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Supplier Manual

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1.0 INTRODUCTION

1.1 OVERVIEW

Koneta, Inc. is committed to our customers to meet their quality needs and expectations. You as a supplier play a vital role in helping Koneta, Inc. to achieve customer satisfaction. Suppliers of Koneta, Inc. must assume responsibility for their products and services.

The Supplier Manual is the property of Koneta, Inc. and is issued for reference to our suppliers.

1.2 CUSTOMER RESPONSIBILITIES:

Koneta, Inc. is working to develop a strong alliance with our supplier base. We are aggressively upgrading our performance in key areas:

- Setting clear requirements
- Acting as a resource to improve supplier performance.
- Actively seeking supplier involvement with emphasis on continuous improvement.

2.0 QUALITY REQUIREMENTS:

2.1 QUALITY SYSTEMS REQUIREMENTS:

Koneta, Inc. quality system is based on the QS-9000 Quality System Requirements. Koneta, Inc. requests compliance from all their suppliers to QS-9000 standards. Koneta, Inc as well as their suppliers, who supply to the automotive market, are required to conform to the requirements of QS-9000 through third party registration. An ISO, QS, or TS registration does not exempt a supplier from a customer-based assessment.

Suppliers have the responsibility to provide goods and services that meet all quality specifications. If this is not met, the supplier will be held financially responsible if their failure results in losses to Koneta, Inc. or any of Koneta, Inc. customers.

Koneta, Inc. requires all suppliers to comply with our environmental policy. This policy can be found on our website, konetainc.com.

Koneta, Inc. can only assist the supplier in meeting their responsibility. Please contact us if assistance is needed.

2.2 ADVANCED PRODUCT QUALITY PLANNING:

The supplier is required to conduct documented Advanced Product Quality Planning (APQP) activities on all new products and major re-design of existing products. The guide to be used in the process is the "Advanced Product Quality Planning and Control Plan" reference manual published by AIAG and any and all associated customer specific requirements.

2.3 SAMPLE SUBMISSION PRODUCTION PART APPROVAL PROCESS (PPAP)

Koneta, Inc. requires that part sample submissions be based on the AIAG PPAP Manual. The supplier is responsible for complying with any customer specific submission requirements for Koneta, Inc. end user. Koneta, Inc. shall communicate the PPAP requirements to the supplier.

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Sample approval is required whenever one or more the following conditions occur:

- New Tooling
- Changes/Improvements to current tooling
- New manufacturing location
- Improvements or changes to current manufacturing process
- A new sub supplier or outside processor is introduced.
- A tool has been out of production more than one year.

The supplier is to notify Koneta, Inc. if changes are to occur. Koneta, Inc. will give the supplier direction on the level of PPAP required for circumstances mentioned above. Submission of PPAP approval is required unless specifically waived by Koneta, Inc.

Suppliers shall submit a PPAP submission for Koneta, Inc. approval prior to mass production shipments. The submission package shall include verification of material and special characteristics for the supplier's product. The supplier is responsible for performing the inspection, testing to lab standards and sample submission. The supplier may not ship production product until Koneta, Inc. gives PPAP approval in writing or an approved deviation is in place.

Dimensional and material test results are record of actual data and shall include all dimensions, characteristics and specifications that are noted on the blue print and control plan. If the supplier cannot perform the required tests, services may be completed by an accredited source. When third party inspection services are used, the name of the service that performed the inspection shall be identified. The results shall be submitted on the third parties letterhead of their report. Also, the Scope of Accreditation must be submitted for the source performing the test.

Missing submission dates, submitting samples that are found to be dimensionally incorrect of having incomplete documentation are subject to rejection.

Contact Koneta, Inc. with questions pertaining to PPAP. The PPAP shall be submitted to the quality department at Koneta, Inc. Koneta, Inc. quality department will communicate the results of the PPAP package review per the Supplier Sample Submission Results.

2.4 INCOMING INSPECTION:

Koneta, Inc. normally uses the C=Zero Sampling Plan and will inspect all parts received against drawings and/or bill of materials. All parts received are recorded. If a part is found to be in non-conformance, these parts will be rejected from entering our production floor. A corrective action will be issued for the supplier and a resolution of how this problem will be solved needs to be addressed. The supplier is expected to respond immediately to any quality or delivery issues.

Note: An inspection based on sampling does not eliminate the possibility of rejection if defective material is discovered in inventory.

The supplier will continue to retain process control for certified parts or characteristics and will retain date per control plan at their location.

2.5 CORRECTIVE ACTION:

Koneta, Inc. suppliers are responsible for supplying Koneta with zero defect product and services. If defective material or services occur, Koneta requires the supplier to have a corrective action procedure in place to provide immediate correction action and root cause problem solving to resolve the issue and prevent reoccurrence.

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Defective material may be identified during incoming inspection, manufacturing, assembly, packaging, audits, or by the customer.

The supplier is responsible for:

- Timing to replace product with certified stock (material that has been 100% inspected for rejects.)
- A plan to rework or repair product until replacement certified product is available.

A completed corrective action is required on all rejected parts. The corrective action should be completed and returned within 10 days of the occurrence.

2.6 REQUEST FOR TEMPORARY DEVIATION:

Suppliers shall not make any changes in part design material or manufacturing process without prior customer approval, this also includes reworked or repaired product. A product deviation is used when a specific quality of product being shipped or used is not in compliance with the specified drawing,

inspection criteria or standards. A deviation will only be agreed upon if there is no other available inventory and the fit, function, performance, safety, durability or appearance of the end item is not affected.

