers response shall include corrective action with validation and evidence of effectiveness. **Note:** DEP may reject response if evidence of corrective and preventative action is not submitted and charge \$300.00.

DEP reserves the right to follow-up on-site to verify implementation.

If the supplier fails to respond appropriately, the supplier score card will reflect undesirable performance and may require supplier development. A \$300.00 fee may also be charged.

### **Supplier Charge Backs:**

Administrative Fees of \$350.00 per SCAR will be charged.

In the event DEP must sort or rework to make shipments, the supplier will be charged back \$50.00 per hour. Line down charges \$100.00 per hour.

## 11.0 Supplier Performance and Development

Buyer monitors supplier performance which includes the following indicators and criteria:

### 11.1 Supplier Self-Assessment results

#### Supplier Risk Management Assessment

Factor	Criteria				% of Ranking
Supplier Self-Assessment	<b>Assessment Results</b>	<b>Status</b>	<b>Scoring Eligibility</b>	<b>Development Plan</b>	10
	Overall Score 90 - 100	Green	Existing Supplier - Ok to Source	Develop supplier to eliminate high risk elements	
			New Supplier - Ok to Source	Develop supplier to eliminate high risk elements	
	Overall Score 71 - 89	Yellow	Existing Supplier - Source with Caution	Address all high-risk elements & develop to green status	
			New Supplier - Source only if improvement program in place	Address all high-risk elements & develop to green status	
	Overall Score < 70	Red	Existing Supplier - Do Not Source-Develop	Address all high-risk elements & develop to green status	
	New Supplier - Do Not Source until green		Do Not Source - Consider alternate sources. Address all high-risk elements & develop to green status		
Risk Assessment	<b>Risk Ranking (Financial, Social, Environmental, Safety, Supply Chain &amp; Quality)</b>			<b>Development Plan</b>	25
	All Area Green			N/A	
	All Area Yellow			Supplier Monitoring plan for specific area of risk & potential impact to supply chain	
	All Area Red			Development Plan for specific area of risk & potential impact to supply chain - custom plan managed	
Supplier Ratings	Premium Freight Incidences, Quality Returns & Late Material Certs score $\leq 1$ Late Delivery score $\leq 90$			<b>Corrective Action Plan</b> SCAR: Formal response required	65

- 11.2 Risk Management assessment results which evaluates financial, social, environmental, safety, supply chain, and quality (including reporting of premium freight) risk factors and ranks according to risk.
- 11.3 Performance Score Card which monitors quality; administrative issues including SCAR(s) issued for unacceptable SSA results and audit findings; delivery metrics for on-time, quantity reliability, and shipping paperwork (e.g. BOL, COA); Logistics including premium freight; and non-compliance to statutory and regulatory requirements. Corrective action is required within 30 calendar days of report if overall score is < 85% - refer to Section 10.0 SCAR.
- 11.4 If minimum Supplier ranking thresholds are not met, Buyer will notify Supplier with a development plan to address, using PDCA methodology.

Supplier Ranking (Overall Score %)					
Low Risk	≥	Moderate Risk	71 - 89%	High Risk	<
	90%				70%

Failure to meet performance criteria could result in loss of business or future opportunities for new business.

## 12.0 Logistics

Supplier shall comply with the requirements established by Buyer and any specific regional requirements, statutory and regulatory requirements are followed in country of receipt, shipment and destination.

### Incoterms

Supplier shall adhere to the applicable shipping requirements contained in the Buyer Terms & Conditions, unless otherwise specified. Exceptions shall be granted and approved by Buyer.

### Damaged Freight

Based on Incoterms, Supplier may be responsible for reimbursement to Buyer for any damages in transit.

### Premium Freight

Supplier shall notify Buyer of all expedited freight prior to each shipment.

### Shipment of Hazardous Materials and Dangerous Goods

Hazardous materials and/or dangerous goods shall not be shipped to Buyer, without prior approval.