

# Loc Performance



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# Supplier Development & Requirements Manual

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### Revisions:

Revision Number	Revision Date	Revision Description
01	08/02/2012	Initial Release
02	06/19/2013	Clarified Supplier Monitoring Requirements
03	01/19/2017	Clarified Supplier Risk Assessment, 4.8 Counterfeit Parts and 4.7 Source Inspections. Record Retention requirements were added.
04	09/29/2017	Changed Nonconforming Products to Nonconforming Outputs, Updated Quality Policy, Updated sections throughout that referenced old standards, Revised wording in Section 1.13, Added sections 4.10, 4.11 and 4.12.
05	10/23/2017	Updated commercial invoice requirements. Added Shelf-Life Requirements.
06	11/29/2017	Updated Section 1.13 to include OEM.
07	05/15/2018	Updated "PPAP" requirements to reference AS9102 First Article Inspection Requirements.
08	08/29/18	Added line 3.7 to section 3 for QAP requirement. Removed IATF 16949 reference from line 1.12. Removed line 1.18 (renumbered) Added lines 1.21, 1.22 and 1.23.
09	11/23/18	Corrected phone number for Lansing, updated Quality Policy to add Environmental, updated section 1.22 to state "Environmental, Health & Safety"
10	1/30/19	Removed paragraphs: 1.19 Customs Documents requirements, 5.7 Quality Containment Levels I & II and 5.8 Business hold status for supplier issues.
11	3/13/19	Added specification to section 1.20
12	4/13/20	Added Lapeer and Texarkana plant address to cover page, 1.12 - Deleted IAFT & IEC standards, Removed AIAG callout, Deleted SPC bullet, Removed PPAP callout and replaced with AS9102, Referenced SAE spec, Deleted IAFT & IEC standards, 1.14 - Removed AIAG callout, 1.19 - Added 16,17, & 18 requirement, 2.2 - Removed IATF & IEC standards, 2.3 - Added all suppliers are now required to complete a SSAR and added document number, 2.10 - Added entire section, 3.2 - Replaces AIAG with AS9145, 3.6 - Replace AIAG with AS9102, 4.5 - Deleted PPM category and added number of SCARS/effectiveness, 4.8 - Added legal/counterfeit disclosure verbiage.
13	4/17/20	Updated 4.8 to include counterfeit reporting requirement. Added 1.23 Configuration Management
14	4/7/21	Changed all "Loc Performance Products" to "Loc Performance", changed to new logo
15	6/16/21	1.12 added IAFT 16949; 1.12 added AIAG standards to APQP requirements; 1.14 added PPAP requirements; 1.24 added property system requirements statement; 2.2 added IAFT 16949; 2.8 added CQI requirement for special processes; 3.2 added AIAG APQP statement; 3.6 added AIAG PPAP statement; 3.7 added verbiage regarding QC docs being sent in; 3.8 added requirement that CofCs are required; 4.7 added statement SCAR; 5.2 added requirement for SR time frame; 5.4 added requirement for SCAR time frame
16	6/13/22	Added St Marys / removed TX
17	11/14/22	Added Rubber Commodities to Scope / Changed where request for source is made. Used to be email <a href="mailto:CSS@Locper.com">CSS@Locper.com</a> . Is now contact buyer.
18	5/4/23	Section 1.11 – added "Reference paragraph 5.4 for specific SCAR closure guidelines." Section 2.3 – added exception for MRO type suppliers. Added Sections 5.8 Quality Containment Levels I & II and 5.9 Business Hold Status
19	9/22/23	Section 1.10 – added notification requirements in the event that the supplier identifies nonconforming product



## Loc Performance

### QUALITY / ENVIRONMENTAL POLICY

#### It is our goal:

- To meet or exceed our customer's requirements for the products and services we provide.
- To preserve and protect the environment by complying with regulatory requirements.
- To drive continual improvement in all aspects of our operations by utilizing our Management Systems to reduce defects, eliminate waste and prevent pollution.
- To promote a team environment that empowers all employees to participate in our continual improvement effort.



