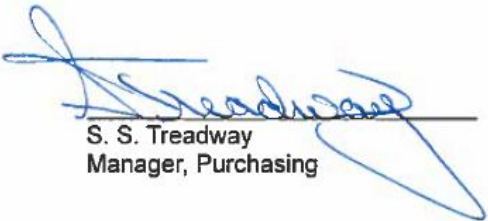


SUPPLIER HANDBOOK	
Author: Purchasing	Issue Date: July 8, 2015
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APPROVAL SIGNATURE PAGE


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REVISIONS

REV	DATE	CHANGE DESCRIPTION	RELEASE DATE
NC	07/17/09	New	8-5-09
A	09/03/09	Refer to 7.4.1(A)	9-9-09
B	09/18/09	Refer to 7.4.1(B)	10-21-09
C	08/31/11	Refer to 7.4.1(C)	9-1-11
D	04/26/12	Refer to 7.4.1(D)	5-21-12
E	10/29/12	Refer to 7.4.1(E)	11-09-12
F	10/22/13	Refer to 7.4.1(F)	10-30-13
G	06/16/15	Refer to the following revision page	7-8-15

REVISIONS

PARAGRAPH	CHANGE DESCRIPTION
	<p>NOTE: This revision is required to support the recent change to Form 1135(AM) that eliminated Form 1707, which was accomplished in response to STAR QN 16908.</p>
Throughout Document	<p>Is: UPCO Buyer Was: Buyer</p> <p>Corrected various references to UTC, UTAS and/or UPCO throughout the document.</p>
Section 2	Revised to make the UPCO Buyer the supplier's primary point of contact at UPCO, eliminating UPCO Supplier Quality and the UPCO ITC office as alternate contacts.
2.(a) Note	<p>Is: ...phone number and email address... Was:phone and fax numbers...</p>
2.1	Updated website links to current sites in use and the instructions for use of the websites.
3(a)(2)	<p>Is: UTC Standard Terms and Conditions of Purchase... Was: UTAS Standard Terms and Conditions of Purchase...</p>
5.1(a)(3)	Deleted paragraph referencing UPCO FAI Form 1707, which is being deactivated and will no longer be available to suppliers.

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1. INTRODUCTION

1.1 Purpose

- (a) The purpose of this handbook is to familiarize the supplier with the general requirements and expectations in regard to business transactions between UPCO and its suppliers. The requirements defined in this standard are designed to ensure that the supplier will achieve continuously improved quality, increased productivity, lower costs and most importantly -- a **zero defect** product.
- (b) In pursuit of these goals, UPCO emphasizes the following general practices:
 - (1) UPCO considers each supplier a critical part of our multi-disciplinary team approach to quality.
 - (2) UPCO is committed to building a partnership with each supplier.
 - (3) UPCO relies on excellent performance from each supplier.
 - (4) UPCO depends on total commitment to quality from each supplier.
- (c) UPCO is committed to design, manufacture, test and sell reliable, high quality products to support our customer's requirements. To achieve our goals, our suppliers must have the same dedication to quality and continuous improvement.

1.2 Scope

- (a) This handbook details the minimum requirements for suppliers who intend to maintain a business relationship with UPCO. The document is applicable to all suppliers providing raw materials, components, subassemblies and/or processing to UPCO.
- (b) This document is designed to:
 - (1) Enhance "two-way" communication
 - (2) Assist suppliers in understanding and complying with UPCO requirements.
 - (3) Reduce nonconformance, whether hardware, processing and/or documentation related.

READ, BECOME FAMILIAR WITH, AND USE THIS HANDBOOK.

2. COMMUNICATION WITH UPCO

- (a) Each UPCO supplier shall observe the following restrictions when communicating with UPCO:
- (1) The UPCO Buyer is the primary point of contact for supplier communications.
 - (2) For issues dealing with the Purchase Order, contact the Buyer.
 - (3) The Supplier should not accept any changes to Purchase Order requirements unless authorized in writing by the UPCO Buyer.

