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# SUPPLIER HANDBOOK

Effective May 27, 2015

# **Supplier Quality**

## **Introduction**

The Marley Engineered Products (MEP) / Marley Engineered Products, Shanghai (MEPS) Supplier Quality Manual has been prepared for two purposes. The first objective is to outline the requirements for becoming a supplier to MEP/MEPS, including forms and approval steps that will commence once a company is determined to be a potential supplier of materials to MEP or MEPS. The second objective is to assist the supplier in understanding the quality requirements for products and/or services supplied to MEP/MEPS, and outline the methods we will use to evaluate the performance of each supplier.

The ultimate goal is to provide a uniform method for supplier communication, regardless of location or commodity supplied

We encourage all suppliers to adopt an expanded Quality Management system that is effective in ensuring the correct direction of the company, as well as maintaining a strong degree of customer satisfaction. With this document we are outlining a fundamental “core” Quality Management system we believe is necessary to achieve success in the future marketplace, and adoption of these fundamental items will be a requirement to be a supplier to MEP/MEPS.

It is understood that each supplier works on the continuous improvement path at different speeds, however we believe that there are certain requirements and benchmarks that are critical to the success of our company at the present time. These items have been outlined for measurement and analysis, and compliance with them is an expectation.

If there are any questions to the requirements or requests outlined in this manual, please contact your Marley Engineered Products representative.

Sincerely,

**Jeff Stabell**  
Supplier Quality Engineer

**Angela Godwin**  
Sourcing Manager

# **Table of Contents**

## **Section I      Supplier Selection**

- 1.1 Supplier Selection Guidelines
- 1.2 Supplier Quality System Survey
- 1.3 Marley Terms and Conditions

## **Section II     Supplier Quality Requirements**

- 2.1 First Article Sample Submissions
- 2.2 Material and Chemical Certification
- 2.3 Restriction of Hazardous Substances (RoHS)
- 2.4 Certification of Product Liability Insurance
- 2.5 Non-Conforming Material (DMN)
- 2.6 Corrective Actions
- 2.7 Warranty Expectations
- 2.8 Confidentiality Agreements
- 2.9 C-TPAT and International Trade Agreements

## **Section III    Supplier Ratings**

- 3.1 Supplier Rating System
- 3.2 Category Scoring and Analysis
- 3.3 Key / World Class Supplier
- 3.4 Preferred Supplier
- 3.5 Approved Supplier
- 3.6 Provisional Supplier
- 3.7 Probationary Supplier

## **Section IV    Revision History**

## **Section V     Attachments**

# ***Section I***

## ***Supplier Selection***

## **1.1 Supplier Selection Guidelines**

Suppliers to Marley Engineered Products will be selected based on their ability to meet the need of Marley in a consistent, reliable, cost effective, and continually improving manner.

Purchasing will recommend potential suppliers based on:

- Financial Stability
- Quality Standards / Processes
- Manufacturing Capability
- Engineering / Technical Capabilities
- Information Systems Capabilities
- Technological Position
- Total Cost Position
- Market Position

Additionally, for bidding on new business, an existing supplier must be considered in good standing. A supplier in good standing must not have had 4 or more Defective Material Notices (DMN's) in the most recent last 6 month period.

Attachment A is a flowchart that outlines the steps that we will follow to move from "potential" to realized supplier of commodities or services.

A sample of the New Supplier Review form is attached to illustrate the information we will be seeking from each supplier being considered. This form (P-001 – attachment B) will be used as the initial step to approve potential suppliers. Cross-functional approval is required at MEP/MEPS before goods may be ordered from a potential supplier.

MEP/MEPS reserves the right to perform a Supplier Quality Survey, as recommended by Purchasing, within 12 months of being recommended as being a potential supplier. Please contact your MEP / MEPS Quality Representative for the survey, or log on to

<http://mepinfonet.marleymep.com/supplier/>  
(If sign-in required)  
User name: mepsupplier  
Password: Mep123 (case sensitive)

Refer to the applicable Long term Agreement (where applicable) for additional information concerning supplier expectations, liabilities, and performance specifics.

## **1.2 Supplier Quality System Survey**

All suppliers of materials for MEP may be surveyed to a defined standard determined to be adequate to MEP. Suppliers who are able to achieve and maintain a formal accreditation to a recognized standard (ISO9000, QS9000, TS16949, etc) will be most likely to receive a good rating from MEP.

The System Survey Report (reference section 1.1) will be used by Marley Engineered Products when assessing a potential supplier, for a periodic evaluation of a supplier's system, or when warranted due to problems with a current supplier.

The on-site survey would be performed by the Supplier Quality Engineer from MEP. Supporting representatives may also be involved and be chosen from any department, including but not limited to: Quality Assurance, Purchasing, Design Engineering, Manufacturing Engineering, Manufacturing and Sales/Marketing.

A rating is given for each item on the Audit that applies to a potential or current supplier. Each question is rated 0-3, with # 3 as the highest rating. Ratings will be based on the following:

- 3 = Strong Evidence** (Good system and no deficiencies found)
- 2 = Little Evidence** (Good system in place - only sparse evidence found)
- 1 = No Evidence** (Good system in place - no evidence found)
- 0 = No Procedure** (No System or Evidence)
- N/A = Not Applicable** (these questions will not affect scoring)

Improvement opportunities will be identified in various areas and are strongly encouraged. For suppliers scoring below 70%, there will be formal corrective actions assigned that will be required within 60 days from existing suppliers found deficient in any of these questions. Potential new suppliers will not be considered for business until these deficiencies are corrected.

The supplier survey is broken into ten groups as follows:

- Quality Control System
- Purchasing and Receiving
- Continuous Improvement
- Production System
- Material Handling and Shipping
- Calibration and Preventative Maintenance
- Sales and Service

- Program Management
- Management and Training Survey
- Environmental, Health, & Safety

At the end of each group of questions the auditor will add up the points for a total. This total will be divided into the total possible points for a percent. The comment sheet will be used for any additional remarks.