## Scope of Applicability:

The requirements set forth in this Loc Performance Supplier Development Manual are the minimum to become and maintain the status of a Loc Performance approved supplier. This manual covers subcontractors that supply the following commodities:

- a. Raw Material (i.e. Steel Bar, Plate)
- b. Raw Material Components (i.e. Castings, Forgings)
- c. Finished Components (i.e. Bearings, Gears, etc)
- d. Tooling (i.e. Machining Fixtures)
- e. Perishable Tooling
- f. Capital Equipment
- g. Services (Heat Treating, Machining, Cutting, etc)
- h. Rubber Commodities (Chemicals, Raw Materials, etc)
- i. Other (Coolant, Packaging, etc)

Depending upon the quality, strategic, or financial impact of the part, material or service the buyer may require other suppliers not listed in the above commodities to comply with this manual. In such situations, the individual purchase agreement or contract will specify this requirement.



## Section 1

### Introduction & General Requirements

The Loc Performance Supplier Development Manual shall be considered a supplement to any existing or future supply agreements, purchase requirements, or contracts with the supplier (see the *Scope of Applicability*). Acceptance of the purchase agreement (i.e. purchase order or contract) shall be considered as acceptance of the requirements of this manual. The purpose of this manual is to establish uniform procedures and guidelines to assure world-class quality systems are maintained throughout the Loc Performance supply base. It is the intention of Loc Performance that we will aid in the development of our suppliers' quality systems wherever necessary to achieve this purpose.

Additional requirements noted specifically on a contract, purchase order, drawing, or specification shall be complied with and will take precedence over the requirements stipulated by this manual. **Loc Performance will only waive these obligations with prior written authorization.** Deviation from these requirements must be requested in writing. Failure to comply with these obligations may result in re-sourcing. Although Loc Performance will make every attempt to notify suppliers, Loc Performance reserves the right to revise this manual without prior notice.

- 1.1 The supplier has the responsibility for all manufacturing considerations related to process development, launch, and production of the Loc Performance or services.
- 1.2 Loc Performance conducts business on the basis of teamwork, and the supplier is expected to support all activities necessary. This may involve travel as needed but may also be done via teleconference.
- 1.3 The supplier may be required to submit prototype parts for functional, dimensional, and materials evaluation. Prototype parts, in quantity, may be required for manufacturing (machining) trials at Loc Performance facilities to assess the impact on the entire manufacturing process. These prototype parts are considered to be an important feature of the overall process development and are expected to be representative of the ultimate production process. The cost of these parts is the responsibility of the supplier, unless otherwise mutually agreed upon by Loc Performance.
- 1.4 During the Program Management process, the supplier will be responsible for organizing, tracking, communicating, and reporting in a formalized manner. Status and timing of program milestones must be maintained. The status of problem resolution activities must be reported as progress is made. Adequate personnel must be made available for proper support of program activities including program management, quality, manufacturing development, and commercial development.



- 1.5 The supplier will be responsible for all of the testing required to assure that the final product meets all of Loc Performance' requirements as specified in the drawing and supporting documentation. This also includes in-process testing during production.
- 1.6 The supplier shall use suitable in-process checks to assure that the final product meets all Loc Performance requirements. The supplier is responsible for developing, obtaining and maintaining these in-process tests with the concurrence of Loc Performance.
- 1.7 Loc Performance may perform a process signoff before launch of production. This would be an audit in the supplier's plant while the process is running and producing Loc Performance product. The purpose of the audit is to assess the effectiveness of the control plan, process capability, process cycle rate versus quoted production requirements, and in-process testing.
- 1.8 All suppliers to Loc Performance must provide product or services that conform to all Loc Performance specifications including any special requirements, critical items and key characteristics as presented to the supplier through purchasing contracts, drawings, engineering specifications, and other supporting documentation. The supplier is responsible to assure continued compliance to Loc Performance specifications throughout the life of the purchasing contract.
- 1.9 Suppliers of materials with shelf-life limitations such as adhesives, sealants, o-rings, paints, etc. shall permanently mark the product or packaging with the date of expiration. Unless otherwise specified, a minimum of 50% shelf life shall be remaining upon receipt.
- 1.10 All suppliers shall have a system for the control of any nonconforming outputs or services discovered in satisfying the requirements of Loc Performance. The system shall provide for the identification, segregation, analysis, disposition and control of nonconforming products to prevent inadvertent use. In the event that the supplier identifies any suspect or known nonconforming product, whether at the supplier's facility, in route to or within any Loc Performance facility, the supplier must notify Loc in writing within 24 hours of discovery. It is the responsibility of the supplier to replace the defective product as soon as possible, with no significant disruption to the production process. Any cost of sorting, reworking, and expediting will be charged to the supplier. Loc Performance reserves the right to seek compensation from the supplier for any excessive or extraordinary costs incurred as a direct result of nonconforming outputs or services supplied.
- 1.11 The supplier shall respond to Loc Performance upon notice of any nonconformance and a timely corrective action plan shall be developed as requested in accordance with this manual. Reference paragraph 5.4 for specific SCAR closure guidelines.





