Fair-Rite Products Corp.

# SUPPLIER QUALITY MANUAL

## 1.0 | PURPOSE

The purpose of this manual is to define the requirements of Fair-Rite Products Corp. (hereafter referred to as Fair-Rite) regarding the quality of purchased material. This requirement is not meant to discourage Suppliers from making product or process improvements. It is intended to insure that when changes are made, they are done so in a manner that will insure product integrity is maintained. All exceptions and/or deviations to any requirements defined herein shall have prior approval from Fair-Rite. We look forward to building a positive and lasting relationship with our Suppliers.

## 2.0 | SCOPE

This procedure applies to all material purchased by Fair-Rite when this document is specified on the Purchase Order.

## 3.0 | ASSOCIATED DOCUMENTS

**ISO 9001-** Quality management systems requirements

**IATF 16949-** Quality management systems requirements for automotive production and relevant service parts organizations

**Production Part Approval Process (PPAP) Manual**- standardized process in the automotive industry that helps manufacturers and suppliers communicate and approve production designs and processes before, during and after manufacture

**Slavery & Trafficking Risk Template (STRT)-** template used to assist companies in their efforts to comply with human trafficking and modern slavery legislation and improve their supply chain-related public disclosures

## 4.0 | RESPONSIBILITY AND AUTHORITY

It is the responsibility of the supplier to understand and insure compliance with this manual and Fair-Rite's engineering requirements, specifications and drawings.

Quality personnel within Fair-Rite are responsible for maintaining this manual and establishing, maintaining and evaluating approved suppliers.

## 5.0 | INTRODUCTION

This manual emphasizes:

- the importance of establishing defined and mutually agreed upon requirements
- the expectation that suppliers develop and maintain a comprehensive quality system that insures Fair-Rite receives product and services that conform to requirements
- a continual focus on improvement in quality, cost and innovation, including sustainability, to mutually benefit the supplier and Fair-Rite

### 5.1 | SUPPLIER EXPECTATIONS

Fair-Rite requires suppliers to have a Quality Management System which is, at minimum, an ISO 9001 third-party certification issued by a certification body bearing the accreditation mark of a recognized IAF MLA (International Accreditation Forum Multilateral Recognition Arrangement) member and where the accreditation body's main scope includes management system certification to ISO/IEC 17021.

Fair-Rite requires its suppliers of material used in automotive products to become certified to IATF 16949 through third-party audits (valid third-party certification of the supplier to IATF 16949 by an IATF-recognized certification body).

An on-site second-party audits may be required by Fair-Rite of the supplier to be considered approved following receipt of third-party certification.

Suppliers must communicate any changes/improvement in the status of the company that would affect meeting supplier criteria

An on-site second-party audit may continue to be required by Fair-Rite in lieu of not being certified to one or both of the preceding Quality Management System standards or for ongoing non-conformance issues.

**Note:** *Reference* ***Section 6.0*** *for when the supplier's quality management system is non-ISO certified.*

Supplier shall provide right of access to its facilities for Fair-Rite personnel and their accompanying customer representatives, including government agencies, at any mutually agreeable time whenever such access is requested and pursuant to a relevant contract or audit.

## 5.2 | SUPPLIERS ARE FULLY RESPONSIBLE FOR THE QUALITY OF THEIR PRODUCTS

Suppliers shall insure that each of their products or services comply with all the requirements mutually agreed to with Fair-Rite as well as conform to all latest applicable statutory, regulatory and other legal and/or environmental requirements in the countries where they are manufactured and in Fair-Rite-identified country of destination.

Fair-Rite will need to flow down customer specific requirements as they become available. At times, these requirements may be in addition to Fair-Rite's engineering requirements, specifications and drawings. These requirements can include special characteristics which can affect product function or customer satisfaction, for example. Fair-Rite will be clear in identifying customer specific requirements at an appropriate time in the development process.

