

To: **Douglas Suppliers**

From: **Douglas Corporation**

Subject: **Supplier Requirements** (rev. date: 1/25/16)

INTRODUCTION

Welcome to the Douglas Family! This letter of requirements is made available for Douglas suppliers; current, prospective, or new, inquiring about our expectations of them. This is also a tool that can be used by Douglas personnel to communicate Douglas expectations or requirements with suppliers.

Douglas Corporation is certified to ISO 9001 (generic industry) TS16949 (automotive quality) and ISO14001 (environmental) international standards. Compliance with these standards enables Douglas to do business with automotive as well as other industries and meet the expectations of its customers.

It is Douglas' expectation of its suppliers that they will meet or work towards achieving certification to these standards as well. This document highlights and clarifies those expectations that are of particular importance to Douglas at this time. Additionally, the following sections offer insights and guidelines to suppliers in creating a harmonious business relationship with Douglas and at the same time delivering a quality product to Douglas and its Customer(s). Please contact Douglas if any of these supplier requirements outlined in this letter are unclear to you.

1 – SUPPLIER TYPE

1.1 Your Company may fall under one of two category types: **Critical** or **Indirect Supplier**.

- A. CRITICAL SUPPLIER DEFINITION:** Supplies material, which become part of Douglas product, or product testing service (for example, suppliers of paint, ink, urethane, raw plastics, metals for plating, calibration lab or part testing services).

Requirements:

- Product Test Facilities and Calibration Services must be certified to ISO17025 or NAVLAP as specified by a Douglas Customer. Labs or test services used to verify environmental compliance must use EPA-approved test methods where available. Suppliers must have 3rd party documentation of meeting these requirements and be able to supply them upon request.
- Critical material suppliers (supply material that goes directly into Douglas' end product) must present evidence of third party audit approval to ISO9001:2008 or ISO/TS16949.
- Suppliers, which are too small to develop their own ISO 9001 or ISO/TS16949 quality systems may be qualified according to Douglas Management system *Work Instruction WI7.4.1-01-01 (Alternate "Small" Supplier Qualification Requirements)*.
 - Note: Douglas will supply an annual quality system audit for two years at no expense other than significant travel costs and corresponding meals. After that period, if additional audits are required due to the supplier not being certified, Douglas will be billing the supplier for these audits

- B. INDIRECT SUPPLIER DEFINITION:** Provides items such as chemicals, tooling services, packaging supplies and painting equipment. While the materials and services they provide are important, their materials/services are not components of the end product.

Requirements:

- Completion of *Supplier Questionnaire (FM7.4-02)*
- Completion of *Supplier Self Assessment (FM7.4-03)*
- Submission of product which Douglas Manufacturing approves
- Agreement with Approval lead terms
- Agreement with *Douglas' Terms and Conditions*
- When requested by Douglas Buyers in purchasing documents to Suppliers, Suppliers must provide certifications that demonstrate their materials meet the appropriate customer material specifications (*see further details in section 3*).

1.2 Recommendation:

- Successful completions of a second party audit (Douglas) or certified to ISO9001:2008 or TS16949 (third party audit). Supplier requirements listed above must be completed and sent to the Douglas Purchasing Department, which maintains supplier files. Contact the Douglas Purchasing Department for more information (952-941-2944).

NOTES:

1. Supplier Self Assessments are not necessary from Critical Suppliers, which submit third party Audit Approval evidence.
2. Douglas and/or its customers may perform second party audits at Supplier locations.
3. Non-ISO certified suppliers may supply material to Douglas providing that material is not applied for automotive applications. (If you are unsure how your material will be used in Douglas product, contact the Douglas Purchasing Department: 952-941-2944.)

2 – SUPPLIER PERFORMANCE EXPECTATIONS

2.1 Quality and Delivery

- These are the two key measurables for Douglas suppliers to be aware of and track. These are monitored by Douglas' Purchasing Department. This section outlines for suppliers the pitfalls when Quality and Delivery service are not maintained.

Delivery Performance

The acceptable delivery window is the scheduled delivery date plus or minus 5 working days.