NOTE: UPCO Buyer's name, phone number and email address are on the Purchase Order forms.

2.1 UTC/UTAS Supplier Websites

- (a) Suppliers should use the UTC and UTAS supplier websites to find:
- (1) Supplier Quality Assurance Requirements ASQR-01 and documents referenced therein
 - (2) PART A and PART B Clauses of UPCO Form 1135 listed on page 1 of the Purchase Order
 - (3) FAR flow downs
 - (4) The UPCO parts identification standard called out on our drawings
 - (5) Terms & Conditions
 - (6) Supplier Request for Waiver Form 1928
- (b) To find UTAS supplier resources (UPCO QA Clauses, UPCO Terms and Conditions Addendum, etc.), open the UTAS external website www.utcaerospacesystems.com, then:
- (1) Click on the "**suppliers**" link that is located at the top of the web page
 - (2) Click on the "**Supplier Documents**" link on the right side of the web page
 - (3) Expand the list of document types by clicking the arrow next to "**Interiors – Propulsion**"
 - (4) Expand the document list by clicking the arrow next to the desired document type
 - (5) Open the desired document by selecting the appropriate link

- (c) To find UTC Standard Terms and Conditions, UTAS Supplier Quality Assurance Requirements documents and forms, or the UTC Conflict Minerals Policy, open the UTC external website www.utc.com, then:
- (1) Click on the "**suppliers**" link that is located at the top of the web page
 - (2) Click on the appropriate link on the left side of the web page for the desired document type
 - (3) Open the desired document listed in the center area of the page by selecting the appropriate link

2.2 Aerovantix Supplier Portal

<https://www.aerovantix.com/Login/LoginPage.asp?toPage=Home.asp?topicId=&levelId=1&pTopicId=&rootParentId=&rootLevelId=1userId=>

- (a) Suppliers are to use the Aerovantix Supplier Portal to monitor and/or appeal purchase order due dates as they relate to the supplier's delivery performance (OTD). Reference Paragraph 9.
- (b) Contact the UPCO Buyer for instructions on how to access and set up an account in Aerovantix, and for general instructions on its use.

3. PURCHASE ORDER PACKAGE

- (a) All terms, conditions and PO requirements (technical and non-technical) are established by the purchase order package documents. Requirements are contained in the following references:
- (1) UTAS drawings and specifications.
 - (2) UTC Standard Terms and Conditions of Purchase, the Universal Propulsion Company Inc. Addendum, and the U.S. Government Provisions and Clauses for Orders under U.S. Government Contracts for fixed price purchase orders.
 - (3) Specific Quality Assurance Clauses, Form 1135.
- (b) Suppliers must comply with the exact quality clauses called out on each purchase order, which are the specific requirements that apply to that order.

NOTE: All quality clauses contained in Form 1135 Part A are applicable on ALL purchase orders with inspection requirements!

- (1) Order of precedence for purchasing documentation:
 - Purchase Order
 - Terms & Conditions
 - Specifications
 - Drawing
 - (2) Unless otherwise specified in the Purchase Order Package, all supplied material and/or product shall be identified in accordance with UPCO Standard 4.2.1-1, Identification Marking.
 - (3) PO notes (Ensure that you read additional order notes as they may change periodically).
- (c) All Purchase Order requirements reflect contractual commitments of UPCO to its customers.
- (d) SHIP TO/ BILL TO Addresses:
- (1) Verify the **Ship To** address: Universal Propulsion Co., 3530 Branscombe Road, Fairfield, CA 94533.
 - (2) Verify the **Bill To** address: Goodrich Corp., FSS- Propulsion, PO Box 3022, Troy, Ohio 45373-7322

- (e) Contract Rating:
- (1) This is the government priority rating assigned to a UPCO contract as defined by the Defense Priorities and Allocations System (DPAS) under 15 CFR Part 700.
 - (2) “DX” rated P.O.s are first priority
 - (3) “DO” rated P.O.s are second priority
 - (4) “Unrated” P.O.s are third priority (otherwise known as Commercial)
- (f) If a DX rated job can be completed in time to meet the delivery date without rearranging shop priorities, then a DX rated job can be worked behind a DO rated job.

