

**Clover Tool Manufacturing Ltd.****Supplier Quality Guide**

---

TO: Our Valued Suppliers

Enclosed is your copy of Clover Tool's up-dated Supplier Quality Guide. Please review the information within and share this with your appropriate personnel.

Purchasing and Supplier Quality Assurance here at Clover Tool are committed to sharing information with you so that we will be able to work closely together to meet Clover Tool's requirements for purchased materials. As mentioned in the Introduction section of the Supplier Quality Guide, our suppliers play an essential part in the ongoing quest for continuous improvement. Clover Tool Mfg. Ltd. is interested in the development and maintenance of long-term business relationships with suppliers who share the commitment to continuous improvement in the materials that they supply to us.

Once you and your personnel have had an opportunity to review the Supplier Quality Guide, please compare Clover Tool's expectations and requirements to your current policies and procedures to see if they match. If you find that your procedures and policies do not agree with Clover Tool's policies or procedures listed in the Supplier Quality Guide please contact the Clover Tool Buyer you work with and let's discuss the differences. We stand ready to assist in any way possible to help you in your continuous improvement efforts.

If you have any questions or would like to discuss any of the information in the Supplier Quality Guide, please feel free to contact me. Your efforts and cooperation in supplying materials and services that allow Clover Tool to meet our customer expectations is greatly appreciated.

Sincerely,

Oliver Pierobon  
Purchasing Manager

## **INTRODUCTION**

At Clover Tool, **Quality** is the number one issue. Without a constant supply of defect-free parts, there is no chance for us to achieve higher levels of efficiency and productivity. Clover Tool has long been committed to the highest level of quality - we are challenged to excellence by our market's demand for superior products and service.

Our suppliers play an essential part in the ongoing quest for continuous improvement. We recognize that for suppliers to meet our request for consistent deliveries of zero-defect parts, we must be willing to establish long-term relationships, share engineering changes, supply delivery schedules, exchange product expertise, etc. As we progress to a ship-to-WIP (Work in Process) mode of operation based on a "pull system" of manufacturing, the importance of the supplier acting as an additional work center in the production line becomes increasingly clear.

How do we get our suppliers to act as one of our own work centers? The answer, of course, lies in the development of mutually beneficial supplier partnerships, making suppliers part of the "team". **Quality** remains the key - quality of product, information, delivery and counts, to name just a few.

We invite you to join our quality team as a partner in performance, progress, and profitability.

**ACKNOWLEDGMENT SHEET**

Please retain this sheet in your manual and return a signed copy to the **Document Control Administrator** within **10** days, indicating that you have received, reviewed and accepted in principle the contents of this Supplier Quality Guide. All communications with respect to the contents of this manual are to be addressed to the Purchasing department at:

Clover Tool Manufacturing Ltd.    Tel: (905)-669-1999  
8271 Keele Street, Bldg. #3        Fax: (905)-669-3565  
Concord, Ont.  
L4K 1Z1

If you have any comments or concerns please feel free to note them below prior to returning your acknowledgment sheet copy. This is a controlled document and revisions will be sent to the name indicated.

**Comments:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Vendor Name:** \_\_\_\_\_

**Address:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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

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

**Authorized Signature:** \_\_\_\_\_

**Date signed:** \_\_\_\_\_

**Name and Title:** \_\_\_\_\_

**Clover Tool Manufacturing Ltd.****Supplier Quality Guide**

---

**GOALS OF THE SUPPLIER QUALITY ASSURANCE PROGRAM**

The two primary goals of the SQ. Program can be described as follows:

- Push incoming inspection tasks back to the supplier's process, where it is both controllable and correctable.
- Eliminate the costs associated with reworking, repairing, rejecting, re-handling, and returning substandard materials.

The principles to be recognized in support of this program are:

- The suppliers must assume full responsibility for the quality of their products and services.
- Clover Tool should not be required to verify that the supplier has provided acceptable product.
- Each supplier should have in place or develop an effective quality system based on defect prevention rather than defect detection to include statistically based quality planning, with goals of reduced variation and continual improvement.

