

Standard Motor Products

Independence, Kansas

Procedure

Subject / Title:	PURCHASING	Document No.: 400456 P.E. 28590	Rev S
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1.0 SCOPE:

Applies to all purchases from suppliers for materials, equipment and services.

2.0 PURPOSE:

Assure availability of quality materials, equipment and services in the required time frame.

3.0 RELATED DOCUMENTS: “To the extent specified herein”

Receiving Inspection Procedure	400708
Production Part Approval Process Manual.....	400485
Supplier Profile	412014
Purchased Item/Supplier Evaluation.....	410104

4.0 DEFINITIONS:

AIAG	Automotive Industry Action Group
Approved Supplier List.....	Quality Assurance Maintained Data Base
Resale	Item which is purchased for resale
CNF	Change Notice Form
JDE.....	Standard Motor Products computer system software package
Corrective Action.....	Actions taken to eliminate product or process nonconformity
Customer Supplied Item	Any item supplied by the customer
Design Change.....	Change that may affect fit, form, or function
DNCAR.....	Discrepancy Notice and Corrective Action Request
Initial Samples.....	Samples of new item, design change, source change or process change item
Layout Inspection.....	An initial inspection that includes essential specification requirements
M/B.....	Make/Buy
Material Classification	Purchased item material class see section 6.9
MRB	Material Review Board
MRO.....	Maintenance, Repair and Operation
On Site Survey	Survey in Supplier System Survey Procedure
PPAP.....	Production Part Approval Process (see QS9000)
Purchase Order	The vehicle that binds a commitment for materials, equipment or services
Purchasing Representative.....	Person responsible for Supplier Profile information maintenance.

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Qualification Testing..... Testing as may be done to determine "Fit, Form and Function"
Requisitioner..... One who initiates a request for purchase
SIE Number..... SIE serial number
SIE..... Supplier Item Evaluation
SMP-I..... Standard Motor Products, Independence
SQR..... Supplier Quality Requirements
Supplier..... One who supplies a product, equipment or service to a user
Supplier Score Card..... A monthly supplier report card sent to the supplier
Supplier Profile..... A comprehensive survey that is completed by a supplier to SMP-I

5.0 SAFETY CONSIDERATIONS / PRECAUTIONS:

As required

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6.0 PROCEDURE:

6.1. General

6.1.1 Suppliers are approved, by item number, upon completion of the Supplier Item/Supplier Evaluation as instructed in section 6.8 of this document.

Where the customer has an approved subcontractor list, parts are purchased from the customers approved subcontractor list. For identification, Material Class 100 is given to parts where the customer has an approved subcontractor list, as instructed in the Supplier Quality and Material Policy section 6.9 of this document. Additional subcontractors can be added only through the customer's Materials Engineering activity. The appropriate customer engineering function to be considered, will be contacted before adding to the existing customer approved subcontractor list.

6.1.2 Periodically existing suppliers will be sent a packet asking for a signed statement of compliance to current governmental environmental, health and safety constraints on restricted, toxic and hazardous materials as well as electrical and electromagnetic considerations applicable to the country of manufacture and sale. New suppliers will also be sent the same packet.

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6.1.3 Receipt of material.

- Verification of conformance to engineering specifications through incoming inspection as instructed in the Receiving Inspection Procedure 400708 (SEE SECTION 3.0)
- Corrective action system.

6.2. Evaluation of Subcontractors

6.2.1 Assessments of suppliers are carried out by Materials, Quality Engineering, Engineering and/or Manufacturing.

6.2.2 To obtain supplier business and business practices information for supplier evaluation the Supplier Profile, form 412014, is sent to suppliers.

Supplier Profile is a supplier evaluation and is sent to a supplier for one of the following reasons:

- (1) Preliminary Evaluation of a Potential Supplier.
- (2) Re-evaluation of an existing supplier.
- (3) Pre-Survey leading to an On-Site survey.

The supplier is requested to complete the form and return it to the requestor. (needs reviewed)

Supplier Quality System development is performed using ISO/TS 16949:2002 as the fundamental quality system requirement with ISO 9000:2002 as the first step. Data is reflected in the supplier performance summaries (*in development*), quality records, and supplier profiles.

