

QUALITY SYSTEM PROCEDURE	
Title: SUPPLIER MANAGEMENT PROCESS PROCEDURE - PAPERS	
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The purpose of this guide is to introduce you to Thilmany, LLC's Quality Process, and to explain our expectations of our suppliers for products that we consider to be critical to the quality of our finished products.

I. Quality Policy at Thilmany, LLC

A. Thilmany, LLC – Quality Policy:

“Our goal is to be A VALUED PARTNER WITH our customers. To achieve this goal, we will:

- **Fully understand the technical and service related needs of our customers**
- **Provide products and services that meet or exceed our customers' expectations**

Our commitment to quality includes:

- **Meeting customer expectations the first time**
- **Continuous improvement in all activities, using Lean Manufacturing and Six Sigma Techniques from the initial contact with customers to their use of our products”**

B. Supplier Improvement Mission

In order to achieve our quality objectives, we recognize the importance of extending our “Quality Commitment” to our suppliers.

A supplier improvement process has been established as a significant step in achieving the “Thilmany, LLC Quality Commitment”. This process will open two-way communications with our suppliers as well as provide mutual feedback on quality expectations.

Participation in this process is required and will be implemented by Thilmany, LLC for each key supplier.

II. SUPPLIER RESPONSIBILITIES

A. Thilmany, LLC's Expectations - Quality Improvement Process

It is Thilmany, LLC's intent to purchase materials, products and services that conform to our expectations 100% of the time. To accomplish this, we recognize the value of close cooperation with all of our suppliers. It is essential that management and personnel within your organization recognize and share this commitment to ensure maximum quality, efficiency, and reliability throughout this process.

As a supplier, you will be expected to take responsibility for the quality of goods and services you supply, and assure that adequate tests and inspections to assure that goods provided to Thilmany, LLC meet specifications. Maintaining an overall effective quality process to satisfy our requirements is the best way to fulfill your responsibilities as a supplier. Therefore, we ask that you provide a quality process plan compatible with these goals.

B. Specifications

1. Development of Specifications

Many goods and services required by Thilmany, LLC must closely adhere to exacting specifications in order to accomplish the result intended by the customer.

Our goal in specification development is to define only those properties and tolerances which have functional significance to use, and to do so through supplier collaboration whenever appropriate. Supplier involvement is desirable to ensure that the parameters established meet our requirements while also reflecting supplier capability and industry conventions and norms.

Thilmany, LLC Purchasing will closely interface with internal Engineering, Manufacturing, Maintenance, Technical, and Sales Administration functions to identify those raw materials, finished products, and services which are critical in nature, and to develop comprehensive specifications for them describing our requirements.

2. Meeting Specifications

Each product, commodity/material, or service referenced on Thilmany, LLC's purchase orders or contracts being provided by you shall meet agreed-upon specifications. When you accept our purchase order, it acknowledges your acceptance of all of our specification requirements. You may not knowingly provide any product or service other than that which meets the express or implied requirements of the product specification without a written approval from Thilmany, LLC. If a change is necessary, a change order to the original purchase order will be made referencing new requirements, revised specifications, or different instructions.

C. Product or Process Changes

As a partner, you are required to provide consistent quality products and services which will enable us to meet our quality goals and, in turn, the quality standards of our customers. We expect you to maintain control over your processes while seeking methods to improve the product or service provided. If changes evolve in raw materials, process procedures, finished product, design, or services, you must notify us in advance of any proposed change. No "unapproved" changes are to be made without our notification and agreement, since such changes may have a potentially adverse effect on Thilmany, LLC's operations or product quality.

D. Material Samples and Pre-production Samples

As our supplier, you may be requested to provide material samples or pre-production samples for evaluation by Thilmany, LLC prior to any production or proposed change.

As a result of our evaluation, we may recommend changes or refinements to the product that are deemed necessary to meeting specifications. Samples should be accompanied by a technical description plus, where applicable, Material Safety Data Sheets (MSDS), and are required before first time shipment of any sample or commodity item. We encourage you to visit us and discuss specifications, evaluation/test methods, inspection matters and any other quality associated topics.

E. Calibration Program

All product test and measurement equipment should meet industry recognized design standards for the properties under evaluation. Trained personnel should operate the measurement equipment in accordance with formal procedures derived, for example, from manufacturer's recommendations or from guidelines developed by a technical trade organization. Instrument calibration is the responsibility of your Quality Function and must be performed as often as necessary to ensure data accuracy. Calibration records are to be available for examination on request. A program of periodic verification of instrument accuracy against an independent source is highly desirable.

F. Record Retention

A record of finished product inspection data, process conditions and, if applicable, raw material data shall be maintained for the expected life of the product. Representative samples of each lot/batch/run are also to be retained for the same interval. The intent of record/sample retention is to assist with future problem resolution. Accordingly, retention intervals may vary by product and by Thilmany, LLC application. For this reason agreement about product life expectations should be reached beforehand with Thilmany, LLC.

G. Traceability

Individual shipments shall be identified in such a way that traceability is ensured to final inspection data, in-process inspection data, process conditions, and raw material information.

