

# SUPPLIER QUALITY MANUAL

METAL FORMING & COINING,, LLC DBA NETFORM  
1007 ILLINOIS AVENUE  
MAUMEE, OH 43537  
PH: 419.893.8748 Fx: 419.893.6828

NETFORM  
51810 DANVIEW TECHNOLOGY COURT  
SHELBY TOWNSHIP, MI 58315  
PH: 586.731.2003 Fx: 586.739.0787

[www.NETFORM.com](http://www.NETFORM.com)

NETFORM IS NOW BEING USED IN PLACE OF METAL FORMING & COINING. REQUIREMENTS SPECIFIC TO THE MAUMEE FACILITY WILL BE REFERENCED AS NETFORM – MAUMEE AND THE SHELBY FACILITY WILL BE REFERENCED AS NETFORM - SHELBY

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## 1.0 INTRODUCTION

### 1.1 NETFORM Policy

#### **NETFORM Mission**

The mission of NETFORM is to provide products and services that exceeds the expectations of our customer. We will strive to be a recognized innovative leader in the metal working industry. In this respect, we work to benefit the following groups:

#### **Our Customers**

Customer satisfaction through continuous improvement is our primary goal.

#### **Our Business**

Continued business profitability and growth will provide the company, its employees, and other stakeholders a bright and secure future.

#### **Our Employees**

Employees, through teamwork, training, and development, are involved in the creation of a positive and safe working environment.

#### **Our Community**

The community will continue to be a beneficiary from the company's outstanding support and corporate citizenship.

#### **NETFORM Environmental Policy**

NETFORM is committed to quality excellence in the metal working industry while protecting our environment and the health and safety of our employees.

Ours is a philosophy of conserving natural resources while operating in a sustainable manner. The protection of our employees and environment is demonstrated through our commitment to:

- Continuous Improvement
- Prevention of Pollution
- Compliance to all applicable environmental obligations
- Environmental, Health and Safety Programs
- Expectations of our interested parties

### 1.2 NETFORM Scope

The Manual applies to all QMS approved and pending QMS approved suppliers of NETFORM. Compliance to the requirements within this manual, as well as to the general terms and conditions is mandatory for all external suppliers. It is the supplier's responsibility to check for updates to the Supplier Quality Manual on the NETFORM website at [www.NETFORM.com](http://www.NETFORM.com).

## **2.0 SAFETY & ETHICS**

**2.1** NETFORM suppliers are expected to have documented processes that observe all laws relating to Human Trafficking, Forced Labor & Child Labor. Furthermore, all NETFORM suppliers are expected to have document processes that adhere to laws regarding Harassment & Discrimination as well as Employee Health & Safety and Environmental Responsibility.

## **3.0 CODE OF CONDUCT**

**3.1** NETFORM Suppliers and any goods or services supplied by Supplier, shall comply with all applicable laws, rules, regulations, orders, conventions, ordinances or standards of the country(ies) of destination or that relate to the manufacture, labeling, transportation, importation, exportation, licensing, approval or certification of the goods or services, including, without limitation, those relating to environmental matters, the handling and transportation of dangerous goods or hazardous materials, data protection and privacy, wages, hours and conditions of employment, subcontractor selection, discrimination, occupational health/safety and motor vehicle safety.

## **4.0 SUPPLIER QUALITY GUIDELINES**

**4.1** The purpose of this Manual is to outline the expectations for all parts and services supplied to NETFORM. These requirements should be considered as minimum only. It is the intent that all supplier parts and services will perform as intended in the customer applications with complete customer satisfaction for performance and durability.

### **4.2 IATF 16949 / ISO14001 / Third Party / NETFORM Audit**

To stay competitive in today's global environment, NETFORM requires all product related suppliers to be certified to ISO9001 as a minimum. Gage calibration services must be ISO 17025 certified. Prospective suppliers are required to use only materials in their manufacturing process that satisfy current

governmental and safety constraints on restricted, toxic, and hazardous materials; as well as environmental, electrical, and electromagnetic considerations applicable to the country of manufacture and sale. SDS for restricted, toxic, and hazardous materials will be provided with the order or included in a PPAP for production parts.

Although it is not mandatory that suppliers are certified to IATF16949 and ISO14001, the goal is conformance to IATF16949 and ISO14001. It is the responsibility of the supplier to notify the Quality Manager at NETFORM Maumee and/or the Quality Manager at NETFORM on any changes to their current certifications. All certification updates should be sent to [mfc@mfccorp.com](mailto:mfc@mfccorp.com). Potential new suppliers may be audited by NETFORM and/or required to submit a sample order for evaluation prior to being added to the QMS approved suppliers list.

