



**Preface**

Smith Metal LLC. views suppliers as vital members of its team. It is essential to work together to provide customers with products that meet their expectations and standards. Our mutual success is dependent on satisfied customers. The purpose of this T&C's is to provide Smith Metal's suppliers:

- ✓ standards for quality, delivery, and service;
- ✓ procedures for working with Smith Metal;
- ✓ procedures for working with Smith Metal's Purchasing and supplier development
- ✓ requirements necessary to meet Smith Metal's customers' requirements

Smith Metal's internal procedures support this manual.

Suppliers should ensure they are working with the most current version of these T&C's. It is the responsibility of each supplier to review, understand, and conform to all requirements in this document that are applicable to the product or service supplied to Smith Metal.

**Policies**

Smith Metal's business is guided by our Quality Policy and the guiding principles set out below:

**Quality Policy**

Smith Metal is focused at achieving customer satisfaction. We strive to continually improve the effectiveness of our Quality Management Systems and achieve our Objectives. Our employees are committed to helping Smith Metal fulfill this policy.

**Guiding Principles**

- ✓ Make high quality products, stop production to investigate and eliminate problems
- ✓ Discipline is key to achieving our goals and objectives
- ✓ Attract, train and work with excellent people, and motivate our people to perform well
- ✓ Seek suppliers who share our principles
- ✓ The Golden Rule – respect each other

**Code of Conduct**

Our Quality Policy and guiding principles are aligned and serve as the base for Smith Metal's Code of Conduct for Suppliers and Employees.

The Code of Conduct requires that we:

- ✓ Act honestly and ethically complying with all applicable laws, rules and regulations
- ✓ Not use confidential information acquired during our role with the company
- ✓ Avoid conflicts of interest
- ✓ Report known violations of the Code and not permit retaliation of any kind for reporting violations

Working Conditions requires that we:

- ✓ Not use child or forced labor
- ✓ Promote our employees' material well-being by providing competitive compensation and benefits that comply with applicable laws
- ✓ Comply with applicable laws regulating hours of work
- ✓ Not discriminate on the basis of gender, race, color, creed, religion, age, national origin, sexual orientation, gender identity, disability or veteran status
- ✓ Maintain a healthy and safe work environment
- ✓ Do not accept or offer illegal payments, bribes, kickbacks or other things to secure work or influence business decisions

Further to the above, under Smith Metal's Quality Policy we are dedicated to maintaining a Quality Culture with:

- ✓ Continuous improvement
- ✓ Using proactive performance measures
- ✓ Leading process innovations

- ✓ Team based problem solving
- ✓ Utilizing documented systems
- ✓ Rewarding employee involvement
- ✓ Meeting customer expectations

The above guide our business relationships with our suppliers and Smith Metal's suppliers are expected to conduct their business in minimum compliance with all of the above. Smith Metal reserves the right to audit the suppliers' compliance. The suppliers also required to comply with Smith Metal's Purchase Order Terms and Conditions.

### **1.0 Purpose**

This agreement defines the technical and organizational framework and which are required to achieve the desired quality targets. The objective is the avoidance of quality problems and the safekeeping of processes between Smith Metal and each supplier.

Requirements from relevant standards remain unaffected by this procedure e.g.: ISO 9001 related documents and Customer Specific Requirements (CSR's)

### **2.0 Scope**

The terms and conditions of this agreement shall apply to any existing and future purchase agreements. This defines the Smith Metal's Purchase Order Terms and conditions, requirements stated on drawings or specifications, and other regulatory requirements.

Smith Metal ensures that its sub-Suppliers take the necessary measures in order to meet the obligations that have been assumed by the Supplier.

Smith Metal T&C's apply to all external Suppliers and subcontractors for products and services such as:

- ✓ Production material
- ✓ Production parts
- ✓ Outside processing such as heat treating, e-coating, plating, etc.

This T&C will assist the supplier to meet the terms and conditions of Smith Metal's purchase orders as well as the product drawings, specifications, Quality Management System (QMS), Policies, and procedures including all relevant Customer specific Requirements (CSR).

### **3.0 Supplier Selection and Qualification**

3.1 Approved Supplier Lists are managed by Smith Metal. Suppliers must be added to the Approved Supplier List prior to sourcing.

Smith Metal selects Suppliers based on the following criteria:

Suppliers must operate their quality in conformance to the most current revision of ISO 9001 or as contractually agreed upon, at a minimum they should be ISO 9001 third party compliant or certified. Testing facilities must be certified to ISO/IEC 17025.

- ✓ Approved by Smith Metal President when not ISO 9001 certified at a minimum.
- ✓ Certification to ISO 9001 through third-party audits: unless otherwise specified by the customer, suppliers to the organization shall demonstrate conformity to ISO 9001 by maintaining a third-party certification.
- ✓ Certification to higher Quality Standard (AS 9100, ISO 13485 or IATF 16949) by maintaining a third-party certification.
- ✓ Smith Metal: Suppliers must demonstrate their expertise through the qualifications of personnel, equipment, and engineering.
  - Supplier Performance: Suppliers will be assessed for performance using supplied quality and ontime delivery.

