

**STANLEY**®  
Engineered Fastening

## **Supplier Quality Manual**

# Stanley Engineered Fastening

## Supplier Quality Manual

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**STANLEY Engineered Fastening is a platform within the Industrial Division of STANLEY Black & Decker, Inc. STANLEY Engineered Fastening includes legacy businesses known as Emhart Teknologies, Infastech, Avdel, Nelson Fasteners, Ferry Cap, ASMP, Spiralock, STANLEY Assembly Technologies and all known brands associated with those formal legal entities who will be referred in this document to STANLEY Engineered Fastening.**

### ***Background***

STANLEY Engineered Fastening, a wholly owned subsidiary of STANLEY Black & Decker, is a leading supplier of specialty fasteners and fastening systems worldwide, serving customer with a vast array of custom-designed parts, equipment and assembly technology in the Industrial, Aerospace and Automotive Industries.

Each of our manufacturing locations operate within recognized quality systems consistent within standards such as ISO 9001, AS9100, IATF 16949, and VDA. There are many similarities between these systems, with items that differentiate each specifically attuned to our customer's expectations.

### ***Globalization at STANLEY Engineered Fastening***

As a recognized industry leader in the development, production and supply of fasteners and fastening systems technology, STANLEY Engineered Fastening will achieve sales growth through penetration of existing and emerging markets with breakthrough technology and extensive customer and supplier partnerships on a worldwide basis.

Our leadership position is supported by a flexible cross-functional global organization that responds quickly to customer and market requirements and one that successfully leverages our manufacturing, distribution and supply chain superiority.

STANLEY Engineered Fastening recognizes its supply base as an extension of its business and the need for consistent material supplier on a global basis. Our global supplier network will help create value in the supply chain through continuous improvement, innovation, efficiency, and the flexibility to deliver in support of the needs of our customers.

## **Supplier Quality Manual**

The purpose of this Manual is to inform suppliers of the methodologies used by Stanley Engineered Fastening to ensure that all members of its supply chain meet its requirements and expectations. The guidelines set forth in this Manual applies to all products, services and materials purchased by Stanley Engineered Fastening. Any references to decisions or determinations to be made by Stanley Engineered Fastening herein shall be understood to mean decisions or determinations made by Stanley Engineered Fastening in its sole discretion. Notwithstanding the foregoing or anything else contained in this Manual, except as set forth below in this paragraph with respect to the section titled – “Compliance with Law”, the legal relationship between Stanley Engineered Fastening and the supplier will be defined solely by the provisions, terms and conditions set forth and/or referenced in its purchase order or other supply agreement entered between Stanley Engineered Fastening and the supplier. Without limiting the generality of the foregoing, this Manual shall not be deemed to create any legal obligation or liability of Stanley Engineered Fastening or to constitute any representation, warranty or agreement by Stanley Engineered Fastening. Compliance with the section titled – (Compliance with law), of this Manual shall be required of all suppliers and shall be legally enforceable by Stanley Engineered Fastening for all and any suppliers that enters into a supply arrangement with Stanley Engineered Fastening shall be deemed to have agreed to such provisions. Neither compliance by the supplier with any other guidelines of this Manual, nor the acceptance or approval by Stanley Engineered Fastening of the supplier’s products, services or materials, will relieve the supplier of any of the terms or conditions set forth in the applicable purchase order or supply agreement

This Global Supplier Manual has been developed to create a favorable business environment for both Stanley Engineered Fastening and its suppliers that strive for customer satisfaction in an environment that supports continuously improving costs, quality, deliveries, efficiencies, productivity, and ultimately profits.

The value of the supply chain is fully recognized within Stanley Engineered Fastening. Continuous improvement can only be accomplished through effective communication, documentation of quality expectations, and successful implementation of supporting action plans that support long-term customer loyalty and satisfaction.

If after reviewing this manual you have any questions or comments, please contact the appropriate Purchasing/Sourcing Representative.

## **General Requirements**

### ***Rights of Stanley Engineered Fastening***

Stanley Engineered Fastening reserves the right to examine all supplier's documentation, as referred to in this manual and in relation to other requirements of Stanley Engineered Fastening such as ISO 14001, ISO 9001, IATF 16949, AS9100, VDA and the MMOG. The supplier agrees to permit Stanley Engineered Fastening and its customers (if required) access to all parts of the business premises, including test laboratories, warehouses and other areas of interest, and to allow them to view relevant documents. The supplier also guarantees this for their sub-suppliers. Stanley Engineered Fastening accepts any reasonable restrictions imposed by the supplier deemed as necessary to safeguard the supplier's business secrets.

### ***Confidentiality***

Suppliers and Sub-Contractors shall protect as a trade secret all commercial and technical information not publicly available which becomes known to them through the business relationship. Information may not be disclosed to third parties or made accessible in any other way. The duplication of any documents that may have been provided is permissible only within the framework of commercial requirements and the terms of copyright. Failure to comply with the above may result in Legal Action being taken.

## **Quality Requirements**

### ***Overview***

Stanley Engineered Fastening is committed to serving the needs of our customers by supplying the highest quality and support services in the world. To do this we must continually strive to improve our product quality while providing value to our customers.

Realizing that communication and cooperation are key elements to maintaining high quality standards this manual has been developed to be used as a guide for aiding suppliers to understand the quality requirements that are expected when supplying products and services to Stanley Engineered Fastening. End using customer specifics must be followed and adhered to unless an OEM waiver has been provided. Suppliers are expected to understand all end user requirements at evaluate customer requirements on a regular basis to ensure latest requirements are adhered to.