NETFORM will recognize and accept only ISO 9001 Certificates issued by certification bodies which are accredited by members of the IAF (International Accreditation Forum) according to the Multilateral Recognition Arrangement (MLA). All members are listed in [www.iaf.nu](http://www.iaf.nu)

NETFORM will recognize and accept only IATF 16949 Certificates issued by certification bodies which are recognized by the IATF (International Automotive Task Force). All recognized certification bodies are listed at [www.iatfglobaloversight.org/certBodies.aspx](http://www.iatfglobaloversight.org/certBodies.aspx)

NETFORM will recognize and accept only ISO/IEC 17025 Certificates issued by bodies which are accredited by members of the ILAC (International Laboratory Accreditation Cooperation) according to the Multilateral Recognition Arrangement (MLA). All members are listed in [www.ilac.org](http://www.ilac.org)

Vendors of outsourced processes must comply with 4.13.3 of EP14001 EMS Core Requirements, which is typically covered by a valid 14001 certificate, training records, or a signed "NETFORM Supplier Environmental Certification" (EF8.1-21). Contact the Operations Manager at NETFORM for assistance with this compliance requirement.

NETFORM and/or its customers reserve the right to inspect supplier product and processes at the supplier's facility as required.

#### **4.3 Materials Planning and Logistics – (MMOG/LE assessments are not required**

for heat treat suppliers. May be required for NETFORM suppliers, please check with your Buyer)

Materials Planning and Logistics (MP&L) is the process of managing the procurement, movement, and storage of materials, parts, and finished goods (and the related information flows) throughout the organization through the timely and cost-effective fulfillment of orders. NETFORM requires assessment of our partners in the supply chain on a regular basis and the completion of the Global MMOG/LE, or equivalent, annually.

Completed MMOG/LE assessments, or equivalent, should be sent electronically to [mfc@mfccorp.com](mailto:mfc@mfccorp.com) annually. Compliance to the MMOG/LE requirements will be considered when evaluating supplier performance.

Suppliers are required to have a risk assessment process in place to identify areas within the supply chain process that could affect the ability to meet the organization's requirements in the event of a deviation from the normal business process.

Suppliers are required to develop contingency plans that would be implemented in the event of a deviation or disruption from the normal business process. This could include EDI, transportation, packaging, equipment failure, etc.

Suppliers are required to notify NETFORM immediately of all planned and unplanned equipment downtime that may result in a disruption in material flow.

#### **4.4.1 Supplier EDI Process**

All plants required to be EDI capable will receive the NETFORM Maumee EDI Questionnaire, Form F7-220 from NETFORM. This form includes relevant information regarding contact information and communication preferences. It is completed by the supplier and returned to NETFORM. The form is forwarded to PLEX, who will set up the EDI and test the setup with the supplier to verify that it is working as required.

NETFORM receives EDI 830 and 862 releases from the customer. Plex MRP initiates a purchase order based on material lead times and the release and forecast EDI. Once a week, an 830, Planning Release, and 862, Shipping Schedule, is automatically generated and sent to the supplier via EDI through PLEX.

Upon shipment from the supplier, an 856, ASN, is received by NETFORM, adding the inventory to NETFORM at an “in transit” status in PLEX.

#### **4.4.2 Container & Product Management**

It is each supplier’s responsibility to notify NETFORM’s designated contact of all container shortages as soon as there is potential for a shortage.

It is each supplier’s responsibility to notify NETFORM’s contact of dirty, rusty, and damaged containers upon receipt of these containers. Unless authorized by NETFORM, do not produce product into compromised containers.

NETFORM owned containers are only to be used for NETFORM materials.

All empty NETFORM containers located at supplier facilities must be stored indoors with attention to element exposure and potential damage situations. The intent is to protect the containers from rust and damage.

NETFORM suppliers may be held financially responsible for damages to NETFORM owned containers as a result of mishandling or mismanaging the containers.

Supplier may be held financially responsible for all spills related to inappropriate transit loading of containers from their facilities.

Suppliers must ensure that all containers with material are identified appropriately and that all required paperwork is in order prior to shipment of product to NETFORM.

#### **4.5 Special Processes**

**NOTE:** While individual assessments can be completed at any time during the calendar year, the supplier must review that the individual assessments are current (less than 12 months old), meet the requirements of the assessment, and sent electronically to NETFORM.