6.2.3 Supplier Performance Summary of suppliers is monitored.

- Quality records
- Cost related delivery
- PPM
- Customer Satisfaction
- Supplier Rating Scorecards

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Supplier(s) showing inadequate performance are asked to implement corrective action as appropriate. Top suppliers with 3 months of being problematic and with the highest dollar amount may warrant a site visit.

- 6.2.4** Suppliers are required to have on time delivery performance to the degree necessary to avoid “line down” occurrences. In the event that the supplier issue causes a quality/delivery disruption of the magnitude that SMP's customer is effected, SMP will notify their customers of the situation. The appropriate planning information and purchase commitments to enable suppliers to meet these expectations are provided.

6.3 Purchasing Data

- 6.3.1** Purchasing documents may contain data describing the product ordered including where applicable:
- the type
 - material class, as instructed in the Supplier Quality/Material Policy section 6.9 of this document
 - grade
 - other precise identification.

Positive identification data and the applicable issue of specifications, drawings, process requirements, inspection instructions, approval and qualification requirements, and special instructions are also included in the data.

- 6.3.2.** Purchasing documents are reviewed and approved by the buyer for adequacy of specified requirements and where appropriate, procedures, processes, equipment, and quality management system requirements, prior to release. Permission to purchase inventory items is limited to personnel with authorized buyer permission. Management approval is required for issuance of all buyer permissions. OSHA requirement 29CFR1910.1200 assures that governmental and safety constraints on restricted, toxic, and hazardous substances are complied with relative to purchased products and the manufacturing process.

Beginning January 1, 2008, supplier requests for price changes, not including surcharges, must be submitted per form #412014-9 found in the Supplier Profile Packet located on Standard Motor Products website, www.smpoe.com. This form should be submitted 60 days prior to the requested effective date. Deviation from this will not be accepted unless prior negotiation has established other criteria.

Price change requests must describe in detail the reasons/justifications for the submission.

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Suppliers are encouraged to offer suggestions as to ways that price increases might be avoided. These suggestions should be considered at all times. It has been, and will continue to be the policy of Standard Motor Products to favor cost effective suppliers with increased business shares whenever possible.

6.4. Verification of Purchased Product.

- 6.4.1. Where SMP-I proposes to verify purchased products at the suppliers' premises, SMP-I specifies arrangements and the method of product release in the purchasing documents.
- 6.4.2. Where specified in the contract, the customer or the customer representative is afforded the right to verify at the suppliers' premises and SMP-I premises that suppliers product conforms to specified requirements. Such verification is not to be used as evidence of effective control of quality by the supplier. Verification by the customer does not absolve SMP-I of the responsibility to provide acceptable product, nor does it preclude subsequent rejection by the customer.

6.5 Suppliers are defined as follows: (see 400708)

Certified:

A supplier that has sufficient quality history at the purchased item level, will be defined as certified when they are placed on "Dock to Stock" status.

Approved:

Approved SIE per part number. A supplier that does not have sufficient quality history and/or has a status that requires some level of inspection at the receiving process.

6.6 RESPONSIBILITIES:

- 6.6.1 The Buyer has the overall responsibility and authority for the issuance of purchase orders and will:
- Monitor supplier performance. (*in development*)
 - Maintain records of supplier compliance to safety and hazardous material issues and regulations.
 - Review and approve purchasing documents.
 - Request and obtain corrective action from suppliers.

6.7 RECORDS, FORMS, AND TAGS:

Purchase Requisition - 412012

Supplier Profile – 412014

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Material Cost Inflation - 412014 -9

6.8 PURCHASED ITEM/SUPPLIER EVALUATION

6.8.1 APPROVAL FOR NEW/REVISED ITEMS/SUPPLIERS:

The approval process for a new or revised item and/or a new supplier/item is as follows. (Applies only to class 100 or 200 materials, finished goods and subcontracted material services. Does not apply to class 300 items or materials.)