- 1.12 Loc Performance utilizes ISO 9001 and AS9100 as fundamental guidelines for the development of a quality system. The supplier's quality system must be in compliance with an acceptable Quality System Standard (ISO 9001, AS9100 or IATF 16949). This shall be established by registration to one of these standards by a qualified Third-Party Registrar or an on-site assessment conducted by Loc Performance.

This requirement includes the following AS9145 and (when required) AIAG guidance documents:

- Product and processes should be developed meeting the requirements of *AS9145 Requirements for Advanced Product Quality Planning* or when required (AIAG) *Advanced Product Quality Planning and Control Plan (APQP) manual*.
- Gauges should be evaluated using the guidelines established in ASTM E 2782 *Measurement System Analysis* or when required (AIAG) *Measurement Systems Analysis (MSA) manual*.
- Sample approval and tooling payment can only be made if samples are submitted and documented in accordance with the requirements of AS9102 *First Article Inspection (FAI) Requirements* or when required (AIAG) *Production Part Approval Process (PPAP) manual*.
- Failure Mode and Effect Analysis shall be conducted in accordance with the guidelines established in SAE J 1739 *Potential Failure Mode and Effect Analysis* or when required (AIAG) *Potential Failure Mode and Effect Analysis (FMEA) manual*.

This requirement applies to suppliers that provide production materials, production parts or service parts directly to Loc Performance. Also included are providers of heat treating, painting, plating, or other finishing services. Third party registration may only be waived in writing by Loc Performance and a business case must be developed to provide action plans with the goal of third-party registration to an acceptable Quality System Standard (ISO 9001, AS9100 or IATF 16949).

*Note: Any supplier that does not achieve registration will be required to undergo a second-party assessment by Loc Performance. Loc Performance reserves the right to request further information related to the supplier's plans to achieve registration or their continued registration status with their registrar.*

- 1.13 All calibration and test sources must be accredited to ISO/IEC 17025 (or a national equivalent) or be the original equipment manufacturer.





- 1.14 Any significant changes to the supplier process or product, as determined by Loc Performance, must follow the guidelines as described in AS9102 *First Article Inspection (FAI) Requirements* or when required *AIAG Production Part Approval Process manual*. Any change to a product or service required by contract that a supplier makes shall be brought to the attention of the appropriate LOC Performance personnel for approval of said changes. It is incumbent upon the supplier to bring any and all such concerns to Loc Performance' attention prior to the implementation of the change.
- 1.15 Registration to the applicable quality system standard by an accredited third-party registrar shall be considered as evidence of compliance. However, Loc Performance reserves the right to utilize a representative of Loc Performance to verify compliance. In any case, formal corrective actions are required for any non-conformances found during an assessment.
- 1.16 Loc Performance customers shall be afforded the right to verify, at the supplier's premises, that subcontracted product conforms to specified requirements.
- 1.17 Loc Performance requires 100% on-time delivery performance to Loc Performance schedules. Loc Performance will evaluate deviations from 100% on time delivery to determine when actions are necessary. A SCAR may be issued to address delivery concerns.
- 1.18 All suppliers shall provide adequate resources to ensure continued compliance to this manual, supply agreements and other purchasing contract requirements.
- 1.19 The following must be clearly and properly displayed on all commercial invoices:
  - 1) Loc Performance Part Number
  - 2) Part description / an adequate description of the merchandise
  - 3) Country of Origin of the merchandise (for foreign material)
  - 4) Purchasing Terms (Inco terms)
  - 5) Loc Performance Purchase Order Number
  - 6) Consignee (if applicable)
  - 7) Quantities of the merchandise
  - 8) Invoice Date
  - 9) The commercial value of the merchandise (if applicable)
  - 10) Currency of Funds/Price & Price Extension
  - 11) Appropriate U.S. Classification, if available
  - 12) Complete name and address of the exporter (typically the shipper or manufacturer of the goods, if applicable)
  - 13) Complete name and address of the consignee (if applicable)
  - 14) Shipping Terms (or Inco terms) i.e. Delivered Duty Paid (DDP) or Cost, Insurance, Freight (CIF).
  - 15) If Loc Performance is the importer of record, the broker who should clear the goods needs to be listed.
  - 16) Ship date
  - 17) Unit price and total amount per part number
  - 18) Addresses and or instructions on where to remit payment



