



SECO SUPPLIER MANAGEMENT MANUAL



SUPPLIER MANUAL



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INTRODUCTION

The purpose of this document is to clarify Seco Tools, LLC values, expectations, requirements and ways of working to facilitate partnership building with Suppliers. This document is valid for all Seco Tools, LLC product areas. Seco Tools, LLC will be understood as Seco Tools and its Product Areas.

Sourcing (also referred to as purchasing) operations are an integral part of the regular business processes. The sourcing operations shall be performed in an ethically responsible manner and shall also take significant environmental, health and safety as well as energy aspects into consideration. *Reference Terms & Conditions

Seco Tools, LLC suppliers shall be viewed as an important resource in our quality and delivery performance, continual improvement and total cost. From Suppliers active in categories we define as Strategic Critical (to "Supply Positioning Analysis") we also expect contributions in technological development.

At Seco Tools, LLC we are committed to provide our customers with products and services that meet or exceed their expectations. To succeed we continuously listen to our customers, understand their needs, and promptly implement sustainable improvements in our products and processes. Quality, reliability, delivery and leadership behaviors are vital for our customer satisfaction.

In the Supply Chain for Seco Tools, LLC zero defects is the clear guiding principle in everything we do to achieve quality excellence. Our approach for achieving this is to be proactive and act through preventive actions, a "right from me" mentality and to take corrective actions promptly when non-conformance occurs.

This is valid both for internally manufactured as well as externally sourced products. We expect our suppliers to have the same commitment towards customer satisfaction and zero defects, and to demonstrate this commitment through:

- Delivering fully compliant parts, products and services
- On time deliveries
- Full and rigorous commitment to approved processes and requirements
- Pro-active approach to continuous improvements and risk management

Another key factor contributing to delivery performance is the ability of the supplier to comply with applicable national environmental, health and safety legislations while focusing on continuous improvement.

The industrial health risks related to the goods, deliveries and services provided by the supplier to Seco Tools or its product areas need to be kept to a minimum.

These guidelines are an integral part of the supplier to Seco Tools or its product areas purchasing terms and conditions.

We believe in long-term partnership and mutual beneficial business relationships, so that we can deliver high quality and reliable products to our customers.

2 GENERAL REQUIREMENTS

2.1 SECO WAY OF DOING BUSINESS

Seco Tools, LLC is following the Seco Tools AB way of doing business and defining ethical principles in the relationship we want to create with suppliers.

2.1.1 SUSTAINABLE APPROACH: QUALITY, ENVIRONMENT, HEALTH & SAFETY

Seco Tools, LLC's vision is to achieve zero work-related injuries and illnesses and minimize environmental harm considering our sites and products, including our employees, partners, suppliers and customers. Our approach for achieving this is through risk assessment and proactive actions.

2.1.2 CORE VALUE & PRINCIPLES

We are committed to honor these values:

***Passion for Our Customers, Family Spirit
and Personal Commitment.***

Passion for Our Customers

We identify with our customers. We build trustworthy win-win based relations. We all add our best to make a great delivery.

Family Spirit

We create an open and friendly work environment. We trust and respect each other. We share ideas and knowledge with our worldwide network.

Personal Commitment

We look for opportunities and take responsibility. We like to win and make it happen. We continuously improve quality and speed. We want to base our partnership on these values.

2.1.3 SECO WAY OF DOING BUSINESS

We expect suppliers:

- To conduct business in an ethical manner, not to accept bribery or corruption in any form and to comply

with existing laws and regulations regarding business operations.

- To support and respect the protection of internationally proclaimed human rights and to comply with existing laws and regulations regarding employees.
- To comply to all applicable laws, rules and regulations and strive to exceed both international and industry best practice.

The Seco Tools, LLC Supplier Code of conduct provides and outlines the minimum standards for being a supplier to Seco Tools, LLC and some qualifying standards where Seco Tools, LLC expects suppliers to continuously improve their performance and uphold a high level of ethical integrity. *Reference Terms & Conditions

Suppliers must be approved according to the standards described in Seco Tools, LLC Supplier Code of Conduct to start or continue business with Seco Tools, LLC. The supplier shall ensure that their relevant sub-suppliers meet similar set of principles. We expect suppliers to fulfill all qualifying standards of the supplier Code of Conduct, as a key step in the overall qualifying process.