Where items in the assessment are identified as being “not satisfactory” or “needs immediate action” the supplier shall address the root cause(s) in an



action plan. This action plan must also have a risk containment action that immediately protects all components being shipped to NETFORM, regardless of tier level. Where "needs immediate action" is assessed, immediate containment action is required, and the action plan must include steps to address the root cause(s) within 30 days. Where "not satisfactory" is assessed, the action plan must include steps to address the root cause(s) within 90 days.

#### **4.6.1 Heat Treat System Assessment – AIAG CQI-9**

NETFORM requires annual AIAG CQI-9 Heat Treat System Assessments for all heat treat suppliers. Each assessment shall include a review of the organization's systems using the Heat Treat System Assessment.

Completed Heat Treat System assessments should be sent electronically to [mfc@mfccorp.com](mailto:mfc@mfccorp.com) annually. Compliance to the CQI-9 requirements will be considered when evaluating supplier performance.

#### **4.6.2 Coating System Assessment – AIAG CQI-12**

NETFORM requires annual AIAG CQI-12 Coating System Assessments for all coating suppliers. Each assessment shall include a review of the organization's systems using the Coating System Assessment.

Completed Coating System assessments should be sent electronically to [mfc@mfccorp.com](mailto:mfc@mfccorp.com) annually. Compliance to the CQI-12 requirements will be considered when evaluating supplier performance.

***Note: All other CQIs shall be completed as applicable and available for review upon request.***

#### **4.7 Continuous Improvement**

The Supplier performance records are intended to monitor individual supplier metrics ranging from Quality, Customer Disruptions, 100% on time Delivery, Documentation, and Overall Performance. They will be maintained on an ongoing basis and reported to the supplier on a periodic report. These records will act as the trigger mechanism for ongoing Quality Development work with suppliers.

#### (NETFORM Maumee)

A system is used to score and rank suppliers based on their performance. If applicable, the scoring system is as follows:

- (a) Product Quality: Deduction of 5% for each CAR. 5% for each late response or late completion of CARs.
  - 1. Deduction of 5% for:
    - a. Each CAR.
    - b. Late Response
    - c. Late completion of CARs
  - 2. PPM Deductions
    - a. 0-50 PPM: - 0%
    - b. 51-150 PPM: - 20%
    - c. 151-500 PPM: - 50%
    - d. >500 PPM: - 100%
- (b) % Delivery Performance: On Time Shipments / Total Shipments Received (up to 7-day grace periods will be granted upon request)
- (c) Quality / Environmental Documentation: Deduction of 5% for each Internal Complaint for lack of documentation. and/or applicable Environmental requirements. For all non-heat-treating suppliers, 5% will be deducted for lack of MMOG.

The three percentages are all weighted evenly and averaged.  
Suppliers will be categorized in accordance with the table below:

Supplier Performance Score	Category	Risk to Supply
90 - 100	Superior	Low
80 - 89	Good	Low - Medium
70 - 79	Fair	Medium
< 70	Consideration for re-sourcing	High

Suppliers categorized as Medium or High Risk are subject to Supplier Development including: Supplier improvement plans (F7-277 - Supplier Improvement Plan Form or any approved format), Second Party Audits, or on-site audit activities.

The Second Party Audit may be any of the audits below based on the supplier performance issues.

- i. QMS Audit (utilizing the automotive process approach)
- ii. Manufacturing Process Audit
- iii. Product Audit

All NETFORM suppliers must obtain approval for all premium freight deliveries prior to shipment. Any excess charges are the responsibility of the supplier and may be debited accordingly.

We encourage our suppliers to review and monitor the performance of their manufacturing processes using manufacturing process audits, layered process audits, or other similar techniques.

#### **(NETFORM - Shelby)**

A supplier evaluation is maintained by the Supplier Ratings Team (consisting of the Buyer, Quality Personnel, Vice President, Plant Manager, Supply Chain Manager, and Production Control Personnel) on all raw material, tooling and outside processing suppliers used by NETFORM in the manufacturing process on a continuous basis. The Supplier Scorecard is reviewed monthly. A system is used to score and rank suppliers based on their performance. If applicable, the scoring system is as follows.

Grading system from 5 to 0 in each of 3 categories – quality, delivery and service; with 5 being the highest with no issues at all, down to 0 with re-occurring problems that have not been addressed.

Generic notes will be sited on each supplier's score when a perfect 15 is not recorded, letting the supplier know why they were deducted points in each category.

Scorecards (Form NF8-08) are sent out monthly after the group has met. Suppliers are not identified by name. Anonymity is important. Suppliers can check their score according to the last 4 digits of their fax number that we have on record.

