



## Supplier Quality Agreement

### Purpose of the Agreement:

The purpose of the agreement is to define and agree on the conditions of a quality partnership between DCS and its Suppliers/service providers. In accordance with this agreement, the supplier must provide a warranty for the goods supplied. The supplier's warranty is generally in line with the DCS purchase order terms and conditions.

### Quality System Requirements:

DCS expects suppliers to adhere to the guidelines and principles of a recognized quality system. DCS recognizes the following quality system certifications:

- ISO 9001:2015 / IATF 16949:2016
- ISO17025 – in the case of a laboratory or calibration service
- ISO9000 – in the case of a service organization or non-critical manufactured good

DCS reserves the right to audit a supplier's manufacturing location(s) to ensure compliance to the above standards.

### 1) Nonconforming Parts:

#### 1.1) Corrective and Preventive Action Process

In the case of a nonconforming production delivery (product and/or service) DCS will inform the supplier. The supplier shall implement appropriate containment actions (sorting, 100% inspection, etc.) within 24 hours and keep DCS regularly updated. The supplier with DCS shall develop together an emergency plan, which covers the first 24 hours. A documented corrective action plan shall be provided to DCS within a maximum of 5 days after the date of the nonconformance.

If the supplier's corrective action plan is not effective (new or repeat nonconforming delivery) DCS reserves the right to place the supplier into Level 1 or Level 2 controlled shipping.

Level 1 controlled shipping is launched after a nonconformance that has not been solved. Level 1 controlled shipping consists of imposing to the supplier a 100% inspection/rework. The implementation of Level 1 controlled shipping and all associated costs are the entire responsibility of the supplier.

Level 2 controlled shipping is launched if Level 1 controlled shipping has not solved the nonconformance. Level 2 controlled shipping consists of outsourcing the 100% inspection/rework to an external (third party) company who will do the 100% inspection/rework. The implementation of Level 2 controlled shipping and all associated costs are the entire responsibility of the supplier.

## 1.2) Administrative Fees & Chargebacks

DCS requires suppliers to provide all product(s) certified and free of defects. DCS does not provide an inspection service or a reject warehouse for suppliers and will hold the supplier fully accountable for any defect that is related to the supplied product. Acceptance criteria are provided to the supplier via the design record(s), technical specification(s), limit samples, and corrective action requests.

Typical molding or substrate/process defects visible before paint include, but are not limited to sink, bulges, flash, flow lines, knit lines, nicks, dings, etc. Typical molding or substrate/process defects not readily visible prior to paint but visible after paint include, but are not limited to flow lines, gate blush, crazing, sanding marks, differences in surface tension (ghosting), etc.

The supplier will be advised of all defective products found at DCS or at DCS's customers. The related defective product will be held at DCS for a minimum of 5 working days. Within the 5-day period the supplier is expected to disposition (return, scrap, rework, etc.) the rejected product. This 5-day window is the supplier's opportunity to review, preferably on-site, the associated rejects. If the supplier is non-responsive after the five-day holding period DCS will disposition the rejects at its discretion and charge back the supplier accordingly.

### A. For Paint, Resin and Component Suppliers:

**Supplied Product Rejects:** \*Charge back will be in the amount of the full supplied part cost to DCS.

**Painted Part Rejects:** \*Charge back will be in the amount of the DCS lost sale.

### B. For Resin Suppliers Specifically:

**Charges for Material to be Scrapped On-Site:** All applicable product costs will be applied in addition to a \$50/Gaylord to be scrapped at DCS.

**Charges for Material Received with no CofA:** \$50/Gaylord received. Material will remain on hold at DCS for a maximum of 5 working days. If the supplier is non-responsive after the five-day holding period DCS will disposition the rejects at its discretion and charge back the supplier accordingly.

### C. General Administration Charges:

**Administration fee:** \$200/occurrence

**Management support:** \$60/hour

**Sorting/Inspection/Rework:** \$55/manhour

**Downtime/Production Interruptions:** \$55/manhour

**PPAP rejection:** \$100

**Repeat supplier concerns:** \$1000/repeat claim

**Freight and Expedite:** Applicable freight/expedite charge

## 2) The Rating System

The supplier rating (100%), is divided between two area as shown below:

### A. Quality Rating (50%)

- The supplier's quality rating (KPI), is weighted according to the following:
  - Rejected parts calculated as Parts Per Million (PPM = # defective parts/#total received parts) \* (1,000,000): 60% of indicator
  - Responsiveness: 40% of indicator

Criteria	Score
Effective clean point, containment, communication, and accepted within 24 hours	100%
Ineffective clean point, containment, and no response within 24 hours	50%
No 8D submitted within two weeks	0 %

### B. Logistics Rating (50%)

- The supplier's logistics rating (KPI), is weighted according to the following:
  - On-Time Delivery: 60% of indicator
  - Mislabeled, Damaged boxes/containers: 20% of indicator
  - Responsiveness: 20% of indicator

Criteria	Score
Effective clean point, containment, communication, and accepted within 24 hours	100%
Ineffective clean point, containment, and no response within 24 hours	50%
No 8D submitted within two weeks	0 %

### 2.1) Classification

Suppliers will be classified according to their overall scores regarding the two key indicators.

There are 2 levels of classification:

- A. Acceptable** ⇒ A supplier who is performing at or above our minimum established performance criteria and directly impacts our customer's level of satisfaction.
- B. Not Acceptable** ⇒ A supplier who is not consistently meeting minimum performance criteria and who are being considered for replacement.

### C. Overall Rating Guidelines – Average of the Two Key Indicators

- Acceptable = 80-100%
- Not Acceptable <80%

If your overall score is in the “Not Acceptable” range, you must submit a corrective action explaining what will be done to improve the rating before the next quarterly scorecard is issued.

For “Customer Designated” suppliers -- If an appropriate response is not received on time, a copy of this report will be sent to the customer who designated you as a supplier.

\*All claims must close within 15 days.

### 3) Conclusion

Purchased materials represent a significant portion of our total cost. Our customers are expecting DCS and its suppliers to meet these challenges by reducing cost of quality, increasing productivity and efficiency, and working for improvement throughout the entire supply chain. As Partners in Progress, we can work together to successfully fulfill our customer's expectations and secure our profitability and continued growth within the industry.

***Please review, sign and return within 30 business days. Otherwise, acceptance is assumed. Product shipped against a DCS purchase order without a signed SQA also assumes acceptance of the SQA.***

**DCS****Supplier**

<b>By:</b>		<b>By:</b>	
<b>Title:</b>		<b>Title:</b>	
<b>Date:</b>		<b>Date:</b>	