- 1.20 Hazardous Material Management: All supplier and sub-supplier hazardous material management activities shall be in compliance with applicable federal, state and local laws and regulations.

Additional Requirements for Government Related Contracts: Contractors shall not use any Class I or Class II Ozone Depleting Chemical/Ozone Depleting Substance (ODC/ODS) identified in NAS411-1, in the manufacture or support of items required by the SOW unless approved IAW Army ODS policy and/or Title 10 United States Code section 2402. All ODS alternatives must be in compliance with the U.S. Environmental Protection Agency (EPA) Significant New Alternatives Policy (SNAP) program and identified as approved per the specific application.

All ODS alternatives must also receive a Toxicity Clearance for the specific application from the US Army Public Health Command.

For each hazardous material item shipped under the contract, a copy of the Safety Data Sheet (SDS) shall be placed into a sealed pouch and attached to the outside surface area of the Unit Container and Intermediate Container containing the prescribed hazardous material item. The contractor shall comply with the applicable codes and standards listed here: (1) Code of Federal Regulation Titles 29, 40 and 49, (2) International Maritime Dangerous Goods Code, for vessel transport, and (3) AFMAN 24-204, Preparing Hazardous Materials for Military Air Shipments.

- 1.21 Environmental, Health and Safety Compliance: All suppliers and sub-suppliers shall be in compliance with applicable federal, state and local environmental, health and safety laws and regulations.
- 1.22 Risk Management: Suppliers shall plan, implement, and control a process for identifying and managing risks that can affect the conformity of the products and/or services they provide to Loc Performance. Suppliers shall include in their risk analysis, at a minimum, lessons learned from product recalls, product audits, returns, repairs, complaints, scrap and rework.
- 1.23 Configuration Management: The supplier shall maintain a Configuration Management process to ensure only the latest approved part number configuration is being used for the receipt of material, manufacturing, inspecting and shipping of parts. The CM Program shall consist of configuration identification, configuration change control, configuration reviews, configuration status accounting and data management.
- 1.24 All suppliers that receive property from Loc Performance must have a Property Management System in place to ensure proper identification, tracking and handling of furnished materials. Suppliers must adhere to all restrictions and/or limitations on use. Loc Performance may perform periodic reviews to determine the adequacy of the supplier's property management system.



## Section 2

### Quotation, Selection & Approval Process

- 2.1 All suppliers to Loc Performance must obtain Approved status. Subsequently, the supplier must be added to the *Loc Performance Approved Supplier List* to participate in any current or future programs with Loc Performance.
- 2.2 Prior to awarding approved status to any potential Loc Performance supplier, evidence must be presented of registration to an acceptable Quality System Standard (ISO 9001, AS9100 or IATF 16949) from an accredited registrar or by Loc Performance personnel upon prior written approval.
- 2.3 All suppliers (with exception of MRO type suppliers) shall be required to complete a *Loc Performance Supplier Self-Assessment (C-F-QUAL-0138)*. An on-site visit by Loc Performance may accompany the completion of this survey, or the supplier may be requested to complete it as a self-assessment. As appropriate, Loc Performance personnel will review the information obtained during this survey. This survey is intended to provide Loc Performance with a basic understanding of the systems, facilities, and capabilities of the potential supplier.
- 2.4 All suppliers to Loc Performance are expected to participate in a timely and straightforward manner during the request for quotation and bidding process as stipulated by Loc Performance. Loc Performance will specify the procedures and documents to be used in this process. Suppliers meeting and exceeding Loc Performance expectations during this process will be favored for future business opportunities. Specific expectations will be provided in the Loc Performance request for quotation documents and will be expressed by Loc Performance.
- 2.5 During the selection process, a *Feasibility Review* may be completed. This form defines manufacturing feasibility as the mutual agreement between the supplier, product, engineering, manufacturing, and assembly activities that a proposed design can be manufactured, assembled, packaged, and shipped at an acceptable level. The completion of this form is a mandatory portion of the quotation process with Loc Performance.
- 2.6 A *Supplier Risk Assessment* will be conducted for key suppliers in consideration of awarding of a new program. It is conducted on a team basis and is summarized across the team to determine the nature and extent that risk exists within a new project if awarded to a particular supplier. This risk assessment will not only be used as part of the selection criteria, it will also shape the nature of the relationship and the extent of the interaction between Loc Performance and the supplier awarded the new program during the Advanced Quality Planning and Launch. The Risk Assessment may be comprised of performance data, financial data and historical data.



