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## Supplier Qualification

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Qualification/Development of all Cascade Engineering Direct Material Suppliers

### Process Steps

- **Supplier Information Form** is filled out by potential supplier (on CE Website <http://www.cascadeng.com/cap/sourcing.htm> supplier information form)
- Quality, Diversity, Environmental, and any other Certifications are submitted by supplier to supply chain. (Potential Automotive suppliers must be certified to ISO 9001 at a minimum with the goal of TS16949 certification)
- A Dunn & Bradstreet Report may be generated
- A Master Supplier Agreement may be initiated
- On-site audits/visits are scheduled as necessary

### Evaluation

- Commodity Manager & Purchasing Director make the qualification decision



## Supplier Schedules

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Supplier requirements will be communicated through Supplier Schedule/Material Releases, Purchase Orders, inventory levels, or kanban. Requirements can be retrieved through EDI, email or fax. Strategic Sourcing will work with each supplier to communicate what method will be used. Electronic methods are always preferred.

Contained on the Purchase Order or Supplier Schedule/Material Release is the following information:

- Your Company Name, Address, and Cascade assigned supplier number
- Your Company contact information (if information is incorrect it is the suppliers' responsibility to call with corrections)
- Cascade's right to inspect
- Release ID (Cascade assigned, date of release update)
- Purchase Order number – must be on all shipping and invoicing documents
- Part number and description – must be on all boxes and documents
- Delivery dates (in house at Cascade) and quantity information

## Supplier Shipping Policy

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Please be advised that if you **fail to ship parts according to the releases**, it is your responsibility to immediately notify your CE contact. By doing this, CE may be able to work with you and address your inability to ship the correct quantity on time.

If you do not contact us before your shipping date and you do not ship the correct parts in the correct quantity with the correct paperwork, we reserve the right (in addition to other remedies that may be available) to immediately issue a non conformance or corrective action. If, as a result of a non-conformance, our plant (s) experiences downtime or our customer's are affected, we may immediately engage in cost recovery efforts.

Your compliance to this policy will help prevent jeopardizing our customers due to outages and/or incorrect product.

It is **your responsibility** to contact us if you are not seeing updated releases. If there is a system problem, we can address the situation and make the necessary corrections.



## Receiving Requirements

Cascade Engineering requires the following to ensure on time receiving:

1. Complete Bill of Lading including
  - A) Destination Address
  - B) Supplier name
  - C) Delivery date
  - D) Bill of Lading Number
  - E) Cascade Engineering's part number
  - F) Part Description
  - G) Actual Ship Quantity
  - H) Lot number (s) – if applicable
  - I) Cascade Engineering Purchase Order Number
2. Bar Code Label on all cartons
3. Advanced Shipping Notification (ASN) as available

**Lack of proper paperwork can have the following effects:**

- **Product may be refused**
- **Payment can be delayed**
- **Receiving is difficult and can be delayed**
- **Production could be jeopardized**
- **An NC may be issued**
- **Performance Score may be affected**

## Labeling and Bar Code Requirements

All incoming product shall have bar code labels that are readable by Cascade Equipment. Standard 4 x 6 AIAG label format. Code 3 of 9 translation. (See Examples)

All incoming product must be labeled with the following:

- |  |                    |
|--|--------------------|
| 1. Cascade Engineering part number           | Barcode (P) prefix |
| 2. Part Description                          | Non-Barcode        |
| 3. Quantity                                  | Barcode (Q) prefix |
| 4. Cascade Engineering purchase order number | Barcode (K) prefix |
| 5. Inspection status                         |                    |
| 6. Lot number or serial number               | Barcode (S) prefix |

In the case of returnable containers, all previous stickers must be removed or blocked out. Labels need to be on adjacent corners. It is the supplier's responsibility to notify CE of packaging that needs repair, re-work, or disposal.

