



Provider Quality Management

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Provider Quality Expectations Manual

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NOTE: All reference to standards and specifications is made to the latest revision in effect at the time of order or review, unless otherwise specified in writing by PeterPaul.

EXPECTATIONS AND PHILOSOPHY

PeterPaul competes for business in highly competitive markets throughout the world. We must constantly improve our performance, our technologies and our costs to remain competitive. Our providers are critical to our ability to succeed and must fully support our efforts in these activities. Peter Paul believes in partnering with suppliers to jointly design, develop and review products and services so that the mutual needs are considered.

The goals for PeterPaul and our providers are simple; be the very best at what we do and do it at the lowest cost. We must have the best quality, the lowest cost and the highest level of customer satisfaction to survive and to ensure profitable growth.

To achieve this we must have a highly flexible, highly motivated and highly robust supply base. In addition, a philosophy and culture of prevention rather than detection should be established and nurtured.

PeterPaul expects “zero” nonconformances to PeterPaul requirements and expectations from all providers. We expect 100% on-time delivery and continual improvement from providers.

The procedures and policies defined in this manual will help support provider efforts toward our shared objectives.

SECTION 1- Introduction

A. Policy and Vision

It is the policy of Peter Paul Electronics Co., Inc. (hereafter referred to as PeterPaul), to utilize only those providers that can fully support our competitive goals, fully embrace the concepts of Lean Manufacturing, continual improvement, and strive to be “world class” in quality, delivery and cost.

It is our vision that by utilizing providers that share our sense of urgency and profound desire to be the best, we will continue to be leaders in our market place and we will continue to provide products and services with exceptional value to our customers, our employees and our stakeholders. Our growth means growth for our provider base.

B. Purpose

The purpose of the PeterPaul Provider Quality Expectations Manual is to clearly define the expectations and policies for providers to PeterPaul.

C. Scope

This manual applies to all direct product and service related providers to PeterPaul. In addition, many of the policies and procedures defined in this manual apply to indirect product and service providers when indicated on the purchase order.

This manual is intended to be used primarily for commercial product, but has the provisions to specify requirements for product intended for use in the automotive or other industries. These requirements will be specified by PeterPaul at the time of quotation, and incorporated on the PeterPaul purchase order.

D. Responsibility

1. Providers are responsible for meeting the requirements defined in this manual, the current ISO-9001 standard, and other requirements as specified on the PeterPaul Purchase Order.

NOTE: ISO 9001 registration is not required, but compliance to ISO 9001 is.

A provider who has been certified to a 3rd party standard, and has had their certificate revoked, *MAY* be subject to removal from the approved provider list at PeterPaul and not given new business to quote on.

2. Failure to meet these requirements may result in loss of existing or future business with PeterPaul. Any or all costs associated with provider failures (Returns, sorting, replacements, rework, etc.) will also be the responsibility of the provider.
3. Providers are responsible for providing “Zero” product or service nonconformances, 100% on-time delivery and response to PeterPaul needs without undue delay.
4. Providers are responsible for supporting PeterPaul continuous improvement activities.
5. Providers are responsible for developing and implementing part specific and executable contingency plans for ensuring continued delivery of product and services in the event of unplanned disruptions in production including catastrophic events.
6. Providers are responsible for adhering to all applicable federal, state and local regulations and industry safety and health standards.
7. Providers are responsible for written notification to PeterPaul Purchasing of any of the following:
 - Major changes in company ownership or management within 7 days of occurrence,
 - Labor organization bargaining agreement negotiations (If applicable) - 60 days prior to start of negotiations,
 - Planned shutdowns effecting production - start of calendar year,
 - Unexpected business interruptions - immediately - implement contingency plans,
 - Major changes in Quality Management System.

E. Manual Distribution

This PeterPaul Provider Expectations Manual is available online. ***Any distributed printed copies are considered “Uncontrolled” and provided for reference.*** PeterPaul will ensure all updates are posted and available to providers. ***It is the provider’s responsibility to ensure they have the most current revision.*** Online versions will be available in Adobe PDF format.

SECTION 2- PeterPaul Provider Requirements

A. Provider Selection and Approval Process

1. Supplier Selection

- Suppliers will be selected, approved or rejected based on a cross-functional team review. This team consists of PeterPaul Supplier Quality Assurance, Purchasing and Product Engineering personnel.

