

## Subcontractor Requirements

### Table Of Contents

Introduction	1.0
Purpose of Subcontractor Requirements	1.1
Scope	1.2
Concept	1.3
Purchasing Agreements	2.0
Modifications	2.1
Pricing and Payment	2.2
Lead Time, Capacity, & Manufacturing Location	2.3
Tools	2.4
Material/Product Expectations	2.5
Packaging	2.6
Advance Quality Planning	3.0
Part Submission Requirements (PPAP)	4.0
PSW Level of Submission	4.1
Subcontractor Selection Criteria	5.0
Subcontractor Development	6.0
Subcontractor Performance	7.0
Skip Lot Inspection	8.0
Nonconforming Material	9.0
Shipping, Transportation & Delivery	10.0
Subcontractor Information	11.0
Gifts, Entertainment & Other Gratuities	12.0
Solicitation of Employee by Subcontractor	13.0

Appendix A	Subcontractor Questionnaire
Appendix F	Subcontractor Acknowledgement

# *A.G Manufacturing*

## **1.0 Introduction**

At A.G Mfg., quality is the main focus. We know that our business success requires significant involvement and support from our entire extended enterprise network. We want to continue to pursue stronger relationships with our Subcontractors, founded on open communication, mutual trust and respect. In order to succeed, we need our Subcontractors to be creative, flexible, dedicated and driving continuous improvement in all aspects of their operations. It takes the commitment from A.G Mfg.'s entire network to enable us to provide our customers with the highest value they demand and deserve.

If you are a current Subcontractor to A.G Mfg., we thank you for your continuous support as a team member. If you are considering becoming a Subcontractor to A.G Mfg., the following information will assist you in your endeavor.

## **1.1 Purpose of Subcontractor Requirements**

The purpose for the Subcontractor Requirements Manual is to promote an understanding of A.G Mfg.'s expectations and requirements. Through the development of a Subcontractor Requirements Manual, we would expect that our working relationship with our Subcontractors would continue to improve by communicating a clear understanding of our expectations.

## **1.2 Scope**

The following standards apply to all Subcontractors who supply A.G Mfg. with materials and services that are used in the manufacturing of our finished product.

## **1.3 Concept**

A.G Mfg.'s Subcontractors are required to comply with the, ISO/TS16949 standards and are responsible to meet all required applicable standards, including all OEM specific requirements such as Chrysler's Elements of Manufacturing Basics. A.G Mfg. expects to receive a product that is on time and defect free; therefore we expect that our Subcontractors require the same of their supply base.

## **2.0 Purchasing Agreements**

Subcontractors must receive a Purchase Order prior to providing any work, services or material for A.G Mfg. A purchase order (or release against a blanket Purchase Order) is an offer to the seller from A.G Mfg., the buyer, to enter into the purchase and supply agreement it describes. Seller's commencement of work, or agreement, or acknowledgement of the offer, thereunder will constitute acceptance of the offer.

If the Subcontractor requests a price decrease/increase, A.G Mfg. requires the following:

- **Decrease:**
  - 1) Complete a new Quotation to A.G Mfg. Purchasing
  - 2) A.G Mfg. Purchasing will update the existing Purchase Order
- **Increase:**
  - 1) Notify A.G Mfg. Purchasing in writing a minimum of 60 days prior to the requested effective date
  - 2) Subcontractors must meet with A.G Mfg. Purchasing to discuss price change and cost justification
  - 3) If the increase is approved, A.G Mfg. Purchasing will update the Purchase Order. Any and all price increases are subject to a re-quotation for the product.

## **2.1 Modification**

- 1) An A.G Mfg. Buyer, at any time, by way of written notice to seller, may change the design (including drawings, materials and specifications), processing, method of packaging, quantity, shipping and the date or place of delivery.
- 2) If any such changes affect cost and timing, the buyer will adjust the purchase price and delivery schedules equitably
- 3) Seller will not make any changes in the design, processing, packaging, shipping, or date or place of delivery of the supplies unless done pursuant to the buyer's written agreement.

