



# Supplier Quality Manual

Q-POL-451

Dynapar Corporation  
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## Supplier Agreement Letter

The Supplier Quality Manual establishes the quality expectations and requirements for suppliers of production material to Dynapar and outlines the part qualification requirements for new or changed parts. While the Dynapar Supplier Quality Manual does include updated policies, its content is consistent with past practices. Dynapar is committed to working with suppliers to resolve quality concerns. Please return the signed form within two weeks of receipt of the Supplier Quality Manual.

The undersigned has read the Dynapar Supplier Quality Manual agrees to the policies and procedures contained in it.

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Supplier Name

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Quality Manager / Senior Manager (Print Name / Title)

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Signature

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Date

Attachment to A-POL-45

## International Routing Guide/Broker Contact Information

### International Routing Guide

For shipments 200 lbs. and under, please ship via UPS Parcel Expedited Service unless advised by Dynapar to ship via Express.

For all shipments over 200 lbs., please contact your Dynapar Buyer Representative with the gross weight and dimensional information and they will advise which shipment method to use.

All shipments should be shipped on consignee's collect account number unless otherwise negotiated. Freight appearing on Invoices **WILL NOT BE PAID**. Any deviation from this shipping guidance without written buyer approval will result in a debit memo for the cost of freight or non-payment.

### Broker Contact Information

Dynapar has Import Power of Attorney's with the following firms **ONLY**:

UPS – Supply chain Solutions

### DYNAPAR CORPORATION Broker Contact Information

### UPS – Supply Chain Solutions

Air Shipments, Ocean shipments, Carrier Custom Clearance

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## Document Revision History

Revision	ECN	Date	Comments
A	33436	5/28/13	Revision to supplier agreement letter, chargeback policy, scorecard and other minor documentation updates
B	35080	10/13/15	Additional instructions added for import compliance for international suppliers.

## **1. About Dynapar CORPORATION**

### **1.1. Profile**

The Gurnee facility manufactures rotary encoders for precision motor control. Encoders have been manufactured at this site since 1972. Strategic markets for Danaher include elevators, motors, and medical devices. Encoders are sold direct to OEMs as well as through distribution. Encoders are an important and prominent part of Danaher Sensors and Controls Groups' business and are supported by our worldwide engineering and manufacturing expertise. In the Gurnee facility Dynapar and NorthStar brand encoders are manufactured. In addition, Hengstler encoders and Harowe resolvers made in Danaher facilities in Germany and St. Kitts are distributed from Gurnee. The Dynapar product is manufactured in thirteen cells. Each cell focuses on a product family (HS35, HS20, Cube, RI & E12/14, Otis, HS35R and GE) follows the fundamentals of lean manufacturing. The Northstar heavy duty product is manufactured in six cells, three magnetic encoder cells (RIM/SLIM) and three optical encoder cells which now produce the Encoder Technology product line.

Shipments are made to customers around the world with the majority of the product being applied in North America. To insure flexibility and high level of quality the circuit boards are populated in Gurnee with in-house SMT equipment. This allows us to meet three day lead-time requirements from our customers. Our dedication to service is unparalleled in the industry, with company wide commitment to quality, delivery, cost, and innovation. Every Dynapar salesperson is an experienced application engineer able to provide sound technical guidance, and like all members of our team is committed to customer satisfaction. Our ISO-9001 quality and management practices assure world class products and customer service.

Dynapar Corporation is a subsidiary of Danaher Corporation.

Recognized as one of the Fortune Magazine's Most Admired Companies (#1 in its category, Precision Equipment), The Danaher Corporation is \$18.2 billion publicly traded company (NYSE: DHR) that designs, manufacturers, and markets industrial and consumer products.

### **1.2. Mission**

The mission of Dynapar is to insure a high level of customer satisfaction while growing company sales of rotary encoder products at twice the benchmarked standard industry rate.

Quality is key to our engineering of new product design through the use of FMEA and extensive verification testing. Voice-of-the customer data is utilized to insure our new designs meet the customer requirements based on functionality and cost.

### **1.3. Vision**

The vision of Dynapar is to expand into new markets and gain new customers through continuous improvement and innovation. Our goal is to provide the highest quality products, on time, at the best possible price by leveraging the Danaher Business System.

#### **1.4. Quality Policy**

Dynapar strives to service our customers by continuously improving quality, delivery and cost.

