

# SUPPLIER QUALITY MANUAL



**CMP Advanced Mechanical Solutions**



**Competitive Onshoring®**

*Valuable Manufacturing Solutions...Right Here in North America*

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# 1. INTRODUCTION

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CMP is committed to exceeding its customer's expectations in every aspect including but not limited to quality, delivery, cost, and innovation. The purpose of this manual is to define policies, procedures, standards, requirements, and expectations, which apply to all the current and future Suppliers who are supplying any direct or indirect material, products, or services to any CMP facility. These requirements also apply, on whole, to any supplier that is directed to CMP, by any customer.

The CMP Supply Quality Manual sets the baseline and the basic parameters for the collaboration between CMP and its Suppliers. It describes the overall requirements, the expected ways of working, how to manage these requirements, which associated tools are to be implemented, and which Key Performance Indicators (KPIs) are used to control the performance.

## 1.1 CMP's COMMITMENT TO SUPPLIERS

CMP strives to become a world-class solution provider in a range of manufacturing industries and understands the importance of each supplier of CMP in maintaining our position of excellence in innovation, technology, cost, quality, and delivery. That is why CMP is keen to establish strategic, long-term relationships with the suppliers and expects its suppliers to maintain a position of cost leadership while demonstrating a commitment to sustained quality, the highest levels of service, and a strong focus on continuous improvement. It is CMP's commitment to maintaining the relationship with suppliers with integrity and professionalism and expects the same from suppliers. Suppliers are expected to comply with both group and plant-specific requirements. Suppliers are expected to fulfill all the delivery, quality, and other requirements of the plant they are dealing with in addition to the requirements mentioned in this manual and the terms and conditions of the Purchase order.

## 1.2 CMP'S SUPPLY CHAIN STRATEGY

The overall target of the CMP's Supply Chain is to guarantee material availability at the right quantity and quality and at the right time and place for the right cost. That is why we are procuring globally while securing our logistics needs accordingly. CMP and its suppliers must work closely to have transparent communication and mutual understanding of each other's work. Within the global Supply Chain environment, we want to find the most economic and efficient way to transport our goods from the supplier to our CMP locations. Our target is to secure a lean supply chain and avoid unnecessary packing/repacking/kitting/re-kitting. We are aiming for optimized direct flows at the right lot size and packaging.

## 1.3 CMP POLICIES

### 1.3.1 QUALITY POLICY

CMP's approach is to integrate sound quality principles into everything we do. Following these principles will help assure that we provide superior value to our customers, employees, stakeholders, and communities.

Principles:

- Promote our culture based on our three principles of quality- reliability, performance, and innovation.
- Implement improvement plans at all organization levels company wide.
- Focus on processes and systems to improve results.

- Anticipate, understand, and exceed internal and external customer needs.
- Continually improve using both incremental and breakthrough improvement methods.

### 1.3.2 ENVIRONMENTAL POLICY

CMP is committed to leading, promoting, and directing the organization to drive environmental and business benefits. CMP expects its suppliers also to follow the same and achieve this target by:

- Abiding with all applicable compliance obligations and government policies as well as specific corporate and plant policies and procedures that affect business activities.
- Considering the needs and expectations of our neighbors and interested parties.
- Preventing Pollution, which shall include, but not be limited to managing renewable and non-renewable resources through the responsible application of reduce, reuse, and recycle principles.
- Identifying significant aspects of our operations, the assessment of risks and opportunities
- and where practicable, minimize the potential for adverse effects.
- Optimizing the effectiveness and integrity of our environmental management system through open communications, comprehensive educational programs, and environmental audits
- Monitoring our progress against targets and objectives, and reviewing training, procedures, and resources to continually improve our environmental performance and,
- Developing an understanding among our employees and others who act on behalf of CMP, of their responsibilities and assigning the necessary authority to allow the fulfillment of those responsibilities.

### 1.3.3 HEALTH & SAFETY POLICY

We are committed to:

- The elimination of work-related injury and illness.
- The protection of employees, contractors, and visitors.
- Providing a safe and healthy workplace in all areas of our business activity.