The guidance provided by this manual applies to all purchased components and materials used by Stanley Engineered Fastening facilities. However, if the requirements of this manual conflict with terms and conditions or specific requirements incorporated into the purchase order, the requirements of the purchase order shall be final.

Questions concerning this manual as it relates to quality should be directed to the Stanley Engineered Fastening Supplier Quality / Development representative who will act as the primary contact between suppliers and other functions within Stanley Engineered Fastening.

### ***Purpose and Goal***

As a supplier to Stanley Engineered Fastening your understanding and compliance with the requirements stated in this manual is an important building block toward achieving our quality commitment to our customers. Continued growth in our current markets and entrenchments in new markets world-wide requires that we not only meet our customers' needs and requirements, but exceed those needs while adding value through enhanced products and services.

### ***Supplier Quality Objectives***

The company's supplier quality objectives exist to ensure that our quality requirements are accurately specified and communicated. Specifically, we:

- Expect 100% conformance to all quality requirements
- Strive to ensure that our quality and reliability levels are maintained on a continuous basis
- Strive to eliminate the need for incoming inspection through supplier certification

### ***Supplier Management Philosophy***

Quality, Innovation, and Customer Satisfaction are the most important drivers of our business and thus conformance to the requirements of our customers is inherent in our processes and procedures. It is the philosophy of Stanley Engineered Fastening to exceed customer expectations wherever possible. Our approach is to consider suppliers as an extension of our own operations. Underlying this relationship is a mutual commitment to assure that quality; cost and delivery requirements are completely defined and agreed upon before delivery begins.

Stanley Engineered Fastening expects suppliers to maintain a documented quality program to ensure consistency and compliance to our requirements as well as practicing continuous improvement initiatives. Stanley Engineered Fastening expects suppliers to be committed to introduce and maintain a quality management system that satisfies the requirements of the latest appropriate/required standard (ISO 9001, IATF 16949 & AS9100). Certification to IATF16949 is desired but not mandatory, unless otherwise required by the customer.

Latest ISO 9001 certification is the minimum requirement of product / production related suppliers to Stanley Engineered Fastening. Where suppliers to Stanley Engineered Fastening are trading companies, Stanley Engineered Fastening requires proof of certification of the manufacturers Quality Management system.

In the spirit of partnership Stanley Engineered Fastening Supplier Quality / Development representatives provide support to our suppliers for the development of the Quality Management system where needed.



## **Supplier Responsibility**

### ***Organization***

The supplier shall clearly document their quality system. Personnel who are performing quality functions shall have well defined training, responsibility, authority and organizational freedom to identify, evaluate and solve problems that affect quality.

### ***Quality Planning***

The supplier shall review all requirements specified on the Stanley Engineered Fastening purchase order, engineering drawing, relevant specifications/standards and related documents during the earliest practical phase to assure that compliance can be attained and maintained.

The supplier is expected to identify required processes and provide for the implementation and monitoring of controls, test equipment, fixtures tooling and skills required to ensure consistency in product quality.

Stanley Engineered Fastening expects its suppliers to be committed to a quality assurance program that meets/exceeds the appropriate quality system (e.g. ISO 9001, IATF 16949 & AS9100) requirements and timely and effective concern resolution to meet end user requirements for:

- Defect Prevention/Identification
- Efficient Problem Solving
- Effective Corrective Action and Validation
- Immediate Containment, when required.

### ***Record Keeping***

For each Stanley Engineered Fastening part number the supplier shall (at a minimum) maintain a part record file consisting of the following items but also must meet the appropriate standards (e.g. ISO 9001, IATF 16949 & AS9100) requirements:

- Purchase Order
- Inspection Reports, PPAP's, Test Data
- Part drawing to the correct engineering change level
- All specifications and documents referenced on the part drawing, purchase order and this manual
- Any deviation requests authorized by Stanley Engineered Fastening.

Supplier must retain documents to meet the appropriate standard. Any variance from this policy requires prior approval in writing at the local level.

**NOTE:** The Supplier must have a system to ensure that Stanley Engineered Fastening is updated with the latest released drawings and specifications where the supplier has Design Authority.

### ***Measurement and Test Equipment***

Measurement and test equipment used in the manufacture and/or inspection of Stanley Engineered Fastening products must be calibrated to most recent measurement standards and are traceable to the appropriate National Standards of the country of manufacture. Equipment will be calibrated at intervals necessary to ensure accuracy. Usage of any external laboratories must be third party accredited.

### ***Part and Process Validation and Capability Studies***

STANLEY Engineered Fastening requires parts and processes must be validated to the approved drawing by using an excepted methodology (i.e. Production Part Approval Process-PPAP) that includes any customer specific requirements. The documents required is dependent upon the criticality of the end use. Suppliers will be notified of the required documentation through the initial Purchase Order.

Validation sampling plan shall be representative of the production tooling and production processes that can be expected on all future shipments. Statistical process capability (SPC) characteristics will be identified on the drawing (or chosen by the manufacturing point if none), studies (initial and in production) will utilize the appropriate methodology (i.e. MSA manual which is available from AIAG).

In the case of non-conforming product, shipments should be prevented without written approval by Stanley Engineered Fastening Plant Quality Leader which may include required supporting documentation or final customer approvals.

