

Suppliers are responsible to periodically review Southco's website for changes / additions.  
<http://www.southco.com/supplier>

## 1. Quality Goal

All suppliers are expected to supply Products & Services to Southco with zero defects. Suppliers are encouraged to use error prevention processes and techniques (such as poke-yoke) and process improvement tools such as Lean, Six Sigma, in their manufacturing procedures to meet this quality goal.

## 2. Quality System Requirements

**Southco is an ISO/TS 16949 certified company. Our Quality System includes the requirement for all suppliers to have a valid third party certification to ISO 9001 and have objective evidence of compliance to ISO/TS 16949.**

### **ALL SOUTHCO SUPPLIERS:**

- Complete Form 1315.
- Complete Form 1178 Mutual Supplier Confidentiality and Nondisclosure Agreement.
- If you are importing to a U.S. Southco facility, you must complete the C-TPAT Survey, section d of Form 1315 (1315d) along with Form 1315.
- Southco Supplier Quality & Development will review these documents and either accept, reject, or conduct an on-site audit to determine if the supplier meets Southco requirements. Where the supplier does not fully meet all Southco requirements, implementation of corrective action plans to address any deficiencies may be required.

### **ISO/TS 16949 Certified Suppliers:**

- Forward current ISO/TS 16949 certificate.

### **ISO 9001 Certified Suppliers:**

- Forward current ISO 9001 certificate.
- Complete Form 1316
- Southco Supplier Quality & Development will work with the supplier to develop plans where needed.
- On-site audit schedules will be prioritized based on the supplier's quality performance, delivery performance, and the importance of the product supplied.

## 3. Southco Procedures

### ***Suppliers are to use the tools and/or requirements contained in the following documents:***

- Advanced Product Quality Planning & Control Plan Reference Manual (AIAG)
- Potential Failure Mode and Effects Analysis (FMEA) Reference Manual (AIAG)
- Measurement Systems Analysis (MSA) Reference Manual (AIAG)
- Statistical Process Control (SPC) Reference Manual (AIAG)
- Production Part Approval Process (PPAP) Manual (AIAG)
- Continuous Improvement per TS16949 8.5.1. (AIAG)
- Supplier Global Control Plans (applicable to certain plating and heat treating applications only)
- Routing Guide (Southco form 1218)
- Terms and Conditions (Southco form 1104 or 2006/3 as applicable)
- Any additional requirements noted in Southco purchase order text
- Request sub-assembly suppliers to use FIFO practices

## 4. Advanced Product Quality Planning

- Suppliers must use an advanced product quality planning process that follows the Automotive Industry Action Group (AIAG) APQP Project Plan that ensures production readiness with parts that meet 100% of the product specifications.

- Suppliers are expected to complete all elements of the AIAG APQP process (as applicable) to ensure all program benchmarks are met, and be able to provide the Southco Supplier development representative with a timing chart that adequately reflects the timing of the APQP Project Plan deliverables (Tooling, Fixtures, PFMEA, Control Plans, PPAP, etc.)
- Suppliers are expected to participate in a pre-production meeting with Southco Supplier Development/Purchasing as needed.
- ***Suppliers are expected to share key aspects of the product or process requirements including key characteristics with the sub-tier suppliers.***

## **5. Changes**

- Suppliers must notify the Southco Supplier Development representative and submit for part approval prior to the implementation of the change, to determine the type of quality re-certification required (PPAP documentation.) Production part approval is always required prior to the first production shipment of product in the following situations (unless specifically waived by Southco Supplier Development representative):
- Product modified by an engineering change to design records, specifications, or materials.
- Use of another optional construction or material than originally approved.
- Production from new or modified tools (except perishable tools), dies, molds, patterns, etc., including additional or replacement tooling. (Partial or complete)
- Production following refurbishment or rearrangement of existing tooling or equipment.
- Production following any change in process or method of manufacture.
- Production from tooling and equipment transferred to a different plant location or from an additional plant location.
- Change of source for subcontracted parts, materials, or services (e.g. heat treating or plating)
- Product re-released after the tooling has been inactive from volume production for twelve months or more.
- Following a Southco request to suspend shipment due to a supplier quality concern.

