

ARMADA TOOLWORKS
SUPPLIER QUALITY MANUAL

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SUPPLIER
QUALITY MANUAL

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1.0 INTRODUCTION

1.1 SCOPE

The intent of this Supplier Quality Manual is to define Armada's minimum expectations for quality. These expectations are to be treated as complimentary to **ISO 9001 & IATF 16949**. It is Armada's responsibility to assist all suppliers in achieving the goal of compliance to **ISO 9001 & IATF 16949** Standard or (as a minimum) **ISO-9001: 2015** as their **fundamental** quality system requirement.

The supplier's manufacturing and support locations are subject to periodic review and evaluation to this Quality Manual and **ISO-9001: 2015**, where appropriate. Evaluation may be performed prior to issuance of a contract and periodically thereafter to verify compliance to contractual obligations and Quality System adherence.

1.2 GENERAL QUALITY EXPECTATIONS

Armada's general expectations for Quality are that suppliers will:

- Maintain the goal of Zero Defects
- Maintain 100% On-Time delivery performance
- Deploy a continuous improvement philosophy with the objective of improving quality, service, and price and extending continuous improvement to all business processes and support services

1.3 EVIDENCE OF CONFORMANCE

Suppliers are responsible for establishing and maintaining a Quality System that is documented as a means of demonstrating conformance to specified requirements and the effective operation of the quality system.

Armada reserves the right to request, review and evaluate this documented evidence at any point during the life of a contract.

2.0 QUALITY REQUIREMENT

2.1 AUTOMOTIVE INDUSTRY ACTION GROUP (AIAG) MANUALS

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Suppliers are required to have and be knowledgeable with the latest versions of the following AIAG Reference manuals:

- Production Part Approval Process (PPAP)
- Potential Failure Mode and Effects Analysis (PFMEA)
- Fundamentals of Statistical Process Control (SPC)
- Measurement System Analysis (MSA)
- Advanced Product Quality Planning and Control Plans (APQP)

Note 1: Copies of the AIAG Reference Manuals can be ordered via the AIAG web site www.aiag.org or by phoning (248) 358-3003

Note 2: Suppliers are required to complete and submit to Armada on a yearly basis CQI assessments found at the AIAG website.

2.2 MANAGEMENT RESPONSIBILITY

Quality Policy

Supplier's management with executive responsibility will define and document its commitment to quality and in doing so will ensure that the needs and expectations of Armada are considered

Customer Satisfaction

Suppliers are required to establish a means of determining Armada's satisfaction with supplier's quality, delivery and service on an annual basis. This information should be used to target areas for improvement.

2.3 QUALITY SYSTEM

Advanced Product Quality Planning

When requested to participate in APQP, the supplier shall:

- Finalize any special characteristics in conjunction with Armada Engineering / Quality
- Review the current supplier quality system against Armada's specified requirements to determine if the system provides an adequate degree of control to provide product conformance

Production Part Approval Process

Suppliers are expected to fully comply with all requirements set forth in the AIAG Production Part Approval Process reference manual, latest edition. Payment for all

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component / tooling purchase orders are dependent on the supplier receiving Armada's full production approval of supplier sample submission in accordance with PPAP requirements.

All packages containing PPAP samples must be clearly identified as "PPAP Samples" with the part number, quantity, and Armada contact.

Suppliers will be required to submit annual PPAP's to Armada. Including AIAG CQI assessment audits.

If there are any questions regarding the need for PPAP submissions, please contact the Armada Purchasing Manager for details.

2.4 CONTRACT REVIEW

Suppliers are expected to maintain evidence of Feasibility Studies as suppliers are expected to:

- Meet all print dimensional / GDT requirements
- Meet all Engineering Specifications as identified on prints or subsequent documentation
- Meet all Statutory and Regulatory requirements applicable to the country of origin, as identified by prints and/or specifications
- Meet all additional Purchase Order requirements

2.5 VERIFICATION AT SUPPLIER'S PREMISES

Armada will be afforded the right to periodically review the verification process of Armada destined product at the supplier's premises.

2.6 CUSTOMER VERIFICATION AT SUPPLIER'S PREMISES

Armada's Customer(s) will be afforded the right to periodically review the verification process of Armada destined product at the supplier's premises.

2.7 LOT TRACEABILITY

Supplier's must establish and maintain a Lot Traceability system, which provides for positive identification for each lot that is received and processed. Records of the lot traceability system must be maintained and made available upon request.

2.8 PROCESS CONTROL

Government Safety and Environmental Regulations

Suppliers must establish, maintain and ensure compliance with all applicable government safety and environmental regulations when processing or otherwise manipulating Armada product, where and when applicable.

All suppliers will be required to complete and submit a Conflict Minerals report to Armada on an annual bases.

Armada Supplier CSR Code of Conduct

All Suppliers to Armada, in all your business activities, please comply with each of the following criteria as well as the country and municipality laws, rules and regulations while paying regard to international norms of behavior. Moreover, we encourage you to require your next-tier suppliers as well to comply with this Code of Conduct and obtain the necessary information from them to ensure compliance with this Code of Conduct.

