

Global Supplier Manual

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Introduction

SMR is committed to building a strong relationship with its supply base. Our aim is to be recognized as one of the world's most quality focused automotive component producers. To reach this target we require a quality focused, competitive and cooperative supplier base.

Our key words in quality are:

- **C**ut cost of quality
- **U**nnecessary rework elimination
- **S**tabilized processes
- **T**arget zero defect
- **O**n time delivery
- **M**easured performance
- **E**liminate waste
- **R**eact quickly

SMR Automotive Systems Global Supplier Manual details the requirements needed to obtain preferred supplier Status within any of SMR's operating Companies. In all cases, General Terms and Conditions of Purchase, Purchase Orders, specific supplier agreements, contracts and any other business agreements always take precedence over this guide.

For additional information and periodic updates to this manual, you may visit the SMR website at www.smr-automotive.com.

SMR's objective is to improve all aspects of the supply chain through collaboration, planning and execution of superior strategies. Sustainable and profitable growth is essential for both SMR and suppliers to SMR.

The SMR supplier quality system requirements are based upon the latest edition of TS-16949 Quality System Requirements. Although this does not alter or reduce any other requirements of the contract, it is intended to provide a concise understanding of SMR expectations. Referring to other Automotive Industry Action Group (AIAG) requirements, such as Advanced Product Quality Planning (APQP), Production Part Approval Process (PPAP) etc. the latest edition is always referenced. This handbook emphasizes or specifies some prioritized requirements.

Suppliers are responsible for meeting the requirements detailed within this Manual. Failure to meet these requirements may result in the loss of existing and/or future business, in addition to reimbursement of any costs incurred by SMR resulting from such failures.

If you have comments or questions regarding the SMR Manual, please contact the appropriate Supplier Development Engineer (SDE), Supplier Quality Personnel (SQ Personnel), or Purchasing Representative.

This document supersedes all previously released Supplier Manuals. Overall supplier relationship may be divided into following 4 phases:

- Supplier Selection
- New Product Introduction
- Series Production Conformance
- Continuous Improvement

Quality and Environmental Policy Statement

SMR will continually improve the quality of products and services it provides and also the environment in which it works.

SMR will demonstrate continuous commitment to meet customers' highest expectations, prevention of pollution, and compliance with applicable specifications and regulations.

1. Supplier Selection

1.1 New Supplier / Location Qualification

New suppliers who wish to be added as suppliers of production materials to SMR shall:

- Demonstrate compliance with ISO9001:2008. SMR prefers all suppliers of production components and materials to demonstrate compliance with ISO/TS16949:2009. Exceptions for supplies classified as “small suppliers” is detailed below
 - ISO9001:2008 has been replaced and superseded by ISO 9001:2015. To remain compliant to the requirement, suppliers must upgrade their quality management system to the new edition of the standard and seek certification to it. A three-year transition period from the date of publication (September 2015) to move to the 2015 version has been granted. After the end of September 2018, a certificate to ISO 9001:2008 will no longer be valid. **Suppliers currently certifying to ISO 9001:2008, shall be transitioned to ISO 9001:2015 by September 2018.**
 - In October 2016 International Standard, IATF 16949:2016, will supersede and replace ISO/TS 16949:2009. To remain compliant to the requirement, suppliers must upgrade their quality management system to the new edition of the standard and seek certification to it. Suppliers certifying to IATF 16949:2016, please be aware that no audit under ISO/TS 16949:2009 shall be conducted after October 1st, 2017. After the 14 September 2018, a certificate to ISO/TS16949 will no longer be valid. **Suppliers certifying to ISO/TS 16949: shall be transitioned to IATF 16949:2016 by 14th September 2018.**
- Demonstrate an environmental management system. SMR prefers all suppliers to demonstrate compliance with ISO14001:2004 Environment Management Systems.
- Comply with all applicable governmental regulations. Applicable government regulations might include those in the country of manufacture, as well as the country of sale.
- Meet all commercial and financial requirements of the relevant SMR region/country.
- Complete the Supplier Assessment Survey as a self-assessment.
- At the SDE's, SQ Personnel's or Purchasing Representative's discretion, facilitate an on-site supplier assessment survey (audit) by SMR personnel (if applicable). The assessment may also contain additional requirements as specified by the Product Development Team.
- Indicate if the company is currently being investigated for environmental offences by any local, national or international agencies.

