


O-07		<b>Anchor Supplier Manual</b>	Effectivity
Revision:	00		02-22-12

<b>REVISION HISTORY</b>			
<b>REV</b>	<b>DESCRIPTION</b>	<b>DATE / EN</b>	<b>APPROVALS</b>
00	Replaces previous unreleased document.	02-22-12	Cstdn <b>Greg Wruck</b>
		0825	
		02-22-12	Mngt <b>Chad Welding</b>
		0770	
		02-22-12	QA <b>Joe Seale</b>
		0879	
			Cstdn
			Mngt
			QA
			Cstdn
			Mngt
			QA
			Cstdn
			Mngt
			QA
This document is the result of extensive development and expense by Anchor Fabrication. Use, reproduction, or duplication is strictly prohibited without the written permission of AFP management.			
O-07	<b>Anchor Supplier Manual</b>		
<b>Custodian</b> Purchasing Director			

O-07		<b>Anchor Supplier Manual</b>	Effectivity
Revision:	00		02-22-12

**A** Accomplishment – Successfully achieving our goals

**N** Nurturing – Help grow, develop and cultivate our talent

**C** Commitment – Committed to the Anchor family

**H** Honor – High respect and reputation

**O** Organized – Functioning within a formal structure

**R** Responsive – Reacting quickly to the needs of our customers.

## **SUPPLIER MANUAL**

O-07		<b>Anchor Supplier Manual</b>	Effectivity
Revision:	00		02-22-12

Table of Contents

- Section 1 Quality Policy Principles
- Section 2 Goals & Scope
- Section 3 Code of Conduct
- Section 4 Purchasing Process
- Section 5 Terms & Conditions
- Section 6 Invoicing
- Section 7 Tooling & Gauging Policy
- Section 8 Quality Requirements
- Section 9 Supplier Assessments
- Section 10 Production Part Approval Process (PPAP)
- Section 11 Early Production Containment (EPC)
- Section 12 Process Capability and Monitoring
- Section 13 Complaint on Purchased Material (CPM)
- Section 14 Controlled Shipping
- Section 15 Supplier Charge-Back
- Section 16 Delivery Expectations
- Section 17 Tagging, Labeling & Identification
- Section 18 Supplier Rating System/Balanced Score Card

O-07		<b>Anchor Supplier Manual</b>	Effectivity
Revision:	00		02-22-12

**1. Quality Policy Principles**

Quality driven management and employee dedication are keys to success and Customer satisfaction. Anchor Fabrication is committed to building products that are sound and dependable. We will improve our business continuously in quality, cost, and reliability. We will consistently provide products which meet or exceed Customer expectations.

**2. Goals & Scope**

“Anchor Fabrication will grow our business, linked with suppliers providing best-in-class quality products and manufacturing support.”

**2.1. Goal**

- a. Communicate to the Supplier expectations, goals and minimum requirements to assure quality of supplied product.
- b. Encourage open and free communication of ideas, information and issues among Suppliers in the spirit of teamwork, cooperation and development.
- c. Define the procedures and documents Suppliers must follow to assure application of an effective quality system and to provide needed manufacturing support.

**2.2. Scope**

This Supplier Manual applies to all production material Suppliers and service part Suppliers that supply product to the manufacturing facility of Anchor Fabrication. These procedures may be applied to other parts and materials (such as consumable tools and supplies).

**2.3. Responsibilities**

Suppliers must maintain a comprehensive Quality System to ensure compliance with the requirements of the contract and this document. This manual explains Anchor Fabrications minimum expectations, as well as the process Anchor Fabrication follows to assess the capability and performance of each Supplier. Anchor Fabrication seeks Suppliers who have an ISO 9001 registration.

**3. Code of Conduct**

- 3.1. **Personal Integrity:** At Anchor Fabrication we require uncompromising ethical standards in all we do and say, we expect our Suppliers to do the same. Our policies prohibit the acceptance of gifts, services or anything of such value that the good judgment of the recipient might be influenced, or that a third party might reasonably perceive as influencing that judgment. Payments of money, property, or services for the purpose of obtaining business or special consideration are prohibited.
- 3.2. No listing of ethical guidelines can be considered complete. It is incumbent upon those affected by this policy to avoid the misconception that if it is legal, it is ethical. Appropriate conduct must reflect good judgment, fairness and high standards.

