



IATF 16949:2016 Certified • ISO 14001:2015 Certified

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Supplier Manual

IATF-0056

Revision History

<u>Issue Date</u>	<u>Nature of Change</u>
2/13/2019	Initial Release
3/23/2020	<ul style="list-style-type: none"> ● Added website link to cover page ● Section 1 - Added flow down of CQI requirements to suppliers and sub-suppliers. ● Added reference to PPAP requirements. Replaced phrase “statistical capability” with “process stability and capability” (Section 1.c) ● Replace ‘# of Reject Occurrences’ with CAR Timeliness for scoring (Section 2.c) ● Added use of inspection data prior to shipment as possible outcome of poor quality (Section 2.h) ● Added comment and link to JAE Tech’s website for deviation form (Section 2.i) ● Updated CAR expectations for 8D submissions (Section 2.j)

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1. Becoming a Jae Tech, Inc. Supplier

Suppliers to Jae Tech, Inc. are qualified based on their capability to support our mission of supplying quality products on-time to our customers. At a minimum, all suppliers are required to be certified to ISO 9001:2015 with compliance to other customer defined QMS requirements, such as Minimum, Automotive, Quality Management System Requirements (MAQMSR). Ultimately, the goal for all Jae Tech, Inc. suppliers is to be certified to the IATF 16949 standard. An Approved Supplier List (ASL) tracks the supplier's conformance to ISO and Jae Tech, Inc. ensures their certification is current.

In addition to the above, JAE Tech's suppliers and sub-suppliers must complete yearly internal audits for special processes where applicable utilizing (published by the AIAG):

CQI-9: Heat Treat System Assessment.

CQI-11 Special Process: Plating System Assessment.

CQI-12 Special Process: Coating System Assessment.

CQI-15 Special Process: Welding System Assessment.

CQI-17 Special Process: Soldering System Assessment.

CQI-23 Special Process: Molding System Assessment.

CQI-27 Special Process: Casting System assessment.

CQI series of audits shall be completed by qualified personnel.

JAE Tech's supplier is responsible for assuring the flow down of the CQI series of requirements to the sub-suppliers as appropriate. The self-assessments shall be submitted to JAE Tech as part of PPAP and shall be made available upon request.

Jae Tech, Inc. reserves the right to perform on-site audits of potential or current Supplier/Subcontractors. When applicable and appropriate, Jae Tech, Inc. and its customers reserve the right to verify that the purchased materials or services conform to specified requirements; either at the source or upon receipt. Customer verification does not absolve Jae Tech, Inc. from the responsibility to approve suppliers, or to deliver a quality product. When specified in the customer contract, Jae Tech, Inc. will purchase products, materials and/or services from the customer approved sources.

Customer approved sources will be added to the Approved Supplier List and will be subject to the same ongoing performance monitoring activities as supplier's that have been approved via other means. Jae Tech, Inc. monitors the ongoing performance of its suppliers as a means of ensuring that suppliers are consistently providing products and services that meet specified purchase order requirements. Performance-rating records are maintained by quality and performed quarterly.

a. Responding to a Request for Quotation (RFQ)

As part of responding to a Request for Quotation for new business, suppliers are expected to execute a “Confidentiality, Non-Disclosure and Non-Solicitation Agreement.” This agreement is intended to protect both Jae Tech, Inc. and the supplier from the improper use of business sensitive information.

b. Environmental Expectations

In addition to the above, Jae Tech, Inc. values suppliers that support environmental compliance. Our organization maintains an Environmental Management System in compliance with ISO-14001:2015 standards. We strive to minimize any negative impact the company has on the environment and have a strong commitment to environmental regulatory compliance, resource conservation, and pollution prevention. Therefore, we expect all suppliers providing products and services to Jae Tech, Inc. to fully cooperate with these efforts and support the company’s environmental management policy. Third party certification to ISO-14001:2015 is not required to be a supplier to Jae Tech, Inc.; however, compliance to environmental statutory and regulatory requirements is required. Suppliers that maintain certification to ISO-14001:2015 will be given preferential considerations in the awarding of new work.

c. Participating in APQP/PPAP Activities

Suppliers are expected to participate in Advanced Product Quality Planning (APQP) and the Production Part Approval Process (PPAP) as required in support of introducing new or revised parts or revised processes. The intent of these exercises, in part, is to flow-down key customer and safety characteristics along with establishing how suppliers will maintain **process stability and capability** relative to these. Please reference the AIAG manuals (www.AIAG.org) for more information. Once the PSW is approved, the process cannot be altered without written approval from Jae Tech, Inc.