- Confirm that no violations of human rights has been made by the company
- Uphold the human rights for social standards, work standards and social responsibility.
- Meet all the criteria defined by this document.

SMR may determine specific requirements for specially designated “small suppliers” and may waive specific requirements of ISO 9001:2008, ISO/TS16949:2009 for these suppliers.

Whereas small suppliers are defined as:

1. Annual Turnover lower than 100 000€ (or equivalent amount);
 2. Headcount below 20 heads;
 3. Suppliers of components or services which hold a very low percent of product supplied to the automotive industry or to SMR.
 4. Suppliers nominated as customer requirement
 5. Distributors that do not manufacture product.
- The supplier shall provide written commitment stating compliance to all ISO 9001:2008, ISO/TS 16949:2009 requirements pertaining to the components or services provided. The supplier shall provide supporting documentation to show the process complies with requirements.
 - Customer directed suppliers can be given a waiver if they are not fulfilling some of these requirements on the basis of explicit approval and concession from SMR’s Customer.

1.2 Supplier Quality System Certification Status

Suppliers shall ensure SMR always has a current copy of their Quality System certification. For those suppliers not certified to the appropriate standard, supplier needs to submit to SMR an action plan and timeline for certification, or a letter of refusal prior to the beginning of supply to SMR.

1.3 Supplier Profile

Suppliers shall complete a supplier profile upon request, or when a major change takes place. The completed profile shall be submitted to SMR Purchasing by mail, fax or e-mail. In the event of a change in structure or ownership, the supplier shall immediately communicate the change to SMR on or before the effective date.

1.4 Supplier Facility Access

Upon reasonable prior notice and during normal working hours, supplier will allow SMR and SMR’s customers access to both their own facilities and facilities of their suppliers, for the purpose of evaluating parts, processes, documents (for example FMEAs, control plans, process instructions, other records), methodologies and systems used in manufacturing of SMR products to verify that the product(s) and subcontracted product(s) conform to requirements. SMR may, at its discretion, use independent auditors. Such auditors represent SMR and will audit the supplier’s processes to establish conformance to desired quality systems.

1.5 Supplier Quality System Certification Status Revocation

In case of serious uncooperativeness from supplier or unacceptable nonconformity in process, system or product; SMR may be forced to inform and request the supplier’s ISO certification body to revoke quality certification until implementation and verification of appropriate problem resolution.

1.6 Supplier Contingency Plan (ISO/TS 16949. 6.3.2 supplement)

Suppliers shall develop a contingency plan for potential catastrophes disrupting product flow to SMR, and advise SMR at the earliest in the event of an actual disaster. Potential losses by fire, city water, electricity, flood, or storm, etc. should be prevented by active and organizational measures. In an actual catastrophe, suppliers shall provide SMR's authorized representatives' access to all of SMR or SMR's customer owned capital equipment. The supplier shall maintain adequate safety stocks at their own cost for high risk product. Suppliers (at their expense) must ensure they have sufficient Property and Liability insurance to cover the replacement of all equipment and sub-components used to manufacture products purchased by SMR.

1.7 Communication of Change of Status for Supplier Quality Certification

Suppliers shall notify their certification body/registrar and all SMR supplied locations in writing within five (5) working days, when there is a change or revocation of the suppliers Quality certification status.

1.8 OEM / SMR Manuals and Specifications

Suppliers are responsible for remaining current with Original Equipment Manufacturers (OEM) and SMR specific manuals and specifications for their products, and for retaining current copies of the appropriate standards.

SMR recommends that suppliers use the latest Automotive Industry Action Group (AIAG) guidelines for their quality system development.

2. New Product Introduction

2.1 Advanced Product Quality System (APQP) – Standard Development System (SDS)

APQP is initiated at the design concept of a program and runs through Product Launch for each new component. All suppliers, regardless of component criticality, shall use a disciplined APQP process during the launch of new products for SMR. The use of error-proofing and mistake-proofing concepts is expected during the development of the process design and manufacturing processes to ensure zero defects, a smooth launch and can meet capacity requirements to ensure SMR and SMR's customer requirements.