## **2.2 Pricing and Payment**

- 1) Subcontractors are expected to be competitive, which will be benchmarked by A.G Mfg. buyers.
- 2) Subcontractors are expected to have a continuous cost reduction improvement process in place in order to manage and improve upon their costs. It is expected that increased costs will not be passed on to their customers.
- 3) Subcontractors are expected to work with A.G Mfg. buyers toward annual price reductions, and long-term contracts.
- 4) Payment to Subcontractors will be in U.S. currency.
- 5) Payment terms are as follows unless otherwise stated: The agreed upon payment terms when the account is established or modified thereafter.

## **2.3 Lead Time and Capacity**

- 1) The lead-time will be quoted in calendar weeks and should quantify the time from receipt of order to receipt of product according to shipping terms.
- 2) Subcontractors must have the capacity to provide 15% above the quoted volume without additional capital investment.

# *A.G Manufacturing*

---

- 3) The capacity information provided with the quotation should reflect the available daily capacity and your operating plan.
- 4) No tooling, products, or processes that affect products sold to A.G Mfg. can be moved/relocated without written approval prior to the move. At least 90 day prior notice must be given

## **2.4 Tools**

- 1) Subcontractors shall bear the cost of their tooling.
- 2) If A.G Mfg. should agree, in writing to pay for tooling, then the Subcontractors will be paid for tooling contingent on full PPAP approval.

## **2.5 Material/Product Expectations**

- 1) Subcontractors are expected to maintain confidentiality of development activities.
- 2) Subcontractors should communicate technology development activities and new technology ideas to A.G Mfg.
- 3) Subcontractors will provide samples, testing, and or test data, environmental and MSDS (material safety data sheet) information in a timely manner.
- 4) Subcontractors must provide Certificates of Origin or Manufacturers Affidavit and IMDS information with initial shipments and annually thereafter, to the Quality Department.
- 5) Material must be shipped at the latest OEM approved Eng. Levels.
- 6) Subcontractors must provide the current engineering revision level drawing to A.G Mfg. A.G Mfg. will retain the drawing on file. Supplier must notify A.G Mfg. of any Revision level changes prior to shipment of revised level product. This includes Manufacturing and Customer drawings.
- 7) Material certification must accompany each shipment.
- 8) It is the responsibility of the Subcontractor to notify A.G Mfg. of any hazardous materials used in the manufacturing of material/components purchased by A.G Mfg.

## **2.6 Packaging**

- 1) All packaging materials should be recyclable, reusable, or returnable.
- 2) The packaging will be of sufficient strength to allow full transportation utilization with no special loading, handling, or stacking instructions.
- 3) Subcontractors will label all containers with applicable information as defined by A.G Mfg. buyer. Special labeling may be required for special or prototype materials.
- 4) Shipping containers shall be identified with the material appropriate "COUNTRY OF ORIGIN".
- 5) Packing slips must accompany all shipments.
- 6) Standard labeling - per AIAG Standard
- 7) Bill of Lading must be linked to shipment packing slip.
- 8) All packaging must be environmentally acceptable to all U.S.A environmental standards

### **3.0 Advance Quality Planning**

A.G Mfg. requires that Subcontractors follow the guidelines established in AIAG APQP Standards.

### **4.0 Part Submission Requirements (PPAP)**

A.G Mfg. Subcontractors should use the procedures outlined in the AIAG PPAP manual. Subcontractors are required to submit a production part approval prior to the first production shipment as defined in the AIAG PPAP Manual (other reference manuals are the AIAG SPC and MSA Manuals). All submissions should be sent to A.G Mfg. Quality Department.

#### **4.1 PSW Level Of Submission**

**Level 4 Submission:** A Level Four Submission will require a PSW, (Part Submission Warrant - Reference the AIAG PPAP manual, with IMDS included), Dimensional Layout, Ballooned Print, Certification(s) (must have test specifications and tolerances, and results must be documented on the certifications; Blanket Certs are not acceptable). If testing is performed by an outside test facility, lab accreditation or a lab scope accompanied by an action plan for lab must be included with the Material Certification.