SECO TOOLS, LLC – SUPPLIER CODE OF CONDUCT

2.2 LEGAL, HEALTH & SAFETY REQUIREMENTS

Seco Tools, LLC, and its suppliers, shall comply with the laws and relevant directives of all countries in which it operates, as well as Seco Tools, LLC's Code of Conduct.

For general EHS requirements we expect our supplier to comply with or at a minimum work in accordance with ISO 14001, ISO 45001 or equivalent standard.

2.3 WARRANTY

Seco Tools, LLC top priority is to deliver high quality products to our customers with minimal risk, therefore promoting Customer satisfaction is the core of our business. *Reference Terms & Conditions

With this goal, the avoidance of failures and non-conformances at customers is essential.

Should a failure occur in the field, an internal claim is opened and a root cause analysis is initiated.

If a non-conformance is the responsibility of a supplier or one of its sub-supplier, Seco Tools, LLC expects the supplier to honor its liability according to the agreed terms and conditions.

2.4 MANAGEMENT SYSTEMS EXPECTATIONS

Seco Tools, LLC encourages all suppliers to implement effective management systems, preferably certified. This is to ensure a good practice in continual improvement, process management, handling of environmental aspects, risk assessment, health and safety protection as well as compliance with legal requirements.

AREA	PREFERRED LEVEL
Quality Management System	Certified under ISO 90001
Environmental Management System	Certified under ISO 14001
Health & Safety Management System	Certified under OHSAS 18001

2.5 AUDITS

The supplier shall permit Seco Tools, LLC to carry out audits to determine whether the management system and actions of the

supplier can meet the Seco Tools, LLC requirements. The audit can be carried out as a system, process or product audit and shall be notified in a timely manner before the planned execution thereof. The audit results, including corrective actions initiated and their effectiveness, must be documented.

The supplier must have a system to review all product related specifications (production, testing, identification, preservation; cleanliness, packaging, delivery documents) by conducting product and/or process audits. This can be arranged by a detailed audit plan or based on actual problems.

2.6 TRACEABILITY

All suppliers should have a traceability procedure. This procedure should ensure integrity throughout their supply chain, including but not limited to raw materials, components, products and any sub contracted operations.

- All communication is to be routed through Seco Tools purchasing department.
- Production does not begin until an authorized Seco PO is issued by purchasing. **Verbal POs are NOT acceptable.**
- Supplier to acknowledge receipt of PO, Price and Delivery Date (must include PO number on correspondence.)

2.7 Expedited Orders

An expedited order involves an additional fee to shorten the lead time WITHOUT impacting delivery of existing orders. Accepting an expedite request on an order will hold the Supplier accountable to the revised delivery date on the scorecard measurement.

If the Supplier accepts a shortened lead time without an expedite fee, an impact report must be submitted by the Supplier to communicate the change in delivery on other existing orders. The originally quoted delivery date will remain as the measured objective for that order.

2.7 RECORD RETENTION

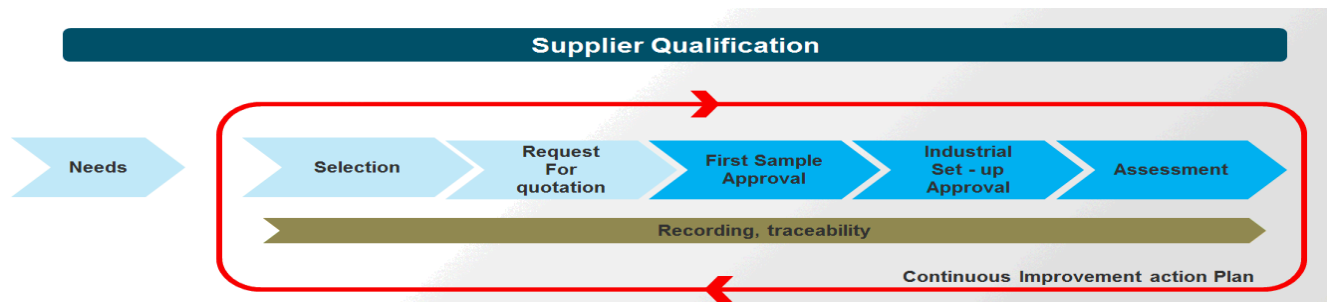
The supplier shall have a procedure and/or system for retention of product quality records. As a minimum, all documents listed below are to be stored for at least **10** calendar years (**Seco Tools, LLC General Purchasing Conditions**). Access to the records needs to be ensured.

