

# SUPPLIER QUALITY MANUAL



## **Sundyne Supplier Mission Statement**

“Sundyne will partner with our Suppliers to ensure on time delivery of high-quality products. We will establish transparent communication, identify opportunities for improvement, and improve processes where needed.”



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# **1 INTRODUCTION**

## **1.1 Purpose**

This Supplier Quality Manual is intended to communicate the processes utilized by Sundyne to select, qualify, monitor and improve its suppliers. Sundyne intends for each supplier to carefully review this Quality Manual to ensure that it understands Sundyne's expectations and requirements, and that it can fully comply with them. This Supplier Quality Manual provides a high-level overview of the Sundyne-Supplier relationship.

## **1.2 Scope**

This Supplier Quality Manual applies to all current and prospective suppliers to Sundyne, in the course of their business with Sundyne. Where appropriate, the Supplier shall also be responsible to communicate these requirements to any sub-tier supplier utilized in fulfillment of a Sundyne requirement.

## **1.3 Definitions**

Supply Chain Management: The group within Sundyne having responsibility for identifying, selecting, and monitoring, and improving suppliers; for disposition of nonconforming product related to those suppliers; and for purchasing components and services necessary to fulfill Sundyne customer requirements. Supply Chain Management at Sundyne includes both Purchasing and Materials Management. The Purchasing group is made up of Buyers and Supplier Quality and Development roles.

EC	Engineering Change
ME02AA01	(ME02); Defines material specifications and requirements applicable to two-character code included in Sundyne part numbers
NCM	Nonconforming Material report
PIA	Proprietary Information Agreement
PM-07-02-05	Defines sourcing and inspection requirements for raw castings and forgings
PM-07-02-08	Defines requirements for material certification and test reports to be provided with purchased product
PO	Purchase Order
QMS	Quality Management System
SDP	Supplier Development Plan
SDR	Supplier Deviation Request
SCAR	Supplier Corrective Action Request

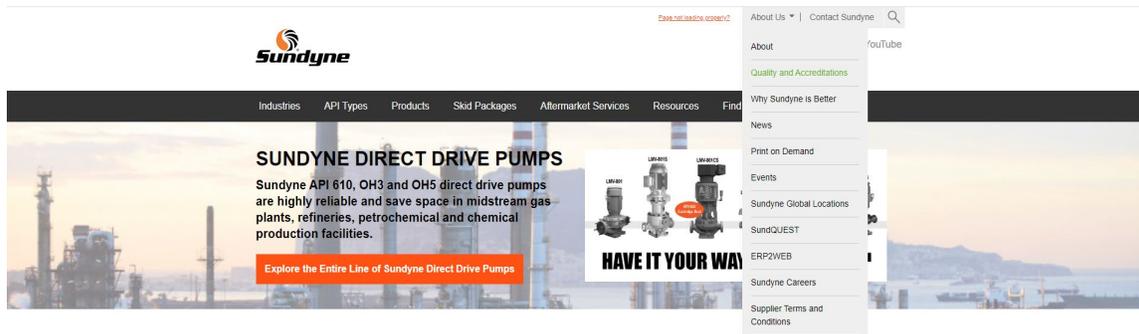
The Sundyne Quality Management System (QMS) utilizes terms and definitions included in ISO9001:2015. For additional, Sundyne-specified terms, definitions, and acronyms, refer all inquiries to Purchasing/Supplier Quality.

For the purposes of this manual and all QMS supporting documents, the following apply:

- The words "will", "shall", and "must" indicate a requirement.
- The words "may" and "should" indicate a recommended practice.

## **1.4 Supplier Document Access**

This manual and other documents listed will be maintained and made available to all suppliers via Sundyne's website: [www.sundyne.com](http://www.sundyne.com), "About Us", "Quality and Accreditations".



The website is kept up-to-date with current copies of relevant documentation. Suppliers are encouraged to recommend improvements to the website to their Purchasing contact at Sundyne.

The website may also contain training materials developed by Sundyne to assist suppliers with frequently noted problems or questions.

The following documents which are critical to the success of suppliers' ability to meet Sundyne requirements are not posted on the company website. Sundyne will provide new suppliers with electronic copies of these documents, and Suppliers may request a copy of these at any time:

- ME02AA01 (ME02); Defines material specifications and requirements applicable to two-character code included in Sundyne part numbers
- 460.P001 Pressure Products Industries (PPI) Material Code Book

The following documents which are critical to the success of suppliers' ability to meet Sundyne requirements are posted on the company website.