We are all responsible and accountable for behaving safely in the workplace. Our Health and Safety Policy is built on a commitment to the following:

- Implementation of best practice risk management processes
- Compliance with relevant health and safety legislation
- Provide measurable objectives and targets for health and safety.
- Provide appropriate health and safety information and training for all employees,
- contractors and visitors
- Implement robust consultation processes to ensure all employees are included.
- Decision-making processes impacting workplace health and safety.
- Deliver programs to ensure the effective implementation of this health and safety.
- policy
- Provide leadership, resources, and support to deliver these programs.

## 2 SUPPLIER SELECTION CRITERIA:

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### 2.1 SUPPLIER CODE OF CONDUCT

#### 2.1.1 Our Core Values

CMP Advanced Mechanical Solutions is committed to a set of core values that includes transparency, integrity, accountability, and respect. These values serve as a guiding principle for all we do at CMP, while compliance, ethical behavior, and sustainability serve as the foundation for CMP and our supply chain.

We expect suppliers to adhere to the CMP Supplier Code of Ethics throughout the time they do business with us and to notify CMP of any instances where expectations are not met.

“Ethical, responsible, and sustainable business conduct is at the core of how CMP operates, and these core principles extend to our suppliers. Setting a high standard and mutual foundation will allow us to continue to make progress to earn the trust of our stakeholders, and customers, as well as demonstrate transparency and integrity to ensure compliance and enable a sustainable business model.”

#### 2.1.2 Governance

##### 2.1.2.1 Governance

We expect suppliers to implement and adhere to their own written code of conduct, consistent with the expectations of this CMP Supplier Code of Conduct, and to flow down their principles to the suppliers they work with in providing products and/or services. We expect suppliers to maintain effective programs that require their employees to make ethical, value-driven choices in their business dealings, and reinforce those requirements through frequent communications.

##### 2.1.2.2 Compliance with Laws

Suppliers must comply with all laws and regulations applicable to their business, including the local laws and regulations of all countries outside their home country in which operations are managed or services are provided.

##### 2.1.2.3 Anti-Corruption Laws

Suppliers must comply with the anti-corruption laws, directives, and regulations that govern operations in the countries in which they do business, regardless of the local customs. We expect suppliers to conduct due diligence to prevent and detect bribery and corruption in all business arrangements, including partnerships, the engagement of contractors and sub-contractors, joint ventures, offset agreements, and the hiring of third-party intermediaries, such as agents or consultants.

##### 2.1.2.4 Illegal or Improper Payments

Suppliers must not offer, directly or indirectly, any illegal or improper payments to, or agree to receive any illegal or improper payments from, any customer, supplier, their agents, representatives, or others. We expect suppliers to prohibit their employees from receiving, paying, and/or promising sums of money or anything of value, directly or indirectly, intended to exert undue influence or improper advantage. This prohibition applies even in locations where such activity may not violate local law or custom.

#### **2.1.2.5 Gifts or Business Courtesies**

We expect suppliers to compete on the merits of their products and services. Suppliers must not use the exchange of business courtesies to gain an unfair competitive advantage. In any business relationship, suppliers must ensure that the offering or accepting of any gift or business courtesy is not permitted. No cash gifts or the cash equivalent should be offered or accepted.

#### **2.1.2.6 Management of Risk**

We expect suppliers to actively manage risk and not pass down risk inappropriately to subcontractors or third parties. Suppliers should share risk information to ensure risk can be mitigated.

#### **2.1.2.7 Imports and Exports**

Suppliers must ensure that their business practices are by all applicable laws, directives, and regulations governing the import and export of parts, components, software, technical data, and services. Suppliers must provide accurate and complete information.

#### **2.1.2.8 Sanctions and Embargoes**

Suppliers must ensure that their business practices are in accordance with all applicable laws, directives, and regulations governing embargoes, sanctions, economic sanctions, and sanctions that may curtail the transfer of parts, components, and technical data and services to third parties. Suppliers must provide accurate and complete information.

#### **2.1.2.9 Timely Payment of Suppliers**

We expect suppliers to be fair and reasonable in their payment practices and pay undisputed and valid invoices on time, in accordance with agreed contractual payment terms.

#### **2.1.2.10 Health and Workplace Safety**

We expect suppliers to establish an appropriate workplace safety management system, including policies and processes to ensure compliance with applicable safety and health laws and regulations; to protect the health, safety, and welfare of employees, contractors, visitors, and others who may be affected by the supplier's activities; and to strive to eliminate fatalities, work-related injuries, and exposure of individuals to safety hazards. Consistent with applicable laws and regulations, suppliers must ensure that each employee's performance and safety are not impaired by alcohol, controlled substances, or drugs, whether legal or illegal.

