



# Supplier Manual



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## Business Overview

### Section #1 Mission, Vision & Strategy

New Flyer and Motor Coach Industries are part of the NFI Group (therefore NFI). NFI is a leading independent global provider of sustainable bus and motor coach solutions.

Our industry-leading vehicles incorporate the latest technology and offer the widest range of environmentally responsible drive systems.

#### 1.1 Company Purpose

We move People. The world's most precious cargo.

#### 1.2 Corporate Vision

To lead the evolution of sustainable on-road mass transportation and mobility.

#### 1.3 Corporate Mission

To design, deliver, and support market-leading bus and motorcoach solutions that are safe, accessible, efficient, and reliable.

#### 1.4 Stakeholder Model

When making decisions, our organization considers all stakeholders, and we seek the optimum balance for long-term success.



## Section #2 Quality Policy & Mission Statement

### 2.1 Quality Policy

NFI builds the most reliable buses and coaches in the industry.

### 2.2 Quality Mission Statement

Delivering Quality, the FIRST time and EVERY time.

## Section #3 Corporate Core Values

### 3.1 Principles

**Safety:** The health and wellbeing of our team members and the safety of our products are our top priorities.

**Quality:** We strive for excellence in our products, services, and all that we do.

**Integrity:** We act with honesty, transparency, and integrity, treating each other with respect in a diverse, equitable, and inclusive workplace.

**Accountability:** We take responsibility for our actions, seeking to build trust and earn a reputation for excellence and reliability.

**Teamwork:** We work with our team members, our supplier partners, and our customers to pursue mutual benefits.

**Sustainability:** We seek long-term success for our business, our communities, and the environment through responsible sourcing, lean manufacturing, and sustainable operations.

### 3.2 Code of Conduct

The NFI code of conduct can be found in our ESG website, under the “Policies” section:

<https://www.nfigroup.com/documents-charters>

### 3.3 Adherence

If you or anyone in your company believes that any NFI Group employee or other supplier has violated those policies, please contact the New Flyer Ethics and Compliance Hotline by phone at +1 (844) 299-1086 (US/Canada), website: <http://www.newflyer.ethicspoint.com> or email: [ethics@newflyer.com](mailto:ethics@newflyer.com)

## Section #4 Sustainability

### 4.1 Sustainability Pledge

Our Sustainability Pledge guides our daily actions and long-term planning. The NFI Group is passionate about creating better products, a better workplace, and a better world. Read more about ESG and NFI [here](#).

## Section #5 Supplier Manual Goals & Scope

### 5.1 Supplier Manual Goals

This Supplier Manual provides visibility into the key processes suppliers are expected to understand and follow. While it does not detail every NFI process, it outlines the procedures and systems that support our business approach, emphasizing NFI's expectations and a commitment to continuous improvement.

The purpose of this manual is to:

- Outline standards, procedures, and requirements that suppliers must meet to ensure quality, compliance, and alignment with our organizational goals.
- Provide a resource for suppliers to understand NFI processes and expectations, promoting transparent and efficient communication.
- Describe best practices and continuous improvement initiatives aimed at helping suppliers enhance their performance and achieve operational excellence.
- Encourage a collaborative approach between NFI and its suppliers by promoting shared goals, feedback mechanisms, and ongoing support to strengthen the supplier relationship.

## 5.2 Supplier Manual Scope

This Supplier Manual applies to all our production material and service parts suppliers. These procedures may also be applied, as applicable, to other parts and materials, including consumable tools and general supplies.

## 5.3 Responsibilities

Suppliers must maintain a comprehensive system to ensure compliance with the requirements of this manual and the applicable contract.

NFI must provide supplier access to the latest released version of the NFI Supplier Manual and update the Supplier Manual as required, notifying suppliers accordingly. The most current version of the Supplier Manual is available on our public website: <https://www.newflyer.com/site-content/uploads/2025/03/NFI-Supplier-Manual.pdf>

Suppliers must use the latest released version of the NFI Supplier Manual and ensure their personnel are trained and understand all sections of this Manual.

# Supplier Requirements & Processes

## Section #6 Contractual Expectations

### 6.1 Purchasing Process

- **Supplier Agreement**
  - Unless otherwise directed, suppliers must sign and return the “Supplier Agreement” regarding “Proprietary Information Security and Disclosure” to the appropriate NFI supplier representative prior to being issued an invitation to quote.
  - Supplier must sign and return all other agreements as requested.
- **Request for Quotation (RFQ)**
  - Potential suppliers may 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. Failure to complete the documents fully and accurately may result in NFI rejecting a quotation as being non-responsive. Contact your NFI representative for further instructions.
- **Supplier Selection Criteria**
  - In selecting a supplier for the award of new business, NFI will consider the following criteria (when and where applicable), among others:
    - Supplier presentation and questionnaires filled out
    - Supplier operational assessment
    - Supplier's total cost competitiveness and commitment to continuous improvement
    - Supplier's demonstrated performance in safety, quality, delivery, cost reduction, and environment

- Suppliers demonstrated technical capabilities, engineering support of NFI programs, and program management of new product launches
- Supplier’s overall financial condition
- Supplier’s acknowledgement and acceptance of NFI’s “Purchase Order Terms and Conditions”
- Other factors, such as aftermarket, customer-directed, regional requirement, etc.
- **Cost Breakdown Analysis**
  - As requested, suppliers must provide detailed and accurate cost information on appropriate forms.
- **Purchase Orders**
  - Suppliers must always follow NFI Purchase Order standard terms and conditions.
  - Suppliers that delivers at least once a month are expected to be iSupplier members. iSupplier is the preferred method for a supplier to accept a purchase order.
  - Please consult with appropriate NFI representative for clarification or questions you may have.

## 6.2 Continuous Improvement

- **General**
  - Continuous Improvement (CI) regarding cost reduction is an essential element of long-term business success for NFI and for its suppliers.  
To remain competitive, NFI and its suppliers must recognize the requirement to find effective ways to eliminate waste and reduce the cost of our products.
- **Expectation—Year-Over-Year Improvements**
  - NFI expects all suppliers to demonstrate year-over-year cost reductions.
  - All suppliers are expected to constantly examine and optimize the entire cost structure of their business and the products supplied to NFI This includes process improvements, cycle-time reduction, scrap reduction, die/tooling set-up reduction, design improvements, Sales, General and Administration (SG&A) reduction, fixed and variable overhead reduction, transportation, etc. To ensure proper review and validation of suppliers’ design and process improvement ideas, suppliers must strictly comply with NFI s change management requirements (SREA process) for all design and process change proposals.