An IMDS submission must be made for all parts manufactured for Stanley Engineered Fastening at the initial approval stage (i.e. PPAP). In addition, reporting of additional information as per the current governmental requirements and/or restrictions (e.g. Conflict Mineral) is required.

Suppliers must ensure that they and/or their sub-contractors are compliant to all requirements affecting the product and have plans in place to meet compliance requirements including industry standards/assessments for CQI-9, CQI-11 & CQI-12 for Heat Treatment, Plating, and Coating Processes respectively. Additional CQI assessments could be applicable and requested as needed to support compliance to established requirements.

After a part is approved for production, any of the following changes requires a new approval from STANLEY Engineered Fastening before processing product.

- Any proposed process changes
- Machine/Equipment move
- Sub Supplier change
- Manufacturing Location change and/or tooling from one location to another
- New Tools/Cavities needed for injection molds
- Drawing tolerance change

### ***Production Part Approval Process (PPAP) is mandatory for automotive applications***

A level 3 submission is the default submission unless instructed differently on the PO. Please refer to the Production Part Approval Process (PPAP) manual and supporting manuals which are available from AIAG (Automotive Industries Action Group).

### ***Notification of Changes***

The supplier is responsible for notifying Stanley Engineered Fastening (plant quality leader) for any/all changes affecting product quality, performance, reliability, packaging, delivery or workmanship. No revisions to design, materials, tooling or processes are acceptable without prior approval from Stanley Engineered Fastening. In most cases Stanley Engineered Fastening will have to notify end users of product for approval prior to an approved change. Supplier must have a process for managing any changes that includes Stanley Engineered Fastening approval.

### ***Material Packaging & Labeling***

If packaging is not specified, the supplier will ensure that good commercial packaging techniques are followed. Supplier must submit for approval of a packaging proposal and example label. All parts received that deviates from the approved may result in a rejection.

### ***Supplier Reliability***

Stanley Engineered Fastening operates on the premise that the supplier controls their product/process to prevent defective parts from being shipped. A zero defect expectation is implied as a single defect found will be cause for the rejection of all inventory at STANLEY Engineered Fastening or our customer without subsequent inspection or proof the product is deemed acceptable. Supplier is liable for all product that does not meet requirements. The supplier is responsible for the affects (i.e. Expedited shipping, Downtime, Corrective action response, sorting, shipping costs, etc.) and resolution actions to meet commitments.

### ***Receiving Inspection and Sampling Methods (if required)***

Stanley Engineered Fastening employs a variety of inspection methods (manual and automated equipment) if a defect is found. Inspection and sampling methods will be determined based upon criticality of the products and defect impact to the end user. These may be implemented at STANLEY Engineered Fastening or our customers upon notification to meet customer requirements or to prevent a line down situation. These activities may continue until confirmed compliant parts are received and validated.

### ***Deviation Requests***

Stanley Engineered Fastening requires its suppliers to manufacture or supply all parts to meet drawing and associated standards/specifications approved during the approval process. Should the need arise to request a deviate from the approved product/process; a written request must be submitted to the Stanley Engineered Fastening receiving location's Quality Department. The request must be supported with complete details of the deviation including Why, Change breakdown, Customer impact, Specification/Standards affected, Performance/Functional impact and an appropriate Recovery Plan (See Appendix for example of Stanley Engineered Fastening Recovery plan). This request will be evaluated by the appropriate Stanley Engineered Fastening departments. Stanley Engineered Fastening is under no obligation to provide such an approval. If approved, deviation will only be applied towards specified product and/or timing of shipments.

## **Continuous Improvement**

Continuous improvement towards reducing waste, increasing customer satisfaction, and improving processes, with a focus on the highest possible quality and maximum financial benefit is expected. Suppliers are encouraged to utilize continuous improvement methodologies, principles and philosophies (e.g. Lean Six Sigma), to controlling their costs and improving their performance in the supply chain. To best benefit from the continuous improvements, its required to have an “open book” approach with cost transparency to identify areas of waste in a process and eliminate/reduce them.

## **Nonconformance & Corrective Action**

### ***Non-conforming Material***

All parts and materials received from suppliers are expected to be free of defects, with a target to achieve Zero DPPM. As determined by Stanley Engineered Fastening, any non-conforming material or parts received will be rejected and the appropriate disposition (i.e. Product: Returned, Sorted, Accepted etc.) confirmed within the first 24hours after identified. All risk of loss due to any confirmed non-conformance will be with the supplier. Such loss shall include, but not be limited to, transportation, packing/unpacking, sorting, and administrative fees.

### ***Containment***

Supplier is expected to immediately implement (Maximum 24 hours) containment for all non-compliant product shipped. Refer to ***Receiving Inspection and Sampling Methods (if required)*** section above.

### ***Corrective Action***

Suppliers will be notified of any materials or parts received that are found to be non-conforming. Stanley Engineered Fastening follows the 8 Discipline (8D) Problem Solving methodology for concern resolution. The supplier shall advise on all containment activities, with a maximum of 24 hours for implementation and effective corrective action implementation plan within 10 business days. Timeline will be monitored and reviewed to ensure compliance. Suppliers that do not meet these requirements potentially risk loss of business.

Further details on non-conformance and corrective action reporting can be found on the Supply NET web site. Corrective Actions may be on supplier format unless forwarded a STANLEY Engineered Fastening or customer format to be completed.