H. Packaging and Shipment

1. Proper Packaging

As our supplier, you are responsible for properly packaging products purchased by Thilmany, LLC. The packaging must maintain the integrity of the material during shipping, as well as during normal storage and handling.

2. Protection From Elements

Under all circumstances, shipments must be protected from the effects (on the product shipped) of temperature, humidity, and contamination to assure receipt of material in acceptable and usable condition.

3. Proper Shipment, Identification

Upon receipt of shipments, product improperly shipped or identified or absent COA information may be rejected.

4. Extent of Quality Responsibility

For all shipments, you will be responsible for the quality of all material throughout the transportation, receiving, storage, and manufacturing process.

5. Product Hazard Notification

It is essential that you give us all notifications that are required by applicable portions of Section 15 of public law 92-573 (Consumer Product Safety Act), whenever a product hazard has been identified.

I. Access

1. Compliance with Requirements

Thilmany, LLC reserves the right to verify compliance with our requirements. Thilmany, LLC representatives may request access to your facilities for the purpose of conducting surveys, problem resolution, or verification of data.

2. Access to Facilities

Procedures and records that are proprietary, government classified, or company-confidential are excluded.

J. Certification of Product

A Certificate of Analysis (specification compliance) will be required for product received by Thilmany, LLC. It will be your responsibility to insure that product shipped to Thilmany, LLC meets the agreed upon specifications. **Any product tested which does not meet agreed upon specifications requires acceptance by Thilmany before product is shipped. The Certificate of Analysis must be provided before or with each shipment or must be filed and retained by the supplier and accessible to Thilmany upon request.**

This means that testing on each lot of product shipped to Thilmany, LLC will be your responsibility. Our long-term goal is to discontinue testing at Thilmany, LLC, with the exception of random spot-checks which will verify specification compliance.

The Certificate of Analysis (COA) is to be inclusive of the following and can be either faxed or e-mailed to our facility before receipt of product:

1. Date of manufacture.
2. Thilmany, LLC order number.
3. Name of manufacturer.
4. Specification limits (if appropriate).
5. Signature of responsible person – If fax.
6. Identification of product produced (lot number, etc.) including Thilmany, LLC Product Code.
7. Data relative to the product identified above per roll, batch, etc., (per specifications).

These Certifications will vary by supplier and product manufactured.

K. Your Suppliers' Responsibility

You, our supplier, will be responsible for your suppliers' conformance to our quality process requirements.

L. Response to Problems - Corrective Action

Thilmany, LLC expects the highest quality standards from our suppliers. You will receive notification if we have identified defective material shipped from your company. As part of our quality process, we will require the following actions items from you regarding any **rejected** material.

1. You will receive a Supplier Corrective Action Report (SCAR) via letter / e-mail. Complete and forward this SCAR to Thilmany, LLC via letter / e-mail within **the deadline specified on the SCAR**. If you feel the complaint is invalid, please provide a detailed explanation as to why you feel the complaint should be denied.
2. You need to notify us of material disposition and approve the credit requested. We expect credit to be issued on all valid complaints. Indicate the amount of credit and how it will be applied (check, credit to accounts receivable, etc.).
3. Samples of the rejected material will be forwarded to you via a traceable service to assist you in problem solving.

If you have any questions regarding a rejection, please contact your purchasing agent immediately to arrange a conference with your personnel. NOTE: WE WILL ASSUME YOUR ACCEPTANCE OF ALL CHARGES AND DISPOSE OF THE MATERIAL IF WE DO NOT RECEIVE A RESPONSE FROM YOU WITHIN 30 DAYS OF THE SCAR INITIATION. For many SCARs, joint action by you and Thilmany, LLC will be called for. In these cases, a joint corrective action plan will be discussed, generated and implemented to prevent any similar problems in the future.

III. SUPPLIER EVALUATION PROCESS

As part of our Supplier Management Process, we are asking our suppliers to evaluate themselves relative to the following criteria. *[note: these criteria may be slightly altered, depending on the nature of the material purchased]* These will allow us, based upon supplier actions, to initially measure the value of each supplier and long term, to look for improvement opportunities to increase the value of our raw materials and services. The evaluation depends on your gathering of data and reporting this information to us on a regular basis. It is the expectation that the resultant process values will increase over time. If continual improvement isn't seen, we reserve the right to perform an on-site audit of your supplying facility, to identify opportunities to improve.

- A. On-Time Deliveries – includes LATE and EARLY issues
- B. Product Quality - #'s rejected vs. #'s delivered as a percent
- C. Corrective Action Response – Timely response
- D. Corrective Action Response – Disposition Time [after CAP complete]
- E. Quality Reports – Provide data on critical to quality variables and show stability in these variables (means the specs are up-to-date)
- F. ISO or other Certified Quality System, **FSC or SFI sustainability certification** – Proof required
- G. Process or Product Improvement Projects – Show quantifiable savings or improvement in key measures described in project
- H. Technical Support – Provides us information necessary to improve the operations using our product
- I. Lead Times

IV. SUMMARY

The intent of this supplier improvement process is to increase the quality and benefits for both of us in supplying raw material to Thilmany, LLC. Continual improvement, if not already a part of your product focus, should be so in the future. Hopefully this process will help bring us into the future as successful businesses making the best products to serve and expanding customer base.

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