**COMMUNICATIONS**

The addresses for Clover Tool are as follows:

**Mailing Address**

Clover Tool Manufacturing, Ltd.  
8271 Keele Street, Bldg. #3  
Concord, Ontario  
L4K 1Z1

Telephone: (905) 669-1999  
Fax: (905) 669-3565  
E-mail: clovertool@msn.com  
Purchasing Ext.: 229

**Shipping Addresses**

Clover Tool Manufacturing, Ltd.  
8271 Keel Street, Bldg. #3  
Concord, Ontario  
L4K 1Z1

Please contact the Purchasing Agent or Materials Coordinator for the Shipping Address to deliver to.

**Clover Tool Manufacturing Ltd.****Supplier Quality Guide**

---

**COMMUNICATIONS (CONT'D)**

Any communications from suppliers should be directed to the Purchasing Department and, whenever possible, to the buyer assigned to the subject material. Inquiries regarding quotations and/or purchase orders should be directed to this same buyer.

***The Purchasing Department is the sole authority within Clover Tool to agree on supplier prices and delivery dates, and to commit Clover Tool to any purchase.***

Suppliers shall be received in a friendly and courteous manner at any time during normal working hours.

We look to our suppliers for ideas, suggestions and creative solutions that will enable us to reduce our costs and offer our customers the highest standards of quality and service. We believe that first-rate suppliers will continually offer suggestions to reduce total cost through reduced manufacturing costs, innovative inventory control programs and imaginative new concepts.

**SUPPLIER SELECTION**

The Purchasing Department is responsible for supplier selection and has the authority to choose the best supplier for Clover Tool's needs from qualified or approved suppliers. Assistance from other departments within Clover Tool is utilized to assure that the supplier can consistently meet our specifications.

Clover Tool requires each potential supplier to complete an evaluation form, which provides us with essential information along with other criteria necessary in our supplier approval process.

Approval will be completed only after the appropriate Clover Tool department completes a Quality System Survey of the supplier and a pre-production sample run is approved, where applicable. The survey will evaluate procedures for control of drawings, adherence to specifications, inspection procedures, testing equipment, manufacturing capability, SPC activity and other associated quality control procedures. Heavy emphasis is placed on the supplier's planning and commitment to quality. Any suppliers registered to the ISO or TS 16949 system shall be exempt from this survey.

**DELIVERY**

Purchase orders are placed with specific delivery dates to be received at our dock. Our Materials Control Department provides these dates to Purchasing. It is imperative that these dates be adhered to in order that our production schedules are not impeded. If the supplier determines that delivery dates cannot be met, the Material Coordinator or Purchasing Agent should be advised of the situation immediately.

**DELIVERY (CONT'D)**

**Clover Tool Manufacturing Ltd.****Supplier Quality Guide**

---

Clover Tool has a lifting capacity of 5 tons for our cranes and up to 15,000 lbs. for our forklifts.

Shipments in excess of 10% above the quantity ordered will not be accepted except by **prior** approval.

Clover Tool discourages early deliveries and in some cases may return shipments collect. Furthermore, no shipment should be split unless authorized.

It is preferred that the supplier contact the Clover Tool Material Coordinator to establish material receiving times. Regular receiving hours are 3:00 pm to 10:30 pm Monday to Friday. However, Production / Customer requirements may change. It is the Supplier's responsibility to periodically re-confirm receiving times.

Delivery performance is monitored as part of the overall performance evaluation.

It is the responsibility of the sub contractor to advise Clover Tool when the expected delivery date will not be met. If Clover Tool is not advised of a late delivery, purchase orders reaching a past due status will be followed up by our Purchasing Department or Material Coordinator and supplier will be rated with late arrival.

In some cases, depending upon the supplier's geographical location, Clover Tool will make arrangements to pick orders up from the supplier.

**PACKAGING**

All parts and materials shipped to Clover Tool are packed and protected to prevent transit and handling damage.

Any coils with a 6" width or less must be delivered lying flat on a skid. If there are several coils on a skid, there must be a 2" hardwood spacer wrapped in paper or if spacers are not wrapped a sheet of paper must be placed between each layer to prevent moisture damage. Paper interleave must never be used (when a layer of paper is wrapped up in the coil).

