



HIGHLANDS
DIVERSIFIED SERVICES

Supplier Quality Manual



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1.0 General

This Supplier Quality Manual will be in effect for all current and future suppliers to HDS. When attempting to gain business with HDS by submitting quotes per a request or any other method, a prospective supplier is agreeing to be bound by all terms listed in this SQM unless specifically amended and documented in the suppliers Purchase Order.

2.0 Third Party Certification Status

HDS actively promotes the continuous improvement of quality in manufacturing and therefore insists that all of its suppliers seek to attain, at a minimum, certification of ISO9001 standard. Certification to TS16949 is highly recommended.

3.0 Supplier Audits

In some cases, suppliers will be audited prior to the award of business or as deemed necessary by your HDS contact. These audits will be scheduled at the convenience of the supplier and HDS will communicate the names / titles of all personnel that will be conducting the audit. Please ensure that the necessary and appropriate staff are available at the time of the audit. The need for a supplier audit will be evaluated based on historical performance, nature of product, or third party certifications. In addition, any supplier deemed to be a quality risk for HDS will be subject to random audits but not without prior notification.

4.0 PPAP Submissions

All suppliers are expected to submit PPAP packages prior to start of production. All suppliers are to develop PPAP documentation based on the current edition of AIAG PPAP guidelines. The required level of submission will be Level 3 unless otherwise notified. HDS requires a minimum sample size of 6 parts for dimensional data and 30 parts for statistical capability. The features required for capability will be defined by HDS quality personnel. The due date for the PPAP submission will be communicated based on program timelines.

5.0 Material Certification

- a) Raw material – material certifications must be supplied with material and will be utilized for verification prior to the acceptance of the material. Failure to supply the certification will result in the material being placed on “HOLD” until the information is received.
- b) Components – initial certification must be provided with the PPAP and with lot of material that is used to make the component. The supplier will be responsible for providing the material certification when a new lot is used to produce the component being supplied. The material certifications must also be made available to HDS upon request.
- c) Coating – certificate of conformance for the coating must be provided part of the PPAP submission and confirmed to HDS a minimum of once per year or at any time where the



material is affected by an Engineering change. In addition, the applicable CQI document must be provided annually.

6.0 Inspection Data

HDS expects the supplier to gather adequate in process and final inspection data to ensure the quality of the products being produced. The chosen data points must be reflected on your control plan and will be approved as part of the PPAP submission. HDS may request copies of such information for verification of inspection activities.

7.0 Part Traceability and Tagging

All components / parts / materials shipped to HDS must be clearly labeled with the following information at a minimum:

- Part Name
- Part Number
- Current Engineering Level
- Qty
- Date of Manufacture
- Lot or serial number (if required)

8.0 Engineering Changes

HDS expects the supplier to promptly reply on all requests for quotes and engineering changes. The due date for the quote will be specified on the RFQ or otherwise communicated. Based on the nature of the change, the PPAP level required for the approval of the change will be communicated by the Buyer or the Quality Engineer for the part.

9.0 Receiving Inspection

HDS does perform limited incoming inspection on components, the supplier may be asked to provide additional inspection data at any time. Receipt and use of product, does not relieve the supplier of any responsibility relating to the quality status of the product.

10.0 HDS Nonconforming Material Report (NMR)

If a defect is found, HDS Quality Department will document the defect onto the NMR. The NMR will identify all affected lots and quantities. The defect will be communicated to the supplier either by the Buyer or the Quality Engineer. As a result, the Quality department may issue a CAR and also request sorting of product both at HDS and at the supplier. The due date for the CAR will be identified on the document. HDS will review the actions documented on the CAR and may ask for evidence to indicate that the countermeasures have been implemented. Also, in the event that the defect has created downtime at HDS or the end customer, rejected product



at HDS or the end customer or any other associated charges, those charges will be passed on to the supplier via the Vendor Chargeback Form.

11.0 Quality Performance / Scorecards

The supplier quality performance will be tracked in four categories:

1. PPM
2. Delivery
3. Quality System
4. Cost Initiaves

The scorecards will be reported to the supplier on an annual basis from the Buyer. While HDS believes that the ultimate goal for all companies should be zero defects, we have established a quality limit of 500 ppm per month as acceptable level. Poor quality performance will lead to increased site based visits to assist you in implementing a more effective Quality system, up to 100% incoming inspection of your product and removal from the Approved Supplier List.

12.0 Third Party Inspection

In some cases, HDS will choose to use a third party company to perform certification inspections on your product. The supplier will be notified in advance if a third party company will be used. The supplier will be given the opportunity to send other personnel to perform the sort or replace the product with certified stock and have the material returned at their expense.

13.0 Special Requests

From time to time, both HDS and the supplier may have special requests, such as engineering deviations, trial methods, etc. While these requests may be explained or discussed verbally, HDS requests that all "special circumstances" be documented via email or letter so that both parties will have evidence and history of approval. Any status change without documented approval will be treated as a discrepancy.