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## Serial # Label Example

PART NO. (P) <b>5000-P759</b> 		INSPECTION STATUS <b>OK TO USE</b>
DESCRIPTION <b>WHITE PE MB</b> <b>WHITE PE MB</b>		MANUFACTURED <b>3/10/2010</b>
SERIAL NO. (S) <b>00000999</b> 		TARE WEIGHT <b>52 LBS</b>
QUANTITY (Q) <b>1700</b> 	PO NO. (K) <b>AGS10991</b> 	
Supplier Name, 1234 Maint Street, Grand Rapids, MI 49512		

## Lot # Label Example

PART NO. (P) <b>5000-P759</b> 		INSPECTION STATUS <b>OK TO USE</b>
DESCRIPTION <b>WHITE PE MB</b> <b>WHITE PE MB</b>		MANUFACTURED <b>3/10/2010</b>
LOT NO. (IT) <b>12345</b> 		TARE WEIGHT <b>52 LBS</b>
QUANTITY (Q) <b>1700</b> 	PO NO. (K) <b>AGS10991</b> 	
Supplier Name, 1234 Maint Street, Grand Rapids, MI 49512		

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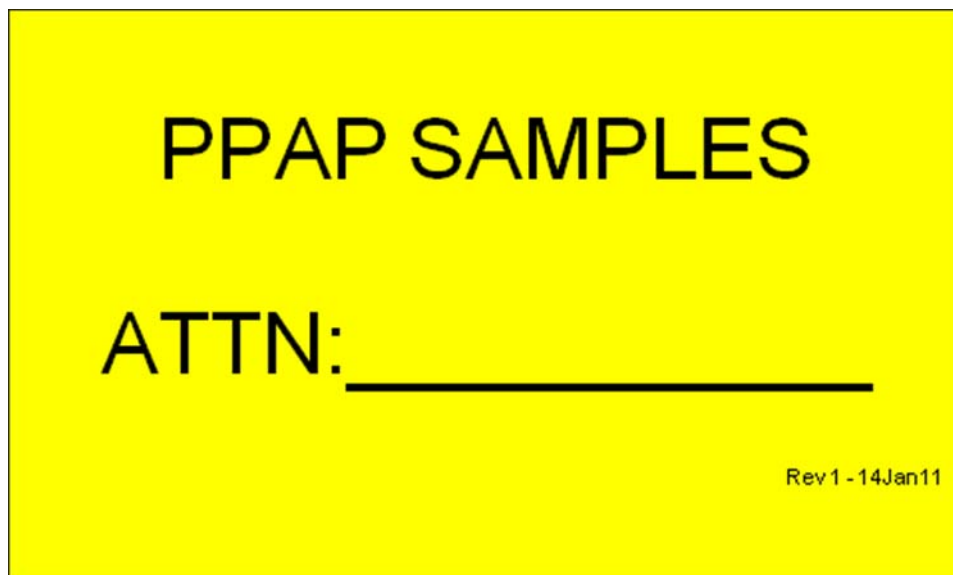
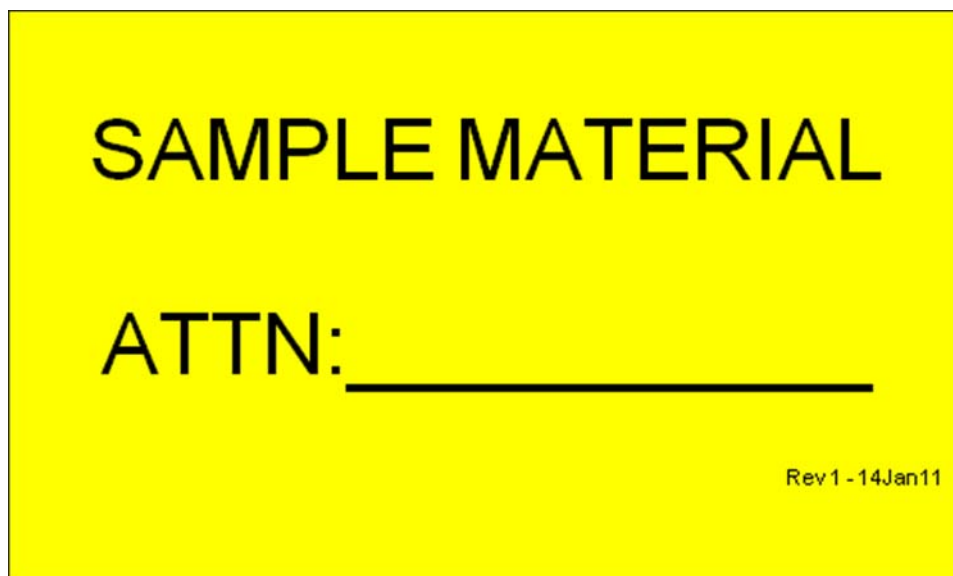
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## Engineering and PPAP Samples

