

Alliance Automation Supplier Manual

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About Alliance Automation, LLC:

- 1.1. Alliance Automation (AA) was founded in 2008 building automation equipment. Alliance Automation, LLC design builds automation equipment in accordance with:
 - 1.1.1. Underwriter's Laboratories, LLC.
- 1.2. Professional Associations Memberships:
 - 1.2.1. Western Pallet Association (WPA)
 - 1.2.2. National Wood Pallet and Container Association (NWPCA)
- 1.3. Alliance Automation, LLC is headquartered and operations its production facilities at:
 - 1.3.1. 1100 John Brown Rd, Van Wert, Ohio, 45891
- 1.4. A brief look at our history:
 - 1.4.1. Founded in 2008, Alliance Automation was started with the goal of providing high quality, innovative, and cost-effective automated manufacturing systems for our customers, while maintaining a quality of work environment that allows our employees to grow and flourish. It is our obligation to operate within the Biblical principles of honesty, integrity, and simply treating others as we wish to be treated.

Vital to our success is a shared purpose with key supplier business partners. The importance of your contribution to ensuring our success cannot be overstated. Having a shared purpose and collaborating closely together will deliver business growth for our respective companies.

We would like to take this opportunity to thank you in advance for your collaboration in helping us strive to reach our goals.

Supplier Code of Conduct:

- 1.5. AA has certain expectations regarding workplace standards and business practices. We ask our suppliers to adhere to this Code. Please make your employees aware of our Supplier Code of Conduct. Elements of this Code of Conduct include:
 - 1.5.1. As a supplier to AA, we expect you to maintain full compliance with all business and environmental laws/regulations of the country of origin for the supplied product.

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- 1.5.2. Practice non-discriminatory employment and have a policy in place to support that practice.
- 1.5.3. Ensure that your business processes and manufacturing operations are conducted in a manner that supports environmental sustainability.

Purpose:

- 1.6. The AA Supplier Manual is published, distributed, and maintained by the Materials Manager. The manual is distributed and maintained on a controlled copy basis.
- 1.7. This Manual describes the policies and control systems required of our suppliers in order to support the Quality System of AA.

Scope / Exclusions:

- 1.8. The AA Supplier Manual applies to all Primary suppliers, all their locations and their employees.
 - 1.8.1. The Master copy of the AA Supplier Manual will be controlled on the AA computer network. All other printed copies will be considered uncontrolled.
 - 1.8.2. The AA Supplier Manual will be treated in its entirety as “Confidential, Property of Alliance Automation, llc.”, and must not be copied, reprinted or the contents divulged to any unlisted party without the written permission of the President/Owner of Alliance Automation, llc.

Responsibility:

- 1.9. Being a Supplier to Alliance Automation:
 - 1.9.1. It is the responsibility of the Supplier to understand and ensure compliance with this manual and the quality policies, procedures, and work instructions of AA.
 - 1.9.2. Work performed by a Supplier’s sub-tier/sub-contract suppliers also shall meet AA’s quality, procedures, and work instructions. It is the Supplier’s responsibility to flow-down these requirements to sub-tier/sub-contract Suppliers.
 - 1.9.3. Any supplier of AA agrees to allow any of its representatives’ access to its facilities and all relevant records associated with the products and services provided to us.
 - 1.9.4. All suppliers should be compliant with a quality management system.
 - 1.9.5. Calibration Suppliers - Calibration suppliers shall have a quality system that conforms to A2LA, ISO 17025 (Guide 25) or any other country certifying body.
 - 1.9.6. Raw Material Suppliers - Raw material suppliers shall have a quality system that conforms to relevant industry quality standards, and regulatory requirements, as required.
 - 1.9.7. Conformity to the above quality standards must be evidenced by either a third-party certification or an AA Supplier Assessment.
 - 1.9.8. It is the responsibility of the supplier to notify AA in the event a purchased component is intending to be obsoleted.