- PM-07-02-05 Defines sourcing and inspection requirements for raw castings and forgings
- PM-07-02-08 Defines requirements for material certification and test reports to be provided with purchased product

## **2 GENERAL REQUIREMENTS**

### **2.1 Sundyne Company Information**

Sundyne manufactures highly reliable engineered pumps and compressors for global companies in upstream and midstream oil and gas production, refining, petrochemical, chemical, power and water process industries. With facilities and expert Channel Partners around the world, Sundyne products are integral for running process plants efficiently, reliably and safely. Aftermarket services include commissioning of units, spare parts, overhaul and repair, as well as engineering and technical support. The company's products include high-speed centrifugal pumps and compressors, sealless magnetically driven pumps, motors and generators, and other process-engineered packaging.

### **2.2 Sundyne Quality Management System**

The adoption of a quality management system is a strategic decision for Sundyne that helps us improve our overall performance and provide a sound basis for sustainable development initiatives, and to promote continual evaluation and improvement of business and quality processes in the ongoing pursuit of organizational and operational excellence. Sundyne recognizes that successful implementation of a QMS will lead to improved discipline and clarity of day-to-day job functions for staff members, reduced waste and scrap, improved customer satisfaction and increased company profitability.

The QMS implemented by Sundyne is available to all company personnel and customers as a single-source document regarding the company's policies and procedures for assuring control and quality of product and

processes. Sundyne's QMS reflects and enables Sundyne's relentless commitment to total customer satisfaction and continuous improvement.

Sundyne's suppliers play an integral role in fulfilling those commitments. To that end, Sundyne has established this Supplier Quality Manual as a high-level overview of Sundyne's expectations and requirements, and its methods and processes for supplier control. It is critical that all Suppliers review this manual carefully and ensure full compliance with its tenets.

## 2.3 General Expectations of Suppliers

Sundyne is a leading high-technology original equipment manufacturer having a reputation for excellence in the pump and compressor industries. A critical component of our leadership is the world-class quality of the products and services that we provide to our customers. Sundyne's valued suppliers play an integral role in helping us set the benchmark for world-class quality year after year. The requirements of this Supplier Quality Manual apply to all suppliers who provide goods or services to Sundyne, in the course of provision of such goods or services. It also applies to sub-tier suppliers.

The development and manufacture of any product in today's market requires an effective, documented quality system that identifies, coordinates, and controls all key activities necessary to produce a quality product. All suppliers to Sundyne should maintain an effective Quality Management System (QMS) as a basic business requirement. The QMS should be based on the philosophy of collaboration and continuous improvement, emphasizing defect prevention and the reduction of variation and waste. Wherever possible, Sundyne prefers suppliers who maintain third party registration to recognized industry standards (i.e., ISO9001, AS9100).

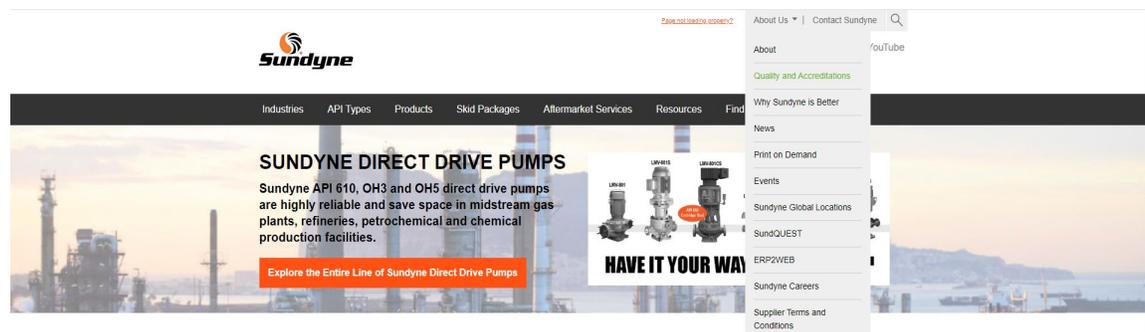
Continuous improvement in both products and processes by suppliers to Sundyne is critical for us to maintain a world leadership position in our marketplaces. Simply achieving conformance to requirements by inspection, sorting, scrap, and rework is neither cost effective nor does it result in optimum quality levels. We expect our suppliers to continuously strive for improvements in the products and services that they supply to Sundyne, and in the ways they do business. Improvement across the supply chain is essential for Sundyne to improve our products and the way we serve our customers.