This percentage will be used to evaluate the supplier and indicates the following:

90% - 100%	Outstanding
80% - 89%	Very Good
70% - 79%	Acceptable
50% - 69%	Improvement Required
Below 50%	Unacceptable

Potential suppliers who are considered “Unacceptable” cannot be used.

Current suppliers who are considered “Unacceptable” can only be used until a suitable replacement supplier can be found and approved. In this case receiving sampling of the supplier’s parts will be increased to a sampling plan determined by MEP QA Department.

A potential supplier who scores 50%-69% may only be used if the need for the supplier is urgent/critical and requires Quality Assurance Approval. This supplier must demonstrate that their product meets all specifications/requirements, and the product must pass the MEP First Article Inspection. Corrective Action by the new supplier in deficient areas of the survey will be required, and a follow up survey by MEP personnel may be required as well. This decision to perform a follow up survey will be made by the person(s) who performed the original survey.

A current supplier who scores 50% - 69% must provide formal corrective action in areas deficient. A follow up survey by MEP personnel may be required. This decision to perform a follow up survey will be made by the person(s) who performed the original survey.

Potential and current suppliers who are considered “Acceptable” may be used. Formal corrective action in deficient areas may be required by MEP Purchasing or Quality Departments.

Any potential or current suppliers found to be “Very Good” or “Outstanding” are considered approved to provide parts/product to MEP.

The Supplier QA System Survey Report results will be maintained by MEP’s Purchasing Department.

### **1.3 Marley Term and Conditions**

All suppliers for MEP and MEPS have to comply with Marley Terms and Conditions. Attachment K



# ***Section II***

## ***Supplier Quality Requirements***

## **2.1 First Article Submissions**

First Article Inspection is a precise inspection of material, parts, or assemblies to ensure the parts/assemblies meet all applicable dimensional, metallurgical, functional, visual, and chemical requirements. First Article Submissions are always performed to MEP/MEPS approved drawings and specifications. The basic premise is to provide as much information covering the material under evaluation so as to allow for proper disposition.

New or revised materials are subject to be submitted for First Article Inspection. Tooling, fixtures, etc. shall be inspected as directed by the plant Quality Assurance Manager, in conjunction with Manufacturing Engineering. Typical occasions for performing a First Article Inspection would include:

1. A new part or assembly has been introduced. All characteristics must be inspected.
2. A current part or assembly has been significantly revised. All revised and interrelated characteristics must be inspected. The assigned engineer will determine if a change is significant enough to require a first article inspection.
3. The tooling for a current part or assembly has been replaced with new tooling or has undergone extensive repair or rework, the results of which could affect fit, form, or appearance of the part or assembly produced from the tooling. All characteristics and interrelated characteristics must be inspected.
4. The material for a part has changed characteristics which affect fit, form, or appearance of part or assembly, must be inspected.
5. A new supplier has been selected for a current part or assembly. All characteristics must be inspected whether tools are moved from one supplier to another or the part is retooled by a new supplier. Q.A. and Purchasing shall make the specific determination whether a First Article Inspection is needed on material falling within this category.
6. Samples previously submitted were not acceptable and new samples were requested for inspection. All rejected and interrelated characteristics must be inspected.
7. A New Program has been created for a CNC programmed part due to the part being manufactured on a different machine.

All suppliers are responsible for providing a First Article Inspection Report for any new or changed part as described above.

Parts submitted for First Article approval must be made from production tooling, at the released production facility, utilizing normal production processes and personnel, and run at the production rate. If parts are produced from non-production tooling or processes, preliminary approval may be granted; however, a new sample submission is required when production is to be made on regular production tooling.

Each First Article is required to be submitted electronically, using the MEP/MEPS First Article Inspection spreadsheet. This package will be sent in an email from MEP Sourcing Agent and will serve notice of a First Article being required. The package will also come with the latest drawing and specifications. The level of First Article required, as well as the due date for submission, will be shown at the top of the Part Submission Warrant tab. The due date is the date that the documentation and sample parts are required to be at the Marley Engineered Products plant.

\* = *May be Required*  
 x = *Required*

	1	2	3	4	5
Part Submission Warrant	x	x	x	x	x
Master Sheet Review	x				
Dimensional Part Layout (3) Parts				x	x
(6) Total Sample Parts			x	x	x
Numbered/Ballooned Print				x	x
Material Certification		x	x	x	x
Functional / Durability Test Data					*
Specification Sheet		*	x		*
Visual / Color Certification	*	*	*	*	*
Process Flow Chart & Control Plan					x
PFMEA / DFMEA					x
Process Capability Study(CPk)					x

- Part Submission Warrant - Every First Article requires this tab to be filled out.
- Master Sheet Review – This is primarily required for printed documents and involves a submittal of a finished product for review prior to first article approval. – Not necessarily from a full production run.
- A three (3) piece sample submission to MEP of the production parts. All of these parts to have a complete dimensional and specification results documented in the Dimensional Results tab. All specifications and dimensions on the MEP print to be measured and checked. Parts are to be labeled 1, 2, & 3 and correspond to the documentation.

- A total of 6 sample parts required (this includes the previous 3 parts that have been measured.)
- Numbered/Ballooned Print – This is an itemized drawing that was used to perform the dimensional inspection, with the dimensions and specifications identified and properly sequenced with the First Article Dimensional results tab. This drawing shall be scanned and placed in the appropriate labeled tab.
- Chemical and material analysis certifications (where applicable) shall be submitted to certify the base material used in the manufacturing process. These documents shall be scanned and placed in the appropriate labeled tab.
- Functional/Durability test data – requirements to be stated by MEP Engineering. These documents shall be scanned and placed in the appropriate labeled tab.
- Specification Sheet - scanned and placed in the appropriate labeled tab.
- Visual/Color Certification Sheet - scanned and placed in the appropriate labeled tab.
- Process Flow Chart & Control Plan - scanned and placed in the appropriate labeled tab.
- PFMEA/DFMEA - scanned and placed in the appropriate labeled tab.
- Process Capability Study (CPk) - All Safety Critical dimensions require a process capability study with a CPk of 1.33 or higher. Safety critical dimensions and their number will be noted on the print by the symbol below:



Samples submissions which fail to meet drawing requirements, have inaccurate and incomplete material analysis, or are lacking associated documents outlined above, will be subject to rejection.