Suppliers shall assess risk in order to mitigate the impact of not being able to supply conforming product on time to the agreed upon price. Examples of issues which can cause delivery interruptions include product nonconformity, resource management issues, upstream supply problems caused by a regulatory non-conformance or a natural disaster. An effective risk analysis will identify the potential level of exposure the supplier may face and appropriate action shall be taken to mitigate these potential risks.

Suppliers are accountable for and assume full responsibility for the quality of the products or services they provide. Approval and verification, by Fair-Rite, of supplier's facilities, systems and records does not absolve the supplier of the responsibility to provide acceptable product.

## 5.3 | SUPPLIERS ARE FULLY RESPONSIBLE FOR THEIR SUPPLY CHAIN

Suppliers are responsible for the quality and material compliance-related activities of their suppliers, subcontractors, service providers and/ or material sources.

Suppliers shall document and verify that their suppliers' facilities, procedures, materials and controls meet or exceed the agreed-to requirements. Fair-Rite may request supporting data of these evaluations. Fair-Rite shall rely on its suppliers to maintain control of their supply base, but reserves the right to audit or evaluate these sources to insure supply chain safety and/ or understand other potential impacts to Fair-Rite.

# 6.0 | REQUIREMENTS FOR NON-ISO CERTIFIED QUALITY MANAGEMENT SYSTEM

Suppliers shall have a defined quality management system. This section specifies the requirements of a comprehensive quality management system that is important to insure Fair-Rite receives products and services that conform to requirements when the supplier's quality management system is non-ISO certified.

## 6.1 | QUALITY MANUAL, POLICY AND OBJECTIVES

The supplier shall document its quality management system. This should include a stated quality policy and quality manual.

***Note:*** *A quality manual defines the structure of their quality management system, by defining the scope of the system, by describing how processes of the system interact and by referencing documentation used to implement the system.*

The quality policy defines a supplier's intent and direction with respect to Quality and serves as a general framework for action.

Measurable quality objectives shall be established. The supplier's quality objectives shall be measurable and consistent with the quality policy. Once quality objectives are established for relevant functions and levels of the supplier's organization, they shall be monitored by the supplier to insure an effective quality system and customer focus.

The supplier shall identify its necessary procedures and records that insure effective operation and control of its processes.

## 6.2 | CONTROL OF DOCUMENTS

The supplier shall identify essential documents relating or pertinent to the quality system and control such documents. The supplier's document control methods shall insure that only approved, issued and effective documents are utilized.

Documents shall be legible and identifiable. With respect to documents which become obsolete but are retained, the supplier shall have a method of identification of such documents as obsolete and segregation of such documents to prevent accidental use.

## 6.3 | CONTROL OF RECORDS

The supplier shall maintain legible, readily identifiable and retrievable records as evidence its products meet Fair-Rite's requirements. Examples of records a supplier should retain, to demonstrate its conformance to requirements, include test results, equipment verification records and calibration records.

The supplier shall define how it identifies, stores, protects, retains and disposes of its records.

***Note:*** *A supplier should determine its record retention period to be equivalent to the lifetime of the product, as defined by the supplier unless Fair-Rite defines the record retention duration per the Quality Agreement.*

***Note:*** *The supplier should use Good Documentation Practices (GDP) when creating and maintaining records to insure clear, complete and accurate information is recorded. Fair-Rite recommends that the supplier have rules that describe GDP when approving, making handwritten entries on, copying and/ or modifying documents. Some GDP examples are avoiding the use of white out to make corrections,*

*avoiding the use of pencil, insuring records are dated correctly at the time created, recording the appropriate approvals and insuring personnel don't review and approve their own work.*

## 6.4 | MANAGEMENT RESPONSIBILITY

The supplier shall insure that responsibilities and authorities are defined, documented and communicated within its organization. The supplier shall maintain the appropriate resources for an effective quality system.

## 6.5 | MANAGEMENT REVIEW

The supplier shall regularly review its quality system to insure the ongoing suitability, adequacy and effectiveness of the system.

