



Bearing Corporation of America

## **SUPPLIER REQUIREMENTS MANUAL**

**February 10, 2023**



This Supplier Requirements Manual contains basic requirements for suppliers who provide products and services to the NTN Bearing Corporation of America (NBCA). It has been endorsed and fully supported by the management of NBCA:

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## TABLE OF CONTENTS

|          |   |           |
|----------|---|-----------|
| <b>1</b> | <b>Introduction</b>   | <b>5</b>  |
| <b>2</b> | <b>NBCA Vision Statement</b>  | <b>5</b>  |
| <b>3</b> | <b>General</b>  | <b>5</b>  |
| 3.1      | Exceptions  | 5         |
| 3.2      | Quality Management System   | 5         |
| <b>4</b> | <b>Supplier/Customer Partnership Agreement</b>                                    | <b>6</b>  |
| 4.1      | Expectations of Suppliers   | 6         |
| 4.1.1    | Sup-Supplier/Contractor Development   | 7         |
| 4.2      | Approved Suppliers  | 7         |
| 4.2.1    | Initial Evaluation  | 7         |
| 4.2.2    | Ongoing Evaluation  | 8         |
| 4.2.2.1  | Audit Frequency   | 8         |
| 4.2.2.2  | Audit Results   | 8         |
| 4.3      | Problem Reporting and Resolution  | 8         |
| 4.3.1    | Corrective Actions (SCAR-Supplier Corrective Action Report)                       | 8         |
| 4.3.2    | Standard Supplier Chargeback Guidelines   | 10        |
| <b>5</b> | <b>Supplier Performance Rating System</b>   | <b>11</b> |
| 5.1      | Quality / Warrant   | 12        |
| 5.1.1    | PPM Rating  | 12        |
| 5.1.2    | Number of Incidents (or SCARs)  | 13        |
| 5.1.3    | Severity Rating   | 13        |
| 5.1.4    | SCAR Response Rating  | 14        |
| 5.2      | Delivery  | 14        |
| 5.3      | Premium Freight Usage   | 15        |
| 5.4      | VA/VE Opportunities   | 16        |
| 5.5      | Supplier Support  | 16        |
| 5.6      | Approved Supplier List  | 16        |
| 5.6.1    | Approved Supplier Status Change   | 17        |
| 5.6.2    | Conditional Status  | 17        |
| 5.6.3    | Removal   | 17        |
| 5.6.4    | Approval After Being Removed  | 17        |
| <b>6</b> | <b>Quality System Requirements</b>  | <b>17</b> |
| 6.1      | General – Quality Systems   | 17        |
| 6.2      | Production Part Approval Process (PPAP) & Initial Sample Inspection Report (ISIR) | 18        |
| 6.3      | Changes in Materials, Equipment, Processes and Location                           | 18        |
| 6.4      | NBCA Suppliers - Annual Validation of PPAP and Secondary Processes                | 19        |
| 6.5      | Procurement   | 19        |
| 6.5.1    | Request for Quote   | 19        |
| 6.5.2    | Purchase Order  | 19        |
| 6.5.3    | Releases  | 19        |
| 6.6      | Control of NBCA Supplied Raw Material or Products                                 | 20        |



**Bearing Corporation of America**

|          |  |           |
|----------|--|-----------|
| 6.7      | Product Identification and Traceability .....  | 20        |
| 6.8      | Final Inspection & Testing.....                | 20        |
| 6.9      | Measurement & Test Equipment Control .....     | 20        |
| 6.10     | Packaging.....                                 | 20        |
| 6.11     | Shipping and Routing Instructions.....         | 21        |
| 6.11.1   | Shipper/Bill of Lading .....                   | 21        |
| 6.11.2   | Customs & Supplier Content Reporting .....     | 21        |
| 6.11.3   | Safety & Hazardous Materials .....             | 22        |
| 6.12     | Inspection at Supplier’s Premises .....        | 22        |
| <b>7</b> | <b>IQ (Incoming Quality) Meeting .....</b>     | <b>22</b> |
| <b>8</b> | <b>Continuous Improvement .....</b>            | <b>22</b> |
| <b>9</b> | <b>Revision and Distribution Control .....</b> | <b>23</b> |



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## 1 Introduction

This manual provides an overview of standard operating procedures applicable to all suppliers (excluding NTN manufacturing facilities) providing products, materials and services to NTN Bearing Corporation of America (referred to as “NBCA” in this manual). In conducting business with NBCA, the supplier is acknowledging adherence to this manual. If there are any queries regarding any of these standard procedures, the supplier should notify the appropriate Procurement or Supplier Quality contact at NBCA in writing.