#### **2.1.2.11 Harassment**

We expect suppliers to ensure that their employees are afforded an employment environment that is free from intimidation; physical, psychological, sexual, and verbal harassment; or other abusive conduct.

#### **2.1.2.12 Product & Service Safety and Quality**

We expect suppliers to comply with all laws and regulations governing product safety and quality, and to deliver products and/or services that conform to such product safety and quality standards. We expect suppliers to have established quality assurance processes to identify any defects and implement corrective actions.

#### **2.1.2.13 Counterfeit Parts**

We expect suppliers to develop, implement, and maintain effective methods and processes appropriate to their products, to minimize the risk of counterfeit parts and materials being delivered. Effective processes should be in place to detect, report, and quarantine counterfeit parts and materials and to prevent such parts from re-entering the supply chain. If

counterfeit parts and/or materials are detected or suspected, suppliers must provide immediate notification to the recipients of such counterfeit parts and/or materials.

#### **2.1.2.14 Intellectual Property**

Suppliers must comply with all the applicable laws governing intellectual property rights assertions, including protection against unauthorized disclosure.

#### **2.1.2.15 Child Labor**

Suppliers are expected to ensure that illegal child labor is not used in the performance of work. The term “child” refers to any person under the minimum legal age for employment where the work is performed, and/or the minimum working age defined by the International Labor Organization (ILO), whichever is higher.

#### **2.1.2.16 Modern Slavery**

Suppliers must prevent any involvement in all forms of modern slavery, including human trafficking and forced, bonded, or indentured labor. All work should be voluntary on the part of the employee. We expect suppliers to provide all employees with a written contract in a language that the employee understands clearly indicating their rights and responsibilities regarding wages, working hours, benefits, and other working and employment conditions. Suppliers must not destroy, conceal, confiscate, or otherwise deny access to any form of employee identification (e.g., passports or work permits) as a condition of employment unless required by applicable law.

## **2.2 ISO CERTIFICATION**

All the CMP’s Suppliers, who are directly or indirectly affecting production are encouraged to be certified, by an accredited third-party certified body, to the latest ISO9001 requirements. Value add Suppliers preferred a minimum of ISO9001.

Suppliers are required to provide evidence of their quality certification to CMP’s corporate procurement annually. CMP also encourages our suppliers to work towards certification to Occupational Health and Safety standards through certification to OHSAS 18001. Should any existing certification expire, be revoked, or be placed on suspension or probation, the supplier must immediately contact every CMP plant to which the supplier ships the product, notifying them of the change in certification status. Any suspension in certification status must be reported to all applicable CMP plants within 5 working days.

Where applicable, suppliers shall also maintain CQI-9 (Heat Treat System Assessment), CQI-11 (Plating System Assessment), CQI-12 (Coating System Assessment), CQI-14 (Warranty), CQI-15 (Welding), CQI-17 (Soldering) and all other FMVSS Standards, including but not limited to FMVSS 302 (Flammability reporting) requirements, if directed by your procuring CMP plant(s) and in support of applicable OE Customer-specific requirements.

Failure to upload renewed certifications will result in a penalty to operational ratings and could impact future business.

## **2.3 C-TPAT**

As a C-TPAT (Customs-Trade Partnership Against Terrorism) partner, CMP Advanced Mechanical Solutions encourages all our suppliers to become C-TPAT members.



## 2.4 SUPPLIER ASSESSMENT

CMP reserves the right to review and assess a supplier’s financial, operational, quality, environmental, and Health & Safety systems, to validate compliance to standards established by applicable ISO Standards or requirements as detailed within this manual. Assessments or reviews may be conducted from time to time to ensure the ongoing stability and viability of CMP’s supply base. Suppliers are expected to provide, upon reasonable notice, access to their facility as well as those of sub-tier suppliers, as necessary to conduct “Supplier Quality System Audits” as necessary to meet CMP and customer requirements. All appropriate measures will be taken to protect the confidentiality of operational and financial information.