#### **1. Supplier Development**

1. Suppliers receiving a quality or delivery score of less than or equal to 2 are subject to Supplier Development and may be subject to Second Party Audit on-site audit activities.
  2. The Second Party Audit may be any of the below audits based on the supplier performance issues:
    - a. QMS Audit (utilizing the automotive process approach)
    - b. Manufacturing Process Audit
    - c. Product Audit
  3. Documented information (records) are maintained of the above audits.
- 
2. Suppliers removed from the QMS Approved Supplier List will have to re-comply to this procedure section IV New Supplier Evaluation and Selection before they can be added back on the QMS Approved Supplier List.

#### **4.8 Conflict Minerals**

All suppliers must fully support NETFORM's efforts to comply with the requirement that all US publicly traded companies provide disclosures relating to Conflict Minerals. "Conflict Minerals" are tin, tantalum, tungsten (derivatives of cassiterite, columbite-tantalite, and wolframite), as well as gold, regardless of where these minerals are mined, processed, or sold.

On August 22, 2012, the U.S. Securities and Exchange Commission ("SEC") adopted final rules to implement the reporting and disclosure requirements concerning Conflict Minerals, as directed by Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act"). Its rules require manufacturers to file certain reports with the SEC, disclosing whether the products they manufacture, or contract to manufacture, contain Conflict Minerals that are "necessary to the functionality or production" of their products. Companies must conduct a reasonable country of origin inquiry to determine whether such Conflict Minerals originated in the Democratic Republic of the Congo ("DRC") or an adjoining country or are from scrap or recycled products.

NETFORM's OEM customers are required to report to the SEC whether their products that contain Conflict Minerals come from smelters and refiners identified

as “conflict free” on an annual basis, as required by the Dodd-Frank Act and SEC regulations, starting in May 2014, for the 2013 calendar year.

To comply with this federal regulation, if your company supplies NETFORM with any part, product, or material that contains or may contain Conflict Minerals, your company is required to perform an extensive assessment of your supply chain to determine the countries of origin for each part, product, or material. Then, for all parts, products, or materials supplied to NETFORM that do or may contain Conflict Minerals, your company must determine if the smelters and refiners that processed the Conflict Minerals have been identified as “conflict free”. To support accurate reporting, suppliers should:

- Determine which components incorporate one or more of the identified minerals or their derivatives.
- Map the supply chain(s) associated with those same parts.
- Engage with suppliers to identify the smelters used in the supply chain to process the raw materials (or validate the origin of material as recycled/scrap).
- Complete the EICC “Conflict Minerals Reporting Template”, declaration tab and product list.
- Return your completed Conflict Minerals Reporting Template electronically, annually, to: [NETFORM@NETFORMcorp.com](mailto:NETFORM@NETFORMcorp.com)

Your cooperation is required to get information from your supply chain to determine whether products contain Conflict Minerals that originate in the DRC or adjacent countries.

#### **4.9 Statutory and Regulatory Requirements**

All suppliers must ensure that their products, processes, and services conform to current applicable statutory and regulatory requirements in the country of receipt and the country of shipment.

#### **4.10 Certifications – NETFORM - Maumee**

Plating and heat treat certification must reference NETFORM’s requirements from the print/ Purchase order

Material Certifications must be a mill certification. Any other form of certification must be reviewed and agreed to by the NETFORM – Maumee Quality Manager.

Material Certifications must include all requested information per specification referenced.

## **5.0 PRE-PRODUCTION REQUIREMENTS**

### **5.1 Advanced Product Quality Planning (APQP)**

Information regarding the process can be reviewed in the AIAG Advanced Product Quality Planning and Control Plan manual.

**Listed below are NETFORM's APQP requirements:**

- NETFORM requires that the supplier establishes and implements an APQP process.
- The process should use the tools and techniques contained within the AIAG Advanced Product Quality Planning and Control Plan manual.
- APQP Status must be periodically updated by the supplier and forwarded to NETFORM. The frequency of updates depends on the complexity of the product and/or the timing associated with it.
- All product features identified on the part print as Special Product Characteristics need to meet the capability index defined in 6.0.
- Special attention must be given to items designated as Special Product Characteristics detailed in Section 6.5 of this document.
- Detailed APQP documentation needs to be maintained at the supplier's location. NETFORM may request to review evidence of completed APQP documentation and this evidence should be readily available.
- Pass Through Characteristics shall be identified and appropriately addressed on PFMEAs.
- Whenever possible, error-proofing techniques should be used to prevent potential nonconformance.
- New programs will require the completion of NETFORM Supplier New Program Risk Assessment (F7-272)

### **5.2 Run @ Rate**

Run @ Rate should be performed by the supplier prior to production. This activity should be performed prior to launch and as early in the process as possible,

provided the design is frozen or stable. On certain critical products, NETFORM personnel may witness the Run @ Rate performed at the supplier plant.