If the Subcontractor has an OEM approval (PSW) signed by the OEM, this will be accepted in lieu of a Level 4 submission.

### **5.0 Subcontractor Selection Criteria**

The following criteria will be used in consideration to select new Subcontractors and adding them to A.G Mfg. "Approved Subcontractor List" as listed in the Inventory Control System:

- 3<sup>rd</sup> party certification to ISO 9001: 2000, or TS 16949
- Manufacturing or warehouse location
- Competitive pricing
- Agreeable lead time
- Financial stability
- Proven automotive Subcontractor track record
- Flexible releasing
- Agreeable payment terms
- Agreeable pack and shipping methodologies
- Customer directed

The following documents must be verified before adding to the “Approved Subcontractor List” and issuing releasing:

- Certifications on file

The A.G Mfg. “Approved Subcontractor List” is maintained on line in the Inventory Control System.

NOTE: When ordering new product it may be necessary in the following instances to order prior to the subcontractor being added to the “Approved Subcontractor List”:

- ◆ Customer Driven
- ◆ Emergency purchases (i.e. timing issues)

**All purchases must be approved by the Business Manager / General Manager.**

## **6.0 Subcontractor Development**

“Subcontractor Development” is defined as the activities that the organization undertakes to improve/enhance a Subcontractor performance and/or capabilities to meet the supply needs. Using the Purchasing Vendor Performance Report, A.G Mfg. will monitor and determine the Subcontractors that require A.G Mfg. involvement. Subcontractor Development may include one or more of the following:

- early subcontractor involvement
- process audits
- process enhancement opportunities
- warehousing solutions
- logistics assistance
- packaging suggestions/review
- networking of Subcontractors
- PPAP submission directive
- Problem solving / Corrective action assistance

Records of Subcontractor Development will be kept on file, and reviewed each quarter.

## **7.0 Subcontractor Performance**

Subcontractors will be continually monitored for Quality Performance and On Time Delivery. A.G Mfg. purchasing department will fax or email the Purchasing Vendor Performance Report.

It is understood that should the Subcontractor fall short of A.G Mfg. expectations, necessary actions will be taken to ensure uninterrupted supply of product to our customers. All charges associated with these actions will be the responsibility of the Subcontractor.

If situations arise, A.G Mfg. will review the Subcontractor's processes and facilities. An on site audit may occur if the Subcontractor fails two quarters in succession. Close monitoring of all shipments will occur until the situation is deemed resolved by A.G Mfg.

A.G Mfg. will also perform periodic audits of Subcontractors when deemed necessary. This audit will be documented on a Subcontractor Audit Worksheet (QF-153).

## **8.0 Skip Lot Inspection**

A.G Mfg. uses a skip lot receipt process for those qualified Subcontractors. Qualifying for skip lot status means products received will be moved directly line side or to storage based on production needs without receiving inspection. The following aspects define the qualifications for this status:

1. Ongoing performance as defined in section 5.0 of this document
2. Approved 3<sup>rd</sup> party certification
3. Meeting A.G Mfg., audit criteria – 2<sup>nd</sup> party audit

Failure to meet any of these criteria will result in received products being inspected as per the receiving inspection criteria.

## **9.0 Nonconforming Material**

Subcontractors are required to use a Problem Resolution Methodology. A.G Mfg. Quality Department will issue a Subcontractor Concern Report (QF-28) when product is found to be nonconforming. A.G Mfg. Quality Department will obtain an authorization number from the Subcontractor, for all added fees. A.G Mfg. Quality Department must be contacted with authorization numbers within 24 hours of nonconformance notification. In the event of non-conforming material(s), the below listed items are the sole responsibility of the Subcontractor.