## 6.3 Service & Aftermarket

- **Duration**
  - Suppliers are expected to provide service component requirements for a minimum period of 15 years following the conclusion of series production or as otherwise stated in writing by NFI and approved by the appropriate NFI representative.
- **Pricing**
  - Service components shall be priced at production pricing for a minimum of 5 years after NFI Customer production has ceased or as otherwise stated in writing by NFI and approved by the appropriate NFI representative. In no event will replacement parts be made available to NFI at prices that are not competitive or exceed those charged to other comparable customers of the supplier.

## 6.4 Terms & Conditions

- **General**
  - The supplier must comply with all written agreements made with NFI as well as the terms and conditions contained in the NFI purchase order. The supplier will consult with the appropriate NFI representative for clarification.

## 6.5 Confidentiality

### • General

- All non-public information shared with suppliers is considered confidential. Disclosure of any NFI confidential material, outside NFI, will be considered grounds for immediate supplier dismissal and may result in NFI pursuing available legal remedies.

### • Non-Disclosure Agreement

- Suppliers are expected to sign and comply with a binding Non-Disclosure Agreement (NDA) when requested by NFI.

## 6.6 Warranty

- The supplier will accept the NFI basic warranty requirements specified in the purchase order terms and conditions and/or separate agreements. Additionally, the supplier will be responsible for all applicable warranty.

## 6.7 Invoicing

### • General Instructions

- The preferred method to invoice NFI is electronically through our iSupplier system.
- The supplier shall contact the NFI plant that will be receiving the product or service (NFI receiving plant) for additional invoicing requirements.
- The supplier will ensure that information included on all production part invoices are adequate for proper processing by NFI, containing but not limited to: original and duplicate invoices, unique invoice number, NFI part numbers, purchase order numbers, quantity, unit and total price, complete description of the merchandise, country of origin, etc.
- The 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.

### • Invoicing Consigned Inventory

- Consigned inventory may or may not require an invoice depending on the NFI purchase order and requirements from the NFI receiving plant. If an invoice is required, the general Instructions (above) are required. If an invoice is not required, follow the information from the Invoice-less Instructions (below) or specific instructions from the NFI receiving plant.

### • Invoice-less Instructions

- If NFI plant and purchase order indicate payment from evaluated receipts, the supplier may not be required to submit an invoice with the shipment (unless required by local customs authorities with respect to shipments of goods across international frontiers or borders or government regulations). Contact the NFI receiving plant for verification.

## 6.8 Supplier Application Approval (SAA)

- An application approval is an agreement between NFI and its supplier that certifies that a component part, assembly, or system offered for sale by the supplier will meet the following when installed in NFI product:
  - Functional NFI operating conditions and requirements.
  - Any general terms and conditions of the NFI purchase order.
  - Quality obligations.
  - Warranty obligations.
- The objective is to establish a thorough and disciplined process that ensures a higher-quality product for New Flyer customers, one that meets design intent and performs to specification. It also serves to educate suppliers on the specific application of their product and to protect New Flyer, the supplier, and the end customer from potential warranty exposure in the event of failure.
- An SAA may be required when:

- NFI purchases a part or assembly from a supplier that is the supplier's proprietary design, and NFI requires the supplier to warrant the part / assembly for a specified warranty period.
- The part, assembly or system is deemed vital to coach reliability and customer satisfaction as determined by NFI Engineering authorities (managers, directors, and executives).
- Delivered coaches exhibit repetitive quality and/or warranty claim issues related to specific components identified through the NFI quality system.
- Suppliers must coordinate with NFI representatives to schedule an on-site visit to the respective NFI plant to conduct their component SAA.
- For additional information please contact your NFI representative.

## Section #7 Tooling and Gauging Policy

### 7.1 General

- NFI will issue purchase orders for special tooling (e.g., dies, jigs, fixtures, packaging racks, etc.) and require suppliers to sign a tooling agreement outlining contractual rights and obligations.
- NFI reserves the right to remove its tools from the supplier's possession and requires written authorization for moving, altering, or disposing of NFI tooling.
- Suppliers are prohibited from supplying or selling products made from NFI tooling to other customers.
- Suppliers must adhere to legal safety requirements and bear the risk of loss for NFI tooling while in their possession. They are also responsible for ensuring compliance among their sub-tier suppliers.

### 7.2 Definitions

- **Special Tooling (NFI tooling)**
  - NFI typically considers in determining whether tooling and measurement devices are considered special tooling:
    - Specifically designed for an NFI part or product with little or no other application.
    - Life and value are limited to the production and service life of the part(s) which they produce or measure.
    - It can usually be re-located.
    - Unique computer software required to operate the tooling is considered part of tooling and is also the property of NFI.
- **Measurement Systems**
  - Any gauges, fixtures, tools, test equipment, etc., required to measure the part/process.
  - Measurement Systems may be general in application and usable for many purposes.
- **Parts**
  - Any purchased or manufactured component or assembly intended for further manufacture or resale.

### 7.3 Quotation & Design

- **Tool Quotation:** Must include a description, address, expense breakdown, capacity, tool life, cavity replacement costs, and lead-time breakdowns for design, build, and testing.
- **Supplier's Responsibilities:** Maintain, repair, and dispose of tooling at no cost to NFI, keep maintenance records, monitor tool life, and ensure inventory supports NFI production.
- **Tool Design:** NFI must receive electronic and hard copies of tooling designs upon request. Suppliers must document tooling run-off and trial quantities in quotations.
- **Tooling Run-off:** The supplier must document tooling run-off and pre-production trial quantities in the quotation.
- **Measurement System:** NFI expects all measurement system devices to be calibrated according to international standards, with gauge tolerances defined by SAE/DIN/ISO standards unless otherwise agreed upon. Suppliers must maintain the integrity of these systems and provide reports as required.