Examples of documents:

- Product and material specifications
- Drawings
- Control plans
- Inspection and test results
- Material and Product certificates
- Audit results

The respectively valid statutory related retention periods for documents and records relating to quality, environment and occupational health and safety need to be secured by the supplier. The retention periods apply from the date upon which the record is created.

2.8 SUPPLY CHAIN MANAGEMENT (sub tier, labs, 3rd party)



3 SUPPLIER MANAGEMENT

Supplier management describes the overall systematic process from supplier selection, both new and/or existing, the validation of the product or service, supplier qualification, evaluation, assessment and follow-up of supplier performance.

In the supplier management process the following needs to be taken into account:

- Product requirements including packaging.
- Environmental impact, requirements and communication
- Occupational health and safety requirements and compliance with legislation
- Energy management
- Delivery performance including on-time delivery.
- Quality performance

Supplier qualification

The supplier qualification covers the full process from supplier selection to the validation of the product, services and supplier. The main steps for entering a potential supplier into the supplier base are described below.

3.1 SUPPLIER SELECTION

Potential suppliers must be prepared to meet the Seco Tools, LLC Supplier Approval Requirements (as defined in Seco Tools, LLC Supplier Evaluation Process Rules).



3.1.1 SUPPLIER PRE-EVALUATION

Supplier Self Information evaluation form is sent out to and completed by a nominated authorized supplier representative. In some cases an on-site audit can be conducted at this stage.

3.1.2 NON-DISCLOSURE AGREEMENT

A non-disclosure agreement (NDA) is signed between Seco Tools, LLC and the supplier to protect all confidential and proprietary information with regards to Seco Tools, LLC and the supplier.

3.1.3 SUPPLIER APPRASIAL VISIT

In order to better understand the supplier's company and to clarify our business needs against their manufacturing processes and capabilities, Seco Tools, LLC deems necessary that prior to commencement of any business we will perform an on-site supplier appraisal visit. Supplier Appraisal visits involve cross-functional teams as deemed appropriate.

3.2 REQUEST FOR QUOTATION

Seco Tools, LLC may request that a supplier prepare a quotation (RFQ) that will require a detailed proposal or tender in accordance with the specifications and requirements of the buyers' needs.

Our RFQ will be a detailed document including specifications, quality requirements, cost breakdown template, standard contract terms, forecast and details of how and by when potential suppliers should respond.

3.3 FIRST SAMPLE APPROVAL

3.3.1 QUALITY REQUIREMENTS

Quality requirements applying to the products delivered will be defined in a technical specification, including drawings, parts lists, standards etc.

- In the event of a conflict, the released drawing is the governing document.

Seco Tools, LLC expects the following activities to be planned, performed and documented by the supplier:

- Schedule the project up to industrial production approval.
- Depending on parts criticality:
 - Fine tune function-relevant quality characteristics mentioned on inspection report in cooperation with Seco Tools, LLC (it can be done through documentation review meeting)
 - Define function-relevant quality characteristics in cooperation with Seco Tools, LLC
- Define and agree upon marking, packaging and labeling form and type
- Produce initial sample and submit an initial sample report to Seco Tools, LLC.
- Prepare the next step proposing industrialization schedule and process.

3.3.2 INITIAL SAMPLE

Initial samples are products manufactured and tested under volume production conditions (machines, installations, operating and testing equipment, machining conditions). The test results of all characteristics are to be documented in an initial sample report. Agreement must be reached with Seco Tools, LLC on the number of parts to be documented. The initial

samples and the initial sample report are to be submitted to the purchasing site within the agreed upon time frame. Initial samples are to be clearly identified as such and the production location must be indicated. The identification numbers of the characteristics used in the initial sample test report must match those appearing in the accompanying current Seco Tools, LLC -released drawing. Missing initial sample documentation will result in a negative supplier evaluation. Initial samples without initial sample documentation will not be processed.

Assemblies manufactured according to a Seco Tools, LLC design, including individual parts, must be submitted to Seco Tools, LLC for initial sample testing.

Assemblies of products based on the supplier's designs must be initial sample tested by the supplier and presented to Seco Tools, LLC. Initial sampling must also be performed for individual parts and, as necessary, performed for the subassemblies. Seco Tools, LLC must be allowed to review the supporting documentation. Deviations from the Seco Tools, LLC specification not agreed to during the process and product approval review may be cause for rejection by Seco Tools, LLC at a later date.

