



# SUPPLIER REQUIREMENTS MANUAL

Revision 3

**GATES CORPORATION**

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Dear Supplier,

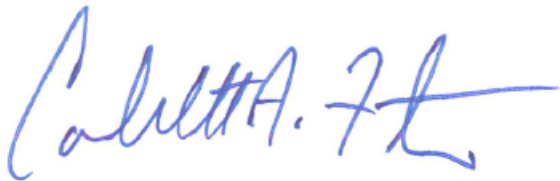
For more than 100 years, the Gates Corporation has been dedicated to providing our customers with the highest quality power transmission and fluid power products and services. This uncompromising focus has helped us build a reputation rooted in our dedication to innovation, quality, and industry leadership.

Suppliers play a critical role in our mission to advance the science of motion performance by helping us provide safe, forward-thinking products, services, systems and solutions to our customers. This role requires the successful management of product quality and high standards through a clear understanding of our requirements, expectations, and performance measures that together power the achievement of our continuous improvement objectives.

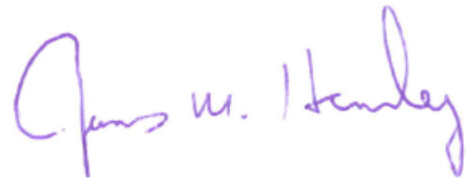
The Gates Supplier Requirements Manual outlines these requirements and standards for quality, delivery, and continuous improvement and we expect our suppliers to meet and comply with all of them.

We look forward to an ongoing partnership based on communication and trust as the cornerstone of our relationship. The quest for excellence is never ending and we look forward to this journey with you.

Sincerely,



Corbett Foster  
VP Procurement



James Henley  
SVP Quality

## **Social Accountability**

Gates requires suppliers to comply with local laws and internationally acceptable fair and safe labor practices. Suppliers must comply with all applicable international, federal, state and local laws, rules and regulations of government authorities that have the effect of law.

Suppliers must also comply with all applicable environmental laws and regulations, health and human safety laws, including all laws prohibiting child labor, prison labor, human trafficking and slavery.

Please refer to the Supplier Code for Conduct, Letter on Gates Anti-Corruption, Supply Chain Transparency, and the Purchase Order Terms and Conditions documents located at <http://supplierinfo.gates.com/>.

## **Purpose**

The purpose of this manual is to define the requirements for doing business with the Gates Corporation and to outline the processes necessary to ensure the Gates Supply Base is continually improving to prevent quality and delivery disruptions, provide lowest cost and top level service. Implementation and compliance with the processes outlined in this manual will aid in increasing the competitive industry position enjoyed by the Gates Corporation and ensure continued mutual success with our suppliers, contract manufacturers, and sub-contractors.

## **Scope**

This manual applies to suppliers, contract manufacturers, and sub-contractors of parts, materials, products and manufacturing services to any Gates Corporation facility.

This manual defines the company's requirements necessary to ensure that parts, materials, products and manufacturing services delivered to Gates facilities or Gates Customers meet all purchasing, engineering, quality and safety requirements.

Any questions regarding the applicability of the requirements contained in this manual should be directed to your Gates business contact for resolution.

Suppliers, contract manufacturers, and sub-contractors will henceforth be referred to as suppliers.

Each Supplier location that produces parts, materials, products, or manufacturing services must be evaluated and approved by Gates Supplier Development.

## **Supplier Responsibilities**

Signing the last page of this manual signifies agreement with the requirements of this manual. Upon reviewing this manual the supplier's representative is responsible to sign the last page of the manual and scan/email or mail the signed page to the Gates Corporation Business Contact or attach it to the Supplier Profile and email the completed Supplier (Sign-Off) Acknowledgement form to the Gates Business Contact.



With prior notification, Suppliers shall provide access to their premises and facilities and, if necessary, that of their sub-suppliers, to Gates personnel, Gates customers, and regulatory authorities concerning products, materials, processes, or other business related issues.

Suppliers are responsible to access and utilize the Gates electronic Supplier Portal (eSP) to upload and maintain company address and contact information, upload required documents and keep them current, submit PPAPs and respond to corrective actions.