End customer run at rate documentation will be required unless otherwise notified.

### 5.3 Production Part Approval Process (PPAP)

PPAP submissions must be performed and approved on all NETFORM production level components and services prior to the first shipment of production parts. The purpose of PPAP is to demonstrate that all requirements per AIAG-PPAP Manual are understood. Suppliers are **NOT** authorized to proceed with any changes to product(s) or processes unless authorized by NETFORM as indicated below:

- Supplier Change Request (SCR) has been submitted and approved.
- The contract order has been modified to reflect a print change, if required.
- PPAP has been submitted and approved for all process changes.
- A PPAP run of at least 300 consecutive parts (unless otherwise specified in writing by NETFORM) needs to be produced from production level tools and process. All supplier locations that manufacture the part must receive individual PPAP approval.
- To obtain PPAP approval, the supplier is required to submit a PPAP part and documentation in accordance with the AIAG-PPAP guidelines. The default PPAP submission level is three (3) unless instructed otherwise by NETFORM.
  - NETFORM – Maumee – PPAPs should be completed per F7-276 Supplier PPAP Checklist.
- PPAP documentation with samples (2 or 3 pieces/cavity) must be submitted for approval. The 300 that were run for the PPAP submission need to be maintained at the supplier location until the PPAP has been approved. Suppliers shall not ship production parts prior to PPAP approval unless there is written authorization by NETFORM Engineering / Quality personnel.
- It is the responsibility of the supplier to submit the PPAP with sufficient time for NETFORM to process the PPAP submission through our appropriate channels prior to the supplier having to ship in production quantities.
- PPAP submission is not the time for suppliers to request print changes or tolerance relief. This should be accomplished during early stages of product/process development. Failure to comply with these requirements will result in PPAP rejections. This will have an impact on the supplier ratings and NETFORM preference for source selection on new business. Any specific

PPAP related questions should be directed to the Quality department at NETFORM and/or the Quality Manager at NETFORM.

#### **5.4 VDA PFMEA**

All initial FMEA(s) created after November 1<sup>st</sup>, 2021, can be based on the latest version of the AIAG VDA Handbook.

## **6 SPECIAL PRODUCT CHARACTERISTIC**


### **6.2 Special Product Characteristics**


Special Product Characteristics are identified on NETFORM drawings to identify features that have a significant impact to product safety or customer satisfaction. Reasonably anticipated variation of a Special Product characteristic could significantly affect a product's compliance or is likely to significantly affect a product's fit/function or safety/ compliance. Suppliers must prioritize their Continuous Improvement activities and variation reduction efforts on Special Product Characteristics to positively impact customer satisfaction. NETFORM Suppliers shall pass down all applicable legal requirements and special product and process characteristics to their suppliers and require the same of their suppliers, cascading down the supply chain to the point of manufacture.

#### **Special Product Characteristics:**

- Safety Characteristics - Characteristics related to Statutory and regulatory product safety requirements Specified as Safety on the NETFORM print are integrated into the control plan, FMEA, and work instructions and are indicated with the customer's designated symbol, or ▽. Control Plans & PFMEAs where Safety Characteristics are included are subject to Customer approval for initial release & for any changes prior to any revisions being implemented into the manufacturing process.
- Critical Characteristics - Special characteristics that are related to parameters that affect customer satisfaction and for which quality planning actions must be addressed on a Control plan. They are also integrated into the control plan, FMEA and work instructions and are



indicated with an “**M**” (Maumee) or with the customer designated symbol or  (NETFORM).

- High Impact Characteristics (Maumee) or Key Characteristics (NETFORM) – Special characteristics that are related to parameters that severely affect the operation of the process or subsequent operations if they are outside of the specification tolerance. They are also integrated into the control plan, FMEA, and work instructions and are indicated with “**HI**” (Maumee) or  (NETFORM).
- *Other* – Customer specific characteristics as defined by the customer.

**Some key aspects of Special Product Characteristics are summarized as follows:**

All Special Product Characteristics a short-term capability (Ppk) of 1.67 and long-term (Cpk) of 1.33 or as outlined in the AIAG SPC Manuals, whichever is more stringent. **In the case that NETFORM’s customer has different requirements, those requirements will be shared with the PPAP request and required to be adhered to.**

- Supplier needs to maintain SPC data on all Special Product Characteristics. This data shall be readily available upon NETFORM’s request.