O-07		<b>Anchor Supplier Manual</b>	Effectivity
Revision:	00		02-22-12

#### **4. Purchasing Process**

##### **4.1. Supplier Agreement**

Unless otherwise directed, Suppliers will be asked to sign and return the Supplier Agreement regarding Proprietary Information Security and Disclosure. All information furnished or disclosed to Supplier by Anchor in connection with any order as “Confidential” or “Proprietary” is received in confidence, shall remain the property of Anchor and shall not be disclosed to any third party without Anchor’s consent.

##### **4.2. Request for Quotation**

Manual Request for Quotation: Potential Suppliers will be invited to participate in the quoting process. Suppliers are required to use the forms supplied in the Request for Quotation, including detailed cost breakdowns.

##### **4.3. Supplier Selection Criteria** - The following criteria can be used to award new business:

- a. Supplier’s demonstrated performance in quality, delivery, and cost reduction.
- b. Supplier’s total cost competitiveness and commitment to continuous improvement.
- c. Supplier’s demonstrated technical capabilities and engineering support of Anchor Fabrication programs.
- d. Supplier’s overall financial condition.

#### **5. Terms & Conditions**

By accepting Anchor Fabrications Purchase Orders, the Supplier agrees to comply with all sections of the Anchor Fabrication Supplier Manual as well as the Terms and Conditions of the Anchor Fabrication Purchase Order.

##### **5.1. ITARS**

From time to time Anchor Fabrication will receive work that is protected by the Arms Export Control Act & the U.S. International Traffic in Arms Regulation (ITARS). Parts prints that are covered by this regulation will be so marked. By regulation, the parts or prints may not be exported or disclosed to non-U.S. persons or to a foreign entity.

##### **5.2. Raw Material Specifications**

5.2.1. All raw material purchased by Anchor Fabrication will be delivered with Material Test Results (MTR). Material not meeting the requirements of the purchase order as confirmed by the MTR will be rejected.

5.2.2. There are those customers of Anchor Fabrication that have material country of origin requirements. The Anchor purchase order will specify those requirements and Anchor is to be advised if the requirements cannot be met. These may include:

- a. Melted & manufactured in the United States.
- b. NAFTA material only.
- c. DFARS/Buy American Act requirements.

O-07		<b>Anchor Supplier Manual</b>	Effectivity
Revision:	00		02-22-12

**6. Invoicing** – standard invoicing instructions

6.1. The following information must be included on all invoices submitted to Anchor Fabrication:

- a. Original should be on original copy of invoice.
- b. Each invoice must contain a unique invoice number (not repeated).
- c. Anchor Fabrication Supplier name
- d. Anchor Fabrication part number
- e. Anchor Fabrication purchase order number
- f. Quantity
- g. Unit and total price
- h. Complete and detailed description of the merchandise

6.2. Supplier will ensure that all information provided on all invoices and shipping/business documents and/or electronic data accurately reflects the physical goods in the shipment.

**7. Tooling and Gauging Policy**

- 7.1. Anchor Fabrication may purchase or lend special tooling, including dies, jigs, fixtures, templates, inserts, molds, patterns, gauges, test equipment, etc. as agreed upon.
- 7.2. All property and material furnished by Anchor to supplier will be held at supplier's sole risk and in the event of any damages they shall be covered up to the amount equal to the replacement cost with loss payable to Anchor.
- 7.3. Anchor Fabrication reserves the right to immediately remove Anchor Fabrication owned tools. Such property shall be delivered in good condition, normal wear and tear expected, to Anchor, immediately upon request.
- 7.4. Suppliers must receive written authorization from Anchor Fabrication before:
  - a. Moving or destroying tooling
  - b. Altering tooling capacity
  - c. Disposing of service parts tooling
- 7.5. Selling products made from Anchor Fabrication tooling to any other Customer is not allowed. All property and material furnished by Anchor to supplier will only be used on the performance of the orders which given for and shall remain the property of Anchor.
- 7.6. All Special Tooling owned by Anchor Fabrication must be identified.
- 7.7. The Supplier is responsible to adhere to all legal safety requirements as applicable.
- 7.8. The Supplier is responsible for ensuring that its sub-Suppliers adhere to the above guidelines.

**8. Quality Requirements**

All Suppliers must comply with the Anchor Fabrication quality expectations defined in this section. Suppliers are fully responsible for the quality of their products. In order to ensure Zero Defects, an effective Quality Management System must be in place. Suppliers are expected to work in accordance with the requirements in ISO 9001.