For submissions that include multiple cavities (molds details, etc.), contact MEP's Quality Assurance department for issue review and direction prior to submission.

Please include the UL (or Accrediting Association) Listing number to any First Article submission if a listing is required.

Please reference the attachment section for examples of some of the proper forms to submit with First Article Submissions. Full electronic

copies of these files are located on the MEP website under Supplier Resources.

## **2.2 Material and Chemical Certification**

Where Blueprints, Purchase Orders, or specifications identify a specific material is used to produce a part or product; actual material and/or chemical analysis results must be submitted with the First Article submission and also made available upon request at any future time.

Should a product be received under an “interim” approval status, material certifications must then accompany each lot of material received until First Article approval is given.

Certifications must be explicit to the requirements specified by the MEP drawing and/or Purchase Order. Both documents must be satisfied by the proper certification for the material to be accepted for production use.

Chemical analysis certifications must be current within one (1) year of the date products are shipped to MEP. Material chemical analysis results that are in excess of one (1) year old will require an Independent Test Lab analysis for the material (at the supplier’s expense) while the material is quarantined, to prevent production use. Purchasing may elect the option to return the material to the vendor.

All suppliers of services such as Heat Treat, Plating, Annealing, etc. must provide process certifications explicit to the blue print requirement or specifications to which the material was processed.

All certifications must be properly dated and signed and reference the MEP part number, Purchase Order number, and material lot number as applicable.

Each supplier is expected to keep current and in compliance with statutory regulations and laws regarding environmental pollution, hazardous waste disposal, product labeling and other such matters as they pertain to the product being purchased by MEP.

### **2.3 Restriction of Hazardous Substances (RoHS)**

The European Union has published the European Directive 2002/95/EC, also known as Restriction of Hazardous Substances (or RoHS), that restricts the use of certain hazardous substances. This directive, published January 27, 2003, restricts or limits the use of lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB) or polybrominated diphenyl ethers (PBDE) in electrical and electronic equipment being placed on the market as of July 1, 2006. For more information pertaining to RoHS please refer to: [www.pb-free.info](http://www.pb-free.info)

**A Certificate of RoHS (Restriction of Hazardous Substances) demonstrating compliance is required by MEP/MEPS for each component used for production. Evidence of compliance shall be submitted and maintained on file at our facility.**

Compliance is now a requirement to supply product to certain markets of the world. Becoming compliant should be a goal for all potential suppliers to ensure a long-term relationship with MEP/MEPS, and will allow for maximum usage of parts in products around the world.

### **2.4 Certificate of Product Liability Insurance**

A certificate of product liability insurance is required from all vendors providing components, services, and finished goods to Marley Engineered Products.

Please consult your Long Term Agreement, or contact MEP's Purchasing Manager to review limits and liabilities.

### **2.5 Non-Conforming Material**

Any purchased material that does not meet the requirements of the applicable inspection/test instruction or drawing per the required sampling plan will be considered non-conforming and segregated. The supplier responsible for the non-conforming material, as well as the reason for the non-conformance, quantity affected, and applicable comments, will be listed on a Defective Material Notice.

Where appropriate, MEP/MEPS may request a formal corrective action to be completed by the supplier returned. This process is to outline root cause and corrective actions taken to address the non-conformance.

The DMN will be sent to the appropriate supplier for review and disposition. A standard handling and paperwork charge will be debited to the supplier's account. For any supplier who is has had more than 6

DMN's in the previous rolling 6 month period a premium handling and paperwork charge will be assessed at 2x the standard handling charge.

**DISPOSITION IS REQUIRED WITHIN 10 WORKING DAYS OF DATE OF DMN ISSUANCE. MATERIAL NOT DISPOSITIONED WITHIN 10 WORKING DAYS WILL BE DISCARDED AT MEP AT THE SUPPLIERS EXPENSE.**

Anytime rework or sorting time is incurred due to non-conforming material received, the supplier will be also be held financially liable for the associated costs.

Warranty returned parts, determined to be failures due to supplied product non-conformities, will also be routed through the DMN system with costs associated with the return handled accordingly.

It is MEP's intention to achieve a 100% success rate in moving suppliers into the "Preferred" and "Key" status. Suppliers that fail to achieve to attain the "Preferred" or "Key" status may be held liable for costs associated with receiving inspection of their product.

## **2.6 Corrective Action Requests**

Corrective Action Requests (CAR's) will be issued to suppliers to address specific non-conformances identified by MEP personnel.

CAR's may be issued to address issues concerning part non-conformities detected, functional failures, warranty failures, and delivery issues that negatively impact MEP.

Initial responses to the CAR, as issued, shall be returned to the MEP Quality Assurance office within 48 hours of issuance. The initial response should address the interim actions taken to contain the issue from impacting further shipments and/or production.

Final results of the investigation, as well as root cause and corrective action plans shall be submitted to MEP/MEPS within 20 days of initial request.

Corrective Actions are a formal problem solving tool that addresses the underlying factors that cause a part to be non-conforming. The main sections to each CAR are as follows.

- Interim / Investigative Actions – Actions taken to investigate the cause of the incident, as well as actions taken to isolate the non-conformities and purge the system of the suspect product.
- Root Cause – The underlying and fundamental reason for the non-conformance. Root cause is to address both Origin (how it was made) as well as Escape (what in the process did not happen that allowed the defect to go undetected).