# 3 SUPPLIER SELECTION AND EVALUATION

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## 3.1 NEW SUPPLIER SELECTION PROCESS

An Approved Supplier List exists for suppliers and is utilized by CMP for strategic sourcing. A Supplier may qualify to be added to the Approved Supplier List through the following processes:

- Potential New Suppliers:** Once the supplier meets the basic requirements mentioned above, the potential new Supplier will follow the competitive bidding process as the method for receiving business awards from CMP. Should it become evident that business will be awarded to a potential new Supplier; an optional onsite audit will be conducted to verify the Supplier’s capability to perform the work as required. Following a satisfactory quality review and financial assessment, potential new Suppliers will be added to the Approved Supplier List for consideration of future business awards.

Stage	CMP	Supplier	Documents
1	Confidentiality Agreement	Signed NDA	NDA
2	Supplier Profile Assessment	Filled Supplier Profile Form	Supplier Profile Form
3	Financial Assessment	Financial details, D&B report	Financial Assessment request
4	Operational Risk Assessment	Supplier Self-Assessment	Supplier Self-Assessment, Supplier Audit Report
5	Environmental/Safety/Legal Assessment	Certificates and requested document	Quality & Health & Safety Audit

- Current Suppliers: Current suppliers on the Approved Supplier List must continue to meet CMP's requirements of standards, expectations, and performance as mentioned in this manual to continue to remain as the current suppliers.

### 3.2 CRITERIA FOR SELECTING A SUPPLIER

While selecting a supplier, in addition to the requirements mentioned above, CMP considers the following criteria as well:

- Technology: Suppliers continuously strive to achieve technological advancement in their respective fields.
- Quality: Compliance with CMP and our customer's requirements. CMP expects high-quality, reliable, defect-free materials, developed through superior design, process control, and continuous process improvements.
- Responsiveness: Adjusting and adapting to meet CMP's and our customer's changing requirements. CMP expects Suppliers to be responsive to those needs, as well as maintain global requirements and flexible capabilities.
- Delivery: Meeting 100% on-time delivery.
- Cost: CMP expects its Suppliers to identify and eliminate non-productive costs and expensive operations.
- Commercial: Supplier's acceptance of CMP's terms and conditions of purchase. Before the award of any business, the supplier will be expected to complete a detailed cost breakdown.
- Sustainability: CMP expects its Suppliers to comply with the principles to Enhance Sustainability Performance in the Supply Chain.

### 3.3 SUPPLIER PROFILE

A Supplier Profile Form (reference Appendix A) may be forwarded to a Supplier for completion when CMP is considering awarding business to a potential new Supplier, or when an existing Supplier is being considered for additional business. If questions are not applicable, then indicate N/A.

Suppliers are expected to complete a CMP Supplier Profile form when a major change takes place. The completed form shall be submitted to CMP's Corporate Procurement Department by e-mail to the appropriate buyer. A copy of the supplier's quality system certification should be forwarded along with this form.

### 3.4 OTHER CRITERIA

**Continuous Improvement-** As part of the supplier's continuous improvement process, CMP expects Suppliers to make available evidence of process capability improvement to the appropriate CMP facility upon request.

**General Plan-** Supplier shall develop an annual continuous improvement plan, approved by upper management, which establishes improvement goals, implementation dates, and responsible personnel. As part of the Supplier Continuous Improvement System, CMP expects Suppliers to implement several interrelated systems.

**Lean Principles-** CMP expects that Suppliers recognize "Lean" as an inherently more cost-effective method of managing a business. Therefore, Suppliers are expected to adopt and implement "Lean" principles. Each Supplier is expected to develop company-wide, as well as plant-specific, Lean programs. All programs, at each level of the organization, shall include training of all employees, ongoing communication of plans and results to all employees, and establishment of measurables with which to measure improvement progress.

**Mistake-Proofing-** Automotive Customers require “Zero Defects.” The most effective way to accomplish this task is to use error-proofing in product designs and mistake-proofing in manufacturing processes. CMP expects its Suppliers to adopt the same tools and operating philosophies as a fundamental responsibility of doing business. CMP’s initial focus will be on new suppliers, existing “High Impact” suppliers, and problem suppliers.

**Business Operating System-** CMP expects that Suppliers adopt and implement a visual business operating system (BOS) to involve all employees in driving continuous improvement activity throughout the work areas. It is expected that BOS, a measurement-based continuous improvement methodology, be utilized to help prioritize and focus company resources on improving the most important aspects of the business in key areas such as safety, quality, cost, delivery, and people.