Regardless if changes have been made, suppliers are required to provide JAE Tech with a resubmission of the PPAP annually. Standard requirements for new and annual submissions are available on JAE Tech’s website.

d. Initial Assessments

Jae Tech, Inc. is required to perform an initial risk assessment of all new suppliers prior to approval. Suppliers will be assessed based on the following categories.

- Risk to product non-conformity (robustness and sophistication of inspection systems; laboratory, measurement & evaluation capabilities; automation & error proofing)
- Risk of production supply interruption (condition of facility & equipment, contingency plan, flexibility of multiple shifts & weekend availability, shipping hours, backup equipment)
- Risk of poor quality and delivery performance

- Supplier QMS development
- Presence of a multidisciplinary decision making process in place (adequate staffing in management) (clear documented process)
- Financial stability (D&B report, customer references, company size)
- Adequacy of available resources
- Design/development capabilities
- Manufacturing process capability
- Change management process & engineering capabilities
- Business continuity plans in place (disaster preparedness, contingency plans)
- Risk to logistics process failing
- Availability of customer service (off-hours contact & support)

Approval by Jae Tech, Inc. Management Team is required prior to suppliers being added to our Approved List. Supplemental audits may be required to better assess the supplier's quality management system and capabilities. These audits may be conducted as on site 2nd party audits, or the supplier completing provided checklists. Suppliers may be required to take actions to mitigate risks. Jae Tech, Inc. may also take additional actions to mitigate perceived risks.

e. Terms and Conditions

Unless specified differently within the purchase agreement, standard payment terms for Jae Tech, Inc. is NET 30. This is subject to negotiation based on the totality of considerations related to the business opportunity. Final agreed upon payment terms can be unique to the individually negotiated agreement. If, for any reason, the purchase order conflicts with the requirements of this manual, the requirements described within the purchase order shall take precedence.

f. Logistics

Raw material suppliers are responsible for scheduling and providing trucks so that material is delivered to Jae Tech, Inc. per agreed upon delivery schedules. Likewise, any carrier contracts and associated cost for such freight is at the expense of the supplier. In cases where expedited freight is used, suppliers are expected to inform Jae Tech, Inc. of such an occurrence.

There may be cases when sub-suppliers will be responsible for freight from Jae Tech, Inc. to their facility and/or from their facility to Jae Tech, Inc. customer. These terms will be established as part of any commercial agreement to do business. In cases where the supplier is responsible for freight, if expedited freight is used, suppliers are expected to inform Jae Tech, Inc. of such an occurrence.

g. Supplier Communications

Suppliers are required to comply with all requirements that have been flowed to them. This includes the contents of this quality manual and any technical information that has been

provided. Jae Tech, Inc. has management systems to provide notification when this information changes, but it is ultimately the supplier's responsibility to assure the information is current. Suppliers are expected to have systems in place to assure they have the most current version of this information. When changes are flowed down from Jae Tech, Inc., the supplier must respond in writing within (10) working days to acknowledge the changes and identify the needed timing and impact this change(s) will have. Any exceptions or uncertainties need to be submitted in writing to Jae Tech, Inc. along with rationale as to why an exception is being made.

Supplier are required to notify Jae Tech, Inc. within 48 hours of any changes in top management or key contacts within the organization.

h. Quality Certification Suspension

If ISO-9001:2015, IATF-16949:2016 or ISO-14001:2015 registration is suspended, the supplier must notify Jae Tech, Inc. Quality Assurance within five (5) working days. In addition to taking immediate corrective action to regain certification, the supplier is expected to respond to Jae Tech, Inc. inquiries. Jae Tech, Inc. may require the supplier to take protective measures, as appropriate, but are not limited to additional in-house inspection, on-site audits, or submissions of inspection data prior to shipments.

i. Supplier Change Process

Prior to implementation, suppliers are required to notify Jae Tech, Inc. Quality Assurance in writing of any planned and unplanned changes to the manufacturing process, service provided, or the site itself. Jae Tech, Inc. must know the timing of the requested changes, parts that will be affected and reasons for making the change. Jae Tech, Inc. Quality Assurance will consult with internal parties and customers to determine requirements needed for approval of the changes. These requirements will be communicated back to the supplier in a timely manner, but the scope of what will be required will vary based on the nature and significance of the requested change. Allowing time for advanced notice and approval requirements is imperative in assuring there are no interruptions in the product or service supplied to Jae Tech, Inc. Suppliers are expected to comply with these requirements to assure a seamless transition to the change.

