

Quality Assurance Procedure: 7.14 Supplier Quality Assurance Manual

Issued: April 2005

Revision: July 2010

Level: 4

Ownership: Materials Manager

1.0 Purpose / Scope

To document and communicate the requirements and expectations of Maksteel from it's Sub-contracted Services and Raw Material Supply Network.

Also, to communicate Maksteel's responsibilities for transmission of purchasing information, and supplier quality system development to the supply network.

2.0 General Requirements

All key commodity and value added suppliers and service providers are expected to be ISO Q9001:2000 at a minimum with the goal of registration to ISO TS 16949:2002. Exceptions to this requirement are permitted only under the approval of Maksteel Quality Assurance. Action plans for TS 16949 registration should be documented by the supplier and forwarded to Maksteel Purchasing for monitoring as part of the supplier development process.

Registration certificates for supplier quality systems must be from recognized 3rd party Quality System Registrars accredited by the American National Accreditation Board (ANAB), Raad voor Accreditatie (RVA), Standards Council of Canada (SCC), American Association for Laboratory Accreditation (A2LA), or other international Accreditation body.

All suppliers are required to comply with all federal, provincial, and municipal legal and regulatory requirements for occupational health and safety, environmental, or other statutes as applicable to the commodity or service. Maksteel also requires that all elements of the suppliers quality management system be applied to all Maksteel purchase orders.

2.1 Purchasing Information

Approvals for product, processes, procedures and/or equipment shall be specified on the Maksteel purchase order where applicable and will be related mostly to requirements for PPAP. If PPAP is required the supplier is to submit to the applicable level based on the nature of the commodity or service provided. Submissions must be forwarded to Maksteel Quality Assurance before the first shipment of product or service. Please contact Maksteel Quality Assurance with

questions or concerns regarding PPAP.

The Supplier is to ensure that all persons performing activities that directly affect the quality of goods or services to Maksteel are suitably qualified to perform said activities. These qualifications will vary by commodity or service, specific requirements will be specified on the Maksteel Purchase Order where applicable.

Notwithstanding PPAP requirements, Suppliers are expected to utilize all quality management system requirements when providing products or services to Maksteel. Control plans, procedures, and/or work instructions must be compliant to the supplier's quality system and should be readily available for review upon request from Maksteel Purchasing.

2.2 Purchase Orders

Maksteel PO's are to be reviewed upon receipt by the supplier for accuracy and completeness of instructions. Any issues or confusion regarding specific requirements must be brought to the attention of the Maksteel Purchasing Agent who issued the PO for clarification or to the MRO Purchasing Manager or Director of Purchasing and Material Control. This must be completed prior to the start of processing or delivery of products or services.

Also, any modifications to a Maksteel PO must be approved and acknowledged by a Maksteel Purchasing representative before delivery of products or services commences. This includes technical specifications, delivery dates, quantities, and/or pricing.

2.3 Supplier Evaluation and Monitoring

Maksteel will evaluate and monitor all suppliers of products and services. This will be performed in conjunction with the supplier development process. Activities will include but are not limited to:

- Review of Quality Systems certifications
- Performance of the MAK 696 Supplier Audit by the supplier
- On-site audits by Maksteel personnel
- Delivered product quality indicators
- Delivery rating / incidents of premium freight
- Customer complaint issues and field rejections (especially for ship direct processing)
- Controlled Shipping Status situations

Maksteel will track applicable performance indicators relevant to each supplier and communicate the results to the supplier on a regular basis. The communication frequency will be based on the type of product or service, volume of business with the supplier, and frequency of negative trends or Customer issues as applicable.

Suppliers will be encouraged to develop monitoring and measurement of their own

product or service processes and forwarding this data to Maksteel Purchasing / Quality Assurance as applicable. Monitoring of processes should be statistical based, and be relevant to Maksteel purchasing requirements including but not limited to:

- Interlab comparisons and round robin tests for steel product suppliers
- Slit width analysis and capability indices
- Thickness / Width trace analysis for processors
- Internal / External PPM analysis of products and/or services
- Delivery percentage / Premium freight issues

2.4 Corrective Action

In the event of negative trends in quality or delivery monitors, or a major Customer disruption, at the discretion of Maksteel's Materials Manager, The MRO Purchasing Manager, or The Manager of Quality Assurance, a MAK 447 Corrective Action Report may be issued to the supplier for process corrections and reporting.

This report utilizes the standard 8-D method of team problem solving. When issued to a supplier, it must be forwarded to supplier management in charge of corrective action as soon as possible for review and analysis.

Receipt of this report must be acknowledged by the supplier back to Manager of Quality Assurance within 48 hours of the issue date via e-mail, fax, or other suitable means. The supplier corrective action process will be monitored by Maksteel, with reports and supporting documentation (training records, engineering changes, communications etc.) being forwarded back to Maksteel in timely fashion. All reports must be complete and filled out with as much detail as possible including details, responsibilities, and timelines for all activities. Incomplete or ineffective reports will be returned to the supplier for corrections by Maksteel Quality Assurance as applicable.