Engineering Samples provided to Cascade Engineering must be labeled clearly on the package and parts with the following guidelines:

- 3x5 inch yellow label
- Affix to front and back of each package
- Include the following on the label:
  - SAMPLE MATERIAL or PPAP SAMPLE
  - ATTN: \_\_\_\_\_
- Actual sized sample labels displayed below:





## Invoicing Requirements

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All invoices must include the following information:

1. Cascade Engineering part number
2. Cascade Engineering purchase order number
3. Quantity shipped
4. Price
5. Bill of Lading number

**Any non-conforming invoices will be returned unprocessed.**

Cascade Engineering standard payment terms are net 60.

All invoices are to be sent to:

Cascade Engineering, Inc.  
Attn: Accounts Payable  
P.O. Box 888405  
Grand Rapids, MI 49588-8405

## NC/Corrective Action Information

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NC = Non Conformance

An NC or corrective action is initiated to a supplier when it is determined that it is necessary to formally address a problem (not all problems will require a corrective action or NC).

- When a corrective action is issued, all suspect product must be quarantined and identified.
- Rework and disposition will be coordinated by the plant Supplier Quality Engineer. Delivery issues will be coordinated with Order Fulfillment.
- Initial response must be given within 24 hours and must include:
  - RMA number for product being returned;
  - Problem confirmation and results of inventory review at supplier location;
  - Brief description of containment plan and implementation timing.



- Final response must be given within 10 working days and must include:
  - Root cause of the problem and method used for discovery and verification;
  - Corrective and preventative actions and implementation dates;
  - Follow up verification after corrective/preventative actions are implemented.

## Cost Recovery Information

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**General Costs** – A \$75 charge may be assessed for each NC/Corrective Action issued.

**Rework / Containment Costs** – Should a problem be detected with your product you will be given the option to come into Cascade and sort the product yourself, send in an independent sort company, or have product returned and replaced at your expense. The freight expense is considered premium shipment costs. Cascade Engineering will charge you **\$75 per hour** per person for rework until your choice of options has arrived to correct the problem.

**Errors in Production Documentation (missing cert, mislabeled cartons, etc.)** – Any shipment that arrives without required documentation or with incorrect information, may be refused at our option. If this refusal results in a shutdown, shutdown charges (below) will be assessed.

**Shut down Costs** – In the event that a Cascade Engineering press is shut down due to non-receipt of product or receipt of defective product, an hourly charge equal to the rate per hour of that press will be charged to the supplier until the press is back up and running. **Hourly press rates range from \$150 per hour to \$750 per hour depending on press size and labor required.**

**Customer Rejects** – Cascade Engineering will recover all customer charges as they relate to supplier quality defects/rejects along with any charges Cascade incurs for overtime.

**Premium Shipment Costs** – If you incur any premium shipment costs, a copy of the invoice must be sent to Cascade Engineering, Attention Logistics Department. All premium freight costs must be tracked per Quality requirements. Please include an explanation of the expense.

**Excessive Problem Solving Costs** – If a supplier issue requires extended use of Cascade salaried resources in order to close out their issue, the supplier will be notified and asked to provide on-site Engineering support for the duration of the issue or will be charged for the use of Cascade's resources. **Hourly rates for salaried and Engineering resources will be charged at a rate of \$75 per hour.**



**Travel Costs** – Travel time and expenses of Cascade employees (hourly and salaried) required for support (plant visits, customer updates necessary at the customer location, etc.) of supplier issues will be charged back to the supplier.