- Corrective Action – Specific actions taken by the supplier to address the root cause of the issue as outlined above. When determining corrective action to be taken, it is important to review similar processes and products that may be susceptible to creating the same non-conformance.
- Prevention – steps taken (other than the corrective action steps) that will keep the non-conformity from arising again. This step most often deals with systemic changes made to address the origin of the non-conformity.
- Verification – the means by it was determined that the actions taken directly and adequately addressed the root cause of the non-conformity.

A copy of a CAR utilized by MEP has been included in this handbook (attachment D) for your reference.

## **2.7 Warranty Expectations**

MEP/MEPS and supplier shall warrant their respective products for one year (1) of standard use, unless otherwise specified on the applicable specification or print governing the product. Regardless of the applicable warranty period expressed, the period shall be increased by 6 months to allow for in-transit and shelf time.

The manufacturer of the product will assume costs associated with failures and repair costs of defective units noted in the field that are still under their respective warranty period.

MEP / MEPS reserves the right to decrement the supplier's invoice for the value of the failed supplied part, as well some compensation for other costs incurred by MEP/MEPS associated with the failure of the product. These costs may include, but are not limited to freight, handling, inspection, field repair, and loss of sale/margin due to failure.

With the exception of field scrapped product, MEP will retrieve the units from the field and process the units to determine failure modes and reasons for returns via functional analysis.

If a component or part is determined to be the root cause of the failure of the unit in the field, MEP may request the supplier become involved with the unit through on-site review at MEP or through product return (via Defective Material Notice).

Return analysis rate will also be used to determine ratio of field failures not reviewed by MEP, but reported through distributor chains, and ultimately paid for by MEP/MEPS. This sampling ratio may be utilized by MEP/MEPS to determine number of issues reported that are



related to supplied part failure, and MEP/MEPS may request for compensation associated with those parts.

Corrective Actions and other analysis may be requested by MEP to address systemic issues that affect the performance of the product in the field.

## **2.8 Confidentiality Agreements**

MEP / MEPS believe that intellectual property is important to doing business in both international and domestic markets. Each company doing business with MEP / MEPS has the right to expect all information given to MEP / MEPS to be handled with discretion and in accordance to its sensitivity.

MEP / MEPS also expect all suppliers (or potential supplier) also treat information supplied from MEP / MEPS to be handled with discretion and care.

In that vein of partnership, MEP / MEPS may require a supplier to sign and return a confidentiality agreement as required based upon information exchanged. This agreement will outline the rights and responsibilities of each party with regard to divulging information.

## **2.9 C-TPAT and International Trade**

There are a variety of U.S. laws and regulations which restrict trading with certain countries and entities designated by the U.S. Government as prohibited trading partners, as well as regulations which restrict exports of products because of either the nature of the product or the use to which it will be put by the foreign end-user. These controls extend to re-exports from otherwise benign countries because of concern about diversion to a restricted country. You must be aware that trade restrictions are not entirely unique to the United States. Other countries and agencies (e.g. the United Nations) have imposed their own restrictions, with which we must comply.

These restrictions change from time to time depending on world conditions and the current U.S. foreign policy and you must consult the information sources identified below (and inquire about local restrictions) before trading with foreign entities and persons. Violations of these trade restrictions can result in significant civil and criminal penalties for individuals and the Company, as well as loss of export privileges. Any such violation is also grounds for dismissal and immediate cancellation of the master agreement.

MEP / MEPS is also certified as a “C-TPAT Compliant” importer/exporter of goods. This does assist MEP, our customers, and our suppliers with exporting and importing goods for sale and use.

MEP / MEPS may be requesting international suppliers to complete and return a questionnaire on C-TPAT compliance.

Information sources:

[http://mepinfo.net.marleymep.com:400/spxpolicy/policies/international\\_trade\\_policy.pdf](http://mepinfo.net.marleymep.com:400/spxpolicy/policies/international_trade_policy.pdf)

“General Policy Statement”

<http://www.treas.gov/ofac>

“Nonproliferation Brochure”

<http://www.bxa.doc.gov/dpl>

“Denied Parties List”

<http://www.bxa.doc.gov/Entities>

“Entities List”

<http://www.treas.gov/ofac>

“Specially Designated Nationals List”

# ***Section III***

## ***Supplier Ratings***

### **3.1 Supplier Rating System**

All direct suppliers submitting a reasonable product volume for production requirements shall be rated on their overall performance on a QUARTERLY basis at a minimum. Ratings will be determined on both a Strategic and a Tactical level, with individual scores being posted for each section. Suppliers will be given updates or progress reports, which will give current and historical status on performance in the key (weighted) areas.

#### **TACTICAL RATINGS**

- 1 Quality
  - Parts per Million Defective - 30 pts
  - Lot/Batch % Accepted - 10 pts

*Line Stop / Stop Sale / Warranty Event - (-10) pts per event*
- 2 On-Time Delivery (receipt date vs. L/T date) – 40 pts
- 3 Service / Responsiveness – 20 pts
  - Corrective Action Response - 5 pts
  - Material Disposition Timeliness - 5 pts
  - Quality of Solution - 5 pts
  - Order Responsiveness - 5 pts

#### **STRATEGIC RATINGS**

- 1 Competitiveness
  - Payment Terms - 10 pts
  - Price Competitiveness - 35 pts
- 2 Flexibility / Adaptability
  - Stocking / Production Lead Time - 25 pts
  - Transit Lead Time - 10 pts
- 3 Growth Potential / Process Health
  - Service / Responsiveness - 10 pts
  - Technology Aptitude - 5 pts
  - Health / Stability - 5 pts

This performance rating will assist Marley Engineered Products in assessing the strengths of each supplier, as well as offer the supplier Marley's viewpoint of the goods and services they are providing.

The overall rating will be a weighted average of the TACTICAL and the STRATEGIC score, with 60% weight given to the TACTICAL part of the equation. This rating will be a benchmark to categorize each supplier into one of three essential supplier classification rankings as outlined in the following sections.

A copy of the form used to communicate ratings to suppliers is attached (Attachment I).

Any questions regarding the overall rating received, score, or the score in any specific area should be addressed through the appropriate MEP Buyer.