2.5 Specific Requirements

Steel Manufacturers / Resale Brokers

For prime or contract orders, product manufactured for Maksteel with defects or potential defects noted in process must be communicated to Maksteel prior to release by the supplier. Material should be quarantined or held by the supplier until disposition can be determined by Maksteel. Failure to contain suspect or defective product will result in corrective action and supplier claims processing as applicable regardless of material percentage defective, or supplier guidelines for acceptance / rejection criteria.

For Secondary / Spot buy business, offer sheets transmitted to Maksteel Purchasing must contain as much detail as possible in regards to material defects or potential defects including but not limited to:

- type of defect (surface, shape, thickness, welds etc.)

- length / amount of defect (number of feet, percentage coil weight, PIW etc.)
- location of defect (coil lead, mid coil, coil trail, location in inches from coil ID/OD etc.)

Steel Processing Services / Control of Non Conforming Product

All steel processors for slitting, cut-to-length, blanking, tubing, pickling, coating, heat treating and related services shall inspect all processing for Maksteel in accordance with the supplier's quality system requirements and the instructions provided on the Maksteel PO. Any defects or potential defects detected in process must be dispositioned by Maksteel before shipment to Maksteel or direct to the Customer. Suspect product in the form of slit cuts, sheets, blanks, or master coil must be blocked from processing or shipment until disposition can be performed. General procedure for the disposition of suspect or non conforming material detected while processing will focus on the following objectives:

- Documenting and communicating the defect(s) to Maksteel
- Maximizing the efficiency of the sub-processor

Upon detection of product that is determined by the Supplier/ Processor as suspect, the following procedure is to be used.

The Supplier/Processor will be responsible to develop representative samples of the defective product in the form of hard samples, digital photographs, thickness / width trace diagrams, or statistical analysis as applicable. The description of the issue must contain as much detail as possible in regards to material defects or potential defects including but not limited to:

- type of defect (surface, shape, thickness, welds etc.)
- length / amount of defect (number of feet, percentage coil weight, PIW etc.)
- location of defect (coil lead, mid coil, coil trail, location in inches from coil ID/OD etc.)

The Supplier/Processor will then communicate the issue to Maksteel including as applicable the following personnel:

Technical Service Representative 905-671-9000 ext. 4929
garyinman@maksteel.com

VP of Quality Assurance 905-671-9000 ext. 4920 mikemckernan@maksteel.com

Outside Processing/Inventory 905-671-9000 ext. 2249
beenakottoor@maksteel.com, paulwood@maksteel.com

Quality Coordinator EMR 905-671-9000 ext. 2415 tompurcell@maksteel.com

The material will then be dispositioned based on the degree and amount of the defect, the "line status" of the Supplier's process, and the root cause of the defect (Mill / Supplier / Maksteel). Disposition procedures will vary from order to order but will generally be listed as:

For inbound Master coils, the material is to be inspected for any visible defects (thickness, width, rust, damage etc.), the material is to be quarantined and the defect communicated to Maksteel for disposition before any processing takes place.

For lead and/or trail issues of thickness, surface, or strip shape defects, run 10% of the master coil and report status. The disposition will then be determined:

- stop and crop
- run and hold
- crop and pull job

For mid-coil defects, stop the line and report status. For surface defects such as line stops, pickle burns, slivers, etc. that would be classified as "one-off" defects, standard procedure is to flag at the defect and run the rest of the order. The material will then be quarantined at the Supplier until Maksteel can determine the disposition of the material.

For major defects occurring mid-coil, the supplier is responsible to document the amount of affected material and disposition accordingly. This disposition must take into consideration, the type of defect, amount of scrap that will be generated, the commercial interests of Maksteel, and the supplier's process efficiency. In the event that a Maksteel representative cannot be reached for assistance, the supplier will default to this procedure.

Laboratory, Calibration, and Key Services

Accreditation / Registration certificates shall be from SCC or A2LA 3rd party registrars. Any changes to registration status shall be communicated to Maksteel Purchasing within 5 working days of the change in status. Maksteel reserves the right to cancel contracts, or PO's to services that do not maintain proper quality system registration.

3.0 Responsibilities, Communications and Acknowledgements

For questions, concerns, or clarifications please contact:

Steve Roberts - Materials Manager

905-671-9000 ext. 3534 steveroberts@maksteel.com

Manager of the area - MRO Purchasing

905-671-9000, dial zero & ask for individual manager

Mike McKernan - VP of Quality Assurance

905-671-9000 ext. 4920 mikemckernan@maksteel.com

Suppliers will be responsible to review and acknowledge receipt of this manual within 15 days of its issue to the supplier. Acknowledgements will be in a form suitable to the supplier, fax, e-mail, cover letter, etc. and must be authorized by the

suppliers top management.

Maksteel will be responsible to revise this document as applicable and forward the latest revision level as necessary to suppliers under the purpose and scope of this document.

webmaster@maksteel.com