#### **1.5. Dynapar Products**

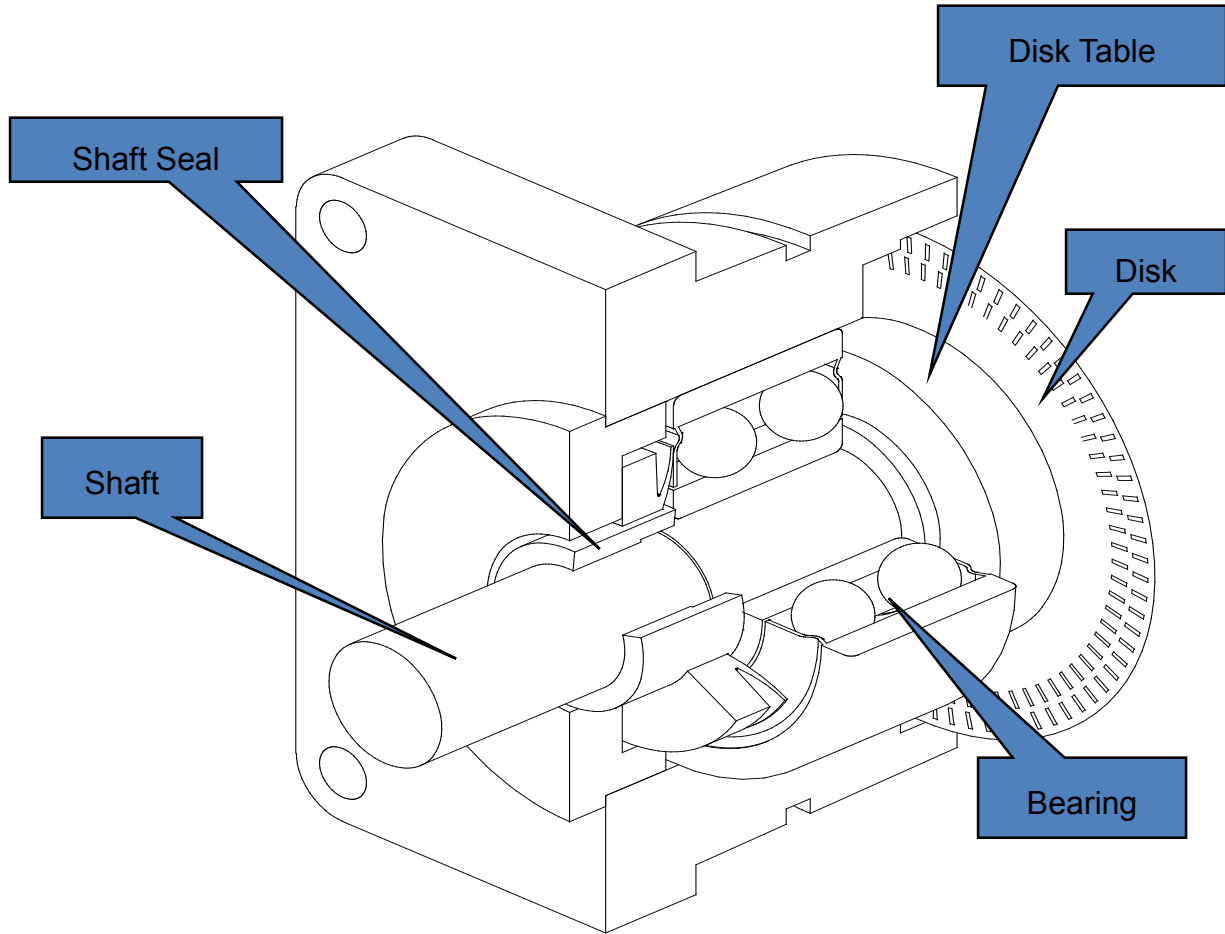
Dynapar makes the broadest line of trusted brands in motion feedback control, including Dynapar and Hengstler brand incremental encoders and absolute rotary encoders, heavy-duty Northstar encoders and high-performance Harowe brand resolvers.

