



Supplier Expectation Manual



Sterling Spring — Supplier Philosophy

- Products and services from external providers (suppliers) are intended for incorporation into Sterling Spring’s own products and services as are subject requirements of Sterling Spring Quality Management System. This includes:
 - Products and services that are provided directly to the customer by the external provider on behalf of the organization; and
 - A process, or a part of a process, that is provided by an external provider as a result of a decision by the organization.
- Suppliers must be qualified based on the results of Sterling’s evaluation criteria with focus on quality system certifications.
- Sterling believes in a “win-win” relationship with our suppliers providing fair compensation for Quality product and services.
- Quality must be inherent in the process and not through inspection.
- Lack of customer dissatisfaction does not equal customer satisfaction.
- In order for suppliers to succeed, Sterling must support them through clearly stated requirements and fair objective evaluation.
- Sterling Spring maintains high ethical standards, and as such, we expect our suppliers to maintain the same high ethical standards. Your products and services are critical to our products’ conformity and to its product safety.

Our Pledge to Our Suppliers

- Specifications on purchase orders are clearly stated. Where our customer’s standards apply, Sterling will provide that standard.
- Where customer drawings are applicable, our management team will review and resolve any ambiguous or conflicting requirements prior to issuance.
- Sterling Spring will communicate to suppliers our requirements for (as applicable):
 - The processes, products, and services to be provided including the identification of relevant technical data;



- The approval of (1) products and services; (2) methods, processes, and equipment; and (3) the release of products and services;
 - Competence, including any required qualifications of persons;
 - The suppliers' interactions with Sterling Spring;
 - Control and monitoring of supplier performance to be applied by Sterling Spring;
 - Verification or validation activities that the organization, or its customer, intends to perform at the supplier's premises;
 - Design and development control;
 - Special requirements, critical items, or key characteristics;
 - Test, inspection, and verification (including production process verification); and
 - The use of statistical techniques for product acceptance and related instructions for acceptance by the organization.
- Feedback to suppliers shall be based upon objective findings and communicated to them on a timely basis. The supplier shall have an opportunity to respond.
 - A copy of the Sterling Acceptance Criteria for Goods and Services shall be made available to our suppliers.

Our Expectations from our Suppliers

- Implementation of a quality management system
- Timely review and acceptance of Sterling Spring's purchase order requirement(s)
- Effort towards zero defects and 100% on-time delivery
- Timely and effective implementation of corrective action when errors occur
- Prompt communication in response to requested correction of non-conforming products
- The right of access by Sterling Spring, our customer, and regulatory authorities to applicable areas of your facilities and to applicable documented information, at any level of the supply chain
- Open communication – change in process, procedures, policy, location or certification status to be reported immediately
- When required due to design, process, source, location and material changes and/or deviations, PPAP documentation is to be furnished. PPAP minimum requirements include a



flowchart, control plan, and PFMEA. Templates with written guidelines are available upon request.

- Use customer-designated or approved external providers, including process sources (e.g., special processes)
- Notify Sterling Spring of nonconforming processes, products, or services and obtain approval for their disposition
- Have processes in place to prevent the use of counterfeit parts
- Notify Sterling Spring of changes to processes, products, or services, including changes of their external providers or location of manufacture, and obtain Sterling Spring’s approval
- Flow down to external providers applicable requirements including customer requirements
- Provide test specimens for design approval, inspection/verification, investigation, or auditing
- Retain documented information, including retention periods and disposition requirements. Documents should be retained for 10 years, unless otherwise specified on the purchase order. For aerospace product, the following applies:

Time Period (from time of manufacture)	Description
40 years	Flight safety parts, safety parts, flight critical parts, ESA parts , Frozen Process Parts
30 years	Manned Space Program Hardware
10 years	All other parts

- Apply appropriate controls to their direct and sub-tier external providers, to ensure that Sterling Spring’s requirements are met.

Approved Supplier List and Maintenance

Sterling Spring maintains an Approved Supplier List that includes the supplier’s approval status (refer to “Supplier Performance Reports” below) and the scope of the approval (i.e. heat treating, plating, material, etc.). Sterling Spring periodically reviews supplier’s performance including process, product and service conformity, and on-time delivery performance. The evaluation of the supplier’s performance is evaluated in accordance with Scorecards guidelines below. Corrective actions are required prior to issuing new purchase orders for any supplier that has an “Unacceptable” Approval Status.



Supplier Performance Reports (Scorecards)

Supplier performance evaluations determine the approval status of the supplier. Scorecards are completed on monthly basis on a point-based system (100 points) derived from results of quality, delivery and service performance.

