



**Petoskey
Plastics**

Supplier Expectations Manual

Petoskey Plastics	Revision: 02	Page: 2 of 8
Supplier Expectations Manual		
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Table Of Contents

Preface & Purpose	4
Quality System Requirements	5
1.0 Supplier Basic Quality Requirements	5
2.0 Process Based Quality Requirements	5
3.0 Potential New Suppliers	6
3.1 Existing Suppliers	6
4.0 Request for Quotation	6
5.0 Purchase Orders	7
6.0 Purchased Part Approval Process	7
7.0 Packaging and Labeling	8
8.0 Supplier Ratings and Scorecards	9
9.0 Non-Conforming Product	9
9.1 Corrective Actions	9
9.2 Non-Conformance Charge-Backs	9
9.3 Deviations	10
9.4 Return Material Authorization Number	10
9.5 Debit Menu	10
9.6 Line Accumulation	11
10.0 Continuous Improvement	11
10.1 Quality Management System Improvements	12
10.2 Manufacturing Process Improvements	12
11.0 Safe and Healthy Working Conditions	12
12.0 Supplier Fair Business Practices	13
13.0 Hazardous Materials and Chemicals	13
14.0 Supplier Sustainability Requirements	13
Appendix A	15

Preface

Mission Statement

Our mission at Petoskey Plastics is to earn the appreciation and respect of our customers, associates and communities.

Purchasing Mission Statement

The mission of the Petoskey Plastics Purchasing Department is to maintain the highest ethical code of conduct while obtaining the respect of our customers and suppliers, by purchasing the highest quality products on time, at the lowest total cost possible.

Supplier Diversity Policy

It is the policy of Petoskey Plastics to identify high-potential minority business enterprises that can meet or exceed Petoskey Plastics' requirements in the areas of cost, quality, delivery, and service, and to provide an opportunity for fair consideration as vendors of our goods and services.

Purpose

The purpose of this document is to clearly communicate the expectations and requirements of our suppliers for any goods purchased. This is not intended to replace any quality systems in place but to enhance them to Petoskey Plastics minimum requirements. Any deviations or exceptions to this in any form must be agreed to, in writing, by the Petoskey Plastics Director of Purchasing.

Quality Systems Requirements

1.0 Supplier Basic Quality Requirements

In accepting Petoskey Plastics General Terms and Conditions, suppliers agree to participate in Petoskey Plastics supplier quality and development program(s), to comply with all quality requirements and procedures specified within, as revised from time to time and those applicable to the supplier's third-party certified management system. Petoskey Plastics reserves the right to enter the supplier's facility at reasonable times to inspect the facility, goods, materials and any property of Petoskey Plastics covered by contract. Petoskey Plastics inspection of goods whether during manufacture, prior to delivery or within a reasonable time after delivery, shall not constitute acceptance of any work-in-progress or finished goods. A shipment against a specific purchase order shall constitute acceptance of the terms and conditions and quality expectations.

All suppliers are expected to supply products to Petoskey Plastics with zero defects and in accordance to schedule requirements as identified by purchase order. Parts shall meet all specification requirements and function with no abnormalities according to intent.

2.0 Process Based Quality System Requirements

All suppliers of production materials and other finishing services supplied to Petoskey Plastics shall be certified to ISO 9001:2015. Suppliers of production material currently certified to ISO 9001:2008 are required to migrate their quality management system to the new edition ISO 9001:2015 on or before September 1st, 2018.

Supplier's not certified to ISO 9001:2008 or ISO 9001:2015, or the equivalent, must include an outline of their processes to make sure of compliance to quality and delivery expectations. In addition, Petoskey Plastics will perform an audit at its discretion, to ensure the suppliers ability to perform to the expectations.

Suppliers are actively encouraged to implement an environmental system in compliance with a current valid version of ISO 14001.

3.0 Potential New Suppliers

The Petoskey Plastics buyer may send a request for information to all potential new suppliers. The Petoskey Plastic buyer and quality agent shall review the information received from the supplier to determine strategic partner viability. If deemed viable, the Petoskey Plastics representatives may perform an on-site Supplier Assessment. Following a successful assessment rating the supplier is added to the Petoskey Plastics approved suppliers.

Pertinent information will be gathered which may include contact information after hours telephone numbers, user profile(s), business and financial data, product commodities and third-party certification status. If the potential supplier is a unionized facility, supplier will be expected to notify Petoskey Plastics buyer 6 months in advance of contract expiration with a plan on how supplier will protect product deliveries.