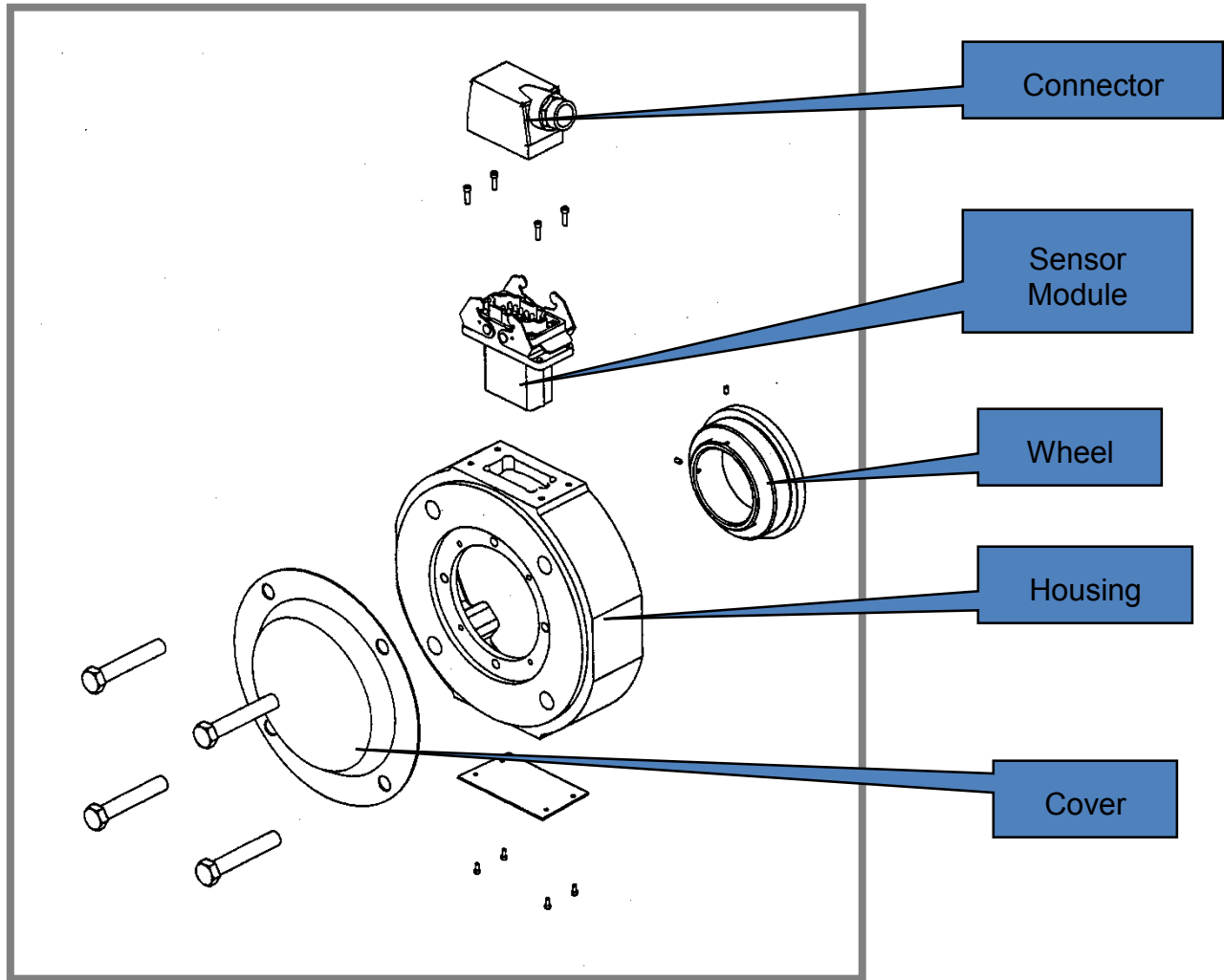
Dynapar offers the world's broadest range of reputable brand name encoder products to satisfy a full range of industrial factory, motor speed, cut-to-length and positioning applications. A recognized leader in absolute rotary encoders, commercial light-duty, industrial incremental and motor mount feedback controls, Dynapar has supplied encoder system solutions to customers the world over since 1972 - establishing ourselves as a recognized leader in motion feedback controls.

With the subsequent addition of Northstar brand heavy-duty magnetic sensing technology encoders and Harowe brand ultra-compact high performance resolvers, the Dynapar feedback controls product platform has grown to become the most comprehensive line of rotary encoders and feedback controls available anywhere.

Northstar brand heavy-duty incremental encoders and pulse tachs are synonymous as the world's most rugged and reliable brand of heavy-duty encoders and pulse tachs designed to satisfy a full range of velocity and position control applications within harsh industrial and commercial applications. NorthStar's line of digital tachometers, absolute encoders, pulse generators and instrumentation have changed the industry standard for feedback devices used by virtually all electric motor and drive manufacturers in process industries. Northstar has supplied heavy duty pulse tach and encoder system solutions to customers the world over for over 30 years under the slogan Aggressive, Innovative & Unmatched Reliability through Innovation.







## 1.6. Technology Overview – Encoders

Encoders are sensors that generate digital signals in response to movement. Both shaft encoders, which respond to rotation, and linear encoders, which respond to motion in a line, are available. When used in conjunction with mechanical conversion devices, such as rack-and-pinions, measuring wheels, or spindles, shaft encoders can also be used to measure linear movement, speed, and position. Encoders are available with a choice of outputs. Incremental encoders generate a series of pulses as they move. These pulses can be used to measure speed, or be fed to a counter to keep track of position. Absolute encoders generate multi-bit digital words that indicate actual position directly.

Encoders can be used in a wide variety of applications. They act as feedback transducers for motor-speed control, as sensors for measuring, cutting and positioning, and as input for speed and rate controls. Some examples are listed below:

- Door control devices
- Assembly machines
- Robotics
- Labeling machines
- Lens grinding machines
- x/y indication
- Plotters
- Analysis devices
- Testing machines
- Drilling machines
- Ultrasonic welding
- Mixing machines
- Converting machinery
- Medical equipment

## 1.7. References

Internal: See APPENDIX A  
Q-SOP-735; Q-SOP-725; Q-SOP-726; PM-WK-33; PM-WK-737  
External: CFR19 US Import Guidelines

## 2. Overview of Dynapar Purchasing Requirements

Dynapar is committed to a process of continuously improving all aspects of our business, including the design, manufacturing and support of our products. This will ensure continued customer satisfaction and long-term competitiveness and growth of Dynapar and its suppliers. In addition, continuous improvement will increase productivity, reduce inspection and losses due to variation. In order to maintain our commitment to our customers we must have a world class supply base as partners in our mission.

Dynapar does Advanced Product Quality Planning (APQP) and requires its suppliers to demonstrate process capabilities and develop and maintain process controls. For new part numbers, and product/process changes, Dynapar works with suppliers to develop, approve, and monitor processes using Design and Process FMEAs, Control Plans, Capability Studies, Gage R&R and other quality tools. The supplier's management must make a commitment to provide the required resources, time, and training to effectively use these tools. Our goal is to work together to be the #1 supplier of choice to all rotary feedback applications.

The Dynapar Supplier Quality Manual is focused primarily in three sections.