- 3<sup>rd</sup> party sort costs
- Cost to return raw material(s)
- Internal sort costs
- Costs associated with replenishment of raw material(s)
- Down-time for plant
- Any freight/expediting cost(s)

# *A. G Manufacturing*

---

- Disposition of non-conforming material(s)
- All associated cost of A.G Mfg.' personnel conducting an on site audit
- Down-time and all associated costs from A.G Mfg.'s Customer
- Cost of outside lab testing (if required)
- The Subcontractor will be charged a standard rate of \$45.00 per hour/ per person for all related time associated with non-conformance regardless of location
- Subcontractor will receive a Sort Activity Form, Cost of Quality (QF-71) form detailing all charges

If Corrective Actions are required, the Subcontractor has 24 hours to respond with interim actions and 15 days for permanent corrective actions.

If the Subcontractor has product rejected by A.G Mfg., the Subcontractor must send data for the rejected defect with the next 10 shipments. If data is not received with the containment shipments, the product will be rejected and another Subcontractor's Concern Report will be issued for not verifying product during the containment period. This will be counted against the Subcontractor's PPM quantity. Data can be in the form of attribute data or variable data: A.G Mfg. will not accept a blanket statement certifying the containment shipments.

## **10.0 Shipping, Transportation & Delivery**

- 1) All shipments must be made utilizing the A.G Mfg. authorized carriers unless otherwise specified by the A.G Mfg. buyer. Shipments shall be made in the approved standard pack containers unless authorized by the A.G Mfg. buyer. Subcontractors must be able to ship mixed part numbers on the same pallet whenever possible.
- 2) Subcontractor caused premium transportation or transportation costs for material returned, due to over shipment, will be paid by the Subcontractor.
- 3) Subcontractors will use authorized carriers for all modes of transportation. Excess transportation costs incurred; as a result of using incorrect carriers will be debited from the Subcontractor's account.
- 4) If A.G Mfg. and/or it's customer's production is interrupted by the failure of the Subcontractor to deliver defect free, contracted goods on time within the terms of the contract or purchase order, all costs that are incurred by A.G Mfg. and/or its customers, will be the **sole responsibility of the Subcontractor.**
- 5) Premium freight to be paid by A.G Mfg., must have an assigned Premium Transportation Authorization Number and be noted on the packing slip. Failure to obtain a Premium Transportation Authorization Number or failure to include number on the packing slip will result in the Subcontractor being responsible for the premium freight charge noted on the packing slip or bill of lading.
- 6) For domestic shipments, material ownership and freight terms for all material received by A.G Mfg. are FOB our plant, unless otherwise authorized by the A.G Mfg. buyer.
- 7) In the event of a Subcontractor missing a promised/required date, A.G Mfg. will direct the Subcontractor on the carrier to be used.

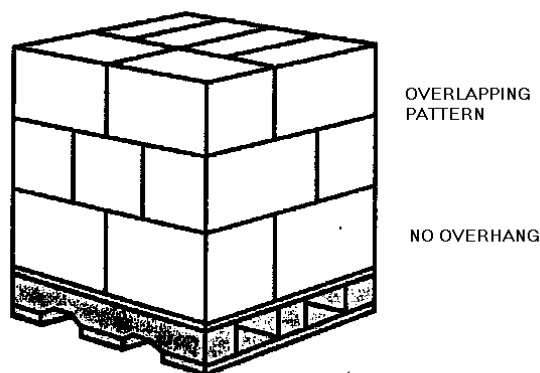
## A.G Manufacturing Pallet Specifications

1. Pallets must not be smaller in length and width than the load.
2. Acceptable pallet sizes: 48" x 45" and 48" x 42"
3. Wooden pallets are to conform to "SPEQ-M" (classification is multiple use) of the Uniform Voluntary Standards for Wooden Pallets published by The National Wooden Pallet and Container Manufacturers Association. <http://www.palletcentral.com/>