***Note:*** *A review of the system should include written documentation of audit results, customer feedback, process monitoring results and product performance. After the review, opportunities for improvement should be considered.*

The supplier shall maintain records of its decisions or actions from the review in accordance with **Section 6.3**.

## 6.6 | DESIGN AND DEVELOPMENT CONTROL

The supplier shall use specified requirements, specifications and drawings as the basis for its design and development plan.

***Note:*** *The plan, sometimes called a quality plan, defines the design stages with necessary steps and resources to assure the product satisfies Fair-Rite's requirements. The plan should be maintained throughout the design process and should incorporate design reviews, verification and validation plans, monitoring activities, inspection criteria or test requirements.*

The supplier's design verification shall be planned and recorded to confirm the supplier's design meets requirements.

The supplier's design validation activities shall be planned and recorded to confirm the product meets the user requirements and is fit for use.

The supplier shall use its design outputs to establish a controlled operation at its manufacturing, test or inspection location.

***Note:*** *Design outputs are engineering drawings and specifications of the design, critical process parameters (CPP), critical to quality (CTQ), essential requirements checklist (ERC) or essential to design outputs (EDO) and product acceptance criteria.*

Suppliers shall implement a change process that insures any effects on the product are understood. The supplier's change process shall include necessary reviews, verification of change and validation of the product before the change is implemented in accordance with **Section 8.0**.

## 6.7 | PURCHASING CONTROLS

Suppliers shall define requirements and establish a supplier selection process that insures that their suppliers have the potential and ability to meet specified requirements.

The supplier is responsible for the quality of all components and raw materials it purchases for its product. Where components and raw materials do not meet specified requirements then the supplier shall document its mitigation activity. If necessary, the supplier is responsible for additional controls to insure its product satisfies requirements.

When the supplier implements inspection or other activities to insure that purchased product meets requirements then these methods and results shall be documented. Records shall be maintained in accordance with **Section 6.3** and made available to Fair-Rite upon request.

## 6.8 | PRODUCTION PROVISIONS

The supplier shall document and control its production conditions to insure its product meets specified requirements.

***Note:*** *This may require the supplier to make use of documented procedures, work instructions, reference materials, suitable equipment and specific monitoring and measurement devices where the absence of such could affect quality.*

The supplier's controls shall be established using the appropriate design outputs and available at the manufacturing, test or inspection location.

***Note:*** *This should include current engineering drawings and specifications, critical process parameters (CPP), critical to quality (CTQ), essential requirements checklist (ERC) or essential to design outputs (EDO) and product acceptance criteria.*

The supplier shall protect product, equipment and personnel against potential contamination.

***Note:*** *The supplier should document cleanliness requirements, monitor conditions or make special arrangements to protect product quality and health of personnel.*

Suppliers shall employ process controls, which are consistent and appropriate for the operations being conducted. Where the operation may result in product not meeting specifications, suppliers shall implement documented mitigation activities, such as enhanced control plan, verification and inspection or process control parameters.

***Note:*** *Process control is a system for insuring that product consistently falls within predefined process parameters (limits).*

Equipment, monitoring and measuring, labeling, packaging, cleanliness and release activities shall insure the product meets Fair-Rite's requirements. Records shall be maintained in accordance with **Section 6.3** and made available to Fair-Rite upon request.

## 6.9 | MONITORING AND MEASURING OF PROCESS AND PRODUCT

The supplier shall use appropriate measurement methods to monitor planned results of processes to confirm its product meets specified requirements. Defining test methods in an established control plan or similar document should insure testing is conducted in accordance with the established limits and frequency.

Suppliers shall monitor critical to quality (CTQ), essential requirements checklist (ERC) or essential to design output (EDO) product characteristics at appropriate stages of the production process to confirm that product produced meets requirements. Records of these results shall be used to authorize release of product to Fair-Rite.