SMR Product Development teams define component criticality during the product development cycle using SMR's Standardized Development System (SDS). During this time, SMR's SDE or Purchasing Representative completes a Supplier Risk Assessment for each supplier. This designation determines the involvement of SMR Supplier Development and/or Purchasing agents during APQP and launch event for each supplier. All suppliers shall provide APQP status reports for a new product as specified by the SMR Operating Company. For further details and requirements see "Global Supplier Manual Appendix A – APQP."

2.1.1 Pre-Production Sample Submission

Supply of pre-production parts for engineering validation shall be accompanied by documentation of specification conformance to the appropriate SMR site as instructed by the Product Development Team and communicated by the SDE or Purchasing Representative.

At SMR's request, each delivery must be accompanied by (but not limited to):

- Dimensional conformance report
- Material conformance report
- Material Safety Data Sheets, IMDS
- Control plan
- Process FMEA

- Capability studies
- Approved production-intent packaging

2.1.2 Design Validation / (DVP&R)

Design-responsible suppliers shall provide a product Design Validation Plan (DVP) for SMR approval. Please Contact supplier development to verify if this is a requirement for your component.

2.1.3 Packaging Approval – Product Identification, Packaging, Material Handling and Transportation

The supplier shall ensure that the packaging conforms to SMR (and customer) requirements and is approved by SMR. All packaging must meet basic standards for goods protection and carriage. The packaging should withstand the mechanical, climatic, biotic and chemical stresses to which they are exposed during transport, storage and cargo handling. All packaging must also conform to appropriate health and safety, environmental and other legislative requirements.

SMR and suppliers shall agree upon the product identification and packaging plan during APQP, including the following requirements:

- There shall be only one part number in a box or packaging unit.
- All packaging units shall be labeled and the label shall include:
 - SMR part number with engineering level and part name.
 - Quantity of components within the box or packaging unit
 - Supplier name with appropriate SMR supplier code.
 - Lot traceability number and date - This number shall have a direct relationship with Packing Slip supplied. Identification shall permit traceability back to specific supplier manufacturing and inspection records.
 - All component packaging must comply with all legal, and/or Customer specified safety information unless specified in writing by SMR.
 - Additional traceability requirements at SMR's request.
 - Raw Material Heat number, if appropriate.
 - A Bar Coded label applied to each packaging unit. SMR facilities may specify their own bar coding formats. Suppliers shall meet the bar code requirements of the SMR location they are shipping to.

Suppliers providing product to multiple operating units, on a global scale, shall work with each of the locations to ensure that the packaging is sufficiently robust to withstand shipment by sea and arrive on time without damage.

In order to ensure that the supplier's products are transported in a manner that prevents damage or deterioration, suppliers are responsible for maintaining written instructions detailing proper packaging, storage, and shipping of its products that conforms to SMR user plant's requirements.

Suppliers shall meet the requirements of SMR user plant with regard to the use, control and supply of returnable packaging.

SMR expects their suppliers to conduct periodic dock audits on packaged material. Evidence of these audits shall be retained with other lot inspection documentation.

Where the supplier is responsible for the shipment of components to SMR, they shall consign with a proven first class company which has enough experience in handling the shipment and knowledge of all other applicable legal obligations with regards to the handling of

Importation/Export Tariff and duty requirements to ensure prompt delivery of product to SMR. In case of special transport requirements (e.g. paint or chemicals) supplier shall ensure the required inter-storage and transport condition complies with paint and chemical materials temperature requirements. These requirements must be verified either by thermo script or other appropriate methods.

For further details and requirements see the regional packaging and delivery appendix ("Supplier Manual Appendix B – Product Identification, Packaging & Supplier Delivery Standards").

2.1.4 Manufacturing Process Review

The SMR Product Development Team (based upon risk assessment) may conduct a systematic and sequential review (process sign-off, run-at-rate, etc.) of a supplier's manufacturing process at the supplier's facility prior to PPAP approval. SMR's customer(s) may be part of this review. The format of the review may be same as that of a customer to SMR, or SMR's own format, as determined by the Product Development Team.