A process for ensuring the integrity and quality of any product, shall be utilized to ensure customer satisfaction and any legal statutory and regulatory requirements, as applicable.



Smith Metal personnel reserve the right to visit prospective suppliers to establish their qualifications, experience, financial fitness, and performance prior to selection. Smith Metal personnel will work with the prospective supplier to assess the supplier's financial resources. Prospective Suppliers that meet all of the selection criteria may be added to the Approved Supplier List.

3.2 Calibration and Certification: All measurement devices shall be calibrated in conformance with ISO 17025. The supplier's calibration program must ensure the accuracy, repeatability and reproducibility of all instruments and inspection apparatus used to qualify products to be shipped to Smith Metal.

#### **4.0 Customer Service**

4.1 Information flow between Smith Metal and their suppliers is vital to success. It is therefore imperative for all suppliers to communicate to Smith Metal staff in an accurate, professional, and timely manner and suppliers need to ensure that they acknowledge, understand, and take proper actions. Follow through is vital.

#### **5.0 Engineering**

5.1 Interpretation of Product Technical Information: It is the supplier's responsibility to review and understand all product technical information and provide Smith Metal with materials and products that meet all specifications. This includes all engineering, quality, packaging and delivery requirements. The supplier is required to ensure that all necessary information is received for the supplied product during Quality Planning activities. When ambiguities, conflicting information, or subjective matters are encountered, the suppliers are responsible for sending formal requests to Smith Metal for clarification in writing.

#### **6.0 Smith Metal Supplier Performance & Development**

6.1 Quality Performance: Supplier performance is measured by the number of written concerns & On-Time Delivery (OTD). Smith Metal analyzes supplier performance. The goal for Smith Metal suppliers is zero written concerns and 100% on-time delivery.

6.2 Smith Metal Status: Suppliers may request their status from Smith Metal Management. Quality rates Suppliers based on performance into three different categories:

- ✓ Approved: These suppliers are considered strategic/preferred to Smith Metal and should always be included in RFQ's that fall within their capability
- ✓ Conditional: These suppliers are new, underperforming suppliers or non-strategic suppliers still shipping products to Smith Metal and with some restrictions on being sourced with any new business. These suppliers are permitted to participate in active RFQ's.
- ✓ Disapproved: Have been determined to be non-strategic or a threat or risk to Smith Metal, and as such they are not permitted to be sourced or issued RFQ's.

6.3 Smith Metal Auditing: Smith Metal may audit the supplier's processes based on the following reasons or based on priorities when required by customers:

- ✓ A new product or service to Smith Metal
- ✓ detection of poor quality
- ✓ relocation of the Supplier's manufacturing site
- ✓ change of the Supplier's production processes
- ✓ negative performance measurement trend

#### **7.0 Nonconforming Material**

7.1 Nonconforming Material: Discrepant material is any material known or suspected to be nonconforming to specifications. Violations will be reflected on the Supplier Performance and any costs will be reflected on a Debit Memo provided Smith Metal.

Suppliers shall proactively notify Smith Metal if they suspect that Smith Metal may receive (or has received) Nonconforming material. Smith Metal supplier quality personnel will work with Smith Metal to identify sorting or other activities needed to protect Smith Metal and the customer. In doing so, the Supplier's scoring will not be negatively impacted.

7.2 Smith Metal Non-Conformance Report: Smith Metal's formal notification to a supplier that discrepant material has been found at Smith Metal. The notification will give details of the part, a description of the discrepancy, applicable photographs of the discrepancy, lot # and suspect quantity, containment and corrective action requirements etc. In some cases, the material may be returned to the supplier for rework, a Return Material Authorization number (RMA) is required; if the supplier does not have an RMA procedure, the name of the person authorizing the return at the Supplier's location will be noted on the notification.

Smith Metal will initially notify a supplier upon identification of discrepant material. The initial notification will be normally be within 1 business day of the occurrence. The supplier is responsible for providing an initial response within 24 hours of issuance of the notification, Root Cause response within 7 business days of issuance, Corrective Action response within 14 business days and validation and verification completed and evidence of such actions and implementation supplied to Smith Metal Quality within 15 business days of issuance. Certifying of parts at Smith Metal is not acceptable unless it is approved by Smith Metal management and necessary to meet customer delivery schedules.

7.3 Cost Recovery Process: Supplier shall bear all costs associated with the nonconforming material costs.

Examples are, but not limited to the following:

- ✓ Rework
- ✓ Down Time at Smith Metal customer
- ✓ Customer returns and charge backs
- ✓ Premium freight
- ✓ Travel costs incurred by Smith Metal personnel
- ✓ Sorting of suspect parts at the Smith Metal or by a third party
- ✓ Lab testing and/or verification
- ✓ And any other pertinent costs

## **8.0 Corrective and Preventive Actions**

8.1 Corrective Actions: It is the supplier's responsibility to take the necessary corrective actions to resolve quality problems. The supplier is required to use acceptable problem-solving methods such as PDCA, 5 why analysis, Fishbone Diagram, Histograms, Pareto Analysis, 8-D, etc. to investigate the root cause of problems and implement countermeasures to eliminate them.