**Procurement Requirements-** The corporate procurement department will be the point of contact for formal notification to the supplier of all drawing changes via a purchase order amendment. Current CMP engineering drawings and specifications shall be available and maintained at the supplier’s manufacturing location. The supplier is required to maintain the confidentiality of drawings, specifications, documents, or information supplied by CMP.

**Supplier Competitiveness-** The supplier agrees to support CMP in any joint effort concerning any cost reductions required by CMP’s customers. Should the Supplier be unable to support CMP’s requirements, CMP reserves the right to competitively bid the products and/or services required to confirm market price and to award an agreement for those goods and/or services to the successful bidder.

**Warranty Requirements-** The supplier shall document all warranty concerns, conduct analysis, perform required testing, and provide this information along with the corrective action to CMP upon request. The supplier is responsible for all documented warranty claims and expenses that are supplier process related. Supplier representative to attend warranty reviews at the final customer upon request by CMP.

**Labor Disputes-** The supplier will notify CMP immediately of any actual or potential labor disputes delaying or threatening to delay the timely performance of this order and will include all relevant information to CMP. The supplier will notify CMP in writing at least six (6) months in advance of the expiration of any current labor contract(s). If requested by CMP, Supplier will deliver a supply of finished goods at least 30 days before the expiration of any such labor contract, in quantities and for storage at any place or places designated by CMP at Supplier’s expense.

**Sustainability-** Supplier is expected to advise CMP forthwith if at any time it becomes aware 1) that it is not engaging in responsible working conditions practices; 2) if it is breaching any basic human rights at any of its facilities; or 3) of a member of its senior management is found guilty of any criminal offense involving fraud, theft, corruption, or undue influence.

## 4 PRODUCT DEVELOPMENT AND APPROVAL

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### 4.1 SUPPLIER FIRST ARTICLE INSPECTION (FAI)

When a supplier is requested to perform a First Article Inspection (FAI) the following (as applicable) shall be submitted for review as a minimum before starting the activity.

- Procedures.
- Forms.

- Process validation reports.

The following documents shall be submitted and approved before any deliveries can be performed.

- FAI report.
- Instrument calibration certificates.
- Deviations.

FAIs may require on-site inspections by CMP Advanced Mechanical Solutions, therefore we request access to your facilities at any time.

## 4.2 EARLY CONTAINMENT

Suppliers shall utilize the early production containment plan for all pre-production requirements to CMP facilities and must follow CMP guidelines (or equivalent customer standards as applicable). Early production containment must be in place until all exit criteria specified by CMP and the OEM customer are complete.

# 5 MATERIALS MANAGEMENT

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## 5.1 RELEASES / CUMS / MATERIAL AUTHORIZATION

Products may be ordered by issuance of an individual Purchase Order for a specific quantity or through a “Supplier Schedule” Blanket Purchase Order supported by schedule releases.

Suppliers who have been issued a CMP supplier schedule purchase order, which is to be supported by releases, will be issued releases every week. Releases will be communicated through a variety of options including FAX, e-mail, or Electronic Data Interchange (EDI). If the release is not received, it is the Supplier’s responsibility to notify their designated CMP Material Representative.

Deliveries are to be made both in the quantities and at the times specified in CMP’s releases or as authorized in writing by the designated CMP Material Representative. All dates specified on the release are arrival dates at our dock.

Time is of the essence.

Suppliers who are unable to meet all requirements from CMP for delivery date, quantity, and quality as requested “must” notify CMP’s Materials Representative immediately (no later than 24 hours) before the designated shipping date. Note that this communication does not alleviate the Supplier of any of the related costs and penalties associated with being past due or shipping defective material. During such delay, CMP may at its option buy the goods from other sources and reduce its schedules to the Supplier by such quantities without liability.

Excess transportation charges resulting from unauthorized multiple shipments; the full amount of past due requirements and/or unauthorized truck lines will be debited from the Supplier’s account.

CMP’s maximum liability or exposure is limited to 6 weeks cumulative of raw material, work-in-process, and finished goods. CMP is not responsible for any raw material, work-in-process, and/or finished goods over the times stated above. Quantities on the release schedule beyond the cumulative dates above are for planning purposes only. If additional lead time is required, the supplier must obtain written approval from CMP Corporate Procurement.

Products shall not be considered received until CMP receives all required documentation. CMP reserves the right to reject and return such products, as Supplier's sole expense if documentation is not properly executed.