## 2 NBCA Vision Statement

NTN is a leader in the production and supply of engineered bearing related solutions for the automotive and industrial business sectors. NBCA strives to be our customers’ number one quality choice for engineering driven, solution-based products that improve performance, quality, service, lead time and total overall cost. This is accomplished by focusing on innovation, providing value, and operating efficiently.

NBCA expects its suppliers to have similar values and goals. It is also expected that suppliers are committed to achieving the quality, cost, on time delivery (OTD), and other objectives stated in this manual.

## 3 General

The requirements contained within this manual supplement the requirements found in the current ISO9001 or IATF16949 publications that applies to all external suppliers excluding NTN divisions and manufacturing plants who supply to NBCA.

### 3.1 Exceptions

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Conformance with these requirements may only be waived by the NBCA purchase order terms and conditions, purchase contract, or in writing from NBCA Procurement.

### 3.2 Quality Management System

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- Suppliers are fully responsible to develop and implement an effective operating Quality Management System (QMS). The QMS shall be based on a recognized international quality system standard, such as ISO9001 or IATF16949.



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- Primary suppliers directly involved in manufacturing products may be required to be at minimum ISO 9001 registered and compliant to IATF 16949
- Suppliers are responsible to acquire any necessary reference documents such as Production Part Approval Process, Failure Mode and Effects Analysis, Advanced Quality Planning, Measurement Systems Analysis, Statistical Process Control, CQI Special Process Assessments and International Standards such as SAE, ASTM, JIS, etc. from third party document sources.

## 4 Supplier/Customer Partnership Agreement

NBCA realizes that only by developing relationships with our suppliers will we be able to achieve the goal of exceeding the expectations of our customers. In an effort to establish a basis for these relationships, the following guidelines have been established for suppliers.

### 4.1 Expectations of Supplier

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- Suppliers will embrace the concept of continual improvement and zero non-conformances in all aspects of the business. NBCA suppliers agree to take full ownership as defined in this document for incidents when they occur.
- Stakeholders strive for the goal of Oppm. When rejects do occur that exceed this goal, it is understood the responsible party will accept all associated costs and take corrective action to identify and eliminate the root cause of the defined problem to prevent recurrence.
- Ship product 100% on time.
- Proactively communicate with NBCA regarding all changes including but not limited to schedules, services, sub-supplier/contractor, process and product design changes.
- Work with and fully support NBCA in our customer relationships.
- Fully comply with the requirements set forth herein and other associated specifications.
- React with concern when expectations are not met. Take immediate steps to resolve deficiencies and to prevent their recurrence within time allocated by NBCA.
- Act in open and ethical manner and be fully transparent with all communication involving NBCA.
- Support cost reduction requests in line with our customers' requirements.
- Provide a safe work environment.



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- Any part that requires a PPAP must have an NBCA approved PSW before proceeding with regular production. Likewise, formal PPAP approval is also required when making physical or process changes to existing production parts which were originally PPAP'ed.
- Maintain confidential information including prints, specifications, samples, etc.
- Comply with laws of applicable countries and regions while following NTN's requirements regarding environmentally hazardous and restricted substances.

#### **4.1.1 Sub-Supplier/Contractor Development**

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The primary supplier is responsible for assuring continual improvement of sub-supplier/contractor that provides materials, processes, parts and services purchased for use. In addition, the primary supplier is expected to:

- Utilize subcontractors (i.e. material, plating, heat treatment, assembly, machining and/or any other primary or secondary subcontractor, etc.) who are preferably ISO9001 compliant unless requirement of compliance or certification is communicated by NBCA.
- Establish and maintain subcontractor surveillance and vigilance.
- Establish and maintain an "Approved Supplier" list, including criteria for inclusion on or exclusion from this list.
- Require subcontractor to submit materials and test certificates when applicable.