2. ISO-9001 Registration / Compliance

- PeterPaul prefers that their providers be 3rd party registered to a recognized international Quality Management System standard, (ISO 9001, AS9100, IATF 16949, ISO 13485, etc.), or have a planned and active process defined and implemented to become certified to one. ISO-9001, ISO 13485 and IATF-16949 are the preferred standards. Where the provider does not have sufficient resources to achieve certification, PeterPaul will recognize those providers who have a documented and effective quality management system established. In this case, providers will be required to complete a “Provider Self-Assessment Questionnaire (F-741200-01),” and may be subject to periodic audits by PeterPaul personnel. PeterPaul will determine, based on provider performance to Key Process Indicator metrics (KPI) whether to continue doing business with a provider.
- Providers must also satisfy the requirements of the appropriate industry standards when specified by PeterPaul. Some examples: Production Part Approval Process (PPAP), Process Failure Mode and Effects Analysis (PFMEA), Measurement Systems Analysis (MSA) and Statistical Process Control (SPC). These standards are available from the AIAG (Automotive Industry Action Group). While Advanced Product Quality Planning (APQP) now is a guideline, PeterPaul may have specific requirements for product and process.
- Providers must understand and comply with this PeterPaul Provider Requirements Manual.
- **NOTE: Laboratory and Calibration providers are required to be registered to ISO/IEC 17025 at a minimum.**

3. PeterPaul Provider Evaluation

- All potential providers to PeterPaul must meet the minimum requirements defined in PeterPaul Provider Evaluation Summary. A minimum score of 70 is required to be a provider to PeterPaul.
- All potential providers will complete an initial “self-assessment” (Forms F-741200-03 if 3rd party registered, or F-741200-01 if not). Upon review of the evaluation documents, PeterPaul Purchasing, Supplier Quality Management and Product Engineering will decide whether to accept the results of the self-assessment or conduct an onsite evaluation of the provider’s facility.

4. Approved Provider Lists

PeterPaul Quality Assurance will maintain an Approved Providers List (SQA-125) which will be used to record provider approval status, performance classification and evaluation results. These lists will classify providers as “Certified”, “Approved”, “Probationary” or “Rejected”. These classifications are defined in the PeterPaul Provider Evaluation Procedure (QSP-741-2) and PeterPaul Company Glossary SWI-4231-05.

Providers will be considered for new business based on the classification recorded on the PeterPaul Approved Provider Lists and the current rating at PeterPaul facilities.

5. Customer dictated sources

- Customer dictated sources must comply with the requirements defined in this manual.
- In the event the provider is not meeting performance requirements, or is deemed non-responsive, PeterPaul reserves the right to notify the customer, request action or recommend de-sourcing of the provider.

6. De-source policy and procedures

- Providers that cannot, or do not comply with the requirements defined in this manual may be removed from the PeterPaul Approved Provider List and will not be allowed to quote or receive new business. The process for removing providers may include:
 - a) Probation / New-business Hold
 - b) Formal containment activities including CS-1 and 3rd party CS-2.
 - c) Removal and relocation of tools and/or transfer of business.
 - d) Notification to the PeterPaul customer recommending de-sourcing of customer dictated providers.

B. **Provider Production Readiness** (New and automotive intended product)

1. Product intended for automotive use:

Providers will be required to follow formal procedures for launching new products and processes as defined in the PeterPaul Purchase Order by PeterPaul Engineering and Quality Assurance. The requirements will include the steps identified in the appropriate AIAG guidelines where specified. *Successful launches and submitting launch documentation on time will be a key performance metric for providers.*

2. PeterPaul 5-Phase Provider Launch Readiness - to be used when specified by PeterPaul

PeterPaul has a 5-Phase launch process for providers. The phases include:

- Phase 1- Provider Selection Phase
- Phase 2- Product / Process Review
- Phase 3- Provider Readiness
- Phase 4- Release for production + 30
- Phase 5- Production

3. Advanced Product Quality Planning (APQP)

Providers to PeterPaul must meet the requirements defined in the AIAG APQP Manual, or the equivalent, when required by PeterPaul. Specifically, PeterPaul requires providers include “process” parameters in the PFMEA and Control Plans, not just product parameters. As a minimum, Process Control Plans (PCP) will be documented and include control and reaction plans necessary to ensure quality of product or service to PeterPaul.

4. Production Part Approval Process (PPAP)

Providers must submit parts and processes for approval following the AIAG PPAP Manual guidelines. All providers must submit to Level 3 unless notified in writing that another level of submission is permissible.