3.3.3 REASONS FOR INITIAL SAMPLE SUBMISSION

Initial sample submissions and testing of defined characteristics is required under the following circumstances:

- When a product is ordered for the first time (noted in the order).
- When a supplier replaces a subcontractor.
- Following a product modification, in which case all affected characteristics must be evaluated.
- Following a drawing revision, in which case all affected characteristics must be reviewed.
- Following a "stop ship order" placed on the supplier.

- Following a period of suspended delivery of more than one year.
- Following the introduction of new/modified forming equipment (e.g. stamping, rolling, pressing, molding equipment – each cavity in the case of multiple molds.)
- Following transfer of production processes or the use of new or transferred machinery and/or operation equipment.
- Following the substitution of alternative materials or designs.

Exceptions to these requirements must be coordinated with the approving Seco Tools, LLC department and may be approved for the following circumstances:

- If purchases are for small lots or aftermarket service parts.
- If standard or catalogue parts are involved.

Never the less, traceability must be ensured.

3.3.4 INITIAL SAMPLE APPROVAL

If the document check as well as the first sample inspection by Seco Tools, LLC are positive, an approval of the submitted parts can be given. Inspection can be performed at supplier's site or in-house according to the technical specification. In some cases, the approval can be pending until Seco Tools, LLC receive the results from:

- Assembly testing
- Test period/Test order
- Field testing period
- One design review which will consist of a review of technical documentation and Quality requirements to cover all questions and concerns before commencement of first sample production.
- Audit the corresponding production process to inventory risks, evaluate quality/control plan and industrialization set-up requirements.

3.4 INDUSTRIAL SET-UP

This is a major step in building the reliability of a production process to thus assuring the quality of delivered parts.

This is the correct process to enable a smooth transition from Initial sample approval to stable industrial production not only in regard to quality but also with the production of batches quantities.

Acceptance inspection shall be performed in accordance to a valid routine.

A supplier should be able to demonstrate his ability to control the quality of the full manufacturing process (Control Plan).

3.5 EVALUATION

The evaluation will be performed as a follow up that the supplier full fill what was agreed in the contract e.g. quality, delivery performance. An Initial Sample Approval Form will be completed on those parts being evaluate

4 INDUSTRIAL PRODUCTION

Seco Tools, LLC promotes and expects continual improvement. Once approved for industrial production conformity and process repeatability are expected. Should any uncertainties become apparent, swift reactions are necessary to prevent any loss of customer confidence, any instances should be used as an opportunity for continuous improvement.

Suppliers must strictly follow to the change control process. Failure to comply will result in actions according to the escalation procedure presented in the Performance Management section.

4.1 MANAGEMENT OF CHANGES

The purpose of a “Management of Change” procedure is to enable Seco Tools, LLC through their supply chain to produce and deliver the highest Quality product over time, where Quality issues are eliminated at source and field issues are minimal.

When the suppliers need to initiate a change to an already approved process that will have an impact upon an already approved product, a renewed approval from Seco Tools, LLC must be achieved. Supplier’s needs to send a change request to Seco Tools, LLC (**follow each PA’s process for engineering changes**).

Any product submitted that has not been approved or re-approved will be deemed as Non-Conforming Product.

4.2 MANAGEMENT OF SUBCONTRACTORS

The supplier is responsible for the development of his subcontractors in accordance with the Seco Tools, LLC requirements.

4.3 MANAGEMENT OF DEVIATION

If the supplier wishes to supply parts that do not fully comply with Seco Tools, LLC’s requirements a deviation approval request must be sent to the purchasing department (responsible purchaser). No parts should be sent before this deviation approval request has been approved and returned by Seco Tools, LLC. The deviation approval request should contain the following information as a minimum:

- Date of request.
- Supplier name and contact information.
- Part number and description.
- Description of deviation.
- Quantity of parts affected or expiration date of deviation request.
- Serial number of part if applicable.

Seco Tools, LLC could increase the requirements for deviation parts, e.g. additional quality documents, quality inspections or special marking.

Attention: If there are a special release/s or product changes the affected departments shall be informed.

4.4 NON-CONFORMING PRODUCT

With every non-conforming delivered product the supplier will receive information and/or the non-conforming product in return. The supplier shall send an acknowledgement of received information within 3 working days.