- ISO 9001: 2008 Quality Systems Requirements and additional Quality Requirements specific to Dynapar.
- Production Approval Process
- Dynapar Supplier Performance Review

### 3. Quality System Requirements Specific to Dynapar

#### 3.1. General Manufacturing Process Guidelines

Where not specified by print, suppliers are expected to conform to Dynapar General Manufacturing Process Guidelines for printed Circuit Boards, Vendor Requirements for ATEX Components, and General Machining Standards. Deviation from General Manufacturing Process Guidelines must be approved by Dynapar. Failure to obtain approved deviation from Dynapar may result in product being considered as nonconforming.

- General Machining Standards Document 200000
- Printed Circuit Board Standard 200010
- Vendor Requirements for ATEX Components 200905

#### 3.2. Dynapar Required Certifications

Dynapar is in the process of attaining REACH and ROHS compliance. Suppliers are required to furnish and maintain necessary documentation to support REACH and ROHS compliance to the most recent directives. Any non-conformances to these directives are to be reported immediately to Dynapar to ensure Dynapar's compliance.

#### 3.3. Change Management

Suppliers must notify Dynapar in advance of any intended changes to their production process or their supply chain's, once it has gone through 1st article approval. The new process and/or product design **MUST** go through 1st article submission requirements and Dynapar approval **PRIOR to implementation**. Suppliers must also notify Dynapar of any changes that are intended to be made to the supplier's value stream and or Country of Origin of the product/s supplied. Suppliers must also make this a condition of their own supply chain.

Examples of changes would be, ROHS certification changes on a part, country of origin, tooling changes, stock location changes, supplier changes, design changes, etc. but not limited to only these.

### **3.4. Documents to Accompany Shipment**

Material Certificates of Analysis (Refer to Section 5.3.1)

First Article Approval Process (if applicable) (Refer to Section 5.1)

Request for Deviation Form (RFD) (if applicable) (Refer to APPENDIX A)

For non-conforming material being shipped to Dynapar, the supplier must submit a Request for Deviation Form and get prior authorization before shipping (Refer to APPENDIX A).

The supplier must provide a copy of the approved RFD report with the packing list for all affected shipments. The packing list shall indicate that the shipment has an approved RFD form inside.

Lot Control Labels

Commercial Invoice / Packing List (see APPENDIX B)

All material received at Dynapar must be properly identified, a sample of the required Product Identification Label is provided in the Addendum.

### **3.5. Maintaining Process Control**

Dynapar strongly encourages suppliers to be certified to ISO 9001 or TS16949 via an accredited Registrar. Suppliers, who are not certified to the stated ISO or TS standards, must complete a Comprehensive Supplier Quality System Questionnaire (200912-0001) which may be followed up with a site audit from Dynapar. Suppliers must comply with required 1<sup>st</sup> article approval process requirements and notify Dynapar if they have a change to their Quality System Certification status, and when they get updated certificates.

### **3.6. Supplied Part Certification Program**

Dynapar is in the early stages of implementing a certified dock to stock and reduced inspection program on a part by part basis. To be eligible for consideration, the supplied part must meet a minimum of 5 consecutive shipments without any non-conformance to dimensional, visual and attribute requirements. The goal for all suppliers to Dynapar should be to have all supplied parts be part of this program.

### **3.7. Inspection of Critical to Quality Features**

For Critical to Quality Features (CTQ), 100% inspection shall be required when the  $C_{pk}$  is less than 1.33. When the  $C_{pk}$  is at 1.33 and above, sampling inspection shall be applied.

Each part shall be produced in a controlled process that maintains (or exceed) process capability or performance as approved via 1st article approval process. In order to accomplish this, the supplier shall ensure that the Control Plan and Process Flow Diagram are implemented and sustained. Evidence of sustainability may be requested at any time.

### 3.8. Sampling Inspection Plans

Variable or attribute data sampling plans shall have a known, valid relationship to internationally or nationally known standards (e.g., ANSI/ASQC-Z1.4) and the acceptance criteria shall be based on zero defects. Document appropriate acceptance criteria for all other situations (e.g., visual standards).

Dynapar follows ANSI/ASQC Z1.4-1993 procedure for all incoming material with the following inspection criteria

Sample Size	Inspection Level II and the Normal Single Sampling Plan
AQL	Accept with Zero and Reject with One, Regardless of Sample Size

## 4. Dynapar Supplier Attributes

Dynapar wants working relationships with suppliers that have our desired attributes instilled within their organizations. The supplier must have at a minimum of ISO 9001 certification or pass a Dynapar supplier system review. The Dynapar Supplier Quality System Questionnaire and review process are the tools used to select suppliers. Scorecards are used to measure supplier performance. The strategic supplier attributes are:

- The supplier should have a continuous improvement culture and have resources dedicated to instilling that culture.
- The supplier should be able to work in a JIT and/or a Six-Sigma environment.
- The supplier should be willing to absorb costs due to poor quality and late delivery as referenced in the Dynapar Charge Back Policy (Refer to Section 7.3)
- The supplier should have competitive pricing and provide cost reductions on an annual basis.
- The supplier should have reliable and capable processes and machine technologies. In addition, the supplier should have reliable preventative maintenance programs to review and upgrade equipment.
- The supplier must have programs to assess risks associated with Quality, Delivery, Cost, and overall business health.
- The supplier should have the ability to flex capacity to meet unexpected demand.
- The supplier should be responsive and flexible to Dynapar delivery and cost requirements.
- The supplier proactively pursues improvements in the product through process changes and continuous improvement activities.
- The supplier should have understanding to US Trade Code Regulations and comply with them.
- The supplier should be able to accurately identify the Country of Origin per the CFR19 US Import Guidelines

