



Custom Injection Molding, Assembly, and Decorating

Supplier Standards Manual



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Acknowledgement of Receipt of Supplier Standards Manual



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SECTION I. GENERAL INFORMATION

1.1 PURPOSE OF SUPPLIER MANUAL

Ess Tec, Inc. (also referred to herein as “Ess Tec”) understands the importance of strong partnerships with suppliers. Our goal is to work with and develop long term relationships with suppliers that provide excellent customer satisfaction with on time delivery of zero-defect products and services. Any deviation from our goal will have a direct impact on our ability to exceed our customer’s expectations.

The purpose of this manual is to communicate and develop the requirements and expectations of our suppliers. This manual may be updated periodically. It will be the supplier’s responsibility to ensure that the most current revision is being used.

This manual is written under the direction of Ess Tec, Inc. and is intended for use by all suppliers.

For clarification, Ess Tec, Inc. identifies the terms *Supplier*, *Supplier Partner*, *Partner*, and *Vendor* as being synonymous, and defined as an entity that provides goods or services used directly in the manufacturing, assembly, quality, and/or packaging of the customer’s product.

An Outsourced Vendor is any supplier that receives goods from Ess Tec, Inc. (whether purchased or on consignment) to be utilized, enhanced, assembled, etc., with the intent that Ess Tec, Inc. will either:

- A. Purchase a finished product back from the supplier.
- B. Receive a finished good from the supplier and pay for the service rendered.

1.2 GOALS OF SUPPLIER PARTNERS

- ❖ **Quality:** Defect free components and services – Zero PPM.
- ❖ **Delivery:** On-time delivery of products and services – Zero PPM as measured by no greater than 1 day early and 0 days late.
- ❖ **Cost:**
 - a) Competitive products and/or services.
 - b) Proactive and continual efforts to reduce cost while achieving our expectations.
- ❖ **Service** – Communicate proactively and provide timely response on requests or needs for support.

1.3 VALUES

BUILDING STRONG LONG-LASTING RELATIONSHIPS

We believe that our mutual interest is best served by a shared commitment to excellence and that such commitment is adequate to express mutual respect and appreciation. Our expression of being an industry leader and maintaining exemplary ethical business practices is a key core principle.



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We will hold ourselves, and our partners, accountable to business relationships that are built on integrity, respect, trust, dedication, and a mutual desire to drive excellence in all we do.

QUALITY POLICY

Ess Tec, Inc. is committed to providing quality parts and trusted service with integrity that meets the ever-changing demands of our customers. We accomplish this by meeting regulatory requirements, empowering employees, and continually reviewing and improving our Quality Management System.

CONTINUAL IMPROVEMENT

Ess Tec, Inc. strives to produce the best products in the most efficient and effective ways. The Ess Tec, Inc. team meets regularly to review, discuss, and implement methods to reduce process variation, improve uptime, capacity, and capability. These efforts result in less scrap, less waste, and a more efficient operation.

It is our desire that our supplier partners will adopt these same philosophies and work to reduce costs and maintain on time deliveries. See Section 2.3.

1.4 GENERAL RESPONSIBILITY

Ess Tec, Inc. believes that our mutual success depends on forming strong partnerships with our supply base. A critical element of these partnerships is having clear definition of expectations and responsibilities.

Developing strong partnerships starts with being a good customer. We are constantly improving the ways in which we interact with a diverse group of partners providing vital goods and services to our organization. Our responsibilities include, but are not limited to:

- ❖ Communicating clear expectations and requirements.
- ❖ Providing timely and accurate feedback on supplier performance.
- ❖ Serving as a resource for suppliers.
- ❖ Rewarding suppliers that consistently exceed our expectations with future opportunities.
- ❖ Supporting the ongoing development of our suppliers.

We invite, and welcome, continual feedback regarding opportunities for us to improve our performance as a customer. We will make every effort to support our relationships with the highest degree of integrity, respect, and professionalism. We will not allow any undue influence or inappropriate activity to compromise the desired values to be realized by Ess Tec, Inc. and its stakeholders.

Suppliers are required to provide Ess Tec, Inc. with a current key contacts list and proactively submit any revisions to the information.



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1.5 SOCIAL RESPONSIBILITY

Ess Tec, Inc.'s objective is to be a leader of best practices when it comes to health and safety performance. Likewise, we expect that our suppliers show the same level of commitment towards these objectives by ensuring fair and equitable treatment for all individuals by providing a safe and healthful work place.

Suppliers shall meet, or exceed, all applicable health and safety regulations. Suppliers shall have a program to regularly monitor each of these areas and assess impact/risk, while applying continual improvement efforts to further effectiveness and benefits in these as well. Ess Tec, Inc. requires all suppliers to comply with international labor and human rights regulations.

SUPPLIER DIVERSITY PROGRAM

Our policy regarding the inclusion of diverse business partners within the company's procurement system is as follows:

- Outreach** Develop a connection with organizations that provide interaction with diverse businesses.
- Certification** Verification of a recognized diversity status through certifications.
- Qualification** Compare potential supplier capabilities with current and future procurement needs.
- Reporting** Capability to provide our customers with feedback on diversity spend data.

Ess Tec, Inc. will ensure equal access to all enterprises that are capable of supplying goods and services that meet the needs of our business. Our goal will be to increase overall spending with recognized diverse businesses wherever possible. Examples of qualified diverse businesses are outlined below:

- ❖ Minority Owned Businesses (MBE).
- ❖ Women Owned Businesses (WBE).
- ❖ Veteran Owned Businesses (VET).