## **5.2 DELIVERY FORECASTING**

Forecast information will be supplied to Suppliers through rolling 12-week production releases. Forecast information is provided as an indication of the requirements of CMP but is not considered binding except as provided in the paragraph above.

To support changes in production rate, replace failed or damaged products, and emergency requirements, the Supplier shall establish procedures and maintain the adequate product to support CMP's production requirements for 100% on-time delivery. As a minimum, such procedures shall be capable of supporting a 20% volume increase in production within 24 hours of notification.

## **5.3 PACKAGING REQUIREMENT**

Packaging will be designed to ensure that the integrity of the product is maintained throughout the supply chain.

If quantities justify it, returnable containers are the preferred packaging method. The containers are to be controlled and returned to the Supplier for reuse. "Returnable" pertains to Supplier owned or CMP-owned containers such as plastic or metal bins, racks, pallets, trays, separators, and/or loose components. All returnable containers and internal dunnage must be pre-approved by CMP. Supplier is responsible to ensure timely deliveries in the event of unavailability of "returnable packaging".

"Mixed Load" labels shall be on all mixed pallet loads and clearly identified. In the event of a mixed pallet, every effort should be made to ensure that the smaller quantity part is loaded as the top layer of the pallet.

Packaging proposals by Suppliers must be submitted to CMP Corporate Procurement for approval and be sign-off by a CMP Packaging Engineer before implementation.

## **5.4 NOTIFICATION OF SHIPMENT**

An Advance Shipping Notification (ASN) must be sent to the CMP materials representative within 59 minutes of shipment leaving the supplier's facility.

In the event of a known shortage or late shipment, the supplier shall immediately contact the CMP materials representative to advise of the situation. The supplier shall also indicate the anticipated time of delivery of the expedited material.

Supplier shall immediately notify CMP, of any circumstances that it anticipates may cause a delay in delivery, or quality or could impact Supplier's performance of its contractual obligations, stating the estimated period of delay, the reasons therefore, and what is being done to rectify the situation. If requested by CMP, Supplier shall, at Supplier's risk and expense, use additional effort, including premium effort, and ship via air or other expedited routing to avoid or minimize delay to the maximum extent possible.

## 5.5 SHIPMENT DOCUMENTATION

### 5.5.1 Shipping Labels

All the shipping Labels must contain following information:

- Supplier Name & Address
- CMP's delivery address
- PO Number
- PO Line #
- Part Number
- Part description
- Qty with UOM
- Manufacturing lot number and/or date

It is CMP's preference that all inbound shipments be labeled in accordance with CMP requirements. Suppliers must obtain approval to introduce label formats before implementation.

If the container is returnable, the Supplier shall ensure that old labels are removed and replaced with new ones. Note: Label must be legible, scannable, and unobstructed from banding or other packaging materials.

### 5.5.2 Other Documents

"Mixed Load" labels shall be on all mixed pallet loads and clearly identified. In the event of a mixed pallet, every effort should be made to ensure that the smaller quantity part is loaded as the top layer of the pallet.

All Suppliers supplying materials to CMP, which are "controlled" under Workplace Hazardous Material Information Systems (W.H.I.M.S.), must be familiar with and comply with all such regulations, for packaging and shipping.

Material Safety Data Sheets (M.S.D.S.) must accompany all initial shipments from Suppliers and be marked to the attention of CMP's Health and Safety Representative.

## 5.6 LOGISTICS

### 5.6.1 Transportation & Freight

A supplier must use specified transportation methods as indicated on CMP's purchase order. CMP's Corporate Procurement must approve any permanent changes to carrier or delivery frequency in writing.

All regular freight, payable by CMP must be shipped in accordance with CMP's purchase order. Non-compliance with these routing instructions will result in a debiting of the Supplier back for all applicable shipping charges.

Suppliers are expected to contact their approved carrier or expedited carrier, to set up all pick-ups, unless otherwise advised.

All expedited ground freight, payable by CMP must be authorized in writing from CMP. All invoices for expedited freight must be accompanied by written authorization to ensure payment. All excess transportation charges, which have been determined to be Supplier's responsibility, will result in a charge-back.