### **Precedence of Documents**

In the event of a conflict in part, material, or product requirements the following precedence shall prevail:

1. Gates Purchase Order
2. Gates Approved Deviation
3. Gates Prints and Specifications

### **Gates' Expectations of Suppliers**

Gates Corporation expects Zero Defects from its Suppliers. This requires the Supplier to properly maintain its quality systems and production equipment, employ adequate inspection of products/materials and control of any 3<sup>rd</sup> party or off-site operations and services, and that all products/materials be qualified by the PPAP process explained in the PPAP section this document.

In the event nonconformances are discovered the Supplier is expected to adequately respond and resolve the issues within the allotted timeframes explained in the Corrective Action section of this document.

Once approved as a Supplier to Gates the Supplier is required to activate their eSP account and utilize eSP as described throughout this manual. An email will be sent to the approved Supplier with instructions to activate their account in eSP.

### **Supplier Profile**

Suppliers are required to fill out a Supplier Profile that will be used to start the internal Gates Supplier Evaluation process and to provide requested documentation. If approved, the Supplier's information and documents will be entered into the electronic Supplier Portal (eSP).

### **Contingency (Business Interruption) Plans**

Gates expects all Suppliers to provide contingency plans as part of the supplier evaluation process. Contingency (Business Interruption) plans must address the customer contact process and the recovery lead times for production interruptions of  $\geq 10\%$ ,  $\geq 25\%$ ,  $\geq 50\%$ ,  $\geq 75\%$  and  $100\%$ .

As part of addressing Business Interruption issues it will be necessary to report to Gates the following information; the issue(s) causing the interruption, the expected duration of the interruption, and the actions being taken to correct the issue(s). Gates will also need to know if alternate production locations and/ or transportation options are to be employed.

## **Electronic Supplier Portal (eSP)**

The electronic Supplier Portal is a web-based application used for gathering, evaluating and reporting of supplier performance.

eSP provides Gates' Suppliers global access to their performance and two-way communication for PPAPs and Corrective Actions.

Once registered in eSP, the supplier (at a minimum) must maintain its contact information, Quality System certification, and respond to PPAP, Corrective Action Requests, and Scorecard issues.

### **Safety**

Gates requires all Suppliers to possess a management system that identifies, addresses, and documents operational risks to the environment, and employee health and safety. All suppliers must comply with OSHA and/or Regional and Local Safety, Health and Environment laws and regulations.

## **QUALITY SYSTEMS**

### **Quality System Certification Requirements**

Only Quality Management Systems Certifications from accredited 3<sup>rd</sup> Party Registrars will be accepted.

All new suppliers, with the exception of Distributors, Representatives and Agents that do not add value to the product/material, must be registered to ISO 9001 at a minimum. Certification to industry specific variations e.g. VDA 6.1, IATF 16949, TS 16949, AS9100C, TL9000, TS29001, ISO 13485, API-Q1 are also acceptable.

Suppliers for Gates automotive projects must be registered to IATF 16949, TS 16949 or ISO 9001 and compliant to IATF 16949, TS 16949.

Gates may also require an on-site assessment to verify Quality Management Systems compliance and also compliance with specific Gates requirements.

### **Quality Planning**

Suppliers to Gates must comply with five basic steps of New Product Development:

1. Plan and define the program, specific to the product, and Gates needs and requirements.
2. Conduct Product Design and Development Verification, when applicable.
3. Conduct Process Design and Development Verification.
4. Comply with Gates Production Part and Approval Process (PPAP) requirements.
5. Perform launch, feedback, assessment, and corrective action as required.

Additional requirements may be communicated by specific Gates Engineering, Quality or Procurements Groups.

## **Quality Records**

Suppliers must retain Quality records (to include process control, inspection records, corrective actions and PPAPs) for the length of time the material, part, component and product is active plus five calendar years.

Suppliers must retain Purchasing and Tooling records for the length of time the material, part, component and product is active plus seven calendar years.

## **Material Traceability**

All suppliers must maintain traceability of all materials and services supplied to Gates from raw material to the finished state.

## **Sub-Supplier Management**

The Supplier must ensure all Gates requirements are applied to any sub-suppliers used in producing materials, parts, components, or products to Gates. This includes, but is not limited to molding, plating, heat treat, soldering, castings, and inspection services.

The Supplier is required to establish proper controls and monitoring of any sub-suppliers in their process.

## **Sub-Contractor Management**

The Supplier may not out-source Gates materials, parts, components or products without Gates' consent.