O-07		<b>Anchor Supplier Manual</b>	Effectivity
Revision:	00		02-22-12

## 9. Supplier Assessments

**New Suppliers:** An Anchor Fabrication Supplier Representative will provide access to the Anchor Fabrication Supplier Manual and will request completion of the Anchor Fabrication Questionnaire. Anchor Fabrication will also complete an on-site Supplier Quality Systems Assessment. Once completed and submitted, Anchor Fabrication will determine whether the candidate Supplier has the required quality systems, technical core competencies, management and manufacturing to be awarded new business.

## 10. Production Part Approval Process (PPAP)

10.1. **General:** Depending on the program and product, Suppliers may be asked to comply with the AIAG Production Part Approval Process.

### 10.2. Submission Disposition and Notification

10.2.1. There are three possible outcomes of a Supplier PPAP Submission:

- a. **Full Approval:** Parts are fully approved for series production. Anchor Fabrication Material Control will specify proper delivery and release requirements.
- b. **Interim Approval:** Parts are conditionally approved for a limited time or limited quantity. Note, in this case, a Complaint on Purchased Material (CPM) may be issued against the Supplier.
- c. **Rejected:** Parts may not be used for series production and tooling purchase orders cannot be paid. Note: In this case, a CPM may be issued against the Supplier Parts meeting customer specification.

10.2.2. Anchor Fabrication will notify Supplier in writing when their PPAP submission has been approved or rejected. The documented format of notification will be a countersigned Part Submission Warrant (PSW).

10.2.3. In some cases, PPAP approval requires validation testing and signatory approvals from Anchor Fabrication's Customer prior to notifying the Supplier.

## 11. Early Production Containment (EPC)

11.1. **General:** As directed, this procedure will apply to specific programs or products. It is to be used for all pre-production and production requirements that require the Production Part Approval Process, and whenever mandated by Anchor Fabrication on any parts that present significant risk to Anchor Fabrication.

### 11.2. Definition and Purpose

11.2.1. The purpose of EPC is:

- a. To reduce the risk to Anchor Fabrication and to protect the Supplier through increased detection.
- b. To document Supplier efforts to gain control of its processes during start-up and launch so that any quality issues that may arise are quickly identified and corrected at the Supplier's location.

11.2.2. EPC requires a documented launch or pre-launch control plan that is a significant enhancement to the Supplier's production control plan. This EPC Plan will raise the confidence level to ensure that all products shipped will meet Anchor Fabrication's expectations. This is an extraordinary measure. The EPC Plan should take into consideration all known critical conditions of the part as well as potential areas of concern identified during the Production Part Approval Process.

O-07		<b>Anchor Supplier Manual</b>	Effectivity
Revision:	00		02-22-12

**12. Process Capability and Monitoring:** Defined Part/Process Characteristics

- 12.1. In addition to certain Customer Specific Requirements, certain characteristics can be deemed as important, and will require increased monitoring to ensure the quality of the parts. Those characteristics may be designated as special, significant or high impact.
- 12.2. The appropriate Anchor Fabrication representative will identify these specific requirements, or characteristics either by direct communications, specification, or product drawing.

**13. Complaint on Purchased Material (CPM)**

**13.1. General**

- a. Anchor Fabrication will immediately notify the Supplier if non-conforming material is found. Upon verification that Anchor Fabrication has received non-conforming product from a Supplier, Anchor Fabrication will issue a Complaint on Purchased Material (CPM) to the Supplier.
- b. Evidence of defect such as digital photos will be provided when possible.
- c. Anchor Fabrication will issue a CPM to the Supplier regardless of the disposition and/or use of the non-conforming material. Anchor Fabrication will apply only the number of non-conforming parts to the Parts Per Million (PPM) calculation if containment actions are forwarded immediately.

**13.2. Containment Actions**

Upon receiving a CPM from Anchor Fabrication, Suppliers are required to immediately sort 100% of their product, including product at the Anchor Fabrication facility, in transit, and at the Suppliers production facility, etc., and to ensure that Anchor Fabrication's facility is supplied with enough certified stock to assure no disruption to production. Material must be labeled as certified for the specific defect or defects for the next three (3) shipments.