Labor · Human Rights

1. **【No Forced Labor】**

Respect the free will of all of your workers and do not use forced labor.

2. **【No Child Labor】**

Do not employ children under the minimum employment age.

3. **【Appropriate Working Hours】**

Do not exceed the weekly working hours as defined by local regulations.

4. **【Fair Wages and Benefits】**

Pay more than the minimum wage as defined by local regulations.

5. **【No Inhumane Treatment】**

Respect the human rights of workers and there is to be no inhumane treatment such as harassment and abuse.

6. **【Non-Discrimination】**

There is to be no discrimination in hiring and employment practices based on race, skin color, nationality, age, gender and sexual orientation, ethnicity, disability, pregnancy, religion, political opinion, labor union membership, marital status, or other factors that are irrelevant to business.

7. **【Freedom of Association】**

Respect the rights of workers to associate freely, join or not join labor union, participate in protests and other such actions in accordance with local laws and regulations.

8. **【Handling of Conflict Minerals】**

Restrictions are a tool to protect human health and the environment from unacceptable risks posed by chemicals. Restrictions may limit or ban the manufacture, placing on the market or use of a substance. A restriction applies to any substance on its own, in a mixture or in an article, including those that do not

require registration. It can also apply to imports. Examples of hazardous substances include but are limited to: Tantalum, Tin, and Gold.

Occupational Safety

1. 【Safe Workplace】

Understand the work environment and operations, and provide appropriate technical, administrative and preventive measures if there are potential hazards and risks, in order to ensure the safety of workers. Also, provide workers with personal protective equipment and the like, if necessary.

2. 【Accident Prevention and Emergency Preparedness】

Prepare countermeasures by evaluating the risks associated with potential disasters and accidents, etc. Also, implement facility safety inspection, install disaster prevention equipment and perform maintenance.

3. 【Prevention of Occupational Injury and Illness】

Understand the situation of occupational injury and illness and provide preventive measures. Also, provide medical examinations of workers in accordance with local regulations.

4. 【Management of Physically-demanding work】

Identify and manage physically demanding work that may pose health hazards including the mental health, so as not to cause occupational injury and illness.

5. 【Machine & Equipment Safety Measures】

Implement safety evaluation of machinery and equipment so as not to cause occupational injury and illness.

6. 【Healthy and safe facilities】

Provide workers with a healthy and safe working environment (e.g. housing facilities, water, toilets, etc.)

Environmental Conservation

1. 【Compliance with Environmental Regulations】

Obtain and maintain required environmental permits, approvals and reporting requirements in accordance with local regulations.

2. 【Resource and Energy Saving】

Endeavor to conserve resources and energy in all business operations.

3. 【Wastewater Management】

Prevent the discharge of hazardous wastewater into the environment.

4. 【Air Emission Management】

Endeavor to reduce harmful substances, greenhouse gases, and ozone-depleting substances released into the atmosphere.

5. 【Proper Disposal of Solid Waste】

Endeavor for solid waste reduction and implement proper solid waste disposal.

6. 【Management of Chemical Substances】

Identify the harmful chemicals if released to the environment, endeavor for usage reduction, replacement to less harmful substances, and leakage prevention.

7. 【Management of Hazardous Substances】

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Identify hazardous substances contained in the products and ensure regulatory compliance is met.

8. **【Biodiversity Conservation】**

Consider the impact and minimize the adverse effects on biodiversity in all business activities that include the use of natural resources.

Ethics

1. **【Prohibition of all forms of Corruption and Bribery】**

Prohibit any and all forms of corrupt practices including bribery, corruption, or extortion.

2. **【Prohibition of Anti-competitive Behavior】**

Manage so as to ensure that there are no acts that inhibit fair competition.

3. **【Information Disclosure】**

Appropriately disclose Information regarding management and business activities, financial situation and performance without falsification of any form.

4. **【Provision of Appropriate Product Information】**

Provide accurate product and service information to customers and consumers.

5. **【Fraud early detection and prevention】**

Adopt measures to protect whistleblowers to ensure that workers can report act of fraud without fear of retaliation.

6. **【Protection of Intellectual Property】**

Respect and take due care of the intellectual property rights.

7. **【Protection of Personal Information】**

Appropriately protect all business-relevant personal information of your customers, suppliers, consumers, workers, etc.

Designated Special Characteristics

Suppliers will ensure compliance with all Armada requirements for designation, documentation and control of special characteristics and to provide documented evidence when requested.

Armada Special Characteristics Defined:

D = Safety Function

CC = Critical Characteristic (Safety or Critical Function)

Requires: Monitoring during production runs through SPC
(i.e., Control Charting)

SC = Significant Characteristic (Fit / Form / Function)

Requires: Evidence of capability annually

Criteria for Workmanship

Where the results of a process cannot be measured using gages, tools, test and measuring equipment and the output cannot depend on the skill of the supplier, Armada is to be consulted in establishing a criteria for workmanship. This will include the creation of approved samples that will be used to gain a common understanding of what is Acceptable and Unacceptable. All Approved samples must have a date attached and the signature of the Armada Quality Manager.