### Pallet load

4. Loads should not be shipped with any overhang. ([click here](#))
5. Cartons should be overlapped as much as possible to help stability. ([click here](#))
6. Cartons containing heavier items should be loaded near bottom of the stack. In the same respect cartons that are lighter or known to be half full should be loaded near the top of the stack. This will help to protect against in transit crushing.
7. Undersized loads should be centered on the pallet and secured with wrap or banding when appropriate
8. Loads wrapped with stretch film should use 80-gauge stretch film.
  - a. Film is to be secured to pallet corner at start. ([click here](#))
  - b. Film is to overlap pallet corners to tie cartons to pallet. ([click here](#))
  - c. Film is to be applied in overlapping sections around cartons. The width of film should hit two cartons stacked on top of one another, accomplished by angling wrapping motions. ([click here](#))
  - d. There is to be a minimum of 4 wraps, or 5-8 wraps if lesser gauge of film used. The weight of the shipment will depict how much wrap should be used.
9. Height of load should be limited to 3-4 cartons or up to 48" from top of skid to top of upper most cartons. ([click here](#))
10. "Do not Double Stack" stickers are to be applied to all four visible sides of the load.

### Overlapping Pattern / No Overhang



[Back to top](#)

**Start Wrap**



Anchor wrap to skid corner

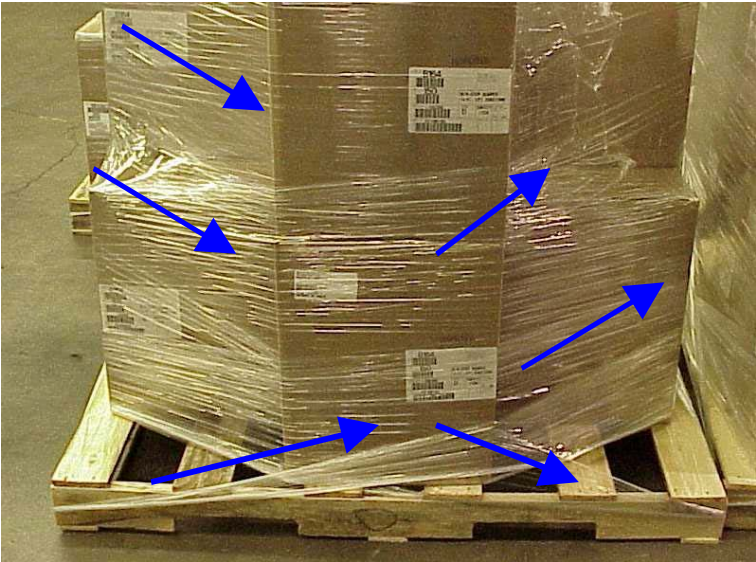
[Back to top](#)

**Wrap to Skids**



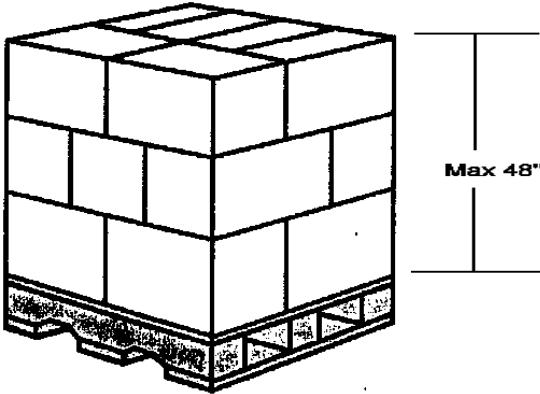
[Back to top](#)

**Overlap Wrap**



[Back to top](#)

**Maximum Height**



## **11.0 Subcontractor Information**

- 1) Subcontractor must provide 24-hour service by providing contact names and telephone numbers where they can be reached during off-hours, weekends and holidays.
- 2) Subcontractors must provide annually a listing of Plant shutdowns for holidays to A.G Mfg.
- 3) Subcontractors must notify A.G Mfg. of any impending organizational changes that might have an effect on communication or supply.
- 4) If the Subcontractor is unionized, they must provide the union affiliation and contract expiration date to the buyer. Subcontractors are expected to manage these situations and notify A.G Mfg. of any pending issues, which could impact on time delivery.
- 5) All Subcontractor meetings are documented and retained on file.