## **Waste Stream Management**

Gates requires Suppliers to identify and monitor their waste streams, and implement actions to reduce them. Suppliers must also verify that any 3<sup>rd</sup> party hired to remove waste from their facilities is properly licensed.

## **Gates Supplier Selection and Approval**

Gates Corporation will select new suppliers that represent the best opportunity for improvement and the greatest potential for positive impact on Gates. The selection process typically consists of the supplier profile, an on-site Quality Assessment, and the collection and review of specific documentation. A Technical Assessment and other specific process assessments may also be required.

The specific documents required include, but are not limited to:

1. Quality Management Systems Certification
2. Non-Disclosure Agreement
3. Certificate of Insurance
4. Contingency Plans
5. Supplier Quality Manual Sign-Off (Acceptance)
6. Terms and Conditions Sign-Off (Acceptance)
7. Payment Terms Sign-Off (Acceptance)

8. Packaging Standards Sign-Off (Acceptance)
9. Bailment Agreement for any Gates Owned equipment/tooling

The associated Gates documents and acceptance forms will be provided by Gates during the evaluation process.

The Supplier's previous year Financial Records or report may also be required if the Supplier's financial information is not available through Dun and Bradstreet or other similar Business Data Analysis providers.

A Gates cross-functional Team will review the documentation and assessment results and make a determination of acceptance. The Supplier will also be provided with a Classification and Segmentation, which determine the Supplier's ability to quote and supply materials for the different Gates Markets. When full approval is provided by the Gates cross-functional team, the Supplier is added to the Global Approved Supplier List.

### **Technical Assessments**

A technical Assessment may be required as part of the Supplier Evaluation Process. These assessments require an on-site review of the Supplier's technical knowledge, equipment capability and condition, maintenance, and manufacturing processes.

### **Classification of Suppliers**

The classification of Suppliers allows for Gates to differentiate the supply base to indicate which are suitable to supply into some or all Gates Markets.

The Gates Supplier Development team will work to place the Supplier into the requested (by the Gates Commodity Manager) Classification or into the highest classification achieved, based on the assessments performed by Gates. If the Supplier is approved but does not meet the requirements for the needed classification, the Gates Supplier Development team will work with the Supplier to develop or improve in order to meet the Class requirements.

Quality Management Systems certifications must be awarded from an accredited 3<sup>rd</sup> party registrar.

**Class I Suppliers** are IATF 16949, TS16949 certified, or ISO9001 (or other industry recognized standard) certified and compliant to IATF 16949, TS16949, and their product/material can be supplied to any Gates plant and its customers.

**Class II Suppliers** are ISO 9001 (or other industry recognized standard) certified. Their product/material can be used by Gates for any projects not requiring IATF 16949, TS16949 certification or compliance.

**Class III Suppliers** include Distributors, Representatives and Agents that do not add any value to the product/material. No Quality Management Certification is required for non-value added Distributors, Representatives and Agents.



## Segmentation of Suppliers

Suppliers are further differentiated by how they were approved into the Gates Supply Base and subsequently by their performance. New suppliers will be placed into one of the following two Segments;

**Approved Supplier:** This segment indicates the supplier has been approved and is eligible to bid on any projects per their Classification.

**No New Business:** This segment indicates the supplier is conditionally approved due to issues identified in the approval process and is only eligible for the immediate project until the issues can be resolved. Once the issues are resolved, the supplier's segmentation may be upgraded to "Approved."

After the supplier is doing business with Gates, there are two other Segments that exist: Key Supplier and No Business.

1. The **Key Supplier** segment depends on the level of business with Gates; in particular the regions involved and dollar amount of business with Gates.
2. The **No Business** segment means there is to be no further business with the supplier.

## Gates Owned Property

The Supplier will be required to complete a Bailment agreement for any Gates-owned property provided to the Supplier for specific projects. The Supplier is required to maintain the necessary insurance to cover the cost of replacement of any Gates-owned property.

The Supplier is required to maintain the Gates-owned property at their expense unless other agreements have been approved with Gates Procurement.

The Supplier is required to provide Gates owned property status reports when requested by Gates and to return Gates owned property in acceptable condition when requested.

The Supplier is responsible for the quality of parts produced by Gates owned property that has been approved by PPAP with Gates.

## Gates Supplied Materials

Suppliers using Gates supplied materials must ensure the materials are acceptable for use and report any issues with the materials to Gates.