Suppliers are required to submit all requested data, information or PPAP and then await confirmation of approval prior to delivery of any product affected by these changes.

j. Legal Flow-Down and Supplier Obligations

Suppliers of products, processes and/or services are responsible to ensure conformance to all local, state, federal and international statutory and regulatory requirements during all stages of manufacturing, processing, delivery and/or the execution of services on behalf of Jae Tech, Inc. or its customers. This includes, but is not limited to:

- All safety and environmental regulations related to the acquisition, storage, handling, recycling and elimination or disposal of materials.

- The use of International Material Data System (IMDS) to ensure compliance to our automotive customer's requirements and GADSL, REACH, ELV, etc., as applicable.
- Logistics/transportation statutory and regulatory requirements such as those imposed by the DOT, US (and foreign) Customs & Border Protection agencies, NAFTA (Country of Origin requirements), etc.
- The limited use of Conflict Minerals (i.e., the 3TG's, namely: cassiterite-for tin, wolframite-for tungsten, coltan-for tantalum, and gold ore). This activity also may include annual declaration/self-assessment regarding the use of these minerals in your production processes. For more information please consult the conflict free sourcing initiative website (www.responsiblemineralsinitiative.org).

Suppliers of products, processes and/or services are required to provide objective evidence that they have a functional and robust process in place to assure compliance with the latest applicable statutory, regulatory, and other requirements in the countries where they are located and in the customer-identified countries of designation.

- Proof of registration to ISO 9001-2015 or IATF 16949 meets this requirement. Copies of a currently valid certificate of registration must be provided and on file with the Jae Tech, Inc. Quality Assurance Department in order for your products to be accepted into our production flow. In some cases, copies or internal or external audit reports and resultant corrective actions may be required as supporting evidence.
- Alternatively, a documented procedure defining your process to ensure that your business meets all applicable statutory and regulatory requirements coupled with an annually signed affidavit declaring compliance to those requirements will meet this requirement. Copies of the currently valid procedure and annually renewed affidavit must be on file with the Jae Tech, Inc. Purchasing Department in order for your products to be accepted into our production flow.

If Jae Tech, Inc. Purchasing Department does not possess currently valid (not expired) objective evidence on file of your continued conformance to all applicable statutory/regulatory requirements then your products/services shall be treated as nonconforming and either quarantined until executive management can determine proper disposition (based on risk); incoming product turned away from our dock; or returned to the supplier at their cost.

Suppliers are also obligated to provide Material Safety Data Sheets (MSDS) concurrent with or prior to delivery of applicable product (as defined by Federal, state and local governments).

k. Right of Access

Jae Tech, Inc. reserves the right to gain access to facilities and information that demonstrates your ability as a supplier to meet our requirements. No information will be used for any other purpose and will not be shared with a 3rd party.

l. Product Traceability

Suppliers are responsible to identify all product bound for Jae Tech, Inc. with information that allows for traceability to a specific lot, heat, batch and/or date of manufacture. The method must allow for ready identification by the supplier or Jae Tech, Inc. of any other product produced under the same process conditions (i.e., the same batch). The supplier must be able to reasonably “time fence” problems so that containment and recall are feasible.

Subject to acceptance by Jae Tech, Inc. through the initial part approval process, the supplier may determine the method of identification.

In circumstances where Jae Tech, Inc. specified material is processed by a supplier prior to receipt by Jae Tech, Inc., the initial material identification data must be transferred to Jae Tech, Inc. by the supplier. This is in addition to traceability identifiers used in the supplier’s processing.

m. Delivery, Packaging, and Preservation Requirements

Suppliers shall adhere to all commercially agreed upon requirements related to delivery, packaging and preservation requirements. A breach in any of these areas can and will result in a charge-back of costs incurred by Jae Tech, Inc. due solely to the breach. Additional actions may be taken as well at the discretion of Jae Tech, Inc.