2.9 LAYOUT INSPECTION

Suppliers will be required to submit annual PPAP's to Armada. When layouts are required, these are to be submitted as part of the PPAP process. Any layouts obtained through the use of an external measurement / test facility must provide evidence of compliance to ISO 17025.

2.10 MEASUREMENT TECHNICAL DATA

When requested and to the extent available, the supplier will provide technical data pertaining to applicable measurement devices as evidence of the validity of the measurement method.

2.11 NONCONFORMING MATERIAL

Upon receipt of product that does not meet specified requirements, Armada will place the suspect product on hold and dispatch a Supplier Non-Conformance Report (QF-621) to the offending supplier. The emphasis is on the supplier to contact the appropriate Quality Engineer (as identified by the SNCR) for direction.

Armada expects a fast response policy by the supplier in cases of nonconforming product. Fast response is defined as same day response. Armada will contain suspect product and avoid usage where possible; however, in some circumstance 100% inspection by Armada personnel may not be avoidable. In these cases, a line slow down charge may be applied.

Sorting Options and Penalties

There are four options available to suppliers when dealing with the review and sort of nonconforming product:

- Supplier provides replacement stock and removes or has removed suspect material
- Supplier provides sorting personnel to review suspect product
- Supplier provides a Third-Party sort at the supplier's expense
- Armada sorts suspect product (\$30.00 / hr) at the supplier's expense

Armada does not penalize first time offences (based on non-conformance type) with administration fees. However, repeat offences will be subject to a \$250 administration cost.

2.12 CORRECTIVE / PREVENTIVE ACTION

Suppliers will be required to provide corrective action as directed by the Armada Quality Engineer. The 8D or 7-Step methodology is the default template for corrective actions. If the supplier requires a corrective action template, please contact Armada and one will be forwarded.

Note 2: All corrective actions are to be forwarded to the Armada Quality Management – Quality Manager or Quality Engineer

Corrective Action Timing

Upon receiving a Supplier Non-Conformance Report, suppliers will provide containment results and actions within 24 hours of receipt of issue.

Suppliers will provide initial root cause analysis (Step 4) within 5 days of receipt of issue. If root cause analysis cannot be determined before 5 days, an action plan with timing and responsibility must be forwarded as an attachment.

Suppliers will provide final corrective / preventive actions within 15 days of receipt of issue. If final corrective / preventive actions cannot be completed within the allotted 15 days, then an action plan with timing and responsibility must be forwarded as an attachment.

Armada will be afforded the right to periodically review and verify any requested corrective / preventive action at the supplier's premises.

2.13 PACKAGING AND DELIVERY

Packaging

Suppliers will ensure that all products destined for Armada are packed correctly and are contained within the appropriate packaging.

Returnable Packaging

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If Armada supplies returnable packaging, the responsibility is with the supplier to communicate back to Armada if any packages are lost, damaged or deemed unfit for use.

Note 3: Do not deface returnable packaging.

Labelling

Supplier is expected to comply with AIAG Shipping Labels (see attached). Labels should be affixed to the shrink wrap or bin tag. Labels should not be attached to returnable packaging.

Delivery

The supplier will establish and maintain systems that will support 100% on-time deliveries that meet Armada's production and service requirements. If a supplier does not meet or misses a ship window, a [Supplier Action Plan](#) (SAP) (PRF-007) may be issued. Upon receipt of an SAP the supplier will provide corrective action, which is to be forwarded to the Armada Production Planner within 24 hours of receipt of issue.

The supplier is expected to establish and maintain a process to evaluate adherence to established Armada lead-time requirements.

Electronic Communication

If the supplier does not have a computerized system for receipt of Armada planning information and ship schedules, they must receive a written waiver from the Armada Plant Manager absolving them of this requirement.

Supplier must provide alternative methods of communication prior to receipt of waiver.

Shipment Notification System

If the supplier does not have a computerized system for on-line transmittal of advanced shipment notifications (ASN's), they must receive a written waiver from the Armada Plant Manager absolving them of this requirement.

Supplier must provide alternative methods of notification prior to receipt of waiver.

Shipping Identification

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Supplier is expected to assign a unique lot code to each lot produced. The lot code will be included on each container identification label or tag.

3.0 SUPPLIER RATING SYSTEM

3.1 SUPPLIER RATING

A key element in Armada's march towards achieving excellence is the goal of continual improvement

Armada will provide a [Supplier Rating](#) (QF-140) to each supplier once per quarter at a minimum. Outside processing suppliers will be sent out monthly.

4.0 APPROVALS

SIGNED BY:	DATE:	SIGNED BY:	DATE:
CEO			
SIGNED BY:	DATE:	SIGNED BY:	DATE:
Quality Manager		Purchasing Manager	