All pick-ups for dedicated milk runs must adhere to shipping schedules without exception. Any delay in shipping to schedule must be communicated to CMP immediately to avoid downtime issues. Excess freight incurred because of a missed or later pick-up, for which the Supplier is responsible, will result in a charge-back.

It is critical to CMP's operation that shipments leave the Supplier's facility and arrive at CMP on time. Failure to deliver shipments as scheduled may result in charges for CMP production downtime.

If past due or defective material is deemed the fault of the Supplier, the Supplier shall bear the cost of all excess freight charges required to meet CMP's requirements. It is Supplier's responsibility to automatically expedite should the Supplier foresee or incur a past-due situation. The Supplier shall also be liable for all costs associated with downtime of CMP and/or downtime costs billed to CMP by its customer. (CMP's standard downtime costs are USD 250.00 per minute).

### **5.6.2 Customs**

All material shipping across borders must have "Country of Origin" and "HS Tariff Classification" clearly marked on the commercial invoice.

The Supplier is responsible for the accurate completion of customs documents and for filing with CMP's broker a minimum of four hours before the truck arrives at the Canada/US/Mexico border.

All charges resulting from the export/return of the defective product shall be the responsibility of the supplier.

All Suppliers are obligated to annually provide CMP with all the appropriate Certificates of Origin to satisfy free trade and origin requirements along with a Manufacturer's Affidavit. The supplier will be responsible for any costs or penalties relating to Supplier's failing to provide certification or providing fraudulent certification.

CMP encourages all its suppliers to work towards achieving C-TPAT (Customs-Trade Partnership Against Terrorism) and/or PIP (Partners in Protection) certification.

### **5.6.3 OTHER**

#### ***5.6.3.1 Tooling, Equipment, and Gauges:***

Suppliers contracted to design and manufacture tooling, equipment, and gauges that are funded by CMP are required to provide a detailed drawing of proposed tooling, equipment, and gauge designs to CMP for approval and sign-off before commencing work.

Tooling and equipment designs shall adhere to the CMP applicable riders that are supplied with the purchase order.

Final tooling, equipment, and gauge detailed drawings must be supplied to CMP in an electronic format such as IGES, AutoCAD, or another agreed-upon format.

#### ***5.6.3.2 Labeling of Tools:***

All Tooling that has been identified as CMP property shall be identified with appropriate tags or labels containing such information as CMP may require. Suppliers are required to attach these tags or labels to the tools and forward a signed Bailee Bond establishing ownership to CMP's Corporate Procurement Department.

## 6 SUPPLIER PERFORMANCE AND MONITORING

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### 6.1 SUPPLIER QUALITY PERFORMANCE

Supplier Quality Performance requirements are “Zero Defects” on all products supplied to CMP. Deviation from this requirement will result in the issuance of a Non-Conformance Report (NCR) and subsequent applicable charges. An administrative fee of CAD 250.00 will be applied to each NCR issued to cover the CMP costs associated with the issuance and tracking of the NCR.

The supplier’s initial response to an NCR shall be within 24 hours of initial receipt and the final response shall be within 15 calendar days.

Any extension of deadlines for response to an NCR shall be received in writing from CMP.

Quality performance will be monitored by tracking CMP’s Non-Conformance Reports (NCRs). Performance data will be included in the Supplier’s Scorecard calculation. CMP’s requirement for quality performance is 100% - Zero Defects.

Supplier Performance Scorecards will be sent to the selected supplier by email every quarter. The quarterly report will be a consolidated report of the Supplier’s performance to all CMP plants they supply over the previous three months.

Suppliers are required to submit “Action Plans” to CMP Corporate Quality within 7 working days after receipt of the quarterly performance scorecard where the total score is 95 or below. Disputes on the rating assigned must be submitted to CMP Corporate Quality within 15 calendar days after receipt of the Supplier Performance Scorecard.

Suppliers of new programs will start being evaluated upon the start of production.