All Suppliers using Gates supplied materials are required to monitor the receipts, usage, scrap and shipments and provide a report of this information on a monthly basis.

## REQUIREMENTS COMMUNICATION

### Requests for Quotes (RFQ)

RFQs typically include the Engineering Prints, Technical Specifications and the commercial requirements necessary for full quotation.

## **Part Qualification in (eSP)**

### **PPAP**

PPAPs requests, submission, and approval will be conducted through eSP. The Supplier may utilize their own PPAP document formats as long as they comply with the AIAG PPAP manual. If the Supplier does not have the correct forms, they can use any or all of the forms from the Gates PPAP electronic Template (GGP 412) available with the PAPP request from Gates in eSP. The PPAP elements required by Gates will be identified in the PPAP Request.

The Supplier will receive an email notifying them that a PPAP request has been issued to them. The Supplier must log into eSP and review the request. When ready, the supplier must upload the PPAP documentation into eSP and submit the PPAP back to Gates. Gates will review the PPAP and provide disposition. The eSP system will email the Supplier with the disposition.

The eSP system also provides instruction guides in the Documents section.

### **CPK requirements for Critical Characteristics**

CPK is required for all critical, significant and SPC required characteristics. The minimum Cpk is 1.67 and a Ppk of 1.33. If the Supplier is unable to achieve the required Cpk, they are required to implement 100% inspection. A manual 100% inspection process is acceptable for the short term until the required capability can be achieved. If the Supplier is unable to resolve the issues to achieve the required Cpk the supplier must poka-yoke the process to minimize or eliminate the manual influence on the 100% inspection.

All Gates identified critical characteristics requiring Cpk also require on-going SPC in the Supplier's process.

If Gates does not specify any critical characteristics in the prints or specifications the PPAP request may direct the supplier to select one characteristic that is important to their process to monitor and control using SPC.

### **Material Compliance**

#### **Conflict Minerals**

Gates' policy is to refrain from knowingly purchasing any parts, materials, or products that contain conflict minerals. The Supplier is required to answer the Compliance Questions in the Supplier Profile and in eSP on the Compliance tab. More information regarding Conflict Minerals and the Conflict Mineral Reporting Template is located at <http://supplierinfo.gates.com/>.

### **Corrective Actions (eSP)**

Corrective Actions (CARs) are issued through the eSP process. The Supplier eSP users will receive an email when a CAR is issued to them. The Supplier must respond to the CARs in eSP. Documents and other supporting information may be uploaded into the CAR. The CARs issued by Gates require an 8D methodology.

Gates requires its suppliers to respond with containment actions and recovery plans (what the Supplier will do to provide acceptable replacement materials) within 24 hours of the email notice.

Gates requires its suppliers to provide root cause and a corrective action plan response as follows;

**Minor** (Priority) Criticality CARs – three weeks from receipt of the CAR email notice.

**Moderate** (Priority) Criticality CARs - two weeks from receipt of the CAR email notice.

**Major** (Priority) Criticality CARs - one week from receipt of the CAR email notice.

If more time is required the supplier needs to contact the respective Gates Plant Requestor to request additional time to complete the CAR.

Gates also requires its suppliers to perform Preventive Actions to prevent the nonconformance from recurring and to identify similar Gates parts, materials, products and manufacturing services to implement the preventive actions in those processes.

### **Chargeback**

Nonconforming material/product supplied to a Gates Facility can have a major effect on Gates production, and deliveries to our customers. It is the responsibility of the supplier to provide materials and/ or products that meet the Gates prints and specifications.

In the event of a nonconformance, the Supplier is responsible to provide certified replacement parts, delivered on time to prevent any Gates production line stoppage issues or late customer deliveries. This may require sorting or rework activities, and/or expedited shipping of certified material.

Gates reserves the right to sort/rework any nonconforming material as needed to prevent line stoppages or late deliveries to our customers.

Any costs incurred by Gates due to a supplier nonconformance issue may be charged back to the Supplier.

### **Packaging and Labeling**

Packaging and Labeling must, at a minimum, comply with the Gates Vendor Packaging Requirements and the Vendor Label Manual documents. More specific packaging requirements may be conveyed through a purchase order, part/material specification or site or regional packaging manual.