3.1 Drawings and Specifications

All design, material, and nondestructive test requirements, acceptance criteria, component specifications, and source controls are identified on the drawings and in the purchase order package.

4. SUPPLIER RESPONSIBILITIES

(a) The UPCO supplier **must** meet the following performance criteria as a minimum:

(1) Evaluate the scope of work and requirements at the request for quote (RFQ) stage.

NOTE: When providing a quote using existing stock from a prior order, the supplier **MUST** review the current requirements against the old stock, as requirements do change at UPCO. Prior accepted stock does **NOT** guarantee future acceptance. A waiver may be requested in these instances, but will have to be evaluated on a case-by-case basis by UPCO.

(2) Read and understand all requirements contained in the procurement package and contact the UPCO Buyer for clarification.

(3) Propose any exception to requirements and obtain written UPCO approval of exceptions **prior** to accepting the work.

NOTE: Verbal agreements are not binding. Do not acknowledge (accept) the purchase order if the specified requirements conflict with agreed upon exceptions. Instead, contact the UPCO Buyer to request a PO revision.

(4) Participate in Technical Review telecons as requested.

(5) Comply fully with all requirements when work is accepted.

(6) Provide status on orders as requested and deliver high quality hardware on schedule.

(7) As requirements may change per the UPCO customer or situations may arise in the production area, we may need to push out or pull in parts shipments and suppliers are expected to support this effort to the best of their ability.

(8) "Quality at the Source"- Fully comply with Clause 9 of Form 1135. This clause means **all** delivered parts will be compliant to the requirements of the PO package. We are not your substitute for inspection.

(9) Fully understand and comply with the following:

- Supplier Quality Assurance Requirements (UTAS ASQR-01)
- Quality assurance clauses (UPCO Form 1135)
- Engineering Documents listed in documents, drawings or P/O
- Technical requirements of drawings, etc.

- In accordance with International Trade regulations, non-US persons are not authorized to review technical data or perform work on highly sensitive EAR or ITAR controlled products without the prior written approval from the UPCO International Trade Compliance office.
- (10) Work with UPCO Supply Chain Management to implement Continuous Improvement into your facility.
- (11) In accordance with 22 C.F.R. Chapter 1, Subchapter M, Part 122, Suppliers must be registered with DDTC if they manufacture or furnish goods in support of a defense article. Defense articles are goods controlled by the ITAR. Commercial off-the-shelf products are exempt from registration. Commercial off the shelf are goods that are available to the general public. Registration instructions are identified in the ITAR. The DDTC website is <http://www.pmdtcc.state.gov/>. Suppliers must provide proof of registration each year.
- (b) UPCO suppliers are encouraged to make any recommendations which could reduce costs and/or improve our products. UPCO places high value on its supplier's expertise and ingenuity.
- (c) Suppliers will immediately notify UPCO in writing, of changes to their Quality System, management or ownership. Changes requiring notification include but are not limited to:
- (d) Change in location of facilities, processes or manufacturing equipment. Notification must be prior to relocation and with adequate time for hardware, system, and process re-qualification.
 - (1) Change in ownership, name changes, or change in senior company management.
 - (2) Change in quality leadership, system or controlled processes certification status, including suspensions or disapprovals.
- (e) **Work Transfer Program:** Suppliers are required to have a work transfer process in place and shall support the transfer of work to or from their facilities. This includes work transfers from one supplier manufacturing site to another. Suppliers shall also use their work transfer process when moving work from one of their sub-tier suppliers to another.
- (f) **Foreign Object Damage/Debris Prevention Program (FOD):** Suppliers are required to maintain a foreign object damage prevention program (FOD) in accordance with UTAS ASQR-01 Section 7.5.5 to assure the prevention, detection and removal of foreign objects during design, manufacture, assembly or shipping of an item. The supplier must maintain work areas and control tools, parts and products in a manner sufficient to preclude the risk of FOD incidents.
- (g) **Counterfeit Parts Prevention Program:** Suppliers must have a counterfeit parts prevention program. The purpose of this program shall be to prevent the delivery of counterfeit parts and control parts identified as counterfeit. Further guidance can be found in UTAS-ENG-PRO-0003-00, SAE AS5553 and/or SAE AS6174, as applicable.