#### **4.2 Approved Suppliers**

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##### **4.2.1 Initial Evaluation**

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NBCA evaluates and selects new (potential) suppliers on their ability to meet customer requirements. Suppliers must be listed on the NBCA Approved Supplier List in order to be considered to supply product or services. Since NBCA conducts business with broad Industrial and Automotive customer base, selection and addition of new suppliers to the Approved Supplier List will be based on one or more the following criteria:

- Supplier's reputation, financial stability, and references
- Latest ISO9001/IATF16949 third party registration
- Completion of NBCA Profile and Risk Self-Assessment form and Quality System Survey (QSS) form with score of 960 or higher
- Access to supplier facility for on-site visit and optionally, access to Tier-2 sub-supplier facilities
- On-site supplier product/process audit using applicable QSS sections prior to placing production purchase order



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- Willingness to supply PPAP's for all parts produced
- Willingness to supply documentation with shipments including: measurement results, material certs, certificate of compliance, etc.

## **4.2.2 Ongoing Evaluation**

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### **4.2.2.1 Audit Frequency**

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- With advanced notice, suppliers may be audited at any time and/or at a recurring frequency determined by the Procurement Department and/or Quality Department. Suppliers are to be audited by supplier quality contact to specific process/product related requirements.
- Suppliers may be required to complete AIAG special process audits when required by NBCA.

### **4.2.2.2 Audit Results**

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At the end of an on-site audit, the NBCA auditor will brief supplier about audit findings. A completed audit report may be presented to supplier during closing meeting or may be forwarded via electronic media at later date. A corrective action plan is to be submitted within **21** days from the date of the audit report receipt. A supplier not achieving the minimum score will be developed and mentored toward that goal and will be re-evaluated if necessary. As with the initial audit, surveillance audits are to be taken seriously as poor results could negatively affect both current and future business.

## **4.3 Problem Reporting and Resolution**

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When the supplier maintains an effective Quality Management System, the system greatly reduces the probability of having non conformities. However, problems may occur from time to time. In order to reduce the impact on NBCA, it is imperative that these issues are resolved quickly.

### **4.3.1 Corrective Actions (SCAR – Supplier Corrective Action Report)**

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In the case of nonconforming products caused by the supplier, the supplier shall respond within the time frame defined in the following table unless otherwise mutually agreed upon. The supplier must have established a procedure and appropriate process to take all necessary corrective and preventive actions for all rejects or nonconforming products received by NBCA. The supplier shall use the systematic analysis method for corrective actions.

Suppliers are expected to supply parts that conform to the NBCA print and/or agreed upon terms and conditions set forth via purchase order. The supplier may be required





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to implement corrective action on any sections that do not meet the established criteria set forth which includes but not limited to: non-conforming material, not meeting on time delivery, lead times, rejected PPAP submissions, etc.

Suppliers are expected to share production data including but not limited to current and historical receiving inspection, in-process setup/first piece inspection, routine and final inspection records, tooling records, preventative maintenance records, sub-supplier records, etc. within 2 business days of NBCA request in the event where suspect nonconforming products are identified by NTN or its customers.

**Time Table to SCAR Response**

| <b>Priority Level</b>          | <b>Implementation of Short-Term Containment Action</b> | <b>Determination of Permanent Corrective Action</b> | <b>C/A Closed</b> |
|--------------------------------|--|---|-------------------|
| Standard<br>(internal rejects) | ≤ 5 days   | ≤ 21 days   | ≤ 4 weeks         |
| High<br>(external rejects)     | ≤ 24 hours   | ≤ 15 days (or per customer requirement)             | ≤ 3 weeks         |

The respective time period starts with the **Initial notification** to the supplier by NBCA that a problem exists. NBCA determines the priority level for the event.

The priority level will be set to “High” in the case of potential customer line stoppage, shipment disruptions to customer, reliability risk, safety components, and/or customer rejects.

Independent of the priority level, the supplier will take all short-term actions such as sorting at its plants, sub-supplier’s plants, NBCA, or at NBCA customers as required. These actions must guarantee continuous delivery of conforming product.

The supplier shall keep NBCA informed on a regular basis about the progress in the failure analysis process.

The supplier shall allow visits, audits and checks of all its plants and sub-supplier plants by representative appointed by NBCA. In addition, severe issues or repetitive problems may prompt NBCA to establish and hire a third party auditor at the supplier’s location and expense.

NBCA expects supplier to certify product for an agreed period of time until corrective action is implemented and proven effective. Supplier shall identify all shipments to its certified status by affixing a marking referencing reject #/SCAR # to either the box or individual part as determined by the NBCA. If not directed otherwise, the supplier should add Green “X” and certification date to each carton label showing that the product is certified for the specific defect in question.