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Procedure:

Suppliers must maintain a quality management system that encompasses the following:

- 1.10. Supplier Confidentiality – Documents furnished by AA to the Supplier are solely for the purpose of doing business with AA. These documents must not be transmitted to others without the consent and approval of AA.
- 1.11. Capacity Verification – Suppliers ensure adequate capacity to support AA.
- 1.12. Material Identification – The Supplier must ensure all materials are labeled with the part number and Vendor.
- 1.13. Lot Traceability – Suppliers ensure tiered traceability for all material.
- 1.14. Packaging Plan – The Supplier ensures that materials are packaged in a manner that preserves the integrity of the part.
- 1.15. Business Changes – Any significant changes in the business climate such as acquisitions, divestitures, pending litigation, or any activity that may change the financial viability of the supplier's organization must be communicated to AA.
- 1.16. Communications – All documentation must be communicated to AA in English unless otherwise specified by the using facility. Suppliers must maintain and have access to an electronic form of communication such as the internet/worldwide web.
- 1.17. Supplier Assessment and Qualification
 - 1.17.1. AA maintains a supplier selection and sourcing process that adequately evaluates and identifies potential sourcing partners for AA.
 - 1.17.2. AA suppliers must be capable of meeting our quality, delivery, cost, environmental, health, and continuous improvement requirements. AA will validate these requirements as a part of their supplier selection process through supplier assessment and qualification activities.
- 1.18. Supplier Screening/Data Analysis Process
 - 1.18.1. AA Materials Manager will lead the Supplier screening process based on several factors including Supplier's current delivery performance based on 100% on-time expectation, the Supplier's quality performance, willingness to participate in an appropriate Quality and Environmental, Health and Safety system and cost competitiveness.
- 1.19. General Requirements
 - 1.19.1. All suppliers are required to have a structured method of defining and establishing the steps necessary to assure that a product meets customer expectations, and that the Supplier's manufacturing processes have the capability to consistently meet these requirements.
 - 1.19.2. Prior to first production shipment, parts or components being sourced may be subject to a First Article Inspection (FAI).
- 1.20. Change Management
 - 1.20.1. Once a supplier has been Production approved, the Supplier shall notify AA in writing of any planned changes to the design, process, or manufacturing site PRIOR to any change occurring.

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- 1.21. Safety Data Sheets (SDS)
 - 1.21.1. Submission of approved SDS data may be required to ensure AA complies with all domestic restricted/prohibited substance legislation. The data requested may include material composition, weight, recycled content, and recyclability for each assembly, component, and applicable subcomponent. This includes non-dimensional substances such as lubricants, gases, and fluids.
- 1.22. Performance Test Requirements
 - 1.22.1. Suppliers may conduct performance testing to confirm that current production meets design requirements.
- 1.23. Measurement System Analysis (MSA) Requirements
 - 1.23.1. The Supplier shall perform Measurement Systems Analysis (MSA) studies for all gages used to measure any critical dimensional characteristics requested by AA or defined on the design record (drawings and specifications) provided by AA. The supplier's measurement and calibration methods must be agreed to by AA representatives to ensure consistent qualification of parts.
- 1.24. Process Capability Requirements
 - 1.24.1. AA may request that critical dimensions undergo a process capability analysis at launch and when product or process changes affect these characteristics. Additional periodic capability analyses may be requested by AA. If AA does not request any specific capability studies, the Supplier should evaluate and identify product and/or process characteristics that can be used to ensure process capability. This should be reviewed and agreed to by AA to ensure alignment and process quality.
 - 1.24.2. If acceptance criteria are not satisfied, the Supplier shall contact AA with a corrective action plan that provides for 100% inspection. Variation reduction efforts shall continue until the acceptance criteria are met, or until an exception is obtained from AA. Note: 100% inspection methodologies are subject to review and concurrence by AA.
 - 1.24.3. For special cases where the annual usage volumes do not meet the guidelines for a thorough process capability assessment, requirements shall be defined by AA in conjunction with its supplier.
- 1.25. Supplier Performance Evaluation
 - 1.25.1. Overall annual supplier performance is based on rejected Parts, the number of Supplier Requests for Corrective Actions issued, On Time Delivery (OTD), the number of repeat Requests for Corrective Action, and if any defective materials reach our customer resulting in a warranty issue for AA.
- 1.26. Management of Non-Conforming Materials – In the event of a non-conformance, all costs incurred by AA that are associated with the failure of a supplier to meet AA's quality requirements may be charged back to the responsible supplier.