## **6. Production Quality**

- All suppliers are expected to have the base manufacturing capability (Ppk's/Cpk's) to support zero PPM.
- All suppliers are expected to supply parts to Southco with zero defects. Funding is expected to be identified in the initial quote, and subsequent quotes, to reflect error occurrence prevention (poke yoke, error proofing devices, etc) and defect outflow detection and feedback (in-process and subsequent inspection.)
- PPM reduction plans must be in place to meet this zero defect target. Effective plans must include root cause identification, irreversible corrective action, timing, data, etc.
- All suppliers are required to have effective manufacturing practices and procedures to ensure a continuous flow of high quality parts into Southco production facilities.
- Should a problem occur, suppliers are required to implement effective and immediate containment and comply fully with SCAR (form 1172) requirements and the containment efforts that may result.
- Nonconforming Product. In the event Supplier obtains goods, items or materials which are not in conformity with Buyer's specifications, drawings, other requirements of Buyer or Supplier's warranties hereunder, which Products are to be provided by Supplier pursuant to this Order, Supplier shall immediately notify Buyer, in writing, identifying the Products, together with the subject matter of the nonconformity. Buyer, in its sole and exclusive discretion, may determine, on a case-by-case basis, that Supplier may use or deliver to Buyer the nonconforming Product; provided however, that such determination by Buyer shall not constitute a waiver of any obligations, warranties or liabilities of Supplier as provided in this Order, except with respect to the specific portion of the Product which is the subject of Supplier's written disclosure to Buyer and Buyer's subsequent written consent to use or deliver such nonconforming Product.

## **7. Process Failure Modes and Effects Analysis (PFMEA)**

Suppliers must do the following:

- Consider any lessons learned from previous program and/or similar part or component designs.
- Drive simple and inexpensive devices into the process to help prevent and detect errors.

- Prepare the PFMEA with input from a multi-disciplinary team (Assembly, Manufacturing, Materials, Quality, Service, Tooling supplier, Tier 2, 3, etc.)
- Ensure that the current process controls listed in the PFMEA are listed on the Control Plan.
- If the process, material or manufacturing location have changed, revise the PFMEA and re-evaluate the effect on the severity, occurrence and detection.

## 8. Supplier Evaluation System

Inventory suppliers are evaluated on a monthly and annual basis on the Southco Supplier Evaluation System. Each supplier is rated on Quality and Delivery as follows:

<i>Quality Rating – 50 Points</i>		<i>Quality Rating – 50 Points</i>	
<b>PPM</b>	<b>Score</b>	<b>PPM</b>	<b>Score</b>
0-1000	50	6001-7200	39
1001-1300	49	7201-8400	38
1301-1600	48	8401-9600	37
1601-1900	47	9601-10800	36
1901-2200	46	10801-12000	35
2201-2500	45	12001-13600	34
2501-3200	44	13601-15200	33
3201-3900	43	15201-16800	32
3901-4600	42	16801-18400	31
4601-5300	41	18401-20000	30
5301-6000	40	20001-Above	0

The supplier will be notified of all rejections via Southco Material Discrepancy Report.

### ***Delivery Performance – 50 Points***

This score is derived from dividing the total number of on-time lines by the total number of lines for the given time period multiplied by 50. Southco requires deliveries to be 100% on-time to our request date.

## 9. Supplier Status

Supplier status is determined using the evaluations system described in section 8 (above).

- **Approved (A)** – The supplier must meet the Quality Systems Requirements in sections 2-7 (above) and maintain a score of 85 or above on the Southco Supplier Evaluation System. If the score falls below 85 in three consecutive reporting periods the supplier's status will be changed to Probation.
- **Probation (P)** – Once a supplier has received three consecutive scores below 85 their status will be changed to Probation. In order to re-achieve Approved status the supplier must submit a corrective action plan to Southco Supplier Development (via Southco Supplier Corrective Action Request –SCAR- form 1172) within 10 business days and achieve a score of 85 or above for three consecutive reporting periods. If a supplier is unable to re-achieve Approved status Southco may seek a replacement.
- **Unacceptable (U)** – The supplier is unable/unwilling to correct quality or delivery problems. The supplier will not receive any new orders.
- **Inactive (I)** – If Southco has not purchased from a supplier in more than two years the supplier must be re-approved by meeting the Quality Systems Requirements in sections 2-7.

## **10. Inspections**

Southco (along with its customers and governmental agencies) shall have the right to enter Seller's facilities (and those of its approved subcontractors) at reasonable times to inspect (and if applicable test) the facility, goods, materials, records (including without limitation the quality systems) and any property of Southco covered by this order. Southco's inspection of the goods, whether during manufacture, prior to delivery or within a reasonable time after delivery, shall not constitute acceptance of any work-in-process or finished goods.

## **11. Records Retention Requirements**

All suppliers are required to have a quality records retention policy.

If Southco requests a hard copy of any quality record, supplier must fax or send an electronic copy within four hours of the request.

Southco may require a Supplier to supply quality records with each shipment. If this is necessary, this requirement will be reflected in the purchase order text.

## **12. Systems and Procedures Access**

All Southco specific procedures and documents listed can be obtained by contacting your Southco Supplier Development contact or buyer or email to <mailto:info@southco.com>.

AIAG documents can be obtained by contacting AIAG at 1-248-358-3003. In Europe contact Carwin Continuous at 44-1708-861333. Documents can also be ordered by accessing the web at <http://www.aiag.org/>.