- 2.7 Prior to awarding a contract to the potential supplier, an on-site audit may be required by Loc Performance. This audit will be conducted to provide Loc Performance with objective evidence of the adequacy of the potential supplier's quality systems and manufacturing or servicing capabilities.
- 2.8 Suppliers that are contracted to preform special processes may be subjected to AIAG CQI formatted audits. These may include (but not limited to);
- CQI-9 Heat Treat System Assessment
  - CQI-11 Plating System Assessment
  - CQI-12 Coating System Assessment
  - CQI-15 Welding System Assessment
  - CQI-27 Casting System Assessment
- 2.9 Additional questions may be reviewed as part of this audit based upon the commodity in question. The assessment questions are detailed to establish specific competencies that are critical to the success of the new program. Copies of the additional assessment questions are available. The appropriate Loc Performance personnel shall review the objective evidence gathered during this assessment. A corrective action plan will be requested for any nonconformance's found.
- 2.10 Upon completion of the stated requirements, a recommendation may then be made to the Loc Performance Commodity Specialists to add the supplier to the Approved Supplier List. Any supplier that is not recommended for approval may be scheduled for a follow-up review and assessment at the request of Loc Performance Supply Chain Management.
- 2.11 A *Post Award Assessment* may be completed at Loc Performance's discretion after a contract is issued and before production begins. The purpose of this review is to ensure the entire TDP is understood as it pertains to applicable blueprints, specifications, quality flow downs, and contractual obligations.

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## Section 3

### Advanced Quality Planning

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- 3.1 It is the intention of Loc Performance to involve suppliers in the Advanced Quality Planning process as early as possible to facilitate design and development that optimizes the consistency of the products and processes and to assure continual improvement to customer requirements and environmental compliance. Ease of manufacturing and mistake proofing of assemblies shall also be considered as an output of this design and development process.



- 3.2 Loc Performance recommends that suppliers comply with the requirements set forth in AS9145 *Requirement for Advanced Product Quality Planning and Production Part Approval Process* or when required AIAG's *Advanced Product Quality Planning and Control Plan manual*.
- 3.3 It is the expectation of Loc Performance that all suppliers shall participate actively in all cost reduction initiatives, including Value Engineering (VE) and Six Sigma, to meet cost targets on new projects.
- 3.4 Loc Performance will monitor the progress of key suppliers' Advanced Quality Planning and their "Launch Readiness". Action plans and objective evidence will be required to assure that all expectations have been completed prior to launch.
- 3.5 Loc Performance may require a process signoff during the assessment of launch readiness. This process involves a site visit by a Loc Performance representative to review process documentation, dimensional capability, and actual cycle rate versus quoted cycle rates. Any deficiencies noted will require comprehensive action plans and closure prior to launch, unless a written waiver from Loc Performance is obtained.
- 3.6 All key suppliers, as determined by Loc Performance are expected to follow the guidelines of AS9102 *First Article Inspection (FAI)* for the submission of product on a new program or after any process change (see section 1.14 of this manual). When authorized the requirements of AIAG's *Production Part Approval Process (PPAP)* manual shall be used.
- 3.7 Contractual Requirements are flowed down to the supply chain via purchase order and associated attachments. Quality Requirements are addressed through the QAP form C-F-PUR-0074. All required documents (certifications, inspection reports, etc.) must be included with shipment and failure to do so may result in a Supplier Corrective Action Request (SCAR) being initiated.
- 3.8 All products being sold to Loc Performance shall be accompanied by a Certification of Conformance stating that all requirements of the purchase order have been met.