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- 1.26.1. In the event that an MNCR (Material Non-Conformance Report) or a Quality Alert (QA) is issued to the Supplier, an Administrative Fee of \$250 may be charged due to costs associated with dispositioning the MNCR or QA & managing the corrective action process. AA may also ask that the supplier participate in the MNCR or QA process to determine root cause and corrective action activities. Costs incurred beyond this administrative fee may be assessed.
- 1.26.2. All MNCRs will be assigned a score based off points generated from multiple factors within the non-conformance.
- 1.26.2.1. MNCR Scoring will be based on:
- 1.26.2.1.1. Quantity (Number of parts affected)
 - 1.26.2.1.2. Whether it is a whole or partial order of parts are non-conforming
 - 1.26.2.1.3. The time to close the MNCR (the time taken for reworked/replacement stock to be returned to Alliance's possession)
 - 1.26.2.1.4. The Severity of the MNCR which has a direct impact on the MNCRs expected time to close
 - 1.26.2.1.5. For a severity level of 1-2 points will be based off the following Time to Close: 1-2 days/3-4 days/5-9 days/10+ days
 - 1.26.2.1.6. For a severity level of 3 points will be based off the following Time to Close: 1 day/2-3 days/4days/5days
 - 1.26.2.1.7. Whether or not the non-conformance is a repeat issue
- 1.26.3. The data generated by the MNCR scoring process is to be used as a reference tool during vendor evaluation and displayed within our vendor scorecards.
- 1.27. At any time, Alliance Automation reserves the right to request formal documentation of corrective action/s put in place, if deemed necessary by the nature of the non-conformance.
- 1.27.1. If Alliance Automation reaches the disposition that a formal corrective action is required. Alliance Automation reserves the right to request and/or perform audits of said corrective actions to ensure that the best practices are being followed.
- 1.28. The following is a list of examples of COPQ (Cost of Poor Quality) charges in which the MNCR Administrative Fee may be debited or invoiced to suppliers after the MNCR is issued or upon closure. The list should not be construed as exhaustive:
- 1.28.1. Receiving Process:
- NCR Administrative Fee (as described above)
 - Sorting
 - Rework
 - Line disruption
 - Premium freight
 - Cost of increased inspection
 - Premium product cost paid to support production
 - Excess inventory
 - Misidentified parts
 - Shipping documentation errors

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1.28.2. In-Process Fallout:

- Downtime/Overtime
- Line speed reduction
- Additional manpower
- Line changes due to material availability
- Equipment breakage
- Associated material losses
- Outside processing required
- Premium product cost paid to support production
- Rework-labor, tooling, and fixturing

1.28.3. Customer Issues:

- Rework at customer premises, travel, and manpower
- Replacement of material at customer
- Premium freight
- Reimbursement of all charges from customer
- Costs of Internal containment actions
- Added inspection, certification of product, etc.
- Warranty costs

1.29. What is the Supplier Improvement Initiative?

- The Supplier Improvement Initiative (SII) is being established to help improve the quality and consistency of components from our suppliers, which in turn will help drive down cost and delivery time and grow our suppliers as we grow ourselves. This program will help our suppliers establish baseline data for the quality of product that they provide.
- The SII will consist of 3 separate levels, all of which vary in severity and expectations of the supplier moving forward to prevent further quality issues.
- The SII should not be viewed as a punishment to suppliers during the first 2 levels of initiation. But should be viewed as an effort by both parties to develop one another and improve as a team.
- Alliance reserves the right to escalate the level of SII pending special circumstances based on vendor feedback and exponential cases that far exceed the triggers listed below.