### ***Preventative Action / Lessons Learned***

Suppliers are required to validate corrective and preventative actions to ensure fully effective. All actions taken should be reviewed and cascaded to similar processes or products where applicable. Recurrence will be cause for escalation of the corrective action process.

## **Approval of Suppliers and Materials**

### ***Approved Suppliers***

All suppliers to Stanley Engineered Fastening are required to operate a formal documented quality system. The minimum requirement for suppliers is ISO 9001 third party accredited and if supplying automotive related product are engaged to obtain IATF 16949 accreditation.

Any potential new supplier will be required to complete the Stanley Engineered Fastening Supplier Profile document located on the *Supply NET* site. The supplier may then be subject to a formal supplier appraisal by approved auditors that will be based on the requirements and elements for the product that they are supplying including evaluation to the appropriate third-party quality system accreditation (ISO9001, IATF16949 & AS9100) and required standards. In conducting this appraisal, Stanley Engineered Fastening will be looking to assess the capability and potential of a supplier to meet its current and future requirements.

Successful passage of the appraisal/audit in accordance with the stated requirements will result in the addition of the supplier being added to the Stanley Engineered Fastening Global Register of Approved Suppliers. Once approved for a specific process(es), a supplier can continue to request approval for other processes. Approved Suppliers also obtain the credentials required to supply any Stanley Engineered Fastening location (for the approved process), as determined by Stanley Engineered Fastening.

To retain the qualification as an Approved Supplier, maintenance of original approvals through follow-up audits is required (timing based upon historical evidence). Non-supply for a period of two years or prolonged unacceptable performance may result in the removal of a supplier from the Global Register of Approved Suppliers.

### ***Approved Materials***

In order for a supplier to build up consistent business with Stanley Engineered Fastening, it will be necessary for that supplier to gain approval for individual materials, products and/or services and display consistency in delivery of services. Be aware that just because the supplier has approval from one facility does not automatically provide approval for all facilities. Supplier must confirm acceptability by the usage facility.

Upon each successful delivery, the supplier will be expected to satisfy all aspects of the Stanley Engineered Fastening issued purchase order and associated requirements including standards and specification. Failure to satisfy all requirements will require be rejected.

Stanley Engineered Fastening operates on a dock-to-stock basis and holds its suppliers responsible for the quality of its materials, products and services supplied. Upon approval there will be no Incoming Material/Goods Inwards inspection apart from that of periodic audits.

In accordance with standards, any changes in the supplier's production process, raw materials or manufacturing location will require prior written approval. Once approved for a specific process(es), this will be added to the "Scope" of service provided by the supplier.

Stanley Engineered Fastening (or its designated agent) reserves the right to inspect and/or test a material or product at the supplier's site prior to shipping product to any STANLEY Engineered Fastening location.

## **Purchasing Information**

Stanley Engineered Fastening realizes that only by developing partnerships with our suppliers will we be able to achieve the goal of exceeding the expectations of our internal / external customers and grow our businesses together. In an effort to establish a basis for these partnerships Stanley Engineered Fastening has established the following requirements:

### **Sourcing Expectations**

***Stanley Engineered Fastening will expect the following from its suppliers:***

- Commitment to support Stanley Engineered Fastening' Quality Policy.
- Commitment to attain Stanley Engineered Fastening' Supplier Performance Objectives/Key Performance Indicators (KPIs).
- Commitment to continuous improvement.
- Minimum certification to current ISO9001 with encouraged compliance with IATF16949 for automotive applications.
- Zero-defect expectation.
- Timely and effective corrective action in the event of non-conformance.
- Collaboration with business, technical and manufacturing personnel.
- Advanced communication of production and shipping concerns. Product related suppliers may be required to have EDI or similar approved capabilities.
- Financial stability and sound management.
- Innovator of products, processes, technologies and systems.
- Commitment to be "best-in-class," "best-cost" producer.
- Commitment to supplier managed inventory programs.
- Willingness to participate in consignment programs.
- Communication technologies enabled via EDI and/or the Internet.
- Conformance to all policies and procedures contained in this Global Supplier Manual.
- Acceptance and adherence to the terms and conditions of our purchase orders and any other supply agreements
- Confidentiality relative to products, processes, drawings, data, and communications shared between Stanley Engineered Fastening and its suppliers. Including, but not limited to all materials / technologies / designs, whether or not they are considered intellectual property.

***Suppliers to Stanley Engineered Fastening can expect the following:***

- Planning and scheduling forecasts to be provided as agreed upon.
- Open lines of communications and timely response with Stanley Engineered Fastening personnel.
- Access to Stanley Engineered Fastening supplier web site (Supply NET.)
- Agreed upon performance and quality expectations.
- Payment in accordance with agreed-upon terms.
- Performance appraisal against Stanley Engineered Fastening objectives/KPIs.
- Joint participation on productivity and cost reduction programs, with agreed upon shared benefit.
- Potential for early supplier involvement with new product development and innovation.
- Long-term mutually beneficial relationships.

## ***Request for Quotations***

To remain competitive in our increasingly fast paced industry we must respond to customer inquiries in an ever shorter time frame. Our customers demand a competitive and timely response. To support these customer requirements we are issuing Request for Quotations (RFQ) with 24 hour lead times. The ability to process quotation packages accurately and return them within 24 hours is becoming more and more vital. Those suppliers unable to consistently meet this 24 hour submission requirement on Request for Quotations disadvantage Stanley Engineered Fastening, our customers and themselves. Suppliers must quote us at their lowest possible margin at the outset or risk wasting an opportunity -following up to revise quotes costs all parties valuable time.