#### 7.4 Invoicing

- **Invoice Amount:** Supplier invoices should detail expenditures for NFI-owned tooling, including location and full cost breakdown. Discrepancies must be reported to the NFI Supplier representative.
- **Payment Authorization:** Payments will be authorized upon meeting PPAP/FAI requirements and receiving necessary documentation.
- **Bill of Sale:** Suppliers must provide a bill of sale confirming payment and ownership of NFI tooling.

#### 7.5 Tooling Identification & Ownership

- All tooling and materials provided by NFI remain its property and must be marked as "**Property of NFI.**" Suppliers cannot sell or dispose of NFI's property and must sign documentation and agreement to record NFI's ownership.
- Tooling and measurement devices must be clearly marked with "**Property of NFI**" and associated asset numbers. If marking directly isn't practical, an identifying record must be maintained.
- A descriptive breakdown and photographic evidence of tooling and measurement devices must be submitted with PPAP/FAI documentation, and tooling must be stored properly to avoid damage.

### Section #8 Prototypes

#### 8.1 General

- In most programs, prototypes are required to verify the design concepts. All requirements listed below apply to all suppliers who have been issued a prototype order.

#### 8.2 Submission Requirements

- The following items may be required with each prototype shipment. The specific details are to be defined by the purchasing location:

##### 8.2.1 NFI Drawing

- Include a copy of the approved NFI drawing supplied with the purchase order.
- If the drawing is not pre-numbered by NFI, number the print to coincide with the dimensional report.
- 100%-dimensional inspection to all print dimensions (except reference and basic dimensions) as required.
  - The sample(s) must be identified appropriately.
  - Part number and revision level must be listed on the print. If no revision level is listed, write "N/A".
  - The method of inspection (CMM, Calipers, micrometers, gauges, etc.).
  - All dimensions MUST meet the print specification or have a written and signed deviation by NFI attached (See Supplier Change Management section). NFI must approve the deviation prior to shipment of parts.
  - Out of specification dimensions must be clearly identified. The preferred method would be to highlight the dimension with a note "refer to attached NFI approved deviation."
  - Any special requirements, details or deviations should be identified in the comments/remarks section of the inspection report.
- Inspection standards shall be developed and noted for Key Control Characteristics (KCC), special characteristics, critical-to-quality (CTQ) characteristics, etc. when applicable.
- The shipment of prototype parts may also require the submission of material test results, material certification or any other item specified by the appropriate NFI representative.
- If a prototype part fails due to supplier-responsible design or part quality issue(s), the supplier is expected to pay for all replacement parts and resulting damage to NFI property.

### 8.3 Prototype Identification

- All packages shall be labeled accordingly and clearly identified as “Prototype”. Labels should be applied on the top and side of the package unless otherwise specified by NFI.
- Each shipped part must have an attached identification tag identifying the part number, engineering change level, and a serial number or lot tracking number. On small parts, such as fasteners, listing wires and similar, this requirement may be waived by the NFI representative.

### 8.4 Prototype Tooling

- Unless otherwise specified by the NFI representative, the supplier will retain the prototype tooling at their facility. All prototype tooling paid for by NFI is the property of NFI and will be marked accordingly. The supplier will provide such tooling upon NFI s request.

## Section #9 Quality Requirements

### 9.1 General

#### • Quality Management System

- Suppliers are fully responsible for the quality of their products.
- Suppliers are expected to work in accordance with the requirements described in ISO9001 or IATF16949 and towards achieving a future QMS certification.
- In the absence of certification, depending on the product, its application, value, and criticality, the NFI quality representative may authorize the acceptance of other evidence of compliance. This may include 1<sup>st</sup> party (self), 2<sup>nd</sup> party (NFI), or 3<sup>rd</sup> party (contracted) audit and operational assessment to the applicable basic quality requirements.
- Suppliers are also responsible for assuring their subcontractor’s quality systems are approved and are under a controlled system of evaluation and review. These records must be made available for NFI examinations when requested.
- NFI representatives reserve the right to assess and evaluate a supplier’s quality system, its facilities, and related processes, provided it has been communicated and scheduled accordingly. Supplier’s tier vendors may be assessed always with supplier’s previous consent and presence.
- NFI reserves the right to contract 3<sup>rd</sup> parties to audit supplier’s quality systems as described above.

#### • Plant/Customer Specific Requirements

- In addition to complying with the quality expectations defined in this section, suppliers must also comply with the additional quality expectations, where applicable, of specific NFI locations or NFI Customer requirements.

### 9.2 Product Quality Planning

#### • General

- Suppliers must have an effective quality planning process that supports new product development. When an NFI project includes any of the following elements, suppliers are required to develop and execute a detailed plan to install, validate, and prove out a robust production process:
  - Safety critical components
  - Complex components
  - Long lead time components
  - New or emerging technology

- A supplier with poor performance or high rated risk (as rated by NFI)
- NFI requires all suppliers to take ownership of and manage their launching processes to ensure they are in-sync with NFI requirements.
- An NFI representative will initiate the planning process with suppliers. However, suppliers have an obligation to establish a cross-functional team to manage their Product Quality Planning Process (APQP or similar product launching initiative).
- NFI will provide suppliers with the initial project timeline. Suppliers will be responsible for keeping their product planning timelines up to date. Suppliers are expected to supply updated copies on frequent intervals or when there is a change that will impact overall program timing.
- Suppliers are responsible for managing the launch process from their sub-contractors and have the records available for review when requested by NFI.
- **Quality Planning Status Reporting**
  - During the launch timeline, the suppliers will submit a weekly (or as otherwise agreed) status report to the appropriate NFI representative.
- **Review Meetings**
  - Once a supplier has been awarded business, the appropriate NFI representative may establish a meeting cadence with the supplier to follow up on quality planning activities.