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What triggers the Supplier Improvement Initiative?

- Level 1
 - Multiple repeat MNCRs (Material Non-Conformance Report) within a 30-day period
 - Monthly defective PPM (Parts Per Million) exceeds 100,000 PPM.
 - Consecutive Months of total MNCR scoring that exceeds 25% compared to another supplier.
 - Multiple MNCRs that directly affect the timeline of the respective project's timeline.
 - Automatic trigger if an internal PAR (Project at Risk) is ever issued to a project that is a direct result from a supplier issue.
- Level 2
 - Any repeats of the level 1 triggers after a level 1 initiative have been put in place.
 - Failure to uphold commitments made from the level 1 control plans.
 - Failure of level 1 control plan audit
- Level 3
 - Any repeats of the level 1/2 triggers after a level 1/2 initiative have been put in place.
 - Failure to uphold commitments made from the level 1/2 control plans.
 - Failure of level 2 control plan audit
 - **Refusal to participate in Alliance's VII**

What levels does the SII consist of?

- Level 1
 - Basic Control Plan to be documented with supplier.
 - Documented prints and/or check sheets for components
 - Documented verification of all critical elements on all parts
 - Sit down meeting to review implemented control plans after 30 days of initiation of SII.

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- Level 2
 - Advanced Control Plans to be implemented with supplier.
 - 5 Why/BPS issued for all non-conformances.
 - Alliance will provide training for 5 Why if applicable.
 - Documented prints and/or check sheets to be provided with all line items per PO.
 - Sit down meeting with supplier to review the current state of SII level and explain what needs to be done to avoid escalation of SII.
 - 30-day supplier audit by Alliance to ensure proper control plans are being followed
 - Alliance reserves the right to implement additional audits if deemed appropriate.
- Level 3
 - The Quality Department will deem that all efforts have been made to improve the supplier's quality and proceed with the motion to terminate the supplier's services.

When/how do levels drop?

- Level 1
 - After 30 days of documented improvements via the MNCR scorecard. The supplier's VII level will drop down.
- Level 2
 - After 60 days of documented improvements via the MNCR scorecard. The supplier's VII level will drop down.
- Level 3
 - After 1 year of termination of services, suppliers may be reinstated under request of the procurement group.

What happens if the supplier refuses to participate in the SII?

- Please see highlighted note in level 3 of the SII trigger section

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Contacts within Alliance for your reference:

Purchasing:

Terri Bagley	419-238-2520 x 254	tbagley@allianceautomation.com
Michelle Brincefield	419-238-2520 x 221	mbrincefield@allianceautomation.com
Jacob Klopfenstein	419-238-2520 x 298	jklopfenstein@allianceautomation.com

If no response is received within 24 hours of request please contact

Wade Bearman	419-238-2520 x 280	wbearman@allianceautomation.com
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Accounts Payable: ap@allianceautomation.com

If no response is received within 24 hours of request please contact:

Sara Wenning	419-238-2520 x 270	swenning@allianceautomation.com
Marian Heitkamp	419-238-2520 x 293	mheitkamp@allianceautomation.com

Quality :

Dave Maxwell	419-238-2520 x 389	dmaxwell@allianceautomation.com
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If no response is received within 24 hours of request please contact

Garret Kamine	419-238-2520 x 287	gkamine@allianceautomation.com
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Revision History:

Rev #:	Revision Notes:	Standards Ticket Requestor:	Date:
04	Added Section 1.29.1 Supplier Improvement Initiative	Dave Maxwell	5/15/2024