



Supplier Quality Manual

HSSQM

REVISION 4

(QAPR 12.0)

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Introduction

Horsburgh & Scott Co. (H&S) depends on the supply base to be a critical part in H&S' ability to satisfy customers. The requirements in this document are mandatory for all suppliers. Individual requirements will be discussed with each supplier and documented on the purchase order, depending on the product or service supplied to H&S.

Horsburgh & Scott Supplier Portal

<http://www.horsburgh-scott.com/for-suppliers.aspx>

The H&S Supplier webpage requires a supplier to have a login and password. The supplier can request a login and password on the website. The H&S supplier website provides a library of documents on H&S Terms of Business, Manufacturing Standards, Dimensional Log Templates, the RFD submission form, 8D Form, and the Supplier Shipping Label Template.

Supplier Expectations

Suppliers are responsible to know their own manufacturing and quality capabilities. They should not, under any circumstances, accept an order that they are incapable of processing. Suppliers must review H&S prints and notify H&S of any issues prior to acceptance. If suppliers are unable to meet purchase order requirements, after acknowledgement, extra costs incurred by H&S to complete the order may be charged back to the supplier. Suppliers are responsible to review all purchase orders and acknowledge receipt, confirming price and delivery. Acknowledgments must be sent to the buyer no later than 1 week after receipt and prior to shipment on lead times that are less than 1 week.

Information and Documentation

The supplier is expected to provide requested deliverables, product and documentation, on time. Document deliverables are items such as material certificates or analysis. Unless specifically allowed in writing on the purchase order or an amendment, these document deliverables must be provided in the following fashion.

- a) Send the certification via e-mail to: the purchasing agent/buyer and qualityteam@horsburgh-scott.com. We will not accept certifications that accompany shipments.
- b) In the subject line of the e-mail, use the purchase order number to assure receipt. Without the purchase order number we cannot receive the certification.

- c) The e-mail subject line must begin with the six digit purchase order number and nothing in front of this number. This number may be followed with a short description. Due to past confusion, here are some examples:

Acceptable	Unacceptable
<ul style="list-style-type: none">• 123456• 123456 gear assembly• 123456 key material 1020• 123456 Lines 1 and 3	<ul style="list-style-type: none">• FW: 123456• RE: 123456• PO# 123456• PO123456• PO 123456 gear assembly

- d) The e-mail must be received on or before receipt of materials. The purchase order will not be considered delivered on-time unless all deliverables including documentation are delivered on-time.
- e) Each purchase order requires a separate e-mail.

Product Identification and Traceability

All product and documentation must be traceable to the H&S Purchase Order number and line item number. Product must be marked for identification in accordance with the engineering drawing. Documentation shall reference the H&S Purchase Order number on each page. When identification is not noted on the drawing, you must mark the Purchase Order # on the part the follow way:

- Raw Material – Mark with a paint marker
- Machined Part(s) – Stamped
- Catalog Parts – If boxed, adhesive label on 2 adjacent sides. If bagged, on front and back of bag

On-Time Delivery

Product and certifications must be available at H&S on or before the required delivery date for the product to be considered on-time. Product is expected to arrive on the required ship date or up to 10 working days early. Suppliers desiring to deliver material prior to 10 business days early must obtain approval from the H&S Buyer for each shipment. Suppliers are expected to maintain 100% on time shipment status. Suppliers with more than three late shipments a month or with a shipment more than seven days late may be required to complete a SCAR.

Quality

All correspondence regarding quality issues, NMR's, CAR's, etc., must go to the Quality Manager or Quality Engineer.

Non-Conforming Material

All deliverables are to arrive at H&S meeting all Purchase Order requirements or to have prior approval for any non-conformance. It is not H&S' intent to re-inspect Supplier product at Receiving Inspection. It is the expectation of H&S that all Suppliers will work to achieve dock to stock status.

Non-conformances found at H&S (not reported by the Supplier) will be cause for return to the Supplier. In cases where non-conformances must be corrected at H&S, the Supplier will be notified and is expected to compensate H&S for rework performed at H&S rates.

Suppliers will be notified of non-conformances with a Non-Conforming Material Report (NMR). NMR's will only be sent after the disposition has been determined. H&S expects each supplier to contain all non-conformances at their facility.

Request for Deviation (RFD)

Any non-conformance found at the supplier's facility must be reported with a Request for Deviation (RFD). Supplier RFD's must be submitted through the H&S Supplier Webpage prior to delivery.

<http://www.horsburgh-scott.com/rfd.aspx>

RFD's not submitted through the webpage will not be considered valid and the product will receive an NMR. A copy of the approved RFD must be included with the documentation of the part(s) being shipped to alert incoming inspection.

Supplier Corrective Action Requests (SCAR)

A SCAR will be issued when a non-conformance is dispositioned as scrap or repaired/reworked. It can also be issued when a late shipment severely impacts H&S's operations. The containment portion of the SCAR must be completed and submitted to H&S within 24 hours of email receipt. The root cause section is due within seven days of receipt and the corrective action taken is due within thirty days, except in the case that the action would require capital improvement. All portions of the SCAR form must be complete in order to be approved.

Supplier should be aware:

- The SCAR is not complete until Quality has approved the corrective action to be taken by the supplier. H&S may require a follow up audit to confirm the validity of the corrective action.
- Any open SCAR is subject to a new business hold.

- Failure to complete a SCAR in the allotted time may result in a new business hold on the supplier.