The business must be certified with a recognized minority council or government organization to qualify.

Ess Tec, Inc. encourages our partners to also utilize a diverse supply base. Our suppliers shall also report diversity spend data to Ess Tec, Inc. upon request.

1.6 ENVIRONMENTAL POLICY

Ess Tec, Inc. believes that we are blessed to operate out of West Michigan and enjoy the wonderful outdoor environment here. We wish to keep our world healthy by regularly striving to minimize negative impact on our environment. To achieve and demonstrate sound environmental performance, we shall control the impact of our activities, products, and services on the environment by:

- ❖ Reducing Risks.
- ❖ Compliance with Environmental Regulations.
- ❖ Preventing Pollution.
- ❖ Recycling.



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Suppliers shall meet, or exceed, all applicable environmental regulations. Suppliers shall have a program to regularly monitor this area and assess impact/risk, while applying continual improvement efforts to further effectiveness and benefits as well. Suppliers shall support entry of purchased goods details directly in to the International Material Data System (IMDS). Suppliers shall also adhere to and report compliance to all regulations restricting use of harmful or hazardous substances, including, but not limited to, the following:

- ❖ Restriction of Hazardous Substances; also known as Directive 2002/95/EC (RoHS).
- ❖ Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH).
- ❖ Conflict Minerals.
- ❖ Dimethyl Fumarate (DMF).
- ❖ Benzenamine, N-phenyl, Reaction Production with Styrene and 2,4,4-Trimethylpentene (BNST) Human, Plant, or Animal Derived Content.

SECTION II. COMMERCIAL EXPECTATIONS

2.1 GENERAL EXPECTATIONS

The pressure to continually reduce costs throughout the supply chain is a constant reality in today's global market. We believe in taking a collaborative approach with our supplier partners in meeting the demands of a global market.

Suppliers are expected to regularly evaluate risks associated with global sourcing strategies and ensure that contingency plans are in place to prevent disruption to the Ess Tec, Inc. supply chain. Proactive communication of any anticipated disruptions shall be communicated immediately upon supplier's awareness of the issue to the appropriate Ess Tec, Inc. contact listed below.

- 1) For Outsourced Vendors (Plating, Painting, Etc.) contact the Shipping & Logistics Manager.
- 2) For Purchased Items (Resin, Assembly Components, Packaging, Etc.) contact the Purchasing Department.
- 3) All other vendors should contact the main number and will be directed to the individual best suited for the issue.

Suppliers are required to ensure that the most recent version of the Supplier Standards Manual is being used.

2.2 LIABILITY

Unless authorized in writing by the the Management Representative of Ess Tec, Inc., any supplier or subcontractor to Ess Tec, Inc. shall have a General Certificate of Liability on file with Ess Tec, Inc. This certification must include:

- General Liability- Minimum of \$1,000,000 occurrence/\$2,000,000 aggregate, Ess Tec, Inc. as additional insured and a waiver of subrogation.
- Auto Liability- Minimum of \$1000,000 CSL, Ess Tec, Inc. as additional insured and a waiver of subrogation.
- Worker/s Comp – Minimum of \$500,0000 Employers Liability, Ess Tec, Inc. with a waiver of subrogation.
- Umbrella – Minimum of \$1,000,000 of liability with Ess Tec, Inc. as additional insured and a waiver of subrogation.



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The following types of suppliers are exempt from this section:

- Industrial Supply Companies.
- Online Retailers.
- Department, Hardware, or other “Big Box Stores”, or their online affiliates.

2.3 CONTINUAL IMPROVEMENT

Ess Tec, Inc.’s motive is to partner with suppliers that are relentless in their desire to improve. The objective is to generate ideas that enhance product quality, reduce cost, and improve product value. Continual improvement ideas shall be submitted to and approved in writing by the Ess Tec, Inc. Management Personnel prior to implementation. Ess Tec, Inc. is willing to partner directly with the supplier to work on continual improvement ideas through VA/VE, Kaizen Events, etc.

Any ideas that are presented must not decontent the program, i.e., the idea shall not adversely affect functionality, appearance, quality, or any other real, or perceived, modifications that would lead the customer to believe that the product or service is inferior. Any ideas presented that would affect quality control, i.e., adjusting quality check frequency, removing secondary inspection, etc., must be presented with supporting data, i.e., production gauge reporting documentation, SPC, etc. Additionally, in general, commodity or index-generated cost reductions would not be given credit unless the supplier can demonstrate sustainability.

2.4 P.O. TERMS & CONDITIONS

The Ess Tec, Inc. purchase order terms and conditions apply to all purchase orders. In the event of any discrepancy or inconsistency with the any terms and conditions contained in the purchase order and this Supplier Standards Manual, the terms and conditions of the purchase order shall govern.

Purchase orders require supplier confirmation 24 hours after receipt of order. Confirmation shall include verification and agreement to all information included therein, i.e. pricing, delivery date, quantity, product requirements, etc. Any discrepancies are to be immediately communicated to Ess Tec, Inc. for resolution. If there are no changes made, the confirmation, or lack thereof, will constitute agreement to the order as issued.

The due date referenced on Ess Tec, Inc.’s purchase order is the expected delivery date to Ess Tec, Inc. or an otherwise designated ship to location. The supplier is responsible to ensure that product ships in time to meet this date.