### 6.2 DOCUMENTATION UPON DELIVERY:

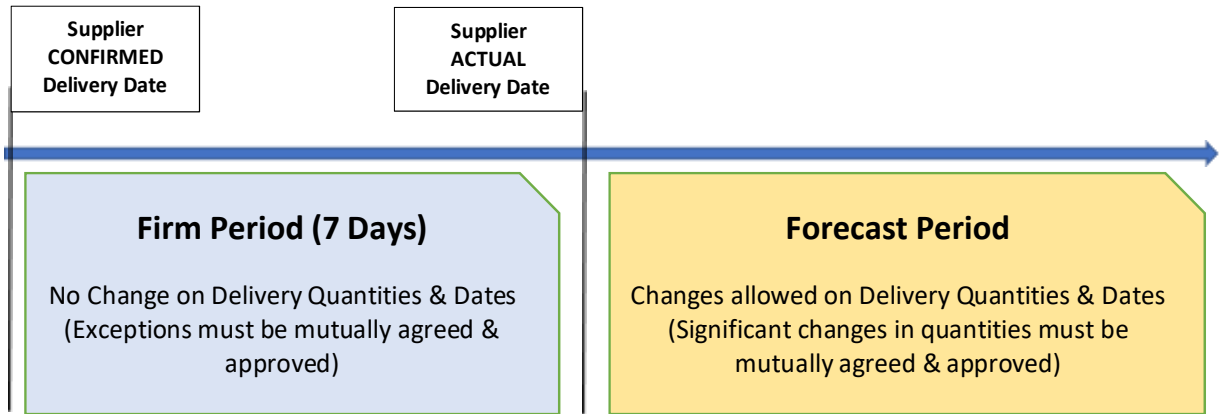
Any deliveries which are not accompanied by the required documentation (mill certificates, certificates, reports, etc..) will not result in an NCR and will not be received if the documents are not sent to us. This delay in receiving will impact the supplier’s delivery performance.

### 6.3 DELIVERY PERFORMANCE:

Supplier delivery performance will be monitored monthly on CMP’s Supplier Delivery Performance Reports. These reports will track compliance with shipping dates, quantities released, expedited freight, and issuance of an ASN. The results of this performance will be included in the monthly Supplier Scorecard. As shown below, Once providing the confirmation date, the supplier can provide a change in delivery only 7 days before the confirmed delivery date.



**Procurement Horizons:**



Suppliers are required to meet “100% On-time and ZERO short shipments” Delivery Performance for all products supplied to CMP. Shipping quantities and delivery date required for each product shipment will be specified on the “CMP Scheduled Release”. Failure to meet this requirement may result in a non-conformance report being issued and/or negatively affect the supplier’s delivery performance.

Non-conformance reports may be issued, at CMP’s Purchasing Department’s discretion, for non-compliance.

An administrative fee of CAD 250.00 will be applied to each late delivery or short shipments.

**6.4 SUPPLIER RESPONSIVENESS:**

Responsiveness will be monitored and included in Supplier’s overall performance rating. Responsiveness includes but is not limited to, timely receipt of all requests for quotes, timeliness in response to inquiries, compliance with packaging requirements, and accuracy of invoices. The administrative accuracy goal is 100%.

### 6.5 SUPPLIER PERFORMANCE MANAGEMENT:

On a monthly basis, Enersys Supplier Quality should distribute a Supplier Performance Report to Supplier. The Supplier will analyze these facts and data to define and implement a Quality Improvement Plan (QIP) to support a continuous improvement strategy. Suppliers must present QIPs to EnerSys upon request.

Based on the results of Supplier Performance Reports have the scores have four possible levels.

LEVEL	SCORING %	ACTION
Good	100 - 91	To maintain
Capable	90 - 81	Analysis and Quality Improvement Plan done internally by Supplier
Conditional	80 - 70	Quality Improvement Plan presented to CMP in 7 Days
Unacceptable	<70	Reinforced Quality Improvement Plan presented to CMP, Controlled Shipment Level Procedure

### 6.6 CORRECTIVE ACTION:

Unsatisfactory Supplier performance will be monitored by the designated Buyer and/or Purchasing Representative and/or by the Supplier Quality Engineer with any of the following steps being taken:

- Corrective action plans submitted by Supplier as requested and monitored for compliance.
- Meeting with Supplier and CMP personnel to issue timelines of completion for required corrective actions.
- On-site supplier audit by CMP personnel, as required.
- Notice of placement on Controlled Shipping - Level 1 (CS1), which requires 100% inspection of all parts before shipment to CMP.
- Notice of placement on Controlled Shipping – Level 2 (CS2), which requires 100% inspection by a 3rd party auditor approved by CMP before shipment. The cost associated with 3rd party inspection shall be at Supplier’s expense.
- Notification to Supplier of New Business Hold status or de-sourcing due to continued non-compliance.