## 2.4 Supplier Responsibility

### 2.4.1 Terms and Conditions

It is the responsibility of the Supplier to understand and ensure compliance with this Manual and the quality policies, procedures, and work instructions of Sundyne as they apply to business with the Supplier. Work performed by a sub-tier/subcontract supplier, or by an associated business of the Supplier, also shall be bound by these same requirements. Should the Supplier decide to subcontract any portion of work toward fulfillment of a Sundyne Purchase Order or similar agreement, Sundyne shall have right of access to any sites, plants, etc. where such work is being performed. Sundyne also reserves the right to review, approve and audit any such subcontractors. It is the responsibility of the contracting supplier to flow down such requirements as appropriate.

The Supplier Terms and conditions can be found on our website: [www.sundyne.com](http://www.sundyne.com), "About Us", "Supplier Terms and Conditions".



Contact your Purchasing representative with any questions or concerns.

#### **2.4.2 Supplier Confidentiality**

Documents furnished by Sundyne to the supplier are solely for the purpose of doing business with Sundyne. These documents must be controlled by the Supplier and may not be transmitted to others without Sundyne's written consent.

Sundyne may initiate completion of a documented Proprietary Information Agreement (PIA) with the Supplier where business cases dictate it to be appropriate.

#### **2.4.3 Business Gifts / Gratuities**

Sundyne understands that giving business gifts is commonplace and can represent merely a desire to build goodwill. Sundyne, however, has very restrictive policies governing receipt of business gifts by employees who have sourcing authority/procurement responsibility. Purchasing decisions must not be influenced by a conflict of interest and must not be tainted even by the appearance of a conflict of interest.

Employees who have direct purchasing responsibilities, including all Supply Chain Management employees, or any other individual having a role in supplier selection and appraisal, may accept only (a) beverages, light snacks and business meals served during business meetings held at the facilities of suppliers; (b) business meals when in travel status; (c) promotional or advertising items having a truly nominal value; and (d) any other business gift or thing of value over \$25 if reported to and approved in writing by the Business Practices/Compliance Officer of Sundyne.

Sundyne requests that suppliers be cognizant of this policy, and refrain from placing Sundyne employees in situations that may lead to its violation.

All ethics policies including the Gratuities policy are maintained on the Sundyne website at: <https://www.sundyne.com/sundyne-standard-terms-and-conditions-of-purchase-americas/>

#### **2.4.4 Environment, Health, and Safety**

Sundyne expects suppliers to conduct business with a high degree of integrity and in a socially and environmentally responsible manner. This includes a commitment to several key expectations:

- Provide safe working conditions for all employees, customers and contractors.
- Adhere to all applicable National, Regional, State and Local laws and regulations governing Environment, Health, and Safety.
- Operate in a manner that minimizes the impact to the environment.
- Limit the use of natural resources and promote sustainable natural resource practices.
- Extend and communicate these EH&S expectations to employees, partners, and sub-tier suppliers.

Sundyne maintains a commitment to sustainability and environmentally conscious business and expects the same of its supply base. Suppliers are expected to:

- Identify and control both hazardous substances and substances of concern per international regulation;
- Strive for enhancements in energy-efficient manufacturing methods at their facilities;
- Promote sustainable packaging wherever possible, including reduced, recyclable, or reusable packaging methods; and
- Actively engage Sundyne with suggestions for improvement in these areas where noted by the Supplier.

### **3 SUPPLIER SELECTION**

#### **3.1 General**

Sundyne selects new suppliers based on their ability to provide a consistent product in accordance with Sundyne's requirements. To that end, a key element of a new Sundyne supplier is a robust Quality Management System emphasizing continuous improvement. Beyond the ability to provide product that complies with stated requirements, Sundyne seeks new suppliers whose businesses operate effectively in several key areas:

- **Contract review process.** The contract review process must be robust, to determine Sundyne requirements prior to commitment to comply, and must seek feedback from Sundyne when requirements are unclear.
- **Engineered solutions.** As an industry leader, Sundyne seeks out other industry leaders. Suppliers who thoroughly know their own capabilities and products, and how those can support Sundyne, help keep us in that industry leader position.
- **Responsiveness.** Suppliers that respond quickly to Sundyne's needs become more valuable to our business and help us maintain our competitive advantage with diverse and demanding customer requirements.
- **Continuous service improvement.** Sundyne sells highly engineered, customized and unique products. Our most valued suppliers add value by proposing improvements in our business relationship or in the products we purchase.