### **3.2 Category Scoring and Analysis**

#### **TACTICAL RATINGS**

##### **1. Quality**

###### **A. Parts Per Million Defective**

< 250 PPM	30 pts
250 – 1000	25
1001 – 2000	20
2001 – 3500	15
3501 – 5000	10
5001 - 6500	7
6501 – 8000	5
8501 – 10,000	3
>10,000 PPM	0

PPM calculated as (defectives/receipts) X 1,000,000

Note: In lot quantity rejections, actual defective pieces supplied can be adjusted based on sorting fallout data supplied by the vendor. Documented information must be presented to MEP/MEPS by the supplier (reference attachment J) requesting clarification within 60 days of the month in which the incident was considered closed.

###### **B. Lot / Batch Rejection Level**

A Lot/Batch Rejection is a rejection of product is a rejection of product at the incoming quality review station where the shipment is deemed "rejected".

This metric will be calculated regardless of disposition of material it is measuring.

0%	10 pts
>0% - 1.0%	7
>1.0 - 2.0%	5
>2.0 – 3.0%	3
>3.0%	0

Metric is calculated as  $(\text{qty of lots rejected} / \text{qty of lots received}) * 100$

### C. Stop Sale / Field Recall / Warranty Event/ Clear WH

Incidences counted in this metric will include any supplier based quality issue at precludes:

- MEP to go into a customer or outside representative agency and recall/rework product due to a vendor issue.
- MEP to be grossly late on any customer order based on the quality of products received from a vendor.
- MEP to receive any customer related fines due to late shipments based on the inability to procure acceptable parts.
- Any vendor based issue identified in warranty analysis where a supplier quality issue had a meaningful and direct negative correlation on field warranty complaints or return rate during that rating quarter.
- *Clearing of warehouse of previously accepted product.*

Inclusion of items in this category will be at the sole discretion of the QA Manager.

Impact on overall score is (-10 pts) per incident.

## 2. On-Time Delivery

>97.5%	40
97.4 – 95.0%	30
94.9 – 92.5%	25
92.4 – 90%	20
89.9– 85%	10
84.9 – 80%	5
<80%	0

On-time delivery to be determined using the standard lead time in the quote package. Deviations from standard lead time must be reviewed and approved by the MEP Buyer or Purchasing agent.

On-time is defined as goods received from one day POST original scheduled date, to up to five (5) days PRIOR to original scheduled date.

### **3. Service / Responsiveness / Capability**

Responsiveness ratings will be evaluated three separate areas:

#### **A. Corrective Action / Responsiveness – 10 pts**

Issue Notification/ Response/Resolution: Response time desired is < 48 hours for containment notification once an issue has been defined and the supplier has been notified. Containment measures, where needed, should be identified and communicated. Marley also has designated a 10 (ten) working day window in which to disposition any material encompassed by a Defective Material Notice. This metric will be rated based on the ability of each supplier to respond within the time windows desired to contain and resolve an issue. 5 pts

Corrective Action: If a formal corrective action has been requested due to an issue that has been defined, we request initial written response to any formal corrective action be completed and returned within 5 working days post notification. The final (closure) response should be completed and submitted within 20 working days from initial notification. 5 pts

The response may be in any the corrective action format used by your company. A sample format used by MEP/MEPS has been attached (ref attachment D) to use as a guide if needed.

#### **B. Quality of Solution - 5 pts**

This is a rating to quantify the “quality” of the solution taken to isolate and eliminate a known issue. This rating will also factor in repeat issues as a weighting on the quality of the solutions put forth.

#### **C. Order Responsiveness - 5 pts**

This metric is designated to quantify the amount of flexibility suppliers demonstrate during changing economic times. It is measuring the ability of a supplier to properly acknowledge Purchase Orders and provide the proper documentation for shipment of product to MEP. As the demand fluctuates from

posted forecasts, we encourage suppliers to be flexible in dealing with the short-term fluctuations.

## **STRATEGIC RATINGS**

### **1. Competitiveness**

#### **A. Payment Terms (from receipt of material)**

80+ days or P-card	10 pts
60 – 80	8
45 – 59	5
30 – 44	3
< 30	0

#### NOTES:

- Terms that require deposits for material (-3 pts)
- Acceptance of P-Card with terms of N30 or greater = +3 pts

#### **B. Price**

35 points total as rated by the Purchasing resource at MEP/MEPS. This rating will be based on competitiveness of overall price of purchase, and the ability of the supplier to maintain the pricing of goods and services.

### **2. Flexibility / Adaptability**

It is desired to have suppliers in the chain who are nimble, who can react to changing needs of their customers, and who prepare for their customer needs in a structured and organized way. MEP desires those suppliers who are willing to look at our business models and prepare for future orders based on knowledge of the business.

#### **A. Stock Replenishment / Production Lead Time (volume based)**

VMI / Consignment / =<5 day L/T	25 pts
6 – 10 days	20
10 – 30 days	15
31 – 60 days	10
61 - 90 days	5
> 90 days	0



## **B. Transit Lead Time**

Transit Lead Time measures the time it takes for orders (once produced) to reach our manufacturing site, measured in working days. For suppliers with multiple locations of supply, the rating will be calculated based on spend from individual locations.

0 - 3 days	10 pts
4 – 5 days	8 pts
6 – 12 days	6 pts
13 – 20 days	3 pts
>20 days	0 pts

## **3. Growth Potential / Process Health**

### **A. Service / Responsiveness – 10 pts**

This rating is designed to indicate the overall service level the company is getting from a specific supplier. This is a collaborative rating based on input from multiple sources inside MEP, including (but not limited to) Sourcing, Engineering, QA, and Finance.