It is important that you, the Supplier, complete all of the fields on the Stanley Engineered Fastening Request for Quotation form. The amount of time spent following up incomplete quotes far exceeds the amount of time needed to complete it properly the first time. Insufficient information will cause a delay in the quoting process and may result in the suppliers not being selected for new business orders to supply product. We prefer that you submit your quotes using the Stanley Engineered Fastening Format and make sure to include the following:

- Request for Quote Number (R.F.Q. No.)
- Part Number
- Engineering Revision Level
- Part Description
- Estimated Annual Usage (E.A.U.)
- Economical Manufacture Quantity (Minimum Order Quantity)
- Release Quantity
- Weight per 1,000 pieces
- Product Sample Lead Time
- First Production Batch Lead Time
- Box Quantity
- Cost per 1,000 pieces
- Inco terms
- Country of Origin (where parts are manufactured)
- Deviations from Print Specifications (if applicable)
- Committed Quality Level (DPPM)

Insufficient information can result in a response to be considered invalid and considered as a “No Quote”.

## ***Certificate of Origin***

Upon importing or exporting goods government customs require information on the goods that are crossing their borders. Two key pieces of that information are Country of Origin (COO) and Harmonized Tariff Schedule Code (HTS Code). COO and HTS Codes are specific by part.

In order to comply with U.S., Canadian and Mexican Customs requirements a signed COO certificate verifying COO and HTS codes for all parts supplied must be submitted to benefit from the preferential duty treatment offered under the NAFTA program eligibility must be substantiated annually. Stanley Engineered Fastening also requires a Certificate of Origin for each new item that is supplied within the current year with the initial order. If the merchandise you supply to Stanley Engineered Fastening is manufactured outside a

***(Certificate of origin continued)***

NAFTA country (US, Canada, or Mexico), a COO certificate is still required. COO and HTS code information is essential for customs compliance, whether or not the goods qualify for NAFTA preferential treatment.

Please make certain all fields of the certificate are completed. The certificate of origin is invalid if the HTS code classification number, producer, net cost, or COO Fields are left blank. The certificate is invalid by missing signature, page numbers or tax identification numbers as well.

HTS codes can vary in length from 6 to 10 digits dependent upon different countries classifications; Stanley Engineered Fastening requires that you supply the first 6 digits to the US form. Stanley Engineered Fastening exports your product or procures it directly into a country other than the US, we may request the 7, 8, 9 & 10th digits dependent on the countries we are selling the product in (The first 6 digits are harmonized). This request will come in a separate communication. We may challenge your classification. After discussion with both parties we will agree on a classification to be put on the certificate.

If a supplier does not make the finished product and changes its supplier resulting in a change to country of origin a new certificate must be issued. If you are a distributor and buy product from many different sources, you must supply a Certificate of origin for each lot in the shipment that would allow us to cross borders at the correct duty rate. If you are awarded new parts a Certificate of Origin will be required with the initial orders.

***Certificates of Origin are a requirement of doing business with Stanley Engineered Fastening.***

We require information on all products that Stanley Engineered Fastening has and is purchasing from your company. Without this information Stanley Engineered Fastening incurs unnecessary duties/taxes and consequently cannot supply your goods competitively to our customers.

***Delivery***

Stanley Engineered Fastening's Distribution Centers serve the automotive, industrial and commercial sectors globally. These routing instructions will supply you with all the information necessary to ship product from various regions to our Stanley Engineered Fastening locations globally. Please pay specific attention to the ship to location instructions on your purchase order, as the location may be different from the "ordering" location

***Insurance***

The supplier shall at all times insure and keep itself adequately insured with a reputable insurance company against all insurable liability and shall, on request, provide Stanley Engineered Fastening with evidence of such insurance as Stanley Engineered Fastening may reasonably require. The supplier shall provide assistance and advice required by Stanley Engineered Fastening or its insurers for the purposes of contesting or dealing with any action, claim or matter arising out of supplier's performance or failure to perform.



## ***Warranty***

Supplier represents and warrants that all products sold to Stanley Engineered Fastening:

- Comply with specifications, the purchase orders, and releases.
- Are free from defects in material and workmanship.
- Comply with all safety and environmental regulations applicable in the countries of manufacture and sale of the products.
- Do not infringe or otherwise violate the intellectual property rights of any third party (except if products are exclusively supplied in accordance with a design specified by Stanley Engineered Fastening).

## ***Sales to Third Party***

The Supplier shall not, under any circumstances, without Stanley Engineered Fastening's prior written consent, manufacture for the benefit of or supply to a third party any Products that:

- Are based in whole or in part upon the Stanley Engineered Fastening drawings or Specifications.
- Use any Intellectual Property Right of Stanley Engineered Fastening or any of its Affiliates.
- Are based in whole or in part upon the Stanley Engineered Fastening drawings and/or Specifications, or any derivative product, except for any products or parts that Supplier independently developed or products or parts that are Fastener Industry Standards.

## ***Confidentiality***

The Parties recognize that each of them ("Receiving Party") may, during the course of this Agreement, gain knowledge of, have access to, and have otherwise disclosed to it certain non-public information that is proprietary to the other Party and its Affiliates ("Disclosing Party") and which is of a secret or confidential nature ("Confidential Information"). The following information shall be considered the Confidential Information:

- Information concerning the business operations of either Party or its Affiliates (including product planning, manufacturing, development, complaints, budgets, and forecasts).
- Inventions, designs, and research and development programs

The Receiving Party shall not disclose, publish, release, transfer or otherwise make available Confidential Information of the Disclosing Party in any form to, or for the use or benefit of, any third party without the Disclosing Party's prior written consent.