**Other Remedies** – The foregoing will not limit any of the other rights or remedies that may be available to Cascade Engineering under the parties' contract or applicable law.

## Supplier Performance Measurements

Suppliers delivering direct (production) materials regularly will be measured on the following criteria.

Soft Measurable Sections	Value
Delivery	20 Points
Quality	20 Points
Quality/Delivery Disruptions	30 Points
Value	24 Points
Management System	6 Points

### **Delivery** Requirement: 100% on time delivery – 20 points

Dates given on supplier schedules/purchase orders are “in house” dates. Suppliers may be allowed to ship up to 2 days early. This will be discussed on a per item basis. Late deliveries will be counted against the total score. (Exceptions will only be considered if arrangements are made prior to the due date and do not jeopardize our customer schedules.)

- A. Quantity - Received quantity must equal CE order release quantity.
  - a) Under shipments and late and may result in a deduction of 5 points
  - b) Over-shipments and shipment arriving more than 2 days early may result in a 2 point deduction
- B. All shipments must contain a Bill of Lading/Packing Slip. Non-conforming paperwork may result in a point deduction. All Bill of Ladings/packing slips must comply with the requirements listed in the Receiving Requirements Section.
- C. Premium Freight

Premium freight must be tracked and reported to CE. Points may be deducted if premium freight is utilized. If premium freight is caused by Cascade Engineering’s actions, premium freight will be tracked, but no point deduction will follow.



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## **Quality** Requirement: 100% conforming product and no disruption costs– 20 points

All incoming product must meet applicable specifications. “Applicable specifications” refers to the specifications that are approved during the latest PPAP. Any changes to product must be re-submitted and approved prior to production changes in accordance with the current AIAG PPAP Manual, **including but not limited to changes in suppliers, materials, processes, tooling, inspection criteria, or manufacturing facility**. Product that is received out-of-spec will be considered late. Line accumulations will be charged back once per month or more often if needed.

PPM Results	
PPM =	$\frac{\text{Total Actual Verified Defective Parts}}{\text{Total Number of Received Parts}} \times 1,000,000$
Delivery PPM Performance	Point Value
0 PPMs	<b>20 Points</b>
1 – 249 PPMs	<b>15 Points</b>
250 – 1,000 PPMs	<b>10 Points</b>
1,001 – 2,000 PPMs	<b>5 Points</b>
2,001 +	<b>0 Points</b>

## **Quality/Delivery Disruption** Requirement: No disruption costs– 30 points

Disruptions are events that affect Cascade’s manufacturing plant or customer’s plant. These types of events are listed below. The maximum point loss in this category is -30 pts. All suppliers will be given 30 points to start the period. Deductions will be taken for disruptions.

Disruption Type	Point Value
Repeat Delivery Issue	<b>10 Points</b>
Repeat Quality Issue	<b>10 Points</b>
Customer Claim	<b>10 Points</b>
Poor communication causing a disruption	<b>10 Points</b>
Late delivery causing CE or Customer shutdown	<b>10 Points</b>
CAR (Corrective Action Request) Initiated	<b>5 Points</b>
Late CAR response	<b>5 Points</b>
Deviation request	<b>2 Points</b>
Opening an NC (Non-conformance)	<b>2 Points</b>
Documentation error	<b>1 Point</b>

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**Value**      Goal: Products & Services that create a world class Supply Chain 24 points

RFQ Performance	5 Points Possible
0 – 19%	<b>0 Points</b>
20 – 39%	<b>1 Point</b>
40 – 59%	<b>2 Points</b>
60 – 79%	<b>3 Points</b>
80 – 99%	<b>4 Points</b>
100%	<b>5 Points</b>

Cost Reductions	5 Points Possible
Red	<b>0 Points</b>
Yellow	<b>3 Points</b>
Green	<b>5 Points</b>