2.5 SUPPLIER PRICE CHANGE

All requests for price increases must be submitted to and approved in writing by the designated Ess Tec, Inc. Management Representative in advance of implementation. The written request must include the Ess Tec, Inc. part number(s) and description(s), current price, proposed price volume breaks and annual impact based upon known volume.

Supporting documentation must accompany the request. This documentation shall include but not be limited to:

- Market documentation detailing factors driving the increase, i.e. 3rd party reporting data such as CDI, PCI, AMM.



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- Manufacturer's letter of notification detailing factors driving the increase.

If the price increase request is rejected, the explanation for the rejection will be provided in writing to the supplier. If the price increase request is approved, the implementation date will be a minimum of 30 days from acceptance. No price increases will be implemented less than 30 days from request approval without the written approval from the Ess Tec, Inc. Management Representative or as otherwise agreed upon through existing contracts. At no time will retroactive increases be accepted.

2.6 EQUIPMENT OR OTHER SPECIAL MACHINE PURCHASE REQUIREMENTS

A seller of equipment or other special machines for production or facilities shall:

- Provide (2) instruction manuals (Digital and Print preferred).
- Provide a minimum of (1) maintenance manual containing complete schematics, drawings, parts lists, specifications, sources of supply, and complete service/test instructions.
- Assume all responsibility for ensuring, at its sole cost, that all testing and analysis required to support any quality certification standards assigned by Ess Tec, Inc. or Ess Tec's customers will be properly completed, and satisfied, whether the seller is or has been certified as meeting such certification requirements apart from the purchase order.
- Ensure that all services and products are delivered complete to ensure that equipment is operational as planned.
- Meet other specified Ess Tec, Inc. standards provided to the supplier in writing prior to build of the equipment.

Incomplete deliveries, unavailability of onsite installation support, or other supplier-related delays that result in additional costs for Ess Tec, Inc., will be charged back to the supplier.

TRAINING, SERVICE, AND REPLACEMENT PARTS

Suppliers for equipment or other special machine requirements, shall include training sufficient for Ess Tec, Inc.'s personnel to develop sustainable competence and capability to fully operate and support the products or software. Suppliers shall also train Ess Tec, Inc. personnel to perform programming of software or equipment to maintain daily operations.

Suppliers shall further support current model service and replacement parts at the prices agreed upon at time of initial order. If products are systems or modules, the seller will agree to sell the components or parts at individual unit costs that shall not in the aggregate exceed the price of the system or module less assembly costs. The supplier shall support part sales to fulfill past model service, ongoing model service, and replacement parts requirements for a fifteen-year period after Ess Tec, Inc. completes the current model purchase, or longer if required by Ess Tec's customer(s). The price(s) shall remain the same for the first two years after Ess Tec, Inc. completes current model purchases. Thereafter, the price shall be as agreed by the parties.

Seller shall make service literature and other materials available at no additional charge as requested.



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SECTION III. SUPPLIER SELECTION, MONITORING, & DEVELOPMENT

3.1 OBJECTIVES

The objectives of Ess Tec, Inc.'s supplier selection, monitoring, and development system are to:

- Ensure that we select partners that have the capability of meeting all Ess Tec, Inc. or customer defined requirements throughout the program life cycle and/or contract and additional requirements where otherwise applicable.
- Provide supplier partners with formal feedback on their overall performance to our expectations.
- Identify and prioritize supplier development needs.
- Support Ess Tec, Inc.'s commitment to source business with strategic partners that share and support our mutual goal to **WOW** the customer.

3.2 SUPPLIER SELECTION

Supplier selection will include all products, processes, and services that affect customer requirements such as sub-assembly, sequencing, sorting, calibration services, and rework. The supplier selection process will assess the selected suppliers' risk to product conformity and supply, relevant quality and delivery performance, evaluation of QMS, and multidisciplinary decision making. Suppliers may be selected based on the following criteria:

- Sole source for a specific commodity.
- Subcontractor expertise/capability with the specific commodity.
- Management directive, with approval.
- Customer directive.
- Quality Management System.
- Supplier performance results.
- Level of technical and customer service/support available.

3.3 SUPPLIER PERFORMANCE MONITORING

The Supplier Scorecard will be updated at a minimum annually and reported to the supplier accordingly. The scorecard will reflect ratings for both quality and delivery incidents.

- A supplier may require increased monitoring and reporting activity based upon delivery or quality incidents to mitigate potential risk of disruption to the Ess Tec, Inc. supply chain.

Supplier performance shall be monitored through the following indicators:

- Delivered product quality.
- Customer disruptions.
- Delivery schedule performance.
- Premium freight incidents.



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All requirements for control of externally provided processes, products, and services, except for the supplier selection process, are applicable to the organization's control of customer-directed sources unless otherwise specifically agreed to by the customer.

Ess Tec, Inc. will arrange for an annual (at minimum) supplier partner review meeting to discuss performance and certification requirements defined within this document, ISO 9001:2015, IATF 16949:2016 standards, or any additional, as defined by Ess Tec, Inc. or Ess Tec, Inc.'s customer.

3.4 SUPPLIER DEVELOPMENT

A supplier of automotive products and services shall develop, implement, and improve a quality management system certified to ISO 9001, unless otherwise authorized by Ess Tec, Inc. or Ess Tec, Inc.'s customer, with the ultimate objective of the supplier achieving IATF16949 certification.