NBCA will request the supplier’s authorization prior to the commencement of disposition (i.e., sort, rework, repairs) that are the supplier’s expense and returned to the supplier. However, NBCA reserves the right to proceed without supplier’s prior approval in order



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to protect customer shipment requirements, prevent production line shutdown, or lack of storage space. Return Material Authorization (RMA) or Return Bearing Authorization (RBA) number will be listed on SCAR.

When requested, the supplier shall provide on-site support personnel at NBCA warehouse(s) and/or its customer's facilities.

#### **4.3.2 Standard Supplier Chargeback Guidelines**

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##### **Principle –**

- The debit process does not inhibit containment and resolution of concerns
- Protect NBCA from non-standard cost when a concern is not the responsibility of NBCA
- The party deemed responsible for a concern deserves the opportunity to review the concern and accept or dispute responsibility

##### **Policy –**

The following are prerequisites to a supplier debit:

- Supplier is formally notified of a concern by E-mail. In addition, samples or photos are forwarded along with the appropriate reject documents as needed
- Supplier responsibility is determined by:
  - ❖ Supplier acceptance of concern responsibility, **or**
  - ❖ No written response by supplier within 5 business days after receiving samples, **or**
  - ❖ The NBCA Team, consisting of stakeholders from but not limited to Procurement, Quality, Operation, Engineering, and Management departments, etc.
- The terms of the debits for nonconforming quality type reject notifications are:
  - ❖ The supplier accepts financial responsibility for any non-conforming event related to product quality, late receipt, or rejected PPAP submissions that resulted in containment activities, sorting, premium freight charges, rework, repair and replacement costs, including line down situations resulting in overtime, and loss of production at NBCA and/or at customer sites.
  - ❖ Chargeback may include, but not limited to, sort at customer, sort at NBCA, sort via third party, fall off pieces, count discrepancies, scrap, customer chargeback, travel expenses, administration fee, shipping/handling fees (including premium shipment), etc.



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- ❖ Chargebacks are typically transacted as a debit against open invoices but may take other forms when necessary.
- Examples of debits for receiving discrepancies (non-quality) are:
  - ❖ Packing slip discrepancies or no packing slip submitted with the shipment
  - ❖ Incorrectly labeled containers – label vs. actual container content
  - ❖ Product damaged due to insufficient /improper packaging methods
  - ❖ Material shipped in a manner other than FIFO
  - ❖ Certificate of Compliance/Analysis missing with shipment when required

If a supplier is required to provide replacement parts because of a supplier-responsible quality issue, the material is to be shipped at the supplier’s expense. At the NBCA buyer's discretion, the material could be required to ship by air freight.

Appeal Process: Supplier may appeal the debit/chargeback within 30 days in writing to the appropriate NBCA contact(s) detailing reason for the appeal and rationale to support it. NBCA Procurement and Supplier Quality contact may also be involved in the investigation, assessment and final disposition of the appeal findings. NBCA will respond to the supplier in writing within 30 days of the appeal.

## 5 Supplier Performance Rating System

Primary Suppliers to NBCA are monitored on their Quality performance. NBCA Procurement presents a summary of supplier quality rejection/concerns for all suppliers on a quarterly basis.

The Supplier Performance Rating System defines the criteria that will be used by NBCA to rate external (non-NTN) suppliers in 5 categories:

**Rating Categories**

| <b>Category</b>     | <b>Weighting</b> |
|---------------------|------------------|
| Quality/ Warranty   | 45 %             |
| Delivery            | 25 %             |
| Premium Freight     | 10 %             |
| VA/VE Opportunities | 10 %             |
| Supplier Support    | 10 %             |



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### Overall Rating Scores

| Rating            | Point Total |
|-------------------|-------------|
| Excellent         | 90 – 100    |
| Acceptable        | 71 – 89     |
| Needs Improvement | <70         |

## 5.1 Quality / Warranty

Quality / Warranty – is the first element of the rating process and accounts for 45% of the overall supplier ratings. There are four components to this element:

- 1) Percent of suspect parts (PPM)
- 2) Number of incidents (# of SCARs issued), including warranty returns
- 3) Severity Rating
- 4) Response Rating

### 5.1.1 PPM Rating

Percentage of suspect parts or PPM (Parts Per Million) – is calculated as the percentage of nonconforming parts to the total number of pieces received per month\*1,000,000. The expectation is “0” PPM.