5. QUALITY ASSURANCE

Quality requirements are developed to provide the necessary controls and types of data or records to support the acceptability of products supplied. The UPCO mechanism for flowing down quality requirements to suppliers is imposition of UTC Supplier Quality System Requirements ASQR-01 and the Quality Assurance Clauses of UPCO Form 1135. It is imperative for each supplier to know and understand the nature of quality assurance requirements.

- (a) Unless otherwise specified herein, Supplier Quality Assurance Requirements per ASQR-01 apply. This document defines the minimum supplier quality management system (QMS) requirements to qualify for UPCO's Approved Suppliers List (ASL) as an approved supplier.
- (b) Part specific quality requirements are requirements **in addition** to those contained in UPCO drawings.
- (c) The quality assurance clauses (UPCO Form 1135) establish specific quality requirements for each part and are referenced on purchase orders.

NOTE: The quality clauses can change for the same part from purchase order to purchase order. Thorough review of the requirements should always be done when shipping overage material.

- (d) Any deviation from the quality assurance requirements of UPCO Form 1135 and/or the purchase order may affect acceptability of hardware, and will affect the supplier rating and the supplier's potential for future purchase orders with UPCO.

5.1 Supplier Quality Assurance Requirements (UTAS ASQR-01)

Supplier Quality Assurance Requirements per ASQR-01, including all referenced sub-tier standards, apply to all approved suppliers with the following noted exceptions and/or additional requirements:

- (a) Para. 6.2.2 a) - Eye examinations are not required by UPCO.
- (b) Para. 7.4.3 2) – Raw material testing shall be conducted for each raw material source at intervals of 12 months or every 20th delivered lot, whichever occurs first.

5.2 Quality Assurance Clauses (UPCO Form 1135)

- (a) The Quality Assurance Clauses of UPCO Form 1135 must be read and understood by the supplier in order to evaluate the scope and cost of quality requirements. UPCO quality requirements are provided in the purchase order package as follows:
 - (1) It should be noted that the UPCO Form 1135 contains both a Part A and a Part B. As such, Part A must be adhered to with the same attention to detail as Part B.
 - (2) UPCO Form 1135 details the requirements indicating applicable controls and the types of data or records that may be necessary to support the acceptability of the supplier's product.

- (3) The quality assurance clauses are listed on the purchase order for each part number. These clauses are dictated in part by specific contractual requirements in effect at the time the order is placed. Therefore, a set of clauses for one part may not be the same for every order.
- (b) The requirements defined for each product apply only as specified in the individual purchase orders at time of placement.

5.3 UPCO and Customer Approved Processors

- (a) If any of Quality Assurance Clause 12A, B, C or D of UPCO Form 1135 are indicated on the purchase order, suppliers can use only Customer or NADCAP approved processors to perform special processes. UPCO does allow the use of UPCO surveyed heat treating facilities that are not NADCAP approved for process requirements per UPCO Standards 3.3.5-38 and 3.3.5-39, as well as for certain other processors / processes. These facilities are familiar with UPCO requirements, allow small batch sizes and provide generally quick turnaround times. Contact the UPCO Buyer for more information.
- (b) If UPCO customer approved processors are required, suppliers may access the Boeing Approved Processors List at <http://www.boeingsuppliers.com/d14426/index.html> or the Lockheed-Martin Approved Processors List (QCS001 Listing) at <https://sgm.lmaeronautics.com>.