Ess Tec Purchasing will monitor supplier development activity and keep certification or waiver records on file.

Second- or third-party audits will be completed as deemed necessary by Ess Tec, Inc. Management Personnel and performed by certified audit personnel.

The use of an automotive supplier without a plan or intentions to further develop their Quality Management System to IATF 16949:2016 will require a customer waiver to be eligible for business with Ess Tec, Inc.

SECTION IV. DELIVERY EXPECTATION

4.1 GENERAL EXPECTATIONS

Delighting our customer means that we are delivering quality product 100% on time, all the time. To do this, it is imperative that our supplier partners embrace this goal with the same sense of urgency that we do at Ess Tec, Inc.

Suppliers shall:

- Maintain a flexible, but lean manufacturing process.
- Proactively communicate any concerns that may impact delivery commitments.
- Develop contingency plans to prevent disruption to the Ess Tec, Inc. supply chain.
- Minimize risk of missing delivery through regular monitoring of the planning, production, and delivery systems to ensure continued improvement and effectiveness.
- Use a process approach to drive waste out of the replenishment system.
- Manage all sub-contract services and products to be compliant to these same standards.



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4.2 FORECASTING & SHIPPING SCHEDULES

Release information will be provided to our suppliers via the purchase order system. Releases will be broken down into commitment levels based upon firm and forecast demand received from our customers.



The due date referenced on Ess Tec, Inc. purchase orders is the expected delivery date at Ess Tec or otherwise designated ship to location. The supplier is responsible to ensure that product ships in time to meet this date.

4.3 LOGISTICS EXPECTATIONS

FREIGHT COSTS

The responsibility for all delivery costs will be negotiated during the quote process. Surcharges, and other miscellaneous charges that appear on the invoice, will not be paid unless agreed upon in advance by the Ess Tec, Inc. Management Representative.

RISK OF LOSS

The supplier will be responsible for safe delivery of cartage to Ess Tec’s receiving dock or otherwise designated ship to location. The supplier will retain risk of loss until product is transferred in to the facility. Authorization to unload cartage is solely assigned to Ess Tec, Inc. personnel or personnel employed by an otherwise designated ship to location. Ess Tec will not be responsible for any harm caused to product or person if unauthorized personnel assume material handling duties. Costs associated with damage or injury will be the responsibility of the supplier.

DAMAGE CLAIMS

For product in which the supplier is responsible for shipping, Ess Tec, Inc. will make reasonable attempts to identify damaged goods at time of receipt by means of a visual inspection of delivered containers. If damaged goods are later found, Ess Tec, Inc. reserves the right to notify the supplier up to 72 hours after delivery and expect reimbursement/replacement of product. The supplier is responsible for filing all claims with the carrier. These terms will be in effect unless alternate terms have been negotiated at time of quote.

PREMIUM FREIGHT COSTS

The supplier shall report all “supplier responsible” premium freight incidents to Ess Tec, Inc. if additional costs were incurred to meet the expected delivery date at Ess Tec, Inc.



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The supplier shall obtain written authorization from the Ess Tec, Inc. Management Representative for any “Ess Tec responsible” premium freight costs required to meet the expected delivery date at Ess, Tec, Inc.

Any unauthorized premium freight or routing deviations will result in a debit back to the supplier if approval was not received in advance of invoice.

If a drop shipment is required of a supplier, proof of delivery must be provided to Ess Tec, Inc. Management Representative within 24 hours of delivery. Proof of delivery shall also be sent with the invoice to ensure timely processing of payment.

4.4 INTERNATIONAL REQUIREMENTS

The supplier shall perform all actions and provide all documents required to qualify the goods or products thereof for preferential or favorable treatment under any applicable tariff or treaty. For non-qualifying items under USMCA (United States-Mexico-Canada Agreement), the supplier shall provide a Manufacturer’s Affidavit for Country of Origin. Seller will be responsible for all documentary and logistical requirements for movement of goods across international borders, and shall pay all duties and fees pertaining to such movements. All penalties or actions taken to assign undue financial burden on Ess Tec, Inc., due to inaccurate reporting of information by the supplier, will be the responsibility of the supplier.

The supplier is required to proactively submit these documents annually by 12/15 for each upcoming calendar year, and within 10 days of any new product awarded during the calendar year.

These terms are standard unless otherwise agreed to in writing by the Ess Tec, Inc. Management Personnel.

SECTION V. QUALITY SYSTEMS

5.1 GENERAL EXPECTATIONS

Ess Tec, Inc. expects that all supplied products and services meet or exceed our quality expectations 100% of the time without exception. Our suppliers play a vital role in helping us delight our customers. We conduct business globally with both automotive and non-automotive customers. Suppliers must be compliant to Engineering and Quality standards set forth by Ess Tec, Inc. or Ess Tec Inc’s customer. Proactive communication is vital to bringing awareness to issues so we can work together on timely resolution with zero impact on our customers.

QUALITY STANDARDS AND CERTIFICATIONS:

We are committed to be certified to the highest required standards as specified by our customers. The requirement, for the automotive industry, is the ISO 9001:2015/IATF 16949:2016 Quality Management System. The minimum expectation for suppliers involved in the manufacture of automotive products is to be certified to the ISO 9001:2015 standard with an active development plan in place to achieve IATF 16949:2016. We strongly encourage our non-automotive suppliers to obtain third-party certification to ISO 9001:2015. The third-party certification body must be accredited and listed on the IAF Members and Signatories registry.