Corrective action reports must address the root cause for the occurrence and failure of the quality system. Smith Metal's personnel will work with suppliers to help address root causes and implement permanent corrective actions. Suppliers are encouraged to use mistake-proofing methodologies in their corrective actions.

Where applicable, countermeasures for one particular problem shall be implemented on other similar processes and products to eliminate the reoccurrence of the problem. All corrective actions should be verified periodically to make sure that they remain effective

8.2 Nonconforming Material: The supplier is required to adequately contain all products that fail to meet specified requirements.

8.3 Smith Metal Controlled Shipping Requirements: When a supplier's corrective actions are not sufficient to contain and protect Smith Metal from Nonconforming Material, Smith Metal may require the supplier to implement controls to certify material before shipment to Smith Metal.

## **9.0 Repair and Deviation Control**

9.1 Repair: Repair is work done outside of the approved process to correct discrepancies and do not meet the original blueprint and/or specifications. Any repair activities performed by the supplier requires written approval from a cross functional team of Smith Metal and its customer. The supplier is responsible for initiating written repair requests that include, at a minimum, the following:

- ✓ Part information
- ✓ Nature and cause of repair
- ✓ Repair method including operator instructions
- ✓ Quantity
- ✓ Identification of repaired part
- ✓ Corrective actions with dates of implementation to avoid future occurrences

Under no circumstances shall a supplier repair and ship to Smith Metal or its customers' location without obtaining written authorization. Any repaired parts shipped without written authorization will be rejected and returned to the supplier at their expense. Any additional costs incurred by Smith Metal will be charged to the Supplier.

9.2 Deviations: Suppliers shall request approval for deviation from specifications or drawing requirements in writing to Smith Metal. Deviations must always be requested prior to shipping product. The supplier is responsible for initiating the request for a Deviation that includes, at a minimum, the following:

- ✓ Part information
- ✓ Detailed description of deviation
- ✓ Quantity of product that will be produced under deviation
- ✓ Corrective actions to be implemented and timing for implementation
- ✓ Method of identification of deviated parts

Under no circumstances shall the supplier ship discrepant parts to Smith Metal or customer location without obtaining a signed deviation. Any parts shipped without written authorization may be rejected and returned to the supplier at the supplier's expense. Smith Metal reserves the right to cancel any deviation at any time for any reason. Any additional costs incurred by Smith Metal will be charged to the supplier.

## **10.0 Materials**

10.1 Consigned Materials: It is the supplier's responsibility to notify Smith Metal immediately if any material on consignment is rejected. Smith Metal staff shall be informed of all details of the shipment so that a decision can be made for the disposition and re-ordering of such material.

Smith Metal may, at any time, request or conduct inventories of material consigned to the Supplier. Consigned material shortages, losses or quality issues shall be the responsibility of the supplier unless a Returned Material Authorization is obtained from Smith Metal.

10.2 Certification: It is the responsibility of the supplier to provide, upon request, certification of product conformance to Smith Metal for each lot of product shipped. Unless noted otherwise in purchase order, all raw materials supplied to Smith Metal for manufacture (all raw metallic, resins, and chemicals) shall include a copy of the original material certificate or a material test report from an accredited laboratory. The supplier is required to retain a copy of all certification for traceability through the lot numbers on the shipping labels.

The supplier may send the certification by email, along with each shipment or, if agreed to by Smith Metal, keep them on file. All certifications shall be available for review upon Smith Metal's request.



10.3 Product Packaging: Identification, and Delivery, the supplier is responsible for providing adequate packaging of all supplied materials to prevent potential shipping and handling damages. All packaged products are required to be identified with proper labels on the containers for product identification and traceability. Further, ship packaging such as wood pallets must meet governmental regulations. Any changes to approved packaging / labelling should be approved by Smith Metal.

Transportation must be in compliance with the contractual agreement. In case of transportation managed by the Supplier, deliveries have to arrive at the Smith Metal designated location at the previously agreed date and time and must contain the proper ordered quantity.

For deliveries managed by Smith Metal, material shall be ready for pickup on-time and for the proper ordered quantity through Smith Metal's designated provider at the supplier's ship point at the previously agreed date and time. In addition, packaging must meet agreed specification and requirements of transport.

#### **11.0 SMITH METAL Specific Requirements**

11.1 Conflict Material Reporting Requirements: The supplier is required to follow the statutory and regulatory requirements in regard to a conflict materials policy.

#### **12.0 Dispute Resolution**

12.1 Dispute Resolution: Suppliers are encouraged to work out any disputes directly with Smith Metal with which they have their concern. Smith Metal's management will investigate the dispute and work to resolve the issue in a collaborative and timely manner.