## **SUPPLIER MONITORING AND IMPROVEMENT**

### **Scorecards**

Scorecards are available quarterly in eSP. It is at the discretion of individual Gates Plants Procurement to issue the scorecards to the suppliers. The scorecards are issued at the Gates Plant level. If the Supplier does business with more than one Gates Plant, the Supplier may receive more than one scorecard.

The metrics reported in the Scorecards include the dPPM (defective parts per million), OTD (On-Time Delivery), and the number of Corrective Actions issues. These three metrics are reported for the recent Quarter, year to date, and a rolling 12 months.

Any metric highlighted in red requires an improvement plan from the Supplier. The improvement plans can be uploaded into eSP in the Documents and Certificates tab in the Other Documents section. On-

going or serious issues with performance may result in a change of Supplier's segmentation. This change may prevent the Supplier from being considered for new business until the current issues are satisfactorily resolved.

### **Supplier Development/Improvement**

In addition to any improvement plans that may be required by the scorecards, Gates also utilizes a periodic Supplier Performance Review that considers Supplier performance across all plants. Through this process the Supplier may be selected for improvement which may include assistance from the Gates Supplier Development team.

Suppliers entered into this process will be segmented as "No New Business" until the performance issues are satisfactorily resolved.

### **Continual Improvement**

Gates participates in cost reduction programs internally and with its customers as part of the Gates continual improvement processes. We expect our Suppliers to also participate in and support this process when requested.

We urge our Suppliers to actively focus on Gates products and materials for opportunities to improve product/material quality, improve processes, improve capacity, improve on-time delivery, decrease lead-time, and lower costs for Gates. Any changes to PPAP approved processes and product/material must be reviewed and approved by Gates. Refer to the Change Management section of this document.

## **CHANGE MANAGEMENT**

**Purchase Orders:** any changes to purchase order requirements be immediately communicated to the Gates Buyer and Gates Buyer agreement must be obtained before the changes can be implemented.

**Temporary Changes to Processes and Materials** should be handled with the Gates Deviation Process. Contact the Gates Plant Contact or Gates Supplier Development for additional information. Temporary deviations for process or material changes need to be requested and approved prior to any process changes.

### **Gates-owned Designs – Permanent Changes**

Gates does not allow any significant changes to the approved process, designs or materials without prior approval. If the Supplier wants to make a change they must notify Gates Supplier Development using the Supplier Change Request form (GGP419). Gates will review the request and inform the Supplier of the next steps. If Gates decides to move forward with the request they may request samples, but Supplier must maintain the current approved process, design and materials for production until notified by Gates that the change has been approved. At such time a transition or implementation date will be determined and agreed upon between Gates and the Supplier.

**Supplier-owned Designs – Permanent Changes**

Gates requires 90 days prior notice using the Change Request form (GGP419) before the Supplier makes any process design or material changes to products approved by Gates. This time is needed for Gates to requalify the product, and determine implications to our inventory and customers.

**Supplier Requirements Manual Acceptance - Sign-Off Page**

The last page of this manual is a form that Gates requires the Supplier to sign and return signifying they acknowledge and agree with the requirements established in the Gates Supplier Requirements Manual. Once signed by the Supplier's representative the form can be emailed to the Gates Requestor, or attached into the Supplier Profile if it has not been submitted to Gates.



**SUPPLIER ACKNOWLEDGEMENT OF GATES  
SUPPLIER REQUIREMENTS MANUAL**

The Gates Corporation is dedicated to meeting and exceeding our customer's expectations with innovative product technology, excellence in quality, service and delivery. Successful customer – supplier relationships are built on clear understanding of all customer expectations, communication, collaboration, measurements of performance, and a commitment to continuous improvement. Suppliers play a very important role and are connected with Gates in meeting these requirements.

Gates regards the requirements in this manual important for the supply of goods and services from its suppliers. Please ensure that the requirements are deployed in your organization.

Please sign and return this acknowledgment form to the Gates Requestor or upload to the Gates electronic Supplier Portal.

As signed below, this is our acknowledgement of receipt and acceptance of the Supplier Requirements Manual. If a separate agreement for Supplier Requirements has been negotiated and approved, enter the information below.

Firm/Company Name:		
Address:		
City:	State/Province:	Country:
Zip/Postal Code:		

Printed Name of Authorized Representative	
Title	
Signature of Authorized Representative	
Date	

Separate Agreement Information (Date, Approvers, Documents Details, Other Information)