This review may also be completed as part of the quality planning and manufacturing processes for new and/or significantly changed products.

2.1.5 Production Part Approval Process (PPAP)

First sampling method, PPAP, VDA (Verband der Automobilindustrie), ISIR (Initial Sample Inspection Report), etc., shall be per OEM required format for SMR location. All documentation shall be in required language of SMR location. (Ref: ISO TS 16949 7.3.6.3)

A PPAP shall be submitted to each SMR location for a component per that location's requirements. The current revision of the Automotive Industry Action Group (AIAG) PPAP Manual will be used as a default. Suppliers shall only submit PPAP packages for production-released drawings, and a copy of this drawing shall be included in the submission package. They shall also ensure that all requirements are met before submission to SMR, including SMR approvals for any change requests. Suppliers are responsible for all sub-tier PPAP submissions and approvals, including those suppliers directed by SMR. Suppliers should contact the SMR location supplied to determine PPAP level requirements. A PPAP shall be submitted to each SMR location for a component per that location's requirements.

Supplier shall provide all required PPAP documentation detailed within the regional PPAP Appendix ("Supplier Manual Appendix C – PPAP").

2.1.6 End-of-Life (ELV) / International Material Data System (IMDS) Reporting

Suppliers shall ensure that all components and materials supplied to any SMR plant facility comply with the current environmental legal requirements.

SMR requires suppliers to provide information on the raw materials used in all products supplied to SMR. ELV and IMDS standards have been developed by vehicle manufacturers to collect and manage this data.

Suppliers must submit the required ELV/IMDS data to SMR as soon as possible after the award of new business, but in any case before PPAP submission. The supplier as part of the PPAP submission must provide confirmation of SMR's acceptance of the ELV/IMDS data. IMDS submissions must be placed under the appropriate SMR location IMDS code (the location to which the supplier's product is shipped). Suppliers should contact the appropriate SMR location to obtain the IMDS code.

2.1.7 REACH

REACH is a European Community Regulation on chemicals and their safe use (EC 1907/2006). It deals with the Registration, Evaluation, Authorization and Restriction of Chemical substances. The new law entered into force on 1 June 2007.

All Suppliers that are impacted by REACH legislation must ensure compliance for all components used in the manufacture of parts that are then sold to an SMR entity.

2.1.8 Conflict Minerals

Suppliers shall respond to inquiries regarding the use of minerals designated as Conflict Minerals by section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act in their product, as required by the SMR entity.

2.1.9 Document & Product Sample Retention

Suppliers shall retain documents and product samples according to the OEM requirements for the program. Parts used on multiple programs will follow the most stringent OEM document and product sample retention requirement.

The supplier shall retain a master sample from each activity, die, cavity, pattern for the same period as production part approval records or until a new master sample is produced for the same part number subject to SMR PPAP approval. The master sample shall be identified as such and shall show PPAP submission reference and SMR approval date.

2.2 Tooling Management

Suppliers shall have an established and proven system to ensure effective and efficient management of all tool and production systems as described by Purchase Order and appropriate supplemental documents. The supplier shall establish preventive/predictive maintenance procedures on all tooling. Evidence of procedure execution shall be made available upon request. All tooling shall be permanently marked so that the ownership of each item is visually apparent (whether OEM, SMR, or supplier).

Preventive/predictive maintenance schedules and tool history records shall be documented and available for review.

The supplier is responsible for informing SMR before modifying or disposing of any tooling required to manufacture products for SMR.

2.3 Sub-Supplier Management

Suppliers of SMR shall have capabilities to manage their respective suppliers including APQP disciplines and periodic auditing. SMR, when it deems necessary, will audit the critical processes of the sub-suppliers to assure that proper controls are in place throughout the entire supply chain.

Suppliers shall maintain a supplier management system including tracking the quality and delivery performance of their suppliers. Suppliers shall be able to demonstrate that they manage their suppliers' issues through documented corrective actions and verification activities.

Suppliers to SMR shall require their sub-suppliers to conform to the requirements described in this Manual. Suppliers of SMR shall ensure critical processes such as heat treating and plating are adequately audited and managed.