2. Supplier Monitoring

a. Supplier Scoring Chart

Supplier Performance shall be monitored on an ongoing basis. To maintain an acceptable level of performance, a supplier must maintain a score of 75 points or greater. Below is the criteria and scoring methodology by which suppliers will be evaluated:

Topic	Weighting	Max Points
PPM	20%	20 Points
CAR Timeliness	10%	10 Points
On Time Delivery	40%	40 Points
Customer Disruptions	15%	15 Points
Occurrences of Premium Freight	5%	5 Points
QMS/ Support	10%	10 Points
Max Total Rating	100%	100 Points

b. PPM Scoring Chart

Rating	Parts Per Million Defective
20	Equal to 0 PPM
15	> 0 PPM and ≤ 100 PPM
8	> 100 PPM and ≤ 500 PPM
4	> 500 PPM and ≤ 1,000 PPM

0	> 1,000 PPM
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c. **CAR Timeliness Scoring Chart**

Rating	CAR Timeliness (If multiple CAR open, then score is based on worst case status)
10	No Open CAR's -or- Any issued CAR's met timing requirements in Section 2.j.
7	1 Cumulative late day on any open CAR's
3	2-4 Cumulative late days on any open CAR's
0	Timing missed by 5 or more cumulative days, or actions found to be ineffective in preventing recurrence.

d. On-Time Delivery Scoring Chart (%):

Rating	On Time Delivery
40	Equal to 100%
30	< 100% and \geq 95%
20	< 95% and \geq 85%
10	< 85% and \geq 75%
0	< 75%

e. Customer Disruption Occurrences Scoring Chart:

Rating	Number of Pass Through Quality Issues
15	Equal to 0
10	1 occurrence
5	2 occurrences
2	3 occurrences
0	> 3 occurrences

f. Premium Freight Occurrences Scoring Chart:

Rating	Occurrences of Premium Freight
5	Equals to 0
4	1-3 occurrences
3	4-5 occurrences
1	6-7 occurrences
0	> 7

g. Quality Management System Maturity Scoring Chart:

Rating	System Description
10	Certified to IATF 16949 by an approved Registrar
7	Certified to ISO 9001 with compliance to IATF 16949 via second party audits

5	Certified to ISO 9001 with compliance to MAQMSR via second party audits
2	Certified to ISO 9001 by an approved Registrar
0	Not certified to ISO 9001

h. Quarterly Supplier Scorecard

Supplier scorecards will be published on a quarterly basis. A score below 75 points, using the criteria above, for any given quarter will initiate a corrective action event with the supplier. The expectation is that performance meets the minimum threshold or better. Three consecutive quarters with a score of 75 points or below may warrant an on-site audit and the supplier may be suspended and or removed from the Approved Supplier-Subcontractor List.

Corrective actions will be required when performance is below agreed upon goals. Suppliers with concurrent quarters with low performance may be subject, but not limited, to the following:

- Additional corrective actions to address system failures that allowed continued performance deficiencies
- Onsite Process & Product Audits (2nd Party Audit)
- Documented Improvement Plans from Supplier
- Placed on a "No Quote" status
- Probation (3rd party inspection) - at the suppliers expense
- Material subject to JAE Tech's approval of inspection data prior to release for delivery.
- Removal from Approved Supplier List
- In extreme cases, Jae Tech, Inc. may contact the registrar with request for emergency audit of their systems
- *Additional Conditions may be stipulated until supplier improves*

i. Nonconforming Material

When a supplier identifies an internal quality issue and or quality spill at their facility that may, or could potentially impact OTD of product to Jae Tech, Inc., including a less than acceptable commitment to quantity, the supplier must immediately contact the Jae Tech, Inc.

Suppliers must submit a written deviation request of any nonconforming conditions to JAE Tech, Inc. Acceptance of the deviation request must be provided prior to the release of the nonconforming product. Printed copies of the approved deviation notice must be attached to the outside of the shipped containers prior to arrival at JAE tech, Inc.

The blank deviation form can be found on under the tab "Quality" on JAE Tech's website at: <http://www.jaetechinc.com/quality-assurance/>.