5. Run @ Rate

Providers may be required to submit Run @ Rate data to the PeterPaul designated representative. The PeterPaul designated representative will determine PeterPaul participation and provider requirements.

6. End-of-Vehicle Life Directive (ELV), RoHS & RoHS2

The European Commission implemented the End-of-Life Vehicle Directive (ELV) which prohibits the use of mercury, lead, cadmium and hexavalent chromium in vehicles and components. The Directive is intended to minimize the impact of “end-of-life” vehicles on the environment. This is mandated for all European Union (EU) Member States and is also required by North American and Japanese vehicle manufacturers. ***This requirement will also apply to all products and service provided to PeterPaul unless specifically approved in writing for use by PeterPaul irrespective of intended end use.***

RoHS, RoHS 2 and REACH compliance is mandatory for all products and services supplied to PeterPaul after 7/1/06 unless specifically approved for use by PeterPaul Engineering (See SQA-100 Provider Request for Engineering Authorization - SREA).

7. Product intended for other than automotive use:

Product intended for other than Automotive use will follow a methodology specified by PeterPaul Engineering and Quality Assurance. Requirements for submission will be provided at the time of quotation. In all cases, samples of product from a new provider will require submittal for approval prior to production startup.

8. Initial submission requirements (All products) and pre-production

Once a supplier is selected to provide a product, a P.O. will be issued to the supplier for FAI samples. Three serialized sample parts with accompanying verification documentation are to be sent to PeterPaul for FAI verification and measurement correlation. The raw material RMT must accompany the FAI package. If acceptable, a P.O. is issued for a 500 Pc. Pre-production or Pilot Run. The Pre-production run should be used to collect capability data for PeterPaul designated significant and critical product features for the process producing the part. Capability data must accompany the parts when shipped to PeterPaul. Data is preferred in an Excel workbook format. In addition to the data, a Raw Material MTR
Once the data is reviewed, and found acceptable, a P.O. for the production order will follow. If the data indicates that the process requires improvement, an additional request will be issued by PeterPaul Purchasing. The supplier has the right to submit a SREA for temporary or permanent deviation.

9. Government Regulatory Compliance (All product)

Providers shall comply with all applicable government regulations and OSHA safety standards. Registration to ISO-14001 is strongly recommended. As a minimum, providers shall have a formal process in place to ensure compliance to government regulations, health and safety of employees and a positive impact on the environment.

10. Restricted / Prohibited Material Reporting (All product)

North American Automotive OEM companies require all providers to supply detailed information for all restricted and/or prohibited materials found in their products. The format for this is the International Material Data System (IMDS). The IMDS can be found at www.mdssystem.com.

For product other than automotive, a SDS or other format mutually agreed upon by PeterPaul and the provider may be utilized. Unless specified on the purchase order, PeterPaul requires RoHS compliance of all purchased product.

10. Contingency Planning (All product)

Providers to PeterPaul must have a comprehensive documented Risk Based “Contingency Plan” in place. This plan ensures providers are prepared for natural disasters and other events that may disrupt business practices.

Providers must prepare for unplanned emergencies and document the preparation using a format appropriate to the provider’s organization. The plan should include a primary contact list that must be kept current at all times, including alternate contacts. This list will be forwarded to PeterPaul Purchasing. This requirement includes forwarding updates to PeterPaul.

11. Packaging (All product)

PeterPaul and the provider will agree upon packaging during product development. Agreed upon packaging will be documented and will define the packaging details when required by PeterPaul. Wherever possible, returnable packaging will be utilized. Providers are responsible for developing contingency packaging (expendable) should the returnable containers not be available.

Basic requirements will include:

- All packaging must have a label that complies with PeterPaul guidelines.
- As a minimum, the labels must include the following information:
 - Part Number with engineering change level and description of the product
 - Actual number of pieces/quantity
 - Provider name and PeterPaul provider code
 - PeterPaul Purchase Order Number
 - Lot Control / Traceability information (Where required)
 - Any product specific requirements specified by PeterPaul

- There shall be only one (1) part number in a container.
- Packaging must be robust enough to protect the product and prevent damage or contamination during shipment.

12. Lot Control / Traceability (All product)

Lot control and traceability are essential requirements for providers to PeterPaul. The size of the lot reflects the amount of risk should a problem with product occur and therefore must be managed accordingly. Traceability ensures quick and effective retrieval of information for containing concerns and for problem solving.