In the event of repeatedly delivered non-conforming products, notification will be sent to the supplier via a non-conformance report. A response to this is required within 4 weeks of receipt, with the supplier giving details of the root cause and their intended corrective actions, risk to stock held, and replacement procurement.

In some cases, the supplier may be required to have staff on site to inspect, remove non-conforming product or refit replacement parts, this will be at the cost of the supplier, and any additional costs incurred by Seco Tools, LLC due to non-conforming parts may be “at a charge to the supplier”.

Should a supplier discover a non-conformance during any part of its process they must notify Seco Tools, LLC immediately with corrective actions taken and details of products already delivered that may be affected.

It is vitally important that “root cause” analysis is performed in a manner that will solve the problem, giving corrective and preventive actions to avoid reoccurrence.

Corrective action will be immediately initiated upon receipt of a complaint from Seco Tools, LLC. This corrective action will be structured submitted in a form agreeable to Seco Tools, LLC. The effectiveness of the corrective actions is verified if necessary with the supplier.

4.5 INVENTORY MANAGEMENT

It is essential that suppliers ensure that no obsolete material is shipped to Seco Tools, LLC. The supplier shall control inventory management with any relevant principle (like FIFO for example) to meet that last revision requirement. Supplier shall take care of limitation period for some parts regarding conformance in use or warranty period starting. Limitation period may be stated in the contract/specification.

The supplier shall be in compliance with **Seco Tools, LLC General Packaging Instruction**; it stipulates primarily the requirements for deliveries from Suppliers to Production Units (PU) and to Seco Tools, LLC Distribution Centers (DC).

The purpose for the instruction for packaging

is to optimize cost efficiency and to minimize the environmental impact while giving appropriate protection to the products.

Packaging and preservation shall be in accordance with contract or specification.

5 PERFORMANCE MANAGEMENT

Seco Tools, LLC expects their suppliers not only to comply with the basic performance requirements but also to ensure that all the relevant sub-suppliers follow the same process. Seco Tools, LLC suppliers are expected to monitor their own performance by way of agreed key performance indicators.

5.1 SCORECARD

Seco Tools, LLC monitor supplier quality performance including the following indicators:

- NCR (Non-conformity rate):
 - NCP level (Non-Conforming Parts identified among parts received)
 - Claims level (number of the claims to supplier both from Seco Tools, LLC production units and field)
 - Delivery accuracy (OTD, On Time Delivery)
 - Quantity dependability (delivered quantity in relation to quantity ordered)
- Those indicators refer to delivered products from suppliers only.

5.2 COMMUNICATION OF PERFORMANCE

Seco Tools, LLC will communicate performance to strategic suppliers on a regular basis and expects its suppliers to closely monitor its own performance in accordance to Seco Tools, LLC requirements.

5.3 RISK EVALUATION

The supplier quality risk evaluation is done on a regular basis. Trend analysis is used as a predictive tool to promote preventive action and reduce risk. Seco Tools, LLC encourages suppliers to be proactive in risk management.

5.4 CONTINUOUS IMPROVEMENT

We expect our suppliers to follow a culture of improvements and zero defects objective. This requires our suppliers to have solid capabilities and monitoring methods in place to prevent deviations or non-conformance.

5.5 DEVELOPMENT

5.5.1 SUPPORT

We consider support and transparent communication as a basis for partnership and strive to define our requirements as clearly as possible. We have dedicated Purchasing Representatives to support suppliers on any raised questions.

Supplier Management Tool Box:	New Supplier		Existing Supplier		Document/ Procedure/ Guideline
	New Product	Existing Product	New Product	Existing Product	
Selection:					
Supplier Management Manual					Supplier Management Manual
Seco Tools Code of Conduct					Seco Tools Code of Conduct
Supplier Evaluation					Supplier Profile Information Questionnaire [SPIQ]
Non-Disclosure Agreement					Non-Disclosure Agreement
Supplier Appraisal Visit					Supplier Audit Report
First Sample Approval:					
Quality Requirements					Product Drawing
Initial Sample					Initial Sample Report
Documentation review / Site audit					Initial Sample Report
First Sample Approval					Initial Sample Report
Supplier Setup Approval:					
Acceptance Inspection					Initial Sample Report
Supplier added to the business system					Purchasing generate supplier set up
Evaluation:					
Evaluation of Supplier based on logistics figures					Scorecard
Communication of evaluation results (internal / external)					Monthly scorecard meeting