***(Confidentiality continued)***

The obligations of confidentiality shall not apply if:

- The Confidential Information is, or becomes (other than through a breach of this Agreement) generally known to the public.
- The Confidential Information was in the Receiving Party's possession prior to its disclosure by the Disclosing Party, as demonstrated by the Receiving Party's written records.
- The Confidential Information is developed independently by the Receiving Party without reliance on information or materials provided by the Disclosing Party, as demonstrated by the Receiving Party's written records.
- The Confidential Information was rightfully received by the Receiving Party without obligation of confidentiality from a third party, as demonstrated by the Receiving Party's written records.
- Disclosure is required by law; provided that the Receiving Party gives the Disclosing Party prompt notice of the request for disclosure, cooperates with the Disclosing Party in obtaining a protective order or other remedy, and discloses only that portion of the Confidential Information which it is legally compelled to disclose.

Notwithstanding the provision of paragraph 2:

- Stanley Engineered Fastening may disclose Confidential Information to Stanley Engineered Fastening Affiliates provided that Stanley Engineered Fastening shall ensure that such Affiliates are aware of and undertake to maintain confidential nature of Supplier's Confidential Information.
- Supplier may disclose Stanley Engineered Fastening's Confidential Information to its subcontractors to the extent necessary for performing Supplier's obligations under this Agreement; provided that Supplier shall ensure that such Subcontractors are aware of and undertake to maintain the secret or confidential nature of Stanley Engineered Fastening's Confidential Information

Each Party acknowledges that the disclosure of the other Party's Confidential Information may result in irreparable injury to that Party and that such Party will be entitled to seek injunctive relief in addition to any other legal or equitable remedies that may be available.

The provisions of this confidentiality shall survive termination or expiration of conducting business.

## **Supplier Performance**

### ***Key Performance Indicators***

Stanley Engineered Fastening has established a number of Key Performance Indicators (KPIs) to measure and monitor the performance of its supplier network on a consistent and universal basis. The following are typical Stanley Engineered Fastening Global Sourcing KPIs:

- Quality PPM/Reliability
- On-time delivery/Service level
- Productivity/Cost
- Payment terms
- Inventory Programs
- Lead-time and Minimum Order Quantity
- Value recognition

In addition the following are required if supporting automotive product:

- A) Delivered product conformity to requirements.
- B) Support for any; Customer disruptions at the receiving plant, including yard holds and stop ships.
- C) Delivery schedule performance
- D) Number of occurrences of premium (that affects STANLEY Engineered Fastening Customer)
- E) Special status customer notifications related to quality or delivery issues.
- F) Support for any; Dealer returns, warranty, field actions and recalls.

KPIs will be assessed both quantitatively and qualitatively, and in turn, be translated into an overall score through Stanley Engineered Fastening' supplier scorecard rating system. Supplier scorecard information will be communicated to suppliers via the Supply NET site and will determine the supplier status as Preferred, Approved, New Business Hold or Needs Improvement.

Annually, Stanley Engineered Fastening will establish supplier goals and objectives to ensure that ongoing continuous improvements are met. These goals and objectives will be judged by benchmarking against the "best in class" and the expectations of "supply chain excellence". Improvements in the KPIs are expected to be self-led by the supplier with Stanley Engineered Fastening offering expertise or support as deemed necessary. STANLEY Engineered Fastening will support this activity by Historical data review, Supplier visits and Supplier audits.

### ***World Class Supply Base***

Stanley Engineered Fastening is committed to continuous improvement through the entire customer value chain. The vision is to establish a global network of suppliers that exhibits excellence in each of the KPI's which will result in a World Class Supply Network. Stanley Engineered Fastening has established a matrix of rating to each of these categories and the relationship to excellence.

# Supply Chain Excellence

	Vulnerable	Competitive	World Class
Delivered product conformity to requirements.			
Customer disruptions at the receiving plant, including yard holds and stop ships			
Delivery schedule performance			
Number of occurrences of premium freight (that affects STANLEY Engineered Fastening Customer)			
Special status customer notifications related to quality or delivery issues.			
Dealer returns, warranty, field actions and recalls.			
<b>Scoring Fields:</b>			
<b>Quality</b>			
<b>Delivery</b>			
<b>Payment Terms</b>			
<b>Inventory Programs</b>			
<b>Lead Times</b>			
<b>Productivity (Direct &amp; Indirect)</b>			
<b>Innovation</b>			

## **Supplier Status**

### **Preferred Suppliers**

Within the Global Register of Approved Suppliers exists a special category of suppliers with “Preferred Supplier” status. This select group of suppliers will be deemed to have adopted best practices in supply strategy, cost and performance that may be rewarded with the opportunity to quote on new business across Stanley Engineered Fastening locations. Essentially, these suppliers consistently rank in each of the KPI categories within the World Class achievement. New business offered could include additional volumes to an existing location, supply to additional locations, product innovation programs, or the participation in new product development projects.