When Sundyne seeks to qualify a new supplier, Sundyne Purchasing will contact the supplier to initiate the qualification process. The qualification requirements will be dependent on the scope of supply and the criticality of the products or services to be supplied.

#### **3.2 Supplier Selection Criteria**

Sundyne selects suppliers based on one or more of the criteria listed below:

- a) The Supplier maintains an active 3rd party registration relevant to Sundyne's requirements;
- b) The Supplier is a sole source for a required material and/or service;
- c) The Supplier demonstrates a unique price and/or delivery advantage for a given product and/or service;
- d) Sundyne Purchasing and/or Engineering identifies a supplier as a potential source of supply for a given product and/or service, and conducts a product qualification;
- e) The Supplier has a favorable history of business with Sundyne; or
- f) A Sundyne customer specifically requests that Sundyne purchase products and/or services from a given supplier.

Regardless of selection method, a supplier must demonstrate an ability to comply with Sundyne's requirements. A supplier should also maintain a basic Quality Management System that includes the following:

- A Quality Manual
- Processes to assess conformity of product prior to shipment to Sundyne
- Processes for control of nonconforming material
- Processes for responding to Corrective Action requests and NCM (defect) reports
- Calibration of inspection equipment/gages

### **4 PRODUCT REQUIREMENTS AND QUALIFICATION PROCESS**

#### **4.1 General**

Sundyne's products range from highly customized, "one-off" units to standard catalog product lines. This

diverse product offering is similarly reflected in the goods and services Sundyne purchases. Due to the high level of variation in quantity ordered, complexity, and customization across these purchases, the product qualification process may vary greatly from one product/service to another. In addition, there may be varied product qualification requirements for the same good or service purchased from different suppliers.

The exact nature, methods, requirements, etc., of the product qualification process shall be determined by Purchasing/Supplier Quality and communicated to the Supplier. The Supplier is encouraged to contact Purchasing/Supplier Quality to discuss any uncertainty regarding product or qualification process requirements.

## **4.2 Part Specific Requirements**

Sundyne part requirements are flowed down via various methods.

### **4.2.1 Part Drawings**

The most basic qualification requirements are flowed down by way of a parts drawing where available. A part drawing may specify requirements related to:

- Material
- Dimensional characteristics
- Testing
- Certification
- Inspection

In situations where both the Supplier and Sundyne control differing drawings for a similar product, requirements of the Sundyne drawing shall be considered governing, except where otherwise agreed upon in writing.

### **4.2.2 Part Specific Requirements – Item Master / Purchase Order Text**

Item Master text prints on the face of each Sundyne Purchase Order. When referenced on a Purchase Order, this text forms a description of requirements that exist in addition to the drawing; where no drawing is available, this text is the primary flow down of requirements. Purchase Order text may also reference previous quotes obtained from the Supplier. When a quote is referenced on the face of a Purchase Order, all stated conditions of the quote shall apply to the relevant Purchase Order.

Supplier contract review processes should pay close attention to Purchase Order text when it appears on the Purchase Order. Failure to comply with stated requirements may result in rejection of products at Sundyne and require replacement at Supplier expense.

### **4.2.3 Part Specific Requirements – Part Number**

Sundyne utilizes a “smart” part numbering scheme which flows down requirements through the part number characters rather than explicit drawing notes or requirements. Most often, requirements are flowed down by way of a single- or multiple-character alphanumeric suffix applied to the part number. The Supplier should pay specific and exacting attention to the part number flowed down by Sundyne.

Sundyne’s QMS maintains three complementary internal procedures, which define internal requirements for part numbering schemes:

- *ME02AA01 Sundyne Materials List*

Sundyne part numbers often contain two-digit alphabetical suffixes which define raw material requirements for the product. These reference back to ME02AA01.

- *PM-07-02-05 Part Number Codes for Sourcing and Inspection of Castings and Forgings*
- *PM-07-02-08 Part Number Codes for Sourcing, Certification and Special Requirements*

In addition to raw material suffixes, Sundyne part numbers will often flow down sourcing, certification, inspection and special requirements as defined by PM-07-02-05 and PM-07-02-08. These are also present as alphanumeric part suffixes.

