

Acme Industrial Company

SUPPLIER APPRAISAL PROGRAM

PURCHASING MISSION STATEMENT

The Acme Industrial Management Team is committed to optimizing our company's ability to impact the overall success of our customers as well as our ability to attain the financial and profit goals communicated by Senior Management. We will do this by identifying and doing business with those suppliers who will provide quality parts and services in a timely manner, and at a price that enhances our overall profitability. Our supplier base is driven to help us satisfy the needs of both our external and internal customers. We will conduct our activities with honesty and integrity.

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Supplier Categories

Certified Supplier

Suppliers in this classification are Acme Industrial's best suppliers. Not only do they meet or exceed our quality and delivery goals, they also support Acme Industrial through flexible scheduling, aggressive lead times, and controlling costs for the benefit of both parties. Certified suppliers are our partners and growth with these suppliers will be encouraged.

Approved Supplier

Suppliers in this classification are Acme Industrial's qualified suppliers. They usually meet our quality and delivery goals and normally support Acme Industrial through flexible scheduling, aggressive lead times, and controlling costs for the benefit of both parties. An approved supplier is encouraged to strive to become a Certified Supplier in the future. Suppliers in use prior to implementation of ISO program at Acme are considered approved, completed surveys and/or certifications may or may not be on file for these suppliers. These are identified on the approved supplier list as "in use" under type of qualification. Suppliers that have received the survey but have not yet responded are considered approved, they are identified as approved* on the approved supplier list.

Probationary Supplier

Suppliers in this classification are either new to Acme Industrial or on probation because of performance issues. Purchasing will control the growth of business with suppliers in this classification.

- **New Suppliers** – Acme Industrial expects that within 6 to 12 months (or the on-time delivery of defect free products in the first three shipments), a new supplier will consistently meet the expectations of the Approved Supplier category. If the supplier does not perform at, or above those levels, Acme Industrial may begin resourcing the product or service.

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- **Existing Suppliers** – Any supplier having significant and/or continuous performance problems will be placed in this classification with appropriate corrective action required. This may result in resourcing the product or service. Acme Industrial reserves the right to resource to an alternative supplier at any time. In the event that a probationary supplier is a “unique supplier”, where the product or services are not available from other sources, Acme reserves the right to continue to utilize this supplier.

Rating System:

Only critical suppliers are rated. Critical suppliers are either single source, high volume, or otherwise deemed by Purchasing, in conjunction with QA, to be necessary to provide high quality parts or services on time. They are identified on the ASL by having a (C) after their scope of approval.

Each of the identified critical suppliers is rated quarterly both on Quality and On Time Delivery. The following outlines the rating guidelines:

195-200 points: Excellent
190-194.9: Good
185-189.9: Marginally Acceptable
Below 185: Needs improvement.

Scores will be calculated and detailed scorecards will be sent to the supplier. If a supplier falls into the “needs improvement” category, a letter will be sent to the supplier informing them of their rating and asking them for a development plan to increase their score. A copy of this letter will be maintained on file to document the actions taken. Acme will work with the supplier to help develop a plan if requested. Any “Needs Improvement” rating for 2 consecutive rating periods may trigger a formal corrective action response per Acme policy. This will be determined by the Supplier Appraisal Team during the quarterly review meetings.

We expect absolute quality in the products we receive from our suppliers. A record of all quality concerns is maintained. We will track incidents of Non-conforming lots for purchased parts or services

Delivery

It is required that product arrive 100% on time. Delivery window is the date agreed to by the supplier for items purchased complete. Outside services delivery window is due on the date agreed to by the supplier.

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These performance indicators are monitored throughout the year by Production Control and Quality Assurance. As needed, corrective action may be requested. Where a downward trend shows, the supplier may be removed from the Approved Supplier List and placed on the Probationary Supplier List until issues have been resolved.

Administrative Support

We require all suppliers to help us sustain a competitive advantage. Supplier innovation and support of existing programs are essential to our success. The following areas are representative of the expected administrative support from our supply base:

- Technical Support of existing and new materials.
- Cost reduction ideas. We expect our supply base to be aggressively pursuing legitimate alternatives that will provide both processing and material cost reductions.
- Accounting/Payment terms support.
- Availability of key personnel. This includes technical, customer service, sales and financial individuals. Is your company in full support of Acme Industrial?

Corrective Action

Corrective Action will be as follows:

- 1st complaint may prompt verbal communication and Action Request (AR).
- Repeat complaints, may prompt written Action Request.

It is important that nonconforming product have prompt resolution communicated to Acme Industrial.

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Failure to comply or continued non-improvement may result in:

- Rescinding Approval status
- If delivery is the problem, supplier absorbs all premium freight.

Supplier Development

At the request of the supplier, Acme Industrial will provide implementation of subcontractor development with the goal of subcontractor compliance to ISO 9001 or using ISO 9001 as their fundamental quality system requirement. As a subcontractor to Acme Industrial we are requesting your company follow the guidelines specified under the ISO 9001 Quality Management System Requirements or other recognized standard.

We reserve the right to onsite verification of your quality processes and product validation. If you object to our right to verify, please provide written justification for your position. This may jeopardize your approval status.

Receiving Inspections

Acme Industrial performs Receiving Inspection as required in AS9100 and our Quality System. The entire lot of purchased material may be rejected if any nonconforming material is found. These items will be defined by the Quality Department. The Quality Department may issue a request for Corrective Action and authorization for sorting, reworking or returning the parts to the subcontractor.

Summary

Acme Industrial recognizes our success is dependent upon the valuable contributions made by our suppliers. Only through effectively communicating our needs to our suppliers will we be able to develop a relationship that allows us to move forward together. Our objective with the Supplier Appraisal Program is to enhance this relationship.

The Supplier Appraisal Program will continue to develop and change over time and we welcome your suggestions to help us improve upon it.

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The procedures and evaluations described herein are guidelines for developing successful business relationships, however, Acme Industrial retains sole discretion over guaranty of present or future business.

Approved by: Joe Liautaud, Quality Manager

Date: 9/10/20