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## Section 4

### Ongoing Performance Requirements

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- 4.1 As partners of Loc Performance, the ongoing performance of suppliers is paramount to our success. Measurement of the ongoing performance of the suppliers is a key function in the development of the supply base.
- 4.2 Loc Performance has developed a supplier evaluation process that monitors quality, delivery, and responsiveness.



- 4.3 Loc Performance will provide feedback to key suppliers utilizing these categories. Loc Performance will monitor the ongoing performance to identify areas of need and opportunities for continual improvement. Recognition to top achievers in the ongoing performance rating will be identified and consideration will be given in the awarding of future programs with Loc Performance.
- 4.4 Trends within the performance rating criteria will be addressed with the supplier. Planning / corrective actions may be required to prevent any erosion in the delivery of only top-quality products and services to Loc Performance and our customers.
- 4.5 The categories for ongoing performance rating are as follows:
- **Quality** - Loc Performance judges quality as providing products and services that meet customer expectations over the life of the product or service. Loc Performance expects that suppliers will not only meet purchase order specifications, but will supply product that is fit for use and will continually improve products and processes by reducing variation and optimizing performance.  
  
This category is made up of the following criteria:
    - Quantity of rejected parts
    - Number of SCARs / Effectiveness
  - **Delivery** - Loc Performance expects 100% on-time delivery from its suppliers in order to meet customer expectations. In order to achieve this, the supplier must properly manage all phases of the delivery process. This category is made up of the following criteria:
    - Delivery
    - Advanced Shipping Notices and Tagging
    - Transportation and Shipping
  - **Relationships** - It is expected of top suppliers to have a proactive approach to satisfying the expectations of Loc Performance in all encounters.
- 4.6 Key suppliers, as determined by Loc Performance, will be monitored and tracked for ongoing performance to these criteria. These suppliers will be notified and provided a *Supplier Scorecard*. However, Loc Performance reserves the right to report and monitor only those categories necessary to manage the ongoing performance of a particular supplier. Hence, some suppliers may receive a rating based upon a subset of the rating categories given in 4.5.
- 4.7 Source Surveillance and/or Inspection by a representative from Loc Performance may be required prior to each shipment if designated on the Purchase Order. The supplier shall notify Loc Performance five (5) working days in advance. Requests for Source Inspection shall be emailed to Buyer who placed order. Discrepancies found during source inspection may result in a Supplier Corrective Action Request (SCAR).





- 4.8 Counterfeit Parts: The Supplier shall have a process in place to ensure that counterfeit, or suspect counterfeit parts are controlled to prevent reentry into the supply chain. In addition, Suppliers must report all occurrences of counterfeit material / parts and disclose the source of its materials/parts if they should become the subject of a legal or counterfeit issue.
- 4.9 Record Retention: The supplier shall maintain records documenting product compliance to all applicable purchasing agreements, drawings, specifications and standards for a period of seven years after order completion. At the end of this period, the supplier shall contact Loc Performance and request disposition instructions.
- 4.10 Supplier Code of Conduct: Suppliers shall ensure operations are being performed in a manner that is appropriate, as it applies to their ethical, legal, environmental and social responsibilities.
- 4.11 Competency and Awareness: Suppliers shall ensure personnel performing work affecting conformity to product or service requirements are competent including any required qualifications. The supplier shall ensure its personnel are aware of their contribution to product or service conformity, are aware of their contribution to product safety and are aware of the importance of ethical behavior.
- 4.12 Control of Sub-Tier Suppliers: Suppliers are fully responsible for all work performed by its sub-tier suppliers. The supplier shall flow down all applicable requirements (including customer, statutory and regulatory requirements) and any special product / process characteristics to its sub-tier suppliers and shall require its sub-tier suppliers to cascade all applicable requirements down the supply chain.