**It is crucial that the Supplier take steps to familiarize itself with requirements flowed down in this manner.**

The Supplier is highly encouraged to contact Purchasing/Supplier Quality for assistance in clarifying these requirements prior to commitment to supply.

All certifications, test reports and other documentation required to accompany the product or service should be sent to [certs@sundyne.com](mailto:certs@sundyne.com) per the following:

- Attached files must use one of the following naming conventions:

[PO #]\_[Line #]\_[Part Identifier] or  
[PO #]-[Line #]-[Part Identifier]

[PO #] = Sundyne Purchase Order number

[Line #] = Sundyne Purchase Order line number

[Part Identifier] = Heat number when possible; otherwise part number or other specific identifier (e.g., calibration cert, LPI report, etc.)

*Example:* 1973415\_01\_H3114 or

1973415-01-H3114

PO # = 1973415

Line # = 1

Part Identifier = H3114 (heat #)

- Each individual file attachment must follow this naming convention
- Incorrectly named files will be returned to the supplier to correct and re-submit
- The preferred file format is PDF

NOTE: Suppliers who do not have the capability to scan, rename, and send documents must contact the Buyer or Supplier Quality Engineer to request an exemption to send hard copies with the product. Suppliers who send documents electronically can also send hard copies of these documents if they so desire. If a document package file size exceeds 30MB, please coordinate with the buyer to have the certs added to the Sundyne System.

#### 4.2.4 Material Traceability – Part Marking

Sundyne requires that every piece of raw material be marked or tagged with the Sundyne Purchase Order number, part number and heat number / lot number. This includes all bar stock, pipe, plate, channels and tubing. The physical marking / tagging must agree with the material certification supplied with each order. Factors such as exposure to elements (wind, water, dirt/dust, etc.), surface cleanliness, risk of surface contamination, etc. must be considered when determining the method of marking / tagging.

All other special part marking requirements will be called out in the Purchase Order or drawing.

#### 4.3 Sample Submission and Approval

When qualifying a new product, or a first run of an existing product at a new supplier, the overall process may be defined by the Sample Submission and Approval (SSA) and associated attachments (see *ISO2901*). Sundyne Purchasing/Supplier Quality defines the requirements of the SSA and serves as the approving party for product qualification. It is important that the Supplier and Sundyne work to clarify qualification expectations when the SSA is issued, and prior to commencement of production operations, where appropriate. During qualification, unless specifically dictated in writing by Sundyne, the Supplier should not proceed with production runs until full qualification approval is given.

The SSA serves to flow down additional qualification requirements, beyond those flowed down by Section 4.2 above. Typically, the SSA will specify product/material test, Quality Management System, and/or documentation requirements that are necessary to demonstrate conformity as part of the qualification process.

The SSA may specify requirements for any or all the following as part of the Product Qualification Process:

- Sample Pieces
- Dimensional Analysis
- Material Test Results
- Performance Test Results
- Reliability Test Results
- Process Capability Study
- Design FMEA
- Process FMEA
- Control Plan
- Gage R&R
- Supplier Survey
- Other requirements

Details regarding any of the above are available from Purchasing/Supplier Quality personnel and should be provided when the SSA is first submitted.

Where the SSA specifies requirements for submission of various test results, the Supplier may submit reports in acceptable industry-standard formats.

Where the SSA specifies requirements for higher-level analyses (Process Capability, FMEA, Gage R&R), the Supplier may utilize Sundyne-provided reporting formats available on the Sundyne website or from Purchasing/Supplier Quality. Alternatively, the Supplier may utilize its own reporting format with prior approval from Sundyne.

All qualification requirements are flowed down via the Purchase Order as appropriate.

Visit the Sundyne website at [www.sundyne.com](http://www.sundyne.com) to obtain copies of required forms.

## **5 ORDER REQUIREMENTS**

### **5.1 Point of Contact**

While the processes in this manual attempt to reduce the number of individuals a supplier must work with, the need for speedy and efficient resolution of issues may require direct communications between different parties at Sundyne and at the Supplier. In general, the Sundyne Commodity Manager/Buyer with whom the supplier regularly deals is the primary contact for all matters regarding Sundyne contracts. For technical support, Supplier Corrective Action Requests, Supplier Deviation Requests, and other quality related matters, Supplier Quality should be the primary contact.