Providers must have effective systems in place for ensuring that records of incoming/outgoing materials and components are controlled properly and quickly retrieved.

13. Provider Request for Deviation or Engineering Change (SREA)

Providers may request a temporary or permanent change of PeterPaul by submitting a SREA (Form SQA-100) to PeterPaul Purchasing. Changes may be to PeterPaul drawing requirement, specifications or to a delivery schedule. These requests may not be implemented without PeterPaul acknowledgement and approval. Changes implemented without PeterPaul approval are subject to rejection at Receiving Verification. This will affect the provider rating adversely.

C. Continual Improvement Process

1. Provider Performance Reporting

PeterPaul will update provider performance quarterly and provide providers with access to their specific performance reports. It is the provider's responsibility to communicate the importance of these metrics within their organization. It is also the provider's responsibility to develop an improvement plan and implement the required improvements.

PeterPaul will establish *Key Performance Indicators* (KPI) with providers. The basic requirements will include Zero Defects as measured in Parts per Million (PPM), 100% on-time delivery and responsiveness. Providers may also have specific objectives for cost improvement, engineering support and EDI support.

Along with the specific provider rating information, an index will be provided that indicates how each provider rates against other providers in their industry category (Plating/Coating, Component Provider, Rubber Molder, etc.) for benchmarking purposes. Other provider names will not be provided as the base information is confidential.

Providers who demonstrate compliance to all PeterPaul requirements on an on-going basis will be considered for "Certified" status. This means a provider's product will be considered "Ship-To-Stock" or "Ship-To-Line" product bypassing receiving verification. This is a vote of confidence and trust by PeterPaul. This status also requires that provider's have the responsibility to continue to perform well and improve over time.

2. Plan Do Check Act- (PDCA) (Deming Wheel)

Providers must incorporate the "Plan - Do - Check - Act" process for monitoring quality measurables, or key performance indicators. (KPI).

Plan - Establish the objectives and processes necessary to deliver results in accordance with customer requirements and the organization's policies.

Do - Implement the planned processes

Check - Monitor the processes and product for compliance with policies, objectives and requirements for the product and report the results.

Act - Take actions to continually improve process performance.

3. Concern Management / Problem Solving

PeterPaul Procedure *SQA-200* - Provider 8D Problem Resolution Summary Instruction defines requirements and expectations for providers for problem solving and corrective action. The procedure outlines a disciplined, formal approach for problem solving and specifies the approach required for each step of the 8D process. The process is very similar to the Ford 8D. Other accepted methodologies and formats may be agreed upon by PeterPaul and the provider. Acceptable methodologies include, but are not limited to, the DCx 7S, GM 5-Phase.

This procedure applies to all providers of production material, parts, subassemblies or services. It shall be utilized by providers to resolve any/all issues including quality related problems, delivery related problems, late submissions and other requirement noncompliance's identified in this manual and/or on the PeterPaul purchase orders.

4. Provider Request for Engineering Authorization (SREA)

Any intended changes to an established and agreed upon process or product ***MUST*** be approved by PeterPaul prior to implementation of a change to any PeterPaul requirement. Failure to obtain approval prior to any change being implemented may result in immediate business "hold" and/or removal from the PeterPaul Approved Providers List. It may also result in immediate loss of the existing business.

The provider should complete the SREA form and forward to PeterPaul Purchasing for review of the proposed or intended change or deviation, and its impact. PeterPaul Purchasing will consult Engineering and Quality Assurance to ensure that the intended change(s) will not adversely affect form, fit, or function of the end item.

PeterPaul may request a sample product made with the intended change to perform tests and evaluate acceptability of the change. PeterPaul hold the exclusive right to accept or reject proposed changes.

5. Records / Sample Retention

The provider is required to maintain records related to processing of product (and services) supplied to PeterPaul. These records should include any incoming/process/product verification results including verifications, statistical data and charts, and records of any measurement standards utilized. Records should clearly indicate who performed the verification and who approved the product for shipment.

Records of any discrepancies found during production and subsequent release for shipment are also required to be maintained. When a provider detects product that does not meet all PeterPaul requirements, the provider is required to contact PeterPaul Purchasing to determine disposition prior to the product being shipped to PeterPaul (See SREA). If conformance to this requirement, and disposition to ship the product is given by PeterPaul, the discrepancy will not count negatively toward the providers PPM rating.