Quality Performance

Any Supplier that wishes to maintain a long-term business relationship with Douglas is expected to control its design, manufacturing, delivery and shipping so that the business of Douglas and its Customers is not disrupted.

Acceptable Supplier status: The Supplier's goal should be to maintain **Acceptable Supplier** status. This means that there have been *no more than two rejections or late deliveries in a 12-month period*.

Conditional Supplier status: A Supplier with more than two rejects or late deliveries in a 12-month period may be classified as a **Conditional Supplier**. Conditional status remains in place until the Supplier has improved performance to two or fewer rejected shipments in a 12-month period. A Supplier may also be considered Conditional for unacceptable response to Douglas requirements such as Corrective Action Requests (see *Supplier Nonconforming Issues* below).

Dropped Status

If a Conditional Supplier does not show improvement, they may be **dropped** from the Douglas Supply Base. Douglas Purchasing will issue a warning to the Supplier before this takes place.

If the Supplier is an End Customer-Required Supplier, the End Customer will be brought in to help resolve the matter.

2.2 Supplier Nonconforming Issues

- If a Supplier-caused nonconformance is found at Douglas Receiving, In-process or, as a result of a customer return, *Corrective Action Request form FM8.5-04* will be initiated by the Douglas Quality Assurance Department and sent to the Supplier. A Supplier receiving this CAR form should complete this corrective action request in a complete and timely fashion (*Within 30 days; 40 days max. please*), as directed on the form.

NOTES:

1. All Suppliers of materials and services shall provide products and services that comply with Douglas or its Customer's requirements, whether they are "newly approved, Acceptable, Conditional or Emergency" Suppliers.
2. If Douglas or the Douglas customer chooses to verify the quality of material at the Supplier's facility prior to shipment, Douglas will notify the Supplier.
3. Any Supplier that has not been sourced in two or more years may be dropped from the Douglas Supplier List. Any Supplier in good standing with Douglas that has either been dropped from the Supplier List or inactive with Douglas for a period of two or more years must be re-qualified per Section One of this document.

3 – PURCHASING INFORMATION

3.1 The *Douglas Purchase Order*

- This section shares the basics of the Purchasing requirements. The *Douglas Purchase Order form* is used to transmit essential requirements of the material to the Supplier. It typically defines quantity, price, certification/specification requirements, delivery date, etc. The Terms and Conditions section on the back of the Purchase Order provides more details. If more information is needed than the Purchase Order provides, a Supplier may contact Douglas Purchasing.

3.2 Supplier Material/Product Certifications

- Douglas may or may not require material or product certification before receiving product from a Supplier, depending on the type of product. Such certification may include statistical data or test results which prove conformity to an accepted standard or engineering specification; or a material evaluation by a designated, *approved laboratory. Such a requirement will be listed on the Douglas Purchase Order. The Douglas QA or Purchasing Departments can provide more information. (**For approved laboratory, refer to Requirements under Section One—Supplier Type*)

4 – SUPPLIER PROCESS CONTROLS

It is the Douglas expectation of their suppliers to exercise and maintain control over their internal manufacturing standards and procedures as mandated by their Quality/Environmental certifications (ISO and/or TS). The following controls are outlined for suppliers to express what prominent concerns from a Douglas perspective are in order to deliver a quality product.

4.1 Control of Documents (ISO 4.2.3 and Engineering Specifications TS 4.2.3.1)

- Where the Supplier uses or is directed by Douglas documents/instructions or other documents of external origin, the Supplier ensures the appropriate revision level is used—this is either the most current version available from Douglas or as specified by Douglas Corporation or its Customer. This includes the ISO/TS standards. Supplier shall have a process to assure the timely review, distribution and implementation of all Douglas engineering standards/specifications and changes based on Douglas-required schedule. Timely review should be as soon as possible, and shall not exceed two working weeks. The organization shall maintain a record of the date on which each change is implemented in production. Implementation shall include updated documents. This supplier system of document control shall be documented.

4.2 Control of Records (ISO 4.2.4 and Records Retention TS 4.2.4.1)

- The Supplier shall have a documented method for controlling the aspects of record control and record retention within their quality system. **Note:** Records pertaining to Douglas business shall be kept no less than two years.