***Note:*** *Acceptance criteria for performance testing when planned and monitored are evidence the product meets requirements.*

Products not meeting specified requirements are cause for the supplier to investigate the process for the cause and take appropriate corrective action as necessary. Controls shall be in place to prevent product delivery to Fair-Rite until the conformity of the product is confirmed.

## 6.10 | VALIDATION OF PROCESSES FOR PRODUCTION

Suppliers shall qualify critical equipment and computerized systems before validation.

*Note:* This qualification should be carried out by conducting the appropriate design qualification (DQ), installation qualification (IQ), operational qualification (OQ), performance qualification (PQ) and/ or process validation (PV). When the output of a process is unable to be verified by testing, validation activities shall be conducted by the supplier using a documented procedure. The qualified individual that conducts the validation activity shall document its result and make the results available to Fair-Rite upon request.

The supplier's validation shall confirm with objective evidence that the process consistently meets the planned outcome. Therefore, the supplier shall validate products made from its production tools, processes and cycle times to confirm they meet the product requirements, specifications and parameters.

The supplier shall periodically review and maintain process parameters established during validation. These parameters are to be monitored and controlled to insure product specifications continue to be met.

***Note:*** *If trends outside predefined process parameter limits are found the trend should be investigated, corrective action may be taken and revalidation considered.*

Prior to implementing any modification to a process, the supplier shall complete necessary verifications and tests (including preliminary capability studies) to insure the process produces product that meet specified requirements. The supplier shall implement changes in accordance with **Section 8.0** Supplier Notice of Change.

## 6.11 | PRODUCT IDENTIFICATION AND TRACEABILITY

The supplier shall establish a system for the control of all materials.

***Note:*** *Control procedures are to insure that products are properly identified and do not become mixed with other orders.*

The supplier shall identify product status throughout the production process to insure that only product that has passed the required inspections and tests are shipped to Fair-Rite.

The supplier shall establish a traceability system that tracks components from raw material through inspection, test and final release operations, including rework and sub-supplier procedures.

## 6.12 | CONTROL OF INSPECTION, MEASURING AND TEST EQUIPMENT

The supplier shall establish monitoring and measurement processes to insure product meets specified requirements. Measurement uncertainty shall be known. The supplier is responsible for its gauges, tool masters, fixtures and measurement/ test equipment and verifying the accuracy of measurements to insure the integrity of the measurement system.

***Note:*** *Measurement uncertainty or measurement error may be defined within the measurement instrument's specification by its manufacturer.*

The supplier shall insure measuring and test equipment is routinely calibrated, inspected, checked and maintained with a documented procedure. Any standards the supplier uses for calibration shall meet applicable regulations, have specified directions and limits to insure accuracy and precision. The supplier's records shall be available to Fair-Rite upon request. When nonconforming equipment is found, the supplier shall confirm the validity of previous measurement results made with the nonconforming equipment. An impact analysis shall be performed by the supplier when a product is shipped after being approved by a measurement system operating outside of agreed upon limits of variation. Fair-Rite shall be notified immediately when the impact analysis concludes Fair-Rite's product is impacted.

## 6.13 | INTERNAL QUALITY AUDITS

The supplier shall have an independent audit program; the program must insure auditors cannot audit work that is their responsibility.

A supplier shall conduct internal audits in accordance with an established audit plan to insure continued compliance with the quality system, internal procedures and customer requirements. Results and actions taken shall be documented. Such records shall be made available to Fair-Rite upon request.

## 6.14 | CONTROL OF NONCONFORMING PRODUCT

The supplier shall have a documented process to control product that does not meet requirements. Nonconforming product shall be identified, segregated and evaluated. The evaluation results of the non-conformance and its analysis of the impact to the product shall determine what action is to be taken with the product.

Disposition of the nonconforming product shall be reviewed and documented by an individual with the designated authority and appropriate expertise. The supplier shall record any actions, including any justification of use and approvals for disposition of the nonconforming product. If the nonconforming product is corrected by the supplier, acceptance criteria shall be used to confirm the product meets requirements.