## **5. Production Approval Process**

Supplier shall submit a 1<sup>st</sup> article production sample with measured dimensions and a labeled drawing for comparison purposes as indicated in section 5.1.2. If the 1<sup>st</sup> piece article is acceptable the sample part and any additional production samples included with the lot will be functionally tested. If no dimensional, quality, or functional issues are found; the supplier shall begin the 5 lot certification. A supplier must complete 5 consecutive shipments with no dimensional, quality, or functional issues in order to be production certified. First article certification and 5 lot sample must be indicated with the Dynapar product label. Failure to properly label production samples can result in rejection of 1<sup>st</sup> article or 5 lot certification.

### **5.1. First Article Approval Process**

#### **5.1.1. 1st Article Submission Requirements**

1<sup>st</sup> Article submission must be based on production equipment and processes intended for production. The 1<sup>st</sup> Article Inspection Report provided in the addendum must be used for 1<sup>st</sup> Article submission. The supplier is to complete and sign the 1<sup>st</sup> Article Inspection Report and send it with the submittal data to the Dynapar Buyer/Planner for new part numbers and for any changes to production parts once approval to make the change has been given.

### 5.1.2. 1st Article Submission Levels

1<sup>st</sup> article submission will be done using the 1<sup>st</sup> Article Inspection Report provided in the addendum unless otherwise specified by Dynapar. Suppliers shall obtain a copy of the approved 1<sup>st</sup> Article Inspection Report before delivering product to Dynapar.

#### 5.1.2.1. First Article Inspection Reports

Anytime a new First Article Inspection Report is requested by Dynapar, the supplier must provide a copy of the report with the parts and clearly mark the outside of the shipping container with the following text and specifications,

Text to display: "FIRST ARTICLE ENCLOSED"  
Font: "Arial"  
Size: "120"  
Background Color: "Bright Orange" or "Bright Yellow"



All first article submissions **MUST** accompany with the following:

- Balloon drawings
- Dimensional measurement data
- Material Certificate of Analysis (**Required for every ATEX shipment**)
- Certificate of Conformance to all specifications
- ROHS, ATEX, REACH and applicable regulatory certifications
- All dimensional measurement data must be submitted in print specified primary unit of measure (i.e. English or metric).

#### 5.1.2.2. Request for Deviation Form

The supplier must provide a copy of the approved Request for Deviation Form (RFD) with the packing list for all affected shipments. The packing list shall indicate that the shipment has an approved RFD form inside.

## 5.2. Quality Requirements for Specific Commodities

### 5.2.1. Casting and Injection Molded Part Suppliers



Suppliers are to submit completed proofs for approval. For Die and Pattern approval, submit a 1-piece sample and First Article Inspection for all dimensions from each cavity.

- 100% visual inspection for porosity and surface quality.
- Dynapar prefers all casting suppliers to have advance inspection capabilities including X-ray inspection
- Dimensional Inspection of all critical to quality features. Record actual data on Part Certification Data Sheet
- Casting Suppliers must adhere to General Machining Standard 200000 document

### **5.2.2. Fastener Suppliers**

When lot numbers change; attach a Lot Control Change Notice label to the outside of the shipping containers. For Kanban containers, put the label in a plastic sleeve or the inside top of the container.

Assign a unique number to each product lot. Maintain Traceability of the raw material heat or lot number; heat treat lot number, manufacturing lot number.

### **5.2.3. Steel, Aluminum and Stainless Steel Stock Suppliers**

Adhere to Dynapar material specification listed in the drawings for the appropriate grade of material. Suppliers must submit material certification with every shipment

## **5.3. Documents to Accompany Shipment**

### **5.3.1. Material Certificates of Analysis**

The certification must have the part number, revision, quantity, purchase order number, specification numbers, signature and title of the authorized company representative and date. Note: Actual tests performed to verify material analysis may include material hardness, chemical composition, tensile strength, carbon / de-carbon, wedge test, thread lap, etc., depending on the drawing requirement.

For parts and drawings that have the ATEX box checked in the title block or identified via a description or any other form of communication from Dynapar, the material characteristics are critical or major. For such drawings, the supplier shall submit a Material Certification Analysis report with each shipment. For other parts, the material certificates need to be submitted for first articles only, but however supplier must be able to produce material certificates when requested by Dynapar at any time.

PCB suppliers must submit a certificate of conformance stating ROHS status and compliance to requirements. Suppliers of ATEX PCB's must submit Certificate of Conformance to the appropriate ATEX documentation WITH EVERY SHIPMENT. Please request and refer Dynapar ATEX procedure document 200905-0001 for additional information.

The certification will have the part number, revision, quantity, purchase order number, specification numbers, signature and title of the authorized company representative and date. Note: Actual tests performed to verify material analysis may include material hardness, chemical composition, tensile strength, carbon / de-carbon, wedge test, thread lap, etc., depending on the drawing requirement.