5.4 Configuration Control

- (a) The purpose of supplier configuration control is to manage changes to UPCO products and their related approved documentation to maintain product reliability, performance and quality. Configuration control begins at contract award, using the product configuration identification items prescribed by UPCO, and continues throughout the life of the product.
- (b) Each UPCO supplier must know and understand the nature of the following configuration control supplier requirements:
 - (1) UPCO controls the configuration of its products and their components by revision letter as listed on the PO.
 - (2) This policy also applies to all documents, specifications and standards (UPCO, military, federal and industrial) and the latest revision is to be used unless listed in the purchase order package documents.
 - (3) The engineering Document Listing, if provided as part of the purchase order package, establishes configuration baseline by revision letter of the applicable drawings, specifications and standards.
 - (4) Any deviation from the configuration control requirements of the purchase order package may affect acceptability of hardware, and will affect the supplier's rating and the supplier's potential for future purchase orders with UPCO.
- (c) Some aerospace contractors are very stringent in their flowdown of specifications, revisions and accompanying paperwork and peruse each certification package for possible errors or omissions. We must make every effort to assure all documentation is accurate and complete. It is therefore important to adhere to the following requirements:

- (1) Supplier to mark on all accompanying certifications and all accompanying documents with the appropriate P/O number, part number and revision letter, N/C if applicable.
 - (2) All specifications must have a revision letter noted, N/C if applicable.
 - (3) All specifications must match the drawing notes verbatim. Specifications that supersede the specification on the drawing will not be acceptable unless noted on purchase order or authorized by an approved deviation (waiver) request, Form 1928.
- (d) As noted on all UPCO Purchase Orders, if the required specification is superseded by another specification, notify your UPCO Buyer at the Request for Quote stage. We may be able to allow the use of the superseding specification, depending on our customer. If an exception is made by UPCO, obtain the approval in writing and attach to the certification package.
- (e) If the obsolete process is no longer available, then we must put the burden on our customer for direction. It is not acceptable to process at the current specification and certify to the old specification. You must meet all the requirements of the required process noted on drawing.
- (f) We strongly advise you develop a procedure or checklist that will capture these errors before material is shipped. Also, if the obsolete specifications are no longer available it will force our customers to consider revising their requirements. On the other hand, if we continue to "work around" this problem, we will always have waste. If we work together we can resolve this recurring problem.

6. UPCO RECEIVING INSPECTION

Upon receipt of hardware at UPCO, the following activities will be performed by UPCO quality assurance personnel:

6.1 Certification/Data Evaluation

Evaluation of all paperwork for adequacy and completeness.

6.1.1 Corrected Paperwork / Certifications

- (a) The receipt of incorrect or erroneous certifications from suppliers is cause for rejection and will be documented on an UPCO Quality Notification (QN). Such rejection of certifications will affect the supplier's quality performance rating and supplier corrective action (SCAR) may be requested.
- (b) When an error is discovered in the certification package once it has been sent to UPCO and a correction is required, all corrections will state the before and the corrected condition and be dated. Corrections required by the supplier's processor(s), will require the correction to be done by the processor and a new certification to be issued meeting the above conditions.

6.1.2 Certification Package After Rework

Most parts undergoing a rework process should have an additional statement on the General Certificate of Conformance stating exactly what work was performed. If the part was replaced instead of reworked, the certification package should clearly state this. Any processing required due to rework (brush alodine as an example), must have an accompanying certification and should also be listed on the Certificate of Conformance. UPCO will ship the original paperwork back with the parts for rework. This paperwork along with a new Clause 9 Certificate of Conformance should be returned with the parts after rework or replacement.

NOTE: Deliveries of parts without required cert packages can result in the parts being returned to the supplier at their cost, along with a request for corrective action.

6.2 Product Inspection

Physical inspection of the incoming shipment per the following guidelines:

- (a) Products source-inspected at the supplier's facility will be examined for quantity and shipping damage. This includes products accepted by delegated representatives of Certified Suppliers in accordance with UPCO Standard 8.1.67.
- (b) All other products will be inspected for compliance with applicable purchase order package documents.