O-07		<b>Anchor Supplier Manual</b>	Effectivity
Revision:	00		02-22-12

### 13.3. Reports

- a. **General:** The Supplier will respond to CPMs by using the Corrective Action Report or 8D Problem Solving Form. The documentation will be submitted in response to each CPM, unless otherwise agreed to by appropriate Anchor Fabrication representative.
  - b. **Initial Submission:** Anchor Fabrication must receive the initial CAR within 24 hours of notification. The report, with the containment action taken and initial sort results found, must be submitted within 48 hours.
  - c. **Final Submission:** Suppliers must submit the CAR for approval and closure as soon as practical, but no later than five (5) days from the CPM issuance date.
  - d. **Approval and Closure:** The appropriate Anchor Fabrication representative prior to closure of a CPM must approve a Supplier's final CAR. Any 8Ds open beyond 30 days may negatively impact the supplier's performance rating.
- 13.4. Supplier may be requested to present their corrective actions on-site at the facility of Anchor Fabrication.
- 13.5. Anchor Fabrication reserves the right to verify product conformance to the requirements at the Supplier's and their sub-contractor's plants.
- 13.6. Verification of the implemented corrective action on-site at the Supplier may be accomplished during subsequent visits.
- 13.7. When the corrective action is completed and verified to be effective, then Anchor Fabrication is responsible for approving the CAR closure and notifying the Supplier contact of the closure.

### 14. Controlled Shipping

- 14.1. Anchor Fabrication may determine that special measures are required to ensure adequate quality and delivery performance. The costs related to these measures, including but not limited to Controlled Shipping, will be at the Supplier's expense.
- 14.2. Controlled Shipping is a requirement by Anchor Fabrication for a Supplier to add a redundant inspection process for sorting of a specific non-conformance, while implementing a root cause problem-solving process. The redundant inspection is in addition to normal controls and should be completed in a controlled area.

### 15. Supplier Charge-Back

Suppliers are responsible for the quality, on-time delivery, and reliability of the product they supply. Product must meet the drawing and any referenced specifications. The Supplier accepts full, unlimited, financial responsibility for the consequences of non-conforming product or services.

O-07		<b>Anchor Supplier Manual</b>	Effectivity
Revision:	00		02-22-12

**16. Delivery Expectations**

- 16.1. Suppliers are expected to ship 100% on-time to Anchor Fabrication based on its Purchase Order. Any costs associated with delays in shipments will be at the Supplier’s expense.
- 16.2. If delivery is not made at the time specified, Anchor reserves the right to cancel the entire order or that part of the order not timely delivered, and to purchase elsewhere and hold the supplier liable for all costs and damages incurred by supplier.
- 16.3. All goods and services sold to Anchor shall be subject to inspection and acceptance by Anchor after delivery notwithstanding any payment. After receipt of such product or services, Anchor shall have a reasonable time (which time shall not be less than thirty (30) days) within to inspect prior to acceptance.

**17. Cancellation For Default**

Anchor may cancel any order immediately, in whole or in part, in the event the supplier:

- 17.1. fails to make timely delivery, or
- 17.2. breaches any other term or condition of the order or any special requirements given upon delivery or such order.

**18. Tagging, Labeling, & Identification**

- 18.1. Shipments received by suppliers will be accompanied by a Sub-Supply Tracking Tag. This Tag will become an integral part of the Job packet and will be completed and returned with the shipment after processing.
  - a. This tag provides important tracking information and must be controlled.
  - b. In the event of a lost or missing Tag, inform Anchor Purchasing.
- 18.2. Supplier Packing Lists must accompany every shipment to Anchor Fabrication, be clearly legible, and contain as a minimum:
  - a. Supplier Name
  - b. Part Number & Description
  - c. Quantity
  - d. Date
  - e. Purchase Order number
  - f. Anchor Fabrication Job Number
  - g. Packing Slip #
  - h. Any documentation verifying traceability and specifications adhered to including Heat Number

O-07		<b>Anchor Supplier Manual</b>	Effectivity
Revision:	00		02-22-12

**19. Supplier Rating System/Balanced Scorecard**

Anchor Fabrication is instituting a system of monitoring Supplier performance. The metrics are based on areas of key importance to mutual success.

- 19.1. **Quality** is the amount of product received at Anchor Fabrication that meets quality requirements measured in acceptable parts per one million received.
- 19.2. **Delivery** indicates the percent of ordered product that arrives by the scheduled date on the purchase order
- 19.3. **Cost-Reductions** are a measure of price reductions made or design/process changes implemented that reduce cost.
- 19.4. **Responsiveness** is a subjective rating, given by Anchor Fabrication operations personnel, that rates each supplier’s responsiveness to changes in Anchor Fabrication schedules.
- 19.5. **Correction Action Request:** Any outstanding CARs beyond seven (7) days will result in a penalty of five (5) points.

Points	Rating
90+	Desirable
80-89	Acceptable
50-79	Undesired
<49	Unacceptable

Supplier performance over time will determine if new business will be quoted/assigned. Continued performance at the Unacceptable Level will result in desourcing.