### 9.3 Supplier Readiness

- **General**
  - As part of verifying supplier production readiness, NFI may require an assessment either prior to Start of Production (SOP) or during early production
- **Sequence of Events**
  - NFI determines level of assessment.
  - If required, the supplier conducts self-assessment, completes forms along with supporting documentation, and returns to NFI.
  - NFI may require a virtual or on-site meeting from supplier.
  - NFI and the supplier will align a corrective action plan and closure timeline for all assessment findings.
- **Supplier Responsibility**
  - Complete check as listed below, but not only restricted to:
    - All equipment and processes must have been verified, identified at documented capacity rates and be ready to run production at the peak quoted capacity rate. Equipment and tooling should be debugged, and an in-house validation of the process completed.
    - Process capability studies must be completed and documented.
    - Operators and support personnel must be trained in the requirements of the current/updated process diagram, process verification plan, control plans, working instructions, equipment, and gauges.
    - Material handling systems, packaging, and logistics must be in place.
    - Preventive maintenance and equipment/tool back-up plans.
  - Perform “Run-At-Rate” (normal production rate) requirements.
- **NFI Responsibility**
  - NFI representatives will decide if the assessment will be completed on-site.
  - Review self-assessment if completed by supplier.
  - Identify any risks to production.
  - Conduct “Run-At-Rate” (if required).
- **Documentation**

- Significant amounts of documentation can be required for completion of a process assessment. The following is not a complete list. However, it is representative of the types of data that may be required: supplier readiness document, process risk assessment, FMEA, Measurement System studies and calibrations, capability studies, special characteristics, control plans, training plans, customer critical features recognition, work instructions, visual aids, in-process handling, environmental considerations, packaging, shipping process, etc.

#### 9.4 Product Qualification (PPAP/FAI)

- **General**

- This section defines the generic requirements for production part qualification and approval. Unless specifically waived in writing by NFI, all suppliers must submit a Production Part Approval Process (PPAP) or First Article Inspection (FAI) qualification package (documentation) when any of the following occur:
  - New part of first production run at supplier.
  - Engineering or design changes, affecting fit, form or function.
  - Manufacturing process changes, including tooling, equipment or location changes.
  - Supplier or sub-tier source changes, including material.

- **PPAP/FAI Requirements**

- PPAP Level 3 is required to initially qualify a part/process for supplier approval, unless otherwise specified by NFI. Furthermore, a new PPAP/FAI may be requested if there is an extended gap of time since last production (at least 12 months, same part number and no revisions). The PPAP/FAI requires that all features and characteristics on the design specification and control plan be inspected and verified prior to production. Actual measured values shall be recorded as opposed to general statements of conformance or other notations simply indicating acceptance.
- For PPAP guidance, see AIAG PPAP Manual – Production Part Approval Process (available from [www.aiag.org](http://www.aiag.org)). The supplier is responsible for obtaining the latest revision of the applicable AIAG reference manuals, training, and forms if necessary.

- **PPAP Elements**

- When required by NFI, the supplier shall submit a more comprehensive PPAP documentation (based on the PPAP Level required) including, but not restricted to, the following items:
  - Design record, change documents, and customer approval (if applicable)
  - Process Flow Diagrams (PFD)
  - Failure Mode and Effect Analysis (FMEA)
  - Measurement Systems Analysis (MSA)
  - Control Plan
  - Working Instructions (WI)
  - Process Capability Studies (Cp, Cpk)
  - Material certification and test reports
  - Parts Submission Warrant (PSW)
  - Appearance approval
- NFI will communicate PPAP/FAI level and requirements to suppliers on the PO.
- Parts for PPAP/FAI should be produced during a significant production run.
- PPAP/FAI parts may be taken from the production batch and once approved, can be released for use in production.

- **PPAP/FAI Requirements Waiver**

- Suppliers must gain written approval from the appropriate NFI representative(s) when requesting any variation from the above stated requirements.

- **Submission Disposition and Notification**

- There are only two possible outcomes of a supplier PPAP/FAI submission:
  - **Approved**—Parts are fully approved for series production. NFI material control will specify proper delivery and release requirements.
  - **Rejected**—Parts may not be used for series production and tooling purchase orders cannot be paid. Note: In this case, an NCP/SCAN/Reject Report may be issued against the supplier.
- For interim approvals see following section (Interim Approval)
- NFI will notify the supplier when its submission has been approved or rejected. The documented format of notification will be a countersigned Part Submission Warrant (PSW).
- In some cases, PPAP/FAI approval requires validation testing and signatory approvals from NFI customer prior to notifying the supplier.
- **Interim Approval**
  - Suppliers must submit a Supplier Request for Engineering Approval (SREA) in cases where full PPAP/FAI approval cannot be obtained. The reasons for this request may include, but are not limited to:
    - Out of tolerance condition(s) that still make the parts usable without compromising safety or function.
    - Incomplete PPAP/FAI submission requirements.
  - If an interim approval is granted, a revised PSW must be re-submitted with appropriate PPAP/FAI documentation before the interim PPAP/FAI expiration date. If a SREA is submitted with an Interim PPAP, both must expire on the same date.
- **Re-Qualification**
  - To maintain validation that PPAP/FAI documentation matches current process practices and capability, Suppliers may be required to submit PPAP/FAI documents annually, per NFI discretion.
- **Shipping and Labeling Instructions**
  - Unless otherwise directed by the appropriate NFI representative, suppliers must identify PPAP/FAI accordingly: “PPAP/FAI SUBMISSION” label below the shipping label as well as the other three sides of the container and ship separate from production parts shipments. Reference NFI plant-specific requirements for further details.

## 9.5 Treatment of Non-Conforming Product (NCP/FSAR/SCAN)

### • General

Upon verification that non-conforming product was received from a supplier, NFI will issue the following notifications:

- **NCP** (Non-Conforming Product) will be issued to suppliers by NFI QA personnel for any non-conforming product immediately after the reject is processed at the respective NFI plant. Each NCP will include a reject number with all relevant reject details. Suppliers must promptly acknowledge receipt, replace the non-conforming parts, and initiate containment actions.
- **FSAR** (Field Service Action Report) is an internal document issued by NFI Service organization reporting a non-conforming event affecting customers after the bus is in service. Suppliers will be issued a SCAN to reply to the FSAR event but may not see the internal NFI FSAR.
- **SCAN** (Supplier Corrective Action Notification) will be issued to elevate supplier attention to more critical defects, according to the following criteria, but not restricted to:
  - Three NCPs in one plant (evaluate effect on production)
  - Eight hours or more of rework
  - Safety issue

- Request from management
- Field complaint submitted by any NFI customer (FSAR)
- Evidence of defects such as digital photos or videos will be provided and attached to all documents when possible. The defective parts may be returned to suppliers upon request, using the Return Material Authorization (RMA) process further described on this manual.
- **Sorting Activities/Defect Containment**

Upon receiving an NCP/SCAN from NFI, suppliers are required to immediately sort and contain 100% of their product, including product at the NFI plant(s), in transit, in warehouses, at the supplier's production facility, etc. This is to ensure that NFI's assembly plants are supplied with enough certified stock to ensure no interruptions to production. Material must be marked as certified for the specific defect or defects for the next three shipments unless otherwise directed by NFI.