Sundyne expects the Supplier to provide the names and contact information of Sales/Customer Service, Quality, Engineering, and Warranty focal points at their location.

### **5.2 Communication of Product/Service Requirements**

#### **5.2.1 Purchase Orders**

The relationship between Sundyne and its Suppliers typically is comprised of discrete Purchase Orders. The Purchase Order will specify:

- The product(s) and/or service(s) to be purchased;
- Requirements supplemental to those defined on the part drawing
- Quantities purchased;
- Delivery expectations;
- Product/service acceptance requirements; and
- Terms and conditions of purchase.

The text information provided with the Purchase Orders may also be used to control the configuration of our parts. On parts with accompanying drawings, Purchase Order text may be used to supplement or modify drawing information. See Section 4.2 above for further details regarding product requirements.

***It is critical that the Supplier make note of Sundyne part numbering schemes, suffixes, and PO text descriptions. These are used to define product requirements either in full or in complement to drawing requirements.***

Guidance is available on the Sundyne Supplier Website or from Purchasing/Supplier Quality. It is the Supplier's responsibility to determine product requirements prior to contract acceptance.

Where no product drawing exists, Purchase Order text is the governing document and should provide sufficient information for the Supplier to respond. It is the Supplier's responsibility to resolve any lack of clarity regarding order requirements prior to the acceptance of the Purchase Order.

#### **5.2.2 Other Agreements**

Sundyne maintains different types of agreements with the supply base to ensure more stable flow of supply, higher quality, and price advantages. While these relationships may be initiated by Sundyne, Sundyne encourages its suppliers to identify opportunities for mutually advantageous business relationships.

Some of these relationships include:

- Consignment Agreements
- Long Term Agreements
- Kanban

- Vendor Managed Inventory
- Blanket Purchase Orders

Where such arrangements exist, discrete Purchase Orders may not be issued prior to the provision of goods or services to Sundyne. Sundyne shall work with the Supplier to establish scheduling, pricing, delivery terms, etc. All such arrangements shall be fully documented in writing.

### 5.3 Order of Precedence

In cases of conflict between requirements, suppliers shall respect the following hierarchy:

1. Supplier Deviation Requests (see 6.3 below)
2. Sundyne Purchase Order.
3. Sundyne part drawing/part-specific requirements
  - Note that part-specific requirements may be referenced in several different formats. See Section 4.2 above.
4. Sundyne proprietary testing/qualification/configuration specification.
  - In some cases, Sundyne will provide a proprietary specification defining specific product configuration details. This Sundyne Specification document will be referenced on the drawing or in the Purchase Order text. The Supplier is responsible for ensuring compliance to the Sundyne specification, including any requirements it places on sub-tier or subcontract sources per other sections of this Quality Manual.
5. Industry specification.
  - Industry-standard specifications are used whenever possible. Suppliers may find reference to ASTM, DIN, JIS, BS and other international standards organizations. It is the responsibility of the Supplier to ensure compliance with the current version of any stated specification. Sundyne will not provide the Supplier with copies of industry standards.
6. This Quality Manual and associated requirements flowed down herein.

The Supplier shall address any unclear hierarchical conflicts with their Sundyne Commodity Manager/Buyer prior to the acceptance of any contract.

### 5.4 Order Acceptance

Once the Supplier has determined all product or service requirements, and confirmed their ability to meet them, the Supplier shall confirm its commitment to supply the product or service. The Supplier should work with their Sundyne Buyer to agree upon a communication method. Sundyne's agreement to the supply contract shall be in writing. Verbal commitment never constitutes a contract.

When confirming its ability to supply per Sundyne's requirements, the Supplier must provide a confirmation of cost and delivery to Sundyne. If delivery date cannot be confirmed at the time of order acceptance, the Supplier shall be responsible for working with the Buyer to agree upon a course of action. The Supplier's confirmed committed receipt date shall be used in assessing Supplier On-Time Delivery (OTD) per Section 7 below. Therefore, it is critical that the Supplier provide an accurate committed receipt date to Sundyne to facilitate reliable planning against material requirements. The Supplier is responsible for coordinating its own Ship Date with Sundyne's expected receipt date.

Suppliers shall be solely responsible for the quality performance of the logistical supply chain, except where Sundyne specifies a transit carrier and bears all costs of transit.