## **6. Packaging and Shipping Requirements**

### **6.1. Handling of Returnable Containers**

Suppliers shall provide for proper storage and maintenance of returnable containers. Suppliers are responsible for cleaning each container to ensure parts are free of debris prior to repackaging parts.

### **6.2. Inventory Management**

Suppliers shall use an inventory management system to optimize inventory turns over time, assure stock rotation and minimize inventory levels. Specific inventory levels may be requested per our contract. If inventory levels are required monthly inventory status reports must be supplied to Dynapar.

### **6.3. JIT Delivery**

Dynapar Production System works in a Just-In-Time (JIT) environment. Suppliers shall establish a system to support 100% on-time shipments to meet production and service requirements. Supplier shall communicate to Dynapar Buyer/Planner of potential late delivery problems in advance of the due date. When 100% on-time shipments are not maintained, suppliers must implement internal corrective actions to improve delivery performance.

### **6.4. General Instructions**

When Dynapar is responsible for freight charges, contact the Dynapar Purchasing Representative for the latest list of approved carriers.

- Consolidate all shipments that are to be shipped to one location on the same day. Create a master Bill of Lading that references multiple purchase orders.
- A packing list is mandatory and must be placed inside the master carton of each shipment.
- Each carton must show consignee address, name, purchase order number, part number, and revision level for the enclosed parts.
- Shipments on pallets must be clearly marked with the piece count on each pallet.
- The Dynapar shipping label provided in the addendum is recommended with the pertinent information mentioned above.

## 6.5. Bill of Lading

A bill of lading (two copies) with the following information must be provided to the carrier at time of pick-up:

Consignee's Name  
Purchase order number  
Description of merchandise and NMFC number  
Ship to address

If shipped collect, Bill To:

**Dynapar**  
1675 Delany Road  
Gurnee, Illinois 60031

## 6.6. Small Package Shipments

Ship packages within UPS size limitations having a total shipment weight of 50 pounds or less to the address (is) indicated on our purchase order. To insure proper billing of freight charges, choose the collect only option when entering your UPS shipment. Use the Dynapar account number on the P.O.

## 6.7. Shipments by Air

Dynapar must authorize all collect air shipments. Air carrier and account information can be obtained from the purchasing Dynapar representative.

## 6.8. LTL Carrier Routing

When Dynapar is responsible for freight charges, contact the Dynapar Purchasing Representative for the latest list of approved carriers.

## 7. Non-Conforming Product

Non-Conforming product is defined as a product which deviates from drawings, specification and purchase order requirements. On an exception basis, suppliers may submit a Request for Deviation for Dynapar to review and approve. **Written approval is required prior to the shipment of any nonconforming products.** A copy of the signed (approved) Supplier Request for Deviation shall accompany the shipment. This deviation approval shall not be construed as acceptance of future lots that do not meet specification; although we will work together to insure our requirements are reasonable and welcome improvement suggestions.

### 7.1. Corrective Action

In the event of a quality issue related to a supplier's part/ product, the supplier will be issued a Non-Conforming Material Report (NCR). This will be designated based on the response requested by the supplier as:

- “For Notification Only- Corrective Action not required”- This is for issues for which a formal response is not required from the supplier, but the supplier is responsible to address to insure resolution.
- “Formal Corrective Action required” – This requires the supplier to submit a formal corrective action response. The format provided in the addendum is preferred. 8D format may also be used. The following are requirements for response:
  - Initial response (Acknowledgement of issue and containment action taken is required within 24-48 hours depending on geographic location)
  - Formal corrective action is required within 15 business Days unless otherwise specified

### 7.2. Escalation Process

When nonconforming material is received from a supplier, the following escalation process may be used.

Required		
A	Non-conforming product is detected Dynapar	NCR is issued to supplier. Corrective action response is required in the time frame listed in the Dynapar NCR process.
B	Issue is repeated within one quarter of initial nonconformance.	Supplier is notified by Supplier Quality they must submit a revised corrective action detailing why containment failed. Additional rejections may result in a conference call to review additional countermeasures, an on-site Dynapar quality audit, or the supplier reviewing corrective action in person at Dynapar due to ineffective original corrective action.

C	Issue is repeated two times by supplier within one quarter of initial nonconformance.	Shipments from supplier must be 100% sorted for the nonconforming defect and marked certified. Sort data will be submitted to supplier quality with each shipment. Supplier will remain on 100% inspection until the supplier has remained defect free for thirty days or other time period as defined by Dynapar depending upon frequency of supplier shipments. Dynapar Supplier Quality may request to conduct an onsite review of the corrective action with the supplier's management at the supplier's location.
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### 7.3. Charge Back Policy

Dynapar reserves the right to charge back suppliers for cost incurred due to non-conforming product. Charges may include sorting, rework, and scrap component costs. Suppliers will receive an itemized cost summary detailing the back charges.

<b>Type</b>	<b>Non-Compliance:</b>	<b>Remedy:</b>
1.	Failure to use Designated Carrier	Reversal of all Freight Charges
2.	Non-Conforming Product is sorted or reworked by Dynapar Employees	Hourly rate of Direct and Indirect Employees
3.	Costs incurred due to the specific nonconforming component used	Detailed in Itemized Cost Summary

Any questions should be directed to the Purchasing Representative at Dynapar.