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## Section 5

### Problem Resolution

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- 5.1 In any event where product or services supplied to any Loc Performance facility do not meet the agreed upon requirements and/or specifications, the supplier will be immediately notified of the condition.
- 5.2 If nonconforming material needs to be returned a Supplier Return (SR) request will come from Loc Performance (typically via email). SR approvals shall be given within three business days of request. Failure to do so may result in a Supplier Corrective Action Request (SCAR) being initiated.
- 5.3 Loc Performance will make the determination if a formal written corrective action will be required of the supplier. This determination will be based upon the degree of the problem and the magnitude of the risk to Loc Performance or its customers.





- 5.4 When a corrective action is determined to be necessary, Loc Performance will forward a *Supplier Corrective Action Request (SCAR)* to the supplier. The format of the Corrective Action response will be dictated by Loc Performance. The response will be completed with as many details as are available to Loc Performance to assist in the problem resolution process. Any other supplemental material (i.e. digital photographs, drawings, data, documents, etc.) will also be provided. The supplier shall acknowledge receipt of SCAR acceptance within 24 hours and will have 30 days to complete root cause and corrective actions (unless an extension is granted by Loc Performance's Supplier Quality Group).
- 5.5 Loc Performance personnel will be available to assist wherever possible to assure that immediate containment and permanent corrective actions can be put into place in a timely manner. All appropriate actions to isolate the Loc Performance user site or contain the nonconforming material within the supplier's facility should be documented and implemented within 24 hours. The containment action should consider purging all storage areas or material in route.
- 5.6 With prior Loc Performance approval, forms other than the Loc Performance *SCAR* may be used to track the progress towards permanent corrective action.
- 5.7 All corrective actions must be reviewed and approved by Loc Performance before the issue may be considered closed.
- 5.8 It may become necessary for Loc Performance to pursue further containment steps beyond the *SCAR* system to protect the production flow to Loc and meet all of our needs and expectations. In these cases, suppliers will be required to participate in **Quality Containment Levels I and II**. This requirement will be communicated in writing to the supplier. Details are as follows:
  - **Quality Containment Level I** - The supplier is required to conduct a redundant inspection at the end of the "normal" manufacturing process to assure containment of any defects within the supplier facility. Loc Performance must agree upon the methodology of this inspection.

The duration and exit criteria for this action will be stipulated by a formal written communication to the supplier. This may be imposed when any of (but not limited to) the following conditions exist with a supplier product or service:

- Lengthy duration in the resolution of a known problem.
- Inadequate containment of a quality problem.
- A quality reject of sufficient magnitude occurs at a Loc Performance facility that significantly disrupts Loc's ability to provide its customers with product meeting all requirements.
- Chronic receipt of materials or services at Loc Performance site(s) that do not meet the contractually agreed upon requirements.



- **Quality Containment Level II** - The supplier is required to conduct a redundant inspection, facilitated by a mutually agreed upon third party contractor, at the supplier's expense. Loc Performance must agree upon the methodology and location of the inspection.

The duration and exit criteria for this action will be stipulated by a formal written communication to the supplier. This may be imposed when any of (but not limited to) the following conditions exist with a supplier product or service:

- Quality issues related to *Safety Critical* products.
  - Lack of significant progress towards resolution of an issue that required Quality Containment Level I to be imposed.
  - Chronic or repeat issues of significant magnitude.
  - Issues resulting in field actions with Loc Performance' customers.
- 5.9 In the unfortunate circumstance that issues with a supplier degrade to a level that it is no longer possible to continue normal relations with the supplier based upon risk (this may include issues dealing with safety critical and environmental compliance); Loc Performance will place the supplier on a **Business Hold** status. The supplier will be formally notified in writing as to the conditions resulting in this action and further steps that will be taken, which may include re-sourcing of current products or services. Any supplier in this status will not be included in future programs until such a time as Loc Performance reviews and changes the status of the supplier back to approved. Loc Performance may detail planning and action steps with the supplier to once again achieve an approved status. A full system audit to ISO 9001 or AS9100 may be conducted by a Loc Performance representative. A recommendation may then be made to reinstate approved status. The supplier will be notified formally in writing in such an event.

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## Section 6

### Continual Improvement

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- 6.1 Loc Performance expects that all suppliers will have quality systems in place that promote continual improvement in all encounters with Loc Performance. Loc Performance encourages suppliers to conduct continual improvement activities as outlined in ISO 9004.