D. Verification of Purchased Product

A PeterPaul representative and/or our customers' representatives shall be afforded the right to verify that provider's product/services conform to specified requirements. Such on-site verification is not evidence of effective quality of control by the provider. Verification by PeterPaul/our customer shall not absolve the provider the responsibility to provide acceptable product, nor shall it preclude subsequent rejection by PeterPaul or the end user.

E. Provider charge-backs

Where provider product is identified as nonconforming, a charge of \$50 USD per incident may be assessed to the provider to process and manage the nonconformance.

In the event PeterPaul must sort (Contain) or take other steps to make product useable due to the detection of discrepancies with requirements to satisfy customer demands, providers will be charged back at the rate of \$35.00 per labor hour for sorting and \$75 per labor hour, plus the cost of tooling and materials, for rework or repair. The provider will be notified prior to any action being taken, and they may opt to perform sorting (Containment) either at their facility or at PeterPaul if space is available.

Where sorting of suspect product yields product that is not salvageable due to provider fault, the cost of the product (*at the stage of completion*) will be charged back to the provider.

NOTE: Providers have the right to dispute charges. Any dispute should be directed to the Manager, Quality Assurance (gamgr@peterpaul.com), in writing within 5 working days of notice. If written a response is not received by Quality Assurance within the allotted time, PeterPaul will assume concurrence with the charges assessed.

F. Compliance

- a. Suppliers are expected to provide product complying to requirements of the following:
(Links are provided in the reference section)
All reference to the compliance requirements is made to the latest set of requirements in effect. These requirements are typically updated annually.
 - a. REACH
 - b. RoHS
 - c. California Proposition 65
 - d. Dodd Frank Act - Conflict Materials - Precludes the use of Gold, Tantalum, Tin and Tungsten originating from ore mined in the Democratic Republic of the Congo.
- b. Any deviation from these requirements must be communicated to PeterPaul purchasing at the time of quote.

G. References

AIAG Production Part Approval Process (PPAP)
 AIAG Advanced Product Quality Planning and Control Plan (APQP)
 AIAG Potential Failure Mode and Effects Analysis (FMEA)
 AIAG Statistical Process Control (SPC)
 AIAG Measurement Systems Analysis (MSA)
 PeterPaul Purchase Order Terms and Conditions (See PeterPaul Website)
 QSP-741-2 - Provider Evaluation and Selection (PeterPaul Internal Procedure)
 QSP-741-3 - Certifying Suppliers to Ship-to-Stock Status
 SQA-100 Provider Request for Deviation or Engineering Change (SREA) (See PeterPaul Website)
 SQA-200 Provider 8D Problem Solving Requirements (See PeterPaul Website)
 F-7412001 Provider Self-Assessment Questionnaire (See PeterPaul Website)
 F-7412002 Provider QMS Audit
 REACH - [REACH Reference](#)
 RoHS - [RoHS compliant](#)
 RoHS3 - [RoHS3 Reference](#)
 Prop 65 - [California Proposition 65](#) (Previously known as 'Safe Drinking Water and Toxic Enforcement Act of 1986')
 Conflict Materials - Dodd Frank Act - [Dodd Frank Act Reference](#)

NOTE: Links to the AIAG and IAQB websites are provided on the PeterPaul website.

H. Definitions

- a. PPM - Parts Per Million [(Parts Rejected ÷ Parts Received) x 1,000,000]
A normalized index used to indicate quality level of product.
- b. SREA - Provider Request for Engineering Authorization - Format used for provider requested temporary or permanent requirement deviations or product changes.
- c. CS-1 (Contained Shipping - Level 1) - Provider provides dedicated resources to ensure that discrepant product is not shipped to PeterPaul.
- d. CS-2 (Contained Shipping - Level 2) - PeterPaul contracts an independent 3rd party to perform any containment necessary to ensure that discrepant product will not leave the provider's facility and be shipped to PeterPaul.

I. Revision Record

Rev Level	Section / Paragraph	Detail(s) of Change(s)	Changed By	Affectivity Date
Release	N/A	Initial Release for use - CN 16695	PJM	9/18/18

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Please complete the information requested below and return to Purchasing@peterpaul.com

Your Company Name: _____

I have received and read the PeterPaul Provider Expectations Manual and:

Agree with the content and expectations set forth in the manual

Do Not Agree With the content and expectations (Please Specify):

Printed Name: _____

Signature: _____ Date: _____

Email address: _____