## 8. Supplier Performance Review

### 8.1. Supplier Score Card

The Supplier Score Card is the framework for measuring supplier performance in Quality, Delivery, Cost and Support and is sent to each supplier on a regular basis depending on the tier level of the supplier. The Supplier Score Card calculates an overall score and performance level. Each element has a weighted percentage to indicate those elements that are ranked from highest to lowest.

Suppliers that achieve an overall level of "Outstanding" and "Acceptable" will have preference of being awarded new business.

Suppliers that receive a "Unsatisfactory" or "Unacceptable" rating will be required to submit an action to show in detail what actions are going to be taken by the Supplier to improve the score card rating.

<b>Rating</b>	
Outstanding	<p>Supplier performance exceeds Dynapar expectations.</p> <p>Will receive first quote opportunity and consideration for new business.</p> <p>Preferred for new Dynapar business and a recommendation to Danaher corporate to be considered for Danaher Preferred status</p>
Acceptable	<p>Supplier performance is at Dynapar expectations with opportunity to improve.</p> <p>Eligible for new business, Dynapar will continue to work with the supplier to develop supplier to meet outstanding category.</p>
Unsatisfactory	<p>Supplier performance is unsatisfactory and needs immediate improvement.</p> <p>Supplier is not eligible for any new business and performance improvements must be made within two scorecards.</p> <p>Dynapar reserves the right to move the supplier into the 'unacceptable' category if no improvement is made in the period under consideration.</p>
Unacceptable	<p>Supplier performance is unacceptable to Dynapar standards and needs urgent improvement.</p> <p>Supplier must submit a supplier improvement plan within 10 business days of receiving the unacceptable rating that provides an action plan to improve their quality over their next evaluation period.</p> <p>Supplier is not eligible for any new business and performance improvements must be made within the following 3 months after receipt of unacceptable rating per scorecard.</p> <p>Designated suppliers will be evaluated on a monthly basis and if the supplier does not show any improvement in performance for three consecutive months then the supplier may be at high risk of having the business resourced.</p>

**8.2. Supplier Probation**

Supplier performance will be evaluated at the time of scorecard completion. A supplier may be placed on probation if “Unacceptable” performance level is recorded in the last quarter. Suppliers on probation may not be awarded new business from Dynapar. However, existing part numbers with the supplier may be filled with new purchase orders. When a Supplier is put on probation, it will be noted at the bottom of the report card.

This performance will be communicated to Danaher Corporate and will affect Danaher Preferred Supplier rating.

Suppliers on probation should strive to attain an acceptable performance rating in the following quarter. A supplier will be removed from probation once they have achieved 2 consecutive quarters with a minimum performance level of unsatisfactory and successfully completed an Improvement Action Plan.

### 8.3. Explanation of Score Card Metrics

#### 8.3.1. Quality

Weighing factor towards overall score: 50%

Defined as the delivered quality of production parts. Quality is calculated using the formula below.

Defective Parts Per Million (PPM) = (Total pieces defective / Total pieces received) X 1 Million

NCRs will be reviewed, counting the total number of nonconforming parts as follows:

- Use As Is – Estimate of defective product based on incoming inspection.
- RTV – entire lot will be counted unless the supplier notifies Dynapar within 7 working days the number of defective parts found in their 100% inspection of the product returned.
- Sort – If Supplier sorts, or arranges for a third party to sort at Dynapar, the defective pieces found.
- Rework – Estimate of defective product based on incoming inspection.

Points	Rating %	PPM Defective
4	50%	< 500
3		501 – 1,600
2		1,601 – 5,000
1		>5,001

#### 8.3.2. Delivery

Weighing factor towards overall score: 40%

Defined as the ability to deliver what we want, at the right time, with zero defects.

- On Time Delivery – The number of Late Deliveries / Total Deliveries Received. A delivery is considered late if it is not received on the required due date with the correct quantities, as specified on the purchase order or kanban signal.

Points	Rating %	On Time %
4	40%	97 - 100%
3		90 - 96.9%
2		80 - 89.9%
1		0 - 79.9%

### 8.3.3. Productivity

Weighing factor towards overall score: 10%

Defined as the level of cost reduction achieved over a rolling one year period of time.

- Cost Reduction = Total Cost Reduction from the supplier / Total \$ the Supplier Shipped. This is a measure based on the score card frequency specific to the supplier.