  - Depending on the continuity of supply situation, the following may occur:
    - High inventory at NFI: The supplier may choose to have product returned or supplier may sort at NFI site.
    - Low inventory at NFI: The supplier must come on-site to NFI to sort out defective products.
    - Extremely urgent (possible line down): NFI will take appropriate actions to certify product, and the supplier will be responsible for all costs incurred.
    - NOTE: Some of NFI's production facilities do not allow sorting of purchased material to take place on-site. Suppliers must plan for transporting non-conforming material from NFI, sorting the material, re-packaging, creating new packing slips with accurate quantities, affixing new bar code or certified labels as needed, and arranging transportation of certified stock back to NFI.
  - NFI will contact the supplier for authorization to return the material (RMA) at supplier's expense.
  - Part repairs are not allowed without prior consent and written authorization from NFI.
  - The supplier is responsible for reporting accurate sorting/verification results in a timely manner and to request adjusted defective quantities when no trouble found (NTF).
- **Non-Conformance Response**
  - The supplier must respond to an NCP/SCAN or any other non-conformance report by replying to the appropriate NFI quality personnel in a timely manner. E-mail is the preferred method of response.
  - When notified of a reject, suppliers are expected to react in accordance with the following timeline, unless otherwise specified by the NFI representative:
    - Within 24 hours: Quick containment or sorting to be completed (at NFI, the supplier, or by a third party).
    - Within 48 hours: Full implementation of containment actions (including selection, temporary measures in the supplier or tier vendor process, certification, replacement, etc.).
    - Within 5 working days: Completion of root cause analysis for both occurrence and non-detection, with permanent corrective actions defined and an implementation timeline established.
    - Within 15 working days: Verification of the effectiveness of permanent corrective actions to ensure recurrence is prevented.
    - If resolution exceeds 15 days, the supplier must agree on an extended timeline with the designated NFI representative.

- NFI representatives could require expedited actions differently than above listed when special circumstances occur (safety related issues, line down, customer demand, etc.)
- NFI must be notified immediately of a clean date on which certified material is going to be shipped out of the supplier premises.
- **Approval and Closure:**
  - NFI must review, agree, and approve the supplier's non-conformance response before closing any NCP/SCAN.
  - If process or design changes are identified, the supplier must provide a PPAP/FAI timeline without affecting production.
  - The supplier may need to present corrective actions on-site, and NFI reserves the right to verify conformance at the supplier's or tier supplier site.
  - On-site process corrective action verification may occur during follow-up visits by NFI personnel.
  - NFI may request frequent follow-up meetings for critical non-conformance with the supplier and/or subcontractors.
  - Closure of the non-conformance is confirmed by NFI once all corrective actions are completed and validated.
- **Return Material Authorization (RMA)**
  - NFI will request a Return Material Authorization (RMA), also referred to as Return to Vendor (RTV) or Return Goods Authorization (RGA), from the supplier that shipped defective material.
  - The communication is usually made through NCP via e-mail to supplier.
  - If no response is provided within 3 working days, the parts could be scrapped at the supplier's expense.
- **Special Containment Activities**
  - NFI may determine that special measures are required to ensure adequate quality and delivery performance.
  - NFI may hire 3<sup>rd</sup> party contractors to work at NFI locations, warehouses, or supplier sites to perform special containment activities.
  - NFI may require additional levels of inspection (redundant inspection) and log sheets to be provided by suppliers, based on how critical the containment activity is.
  - The costs related to these measures, including but not limited to containment activities, rework labor, floor space, equipment requirements, additional support personnel and resources, lost efficiency, etc. will be at the supplier's expense. See the "Supplier Chargebacks" section of this manual.

## 9.6 Supplier Development

### • General

- NFI Supplier Development Engineers (SDE) are involved in all efforts to enhance supplier performance and strengthen their ability to meet both short and long-term supply requirements.
- Some of the SDE activities consist of, but are not restricted to:
  - Conduct regular assessments (audits).
  - Evaluate and review supplier's processes and quality performance.
  - Drive continuous improvement projects with targeted suppliers.
  - Collaborate with cross-functional teams and send escalated requests to suppliers.
  - Engage with suppliers when developing new products and processes.

Suppliers may be contacted directly by the NFI SDE representative at any time to perform any of the activities listed above.

- **Supplier Operational Assessments**

- Supplier on-site assessments may be conducted by any NFI representative, Supplier Risk Managers, SDEs or a third party at NFI's discretion, with scheduling and agenda agreed upon in advance.
- Depending on the complexity of the product being purchased, supplier's performance or other potential risks, NFI may conduct on-site assessments at supplier's tier 2 vendors.
- Assessment of supplier's tier 2 vendors requires presence or full consent from the NFI direct supplier.
- In preparation for the assessment, the NFI representative will notify, schedule, propose an agenda and forward proper documentation.
- NFI customers may need to conduct their own audits on specific suppliers they select. NFI representatives are responsible for coordinating all activities with these suppliers, ensuring clear communication, and being present alongside the customer during the assessment.

- **Supplier Responsibility to SDE Team**

- NFI and its customers reserve the right to verify product and process conformance according to the requirements at the supplier's and subcontractor's sites. It is expected that all suppliers will support and accommodate NFI assessment requests and visits as early as they are communicated.
- Suppliers are to ensure the NFI representatives have full access to all NFI product related equipment, installations, processes, and documents — e.g., Process Flow Diagrams (PFD), FMEA, Control/Test Plans, work instructions, historical quality/delivery performance data, inspection log sheets, training matrix, subcontractor's quality performance, etc.
- The supplier must ensure that representatives from all audited areas are available to address relevant questions.