## **6 NONCONFORMING MATERIALS (NCM)**

### **6.1 NCM Report**

Sundyne uses a process called NCM to document all product or service nonconformities, commonly referred to as “escapes.” Examples of supplier-related occurrences that may result in a documented escape include:

- Material and test certifications are unavailable at the point of receiving inspection
- Material and test certifications are incomplete or incorrect
- A product is received physically damaged
- The wrong product is received
- Product does not conform to dimensional requirements
- A Sundyne subcontractor discovers a defect in Supplier's product
- A Sundyne customer discovers a defect in Supplier's product
- Sundyne discovers a defect in Supplier's product after receipt and during product realization

When an escape is determined to be caused by the Supplier, Supplier Quality may contact the Supplier for resolution. Depending on the disposition of the product/service, the complexity involved in correcting the error, and Sundyne's material requirements, one or more of the following dispositions may be given:

- Rework
- Scrap
- Return to Vendor (RTV)
- Use as Is (UAI)

Where Sundyne disposes an escape event as Rework, the Supplier may be responsible for remuneration of costs incurred by Sundyne for the rework. Any such requirement will be communicated by Purchasing prior to the commencement of such rework operations.

Where Sundyne disposes an escape event as RTV, the Supplier may be solely responsible for bearing costs of replacement, including return freight, provision of replacement product, and/or remuneration of product costs. Any such responsibility will be communicated by Purchasing prior to destruction or return of product. Sundyne requires documented Return Material Authorizations (RMA) for any product physically returned to the Supplier. The Supplier must maintain a process for providing such documentation.

All NCM-documented escape events that are determined to be Supplier-caused will negatively affect Supplier's quality ratings per Section 7 below.

### **6.2 Supplier Corrective Action Request**

Where determined appropriate by Sundyne or as dictated by its customers, Sundyne utilizes a Supplier Corrective Action Request (SCAR) form to document root cause analysis and corrective action, *ISO3190*. The SCAR is an electronic document used to facilitate failure analysis and subsequent communication between the Supplier and Sundyne. Examples of situations that may result in generation of SCARs include:

- Repeated failures of the same product or service
- Repeated failures of similar products or services
- Repeated instances of failures with the same or similar cause
- High-impact failures (includes customer escapes, escapes affecting Sundyne on-hand inventory)
- As the result of activities in accordance with a Supplier Development Plan (see Section 7.2.1 below)
- At the discretion of Sundyne customers or Supplier Quality

Once the SCAR is received, the Supplier should take immediate containment action to mitigate exposure to defective conditions where and as appropriate. Containment documentation is expected within 2 business days of receipt of the SCAR. It is critical that the Supplier promptly identifies similar shipments, products, etc. where the same defect may be present, if appropriate.

Following successful containment, the Supplier is expected to provide full root cause analysis and corrective action implementation within 60 days. Extensions may be requested from and granted by the Sundyne Quality Manager. The Supplier is expected to demonstrate its root cause analysis process upon request from Supplier Quality.

For assistance in completing a thorough, robust SCAR response, the Supplier is encouraged to contact Supplier Quality.

### **6.3 Supplier Deviation Request**

Sundyne maintains a Supplier Deviation Request (SDR) process to document acceptance of product that does not meet stated requirements. The SDR process may be initiated when rework to meet requirements would require significant cost, when delivery commitments could be significantly affected, or when potential design or manufacturability improvements are identified.

The SDR should be initiated by the Supplier using form *ISO2903*. This form is available on the Sundyne Website, or from Supplier Quality. Suppliers should contact Supplier Quality prior to initiating the SDR process to openly discuss the situation. At no point should such discussion be construed as a commitment to accept product. Instead, the initial discussion should determine if an SDR may be in order.

The SDR form should be completed by the Supplier to the best of its ability. The SDR should include:

- Part number information
- Current requirement
- Proposed Deviation
- Reason for requesting deviation
- Duration of deviation (time limit, lot limit, quantity limit)
- Sundyne evaluation, disposition and approval

Once dispositioned, Supplier Quality will communicate with the Supplier concerning the disposition of the SDR and related product. The SDR as written serves to temporarily modify Sundyne requirements and is considered a product requirement for its duration. Suppliers shall not ship nonconforming product without an approved Supplier Deviation Request.

Detailed Standard Work regarding the SDR process is available on the Sundyne Website (see Section 1.4 above).