Quality (40 points)

Supplier starts with 40 points and points are deducted for non-conformance(s). Examples of such non-conformances are as follows (list not exhaustive):

- Parts do not conform to purchase order requirements and/or prints.
- Unauthorized deviations on any basis based upon past shipments.
- Incorrect paperwork (i.e. certs, packing lists, etc.)
- Improper labeling – all parts should be labeled with a minimum of a packing label identifying Sterling Spring's purchased order number, weight/quantity, product number/description and supplier work/lot/heat number.
- Unauthorized process changes that could affect product quality and performance prior to implementation.

Delivery (35 points)

Supplier starts with 35 points and points are deducted for each late delivery. Exceptional delivery is rewarded. Sterling Spring's expectations for delivery are as follows:

- A goal to have 100% on-time delivery.
- For wire suppliers and manufactured goods, this is based upon the due date on the Purchase Order or the agreed upon release date for blanket orders. Shipments may be received 10 days before due date but not after due date.
- Delivery dates for outside processes will be determined using quoted lead times and/or recent delivery performance. If unable to meet and to avoid point deduction, Sterling Spring requires notification at receipt of purchase order at least 48 hours prior to delivery date.

Service (25 points)

Supplier starts with 25 points and points are deducted for each occurrence of unsatisfactory service. Exceptional service is rewarded. Sterling Spring's expectations for service are as follows (list is not exhaustive):

- Timely confirmation of purchase order receipt (when required)



- Timely response for information (inspection data, material data sheets, technical questions)
- Technical support regarding the product or service provided
- Timely quote turnaround

Approval Status

The overall performance score of 100 points for a given month is factored into a 12-month rolling average to calculate the approval status for each supplier. All supplier scorecards are available for supplier review upon request and Sterling Spring will communicate approval status changes to the supplier when such change occurs. Approval status levels are as follows:

- “Certified” suppliers with a score at 95 and above are performing at an optimal level and no further action is needed.
- “Acceptable” suppliers with a score between 89 and 94 are used with caution and monitored for changes in future performance.
- “Unacceptable” supplier below 89 indicates multiple infractions and further action is taken prior to issuing next purchase order.

Packaging

Raw Material

- Product is to be delivered in a manner that precludes damage from handling or outside elements.
- Preferred method of certification delivery is at time of delivery. Alternative method would be fax or mailed under separate cover. However, regardless of the method, certification must be in possession of Sterling Spring at the time of delivery.
- Each package (carrier, coil, or pallet) must meet the minimum labeling requirements: Sterling Spring’s purchase order number, product description, heat number, and weight. If separable units (catch weight coils, reels, cores, etc.) exist within the package, each separable unit must also be labeled indicating product description and weight.
- Quantity deviations acceptable shall be $\pm 10\%$ unless otherwise agreed upon with Sterling Spring.



Outside Services and Manufactured Goods

- Product is to be delivered in a manner separate which precludes damage from handling or outside elements. In some instances, Sterling Spring may prescribe a special packaging requirement.
- Each container must have the part number, purchase order number with the bill of lading number, and quantity.
- Quantity is expected to be the same as the quantity being shipped. In the instance where some scrap occurred as a result of the process, this should be noted on the packing list. Resolution will be handled on a case-by-case basis.
- For those part numbers identifying in the extended description “Certifications: Yes”, certifications must be included with shipping documents or emailed or faxed to Sterling Spring prior to receiving parts.

When Things Go Wrong

Supplier Finds Problem

If a quality problem is caught prior to delivery, Sterling Spring requires immediate notice and containment. Sterling Spring will endeavor to get a waiver from our customer. If our customer accepts the waiver, product may be shipped. This will not be applied against the scorecard, no charges will apply, and no corrective action will be required.

Sterling Spring Finds Problem

Upon the receipt and rejection of discrepant product, Sterling Spring will advise the supplier immediately for their disposition.

If the supplier takes back the discrepant product and sorts or reworks, the total quantity delivered will apply against the supplier scorecard and a corrective action will be required. A \$100.00 process fee shall apply. Repair, rework or reprocessing (functional, but not to original specification) must have prior approval.

If Sterling Spring sorts the discrepant product, the entire amount will be applied against the supplier scorecard, a corrective action will be required, and a \$30 per hour labor sort charge and a flat \$100 process fee shall apply.



Corrective Actions

Corrective actions are the key to preventing future problems. As such, corrective actions should reflect the root cause as opposed to attacking the symptoms. It is required to include objective evidence in the correction of problems (i.e. revise procedure, training documents, etc.). Sterling Spring's CAR template is available upon request.