4.3 Verification of Job set-ups (ISO 7.5.1 and TS 7.5.1.3)

- Job set-ups shall be verified whenever performed, such as an initial run of a job, material changeover or job change. Work instructions shall be available for set-up personnel. The organization shall use statistical methods of verification, where applicable.

NOTE Last-off-part comparisons are recommended.

4.4 Infrastructure, Contingency, Preventive and Predictive Maintenance (ISO 6.3, 7.5 and TS 6.3.1, 6.3.2 and 7.5.1.4)

- The Supplier shall determine, provide and maintain the infrastructure needed to achieve conformity to product requirements whether buildings, working space, utilities, process equipment and/or any necessary supporting services. This infrastructure must include the planning necessary to prepare for emergency situations such as utility interruptions, key equipment failures, field returns, etc. Further related to this is the necessity of suppliers to identify key equipment under their roof and provide adequate resources for maintenance of this infrastructure to avoid negative impact to Douglas or its customers.

4.5 Protection and Handling of Douglas Property (ISO 7.5.4 and TS 7.5.4.1)

- Douglas property includes purchased material that goes into making of final product or in support of manufacturing product purchased by Douglas (i.e. tape, adhesives, paint, ink, packaging, tools or fixtures). Supplier must establish and exercise necessary safeguards throughout their process including shipment of their material to Douglas to ensure product quality is maintained.

4.6 Supplier Identification and Traceability (ISO 7.5.3 and TS 7.5.3.1)

- Douglas requires of its Suppliers to identify their product throughout their product realization processes. The Supplier must maintain the Lot integrity of the product they supply to Douglas and provide evidence of this traceability when either Douglas and/or its Customer require proof.

5 – PRODUCT REALIZATION

5.1 Product Realization

- Product Realization includes planning, product design and development, determination of customer requirements, design review, verification and validation, manufacturing process design, and design change. All of these “Up-Front Planning” activities Douglas views as necessary ingredients in contributing to a quality Supplier product (Douglas recommends suppliers follow the automotive APQP process as well as those other disciplined methodologies embraced within the industry known under the heading of ‘Core Tools’: *APQP, PPAP, FMEA, MSA, and SPC*).

5.2 Supplier PPAP

- Suppliers may be asked by Douglas or its Customer to supply PPAP (Production Part Approval Process) information about their material. PPAP is an Automotive Industry requirement followed by Douglas and its supply base. PPAP requirements are typically communicated to Suppliers by the Douglas Project Engineering Department as necessary.

6 – REGULATORY CONFORMANCE

As an ISO 14001 certified company, Douglas is concerned with the environment, and exercises great care in being a wise corporate steward of the resources it uses. A program of recycling, risk management, environmental management programs, objectives and auditing has been implemented to drive this program forward.

Suppliers are urged to pursue a similar path to environmental stewardship.

All materials or products supplied to Douglas must conform to applicable regulatory and statutory requirements. Suppliers seeking for more information may direct questions to the Douglas Environmental Management Representative.

7 – CONTROL OF NONCONFORMING

Control of Nonconforming Product (ISO and TS 8.3)

The Supplier shall take all measures necessary to ensure the product they supply which does not conform to Customer requirements does not reach Douglas. Douglas expects their suppliers to implement controls that ward off its unintended use or shipment to Douglas. Expected; established controls, which include organizational, assigned responsibilities and authorities to handle nonconforming, must be spelled out in a documented procedure.

8 – CORRECTIVE AND PREVENTIVE ACTION

Corrective Action (ISO and TS 8.5.2) and Preventive Action (ISO and TS 8.5.3)

A documented procedure defining the corrective and Preventive action methodology that Supplier personnel are to follow is mandatory. These controls shall include the roles and responsibilities of the personnel that are to be involved in addressing and determining the products failure to meet customer expectations. The process shall also include containment/certification, process and detection root cause(s), corrective action(s), and verification of effectiveness, prevention and systemic improvements to prevent non-conforming issues from reoccurring on existing or new products. Records will be maintained accordingly and to the level that Douglas specifies and finds necessary to serve its customer.