If the supplier detects nonconforming product after delivery, an impact analysis shall be performed by the supplier. Fair-Rite shall be notified immediately when the impact analysis concludes Fair-Rite's product is impacted.

***Note:*** *When a product non-conformance is identified by Fair-Rite, a Corrective Action Report (CAR) may be issued to the supplier. If a CAR is issued, the supplier is expected to provide an appropriate response using the CAR form.*

### 6.15 | HANDLING, STORAGE, PACKAGING, PRESERVATION AND DELIVERY

The supplier shall comply with specified packaging requirements and instructions. Packing operations shall be controlled to prevent mislabeling, cross contamination and/ or adulteration. Suppliers shall establish and follow packaging standards and methods to insure that material is adequately protected from alteration, damage and contamination during transit. Every effort should be taken to insure package integrity. Supplier labeling shall meet applicable regulations and standards, remaining legible and attached to product during normal handling, storage and distribution conditions.

If applicable or when required, the supplier shall insure labels have the correct expiration date, control number, handling, storage instructions and location of manufacture and remain legible and affixed to the product.

### 6.16 | TRAINING

The supplier shall develop and maintain a competent workforce with the necessary education, skills and experience to implement its quality system and insure its product meets specified requirements.

When the supplier conducts training or takes other action to improve the competence of its workforce, the effectiveness of training or other actions taken shall be periodically evaluated.

The supplier shall maintain records that document workforce competence. Records for personnel should include education, training or experience.

Supplier personnel shall be aware of their responsibilities that prevent defects and insure the quality of the supplier's product.

***Note:*** *The supplier can use defect awareness training to insure personnel understand how improper job performance can cause product defects.*

### 6.17 | ANALYSIS OF DATA

Suppliers shall use appropriate analysis of data to identify defects or opportunities to prevent defects. Such records shall be made available to Fair-Rite upon request.

***Note:*** *The supplier should use data analysis to understand if its product conforms to requirements, if its processes achieve planned results or if process or supplier trends may result in defects.*

Fair-Rite suppliers shall utilize the appropriate statistical techniques when making decisions about products and monitoring process performance (i.e. first pass yield, SPC, etc.).

### 6.18 | CONTINUAL IMPROVEMENT

The supplier shall implement continuous improvement efforts.

***Note:*** *The supplier should use its quality objectives, audit results and management review process to facilitate overall improvement of its quality system.*

### 6.19 | CORRECTIVE ACTION AND PREVENTIVE ACTION

Fair-Rite suppliers shall establish and maintain documented procedures for implementing corrective and preventive action with disciplined problem solving methods. Supplier corrective or preventive actions shall eliminate the causes of actual or potential non-conformities and be appropriate to the magnitude of problem or risk encountered.

The supplier's corrective actions shall prevent recurrence when a non-conformance to specification or requirements occurs.

The supplier's preventive actions shall prevent occurrence and eliminate potential non-conformance to specifications or requirements.

The supplier shall record any corrective and preventive action taken, its result and review the effectiveness of the action.

***Note:*** *Fair-Rite may require a Corrective Action Request (CAR) process be followed to make its root cause evaluation and conclusions available to Fair-Rite.*

## 7.0 | REQUIREMENTS FOR PRODUCTION PART APPROVAL PROCESS (PPAP) SUBMISSION

Fair-Rite may require suppliers to obtain Fair-Rite production part approval according to the Production Part Approval Process (PPAP) prior to production shipments. The PPAP process insures that the supplier's manufacturing process has the potential to meet specified requirements. Fair-Rite consistently identifies a PPAP submission level of 3 for the product and documentation necessary to complete the process. An agreed upon representative sample size to be delivered to Fair-Rite by the supplier will be communicated at an appropriate time in the development process.

Reference Production Part Approval process (PPAP) Manual available from Automotive Industry Action Group (AIAG) www.aiag.org

## 8.0 | SUPPLIER NOTICE OF CHANGE

Suppliers shall notify Fair-Rite prior to making any change that may affect conformance to defined requirements, product quality or a regulatory filing.