- **NFI Responsibility to Suppliers**

- NFI will not conduct any activity at the supplier or the supplier's subcontractor's sites without previous communication and agreement with all parties involved.
- All activities conducted at the supplier and its subcontractors, as well as the result of any assessment and data analysis, will be treated as confidential and only shared internally at NFI Group.

## 9.7 Supplier Chargebacks

- **General**

- Suppliers are responsible for the quality, on-time delivery, and reliability/warranty of the product they supply. Product must meet the drawing and any referenced specifications. The supplier accepts financial responsibility for the consequences of all non-conforming products and rejected PPAP/FAI submissions including, but not limited to, costs incurred for containment, sorting, premium freight, repair, and replacement of defective material, resulting in overtime, and productivity loss incurred by NFI or by NFI's customers.
- Following is the schedule for recovery charge costs associated with non-conforming products sent to an NFI site. Unless otherwise specified, the supplier will be responsible for all actual costs incurred:
  - In-house sorting or rework by NFI personnel.
  - Production line down charges.

- In-house sorting or rework by 3<sup>rd</sup> party company (if allowed by specific NFI site). These charges shall be paid directly by the supplier to the 3<sup>rd</sup> party sorting company.
- Off-site 3<sup>rd</sup> party rework or sorting. These charges shall be paid directly by the supplier to the 3<sup>rd</sup> party sorting company.
- Miscellaneous fees (overtime, rework labor, material handling, required supplier/customer visit hours and travel costs, expedited shipments, customer location sorting fees, tooling/machine damage, testing, etc.).
- Supplier will be responsible for all applicable warranty costs.
- Costs incurred due to vehicle breakdowns as the vehicles are transported to the customer location. This includes all costs associated with the transportation companies, the NFI resources required to support the root cause and repair of the vehicle, and any 3<sup>rd</sup> party resources required to root cause and repair the vehicle.
- Supplier delivery/quality issues preventing NFI from delivering a vehicle to the customer: The charge for this could amount to \$1,000/day per bus, based on bus model and customer, and it represents the interest paid by NFI for not selling the bus to its customer.

- **Unauthorized Changes**

- In cases where a supplier has implemented an unauthorized change or has failed to deliver contracted products in accordance with the specifications and terms of the NFI Purchase Order (PO), all costs that are incurred by NFI and/or its customers due to non-conforming product will be the sole responsibility of the supplier.

- **Charge Debit Method**

- The method of charge will be defined and processed by the NFI receiving location. For further clarification contact your NFI representative.

- **Payment Hold**

- As a last resort, NFI may put Supplier payment on hold if their performance is not acceptable and supplier becomes unresponsive.

## 9.8 Record Retention

- **General**

The supplier shall retain quality records for a period specified by (a) NFI contract, (b) applicable legal requirements, or (c) related reference documents (see list below), whichever is longer. Upon request, the supplier shall be capable of retrieving and delivering required records to NFI.

- **PPAP/FAI Records**

PPAP/FAI related documents shall be retained for the period of production (for that specific revision) plus 5 years. This would include (where applicable):

- Drawings,
- Dimensional reports
- Material certifications
- Test reports
- Approved PSWs
- PFD, PFMEA and Control plans
- Test plans, etc.

- **Quality Records**

Quality records shall be retained for 7 years from date of production. It would include (where applicable):

- Inspection records

- Containment log sheets
- Torque records
- Test records (Leak, Cleanliness, etc.)
- NCPs, SCANs
- Traceability records
- Any other quality related data.

## Section #10 Supplier Change Management

### 10.1 General

- Recognizing that managing change is of critical importance, suppliers are expected to have a robust change management process in place that supports NFI products and requirements.
- As a minimum a change approval must be obtained from NFI for any changes/deviations related to:
  - Design
  - Product Performance
  - Materials (including sub-suppliers)
  - Processes / Tools, or
  - Manufacturing location
- Suppliers shall not ship non-conforming product before obtaining written NFI approval through one of the methods outlined above. The supplier could be responsible for all costs incurred by NFI and its customers resulting from unauthorized shipment of nonconforming material, including any associated campaign or field actions.

### 10.2 Temporary Changes

- Suppliers must complete and submit a Supplier Request for Engineering Approval (**SREA**) to the appropriate NFI supplier representative for review and approval for any change or deviation that is intended to be temporary. The SREA must be approved prior to shipping product. The supplier must follow the following process:
  - Submit SREA form (please contact your NFI representative to obtain).
  - Track the SREA expiration date and applicable quantity of product.
  - Ship product within the scope of the SREA.
  - Obtain authorization for additional shipments beyond the agreed limit.

### 10.3 Permanent Changes

- **Supplier Change Request**
  - Suppliers seeking permanent changes to product design, performance, or processing shall complete and submit a SREA to the appropriate NFI supplier representative for review and approval.
    - The form must include all relevant information.
    - NFI may approve, reject, or apply conditional approval to the SREA (e.g., FAI or PPAP required after change is implemented). The disposition is determined by the nature of the change and impact on manufacturing and customer requirements.
  - Submission of the SREA form **does not** authorize the supplier to ship product with changes— it is only the authorization to proceed with coordination of PPAP/FAI submission.
    - Suppliers shall **NOT**:

- > Implement changes before receiving full NFI approval.
- > Ship product until satisfying all PPAP/FAI process requirements.
- > Ship prior to the implementation date established with the NFI materials or purchasing teams.

#### 10.4 SREA Review Process

##### • Review and Approval Process

- A cross-functional group at NFI will evaluate the SREA.
- The nature of the change (process or design change) will determine if it can be implemented quickly or if NFI will require additional validation testing and approval from customers.
- NFI Engineering may require suppliers to submit additional documentation or even samples to support the change request.

### Section #11 Materials/Delivery Expectations

#### 11.1 Delivery Expectations

##### • Plant-Specific Requirements

- In addition to complying with the materials and delivery expectations defined in this section, suppliers must also comply with the laws of the country of each receiving NFI facility and additional materials and delivery expectations, where applicable, of specific NFI locations. Contact the appropriate material scheduler at the receiving NFI production facility for any questions on plant-specific requirements.