9 – PRINCIPLES TO ENHANCE SUSTAINABILITY PERFORMANCE

These guidelines are based on fundamental principles of social and environmental responsibility that are compliant with local law, consistent with international expectations and are supported by the sponsoring Auto Manufacturers. Individual manufacturers may have their own standards, codes and policies that supersede these guidelines. (See section on pg. 6 of this document - Annex #1)

10 – SUPPORT AND RELATED REFERENCES

TS and ISO standards have been used to create the Douglas Management System (DMS), which governs Douglas operations. Additional Douglas and ISO/TS documents pertinent to Suppliers include:

PR7.4.1-01	Supplier Control Procedure (Douglas)
PR7.4.2-01	Purchasing Procedure (Douglas)
WI7.4.1-01-01	Alternate "Small" Supplier Qualification Requirements
DMSM4.2.2	Douglas Management System Manual
ISO 9001:2008	International Standard
ISO/TS16949	Technical Specification Manual (3 rd Edition)

***Core Tools encompass:**

APQP = Advanced Product Quality Planning and Control Plan (*blue manual*)

PPAP = Production Part Approval Process (*blue manual*)

FMEA = Potential Failure Mode and Effects Analysis (*blue manual*)

MSA = Measurement System Analysis (*blue manual*)

SPC = Statistical Process Control (*blue manual*)

**These materials are all available through the AIAG website: www.aiag.org*

Annex 1 adopted from AIAG Corporate Responsibility Guidance Statement (*website link below*)

<http://www.aiag.org/staticcontent/files/CorporateResponsibilityGuidanceStatements.pdf>

NOTE: This letter of requirements is made available for Douglas suppliers either current, prospective, or new inquiring about Douglas expectations of them. This is also a tool that can be used by Douglas personnel to communicate Douglas expectations or requirements with suppliers. This letter will be accessible to suppliers on the Douglas website during the second-half of 2016 at: www.douglascorp.com

It is the responsibility of the reader to review the changes to this document. Contact the approval authority for further clarification if required.

Date	Description of changes
9/13/06	Original Document.
5/13/10	Added this Revision box. Updated references to ISO and TS standard versions. Clarified Critical and Indirect Supplier definitions in section one. Added sections of Control of Documents, Control of Records, Protection and Handling of Douglas Property, Supplier Identification and Traceability, Control of Nonconforming, and Corrective and Preventive Action. Added a Glossary section.
5/10/11	Updated document ownership per Org chart Dir of QA to VP Quality.
12/12/14	Introduction: added references to ISO 9001, certifications, automotive and for suppliers to contact Douglas with questions. Section 2: revised doc reference to FM8.5-04, and word 'serious' to 'complete'. Section 4: added process controls of Set-up Verification, Infrastructure, Contingency and Maintenance. Section 5: added Douglas recommends automotive industry Core Tools to suppliers. Section 8: added "non-conforming issues" & "re-occurring". Added Section 9 and associated Annex #1. S & R: added Core Tools, Annex 1 and AIAG web address. Glossary: added AIAG. Minor grammatical fixes throughout entire doc.
7/8/15	Section Two: added 30 days max to Supplier timeline for completion of 8D CA. Glossary: added definition for DMS. Section 7: added 'Expected'. Section 10: added AIAG website.
1/25/16	Section One: added requirement of material certification paperwork when requested by Douglas on Douglas purchase orders. 1.1A: added Douglas policy of providing an annual quality system audit for two years at no expense other than travel. After that period, if audits are required due to the supplier not being certified, Douglas will bill the supplier for these audits. 4.2: Added Douglas minimum 2-yr retention period. Throughout document: Added more sectional numbering & bullets to better identify subject matter. Added refs to Douglas & AIAG web sites.

Douglas Corporation: Principles to Enhance Sustainability Performance

We endeavor to achieve excellence, innovation and performance in a sustainable manner. For this reason, we are working together to attain the highest standard in business integrity and in the social and environmental performance of our supply chain.

The following guidelines clearly describe our minimum expectations towards business ethics, working conditions, human rights, and environmental leadership, for our suppliers as well as their subcontractors and suppliers. We expect that suppliers will uphold these standards and cascade them down their supply chain.