Individual PPM ratings will be determined based on the following criteria:

### PPM Ratings

| PPM           | Points |
|---------------|--------|
| <1            | 15     |
| 1 – 6         | 12     |
| 7 – 59        | 10     |
| 60 – 299      | 8      |
| 300 – 2,699   | 6      |
| 2,700 – 6,999 | 4      |
| 7,000 – 9,999 | 2      |
| > 10,000      | 0      |



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Note: Suspect parts are defined as those that are found nonconforming. If parts are returned or exchanged, the number of parts involved will all be considered nonconforming for calculating PPM.

### 5.1.2 Number of Incidents (or SCARs)

Number of Incidents (or SCARs) – This rating includes total # of incidents or SCARs issued regardless of quantities for part or non-part quality. Non-part quality includes, but not limited to: wrong label, damaged shipment, missing paperwork, wrong parts, etc.

The ratings will be determined based on following criteria:

#### Number of Incidents or SCARs Ratings

| Number of Rejects | Points |
|-------------------|--------|
| 0                 | 10     |
| 1                 | 8      |
| 2                 | 4      |
| 3+                | 0      |

### 5.1.3 Severity Rating

Severity Rating – This is an objective rating based on the severity of the problem for each SCAR issued. The rating points are determined based on the average severity for the SCARs closed within the rated quarter.

The ratings will be determined based on following criteria:

#### Severity Ratings

| Ranking Criteria  | Points |
|---|--------|
| No Claim  | 10     |
| Minor problem such as incorrect labels, rust, and appearance items.                       | 8      |
| Nonconformity that causes assembly problems. Parts need sorting or replacement by vendor. | 5      |
| Major defect which resulted, or could result, in a premature failure.                     | 2      |
| Safety related. Can cause injury to the end user.   | 0      |



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### 5.1.4 SCAR Response Rating

SCAR Response Rating – This is a subjective rating given to the SCAR by the issuing party, indicating problem solving effectiveness and recurrence prevention.

The ratings will be determined based on following criteria:

#### SCAR Response Ratings

| Response   | Points |
|--|--------|
| Excellent – Supplier uses proper technique to identify root cause and mistake proofing is considered. Also, if no claim. | 10     |
| Good – Supplier uses proper technique to identify root cause.  | 6      |
| Average – Supplier updates quality documentation accordingly.  | 4      |
| Below Average – Supplier did not address root cause or addressed only fallout with quality alert and re-training.        | 2      |

Total Quality/Warranty Score will be calculated as follows:

*Ex – Based on previous scales, XYZ has shipped 20,000 pcs during month of June’22, of which 15 pieces have been rejected, resulting in 1 quality SCAR, as the parts could not be assembled. The supplier did not have any previous open/late SCAR responses, responded quickly, and provided a corrective action with mistake proofing. Hence, their total score would be calculated as:*

$$\begin{aligned}
 \text{PPM} &= 6 \\
 \text{SCAR Incident} &= 8 \\
 \text{Severity} &= 5 \\
 \text{SCAR Response} &= 10 \\
 \text{Total Quality/Warranty Score} &= \underline{29}
 \end{aligned}$$

### 5.2 Delivery

Delivery – is the second component of the supplier rating process and accounts for 25% of the overall supplier rating. The supplier is evaluated on actual on-time delivery performance that is calculated directly from data of the purchase order due date and



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the actual receipt date of NBCA. NBCA expects all suppliers to achieve 100% on-time delivery performance.

Criteria: A shipment is considered on time if it falls within -07/+1 days of the request date. The ratings will be determined based on the following on-time delivery criteria.

**On-Time Delivery Ratings**

| Percent  | Points | Percent | Points | Percent | Points |
|----------|--------|---------|--------|---------|--------|
| 100 – 97 | 45     | 81 - 79 | 33     | 63 – 61 | 21     |
| 96 – 94  | 43     | 78 - 76 | 31     | 60 - 58 | 19     |
| 93 – 91  | 41     | 75 - 73 | 29     | 57 - 55 | 17     |
| 90 - 88  | 39     | 72 - 70 | 27     | <55     | 15     |
| 87 - 85  | 37     | 69 - 67 | 25     |         |        |
| 84 - 82  | 35     | 66 – 64 | 23     |         |        |

**5.3 Premium Freight Usage**

Premium Freight Usage – is the third component of the supplier rating process and accounts for 10% of the overall supplier rating. It is defined as the amount of times a supplier is forced to use a method of expedited transportation (air, truck, carrier service, etc.) during the rating period. This applies to suppliers where parts are shipped from outside of the United States. The ratings are determined by the following criteria:

**Premium Freight Ratings**

| Premium Freight/Period | Points |
|------------------------|--------|
| 0                      | 10     |
| 1                      | 8      |
| 2                      | 6      |
| 3                      | 4      |
| 4                      | 2      |
| 5 or more              | 0      |



## 5.4 VA/VE Opportunities

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VA-VE Opportunities – is the fourth component of the supplier rating process and accounts for 10% of the overall supplier rating. This category will be evaluated on a rolling four quarter basis. The score will be determined by which ranking criteria has occurred within the last four quarters at the time of the scorecard. Supplier is expected to submit documented ongoing productivity cost reduction or cost avoidance plans, propose VA-VE recommendations for improvements and cost savings, and implement approved proposals. Ratings are based on the following criteria:

**VA-VE Opportunity Ratings**

| <b>Ranking Criteria</b>   | <b>Points</b> |
|---|---------------|
| Provides price reductions due to productivity price down or NBCA approved and implemented VA-VE activities. Does not include periodic exchange rate differential. | 10            |
| Provides feasible VA-VE recommendations to NBCA.  | 7             |
| Maintains current pricing.  | 4             |
| Any price increase, excluding documented periodic exchange rate differential.   | 0             |

## 5.5 Supplier Support

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Supplier Support – is the fifth component of the supplier rating process and accounts for 10% of the overall supplier rating. This component is subjective and based on criteria such as: general responsiveness, timeliness on quote and SCAR deadlines, and quality of responses. This section will be rated from 0 – 10 points with 0 points being non-responsive and 10 points being prompt to respond with high quality responses.

## 5.6 Approved Supplier List

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NBCA maintains an Approved Supplier List consisting of suppliers who have completed the initial evaluation and been approved to be a supplier to NBCA.





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### **5.6.1 Approved Supplier Status Change**

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A supplier is subjected to removal from the Approved Supplier List or downgraded to Conditional status due to one of the following conditions.

### **5.6.2 Conditional Status**

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Conditional Status - The Average Supplier Rating has fallen below 70 points for 2 consecutive quarters due to quality performance and/or unable to implement and validate effective corrective action system despite multiple Supplier Development meetings/on-site product audits. Conditional status is removed once the supplier rating is above 70 points for 2 consecutive quarters.

### **5.6.3 Removal**

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Removal from Approved List - The Average Supplier Rating has fallen below 50 points for 2 consecutive months and/or due to NBCA management directives for reasons other than quality performance.

### **5.6.4 Approval After Being Removed**

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Suppliers that have been removed from the Approved Supplier List must follow the initial steps for approval in order to be considered for reinstatement as an approved supplier.

## **6 Quality Systems Requirements**

### **6.1 General - Quality Systems**

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ISO 9001 defines the fundamental quality system used to document a quality system and establishes a good basis for improving processes. NBCA expects suppliers to have a documented quality system and may require suppliers to be at minimum ISO 9001 registered.

If registration is not held at the time of application to NBCA for approval status, a plan to achieve accreditation along with the time line through completion must be submitted and approved by NBCA Quality Department prior to Production Part Approval Process (PPAP) approval and first production shipment.



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## **6.2 Production Part Approval Process (PPAP) & Initial Sample Inspection Report (ISIR)**

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Primary suppliers of components or products that are produced for NBCA may be required to submit PPAP/ISIR and receive approval prior to beginning production shipments. The approval process may vary depending on the commodity.

Suppliers are expected to comply with the latest edition of the *Production Part Approval Process Reference Manual* published by AIAG. **The default level for all submissions is Level – 3 (unless otherwise noted by the NBCA).** Any specific item(s) that does not meet specification must be clearly defined on Part Submission Warrant (PSW) with an action plan.

It is the supplier's responsibility to ensure that sample submission dates are achieved and that samples submitted meet all specified requirements. Part approval is a vital part of the customer-supplier relationship and should not be jeopardized through poor communication. Any anticipated changes or delays in the agreed upon sample submission date must be communicated in writing to the Procurement Manager and/or supplier quality contact as soon as any potential problem is perceived by the supplier.

When required, sample submission request will appear on the purchase order. Purchase order specifies PPAP Level documentation along with sample quantity to be submitted. In all cases, a signed PSW (Part Submission Warrant) must be submitted for approval.