3.1 Existing Suppliers

Petoskey Plastics may conduct an on-site assessment of existing production suppliers who have demonstrated poor performance with product quality and/or late deliveries. The supplier may be required to submit a continuous improvement plan once the on-site assessment has been completed.

4.0 Request for Quotation

The request for quotation package shall include, but not be limited to, a valid drawing, associated engineering and technical specifications, estimated volume, milestones and any other relevant information that allows the supplier to conduct a feasibility review and generate a quotation package.

In some cases, all the above information may not be available, so any pertinent information will be provided in order to allow the supplier to understand the request. Pricing identified in the initial quote and subsequent quotes shall include general tooling maintenance where applicable, error occurrence detection (poka yoke, error proofing devices, etc) and any other

defect prevention costs. Additional controls implemented at a later date are the financial responsibility of the supplier.

Supplier quotations and relevant supporting data shall be submitted to the Petoskey Plastics buyer and must comply with the stated technical specifications, standards, general terms and conditions and Petoskey Plastics and/or Petoskey Plastics customers' specific requirements. Any exceptions supplier has or requires to be able to produce the subject product with expected quality and delivery, must be clearly noted on the quotation.

5.0 Purchase Orders, Packing Slip & Invoice Requirements

See Appendix A and Appendix B.

6.0 Petoskey Purchased Part Approval Process (PPAP)

Petoskey Plastics may require that a supplier demonstrate their capability to produce a purchased part(s) or component(s) that meets all agreed upon requirements. Typically this is done prior to acceptance of the first shipment but may be done at various stages of the purchasing process.

This process may be required for pass through parts (parts that are ready for sale when received), critical components of Petoskey parts or processes, or parts that come from a new or experimental process. Supplier PPAP may also be required based on Petoskey Plastics customer requirements. PPAP requirements will be determined by Petoskey Plastics and communicated to the supplier during the design and development phase of a project.

The purpose of PPAP is for a supplier to demonstrate that their process is capable of producing conforming parts over the life of the agreement. Once approved, PPAP documents and samples will become the standard by which future shipments will be evaluated. Shipments must meet quality levels established in PPAP. Suppliers are responsible for maintaining documentation that shows their process continually meets the quality levels established in PPAP.

Changes (supplier or Petoskey directed) to the part or the suppliers process, must be approved prior to implementation. Petoskey will review the impact of the changes and decide if PPAP must be resubmitted. Unauthorized changes to a supplier's part or process will be considered a non-compliance under Section 9.0 of this manual. Suppliers shall be responsible for all penalties incurred as a result of unauthorized changes.

7.0 Packaging and Labeling

If the packaging has not been pre-defined by Petoskey Plastics, then the supplier shall submit a packaging specification proposal for approval to the relevant representative early in the development process. Following approval, the supplier shall ensure that their products are packaged, bar-code label attached, handled and transported in a manner that preserves the conformity of their products during internal processing and delivery to Petoskey Plastics. Approval of packaging specifications by Petoskey Plastics does not relieve the suppliers' responsibility for ensuring that the packaging meets intended usage and preservation requirements.

The labels, unless otherwise specified, shall be placed on each item in a location agreeable by Petoskey Plastics.

The labels shall contain the following information:

Supplier Name

Petoskey Plastics part number (should match PO)

Quantity

Purchase Order

Lot Code/Mfg Date

All labels shall be properly secured to the package. There will be instances where Petoskey Plastics will not be required and shall be noted so on the specifications sheet.

8.0 Supplier Ratings and Scorecards

Petoskey Plastics intends on developing a supplier scorecard. The two major elements will concentrate on quality and delivery. This will be communicated separately.

9.0 Non-Conforming Product

All identified issues with product including, quality concerns, labeling; delivery will be communicated to the supplier via an NCR.

9.1 Corrective Actions

The Petoskey Plastics representative will have the discretion whether a SCAR (Supplier Corrective Action Report) will be required – depending on the specific concern. The SCAR shall be completed in a timely fashion. It shall identify immediate containment actions taken, root cause analysis and any permanent corrective actions required with timing of completion. The corrective action shall remain open until all aspects are completed.

9.2 Non-Conformance Charge-Backs

When a non-conformance has occurred, the following charges shall apply based on occurrence.