Any coils with a width over 6" must be sent standing up. If there are several coils strapped together, the total weight should not exceed 10,000 lbs.

Suppliers are responsible for assuring that every coil is tagged

Each coil has 4 straps per coil and 1 around the outside of the coil.

**Clover Tool Manufacturing Ltd.****Supplier Quality Guide**

---

**PACKAGING (CONT'D)**

All coils must meet the following criteria Maximum outside coil diameter: 60", minimum outside diameter: 48", Minimum 20" Coil ID, Maximum Coil Weight 9,000 lbs.

Suppliers are responsible for special packaging methods as indicated on the purchase order or in the applicable engineering or material specifications.

The supplier will notify the buyer prior to any packaging change.

When materials with different part numbers are shipped together, the purchase order number, part number and quantity of each part number must be clearly marked on the outside of each box and visible without unloading a pallet.

Bar-coded labeling on product packaging is preferred by Clover Tool

**MATERIAL CERTIFICATIONS**

Certification for proof of material and/or process control is required for all steel coils, where so stated on Clover Tool prints, specifications or as otherwise requested by Purchasing, Engineering, Quality Assurance and/or Supplier Quality Assurance.

Failure to supply required certifications or evidence of process control can result in rejection of the shipment.

The supplier is responsible for assuring that he has the needed drawings and specifications. Verification of revision status of new copies may be obtained by contacting the buyer responsible for the material.

**SUPPLIER PERFORMANCE**

To assist suppliers in gauging their performance, Clover Tool's Purchasing Department compiles what is termed a "Supplier Performance Report" every three months. This report quantifies each supplier's delivery and quality performance, SQA and Supplier Rating based on the following criteria:

1. Delivery Rating: 1 = 0 late deliveries per month  
2 = 3 or less late deliveries per month  
3 = 4 or more late deliveries per month
2. Quality Rating: 1 = 0 rejections per month  
2 = 3 or less rejections per month  
3 = 4 or more rejections per month

**QUARTERLY SUPPLIER RATING**

The Supplier's over all rating is determined once the two categories are calculated and the average of the two will generate a rating from 1.0 to 3.0.

- 1.00-1.75 Acceptable
- 1.75-2.75 Marginal, some improvement is required
- 2.75-3.00 Unacceptable, corrective action is required

Other items taken into consideration regarding supplier performance include, but are not limited to, the following:

- Cost: Purchasing decisions based on total value, which considers inventory-carrying costs, freight, warranty policies, etc.
- Flexibility: Schedule changes and lead-times are always important aspects of meeting customer requirements.
- Supplier Support: Contributions to the continual process of product development and improvement leading to the mutual enhancement of competitiveness.

After the sub contractors suppliers rating has risen above 2.76 (unacceptable) the sub contractor will be notified by a non-conformance that corrective action should be taken. If after two consecutive rating reviews no improvement is made the sub contractor will be subject to removal from the Approved Vendors Listing. When it is a customer requested sub contractor the customer will be advised of sub contractors disposition.

**Clover Tool Manufacturing Ltd.****Supplier Quality Guide**

---

**DEFECTIVE MATERIAL**

All incoming material is subject to our inspection, although our direction is toward “inspection-less receiving”, with parts “accepted as received” to enhance our JIT efforts.

When defective material is received, two alternatives are considered:

Whenever possible and practical, rejected material will be returned to the supplier, at his expense, for replacement and/or credit.

Should Clover Tool elect to do so, and should certain criteria be met, the parts may be accepted under deviation, sorted to remove the unusable parts or reworked before they are accepted into Clover Tool stock.

All expenses related to sorting and rework will be accumulated and back-charged to the supplier.

Purchasing or QA Department will contact the supplier for return authorization and arrange for the return of the defective material. The supplier's account is debited at the time the material is returned. If inbound freight charges are incurred by Clover Tool a 3% add-on will be applied to the debit.

Purchasing may issue a new purchase order to cover the return of reworked and/or replacement parts.