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Suppliers shall submit new and renewed certificates to Ess Tec, Inc. prior to expiration. Certified suppliers shall notify Ess Tec, Inc. within 10 working days if their certificate is put on suspension or discontinued.

NOTE: If product or service end use is automotive, a written waiver from our customer will be required for use of any supplier that is without certification to these quality management systems.

5.2 PRODUCT LAUNCH REQUIREMENTS

Product quality begins in the launch process. Ess Tec, Inc. utilizes a launch structure to manage completion of launch activities. Ess Tec, Inc. and our supplier partners will work together to ensure that requirements within this process are completed to meet customer timelines.

It is the supplier's responsibility to ensure that they have a full and clear understanding of all requirements. The supplier is responsible to solicit written confirmation from Ess Tec, Inc. if any portion of the requirement, at any time, is unclear.

All suppliers are required to provide onsite launch support if requested.

INJECTION MOLD, GAGE DESIGN, & BUILD STANDARDS

Calibration services are to be completed on time and according to expectations established by Ess Tec, Inc.

Any costs incurred by Ess Tec, Inc. due to supplier-related timing or quality issues will be per the schedule defined in Section 5.5 Nonconformance and Corrective Action or other, as applicable to the circumstance.

Injection molds, gages, and other tooling must be built to tooling standards provided at time of quote unless written approval to deviate is supplied by Ess Tec to the supplier. It is the supplier's responsibility to ensure that they have a full and clear understanding of all requirements. Any costs to bring related tooling up to standard will be the suppliers' cost.

PRODUCTION PART APPROVAL PROCESS (PPAP)

New products, or changes to existing products, will be verified and approved using the AIAG PPAP process. Customer requirements will ultimately dictate the content and format of part submissions. Ess Tec will document the supplier submission requirements and communicate them through Purchasing, Project Management, or Quality Department. All questions and open items must be resolved prior to the submission due date with documented results included in the submission package as necessary.

Once approval has been provided, there shall be no changes made to the product or process to manufacture the product. Any need for change must follow the requirements for Engineering Changes (see below).

ENGINEERING CHANGES

Suppliers are required to comply with, and retain on hand, the currently issued, controlled copy of the product blueprint or specification. When engineering changes occur, a revised file or document will be sent to the supplier.

A supplier may initiate a request for change to a product or process to eliminate waste, improve operational effectiveness, or reduce cost. This request must be submitted by completing the Supplier Request for Change Approval



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document included in the Appendix of this document. Verbal requests will not be accepted. This process also applies to changes at sub-suppliers throughout the supply chain.

Suppliers are required to submit all supporting validation data including necessary dimensional reports, performance testing, before/after process parameters, updated APQP documentation (PFMEA/Control Plan), and a detailed timeline demonstrating proper change control that identifies necessary safety stock/bank requirements, including timing for validation through Ess Tec and Ess Tec's customer. Changes shall not be implemented prior to the receipt of written deviation or PPAP approval from the Ess Tec, Inc. Quality Department. All requirements set forth by Ess Tec or our customer's Quality Management System or standards will apply.

SUPPLIER REQUEST FOR DEVIATION

Suppliers are not authorized to ship product against a purchase order without having received written approval from Ess Tec, Inc. by means of a PPAP approval or signed deviation. A supplier may also need to request a deviation for other circumstances as well.

In any case and at any time a deviation is required, the supplier should make this request by submitting a completed Supplier-Initiated Change Request Form, Appendix 7.4.

EARLY PRODUCTION PRODUCT CONTAINMENT

Following the Production Part Approval Process (PPAP), the supplier may be required to participate in an approved initial production containment and inspection process, e.g. Safe Launch, GP12, etc., to validate critical characteristics of the products to be supplied. This process requires that the supplier employ an expanded inspection process on the key characteristics defined by the Ess Tec, Inc. Quality Department. Non-conforming product found during this period will extend the time requirement for compliance to the required production containment and inspection conditions.

Ess Tec may require that pass through characteristics and annual product validation be included on supplier quality documentation, such as the Control Plan. These requirements will be defined by the Ess Tec, Inc. Quality Department and communicated by the same or the Ess Tec, Inc. Management Personnel.

To exit the initial production containment and inspection process requirements, the supplier is required to collect and retain data that provides evidence of having met the established criteria. The supplier shall make a written request to the Quality Department, including all supporting data that shows process stability and conformance to the requirements. Initial production containment and inspection process activities cannot be discontinued without written Ess Tec, Inc. approval.



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5.3 MATERIAL IDENTIFICATION & LOT TRACEABILITY

The supplier must be able to trace source materials, processes, and personnel used to manufacture product that has been shipped to Ess Tec, Inc.

For Outsourced Vendors (Plating, Painting, etc.) the supplier must be able to trace back all finished product to the original lot/batch information of the product received from Ess Tec, Inc. Fallout from each individual Ess Tec, Inc. lot/batch must be reported to Ess Tec, Inc. The method and frequency of reporting will be negotiated between Ess Tec and the supplier.

Separate containers from the same lot of manufacture shall include a unique serial number or other unique identifier that enables traceability at the package level.

Product lot numbers must be clearly identified on the product packaging and all shipping documents, including packing lists, certification documents, and invoices.