If quality issues are identified and material is in transit or has arrived at Jae Tech, Inc., the supplier must notify Jae Tech, Inc. Quality Assurance via phone as soon a quality issue or potentially impactful quality issues have been identified.

Impact definition – Jae Tech, Inc. stops production use of the product or must add extra forms of inspection to ensure that quality product meets our end customer. Please note the following:

- Supplier is responsible for any and all additional costs incurred by Jae Tech, Inc. either from our customers including fines and penalties, Jae Tech, Inc. downtimes based upon lack of material or increased / added or external inspections.
- Recovery plan for late / delayed product based on quality / delivery issue within two (2) business days.
- Providing certified replacement material to Jae Tech, Inc. within three (3) business days or sooner, if feasible.

Additionally, Jae Tech, Inc. reserves the right to initiate supplier charge backs based upon the following:

- Value of scrapped material
- Jae Tech, Inc. production downtime based upon late supplier product delivery or supplier related quality issue
- Pass-down of costs accrued addressing supplier-fault customer escapes
- Pass-down of premium freight
- Pass-down of warranty costs
- Any and all administrative costs

j. Responding to Corrective Actions

If in the judgment of Jae Tech, Inc. that a nonconformance or a series of nonconforming events appear to be a result of a systematic failure, a Corrective Action (CA) can be issued to a Supplier with the expectation that acceptable problem solving methodologies will be used to develop an action(s) designed to prevent recurrence of the nonconformity. Jae Tech, Inc. reserves the right to request a corrective action from all suppliers based upon quality, On-time Delivery, or Scorecard issues. Acknowledgement of Jae Tech, Inc. generated corrective action and containment of product within 24 hours via read-receipt email.

All CA's issued to a supplier will require the use of 8D along with 5-why analysis, or some form of disciplined problem solving to be used (Fishbone, FTA, Process Mapping, Data Analysis, Etc...).

Suppliers are expected to provide weekly updates to the corrective actions until closure is achieved and JAE Tech agrees the issue can be closed.

Response expectations are as follows:

8D stages	Response Requirement	Actions
D1 - D3	24 hours	D1 - Define Team
		D2 - Definition of Problem

		D3 - Initial Containment Plan (must cover sorting and replacement of suspect product)
D1 – D6	10 Working days	D4 - Determine Root Cause Answer "Why Made" Answer "Why Missed"
		D5 - D6 Determination of actions and assignments
D1 – D8	30 calendar days	Completion of D5 & D6 actions. Verification and objective evidence of effectiveness.
		Updates made to PFD, FMEA and Control Plans
		D7 - Standardization/prevent recurrence in other areas
		D8 – Final Report Out & Closure with JAE Tech

NOTE: JAE Tech encourages suppliers to prioritize taking meaningful actions over the sense of urgency to close actions to finish a CAR. Approved corrective actions can go beyond the (30) day timing requirement if the scope of the action(s) warrant additional time to implement and JAE Tech accepts the CAR response.

k. Supplier Development Activity

Suppliers are expected to pursue continuous improvement activities. Examples of acceptable activities include:

- Lean Manufacturing (including 5S)
- Six-Sigma
- Kaizen Events
- PDCA Cycle
- Others, as appropriate

l. Supplier Exiting

Due to ongoing performance issues, or other commercially-based considerations, Jae Tech, Inc., may determine to exit its relationship with a given supplier for a given part or service or in its entirety. Upon such a decision being made, the supplier shall be notified in writing. After which, the necessary communications shall take place for the purposes of agreeing upon a ramp-down plan. Upon consuming the remaining compliant inventory, all agreements will become null and void and the supplier shall be removed from the Approved Supplier List.

Likewise, in the event that Jae Tech, Inc., experiences a loss in business, all impacted suppliers shall be notified in writing. As a result, the same process described above shall be followed.

m. Supplier Acknowledgment:

By signing below, I acknowledge receipt of this manual and attest to understanding the expectations stated therein. While I understand this does not represent a contractual

agreement, I do understand how the performance of my organization relative to these expectations could favorably or unfavorably impact both my current business relationship and/or any future potential business opportunities with Jae Tech, Inc.

Supplier Organization: _____

Printed Name (Authorized Personnel): _____

Title: _____

Signature: _____

Date: _____