The supplier to Koneta, Inc. Quality and approved with the Koneta, Inc. system, shall submit a signed deviation form before the product may be shipped.

2.7 REWORK/REPAIR OF PRODUCT:

The supplier must have written rework instructions for any rework or repair operations performed on Koneta, Inc. products.

Under no circumstances shall the supplier rework or repair parts on material and ship them to Koneta, Inc. without receiving prior written authorization. Any parts shipped prior to obtaining the appropriate written approvals may be rejected and returned to the supplier at their expense.

2.8 OUTSIDE SERVICE

All service contractors will be given an addendum to our purchase order. All service contractors must agree to our Environmental Policy (which can be found on our website: konetainc.com). This signed addendum will be kept on file. If the addendum is revised, Koneta Inc. will request the revision to the addendum to be signed and returned. The service contractor must also provide Koneta Inc. with proof of liability. Liability insurance policies will be kept on file. If the proof of liability is outdated when doing a service contract, a new proof of liability must be provided before work is done for Koneta, Inc.

Personnel performing services must be qualified and/or licensed as required by all local, state, and federal regulations.

3.0 PURCHASING EXPECTATIONS:

3.1 SUPPLIER ASSESSMENT:

A Supplier Base Survey is a requirement to verify a potential new supplier has the appropriate quality and business systems in place to meet the minimum requirements of Koneta, Inc.

An on-site visit to Koneta, Inc. must be made by the vendor to find the requirements and needs by Koneta, Inc. Koneta, Inc. will have the necessary employees present to meet with the

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potential supplier. The supplier must provide Koneta, Inc. with contact names of employees that will be involved with this project.

A supplier Quality System Audit may be performed at the supplier's manufacturing location by a Koneta, Inc. representative and the end customer of the product.

After careful consideration, a Koneta, Inc. representative will review the findings and communicate feedback to the supplier.

3.2 SUPPLIER RESPONSIBILITY:

The supplier is responsible to put proper quality systems in place in the case of a merger, or acquisitions to ensure continuity of the product supplied to Koneta, Inc.

Koneta Inc. purchasing coordinator must be informed immediately of any change to the supplier's name.

3.3 CONTROL OF TRACK SUPPLIED PRODUCT:

The supplier shall establish procedures for the control of verification, storage and maintenance of any Koneta, Inc. supplied product. An example of Koneta, Inc. supplied product would be tooling. The supplier shall record and report any lost or damaged product to the Purchasing Coordinator at Koneta, Inc.

3.4 TOOLING:

The supplier shall be responsible to perform or make arrangements for any tooling maintenance or repair. The "tooling" refers to any mold, gauge, die or fixture required producing or measuring a part.

If tooling is the property of Koneta, Inc. it must be permanently identified as such.

The supplier is responsible for maintaining the tool for the life of the program. At the discontinuation of the program, the tool is to be returned to Koneta, Inc.

The supplier shall be responsible to procure and stock all spare parts necessary to support tooling requirements during the contracted production period.

Koneta, Inc. must be notified prior to and give approval to any modifications to the tool.

4.0 LABELING AND PACKAGING REQUIREMENTS

4.1 LABELING SPECIFICATIONS:

Koneta, Inc. requires that all individual packs (i.e. box/package of items) have clear, identifiable labels with part numbers affixed to them in an easy accessible and consistent location. The supplier is also expected to guard against the following types of label errors:

- Incorrect part number on label
- Incorrect shipping label
- Incorrect label on individual containers
- Wrong quantity on label
- Missing part number on label
- Mixed parts

Any mislabeled product received at Koneta, Inc. will be treated as 100% non-conforming material. Label errors will have a direct impact on supplier performance.

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4.2 PACKAGING REQUIREMENTS:

Suppliers are responsible for providing a design that insures part integrity during shipping and handling. Part protection is the key element and should be built into the container design. In addition, the supplier is responsible to identify and communicate any packaging changes, improvements, etc.

Packages/containers must be free of debris, foreign material and fluids when they are received at Koneta, Inc.

5.0 SUPPLIER PERFORMANCE AND EVALUATION:

5.1 SUPPLIER SCORE RATING CRITERIA:

Koneta, Inc. rates its suppliers on a quarterly basis. The performance criteria described below is used to monitor the performance of all suppliers to Koneta, Inc.:

- Rejected Parts
- Corrective Actions
- Delivery
- Service/Responsiveness

5.2 QUALITY SCORE CALCULATION:

Supplier's quality score is calculated on the basis of the amount of non-conforming materials versus the total amount of material received in a given month.

5.3 CORRECTIVE ACTION SCORE:

Supplier's corrective action score is rated on the number of formal supplier requested corrective actions. The severity of the corrective action is also taken into consideration.

5.4 ON-TIME DELIVERY SCORE:

Delivery ratings are calculated on the basis of the amount of shipments that have errors versus the total amount of shipments in a given quarter.

5.5 SERVICE/RESPONSIVENESS SCORE:

Service ratings are determined on the basis of the following criteria:

- On time and accurate PPAP's, as required
- On time and accurate response to quality issues, including plant visits per Koneta Inc.'s request.
- On time and accurate documentation, as required by Koneta (i.e. certifications, invoices, packing lists, and etc.)