Supplier Performance Rating

Rating: Current custom machined and raw parts suppliers will be rated quarterly on their quality and delivery. Supplier ratings will be determined as follows:

- **GREEN** Rating – Supplier maintains a combined overall score in excess of 90%.
- **YELLOW** Rating – Supplier maintains a combined overall score between 70% and 90%.
- **RED** Rating – Supplier did not maintain a combined overall score above 70%.

All suppliers start each quarter at a rating of 100% for shipment lines received per quarter. Points are deducted each time a supplier has a NMR or have a late shipment.

Scoring: Scores shall be weighted whereas the quality score will account for 60% of the overall score and delivery performance will account for 40% of the overall score.

Ramifications:

- **GREEN** Suppliers shall be considered preferred suppliers for consideration of new business.
- **RED** Suppliers shall be notified of **RED** status by issue of a SCAR by a member of the Supplier Review Board (SRB) and required to answer, and submit the completed corrective action plan within 30 days of notification of **RED** status.
- Action plans shall be reviewed by the SRB for approval and/or additional corrective action determination.
- Suppliers on RED status for two consecutive quarters shall be blocked in the ERP system for consideration on new orders at the discretion of the SRB.
- Suppliers determined by the SRB to require additional corrective action plan will be contacted by return of the SCAR with additional actions needed to establish your plan.

Quality Audits

H&S may need to audit a supplier during initial qualification, following supplier quality issues, or to maintain a continuous assessment of the supplier. All custom machined and raw parts suppliers will be evaluated at least once a year. The only exception to this will be if a supplier has zero NMR's or SCAR's during a year and is ISO certified.

Dock to Stock

Dock to stock status means that a supplier's product(s) are not inspected upon receipt.

All custom machined and raw parts supplier's initial orders will be 100% inspected. The purpose of this is to verify the vendor's capability to meet requirements. Based off of

capability studies the supplier can reach a dock to stock status and part(s) will not be inspected upon receipt.

Dock to stock status will be removed from any supplier, if a non-conformance is found. The supplier must then be re-qualified to reach dock to stock status.

If a non-conformance is found that causes H&S to scrap a part(s), from a dock to stock supplier at any point in the manufacturing process, the supplier may be charged back for manufacturing and inspection hours performed on the project at H&S rates.

Supplier Qualification Process

Current Supplier Transition

All current suppliers need to be qualified for approval. Suppliers with no NMR's and no open CAR's will be transitioned to the qualified supplier list.

Suppliers with any NMR's YTD have to be audited by Quality. Based on quality's evaluation of the supplier risk to H&S, the supplier will either be added to the supplier approved or unapproved list. Quality must supply the supplier and sourcing the areas they deem as potential risks. If the supplier is added to the unapproved list they can be re-evaluated once documented improvements are presented by the supplier. Quality can then re-audit the supplier and approve or deny that the improvements were valid. If improvements are approved the supplier can then be added to the approved supplier list.

Potential Suppliers

Potential custom machined and raw parts suppliers will be provided a New Supplier Self-Assessment Form. Suppliers are expected to complete the form and submit it to H&S Quality Dept.

Sourcing and Quality will review the completed form and determine if the supplier is capable to produce quality products on time.

Quality will set up and conduct a supplier audit. The supplier will be audited to the supplier to their quality system and to their completed Supplier Self-Assessment Form. Quality will review the audit results and determine if the supplier is capable to manufacture parts for H&S.

If approved, the supplier will be added to the approved supplier list and considered for new orders.

Packaging

These requirements are to be followed unless specific instructions are provided on the purchase order. Failure to comply with any of the requirements will result in a NMR and may cause H&S to reject the shipment.

Package Label

All items shipped to H&S must be received with a package label. The label must be permanently attached to the exterior of each box or part shipped, and it should contain the following information:

- Purchase Order Number – Human Reading Barcode Required
- PO Line # - Human Reading Barcode Required
- Quantity – Human Reading Barcode Required
- Weight

It is the responsibility of the supplier to verify the accuracy of the label and that the data is accurate. The information on the package label must match the packing slip. Failure to include a package label will be treated as a non-conformance and processed accordingly. H&S has created a Package Label Template for suppliers to utilize. The page can be accessed through the H&S Supplier Portal or directly at:

<http://www.horsburgh-scott.com/labels/>

All other labeling must be approved by H&S prior to shipment.

Minimum Packaging Guidelines

Less than 150 lbs.:

- Parts are to be supplied in a corrugated boxes of sufficient quality to prevent damage in-transit.
- Parts that are over 25 lbs./pc must have adequate space between them and must be protected using corrugated plastic or cardboard to prevent damage in transit.
- All external threads on parts larger than 1" in diameter require a protective sleeve over them. Pipe threads on gages and other instrumentation shall be protected against contact with other metals.

Parts over 150 lbs.:

- Parts are to be skidded or crated such that they do not hang over the skid or crate. Runners are to be attached under the crates for ease of transport using a tow-motor.

- Parts are to be secured by means of blocking, banding or shrink wrapping to prevent movement during transport.
- No metal to metal contact is permitted.
- When a product is to be lifted off of a truck by crane, product must be able to be lifted safely without manipulation by H&S personnel.
- If product is received that does not conform to the guidelines the shipment is subject to rejection. Alternatively, the supplier may be charged for time and supplies required to construct packaging that meets the guidelines.

Preserving Requirements

- There shall not be any rust or debris/contaminants on part(s) on receipt at H&S.

Corporate Social Responsibility (CSR)

- Key suppliers, as identified and informed by the Supplier Review Board (SRB), are expected to adhere to and complete the H&S Supply Chain Code of Conduct Policy Survey (PUFM 2.2.2).

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