*Note: All supplier documentation must be less than one year old (with the exception of the Design Record) at the time of submission.*

## **6.3 Changes in Materials, Equipment, Processes and Location**

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Supplier must not alter their process and/or change any sub suppliers once approval is granted. Any process changes must be communicated to NBCA formally and notified in writing. Verbal authorization will not be accepted. Supplier must not have more than one active sub-supplier for any particular process, raw material and/or components at the same time. Supplier is only allowed to use sub-suppliers/contractors that are approved and must not switch back and forth unless otherwise authorized/approved by NBCA personnel. All secondary processors such as heat treat and plating suppliers are not excluded from these requirements. Suppliers are expected to update applicable AIAG CQI self-assessments and retain latest copies on file. In cases where a PPAP exists, process changes shall be communicated and approved via updated PPAP submissions. In other cases, upon review of the requested change, NTN will define and communicate the required steps for approval to the supplier.



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## **6.4 NBCA Suppliers-Annual Validation of PPAP & Secondary Processes**

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Upon NBCA's request before the start of production, it may be required that the supplier update and retain the Annual PPAP Level-3 and applicable process CQI self-assessments. If so, records shall be kept for NBCA verification or supplier shall forward to NBCA representative within 7 working days upon request is made by NBCA. All documents must not be older than 1 year.

## **6.5 Procurement**

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### **6.5.1 Request for Quote**

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NBCA provides the supplier with a request for quotation (RFQ) form which includes all required information to provide a quote. The RFQ form also lists all required information from the supplier for the quote, for example: price, minimum order quantity, lead time, FOB location, etc. The supplier can provide a quote using any form as long as the requested information is provided. Any potential changes or additions to the items listed on the RFQ must be indicated on the submitted quote.

Supplier assumes responsibility for all testing and certification required under known material and performance specifications. Supplier assumes responsibilities for building all appropriate measuring gages and test fixtures, unless agreed differently with NBCA. The quoted price must include any and all PPAP/ISIR submissions, required certifications and re-certification, tool maintenance and tool replacement for the life of the job. Quotes shall be returned to NBCA by the requested due date.

### **6.5.2 Purchase Order**

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The supplier must comply with all requirements as stated in the purchase order. Any deviations to purchase orders (including quantity) must be approved in writing by the NBCA Procurement Department. Suppliers shall confirm the P.O. has been received within two business days. NBCA reserves the right to make changes to purchase orders per NBCA's terms and conditions which are provided to the supplier along with the RFQ and must be adhered to by the supplier.

### **6.5.3 Releases**

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Initial purchase orders, blanket orders, and material releases are issued by either NBCA Buyer or Procurement Department. Supplier is responsible to communicate by acknowledging the purchase order and shipment due date as well as related concerns to NBCA buyer in writing so that proper revisions can be made to purchase order, if applicable. All excess or premium freight and expediting costs, both from the supplier to NBCA and from NBCA to its customer due to supplier tardiness may be assessed. In



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line with our relationship strategy, the burden of cut-in or break-in charges will be evaluated by the NBCA Procurement Department.

## **6.6 Control of NBCA Supplied Raw Material or Products**

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Whenever the supplier receives materials for processing or work in process for further processing, the supplier must control the verification, storage, and maintenance of those materials. Any loss or wastage not covered by scrap allowances on the purchase order is the responsibility of the supplier. Any product that arrives at the supplier's premises unsuitable for use shall be recorded and reported promptly to NBCA Planner.

The purchase order and shop order are the controlling documents for all NBCA materials while at supplier's facilities and until returned. All inquiries and references should include the Purchase Order, Lot and/or Shop Order numbers along with a Part Number.

## **6.7 Product Identification & Traceability**

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Suppliers must maintain lot traceability of all product shipments including traceability back to original steel heats, supplier processes and component lots.

## **6.8 Final Inspection & Testing**

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The supplier shall maintain a system to assure that outgoing material conforms to the applicable requirements prior to packaging/shipment.

*Note: The supplier shall provide a certificate of compliance/analysis, if required by NBCA, each time a specified product or service is delivered.*

Each shipment shall contain the lot control or date codes, and required quality data, if applicable.

## **6.9 Measurement & Test Equipment Control**

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Gages supplied by NBCA must be kept in calibration and tagged as such. Gages not calibrated by NBCA must become part of the suppliers' calibration system.

## **6.10 Packaging**

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NBCA requires that packaging design protect components adequately against surface and/or structural damage during shipping, per the NTN Third-Party Packaging Guidelines. Each pack design is to consider the material handling and storage environments it will encounter during transportation and use.