5.4 PACKAGING, LABELING, & DOCUMENTATION

PACKAGING

- Container weight shall not exceed 30lbs unless reflected on the purchase order.
 - Equipment is exempt to this requirement.
 - Incoming plastic for use in injection molding is exempt to this requirement.
- Products being PPAPed to Ess Tec, Inc. will require packaging approval as part of the PPAP to Ess Tec, Inc.

LABELING

- Products being PPAPed to Ess Tec, Inc. will require labeling approval as part of the PPAP to Ess Tec, Inc.
- Label size will be 4x6 inches, and must be robust enough to adhere and be readable (human and barcode) in warehouse environments for up to 1 year.
- Each container is required to be labeled, this includes sub containers within a parent container, which may require the use of a smaller label size, which is acceptable.
 - Sub-container labels require review and approval for content.
- Exterior container label must be visible when containers are palletized.
- Barcode Code 128 is the standard expected.
- Exterior container labels must contain the following information, those in **BOLD** will require Barcode identification with Identifier found in parenthesis and include human readable text.
 - **Ess Tec, Inc. part number (P).**
 - **Ess Tec, Inc. item revision (2P).**
 - Item description.
 - **PO (K).**
 - **PO Line (4K).**



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- **Supplier code (V).**
 - Supplier item number.
 - **Date of Manufacture.**
 - Barcode must follow this format: MMDDYYYY.
 - Human eadable Format: MM/DD/YYYY.
 - Lot number.
 - **Unique serial number (S).**
 - This must be unique and never repeat.
 - **Quantity per container (Q).**
 - Container units of measure.
- Mixed pallets of product are not allowed unless authorized by the Ess Tec, Inc.’s Management Representative. When authorized, mixed pallets must be labeled on all 4 sides with a “Mixed Pallet” label.
 - Fully loaded pallet dimensions shall not exceed 45”x48”x48” without approval.
 - Equipment is exempt from this size requirement.

EXAMPLE:

ESS TEC PART NO (P)			
		<h1 style="margin: 0;">PC000000</h1>	
QUANTITY (Q) 100	EA	Description ESS TEC PART DESCRIPTION	
	MFG DATE 9/26/2013	REV 05	SUPPLIER PART FAL-8493-RAL24
SUPPLIER (V) SUPPCODE		[Space Reserved For Supplier Use]	
SERIAL (S) ABC2813653			



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PACKING SLIPS

Packing Slips must be provided with all shipments and require the following information:

- Ship date.
- Ess Tec, Inc. purchase order number.
- Line-item number.
- Remit to address and telephone.
- Ess Tec, Inc. item number.
- Description of product.
- Lot number (where applicable).
- Quantity ordered, Quantity Back-ordered.
- Unit of measure by line item.
- Number of containers by item and total.
- Supplier packing slip number.

All supporting documentation such as Certifications, Testing Results, etc. must be submitted to ReceivingDocs@ess-tec.com pre-arrival of shipment.

INVOICES

Invoices are to be submitted to Invoice@ess-tec.com and include the following information:

- Vendor name and address.
- Ship date/Invoice date.
- Ess Tec, Inc. purchase order number.
- Line-item number.
- Remit to address and including telephone.
- Ess Tec item number.
- Description of product.
- Lot number (where applicable).
- Quantity ordered.
- Unit of measure by line item.
- Supplier packing slip number.
- Supplier Code.
- Piece price.
- Total price.
- Number of containers by item and total (where applicable).
- Product Revision level (where applicable).



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5.5 NONCONFORMANCE & CORRECTIVE ACTION

SUPPLIER NONCONFORMANCE PROCESS:

Nonconformance to our requirements, such as tooling, product quality, documentation, and delivery, can impact our ability to meet customer expectations. The supplier is expected to have effective quality management systems in place to prevent such product from reaching Ess Tec, Inc. The supplier will be notified if an event does occur.

A supplier corrective action request (SCAR) may be issued for a nonconformance. The supplier is required to provide an initial response within 24 hours of receipt. Closure of this record should occur within 30 days unless otherwise notified of the need for additional time. The supplier is required to provide evidence of corrective and preventative measures taken, including but not limited to updated PFMEA and Control Plan documentation.

It is strongly recommended that the supplier use a process and risk-based approach to this process, e.g., 5-Why, Is/Is Not, Fishbone Diagram, etc. A specific Ess Tec, Inc. or customer request or format will supersede this where applicable.

Future business opportunities may be negatively impacted by failure to support timely and satisfactory response to a SCAR. It may also be negatively impacted if incidents are frequent or repeating.

CONTAINMENT OF NONCONFORMING MATERIAL:

The supplier is expected to fully and effectively contain all suspect product immediately upon notification of a concern. The supplier is expected to comply with containment requirements as, and if, assigned by Ess Tec or Ess Tec's customer.

Ess Tec, Inc. reserves the right to require different levels of containment based on the severity of the issue, reoccurrence, time constraints, and/or confidence in the SCAR presented.

Costs incurred by Ess Tec, Inc. or the customer resulting from supplier quality or delivery issues will be debited to the supplier.