**6.2** Suppliers are expected to meet all component print characteristics irrespective of their designation. Evidence to support this may be requested at any time.

#### Customer Special Characteristics

NETFORM Suppliers shall further comply with YC/YS (DFMEA) & SC/CC (PFMEA) designations per table A below:

FMEA Type	Class.	To Indicate	Criteria	Actions Required
<b>DFMEA</b>				
	YC	Potential critical characteristic	Severity > 8	▪ Highlight for PFMEA team focus.
	YS	Potential significant characteristic	Severity = 5 – 8 & Occurrence = 4 – 10	▪ Highlight for PFMEA team focus.
<b>PFMEA</b>				
	CC	Critical characteristic	Severity > 8	▪ Use Special controls
	SC	Significant characteristic	Severity = 5 – 8 & Occurrence = 4 – 10	▪ Use Special controls

## 7.0 NON-CONFORMING MATERIAL IDENTIFICATION/ NOTIFICATION / SUPPLIER REQUIREMENTS

### 7.1 Receiving Inspection

The receiving inspection process will be required for any problem part where a supplier has demonstrated the inability to sufficiently control the quality of the product. Methods may include the services of subcontractors to complete 100% inspections. Suppliers having material in this category will be responsible to reimburse NETFORM for excess inspection cost, added processing cost, or other costs associated with the non-conformance. (Also refer to "Controlled Shipping" in Section 7.2) For "problem" part(s) NETFORM's Process Engineering Department will direct the identifications required. Directions will be provided at the time the supplier is notified of the CAR. E-mail notification of a CAR will be sent to the supplier. Supplier must respond to request as outlined within the e-mail. Initial response should be submitted within 24 hours. Final response should be submitted within 30 days or as designated by NETFORM, whether due to the severity of the issue or NETFORM's customer requirements. Late responses, without an approved action plan with deadlines, will be subject to an administrative charge of \$300 per week.

### 7.2 Controlled Shipping

**7.2.1** Controlled Shipping is a demand by NETFORM to a supplier to put in place a redundant inspection process to sort for nonconforming material, while implementing a root-cause problem solving process. The redundant inspection is in addition to normal controls. The data obtained from the redundant inspection process is critical as both a measure of the effectiveness of the secondary inspection process and the corrective actions taken to eliminate the initial nonconformance. Controlled shipping is a **CONTAINMENT** process and a **PROBLEM-SOLVING** process.

#### **Two levels of Controlled Shipping exist:**

- Level I Controlled Shipping includes a problem-solving process as well as a redundant inspection process. The supplier's employees at the supplier's location enact the inspection process to isolate NETFORM from receipt of nonconforming parts/material.

- Level II Controlled Shipping includes the same processes as Level I controlled shipping, with an added inspection process that is completed by an impartial third party. The third party is selected by NETFORM and paid by the supplier. In special cases, the Level II inspection may be required to be performed outside the supplier's facilities at a facility deemed appropriate by NETFORM.

#### **The key NETFORM steps of this process:**

- Consensus within NETFORM management that current controls by the supplier are not sufficient to insulate NETFORM from the receipt of nonconforming parts/material.
- Determination, by NETFORM, which level of controlled shipping is required and how it is to be implemented.
- Communication, to the supplier, of action (Level I or Level II) to be taken including exit criteria.
- Scheduling/execution of a Level II kick-off meeting with the supplier's Management to provide a full explanation of the containment process and containment area, deliverables, and the roles and responsibilities of the involved parties. (This meeting is recommended and is a "Best Practice.")
- Review of containment status and effectiveness.
- Review of irreversible corrective action plans.
- Removal of Controlled Shipping status when appropriate.

#### **7.2.2 Reasons for imposing Controlled Shipping:**

Suppliers who have repeat failure of one or more of the following criteria will be subjected to level I or level II-controlled shipping:

- Suppliers who have impacted the production process (downtime, tooling breakage, etc.)
- Suppliers who have caused Quality Spills (Stop Ships, customer recalls, interruptions, etc...)
- High number of CAR's
- High PPM suppliers
- Customer returns (plant rejects) traced to supplier components/parts
- Repeat problems (breaking clean points, loss of containment)

Based on consideration of the above, NETFORM will decide whether Level I or Level II would be appropriate. Level II situations are characterized as situations where the supplier's past actions have proven ineffective and /or put NETFORM at risk with our customers.

#### **7.2.3 Level I Controlled Shipping process:**

NETFORM notifies the supplier by calling the appropriate staff level member of the supplying location. This is official notification of controlled shipping status. This notification must be live and not by voice mail or other forms of communication. Written communication confirms this conversation.