### **B. Technology Aptitude – 5 pts**

This rating is designed to help MEP differentiate suppliers of similar commodities on

1. The amount of technical expertise each supplier may have or offer.
2. The relative amount of spending in “new” concepts, products, or ideas that stretch the current thinking of the specific commodity or industry.
3. The direction in which the supplier is heading (new product wise) that match the direction of MEP

### **C. Health / Stability - 5 pts**

This rating is designed to look at the overall stability of the supplier to determine the risk MEP may have in investing with the supplier. Ratings to consider include currency fluctuation potential (next 12 months), financial health, political conditions in country of manufacture, contingency plans for unforeseen events, etc.

### **3.3 Key / World Class Supplier**

A “World Class” Supplier is one who has and continues to maintain the ability to provide increasing value to us, his “Buyer Partner”. A world class supplier must possess long term performance capabilities that will continue to support the performance requirements of the buyer. To be able to uphold this performance expectation, the supplier must have an effective quality assurance program in place that applies to every process and individual in the organization. *A continuing commitment to quality must be demonstrated that extends beyond the key elements outlined above.* A world class supplier will have problem solving capability, be actively involved with and participate in buyer’s projects, as well as offering areas where mutual benefits may be achieved.

To achieve and maintain the “World Class” classification, the supplier must meet the requirements outlined in the “Preferred” supplier performance requirement section, as well as demonstrate the following:

- Managerial commitment and identification of quality control points in all processes to meet buyer’s needs.
- Continual process improvement plans
- Performance measurement and tracking reports
- Problem solving capability (preventative actions vs. corrective actions)
- Training (Internal and External)
- Pricing is competitive with market conditions and competition

Companies designated as Key / World Class suppliers will be given first opportunities to garner new business from MEP / MEPS, will be identified to SPX Commodity Managers for potential volume increases through establishing contracts with other SPX companies, and will be given first option to partner with our New Product Development team on new technology development.

### **3.4 Preferred Supplier**

*A “Preferred Supplier” is one that has shown a desire for excellence by following contracted specifications which resulted in superior performance to Marley Engineered Products expectations.* A preferred supplier is filling a vital sourcing need for the buyer, and is viewed as a partner in Marley’s success.

*To become a “Preferred” supplier, Marley Engineered Products must have the ability to consistently obtain goods and services as specified that meet our expectations as outlined above. The supplier shall also demonstrate the ability and willingness to meet the buyer’s special needs via close interaction and finding mutually beneficial solutions to issues. A preferred supplier will have achieved all requirements mandated for provisional suppliers, as well as:*

- *Maintain a minimum overall score of 80%.*
- Supplier must demonstrate the existence of a continuing quality processes. A documented quality system must be in place. ISO registration (or suitable alternative) is encouraged.

Preferred suppliers are those suppliers that will be offered to bid on new or expanding MEP/MEPS business opportunities that arise in their particular field of expertise.

### **3.5 Approved Supplier**

*An “Approved Supplier” is one that has shown acceptable performance results to Marley Engineered Products expectations.*

*To become an “Approved” supplier, Marley Engineered Products must have the ability to consistently obtain goods and services as specified that meet our expectations as outlined above. The supplier shall also demonstrate the ability and willingness to meet the buyer’s special needs via close interaction and finding mutually beneficial solutions to issues. An approved supplier will have achieved all requirements mandated for provisional suppliers, as well as:*

- *Maintain a minimum overall score of 70%.*
- Supplier must demonstrate the existence of a continuing quality processes. A documented quality system must be in place. ISO registration (or suitable alternative) is encouraged.

Approved suppliers are those suppliers that are approved for current business at MEP.

### **3.6 Provisional Supplier**

A “Provisional” supplier is a supplier that is not performing up to the minimum acceptable level of achievement to be included in the “approved”, “preferred” or “key/world class” categories.

A “provisional” supplier is expected to work with Marley Engineered Products Purchasing and Quality departments to address identified areas of weakness, and improve to attain a “preferred” status.

If a supplier is rated in the “provisional” category for **three (3)** consecutive quarters, then a corrective action request (CAR) may be issued to the supplier and the supplier should respond following the CAR process outlined in section 2.6 of this Supplier Handbook.

If the performance of the supplier does not show improvement in the agreed upon allotted time span as defined by the supplier via the CAR, then the supplier may be notified of an exit plan.

Contractual agreements between MEP / MEPS and suppliers who do not show sufficient improvement in their ratings in this defined time are subject to termination at MEP/MEPS discretion.

### **3.7 Probationary Supplier**

A probationary supplier is one who is new to the supply-base of MEP/MEPS and has no historical data to support their performance as measured to our standards.

Suppliers will remain in the “probationary” status for the first two quarterly rating periods, where they will then be moved to one of the existing rating categories.

MEP/MEPS expected performance of any supplier in “probationary” status is that they will perform to the standards outlined in the “Preferred”.

Contact your Purchasing representative for further details.

# ***Section IV***

## ***Revision History***

## Revision 6/04

Page	Revision details
2	Revised who revisions would be communicated. Added revision page.
3	Added sections 2.3, 2.4, and 2.7. Added Revision section. Merged 3.1 and 3.3
4	Revised wording from “may be disapproved” to “may be subject to ....”
5	Revised wording in paragraph 1 and 2 to honor survey results from independent auditors.
14	Revised wording in final paragraph from “market testing” to “loss of future .....
16	Revised survey requirements to honor third party results. Removed requirement for MEP to approve sampling plans Revised wording outlining the loss of approved status Removed “bottom five replacement” caveat
17	Minor revision to wording on opening two lines of page Revised survey requirements to honor third party results. Removed requirement for MEP to approve sampling plans Removed requirement for supplying material certifications with each shipment Revised wording outlining losing preferred status Added line “The status of a supplier for MEP will be highly considered....” Added line “MEP reserves the right to target.....”
18	Minor revision to wording on opening two lines of page Revised survey requirements to honor third party results. Removed requirement for MEP to approve sampling plans Removed requirement for supplying material certifications with each shipment Removed requirement to submit control plans for approval Revised wording outlining losing preferred status Added line “The status of a supplier for MEP will be highly considered....” Added line “MEP reserves the right to target.....”
19	Added requirement for layouts to be done to MEP approved drawings Minor wording revisions to second paragraph. Included 5 bullets outlining First Article requirements Defined samples to be submitted for inspection as 5. Added requirement for itemized drawing Added requirement to submit actual reviewed samples Added PFCD requirement Added paragraph outlining requirements for received finished assemblies Added UL number requirement for First Article
23	Removed requirement for receipt of material certs with each lot Added requirement of submitting material certs with lots not First Art. approved
24	Added entire 2.3 section – with forms
30	Minor wording revisions to “request for corrective action” requirements. Minor wording revision to supplier liability for rework line. Added warranty returned parts section