1. Request a sample material or item quantity from the supplier for evaluation.
2. If the supplier will not provide a free sample quantity issue a Purchase Order for the samples. (Do not issue the Purchase Order for a production quantity order, unless an emergency order quantity is required for production prior to supplier item approval).
3. The buyer requests the supplier to provide a Level 3 PPAP when applicable.
4. The buyer request supplier drawings, Certificate of Analysis and test specifications as may assist SMP-I in evaluating the samples.
5. The buyer initiates in SIE Access database, a SIE using the SIE Switchboard for the item number and supplier number. (A new SIE is not required if an approved SIE already exists in JDE for the supplier and item.) (E-mail from the buyer is sent to Quality for Suppliers changing company names and/or addresses.)
6. When production samples are received, the supplier item is then matched with a printed hard copy of the SIE and delivered to Receiving Inspection along with all suppliers supporting documents and specifications.
7. Quality will proceed with the required inspection and evaluation of the supplier item.
8. Quality will post in SIE Access database the approval or disapproval of the SIE based on the evaluation results.
9. Approval of the SIE by Quality will establish inspection status and provides approval information to the buyer.
10. Disapproved SIE's will bar additional purchase orders from being placed for the identified item until the quality issue has been resolved
11. SIE's that have been approved in the SIE Access database are then closed to indicate that no additional approval activity is required for that supplier and item.

6.8.2 RECEIVING INSPECTION EVALUATION:

1. Matches the Receiving Memo and item samples with the outline drawing.
2. Requests QE review of PPAP documents when received.
3. Requests a layout inspection and or lab testing as required.
4. Stages the folders and samples for review by Quality and or Engineering evaluation review. (Review may be done during MRB meeting)

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6.8.3 FAILURE TO ACCEPT:

Initial production samples that do not pass inspection and do not work in the application will not get SIE approval. A DNCAR will be written as a Quality record. If samples were pulled from a production size lot quantity the lot will be rejected following Receiving Inspection Procedures, and stays in "Inspection Status". A SIE that did not receive initial approval may remain open for re-evaluation if additional samples are to be received from the supplier.

The DNCAR will be keyed into the database but will not be reported for corrective action follow-up. The DNCAR will be routed to the buyer and will be used as an information form, to aid the supplier in providing corrections that may improve fit, form or function. The buyer will be responsible for assuring the information is forwarded to the supplier for sample improvement.

6.8.4 CUSTOMER SUPPLIED ITEMS:

Customer supplied items are evaluated the same as purchased items unless the agreement is to "use as is". They will remain in "Inspection Status" until a quality history is developed per receiving inspection procedures.

6.8.5 SIE DISAPPROVAL:

Disapproval occurs when an item fails to meet all specified requirements in accordance with this instruction and will:

Disapproval of the SIE stops the subsequent purchase of production quantities of material from the supplier at the item number level.

Disapproval of the SIE may be deferred by consensus of Purchasing, Quality and/or Engineering. The item will be re-evaluated on the next shipment against an open purchase order. They will remain in "Inspection Status" until a quality history is developed per receiving inspection procedures.

6.8.6 SUPPLIER/ITEM DISQUALIFICATION:

If disqualification of a previously approved supplied item is prudent, a review of the item status will occur by Quality, Engineering and Purchasing. Additional reviews may be requested when appropriate. Concurrence of all who review will result in the SIE being disqualified. No additional purchases from that supplier for that item may occur until a new SIE is presented and approved samples have been received. A supplier/item may be disqualified for any number of reasons, including but not limited to the following:

1. Recurrent quality problems resulting in a history of rejections on a given item as indicated by rejections of any two consecutive incoming lots.

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2. Recurrent delays in production due to poor delivery from supplier within the specifications of the Supplier Quality and Material Policy (See 7.0).
3. Customer complaints or product recall resulting from poor supplier quality.
4. Lack of supplier cooperation in meeting customer specified requirements (including SPC, PPAP, product certification, third party registration or equipment calibration programs) as specified in the Supplier Quality and Material Policy (See 6.9 of this document) and other Engineering and Quality Assurance specifications.

6.8.7 CONDITIONAL RE-SUBMISSION OF SAMPLES:

After an item has been disapproved or disqualified, that supplier may not submit additional samples for evaluation except under one or more of the following conditions:

1. An SMP-I error in inspection or test results is discovered which prevented supplier from being approved.
2. Supplier has made a written commitment to correct all problems identified in the initial evaluation.
3. Supplier has passed an approved third party registration since submitting original samples and is recommended for reevaluation.
4. If members of Quality, Engineering and Purchasing agree to allow additional samples to be submitted.
5. One calendar year has passed since last evaluation for subject item.