- 1.** All non-conformance based on definition above will incur a standard Administration Fee of \$100.00; (Fee may be increased at the discretion of Petoskey Plastics.)
- 2.** Delivery Costs will be charged back to supplier at cost incurred by Petoskey Plastics. If this has caused late delivery fees to the end customer, those charges shall apply as well.
- 3.** Quality Fees may be charged back to the supplier at the discretion of Petoskey Plastics. Quality Fees include; Internal and External customer sort/rework costs, travel costs and expedites that Petoskey Plastics may incur. Supplier will be responsible for actual costs incurred by Petoskey Plastics.

4. Production Line downtime costs may apply as well should the non-conformance create a downtime situation. Supplier shall be responsible for the actual costs incurred by Petoskey Plastics due to the production line downtime. Costs associated with line downtime include; labor, machine time, replacement of defective material, productivity loss and overtime.

9.3 Deviations

Any product that does not meet Petoskey Plastics requirements is considered non-conforming. However, under extenuating circumstances, requests for any such deviations shall be submitted to the Petoskey Plastics Quality department for review. Deviation requests shall include, but not be limited to; the reason for the deviation, quantity of parts or time period the deviation is requested to extend to, and part and packaging identification proposals to ensure traceability. If a deviation is approved it shall only be applicable to the quantity of parts or time period stipulated, any shipments received outside of the deviation that do not conform to specifications shall be rejected.

9.4 Return Material Authorization Number

All non-conforming material that is to be returned to the supplier or scrapped at the supplier request must have an RMA (Return Material Authorization) number issued by the supplier to Petoskey Plastics. The RMA number will be used for traceability during the debit process by the Petoskey Plastics Accounting Department.

9.5 Debit Memo

Petoskey Plastics preferred method of charge back will be by a debit memo. Supplier will receive notification of the non-conformance by the Petoskey Plastics Buyer and a RMA number (Return Material Authorization) will be requested. A Debit Memo will only be issued for non-conforming material that is has a total value of \$100 or greater.

Once the RMA number is received the Petoskey Plastics Buyer will submit the debit request along with the corresponding RMA number to the Petoskey Plastics Accounting Department for processing. Any deviation from the debit process must be agreed to by the supplier and the Petoskey Plastics Buyer. This includes the supplier request to issue a credit memo or a request to provide a material exchange/swap for non-conforming product.

9.6 Line Accumulation Process

- The line accumulation process is considered a privilege and will be granted to suppliers who have superior quality performance. The line accumulation privilege may be revoked if a supplier fails to achieve superior quality performance.
- All line accumulations are to be addressed at a predetermined interval and the supplier is responsible to support Petoskey Plastics during the line accumulation review/process.
- Any product rejected during the Line Accumulation Review must be clearly identified and separated from good product.
- If product is determined to be within all applicable quality/engineering standards by Petoskey Plastics and the supplier, it will be considered good and returned to production.
- RMA number (Return Material Authorization) must accompany any parts being scrapped at the request of the supplier or for product being returned to the supplier. The RMA number will be used for traceability and to process the debit for non-conforming material.

10.0 Continuous Improvement

Suppliers shall continually improve the effectiveness of their quality management systems and manufacturing processes. Actions taken to regain previous levels of performance are corrective actions and are not continuous improvement. Any changes to the product must be agreed to by Petoskey Plastics in writing in advance of the change.

10.1 **Quality Management System Improvement**

Suppliers shall define quality objectives and targets that shall be included in their business plans. These objectives and targets shall be continuously monitored, prioritized and acted upon, ensuring continuous improvement and the fulfillment of Petoskey Plastics expectations.

10.2 **Manufacturing Process Improvement**

Manufacturing process improvement shall continually focus upon control, and reduction in variation and waste in product characteristics and manufacturing process parameters. Continuous improvement can only be implemented once manufacturing processes are stable and capable, or product characteristics are predictable and meet Petoskey Plastics requirements.

11.0 **Safe and Healthy Working Conditions**

Petoskey Plastics recognizes that our supply chain spans many different regions and countries. It is our expectation that all our suppliers will maintain appropriate policies and procedures to support safe and healthy working conditions while meeting the following standards:

- Underage labor shall not be utilized. Underage labor, as defined by local labor law.
- Any form of forced labor is prohibited.
- Workers shall be protected against harassment or discrimination in any form.
- Workers shall have a safe and healthy workplace that meets or exceeds all applicable standards and comply with local law to include minimum wage benefits, overtime hours and legally mandated benefits.