These guidelines are based on fundamental principles of social and environmental responsibility that are compliant with local law, and are consistent with international expectations.

Business Ethics: The basis for sustainable and successful business activity is to have integrity and transparent business practices. Companies are expected to operate honestly and equitably throughout the supply chain in accordance with local law, including those laws pertaining to:

- **Anti-Corruption**
- **Anti-competitive Business Practices**
- **Protection of Intellectual Property**
- **Respect for Company and Personal Data**
- **Export Controls**
- **Conflicts of Interest**

Environmental Standards: Companies are expected to pursue effective environmental protection throughout the supply chain in order to reduce the environmental footprint of our products through-out their life-cycle. All products manufactured within the supply chain, and the applied materials and substances used in the process are expected to meet environmental standards for design, development, distribution, use, disposal or recycling. Such a comprehensive approach includes but is not limited to:

- **Reducing energy and water consumption**
- **Reducing greenhouse gas emissions**
- **Increasing use of renewable energies**
- **Enhancing appropriate waste management**
- **Training of employees**

Businesses are expected to support a proactive approach to environmental challenges, and encourage the development and diffusion of environmentally friendly technologies.

Working Conditions and Human Rights:

Child Labor and Young Workers -

Child labor should not be tolerated and the age of employment must be in accordance with local labor law.

Wages and Benefits -

Compensation and benefits should be competitive and comply with applicable local laws, including those relating to minimum wages, overtime compensation, and legally mandated benefits.

Working Hours -

Working hours, including overtime, should comply with applicable local laws regulating hours of work.

Forced Labor -

Any form of forced or compulsory labor, including human trafficking, should not be tolerated.

Working Relationship -

Workers should be able to communicate openly with management regarding working conditions without fear of reprisal, intimidation or harassment.

Health and Safety -

Workers should have a safe and healthy working environment that meets or exceeds applicable standards for safety and occupational health.

Harassment and Discrimination:

Harassment or discrimination against employees in any form is not acceptable.

Source: AIAG.org

GLOSSARY

AIAG – AUTOMOTIVE INDUSTRY ACTION GROUP – A collaboration of automakers and their suppliers to promote, improve and enhance their members' standing (Ford, GM, Chrysler, Toyota, Honda, and Nissan).

ACCREDITED LABORATORY - An accredited laboratory is one that has been independently evaluated for technical competence. The criteria for evaluation are based on ISO/IEC 17025, or national equivalent. Accreditation is performed by qualified agencies (public or private) operating in accordance with ISO/IEC 17011.

CERTIFICATION - paperwork that is typically a document from the Supplier stating their compliance to one of our Douglas or Customer Requirements and may include test results of their material. This can sometimes be referred to as a Certification of Analysis (or C of A) or Supplier Cert.

CONFORMANCE – A product, process, procedure, work method, or specification that has been performed within acceptable parameters according to customer or regulatory requirements.

CORRECTIVE ACTION - Action taken to eliminate the causes of an existing nonconformity or other undesirable situation in order to prevent recurrence.

DMS – Douglas Management System (which is the combination of quality & environmental system)

DOCUMENT – An electronic or hard copy form, work instruction or procedure that is a component of a Quality System.

NONCONFORMANCE - A product, process, procedure, work method, or specification that does not conform to or pass customer requirements.

PPM (Parts per Million quality metrics) - A method of stating the performance of a process in terms of actual nonconforming material. PPM data can be used to prioritize corrective actions.

PREMIUM FREIGHT – Extra costs or charges incurred additional to contracted delivery

PROCESS – A Process is a set of interrelated or interacting activities that transforms inputs to outputs

PRODUCT REALIZATION PROCESS – An organization plans and develops the processes needed for producing its product for the marketplace. This process then, encompasses all necessary processes from planning, production, installation to servicing the product that is delivered to the customer.

RECORD – A record is a completed or semi-completed (whichever the case may be) form such as a Log, Set-up Sheet, Checklist or Inspection Sheet that is a history of some activity performed within an organization.

SHALL – A mandatory requirement

SHOULD – A recommendation