##### • Program-Specific Requirements

- NFI will specify expectations for materials during the planning process, RFQs, purchase orders and other forms of communication. The requirements would include at least:
  - Labeling
  - Capacity
  - Delivery terms according to the latest INCOTERMS (examples: FOB, CIF, DDP)
  - Containers, trays, returnable packaging (when possible)
  - Warehousing
  - Consignment
  - Product identification
  - Hazardous material restrictions (including but not limited to IMDS/MSDS requirements)
  - Preservation (rust prevention, contamination avoidance, cosmetic conservation, etc.)
  - Material release and pull systems
  - Transportation mode and routing instructions
- Suppliers are expected to deliver 100% as per PO date. All costs incurred for expedited shipments or late deliveries resulting from the supplier's fault will be the responsibility of the supplier.
- Failure to deliver materials on time can lead to significant production disruptions, resulting in production line downtime and lost sales. See "Supplier Chargebacks" section for additional info.
- Material past dues will be reviewed on a frequent basis. NFI Purchasing or Material teams will schedule sessions with suppliers based on each case.

- Late deliveries will be penalized in the supplier scorecard, impacting overall supplier performance. See “Supplier Performance Metrics” section for additional info.

### **11.2 Packaging/Containerization**

- The supplier will plan for the timely provision of containers and/or packaging material to support NFI requirements. Extra cleaning processes required to meet NFI cleanliness needs are the responsibility of the supplier. Any costs associated with extra cleaning are to be part of the supplier’s quotation and are the responsibility of the supplier.
- Suppliers are not permitted to ship product to NFI without packaging approval by NFI.
- The supplier will develop and implement a system to monitor container quantity and its condition. The supplier will also ensure that the following conditions are met:
  - Containers are kept in good suitably clean and dry condition (free from foreign material).
  - Labels from previous shipments are removed.
  - Containers are maintained in working order (i.e., lubrication of gate hinges, spring clip locking devices, etc.).
  - Damaged containers/dunnage tagged as defective by NFI are to be removed from the float and returned with notification to the Material Control at the appropriate NFI plant. Reimbursement to NFI will be made for supplier-incurred damage of returnable packaging.
  - NFI will ask each supplier that utilizes NF-owned returnable containers/dunnage to keep inventories at their plant to ensure proper material flow.
  - At the end of the calendar year, NFI will request an inventory count of all returnable containers/dunnage, including what is in storage at any of supplier’s plants and what is in transit to NFI.
  - Packaging meets all government and environmental regulations.
- The supplier is responsible for all normal and reasonable costs associated with cleaning and minor repair. The supplier is responsible for any damage to the parts if damage is caused by unapproved packaging or poor design.
- **Packaging Validation**
  - Suppliers must adhere to NFI specifications and industry standards for packaging materials and methods to ensure product protection during transit.
  - Suppliers should conduct and document packaging trials, validation tests, submitting results to NFI for approval before implementation to ensure product integrity throughout the supply chain.

### **11.3 Labeling & Identification**

- **General**
  - These requirements are for the printing and placement of shipping/parts identification labels.
- **Label Size & Materials**
  - The size and material of the NFI label will be determined by NFI receiving plant. The tag will be affixed via a pressure sensitive or dry gummed application. If the label cannot be affixed to the package/container because of container size or design, special arrangements will be required between the material control function at the receiving NFI plant and the supplier.
- **Label Types, Label Placement, & Barcode Information**

- All suppliers must use approved shipping label and barcoding as designated by NFI barcode requirements. Please contact your NFI representative to obtain a copy of the barcode and label standards.
- To ensure label accuracy, it is expected that the supplier verify (electronically or manually) all labeling to ensure that the label matches the purchase order (or release). Label errors may be treated as a quality defect necessitating permanent corrective action.

#### 11.4 International Transportation

##### • Invoice Requirements

The supplier (if shipping internationally) agrees to comply with the NFI standard international invoice requirements:

- Name of the seller and name of the purchaser
- Port of entry
- Description of the merchandise in sufficient detail to properly classify the merchandise under importing country's customs law. This description must be written in English or the official language of the destination country.
- Country of origin
- Name and address of the manufacturer, if applicable.
- The NFI purchase order number and NFI part number.
- Name by which each item is known and the grade and quality, if applicable
- Marks and numbers of the packages in which the merchandise is packed.
- Merchandise quantities, weights, and measures.
- Terms of Sale (latest version of INCOTERMS)—A rated bill of lading showing actual freight charges must be included.
- Purchase price and currency, unit price and extended price on each line.
- Total value of shipment
- All charges and discounts including but not limited to assist charges including tooling, dies, molds or any other similar items including materials and components used in the production of or incorporated into the merchandise provided by NFI or its customers.

#### 11.5 Preferred Transportation Carriers

##### • Freight Paid by NFI

Suppliers will always utilize only NFI preferred transportation carriers unless otherwise instructed by NFI for opportunities to reduce costs or improve logistics.

##### • Freight Paid by Suppliers

Suppliers should investigate the utilization of NFI preferred transportation carriers for opportunities in transportation costs reductions and improved logistics.

##### • Special Circumstances

Under special circumstances, NFI reserves the right to impose the use of NFI preferred transportation carriers.

## Supplier Performance

### Section #12 Supplier Performance Metrics

#### 12.1 General

- This “Supplier Performance Rating System” presents the criteria that will be used by NFI to scorecard suppliers. Suppliers shipping to more than one NFI location will receive a final combined rating. A combined rating score will be generated by NFI – using the cumulative performance across all NFI locations.
- Not ALL NFI suppliers will be scorecarded. Suppliers will be selected based on a business volume rank.

- Supplier Performance Measurement Composite Score**

The “Supplier Performance Measurement Score” is a weighting of the following metrics:

- Quality: 30 points out of 100 (rated every month)
- Delivery: 30 points out of 100 (rated every month)
- Cost Management: 10 points out of 100 (rated once a year)
- Engineering Support: 10 points out of 100 (rated once a year)
- Service Support: 10 points out of 100 (rated once a year)
- Aftermarket: 10 points out of 100 (rated once a quarter\*)

\*Aftermarket submits quarterly scorecards to certain suppliers. Aftermarket will select suppliers to be rated based on their business volume rank.