Suppliers may achieve Preferred Supplier status by, among other things, demonstrating year-on-year improvements in the Key Performance Indicators (KPIs). This will be reflected in the supplier’s overall supplier rating. In addition to excellent performance in the KPIs, Stanley Engineered Fastening will consider suppliers who have demonstrated a proactive approach in adopting leading edge techniques and/or technologies. This may range from the positive participation in specific Stanley Engineered Fastening supplier programs, to adopting information technologies that enhance the ease of doing business, to innovations in service, process and product that reduce overall cost over time.

Preferential status will be given to those suppliers who approach their business with Stanley Engineered Fastening in a manner that provides value and competitive advantage in the supply chain.

Preferred Supplier status may be withdrawn at Stanley Engineered Fastening’ sole discretion upon deterioration in the performance of a supplier.

## **Supplier Development**

All suppliers will be expected to participate in Stanley Engineered Fastening' supplier development programs. By working closely with its suppliers, Stanley Engineered Fastening aims to link the technologies and systems that both parties use into a seamless and effective supply chain. The aim of these supplier development programs is not to be bureaucratic but to be meaningful and purposeful from which both Stanley Engineered Fastening and its suppliers can benefit.

The level of involvement in the supplier development programs will be determined by Stanley Engineered Fastening and will partly depend on the material, product or service provided by the suppliers. The level of involvement will also depend on a supplier's formal quality accreditation. In its supplier development programs, which may differ in approach across locations, Stanley Engineered Fastening is committed to using the principles of IATF 16949 and continuous improvement as a framework. Stanley Engineered Fastening may expect its key suppliers to demonstrate their commitment towards IATF 16949 by completing self-assessments and, where necessary, corrective actions within a mutually agreed time frame. In return, Stanley Engineered Fastening will endeavor to provide guidance and support as its suppliers develop their business and quality systems.

## **New Product Development & Innovation**

Stanley Engineered Fastening aspires to maintain its lead position as an innovator in the development, production and supply of fastening systems. There is a constant need to innovate and change in response to and ahead of market changes. New product development is a route to increased competitiveness and customer satisfaction. The cooperation and integration of suppliers is vital to the success of this program.

In order to support new product developments, Stanley Engineered Fastening expects its suppliers to be technically competent and have the capability to create value-adding solutions. We will endeavor to involve suppliers in the development of new products at the earliest possible stage. Additionally, suppliers are encouraged to share with Stanley Engineered Fastening any new material, process or product developments and innovations that can improve our cost basis, increase our ability to compete or that opens new markets for both parties.

Time to market for a new product is critical. Stanley Engineered Fastening will look for suppliers that can quickly provide thorough and effective solutions. Excellent project management skills are expected, supported by a flexible and responsive effort from a timely quotation to the "fast track" supply of an initial sample, and subsequent full production quantities.

Expanding the definition of the word "product", Stanley Engineered Fastening encourages suppliers to be innovative in their approach to enhancing service. Identifying ways to improve the way business is done is equally important in satisfying customer needs. This typically includes speeding up the time to market for new products by sharing information through web-based technologies.

## **Inventory**

### ***Supplier Managed Inventory***

Stanley Engineered Fastening encourages the principles of supplier managed inventory (SMI) as a means to taking costs out of the supply chain and improving efficiency and effectiveness. By sharing planning information with suppliers, inventory levels can be reduced throughout the supply chain with each party working from the same data. This enables suppliers to more effectively plan and optimize their production, based on reliable planning data.

Moreover, adopting a SMI policy passes the responsibility for continuity of supply to the supplier. As such, suppliers are expected to have reliable and capable planning systems to support this approach.

Types of planning data made available to suppliers can include long range forecasts, medium term order loading information with stock levels and transaction histories by individual item for short-term control.

Extending the principle of sharing planning data, Stanley Engineered Fastening expects to have similar access to a supplier's stock level and production schedules in order to retain a high level of confidence of zero stock-outs.

This SMI policy is applicable regardless of ownership or where the materials or parts are located. The underlying principle is to take inventory and wasted effort out of the supply chain and to share the benefits.

### ***Consignment Stock***

Consignment stock arrangements are encouraged with suppliers where there are tangible benefits to both parties. Consignment stock arrangements can provide the supplier with the opportunity to optimize its manufacturing schedule and also allows for fluctuations in demand that could not otherwise be accommodated by normal make-to-order scheduling.

If a consignment stock arrangement is agreed upon, the materials or parts would remain the property of the supplier until withdrawn for use. Stanley Engineered Fastening will be responsible for the proper storage of the consignment stock to maintain its quality and integrity at all times.

Rules regarding the replenishment of stock to be agreed locally with the respective Stanley Engineered Fastening representative. Other typical consignment stock agreement rules would apply in conjunction with the terms and conditions of Stanley Engineered Fastening' purchase order.

## **Packing, Labeling & Shipping**

Stanley Engineered Fastening expects all shipments to be in full compliance with the purchase order, delivered on time, use approved shipping method and meet the requirements approved during the initial submission stage (Packaging & Label submission requirement). Each delivery must be accompanied by any required supporting documentation identified on the Purchase Order such as advice notes, test certificates and where necessary, environmental data sheets.

When arranging the shipment of materials or parts to Stanley Engineered Fastening, the supplier is expected to operate a transport policy that is both timely, cost effective and have a meet delivery quality requirements. The supplier should measure performance in relation to cost of transport and compliance with the delivery schedule, including delivery to the correct stores/warehouse location during the specified opening hours. Suppliers should have adequate systems in place to effectively track shipments, supported by available and knowledgeable staff that can advise on a delivery status.