#### **The supplier is required to:**

- Immediately establish a separate containment activity area at their location that is acceptable to NETFORM.
- Commence the sort activities and display the results in a public and visible location.
- Track breakpoints of nonconforming material. (Container marking and/or part marking as agreed upon by NETFORM receiving plant and the supplier)
- Conduct a daily management meeting at the sort location to review the results and ensure that corrective actions taken are effective or plan required changes.
- Communicate results of sort activities to NETFORM in a format and with a frequency agreed to by the NETFORM representative.
- Meet the defined exit criteria. Exit criteria will be established by incorporating the agreed measurements that verify that the root cause is identified, and that appropriate irreversible corrective action was implemented and is effective.
- Request exit from controlled shipping requirement by providing supporting documentation on performance to the appropriate NETFORM representative.

NETFORM evaluates if exit criteria have been met and communicates, in writing, that the supplier is no longer considered in Controlled Shipping. (See Section 7.3 for exit criteria)

#### **7.2.4 Level II Controlled Shipping Process:**

Materials and Quality at NETFORM analyze the nonconformance situation and determine if Level II is required. NETFORM notifies the supplier by calling the appropriate staff level member of the supplying location. This is official notification of controlled shipping status. This notification must be live and not by voice mail or other forms of communication. Written communication confirms this conversation. Written communication is sent from Materials and Quality at NETFORM to the supplier upper management describing:

- The action being undertaken
- The nonconformance(s)
- The inspection checks required
- Exit criteria required to be achieved
- Acknowledgement of the Controlled shipping requirement

**The production supplier is responsible for the following:**

- Contacting and issuing a purchase order to the Controlled Shipping third party for Controlled Shipping Level II activities. The supplier is responsible for all costs of the CS third party for the activity.
- Providing people to perform the inspection activity and records results for Controlled Shipping Level I activities and the Level I inspection, which takes place during Controlled Shipping Level II.
- Providing proper layout and instruction documents to perform Controlled Shipping Level I activities and the Level I inspection which takes place during Controlled Shipping Level II.
- Providing proper space and tooling to perform inspection activities.
- Driving permanent corrective actions.
- Communicating results of sort activities to NETFORM in a format and with a frequency agreed to by the NETFORM representative.
- Communicating the action plan, inspection status, and results of problem resolution activities to NETFORM in a format and with a frequency agreed to by the NETFORM representative.

### **7.3 Exit criteria**

#### **7.3.1 Exit Criteria Requirements:**

- Include clear and measurable elements

- Be specific and relevant to the nonconformance issues to be addressed
- Require documentation to demonstrate that corrective actions taken are permanent
- Remain constant for each nonconformance

The default exit criteria will be used when other exit criteria are not defined.

**7.3.2 The default criteria** are listed below and must be provided to the NETFORM representative when requesting removal from Controlled Shipping:

- Thirty (30) working days of data from the containment activity, and a summary, that verifies that the normal production controls are effective for controlling the discrepancy(s) identified in the controlled shipping activity. The time begins accumulating at the date the containment plan was implemented and submitted for approval.
- Documentation showing the root cause was identified for the defective condition, the escape, and any systemic issues.
- Documentation indicating that corrective actions to address the root cause of the defective condition, the root cause of the escape, and the systemic root cause were implemented and validated.
- Copies of all documentation revised as required (control plan, FMEA's, flow diagram, operator's instructions, LPA system, etc.)

**7.3.3 Removal from Controlled Shipping Status**

NETFORM evaluates if the exit criteria have been met. If appropriate, NETFORM communicates in writing that the supplier is no longer considered to be in Controlled Shipping and controlled shipping activities can cease. Suppliers cannot be removed from controlled shipping status or cease the controlled shipping activities without documentation from NETFORM that authorizes the removal.

**7.3.4 Debits for Quality, Delivery and Disruption Supplier Issues**

NETFORM may debit suppliers for costs incurred by NETFORM because of supplier quality issues, late delivery or expedite delivery issues, and disruptions to NETFORM production and/or NETFORM customer delivery.

## 8.0 SUPPLIER CHANGE / DEVIATION REQUEST

### 8.1 Supplier Change Request (SCR)

A SCR form needs to be submitted for changes to print or a PPAP approved process that are permanent in nature. The supplier needs to consult with Quality or Engineering at NETFORM on specific questions that arise when completing the form. The change must be approved by NETFORM prior to part shipment. Unless the situation is an emergency, 120 days should be allowed to process the SCR through the end customer.