- Final Supplier Classification**

Suppliers will be rated as Gold, Silver, Bronze or Red on this 100-point scale, based on their final composite score:

- Gold:** 90 - 100
- Silver:** 72 - 89
- Bronze:** 50 - 71
- Red:** < 50

#### 12.2 Quality Performance

- Quality Performance is calculated in Parts per Million (PPM). PPM is calculated as follows:

$$PPM = \frac{\text{Number of Rejects}}{\text{Number of Receipts}} \times 1,000,000$$

- This number represents the number of reject pieces anticipated if one million were delivered with the same rate of rejection as the sample delivered during the month.
- Parts that required any sort of deviation/rework due to non-conformance may be included in the number of pieces rejected for PPM calculation purposes.
- Suppliers will be rated monthly on Quality Performance.

Gold	PPM ≤ 1,000	Total Score = 30
Silver	PPM > 1,000 ≤ 2,500	Total Score = 20
Bronze	PPM > 2,500 ≤ 5,000	Total Score = 15
Red	PPM > 5,000	Total Score = 0

**12.3 Delivery Performance (On-Time Delivery)**

- Delivery Performance is measured based on your organization’s ability to supply materials to the PO date. All POs issued with compressed delivery times will be scored to the promise date committed to by your organization.
- Production On-Time Delivery (OTD) has a tolerance of 3 days early and 1 day late to the PO date committed for each shipment.
- Aftermarket only considers late orders. Early orders are not penalized.
- Suppliers will be rated monthly on Delivery Performance
- OTD is calculated as follows:

<u>Gold</u>	OTD ≥ 99%	Total Score = 30
<u>Silver</u>	98% ≤ OTD < 99%	Total Score = 20
<u>Bronze</u>	97 % ≤ OTD < 98%	Total Score = 15
<u>Red</u>	OTD < 97%	Total Score = 0

**12.4 Cost Performance**

- Cost Performance assessment is subjectively based on these 3 areas:
  - Assessment of market competitiveness of supplier’s pricing.
  - Assessment of price increases implemented with considerations for market conditions over the past 3 years.
  - Performance in providing ideas for cost reduction or product improvement and whether has been achieved in the last 12 months.
- Suppliers will be rated annually on Cost Performance.

<u>Gold</u>	Total Score = 10
<u>Silver</u>	Total Score = 8
<u>Bronze</u>	Total Score = 6
<u>Red</u>	Total Score = 0

**12.5 Engineering Performance**

- Assessment is subjectively based on these 4 areas:
  - Ability to meet the specifications and product changes required by NFI and NFI end customers.
  - Ability to provide accurate CAD models and quotes on time to NFI pre-production timelines.
  - Proactive Support of integration into NFI products and the “Supplier Application Approval” (SAA) process.
  - Timely response and support to resolve any technical/product issues
- Suppliers will be rated annually on Engineering Performance.

<u>Gold</u>	Total Score = 10
<u>Silver</u>	Total Score = 8
<u>Bronze</u>	Total Score = 6
<u>Red</u>	Total Score = 0

**12.6 Service Performance**

- Service Performance assessment is based on the following 2 areas:
  - Performance of supplier’s product in service. Measured by quantity of field and warranty claims and timeliness of response and resolution.
  - Ability of supplier in resolving field service issues on a timely basis and addressing financial responsibility.
- Gold performance requires either no field issues or very few issues determined to be insignificant, considering all technical challenges.
- Silver requires minimal (significance) issues with timely resolution and assumed responsibility.
- Other levels are subjective based on the significance of the shortfalls.
- Suppliers will be rated annually on Service Performance

Gold	Total Score = 10
Silver	Total Score = 8
Bronze	Total Score = 6
Red	Total Score = 0

**Aftermarket Performance**

- Aftermarket Performance assessment is based on the following 4 areas:
  - Full support of aftermarket planning and supply for 15 years.
  - OEM pricing levels to aftermarket or aftermarket price levels with NFI that recognize the production volumes and the corresponding benefit of the aftermarket business generated on NFI coaches.
  - Price increases compared to market conditions and ability to support multi-year contract pricing commitments.
  - Delivery performance to NFI aftermarket division.
- Gold performance requires strong performance in all the above areas.
- Other levels are subjective based on the significance of the shortfalls.
- Suppliers will be rated annually on Aftermarket Performance.

Gold	Total Score = 10
Silver	Total Score = 8
Bronze	Total Score = 6
Red	Total Score = 0

## APPENDIX:

### A-1 Acronyms & Abbreviations

AIAG	Automotive Industry Action Group
APQP	Advanced Product Quality Planning
BU	Business Unit
CAD	Computer Aided Design
CIF	Cost, Insurance & Freight
CMP	Change Management Process
CTQ	Critical to Quality
DDP	Delivery Duty Paid
DDR	Design Deviation Request
DIN	Deutsche Industry Norm
DFMEA	Design FMEA
FAI	First Article Inspection
FIFO	First In First Out
FMEA	Failure Mode and Effects Analysis
FSAR	Field Service Action Report
FOB	Free On Board
IMDS	International Material Data System
ISO	International Organization for Standardization
JIT	Just in Time
KCC	Key Control Characteristics
LTA	Long-Term Agreement
NFI	New Flyer Industries
NTF	No Trouble Found
MCI	Motor Coach Industries
MSA	Measurement System Analysis
MSDS	Material Safety Data Sheet
NCP	Non-Conforming Product
OEM	Original Equipment Manufacturer
OTD	On-Time Delivery
PDP	Product Development Process
PFD	Process Flow Diagram
PFMEA	Process FMEA
PPM	Parts per Million
PO	Purchase Order
PPAP	Production Part Approval Process
PSW	Part Submission Warrant
QA	Quality Assurance
QMS	Quality Management System
QRB	Qualification Review Board
RFQ	Request for Quote
RMA	Return Material Authorization
RPN	Risk Priority Number
RTV	Return to Vendor
SAI	Supplier Application Approval
SAE	Society of Automotive Engineers
SCAN	Supplier Corrective Action Notification
SCR	Supplier Change Request



SDE	Supplier Development Engineer
SG&A	Sales, General and Administration
SOP	Start of Production
SPC	Statistical Process Control
SREA	Supplier Request for Engineering Approval
TS	Technical Specifications
VIN	Vehicle Identification Number
WI	Work Instructions