Stanley Engineered Fastening considers the area of shipping and packing an integral part of the product it purchases. Furthermore, Stanley Engineered Fastening expects suppliers to treat the issue with the same level of importance as the physical product itself.

## **International Shipping Documentation**

Original documents must be provided to the designated freight forwarder with every shipment. Stanley Engineered Fastening also requires these documents to be sent via fax or e-mail on shipments to our receiving location. The documents required are:

- Original Bills of Lading.
- Supplier Invoice.
- Supplier Packing List.
- Certificates of Origin.

International shipments that require wooden packaging materials (e.g., pallets, crates, boxes, and dunnage) must adhere to the regulations/laws of the receiving country including but not limited to heat treated or fumigated with methyl bromide and marked with the International Plant Protection Convention (IPPC) logo and appropriate country code designating the location of treatment.



## **Environmental, Health and Safety**

Stanley Engineered Fastening fully embraces its responsibility to the environment by having a clear understanding of its significant effects on the environment. It expects this same level of commitment from its supply base and encourages suppliers to pursue accreditation to environmental standard DIN EN ISO 14001, EMAS, ELV, ROHS, REACH and the worldwide Responsible Care Initiative of the chemical industry to be incorporated in the QM system and the system to be certified externally.

Stanley Engineered Fastening believes that the effective management of environmental issues produces real cost savings, as well as demonstrating a commitment to improve the environment. As such, Stanley Engineered Fastening has an environmental management system of policies in place that clearly outlines procedures and measures that cascade across all of its locations.

Suppliers are expected to conform to existing and future legal obligations, including all local, state, federal, and international laws, rules and regulations. Moreover, suppliers are expected to comply with all governmental/safety constraints on restricted, toxic and hazardous materials. In managing their business, suppliers are expected to demonstrate a firm management commitment in planning reductions in the environmental effects of its company's operations, products and supply chain. This may include the reduction of hazardous waste, reduced energy consumption and the more effective use of materials through such programs as recycling.

As a tool to manage our business with suppliers, Stanley Engineered Fastening requires that suppliers provide the necessary information in order to complete an environmental risk assessment of their operation. This is to identify any environmental high-risk areas in order that they are addressed through corrective and preventive actions.

Stanley Engineered Fastening strives to provide a safe work environment – injury free. We recommend that the requirements of the OHSAS18001 safety standards be integrated in the quality management system. Suppliers shall keep its plants orderly and clean and pay attention to safety in the work place. We also suggest implementation of 5S methodology in the supplier facility.

## **Compliance with Law**

Stanley Engineered Fastening' suppliers shall be required to ensure that (i) supplier and all subcontractors and agents involved in the supply, production or delivery of products, materials and services to Stanley Engineered Fastening strictly adhere, and shall continue at all times during their dealings with Stanley Engineered Fastening to strictly adhere, to all applicable federal, state and local laws, regulations or prohibitions of the United States, its territories and all countries in which the products, materials, or services are produced or delivered with respect to the operation of their production facilities and their other business and labor practices, including but not limited to laws, regulations and prohibitions governing the working conditions, wages, hours and minimum age of the workforce, (ii) any products, materials, or services provided by the supplier have not been and shall not be provided, produced or manufactured, in whole or in part, by child labor or by convict or forced labor, and (iii) any products, materials, or services provided by the supplier shall not be transshipped for purposes of avoiding compliance with labor laws. Suppliers shall also be required to furnish such documentation as required by Stanley Engineered Fastening to evidence compliance with the foregoing.

Stanley Engineered Fastening or a third party designated by Stanley Engineered Fastening shall have the right, at any time during which its suppliers are providing products, materials, or services to it, upon reasonable notice, to inspect the suppliers' and their subcontractors' and agents' facilities to verify compliance with the foregoing.

## **Terms & Definitions**

**Bill of Lading:** This is a document prepared by the shipper and given to the carrier that acts as a contract between the shipper and the carrier. From this document the carrier finds out where the freight is going to (consignee), who will pay the freight bill, what the product is that they are moving, weight, skid count, box count and the carrier drivers signs to confirm he picked up what the Bill of Lading stated in case of a claim at a later date.

**Broker:** A company that represents you with authority to clear your goods.

**Consignee:** All freight is paid by the “consignee” as noted on the carriers’ freight bill.

**FCL:** Full Container. Shipping an order that fills the allow weight or space. Either full visible capacity but not greater than 17,000 kilos.

**Freight Forwarder:** Is a company that handles all the movement of the freight from origin to destination. Depending on its authority can be the broker as well and can represent you to customs.

**Small Package:** This is related to deliveries by courier, for example Federal Express, and is typically for shipments less than 330 kilos.

### **Invoice Requirements**

Stanley Engineered Fastening requires specific information to be listed on invoices. Delays in payment can be expected by those suppliers failing to provide complete information on invoices.

- Name and address of seller.
- Name and address of buyer.
- Shipping or delivery address.
- Complete description of goods being shipped.
- Stanley Engineered Fastening part number as indicated on the purchase order.
- Quantity of goods being shipped by Stanley Engineered Fastening part number.
- Number of boxes and pallets.
- Total weight of part(s) and shipment.
- Total Invoice price in the currency of the purchase order.
- Additional costs incurred listed separately (packing, plating, etc).
- Country of Origin (manufacture).
- Harmonized Tariff Schedule number.
- Terms of delivery / Inco terms (EXW, FOB Shipping Point, etc).