



# **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 ISO 9001:2015 standard with expectations that supplier is seeking certification to IATF 16949.

### 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 is 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. A supplier risk assessment (including CQI's) must be completed annually at a minimum or as requested from HDS when an on-site audit cannot be completed.

### 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 (with matching bubbled dwg) and 30 parts for statistical capability. The features required for capability will be defined by HDS quality personnel. HDS quality can require capability studies of any dimension before PPAP. IMDS submission is required. The due date for the PPAP submission will be communicated based on program timelines.

### 5.0 Material Certification

- a) Raw material – Mill 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.
- d) Additional testing requirements – the supplier is responsible for any additional testing requirements as referenced on the provided drawing. This includes any annual validation that must be completed to meet HDS customer requirements, and any costs associated with testing or reporting. If the supplier requires a copy of the standard or test method referenced on the drawing, it is the responsibility of the supplier to request through HDS or obtain on their own.

### 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 Process and Product Changes

HDS expects the supplier to provide advance notification of any process or product change that affects the approved part and/or quality requirements. The supplier is responsible for identifying and controlling changes in the product or manufacturing process with the goal of preventing all defects. Any changes related to engineering / drawing release, Kaizen activities, corrective action, absenteeism, planned or unplanned shut down, maintenance, material batch change, tool modification / tuning, or other events that cause permanent changes to the product or process must be reported to HDS. Updated PPAP documentation and samples shall be provided to HDS for any permanent changes to the product or process. In some instances, approval will not be given until HDS's customer has been notified and approve of the change point plan. HDS requires that the supplier identifies the first shipment of new level parts as "New Level Parts" via label on each carton or tote of parts provided.

### 10.0 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.

### 11.0 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.

10.1 If a non-conforming part is found at HDS, there will be a \$150 Quality administrative fee that will be added to any other costs that are incurred as a result of the defective product.

### 12.0 Quality Performance / Scorecards

The supplier quality performance will be tracked in four categories:

1. PPM (delivered product conformity to requirements)
2. Delivery (customer disruptions, delivery schedule performance, premium freight occurrences)



3. Quality System
4. Cost Initiates

The scorecards will be reported to the supplier at a minimum on a bi-annual basis from the Buyer. Scorecards can/will be generated more frequently based on poor quality performance or request from supplier. Special status customer notifications related to supplier quality or delivery and/or dealer returns, warranty, field actions, and recalls will be provided to suppliers via written notification and may be reflected on the supplier scorecard. 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.

### 13.0 Short Shipment Notification

The supplier must notify HDS purchasing via HDS Short Shipment Notification form for any purchased component that does not arrive at HDS on the agreed upon date or if partial shipments are made. Any delays for missed shipments will be reviewed by HDS purchasing and detailed plans will be developed with the supplier to reduce HDS downtime if possible. A digital copy of the HDS Short Shipment Notification form can be obtained by contacting your HDS buyer.

### 14.0 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.

### 15.0 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.

### 16.0 Statutory and Regulatory Compliance

The supplier of goods or services shall indemnify and hold HDS harmless from and against any and all liability, expense, or loss, including actual and reasonable attorney fees, resulting from the supplier’s failure to comply with all local, state, federal, and international laws, rules, and regulations. The supplier shall flow down all requirements to its supplier(s)/subcontractor(s), including any statutory or regulatory requirements.