## **7 SUPPLIER PERFORMANCE MONITORING**

### **7.1 Supplier Performance Metrics**

Sundyne continually evaluates suppliers based upon their quality and delivery performance. Supplier performance influences sourcing decisions at Sundyne. For this reason, it is important that suppliers understand the measures and methods by which performance is evaluated, regularly review their performance via scorecards that are distributed by Sundyne and proactively address delivery or quality performance issues that fall below expectations.

Sundyne Supply Chain Management encourages suppliers to play an active role in understanding and improving upon their performance measures. The Supplier should contact Sundyne Purchasing/Supplier Quality with any questions related to Supplier performance.

### **7.1.1 Quality**

The basic measure of supplier quality performance at Sundyne is related to the NCM process (Section 6 above). Each documented NCM escape is evaluated to determine whether the Supplier is at fault for the noted defect. When the Supplier is determined to be at fault, the NCM event may impact the Supplier's quality metrics based on the nature of the nonconformance, the severity of the nonconformance, and the impact to Sundyne.

### **7.1.2 Delivery**

On-time delivery performance is calculated against the Supplier's committed delivery date to Sundyne. The Supplier should consider this when determining its own internal "ship-by" date to Sundyne by factoring in an allowance for transit. On-time delivery percentage is a measure of line items delivered on-time divided by total line items delivered in a given rating period.

### **7.1.3 Other Measures of Performance**

In addition, Sundyne Supply Chain Management may consider supplier performance in other areas with input from Purchasing, Supplier Quality, and other functional areas across the business. These reviews typically consider the following types of information, but others may be considered as well:

- Financial performance
- Sourcing flexibility
- Importance of Supplier's product(s) to Sundyne
- Sundyne level of spend with Supplier
- Supplier's business relationship with Sundyne – responsiveness, improvement focus, customer service, alignment with Sundyne objectives

## **7.2 Supplier Disqualification**

Periodic evaluation of suppliers as described above influence Sundyne's strategic sourcing decisions. Just as demonstrated high performance reflects positively upon the Supplier, a trend of negative and/or deteriorating performance may lead to Supplier disqualification. Disqualified suppliers are not eligible for business with Sundyne, but may seek re-qualification following demonstrated, documented improvement in deficient areas.

The following events or trends may lead to disqualification:

- Continued negative performance of On-Time delivery
- Failure to correct demonstrated product/service defects
- A declining business relationship with Sundyne resulting in misalignment of objectives
- A pattern of price instability without justification for changes in pricing

Other events or trends may lead to a Sundyne-initiated end to the business relationship as well.

Sundyne understands that changes in sourcing decisions often involve high costs and instability of supply, and as such, supplier disqualification is not the desired course of action when issues arise. Sundyne encourages the Supplier to actively address known performance issues before they become critical, to sustain a solid business relationship. Sundyne will enthusiastically support an underperforming supplier that demonstrates a commitment to improvement.

## 7.3 Supplier Development

Sundyne considers supplier development to be a key piece of the overall continuous improvement program. Although many development activities arise from noted performance issues, supplier development is always intended to be a collaborative, positive partnership between Sundyne and the Supplier. Rather than viewing the development process in a negative light, the Supplier should understand that development efforts reflect the potential Sundyne sees in a supplier to improve and of the importance of that Supplier to Sundyne's business and continued success.

### 7.3.1 Supplier Development Plan (SDP)

Supplier performance assessments, including but not limited to the items in Section 7.1 above, may result in targeted development strategies led by Purchasing/Supplier Quality. In addition to periodic reviews of Supplier performance metrics, there are a variety of situations or occurrences that may result in such development planning:

- Repeated instances of similar problems
- Business processes needing improvement
- Action to prevent a possible nonconformity
- The Supplier and/or its product are critical to Sundyne customer satisfaction efforts.

This development may take the form of a Supplier Development Plan (SDP), developed and agreed upon by the Supplier and Sundyne in a collaborative process (see *ISO3135*).

The SDP is made up of targeted actions designed to improve performance, increase value, and enhance communication between the Supplier and Sundyne. Actions are tied to performance objectives as a method of gauging the effectiveness of the overall SDP. The actions should not be exclusively one-sided: if the Supplier identifies an area in which Sundyne can improve the way it does business, we encourage the Supplier to come forward with suggestions for improvement.

It is important to once again emphasize that the Supplier Development Plan process is intended to be collaborative, and to add value for both Sundyne and the Supplier.