## **Revision 6/04**

Page	Revision details
30	Revised wording for supplier liability for receiving inspection costs
32	Added entire section 2.5 – with form
34	Removed policies outlining certificate of product liability. Added reference to consult with MEP Purchasing or MPA for requirements
35	Added entire section 2.7
36	Removed section dictating MEP survey. Added portion honoring third party accredited surveys

## **Revision 7/06**

Page	Revision Details
1	Updated Quality Manager name to Todd Hoover
2	Updated Quality Manager name to Todd Hoover
19	Revised First Article submission requirements. Changed from a five (5) pc sample submission to a six (6) pc submission.
19	Revised First Article submission requirement. Changed from a five (5) pc full dimensional layout and performance evaluation to a three (3) pc dimensional layout and performance evaluation.
19	Removed Process Flow and Control diagram from the requirements list of a First Article submission.
24 & 25	Removed previous section 2.3 “Process Flow and Control” diagram. Also removed their forms that followed that section.

## **Revision 11/06**

Page	Details
3	Updated TOC to reflect new ratings scheme and additional requirements (C-TPAT, RoHS, and Confidentiality Agreements)
12	Updated RoHS requirement outline
17 – 18	Added Confidentiality Agreement and C-TPAT outline
19 – 27	Added entire new rating system, as well as outline of different levels of supplier classifications
Att B	New supplier profile readiness review added
Att E	RoHS official information request letter attached

Page	Details
Att F	Outline of official SPX Confidentiality Agreement letter
Att G	Official SPX communication on International Trade
Att H	C-TPAT questionnaire
Att I	Supplier scorecard outline added
Att J	PPM Adjustment sheet added

### **Revision 07/09**

Page	Details
Att K	Marley terms and conditions
29	Added entire section 3.5

### **Revision 01/12**

Page	Details
1-31	Update company name
12	ROHS
17	Confidentiality Agreements
18	C-TPAT and International Trade
23	On-Time Delivery
28	Preferred Supplier
29	Approved Supplier
30	Provisional Supplier
Att A	Process Flow
Att B	Supplier Profile and Readiness Review
Att C	First Article Inspection Report
Att D	Corrective Action Form
Att E	ROHS letter removed
Att F	Bilateral Confidentiality Agreement removed
Att G	International Trade removed
Att H	C-TPAT Questionnaire removed
Att I	Supplier Scorecard



Att J PPM Adjustment Sheet  
Att K Marley Terms and Conditions

### **Revision 12/12**

Page Details  
10 Increased Sample submission from 3 to 6 to coincide with WI. Added Safety Critical Process Control plan and Capability study requirements. Added availability of electronic forms on MEP website.  
Att L Process Flow and Control Form

### **Revision 1/13**

Page Details  
1 Updated MEPS' address  
Att K Updated Marley Terms and Conditions  
Att C Updated First Article Inspection Form

### **Revision 3/14**

Page Details  
10 & 11 Updated new First Article procedure  
Att C Removed First Article Inspection Form

### **Revision 11/14**

Page Details  
5 Updated to include current supplier New Item Business Hold  
6 Updated Supplier Audit information to align with new audit procedure  
14 -15 Updated DMN standard and premium handling charges

### **Revision 15/15**

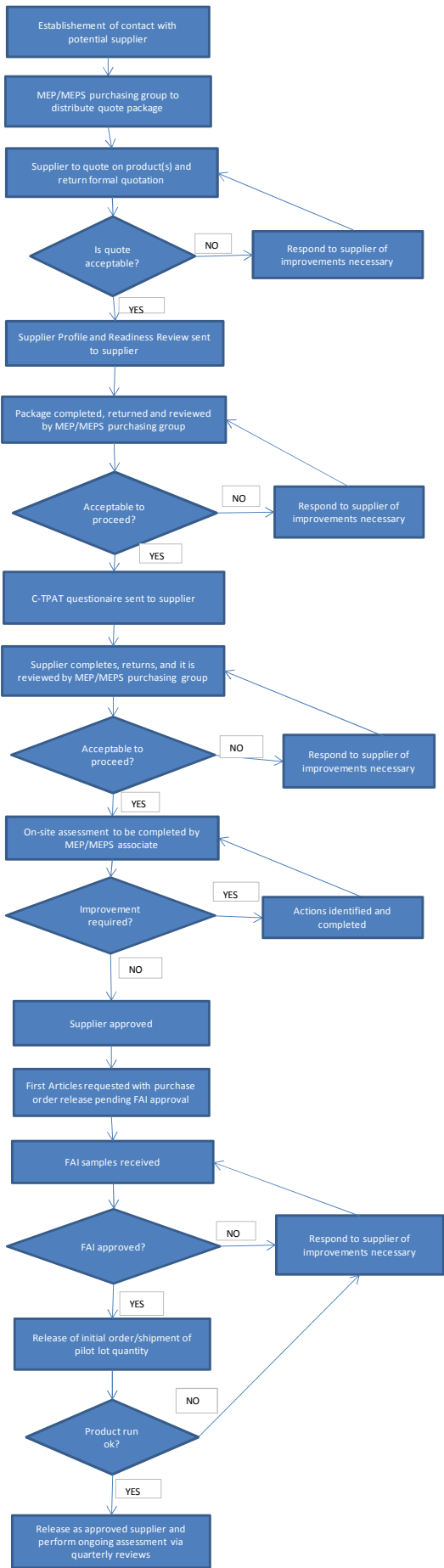
Page Details  
27 Removed "Will Be" issued a CAR and changed to "May Be"  
40+ Removed T&C as they are located on MEP Website