Potential chargeback costs, in US dollars, may include, but not be limited to:

- Downtime - \$250/hr (Ess Tec) and any received from our customer.
- Labor - \$60/hr (Ess Tec) and any received from our customer.
- Scrap – Cost incurred through current operation level.
- Outsourced Services – Cost incurred for any outsourced activity required to remedy the issue.
- Administrative - \$250 per incident and any received from our customer.
- Travel – Cost for travel required to sort or contain product at another facility, e.g., fuel, flight, lodging, etc.
- Freight – Cost for freight incurred on returns and replacement product as applicable.

If a product return is deemed necessary, the supplier shall issue an RMA (Return Material Authorization) to Ess Tec within 24 hours of notification. Ess Tec, Inc.'s policy will be to return all suspect product in these situations without allowance for shipment of a sample size to be evaluated. If Ess Tec, Inc. does agree to accommodate such a request, the freight cost will be the responsibility of the supplier and disposition of the balance must be made within 24 hours of sample delivery to the supplier.



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If the supplier fails to remove suspect product from the Ess Tec, Inc. facility within 48 hours of the incident, Ess Tec, Inc. reserves the right to proceed to contact a carrier and return the product to the supplier's facility at the supplier's expense.

5.6 OUTSOURCED VENDOR SCRAP ALLOWANCE

In order to ensure that Ess Tec, Inc.'s customer's demand is able to be met, Ess Tec, Inc. must be able to properly forecast the purchase, manufacture, or inventory of items to be outsourced. This is only successful if the outsourced vendor is able to maintain robust processes that yield minimal scrap.

Unless a written agreement is developed between the vendor and Ess Tec, Inc. at the time of quoting or product development, the vendor is limited to only a 5% scrap of any inventory received from Ess Tec, Inc. in the use of the final product. Vendor scrap must be tracked and reported to Ess Tec, Inc. per section 5.3 of this document.

If the scrap rate that is reported to Ess Tec, Inc. is above the negotiated rate, it will be deemed a nonconformance, and the process described in section 5.5 of this document will be initiated.

Ess Tec, Inc. may, at times, need to perform a full physical inventory at the supplier of items procured from Ess Tec, Inc., WIP and finished goods of product for Ess Tec, Inc., and all scrap associated with said products. Ess Tec, Inc. will only perform physical inventories during regular business hours and provide at least one business day notice. Ess Tec, Inc. will require a supplier liaison during these inventories to help provide location and accessibility.

5.7 END OF PRODUCTION – SERVICE REQUIREMENTS

SUPPLIER SERVICE EXPECTATIONS:

Ess Tec, Inc. suppliers are required to support service requirements following the end of production for the period defined by Ess Tec, Inc.'s customer. Production unit pricing shall be held during the service period, at the service volumes requested, unless otherwise agreed to. Any changes to unit pricing shall be agreed upon prior to acceptance and confirmation of the Ess Tec, Inc. purchase order.



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SECTION VII. APPENDIX



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7.2 SUPPLIER CONTACT INFORMATION

Company Name	
Company Address	

1 st Shift Hours	Name	Office Phone	Cell Phone	Email Address
Account Manager				
Customer Service				
Production Manager				
Quality Manager				
Shipping Manager				
2 nd Shift Hours	Name	Office Phone	Cell Phone	Email Address
Account Manager				
Customer Service				
Production Manager				
Quality Manager				
Shipping Manager				
3 rd Shift Hours	Name	Office Phone	Cell Phone	Email Address
Account Manager				
Customer Service				
Production Manager				
Quality Manager				
Shipping Manager				

Emergency After Hours	Name	Cell Phone
Account Manager		
Customer Service		
Production Manager		
Quality Manager		
Shipping Manager		

Production Hours	From	To
1 st Shift		
2 nd Shift		
3 rd Shift		



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7.3 SUPPLIER DEVIATION REQUEST FORM

Section to be Completed by the Supplier							
Supplier Company Name		Supplier Contact			Date		
					Resubmission <input type="checkbox"/>		
Supplier Contact Phone Number		Supplier Contact Email					
Requested Deviation(s)							
Detailed Description of Supplier Proposal							
Section to be Completed by Ess Tec, Inc.							
Approved <input type="checkbox"/> (see terms)		Rejected <input type="checkbox"/> (see comments)			Re-submit <input type="checkbox"/> (see comments)		
Approval Terms	From Date		To Date		No. of Parts		Ongoing <input type="checkbox"/>
Comments							
Quality Manager Approval						Date	
Vice President Approval						Date	



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7.4 SUPPLIER INITIATED CHANGE REQUEST FORM

Supplier Company Name		Supplier Contact		Date	
				Resubmission <input type="checkbox"/>	
Supplier Contact Phone		Supplier Contact Email			
Change Type Requested		Product <input type="checkbox"/>		Process <input type="checkbox"/>	
Part Name		Part No.		Dwg No.	Rev
Detailed Reasons for the Change Request					
Sketch area				Unit Cost Review	
				Current \$ _____	
				Proposed \$ _____	

				Tooling Investment	
				\$ _____	
				Other	
				\$ _____	

Ess Tec, Inc. approval of a supplier’s request for change will prompt the respective Program Manager to initiate an internal Engineering Change Order. No change in product or process shall be made without written PPAP approval or Interim Deviation.



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7.5 MUTUAL CONFIDENTIALITY AGREEMENT

This Mutual Confidentiality Agreement (the “Agreement”), effective upon the date of last signature below, is made between _____ located at _____ and Ess Tec, Inc. located at 3347 128th Ave. Holland, MI 49424.