2.3.1 Customer (OEM) Specific Requirements

If SMR's customer requirements call for additional specific details related to supplied components, suppliers shall comply with all requirements. For example, in North America, if the component or material supplied is used for a Ford product and requires heat treatment, a satisfactory completed CQI-9 Ford Heat Treatment Survey or equivalent (signed by Ford) must be submitted. This includes all sub-supplied components.

3. Series Production Conformance

3.1 Compliance Certification

Compliance documentation to safety or legal requirements shall be supplied as required.

A signed certificate of conformance, certificate of analysis, and/or capability data summary may be required to accompany shipments of specified components or materials. The certificate of analysis must contain the actual results of physical testing and/or measurements specified by contract. SPC data requirements must cover special control characteristics, at minimum.

3.2 Product Traceability (Batch/Lot Traceability)

All suppliers to SMR shall have an effective batch/lot definition and traceability procedure. The shipper number will be linked to the batch/lot traceability procedure in such a way that the delivered product can be traced back to the raw material, purchased components, the production shift.

Unless otherwise approved in writing by the SMR SDE or Purchasing Representative a batch/lot shall consist of one shift, or eight hours of production, whichever is smaller. SMR reserves the right to specify a minimum and maximum batch/lot size.

The batch/lot definition shall reflect all significant processes influencing the component / material, with the shipping lot number reflecting the last value added operation. Suppliers shall ensure that their lot traceability system maintains its integrity throughout the entire extended supply chain, including raw material and purchased components/products.

3.3 Ongoing Statistical Process Control

Statistical Process Control (SPC) is mandatory for significant and critical characteristics as defined by SMR or the supplier's internal requirements. The supplier must maintain minimum required statistical indices (process capability) for all product significant characteristics throughout the product life cycle. Process capability can be conducted with both variable and attribute data.

- Minimum requirements for variable statistical indices (SPC) to be calculated, using at least 100 individual samples.
- 2.0 Ppk – program approval
- 1.67 Cpk – continuing production conformance
- Service product will conform to specification
- Containment (typically additional checks or measurements) must continue until such time that the process Cpk demonstrates acceptable process capability.
- Any deviation to this requirement, together with attribute feature control, must be concurred and documented by the Product Development Team.
- Evidence of process capability must be retained at the supplier's manufacturing location. Documentation of process capability shall be made available to SMR representatives upon request.

3.4 Appearance Items

The following applies to suppliers of colored parts or components and to suppliers of paints, coatings, pigments, dyes, tints, master batches and other colorants.

3.4.1 Color Masters

Only SMR or its customers' approved color masters may be used to develop color formulations or to determine the acceptance of colored materials. The supplier is responsible to verify that the master is current.

The supplier shall have dual sets of color masters whenever possible. A color standard shall be used for verification of working standards and stored in a manner to maintain color integrity.

3.4.2 Color Measurement and Evaluation

Visual and analytical evaluation of color and gloss shall be made in compliance with customer end item requirements. Contact the relevant SMR plant for information.

3.5 Change Management

Any changes by a supplier that impact product realization must be controlled and SMR notified for approval prior to change.

Guideline, "The supplier shall notify the responsible customer product approval authority of any design, process, or site changes."

Supplier must obtain SMR approval and changes must be controlled through the APQP and PPAP process. SMR determines requirements. Contact SMR to clarify any issues.

In the following cases supplier PPAP is mandatory:

- A new part or product.
- A part number revision change.
- Any change that requires a revision of the Process Control Plan.
- Correction of a discrepancy on a previously submitted part.
- Product modified by an engineering change to customer specifications, design records/ customer drawing, or materials.
- New production site (even changing the layout in the same building).
- Production was stopped more than 6 months.

In the following cases customer waiver is mandatory:

- Long term rework
- Short term deviation (deviation request will not be provided without SMR engineering approval)
- Damaged or delayed shipment

These requirements are mandatory for the whole supply chain. The lower supplier levels the change management must be controlled in the same way by SMR suppliers.

All changes must be marked visually with special label, agreed by local SMR production site.