# ***SECTION V***

# ***ATTACHMENTS***

## Supplier Approval Process Flow





# SUPPLIER PROFILE AND READINESS REVIEW



Supplier Name \_\_\_\_\_ Date \_\_\_\_\_

Supplier Address \_\_\_\_\_

### Supplier Representatives

	Name	Telephone	e-mail	Fax
Quality	_____	_____	_____	_____
Sales	_____	_____	_____	_____
Cust Service	_____	_____	_____	_____
Plant Manager	_____	_____	_____	_____

- Does your company do business with other SPX divisions? if so - what divisions \_\_\_\_\_
- List the size of the facility(ies) that will service MEP/MEPS (employees/area) \_\_\_\_\_ sq ft (m) \_\_\_\_\_ people
- How long has your company been in business? \_\_\_\_\_ yrs How many years at this location? \_\_\_\_\_
- Have you been in business under a different name? yes / no If yes, please list name \_\_\_\_\_
- What is your official country of origin? \_\_\_\_\_ Annual Sales (\$USD) \$ \_\_\_\_\_
- Have you done business with Marley or MEPS in the past? yes / no When? \_\_\_\_\_
- Circle the type of ownership for your company: Corporation / Division / Partnership / Proprietorship / Government
- Do you barcode your outgoing product? yes / no
- Can you receive orders electronically (EDI)? yes / no
- Are you ISO 9000 registered? yes / no Certification number \_\_\_\_\_
- Please list any other agencies you are registered with (ie UL, ETA, CCC, etc..) \_\_\_\_\_
- What is your previous 12 month customer rejection rate? \_\_\_\_\_ % rejected – or– \_\_\_\_\_ PPM
- Please list Tax Identification code \_\_\_\_\_ List SIC code \_\_\_\_\_
- Please list any other government codes associated with operation (ie export) \_\_\_\_\_
- Are you RoHS Compliant? yes / no If no - enter the date you will be compliant \_\_\_\_\_
- Are you C-TPAT compliant? yes / no If no - enter the date you will be compliant \_\_\_\_\_
- What markets do you serve - or capabilities do you have? Please list \_\_\_\_\_

### Supplier to complete all non-shaded areas

	Supplier Assessment	MEP / MEPS
A Is there evidence of incoming material inspections?	yes / no	yes / no
B Is there evidence of in-process quality checks being performed?	yes / no	yes / no
C Do you inspect finished goods after assembly (outgoing audits)	yes / no	yes / no
D Does your company have material traceability?	yes / no	yes / no
E Does your company have a Corrective Action System?	yes / no	yes / no
F Are there documents showing how corrective actions are performed?	yes / no	yes / no
G Do you understand the First Article Requirements needed to begin the use of your part(s) in our products?	yes / no	yes / no

List all UL / ETL, etc.. File and control numbers you have \_\_\_\_\_

Supplier Rep Signature \_\_\_\_\_ Date \_\_\_\_\_

PLEASE RETURN TO YOUR RESPECTIVE BUYER AT MARLEY / MEPS

ATTACHMENT B

# Corrective Action Form

Date: \_\_\_\_\_

CAR #: \_\_\_\_\_

Part # or Process: \_\_\_\_\_

Champion/Assignee: \_\_\_\_\_

Internal/External: \_\_\_\_\_

DMN# (If Applicable) \_\_\_\_\_

<b>(1) Team Members:</b>
<b>(2) Description of the Problem:</b>
<b>(3) Interim Containment Actions:</b>
<b>(4) Identify and Verify Root Cause:</b> Why was it not detected? (Use 5 Why on other tab)  Why did it occur? (Use 5 Why on other tab)
<b>(5) Identify Permeant Corrective Action:</b>
<b>(6) Implement and Validate Permeant Corrective Action:</b>
<b>(7) Prevent Reoccurrence to Other Processes/Products that applies:</b>
<b>(8) Closure</b> Congratulate and Celebrate Completed CAR reviewed and accepted by the customer - Yes or No (circle one)
Closed: _____                      Date: _____                      Verified: _____                      Date: _____

# SUPPLIER SCORECARD

Q2 2009

Select Supplier

STRATEGIC (100)	
Competitiveness (45)	
Payment Terms (10)	
Price (35)	
<i>Competitiveness Subtotal</i>	0
Flexibility (35)	
Prod Lead Time (25)	
Transit Lead Time (10)	
<i>Flexibility Subtotal</i>	0
Stability / Health (20)	
Health / Stability (5)	
Service Resp (10)	
Technology (5)	
<i>Stability / Health Subtotal</i>	0

**Strategic Total**  
0

TACTICAL (100)	
Quality (40)	
PPM (30)	
Lot/Batch Rejection (10)	
<i>Quality Subtotal</i>	0
Delivery (40)	
Service (20)	
CAR Response (5)	
Material Disposition (5)	
Quality of Solution (5)	
Order Responsiveness (5)	
<i>Service Subtotal</i>	0

**Tactical Total**  
0

**Line Stops**  
0

IMPACT TO OVERALL	
Strategic 40%	0
Tactical 60%	0

<b>OVERALL SCORE</b>	<b>0</b>
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## PPM ADJUSTMENT SHEET

Vendor Name	_____	Vendor Number	_____
DMN Tracking Number:	_____	DMN Date	_____
Quantity Rejected	_____	<b>Quantity Defective</b>	

Describe defect found:

Reason for adjustment:

Submitted by: \_\_\_\_\_ Date: \_\_\_\_\_

**PLEASE FORWARD TO MEP / SSEP QUALITY DEPARTMENT**

To be completed by MEP / SSEP:

Date Received \_\_\_\_\_ Adjustment to be made: Yes / No

---

If "No" - please explain:

---

Date completed \_\_\_\_\_

Please file with DMN number affected