## **12.0 Gifts, Entertainment and Other Gratuities**

Consistent with A.G Mfg. Core values, our policy on gifts, entertainment and other gratuities emphasizes our commitment to award business based on the superior value of the goods and services we purchase from our Subcontractors. It is the intent that each employee conducts A.G Mfg.' business with integrity and adheres to our policy stated below.

We conduct our business based on excellence of performance. The goods and services we buy and sell must be superior. Our policy on gifts, entertainment, and gratuities is designed to reflect those values, so that there is no doubt that gifts or gratuities have not influenced our purchasing decisions. We are charged with the responsibility to make decisions on business considerations.

- 1) Employees may not solicit, for any reason, gifts from an individual or organization that does business with A.G Mfg. or seeks to do so. The size of the gift or favor is immaterial. Soliciting gifts or favors, whether directly or indirectly, from customers, Subcontractors, or potential customers or Subcontractors is strictly prohibited. Conduct that creates even the appearance of impropriety must be avoided.
- 2) Reasonable or customary gifts, freely offered and of nominal value may be accepted, providing a business related purpose exists. Acceptance from a particular Subcontractor should be infrequent.
- 3) It is permissible to accept an invitation of entertainment from Subcontractors or potential Subcontractors where it is freely offered, when it is legal and a business related purpose exists. Acceptance from that particular Subcontractor should be infrequent and entertainment and meals should not be lavish.

# *A. G Manufacturing*

---

- 4) The person or organization providing the entertainment must accompany the employees, as a general guideline.

A.G Mfg. employees should not accept anything unsafe, illegal or in an inappropriate environment.

## **13.0 Solicitation of Employee by Subcontractor**

Subcontractors may not solicit any employee of A.G Mfg. for employment without written consent from the employee's direct supervisor.



### Subcontractor Questionnaire

Date of Issue \_\_\_\_\_  
Subcontractor Name : \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Contact Name \_\_\_\_\_  
Phone \_\_\_\_\_  
Fax \_\_\_\_\_  
Email Address \_\_\_\_\_

Briefly describe commodity your company manufactures/supplies \_\_\_\_\_

Please select which of the following most appropriately applies, and submit the information requested.

- 1. Is your organization TS-16949, or ISO certified, please forward a copy of your registration certificate with this completed form.
  
- 2. Is your organization currently pursuing TS-16949, or ISO.  
If yes, please specify the quality standard: \_\_\_\_\_  
What is your anticipated registration date: \_\_\_\_\_
  
- 3. Is your organization a Certified Minority Company; please forward a copy of your certificate with this completed form.
  
- 4. Is your organization a distributor or a manufacturer?  
 Distributor                       Manufacturer  
Is your organization unionized?  
 No               Yes  
Contract Expiration Date \_\_\_\_\_
  
- 5. Does your organization have additional certifications, such as ISO 14001, A2LA, etc.; please forward copies of your additional certificates.
  
- 6. Is your organization not pursuing a Quality Standard at this time?

Please return:	Purchasing Manager	AG Manufacturing
Within 7 days	Phone: 989-479-9590	319 Industrial Parkway
Of issue	Fax: 989-479-9579	Harbor Beach, MI 48441

**Thank you for taking the time to respond to this questionnaire.**

**Subcontractor Requirements Manual**

**ACKNOWLEDGEMENT OF RECEIPT**

I acknowledge the receipt of the A.G Mfg. Subcontractors Requirement Manual  
This release is effective immediately. On receipt of the manual, please complete and return the  
acknowledgement attention to: Quality Fax: 989-479-9579

Signature: \_\_\_\_\_

Printed name: \_\_\_\_\_

Company Name: \_\_\_\_\_

Quality Representative: \_\_\_\_\_

Title: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Facsimile Number: \_\_\_\_\_

Date of Receipt: \_\_\_\_\_