The supplier is responsible for analyzing the defect and providing an 8D or Corrective Action to our Quality Assurance Department.

Rejections and deviations become a part of the supplier's performance record and will be reflected in the periodic Supplier Performance Report compiled by the Purchasing & QA Department.

**Clover Tool Manufacturing Ltd.****Supplier Quality Guide**

---

**ADVANCED DEVIATION**

Clover Tool's Quality Assurance Manager should be notified immediately by the supplier of any defective materials shipped.

Authorization for deviation from specifications may be obtained through the buyer responsible for obtaining the material. A deviation number will be issued after Engineering and Quality Assurance agree to the deviation. The shipping papers and parts containers will be marked with the deviation number.

Clover Tool will furnish suppliers with notices of rejection or deviation.

Clover Tool gives preference to those suppliers who handle problems **before** parts have been shipped.

**COMMODITY SUPPLIERS**

The same policies apply to suppliers who furnish Clover Tool with commodity items (with the exception of quality surveys). This is due to the fact that such companies normally do not produce the products they sell.

We encourage these suppliers to be motivated and suggest ways in which we can more efficiently perform a job and/or realize cost savings.

**APPROVALS**

\_\_\_\_\_  
General Manager

\_\_\_\_\_  
Assistant General Manager

\_\_\_\_\_  
Quality Assurance Manager

\_\_\_\_\_  
Engineering Manager

\_\_\_\_\_  
Purchasing Manager

June 26, 2006

\_\_\_\_\_  
Date of Final Approval

Systems, procedures and requirements contained within this guide are reviewed annually in addition to normal ongoing review procedures in order to promote an assessment of effectiveness. Suppliers are invited to forward any input which is felt may assist in this process.

March 28, 2006

To: All Clover Tool Suppliers

Subject: ISO/QS9000 Certification

Dear Valued Supplier,

We are now in the process of updating our supplier list.

To help us in this matter, your prompt co-operation is requested by kindly faxing a copy of your most recent certificates to the attention of Linda Brennan at 905-760-7916.

Also, for your records we have attached a copy of our supplier manual, as well as a questionnaire for completion, to be returned for our record retention.

Thank you in advance for your assistance.

Sincerely,

Oliver Pierobon  
Purchasing Manager,  
Clover Tool Mfg. Ltd.

## Clover Tool Manufacturing Ltd., Supplier Evaluation

14.0	<b>Corrective and Preventive Action</b>		
14.1	Is there a documented Corrective Action system which eliminated the cause?		
14.3	Are customer complaints and reports of nonconformances handled effectively?		
15.0	<b>Handling, Storage, Packaging and Delivery</b>		
15.1	Do the supplier's material handling method prevent product damage?		
15.2	<b>Are appropriate customer packing requirement being met?</b>		
15.3	Is there appropriate corrective action for less than 100% delivery performance?		
16.0	<b>Control of Quality Record</b>		
16.1	Are records available to the customer upon request?		
17.0	<b>Internal Quality Audits</b>		
17.1	Does the supplier carry out internal quality system audits as plan?		
17.2	Are the audit scheduled on the basis of the status and importance of the activity?		
17.3	Are corrective actions timely recorded and evaluated for effectiveness?		
17.4	Does the audit include work environment and general house keeping?		
18.0	<b>Training</b>		
18.1	Does jobs affecting quality include in the qualifications: ID of education, experience and needs?		
20.0	<b>Statistical Technique</b>		
20.1	Is the supplier utilizing Statistical Method such as SPC, DOE ect.?		
All Major Non-Conformance's Require Corrective Action		Major Quality certifications?	
Survey Complete By:		QS-9000 QE A2LA GP - 10	
Approval Clover Tool Mfg. Ltd. Manager:		What % of implementation to QS-9000 compliance 90 85 80 75	
Comments:		If no, is the supplier planning to Register? Yes or No	
		What Register?	
<b>Note: If corrective actions are already determined please attach an action plan or fill in below.</b>			
No.	Non Conformance / Corrective Action (if applicable)	Responsible	Date Comp.