6.3 Disposition of Nonconforming Material

(a) Nonconforming products will be dispositioned by UPCO Quality as follows:

- (1) Return to Supplier: Products are returned to the supplier and are expected to be replaced with ones that conform to all the requirements as stated in the procurement package (the supplier may rework the product if it is determined that through reprocessing it will become totally conforming). The supplier should note on the Certificate of Conformance if the part was reworked or replaced as this will determine UPCO's sampling plan.

NOTE: When return authorization (i.e., RMA, etc.) is required by the supplier, typically UPCO will request authorization via e-mail request. If, after two (2) days the supplier has not provided return authorization, UPCO will proceed to return the product without that authorization in accordance with Quality Clause Form 1135 Part A, Clause [E].

- (2) Rework at UPCO: If in the judgment of UPCO, the product can be made conforming through reprocessing, and it is to UPCO's advantage to perform the work at UPCO, the product will be reworked at UPCO using UPCO planning and resources. There may be a cost impact to the supplier with this disposition. Any cost impact will be negotiated by the UPCO Buyer.

- (3) Use As Is: If in the judgment of UPCO it may be to UPCO's advantage to use the product in spite of the nonconforming characteristic, the condition is referred to the Material Review Board (MRB) for evaluation of the impact and consideration of using the item as it is. Any cost impact will be negotiated by the UPCO Buyer.

(b) All submissions to the MRB require statements of root cause and corrective action. Supplier root cause and corrective action is requested by UPCO Quality on the applicable waiver submission form 1928. Decisions to use nonconforming products may need to be approved by UPCO customers. Products submitted to the MRB are not normally returned to the supplier unless the MRB determines that it would not be in UPCO's interest to use the nonconforming products, or the supplier needs to examine the product to determine the cause of, and corrective action for, the nonconforming conditions.

7. STATISTICAL PROCESS CONTROL

- (a) Whenever UPCO Form 1135, Clause 13C, Statistical Process Control (SPC), is imposed by the Purchase Order, suppliers are required to comply with the following requirements, as a minimum:

NOTE: UPCO's requirements call for SPC data on critical manufacturing processes and characteristics. Suppliers will apply SPC methods to provide statistical control of the process and to reduce the variability of the process output, and ultimately improve product quality and reduce cost. Suppliers should strive for continuous improvement on all dominant characteristics.

- (1) Provide training in SPC methods to employees involved with recording and charting SPC data.
 - (2) Provide gage repeatability and reproducibility (R & R) studies on all measuring instruments used to collect SPC data. The GM Long method is preferred. The R & R must be 30 percent or less. For all gages listed on charts submitted to UPCO, a gage R & R study must be on file at UPCO, or accompany the charts.
 - (3) Collect and chart SPC data as parts are being produced (real time), using appropriate SPC charts and techniques. Variable data is required, however, with prior approval, attribute data may be acceptable for some limited applications. X-Bar and R charts are the preferred chart for variable data. A Cpk of 1.33 or greater is required on all critical characteristics. In most cases, critical characteristics will be jointly agreed upon by UPCO and the supplier, however, UPCO reserves the right to determine critical characteristics independently.
 - (4) Submit SPC charts for all critical characteristics with each shipment of hardware.
 - (5) Provide a corrective action plan to improve any process that is not in statistical control. This plan is required before additional orders will be placed.
- (b) UPCO is committed to working with each supplier to develop statistical methods for improving performance in order to meet our goal of providing high quality product to support our customer's requirements.

8. UPCO CORRECTIVE ACTION REQUIREMENTS

A corrective action would be initiated and performed as follows:

- (a) UPCO discovers a nonconformance or the supplier has recurring poor performance for quality and/or delivery.
- (b) UPCO Quality Assurance evaluates the nonconformance and notifies the supplier of nonconforming material received, requesting corrective action when required.
- (c) When corrective action is required, a SCAR (Supplier Corrective Action Request) will be sent to the supplier requesting cause and corrective action.
- (d) An Immediate Correction (containment) response is required within 48 hours of receipt of a corrective action request.
- (e) Full RRCA responses are required within 15 days, or with the returned parts, unless otherwise coordinated with UPCO's Supplier Quality Engineer.
- (f) UPCO requires supplier response to **all** SCARs submitted for processing from our Supplier Base. With each SCAR submitted; UPCO will provide a SCAR response processing procedure that outlines the expected content for each SCAR response.