*Refer to NTN Third-Party Packaging Manual for detailed requirements.*



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## **6.11 Shipping & Routing Instructions**

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The key NBCA contact for shipping and routing instructions is the NBCA Buyer. Suppliers with terms FOB supplier plant will use NBCA designated carriers for all modes of transportation unless prior approval is granted by NBCA buyer/Procurement personnel. Freight terms may vary.

Suppliers are responsible for all excess freight charges incurred due to noncompliance with routing instructions as specified on the purchase order or subsequent routing instructions.

### **6.11.1 Shipper/Bill of Lading**

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The following is critical data on the shipper/bill of lading:

- Supplier's name
- Shipping address
- Shipping date
- Shipper number/BOL #
- Carrier
- Ship to address
- Shipping terms (FOB, CIF, etc.)
- Purchase order number/ Shop order number
- Line item or release number
- NBCA part number and description
- Quantity shipped & unit of measure
- Total number of containers
- Proper freight classification
- Weight – net, tare, gross
- Lot or batch numbers (i.e. Lot traceability)

Suppliers are required to note the line item or release numbers on all shipping paperwork. Note: For overseas suppliers, an original set of export documentation should be sent with the shipment, to the NBCA. Prior to shipping, the overseas supplier should send an advanced shipping notification to the NBCA.

### **6.11.2 Customs & Supplier Content Reporting**

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Suppliers within a foreign country must provide all necessary export documents to the NBCA buyer or its customs broker for use in customs clearance of goods. All charges resulting from incorrect or inadequate customs documentation will be charged back to the supplier.



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### 6.11.3 Safety & Hazardous Materials

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Suppliers shipping any item considered a “hazardous product” or a “controlled product/substance” under the *Hazardous Products Act* will provide necessary documents to allow NBCA to comply with the act including, but not limited to, providing NBCA with Safety Data Sheet (SDS) and labeling products as prescribed by the act.

### 6.12 Inspection at Supplier’s Premises

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NBCA reserves the right to perform source inspection of any material and/or processes at suppliers and their subcontractors.

NBCA reserves the right to perform periodic audits of suppliers and their subcontractors process, methods, quality plan, inspection procedures, testing methods/operations, and quality records. Subcontractors will be notified in advance of any on-site audits. The exception to this would be in the case of ongoing quality issue or the result of poor quality received at our customer location due to supplier’s process methods. With this type of situation, a product or process audit may be scheduled at any time with minimal notice being given to the supplier.

## 7 IQ (Incoming Quality) Meeting

Suppliers may be required to attend an IQ (Incoming Quality) meeting at NBCA. The supplier will be invited due to a variety of reasons including, but not limited to:

- Poor quarterly quality and delivery performance
- Ongoing/repeat quality concerns consecutive months above the PPM goal
- Failure to follow set policies/procedures
- Inadequate/poor corrective action responses

It is required that supplier’s quality manager along with individuals who are familiar with the concern and corrective action attend. The supplier shall present the problem in a corrective action format and focus on root cause and prevention actions.

Suppliers may also be required to attend quarterly business reviews where scorecards, business conditions and goals for the future are discussed and agreed upon.

## 8 Continual Improvement

Supplier shall develop an annual continual improvement plan, approved by upper management, which establishes improvement goals, implementation dates and responsible personnel.



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Suppliers shall have a system to identify, record and monitor costs on a regular basis for all products manufactured and/or purchased as well as for all services provided and/or purchased. This system shall include, but not limited to:

- Manufacturing costs
- Quality costs
- Delivery costs
- Procurement costs
- Overhead costs

The costs shall be reported using a suitable base, such as cost per unit produced or cost as a percentage of total sales, etc.

Suppliers are encouraged to reduce costs annually to help offset all economic and OEM cost reduction programs and thereby both organizations can remain a global competitive partner. NBCA will work proactively with its supply base to support cost reduction implementation, but expects suppliers to take the initiative in establishing projects that will generate savings. Suppliers will be expected to participate in formal cost reduction reviews.

## **9 Revision and Distribution Control**

This is a controlled document and posted on the NBCA website [www.ntnamericas.com](http://www.ntnamericas.com).

Supplier Requirements Manual will be reviewed and if needed, revised when necessary under the direction of NBCA Procurement and Quality Departments. It is recommended that on a quarterly basis each supplier access the NBCA website to view current and/or updated sections.