***Note:*** *The supplier should use their own change documentation and submit it with any relevant documentation demonstrating the acceptability of the change to ferrites@fair-rite.com.*

The supplier's change control activities shall be planned and documented to assure compliance of products to requirements. Fair-Rite may require the supplier to make its evaluation data and conclusions available to Fair-Rite.

At a minimum, the supplier shall:

- insure that personnel executing the change are qualified
- evaluate all changes for product or process risk (including efficacy and safety)
- document and communicate changes to Fair-Rite in writing prior to execution and
- obtain Fair-Rite's approval in writing prior to implementation

## 9.0 | SUPPLIER OVERALL EFFECTIVENESS MONITORING

Fair-Rite may use the following criteria to rate a supplier's performance:

- quality rating (100%= no CARs issued)
- delivery rating (100%= no late deliveries)
- premium freight rating (100%= no supplier-paid premium freight used to ship product)
- customer contribution rating (100%= no supplier-related customer shutdowns)

## 10.0 | BUSINESS PRACTICES

### 10.1 | ETHICS AND COMPLIANCE

Suppliers shall be law abiding and comply with legal requirements relevant to the conduct of all their businesses. This includes but is not limited to having an employee code of conduct, an ethics escalation policy, an anti-bribery policy and prohibiting human trafficking and slave or child labor.

***Note:*** *A Slavery & Trafficking Risk Template (STRT) is a good means of understanding the level of risk relating to a number of social responsibility issues and is available at www.socialresponsibilityalliance.org.*

### 10.2 | CONFIDENTIAL INFORMATION

Disclosure and use of confidential information obtained from Fair-Rite when conducting business is defined and agreed to within the contract. When it is necessary to discuss confidential matters, a nondisclosure agreement shall be executed between Fair-Rite and the Supplier before exchanging any information

### 10.2 | MATERIAL COMPLIANCE

Suppliers shall agree to comply with all Fair-Rite requests for information relating to material compliance, including but not limited to EU and other country Restriction of Hazardous Substances Directives and related substance declarations or evidence as requested, human rights supply chain related laws such as the U.S. Dodd-Frank Act (Conflict Minerals provisions) and related declarations and EU and other country Registration, Evaluation and Authorization of Chemicals (REACH directive) data by providing the material content data on the products/ materials Fair-Rite purchases from supplier. Supplier shall provide information in their own developed forms.

Suppliers of Finished Goods that are electrical or electronic in nature or have a reasonable degree of being used within electrical or electronic products will provide Fair-Rite a RoHS/ RoHS2/ RoHS3 Conformity Declaration/ Certificate in advance of purchase of the finished good.

Fair-Rite suppliers shall comply with the requirements of California's Proposition 65 (Safe Drinking Water and Toxic Enforcement Act). Requirements include descriptive labeling if any of the identified substances are contained within the material supplied.

Fair-Rite suppliers shall comply with all global environmental and human rights rules and regulations; including implementing programs to insure products do not contain restricted or banned substances or take steps to insure the raw materials do not originate from areas of conflict and significant human rights abuses (Conflict-Affected and High Risk Areas as defined by the OECD) and make the proper documentation available on a periodic basis as requested by Fair-Rite. With regards to requests for the origin of substances in products, suppliers agree to cooperate with Fair-Rite and conduct reasonable due diligence of its upstream suppliers to facilitate Fair-Rite's compliance efforts.

## REVISION RECORD

Printed copies of this document are for reference only. The master copy of this document is controlled and maintained by Fair-Rite's Director of Quality. Any changes must be approved by and coordinated through this individual.

| REVISION | DATE | CONTENT |
|---|---|---|
| A | 5/4/2018 | INITIAL RELEASE |
| B | 11/29/2021 | REVISION TO SECTION 5.1 |
| C | 6/8/2022 | REVISION TO SECTION 5.1 |