9. UPCO SUPPLIER PERFORMANCE RATING SYSTEM

UPCO's policy is to work with its suppliers to establish a partnership, with the goal of procuring quality parts on schedule and with the appropriate certifications. To this end, UPCO monitors supplier quality and delivery performance at regular intervals and audits, evaluates, rates and approves suppliers. UPCO purchases material only from approved vendors who maintain a record of acceptable on-time deliveries.

9.1 Delivery Performance

- (a) Suppliers are responsible for their delivery performance and are expected to monitor their performance on a daily basis in the Aerovantix database. UPCO monitors and reports On-Time Delivery (OTD) performance on a monthly basis for all approved suppliers using Aerovantix. Suppliers will have until the 2nd business day of the month following the month that a line item was due to appeal any delivery data reported in Aerovantix. After that, the data will be "locked down" and adjustments will not be permitted.
- (b) The Due Date is the date tracked for monthly OTD performance, so it is important for the supplier and the UPCO Buyer to agree on this set date on the Purchase Order (PO). This date is the date when UPCO expects parts to be on its Receiving Dock, not the date the supplier ships out parts from their facility. If you drive your system by your ship date, verify that the Due Date on the Purchase Order includes shipping time. This is especially important for long distance truck shipments that can be over 5 days.
- (c) The acceptable delivery window for parts to be considered on-time will be receipt in-full of parts or services no more than seven (7) calendar days early to zero (0) days late to the PO due date. Exceptions for acts of God (i.e., earthquake destroys building, lightning strike burns building down, etc.), or other situations beyond supplier control will be taken under consideration.
- (d) Please understand that if you call the UPCO Buyer with a "pushed out" date due to your production schedule slippage, this does not mean that the PO Promise date automatically gets reset. You may need to negotiate with the UPCO Buyer for the date to be changed.
- (e) Per our Terms & Conditions, shipments that are more than seven (7) calendar days **early** to the due date may be returned at your cost if prior arrangements were not made with or requested by the UPCO Buyer. Early delivery negatively affects your monthly OTD performance score.
- (f) Partial shipments are not counted as on-time unless the UPCO Buyer agrees to the change in delivery quantity and updates the purchase order delivery line. Further, any line items that are undelivered in the month that they are due (line items in arrears) will be carried forward in successive months performance scoring until the line item is delivered.
- (g) A report may be sent to the Supplier in the form of a Supplier Scorecard. Reference Section 10. Additionally, monthly OTD performance is factored into each Suppliers calculation of "Value" as a UPCO Supplier.

9.2 Quality Performance

- (a) UPCO's Supplier Quality Performance Rating System assists UPCO in maintaining records of material receipts and keeping track of the quality of the received material, and whether the proper certification package was received with the material. UPCO publishes an internal monthly Supplier Quality Performance Rating Report. A report may be sent to suppliers in the form of a Supplier Scorecard. Reference Section 10.
- (b) Supplier Quality Performance is based either on defective parts per million (DPPM) or total number of escapes, depending on the projected number of parts shipped annually. Reference Section 10.(c)(2).