Points	Rating %	Total Cost Reduction
4	10%	> or equal to 4%
3		3.9% – 2.5 %
2		2.4% – 1%
1		< 0.9%

### 8.4. Sample Supplier Score Card

(This is ONLY a Sample Document, Rev A, PM-F-48)

Date: Quarter Review Danaher Preferred Supplier		Supplier:				Score				<b>OUTSTANDING</b>
Performance Criteria	History and Current Performance					Performance Points				Total Points
						OUTSTANDING - 4	ACCEPTABLE - 3	UNSATISFACTORY - 2	UNACCEPTABLE - 1	
<b>1. Quality (50%)</b>	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013 YTD PPM	0 - 500	501- 1600	1601 - 5000	> 5001	Quality
PPM Rating	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	<b>4</b>				<b>2.0</b>
# of NCR				0						
# of Defects				0						
# of received parts				0						
<b>2. Delivery (40%)</b>	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013 YTD OTD	97-100%	90-96.9%	80-89.9%	0-79.9%	Delivery
On-Time Delivery	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	<b>4</b>				<b>1.6</b>
# of late shipments				0						
Total shipments				0						
<b>3. Productivity (10%)</b>	Q1 2013	Q2 2013	Q3 2013	Q4 2013	% Reduction Cost	4% & Above	2.5-3.9%	1-2.4%	.9% or less	Productivity
Total Cost Score	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	<b>4</b>				<b>0.4</b>
PPV Savings				0						
Total spend				0						
<b>Total Rating</b>						3.5 TO 4.0	2.5 TO 3.4	1.5 TO 2.4	1 TO 1.4	Total Points
						OUTSTANDING	ACCEPTABLE	UNSATISFACTORY	UNACCEPTABLE	<b>4.0</b>

Comments:



## 9. Guidelines for Import from International Suppliers

9.1. Instructions & Check List (see APPENDIX B)

9.2. Marking of Country of Origin on U.S. Imports (see APPENDIX A)

## 10. Instructions Glossary of Commonly Used Acronyms

C <sub>pk</sub>	Process Capability Index
C=0	Zero Defective Sampling Plan
CSER	Comprehensive Supplier Evaluation Report
DBS	Danaher Business System
Dynapar	Dynapar Industrial Controls Group
FMEA	Failure Mode & Effects Analysis
JIT	Just In Time
Kaizen	Continuous Improvement
Kanban	Signal or trigger to replenish product quantity
NCR	Nonconforming Material Report
PCP	Process Control Plan
PPM	Parts Per Million
RFD	Request for Deviation
SPIP	Supplier Performance Improvement Plan
Six-Sigma	3.4 defects for every million opportunities
SMED	Single Minute Exchange of Die
TPM	Total Productive Maintenance
CTQ	Critical to Quality

## 11. APPENDIX A

<b>Index</b>	<b>Document Description</b>	<b>Dynapar Document Number</b>
1	First Article Inspection Form	Q-F-346
2	Supplier Corrective Action Request	PM-F-70
3	Request For Deviation	200909-0001
4	Shipping Label	114985-0001
5	REACH Declaration Workbook	200938-0001
6	ROHS Declaration Form	200939-0001
7	Vendor requirements for ATEX Specific Components	200905-0001
8	Conflict Mineral Understanding	200940-0001
9	General Machining Standards	200000
10	General Manufacturing Standard for Printed Circuit Boards	200010
11	Dynapar Supplier Quality Audit Questionnaire for non-ISO suppliers	200912-0001
12	Dynapar Quality Audit Questionnaire for ISO Suppliers	200937-0001
13	Marking of Country of Origin on U.S. Imports	PM-REF-739
14	Manufacturer's Affidavit and Certificate of Origin form	PM-F-747

**12. APPENDIX B**

**Dynapar Corporation  
Commercial Invoice/Packing List  
Instructions/Checklist**

**Documentation Requirements for Importation into the US**

PRIOR to shipment of Goods into the US, confirm inclusion of all data points below. Please contact Procurement / Materials manager with any questions.

**SUPPLIER IS RESPONSIBLE ENSURING INCLUSION OF THE FOLLOWING INFORMATION ON THE COMMERCIAL INVOICE**

<b>INFORMATION / CONTENT</b>	<b>DETAILS / EXPLANATION OF CONTENT</b>
Invoice	Document must state "Invoice" or "Commercial Invoice"
Invoicing Party Date	Include Invoicing Party Address
Purchase Order	Invoice must state Dynapar's purchase order number
Shipper's Name and Address	Must be listed if Shipper is different than invoicing party
Sold to Party/Ship to Party	Must read: Dynapar (add address)
Manufacturer's Name and Address	Must be listed if Manufacturer is different from Supplier
Country of Origin	Invoice must state Country of Origin
Terms of Delivery(Incoterms)	Must be on invoice and must match PO
Dynapar Part#	Dynapar's part number must match purchase order
Product Description	A clear product description is required, including the name by which each item is known, the grade or quality and the marks, numbers, and symbols, under which it is sold and packaged
Harmonized Tarrif Code	USE HTS as instructed by Dynapar---if unclear ask (rate of duty)
Purchase Order Notes	Any additional information in the notes of the purchase order
Value match PO	Invoice price must match Purchase Order price
Currency	Invoice must state currency
Quantity	Invoice must state quantity
Net weight	If not on invoice, a packing list must be supplied
Gross weight	If not on invoice, a packing list must be supplied
Dimensions	If not on invoice, a packing list must be supplied
Reason	Statement of Shipment Reason
Charges	Charges, including freight, insurance, commission, cases containers, coverings, and cost of packing and cost of inland freight to the port of exportation if such costs are not already included in the price
Discounts/Commissions	If applicable, list
Assists	Following, but not limited to materials, tools, engineering work not already included in the price
All deductions from an addition to total invoice value, separately itemized	If applicable, list
Signature	PO must be signed

**RECORD  
RETENTION**

Document Title	Responsible Party	Location	Minimum Retention	Disposition
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