ASN / EDI Capable	2 Points Possible
No to both	<b>0 Points</b>
Yes to either ASN or EDI	<b>1 Point</b>
Yes to both	<b>2 Points</b>

Bar Code Label Approved	1 Point Possible
No	<b>0 Points</b>
Yes	<b>1 Point</b>

Sustainability	
<p>We have created a question set to be able to learn more about what your company is doing. Depending on verification of your responses will depend on points earned for this section of Supplier Performance.</p> <p>Cascade Engineering is an Anti-Racist Company. Cascade Engineering also supports a Racism-Free supply chain and we ask our suppliers to do the same.</p> <p>For each question you answer ‘Yes’ to, supporting documentation will need to be provided for verification. Points are based on the number of ‘Yes’ responses received, which includes verification of the documents you have uploaded into our web-based system.</p>	
Sustainability	5 Points Possible
0 – Answered/Verified	<b>0 Points</b>
1-2 – Answered/Verified	<b>1 Point</b>
3-4 – Answered/Verified	<b>2 Points</b>
5-6 – Answered/Verified	<b>3 Points</b>
7-8 – Answered/Verified	<b>4 Points</b>
9-10 – Answered/Verified	<b>5 Points</b>

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Technical Support	6 Points Possible
The points are determined by a combination of inputs from various departs within Cascade Engineering. The departments involved are Purchasing, Quality, Manufacturing Engineering, and Engineering.	

## Management Systems

6 points

Suppliers of direct (production) materials are expected to have an effectively implemented quality system.

All direct material suppliers for automotive production shall be third party registered by an accredited third-party certification body to ISO 9001 as a minimum with a goal of achieving TS16949.

All suppliers for non-automotive production shall be third party registered by an accredited third-party certification body to ISO 9001 if required by CE's customer.

Exceptions must be approved by Cascade Engineering or Cascade's customer if certification is required by the customer. For distribution companies, their suppliers that provide product for Cascade Engineering must also comply with these requirements.

Cascade Engineering expects all suppliers to have a system in place for management review of Key Process Indicators. Information regarding the performance of these indicators shall be made available to Cascade Engineering upon request.

Cascade Engineering is committed to continuous reduction of negative impacts on the environment by utilizing an Environmental Management System. The support of suppliers throughout the supply chain is needed to meet this commitment. The point system is listed below.

Quality Management System	4 Points Possible
Registered to TS16949	4 Points
Registered to ISO9001	3 Points
Not Registered	0 Points

Environmental Management System	2 Points Possible
Registered to ISO14001	2 Points
Not Registered	0 Points

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Maximum points available in this section are 6 points. If you are TS and ISO 9001 certified, you would receive 4 points.

In the event of revocation of registration, Cascade Engineering must be notified within 48 hours. Submittal of new registration upon expiration of current is the supplier's responsibility.

Cascade Engineering reserves the right to perform a 2<sup>nd</sup> party audit to verify compliance.

## CE SUPPLIER RATING

Point Range	Classification	Comments
95 – 100	Preferred	These suppliers will be first in line for new business opportunities in their commodity.
80 – 94	Acceptable	Suppliers in this category may still be awarded new business.
70 – 79	Substandard	Suppliers with this rating for 3 or more consecutive months may be on new business hold. If this rating is achieved for 3 or more consecutive months, a complete formal corrective action may be requested to address how you are addressing your systemic failures. De-sourcing of the supplier may commence.
0 – 69	Probationary	Suppliers with this rating will be on new business hold. If this rating is achieved for 3 or more consecutive months, a complete formal corrective action will be requested to address how you are addressing your systemic failures. De-sourcing of the supplier may commence.

Suppliers who fall below 70 points for six consecutive months may be de-sourced. The commodity manager will consider the following when making a determination to de-source or not.

- Customer-directed supplier
- Remaining life of program
- Level of difficulty in changing the supplier
- Sole source of product
- Total cost to change suppliers

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