**8.2 Suppliers who propose a change** for resourced business (i.e., a request to move a current production part or purchased material to a different supplier) must provide evidence that they have carefully evaluated the candidate supplier's Quality Management System as part of the sourcing activity. Supplier shall communicate NETFORM's supplier requirements to the candidate supplier and confirm that the candidate supplier can and will meet NETFORM's requirements including all necessary validation testing before selection and award of business. Supplier **MUST** gain NETFORM's approval **PRIOR TO** any change to a production part or purchased material sourcing

### 8.3 Supplier Deviation Request (SDR)

8.3.1 A SDR form needs to be submitted for changes to print or a PPAP approved process that are temporary in nature. The supplier needs to consult with the Engineering or Quality at NETFORM and/or the Quality Manager at NETFORM on specific questions that arise when completing the form.

8.3.2 The SDR form needs to be accompanied by a corrective action report (CAR) that describes the deviation, root cause, permanent corrective action and prevention.

8.3.3 The deviation must be approved by NETFORM prior to part shipment.

## 9.0 COUNTERFEIT PRODUCTS

9.1 Counterfeiting is growing at an alarming rate with respect to the types of products

being counterfeited, industries affected, and potential ramifications caused by counterfeiting. NETFORM understands the ever-growing concern regarding the increasing volume of fraudulent/counterfeit parts entering the supply chain, posing significant performance, reliability, and safety risks. NETFORM recommends that our supply base regularly review their quality management systems (QMS) to ensure that it adequately addresses counterfeit items that have the potential to seriously compromise the safety and operational capability of our products.

Strategies utilized to eliminate counterfeiting shall include:

- Avoidance – Suppliers should only purchase parts and/or materials from approved sources of supply.
- Detection and Disposition – Suspect counterfeit parts or materials shall be treated as nonconforming product and quarantined as such.
- Mitigation – Suppliers are to ensure processes are in place to quarantine parts that require testing and verification until they are verified as authentic.
- Communication – Suppliers shall provide prompt notification to NETFORM Quality Department if it is determined or suspected that counterfeit items are or have been delivered to NETFORM. Suppliers shall report any counterfeit issues in a timely and effective manner.



## Appendix A:

For update versions of the NETFORM Supplier Quality Manual and Forms, please follow the below link:

<https://netform.com/suppliers/#doc>

	NETFORM Supplier Quality Manual
F7-273	Confidentiality Agreement
F7-222	Request for Quote
F8-145	Supplier Manufacturing Process Audit
F7-249	New Supplier Form
F7-271	Supplier Risk Assessment
F7-272	Supplier New Program Risk Assessment
<u>F7-273</u>	<u>Netform Vickers New Mutual NDA</u>
<u>F7-276</u>	<u>Supplier PPAP Checklist</u>
<u>F7-277</u>	<u>Supplier Improvement Plan</u>
<u>F7-199</u>	<u>Supplier Change Request</u>
<u>F7-200</u>	<u>Supplier Deviation request</u>

\*Contact NETFORM for the latest electronic revision.

Revision Date	Changes
10-27-23	<ul style="list-style-type: none"> <li>A. Updated company name and personnel titles throughout the document.</li> <li>B. Added reference to Customer requirements in regards to Special characteristics and Corrective action completion time.</li> <li>C. 4.5 Continuous Improvement - Score changes</li> <li>D. 5.1 APQP - Capability Requirement referenced to 6.1</li> <li>E. 5.4 VDA PFMEA – Updated Requirement</li> <li>F. 6.1 Special Product Characteristic – Defined Capability Requirements</li> <li>G. 7.1 Receiving Inspection – CAR response timing defined</li> <li>H. 7.2.2 Reasons for Imposing Controlled Shipping – Removed a statement</li> <li>I. 7.2.4 Level II Controlled Shipping Process – Changed Titles</li> <li>J. 8.1 Supplier Change Request – Changed Titles</li> </ul>
11-3-23	A. 4.5 Added NETFORM – Shelby Scoring method
12-8-23	A. Updated Forms
5-13-24	A. Corrected formatting
5-22-24	A. Updated Environmental Policy
12-8-24	<ul style="list-style-type: none"> <li>A. Added Pass through characteristic</li> <li>B. Updated NETFORM – Maumee from 2 to 5 point deduction for every late 8D</li> <li>C. Updated CQI list per customer requirements</li> <li>D. 7.1 Updated to add Charge for late responses</li> </ul>
7-16-24	A. Updated NETFORM – Maumee

	<p>scorecard information</p> <p>B. Added CQI-34&amp;35 per customer requirements</p> <p>C. Added NETFORM – Maumee Supplier PPAP Checklist (F7-276)</p>
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