12.0 Supplier Fair Business Practices

Petoskey Plastics believes in conducting business with integrity, fairness and respect. Petoskey Plastics does not accept or offer bribes, kickbacks or other similar payments for the purpose of influencing business decisions. It is our expectation for our suppliers to have similar policies and procedures in place to promote fair business practices. We manage our suppliers in good faith and we expect suppliers to exercise similar discretion in our relationship and in their relationship with their suppliers.

13.0 Hazardous Materials and Chemicals

Petoskey Plastics takes actions to comply with federal, state, local and customer directed guidelines for use and management of substances deemed restrictive and/or hazardous. Where possible, environmentally conscience alternatives are reviewed and preferred. Materials are stored, used and disposed of in manners least disruptive to the environment.

14.0 Supplier Sustainability Requirements

Petoskey Plastics is committed to sustainable materials management. Our commitment to a sustainable environment includes: helping to create sustainable products, primarily using recycled plastic as the feedstock, reducing petrochemical usage, reducing energy use and reducing the carbon footprint (greenhouse gas emissions).

Petoskey Plastics encourages our suppliers to practice sustainability in their organizations. As part of our Supplier Performance Report a supplier can receive Continuous Improvement Credits for providing evidence of practicing sustainability. Sustainability from our suppliers includes the examples listed below.

Supplier Sustainability Practices – Evidence Required for Sustainability

1. Your organization has adopted a corporate sustainability initiative to reduce or minimize its impact on the environment. Evidence if the initiative is required.
2. Your organization has initiated or implemented energy efficiency projects to reduce energy consumption.

3. Your organization has a waste reduction program.
4. Your organization has a water conservation program.
5. Your organization reports greenhouse gas emissions to an outside organization (CDP Carbon Disclosure, Project, Sedex, etc.)

“We use environmentally responsible manufacturing and packaging processes that preserve resources, reduce our carbon footprint and improve our quality of life.”

Mr. Paul Keiswetter, President and CEO

Appendix A

PETOSKEY PLASICS PURCHASE ORDER GUIDE FOR VENDORS REVISED 5/2016

ITEM #1 – This is the billing address as well as our Headquarters location. All invoices are to be sent to this location. Invoices may be emailed electronically to *AccountsPayable@petoskeyplastics.com*

ITEM #2 – Purchase Order Number – This number must be included on all shipping documentation and invoices.

ITEM #3 – The page number and total number of pages will be listed.

ITEM #4 – This is your Vendor information and your address, phone and fax we have set-up in our system for your Company. This is where payments will be sent.

ITEM #5 – This is the ship to location for this Purchase Order.

ITEM #6 – We will specify the method of shipment in this field.

ITEM #7 – The F.O.B designation will be negotiated before the PO is issued and states who is liable to pay the freight.

ITEM #8 – This is the date of order for the PO being issued.

ITEM #9 – This indicates whether the freight is prepaid.

ITEM #10 – Payment terms will be negotiated before the PO is issued and defined in this field.

ITEM #11 – If a resale number is required and or assigned it will be listed in this field.

ITEMS #12 – SEE BELOW

- Line # - Indicates line items on Purchase Order.
- Part Number/Rev/Description - This is our PPI part number and description. This must be included on all shipping documents, box labels and invoices.
- Order Quantity - This is the quantity ordered. The unit of measure will be displayed next to the quantity and will be indicated in either of the following ways; Box "BX", Each "EA", Roll "RL", or LBS "LB".
- Unit Price - This is the price that was negotiated and agreed upon between both PPI and the selected supplier. Any variance in the purchase price when the invoice is received will not be honored unless prior approval was given by the Petoskey Plastics Buyer.
- Extended Price - This is the total due for this line item. This field is calculated by multiplying the Order Quantity by the Unit Price.
- Tax - This field indicates if tax is to be applied to the Purchase Order.
- Due Date - This is the date that PPI expects to receive the product at the ship to location listed on the Purchase Order. On-time delivery is very important to Petoskey Plastics and we do measure late shipments as part of our ISO Management System.
- Shipping Release Requirement – This line lists the Purchase Order release Due Date and Quantity.

ITEM #13 – This is the signature of the Petoskey Plastics Buyer that authorized the Purchase Order. All questions pertaining to this Purchase Order should be addressed with the Petoskey Plastics Buyer.

ITEM #14 – This is the total due for this Purchase Order.

If any other information is required it will be noted in the body of the Purchase Order.