6.8.8 APPROVED SIE's:

SIE's are considered acceptable so long as there is no change in the source, the quality level remains acceptable and the process or the design has not changed. If no receipt has been received from the approved supplier in any twelve-month period, they are put back to "Inspection Status" so the next receipt is inspected.

6.8.9 QUALITY INPUT:

Quality may require input for the SIE approval/disapproval process from any of the following:

1. Quality
2. Engineering
3. Customer
4. Sales
5. Purchasing
6. Manufacturing

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Quality however retains the final decision.

6.8.10 SAMPLE RETENTION:

Samples may be retained in some cases as follows:

1. Receiving Inspection: (one sample).
2. Packaging Engineering: (one sample)

6.8.11 RECORDS, FORMS, AND TAGS:

Layout Inspection Report
Lab Request Form

6.9 SUPPLIER QUALITY and MATERIAL POLICY

6.9.1 PROCEDURE

6.9.1.1 MATERIAL CLASSIFICATION:

All engineering driven purchased raw materials and/or products purchased for resale are designated to classes defined below. This class designation may be specified on SMP-I engineering documentation as drawings are revised or issued.

6.9.1.2 ENVIRONMENTAL IMPACT:

Materials, chemicals, or products that have been designated as having potential environmental impact are purchased from manufacturers and or distributors that must satisfy Federal and State environmental requirements for packaging, labeling and transportation. SMP-I in house drawings for these items will reflect SMP-I requirements. These drawings may be labeled with Material Class "100", "200", or "300" as determined by engineering.

6.9.1.3 Class "100" Materials or Products Definition:

Standard or special items supplied to SMP-I engineering drawings and specifications for which non-conformance may result in failure to comply with safety, government, or customer contracted requirements for fit, form function, quality, reliability, service or price. PPAP's are required (except for proprietary material) from the supplier for Class "100" materials and buy out products on a part number by part number basis. If PPAP is not received, additional inspection is required as described in 400708. SMP-I and/or SMP-I's customer retains final approval for any change made to components, processes, or final products.

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Items included in this class:

Material/item with supplier controlled customer contracted requirements.

Material/item with supplier controlled SMP-I designated requirements.

Material/item with supplier controlled government requirements.

Items affecting safety.

6.9.1.4 CLASS “200” Materials or Products Definition:

Industry standard item, catalog item or special item, where specifications are not specifically controlled by customer contract. SMP-I engineering drawings and specifications may be provided or item may be designated by reference to industry standards or commercial catalog descriptions/part numbers.

Additional requirements, may be requested on an item by item basis. These additional requirements will originate in engineering documentation.

6.9.1.5 CLASS “300” Materials or Products Definition:

Commercial grade item supplied per SMP-I engineering drawings, accepted industry standards or from supplier catalogs (i.e., janitorial and office supplies). No buyout (re-saleable item) or component going into our product can be designated Class “300” or moved to a Class “300” unless approved by the Director of Engineering. Under normal circumstances, there will be no receiving inspection done on Class “300” materials or products, by the quality department.

6.9.2 OLD FIVE (5) CLASS MATERIAL SYSTEM versus NEW THREE (3) CLASS SYSTEM:

Because there are old drawings which will be required for a long time it is necessary that we cross-reference the old (5) class designation to the new (3) class system. Use the following for cross-referencing.

Old Material System Class

New Material System Class

1 & 2	will be contained in	“100”
3 & 4	will be contained in	“200”
5	will be contained in	“300”

6.9.3 PURCHASE ORDERS:

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Purchase orders will also show the drawing revision level for the item being procured. PPAP unless stated otherwise on the engineering drawings will be to the default level 3 as defined in the AIAG PPAP manual. (Ref. 400485)

6.9.4 ENGINEERING:

Engineering department is responsible for populating the commodity code field on the drawing with the appropriate material class.