3.6 Annual Validation

The supplier is responsible for submitting annual validation for each component, and this submission requires approval by SMR. Contact the specific SMR site for annual validation requirements.

3.7 Supplier Concern Management

When suspect or nonconforming product is identified, it is the supplier's responsibility to contain the product, replace the suspect or nonconforming product, and implement actions to permanently correct and prevent recurrence.

SMR Quality, Logistics or Purchasing may require a supplier to implement independent containment activity if the severity of the performance issues deems it appropriate.

For further details and requirements see the regional Supplier Concern Management appendix (Example - "North America Supplier Manual Appendix D – Supplier Concern Management").

3.8 Deviations for Non-Conforming Material

It is the policy of SMR **not** to accept product that does not meet the requirements of the applicable drawings and specifications. Requests for concessions on non-conforming product shall be submitted to the SMR plant for review and to obtain written approval prior to shipment. Any such requests shall be accompanied by a thorough explanation of the root cause for the non-conformance, the actions taken to eliminate these root causes and to prevent recurrence, and the date of quality assured product availability, confirmation of its traceability and the manner of identification.

3.9 Supplier Performance

Supplier performance reporting provides a means of objectively assessing supplier ability to identify opportunities for improvement and by giving continuous feedback via performance measures.

The report includes several areas, which are intended to assess overall effectiveness rather than concentrating solely on quality systems.

For further details and requirements see the regional Supplier Performance appendix E.

SMR reserves the right to charge back in full all costs incurred as a result of a supplier's quality or delivery failure.

3.10 Supplier Warranty Cost Reduction Program

Suppliers are required to develop an aggressive warranty reduction program. Activities to be included are:

- Assignment of a warranty "champion" to act as a single point of contact for warranty issues.
- Analysis of warranty issues (amount of rejects and cost).
- Timely implementation of corrective actions or process improvements to lower warranty costs.
- Use of "lessons learned" to ensure warranty issues are eliminated in the design phase of future programs. Development of TGW ("Things Gone Wrong") list.

3.11 Service Parts Requirements

All suppliers are responsible for the supply of original equipment service parts to SMR plants for the duration specified by SMR's Customer. Service parts are to be produced from production tooling. Regular preventative and predictive maintenance activities are required to maintain production capability. Service parts have the same requirements as production unless otherwise directed by SMR.

4. Continuous Improvement

4.1 Continuous Improvement Program

Suppliers shall develop a Continuous Improvement Program, approved by senior management, which establishes improvement goals, implementation dates and responsible personnel. As part of a supplier's commitment to its customer, SMR expects that a supplier will implement coordinated improvement activities. Contact the appropriate SDE or Purchasing Representative for more information on any of the following:

4.1.1 Lean Manufacturing

SMR expects suppliers to recognize Lean Manufacturing as an inherently cost-effective method of managing a business. Therefore, suppliers are expected to adopt and implement Lean Manufacturing principles.

4.1.2 Benchmarking

SMR expects suppliers to establish benchmarking activities, and to subsequently implement process improvements.

4.1.3 Value Analysis / Value Engineering (VA/VE)

SMR expects suppliers to continuously supply VA/VE ideas and to support SMR workshops during and after the introduction of new products, to provide continually improving product value.

4.2 Business Improvement Plan (BIP)

Suppliers are expected to implement a visual BIP, a measurement-based continuous improvement methodology, to help prioritize and focus company resources on improving the most important aspects of the business in key areas such as safety, quality, cost, delivery and people. This should involve all employees in driving continuous improvement activities throughout all work areas, including production and administration.

Teams and Individuals should be empowered to improve the performance metrics within their work areas through the use of Continuous Improvement process steps.

Glossary

See Regional Glossary of Terms and Acronyms (Appendix G).

Appendices – to be requested from each SMR location (regional differences may exist)

Appendix A	APQP
Appendix B	Product Identification and Packaging
Appendix C	PPAP
Appendix D	Supplier Concern Management
Appendix E	Supplier Performance
Appendix F	Supplier Delivery Standard
Appendix G	Glossary and Acronyms
Appendix H	Warranty Procedure
Appendix I	Conflict Minerals