RECITALS

A. Each party desires to obtain information from the other that may include secret, proprietary, and/or confidential information (“Confidential Information”) for the sole purpose of evaluating a business and/or product development relationship between the parties for agreed-upon subject matter called the “Program”. The Program will be described in an attached Appendix if a written description is deemed necessary.

B. Each party is willing to disclose to the other, review, examine, inspect or obtain such Confidential Information for the Program and to otherwise hold such information confidential.

THEREFORE, in consideration of the foregoing, the mutual promises contained herein, and other good and valuable consideration, and intending to be legally bound hereby, the parties agree as follows:

- 1.** Each party has or may furnish to the other Confidential Information on the Program.
- 2.** Each party agrees to hold all Confidential Information received from the other in trust and confidence and to use Confidential Information only for the purpose of the Program. Neither party will, without written consent from the other, disclose Confidential Information to anyone other than its own employees to carry out the Program.
- 3.** Except as contemplated herein, each party agrees that it will not make any commercial use of the Confidential Information of the other and will use reasonable efforts to prevent its employees from making any commercial use of the Confidential Information.
- 4.** Upon written demand by either party at any time, all Confidential Information, including, without limiting the generality of the foregoing, written notes, photographs, memoranda, summaries and extracts of Confidential Information, shall either be destroyed or returned by the receiving party to the disclosing party. No copies will be made or retained by either party of any Confidential Information obtained from the other party.
- 5.** The restrictions of this Agreement apply to written, electronic or verbal information which is marked or known to be “Confidential” based upon the description herein.



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6. Neither party makes any representation or warranty as to the accuracy or completeness of the Confidential Information.

7. The term Confidential Information shall not include any of the following:

- (a) Information which is known to the receiving party at the time of disclosure.
- (b) Information which is publicly known or later made public knowledge through no wrongful act of the receiving party.
- (c) Information received from a third party who is not prohibited from transferring the information by a contractual, legal or fiduciary obligation.
- (d) Information independently developed by the receiving party.

8. Each party acknowledges that money damages would be both incalculable and an insufficient remedy for any breach of this Agreement and that any such breach would cause the disclosing party irreparable harm. Accordingly, each party agrees that in the event of any breach or threatened breach of this Agreement, in addition to any other remedies at law or in equity, the non-breaching party shall be entitled, without the requirement of posting a bond or other security, to equitable relief, including injunctive relief and specific performance.

9. Each party agrees to indemnify and hold the other harmless from and against any loss, claim, damage or liability arising out of a breach of this agreement by such party or its officers, employees, representatives or others under its control.

10. All disclosures and communications made between the parties will be considered confidential in perpetuity or until such time as one of the above exceptions can be proven applicable or until such time there is written release of obligation agreed upon by both parties.

11. This Agreement and its validity, construction, effect and performance shall be governed by the laws of the State of Michigan, and it is further agreed that any arbitration, legal or court proceeding will be conducted in Ottawa County, Michigan, unless otherwise agreed by all parties in writing.

12. The parties agree to arbitrate any dispute within 180 days of a party's written request to arbitrate. This shall be done under the rules of the American Arbitrators Association, including appointing a single arbitrator; or if a single arbitrator cannot be agreed upon, then each appointing an arbitrator and the selected arbitrators appointing a 3rd arbitrator. The arbitrator(s) decision will be enforceable in court, but appealable. If appealed, the appealing party will pay all costs of both parties unless a court of competent jurisdiction changes the arbitrator's award by at least 20% in favor of the appealing party.



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IN WITNESS WHEREOF, the parties have signed this Mutual Confidentiality Agreement as of the date first above written.

By: _____
Printed Company Name

Printed Name & Title of Authorized Agent

Date: _____

Signature of Authorized Agent

By: _____
Printed Company Name

Printed Name & Title of Authorized Agent

Date: _____

Signature of Authorized Agent



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7.6 SUPPLIER ACKNOWLEDGEMENT FORM

All suppliers are responsible for reviewing the Ess Tec, Inc. Supplier Standards Manual to ensure full compliance with the requirements defined therein.

Acknowledgement of, and agreement to the requirements is confirmed by signature(s) noted below. This manual will be used in conjunction with Ess Tec, Inc. standards and PO Terms & Conditions, and will govern all transactions between our organizations.

Company Name	
Company Address	

Position Title	Printed Name	Signature	Date
Sales Manager			
Production Manager			
Quality Manager			
Shipping Manager			
Controller			



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ACKNOWLEDGEMENT OF RECEIPT OF SUPPLIER STANDARDS MANUAL

The below representative of the Supplier acknowledges they have received the Ess Tec, Inc. Supplier Standards Manual and certify that they have read and understand all obligations, requirements, and duties stated therein, and acknowledge and agree that the Supplier Standards Manual is a binding legal agreement with respect to the Supplier’s relationship and transactions with Ess Tec, Inc. The Supplier Standards Manual is further binding on any successors, representatives, and assigns of the Supplier.

The undersigned, by virtue of their signature, represents and warrants that they have authority to execute this Acknowledgement, as a binding obligation of their employer, the Supplier. In signing this Acknowledgement, the Supplier intends to be legally bound by all its terms.

Signature

Printed Name

Office or Title

Date

Supplier Name: _____

Supplier Business Address: _____

Contacts:

Name, Phone, Email, Function

Name, Phone, Email, Function

Complete and return a copy of this form to _____.