6.9.5 RECEIVING INSPECTION:

Receiving inspection personnel will maintain an active file of supplier PPAP documents for those supplier items requiring PPAP's. (Ref. 400708)

6.9.6 RECORDS, FORMS & TAGS:

Purchase Order - JDE - Hard Copy

6.10 Distribution of Change Notice Forms – Purchasing

- Receive CNF notification via e-mail.
- Print all CNF's.
- Identify correct buyer
- Distribute to appropriate buyer.
- Print applicable drawings from Document Viewer program.
- Send to supplier.
- Log in spreadsheet located V\Purchasing\Change Notices\Log.

6.10.1 RECORDS, FORMS, AND TAGS:

Change Notice Log

6.11 Supplier Profile:

6.11.1 SEND SUPPLIER PROFILE:

Decision has been made to send a Supplier Profile form to a supplier or direct supplier to Website.

If Supplier Packet sent from SMP-I:

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1. Attach cover letter, as required, to Supplier Profile form and send to supplier. A statement of compliance to current governmental and safety constraints is included in the profile.
2. Upon receipt of the completed form, enter the date in "For Internal Use Only" section.
3. Review form and sign where appropriate.
4. Route to Reviewers as appropriate.
5. Route completed form to Purchasing Representative.
6. Purchasing Representative logs pertinent information from the completed form.
7. Purchasing Representative files completed Supplier Profile in purchasing files.

If Supplier Packet from Website:

1. Direct supplier to Standard Motor website at smpoe.com and pull Supplier Packet can be found in Purchasing or Quality.

6.11.2 RECORDS, FORMS, AND TAGS:

Supplier Profile Packet 412014

Cover Letter

6.12 BUYOUT OR INTERCOMPANY INVENTORY COMMODITY MOVEMENT: PUR-1

6.12.1 REVIEW REQUIREMENTS:

Requirements are reviewed by the buyer/planners at least weekly using JDE screens (Ref. JDE Purchasing Handbook)

6.12.2 PURCHASE ORDER PLACEMENT:

New purchase orders are placed by buyer/planners with approved suppliers at least weekly.

6.12.3 SUBCONTRACTING PURCHASE ORDERS:

If the purchase order is for subcontracting, a non-billing transfer document is also required. This document states the raw item number to be processed and the processed item number that will return to the plant against the accompanying purchase order. The purchase order number is usually referenced on the non-billing transfer document.

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6.12.4 PRINT PURCHASE ORDERS:

Purchase orders and all purchase order changes can be printed separately or in a batch each day.

6.12.5 SUPPLIER APPROVAL:

Supplier approval is attained through the Sample Evaluation Notice (SIE) process (SEE SECTION 6.8). Buyer/planners enter the request for supplier approval in SIE Access database. At that point the request is in queue waiting Quality Department review and approval. Once the SIE is approved by the Quality Department, the buyer/planner may view approval or approval status using SIE Switchboard.

6.12.6 PURCHASE ORDER APPROVAL:

Buyer/planners may approve up to \$50,000 per purchase order. Any purchase orders totaling \$50,001 through \$100,000 must be signed by the buyer/planner and materials manager. Purchase orders \$100,001 and above must be signed by planner/buyer, materials manager, and plant manager and division controller.

6.12.7 INTER-COMPANY PURCHASE ORDERS:

Purchase orders or requisition numbers resulting from inter-company are phoned, faxed, emailed, confirmed on supplier web-site, or hand-delivered to supplier no later than the day they're printed to suppliers by buyer/planners with the request for acknowledgement/confirmation.

6.12.8 PURCHASE ORDER RETENTION/FILING:

- Purchase orders and amendments are to be retained for the life of the part plus one year
- The buyer/planners or, their assignee, file the purchase orders no less than monthly

6.12.9 SUPPLIER CONFIRMATION:

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If supplier confirmation suggests agreed-to purchase order changes (ref 6.3.2 paragraph 2), the buyer/planners make the changes. As confirmations are received, and once any necessary changes are made, the confirmation is filed with the original purchase order by the buyer/planners or their assignee.

6.12.10 RECORDS, FORMS, AND TAGS:

- Purchase Orders, Supplier Confirmations
- Purchase Order Report
- Purchase Order Changes
- Open Order Report