10. SCORECARDS

- (a) Supplier Scorecards will measure suppliers on 2 metrics, quality and delivery performance. At a minimum, scorecards will be sent to suppliers that have been selected to participate in the UTC ACE Supplier Gold Program. However, UPCO may select additional suppliers to receive scorecards at its discretion for any reason and at any time.
- (b) Scorecards will be issued electronically no later than the 5th working day of the month.
- (c) Suppliers will have five (5) business days to appeal their reported quality score and to provide objective evidence supporting why they think their quality score should be changed. After this five (5) day period, no adjustments will be made to the Scorecard quality ratings. Adjustments to delivery performance (OTD) ratings are to be performed on an on-going basis in accordance with Section 9.1(a) and will not be adjusted on Scorecards.
- (d) The performance metrics will be scored as defined below. Each metric (delivery and quality) and the overall composite rating will be individually color coded to indicate level of performance:
- (1) **Green (Performing):** successful level of performance.
 - (2) **Yellow (Progressing):** cautionary level of performance.
 - (3) **Red (Underperforming):** unacceptable level of performance.
- (e) The following defines each metric and color score.
- (1) Delivery Performance: Delivery (OTD) performance will be monitored monthly, and is calculated as a percentage based on the total number of deliveries received on-time in full divided by the sum of the number of deliveries due plus the number of line items in arrears for that reported month. Each month, as the current performance data is entered into the scorecard, there will be an update to the rolling six (6) month total for on-time delivery.
 - Green - 95-100%
 - Yellow - 85-94%
 - Red - ≤85%
- NOTE: Corrective Action may be requested for individual deliveries that fall into a ±15 day range, or for a supplier's monthly delivery performance in the red or yellow (≤94%). A request for formal corrective action will be sent out from UPCO Supply Chain and the supplier is required to respond on what caused the late delivery and how they will prevent the issue from occurring again.

- (2) Quality Performance:
- (a) For high volume suppliers (>10,000 pc supplied annually), quality performance will be reported as defective parts per million (DPPM) for the previous six months and calculated as follows: $(\text{qty rejected} / \text{qty received}) \times 1,000,000$
- (b) For low volume suppliers (<10,000 pc supplied annually), quality performance will be calculated monthly and reported as the total number of escapes for the previous six months.
- Green - ≤ 500 DPPM or ≤ 5 escapes
 - Yellow - 500 – 1500 DPPM or 6-14 escapes
 - Red - ≥ 1500 DPPM or ≥ 15 escapes
- (3) Current Performance Status: This is the overall Scorecard rating and is a composite of the supplier's rolling six (6) month delivery and quality performance.
- Performing – both delivery and quality performance are green
 - Progressing – lowest rating between delivery and quality performance is yellow
 - Underperforming – lowest rating between delivery and quality performance is red

11. WATCH LIST

The Watch List is used by our Supply Chain department to share supplier performance data across all divisions of the UTAS Interiors business unit. If a supplier's performance has the potential to affect production at a UTAS facility or is affecting customer delivery, they can be put on the Watch List for close monitoring and reporting within our Supply Chain organization. Action items for a Sustainable Improvement Plan (SIP) will then be developed by the Supply Chain focal to help improve supplier performance and will be monitored to completion.

12. CONTINUOUS IMPROVEMENT PROGRAM

The entire UPCO Supply Chain is focused on expanding the knowledge of Lean Manufacturing and Continuous Improvement (CI) with our suppliers. This can be done by identifying problems or opportunities for improvement and working with UPCO to hold CI events at your facility or ours. CI events can include 5S training and implementation, Process Mapping a problem area or function (administrative or production) to make improvements in a 1 or 2 day event or a full Kaizen (4-5 day) for process improvement. Some other tools that we can use are time studies, visual controls, developing standard work, percent load charts to distribute work and calculating product cycle time against the customer need (Takt Time). Contact our Supply Chain group for discussion on how to set up training and events.

13. REACH

- (a) REACH (the **R**egistration, **E**valuation, **A**uthorization and Restriction of **C**hemical substances) is a European Community Regulation on chemicals and their safe use (EC 1907/2006). It became effective on June 1, 2007.
- (b) The stated aim of REACH is to improve the protection of human health and the environment through the better and earlier identification of the intrinsic properties of chemical substances.
- (c) REACH requires:
 - (1) registration of all chemical substances manufactured, imported into and/or used in the European Union;
 - (2) evaluation of the safety of these substances and their use;
 - (3) declaration of information regarding these substances and their safe use; and
 - (4) registration and authorization for use of certain chemicals: Substances of Very High Concern (SVHCs).
- (d) More complete information on REACH is available at:

http://ec.europa.eu/environment/chemicals/reach/reach_intro.htm