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| Prepared By: | Doc Control: | Owner | | | Reviewer | | |
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1. PURPOSE

This manual is intended to clearly communicate Sonny’s Backroom by Hydra-Flex’s expectations to its suppliers.

2. SCOPE

This policy manual applies to Sonny’s Backroom by Hydra-Flex suppliers providing product or services, whether direct or indirect, used in production and development of Sonny’s Backroom by Hydra-Flex product. This policy manual describes the process for new supplier selection and current supplier evaluation.

3. RESPONSIBILITY

- Operations (Purchasing) - Primary responsibility and authority for communicating with suppliers
- Quality – Primary responsibility for maintaining supplier scorecard program

4. DEFINITIONS/ABBREVIATIONS:

PP: Procurement Program

PO: Purchase Order

5. APPLICABLE FORMS AND DOCUMENTS:

FM 9058 – Supplier Update Form

FM-9060 – Acknowledgement of PP Manual

FM-9061 - Shipment Routing Guide

FM-9062 - Confidentiality Agreement

FM-9063 – Supplier Change Request Form

FM-9064 - Supplier Deviation Request Form

6. REVISION HISTORY

| Rev | Date | By | Detail |
|-----|------------|------------------|---|
| 0 | 12/30/2019 | Brenda Misukanis | Initial Release |
| 1 | 03/09/2020 | Brenda Misukanis | Added definition of Non-Conformance under Non-Conformances section. Updated Sub Supplier Requirements. Added clarification to Identification & Traceability section. |
| 1 | 08/12/2021 | Zion Mueller | Doc Control Admin Updates Only: Added header page, changed formatting, corrected date, updated reviewer info & title for the owner. Did NOT update rev as the content of the document did NOT change. |
| 2 | 10/14/2022 | Brenda Misukanis | Put into new template with new Sonny's logo. Changed name from HFI/Hydra-Flex to Sonny's Backroom by Hydra-Flex throughout manual. Removed "H" from HPP as we will now just call this our Procurement Program (not the Hydra-Flex Procurement Program). Updated Joel's title from Director to VP. Removed the word "all" from the Supplier Development paragraph to improve clarity that suppliers of MRO types of products are not reviewed/considered in the context of the Procurement Program. Updated e-mail address for contacting Quality group to new e-mail of hydraflexquality@sonnysdirect.com in non-conformances section & phone # in header of opening letter on page 4. |

 **Sonny's CarWash**
Backroom
by Hydra-Flex



PROCUREMENT PROGRAM



**8401 Eagle Creek Parkway
Savage, MN 55378
952-808-3640**

Founded in 2002 as two men, a beer fridge, and a machine shop, Sonny's Backroom by Hydra-Flex is driven by the simple belief that we could "find a better way" to manufacture innovative and reliable fluid handling products. Our core values are evident in the products we develop - products that are revolutionizing the way our customers do business. Today, with equipment in thousands of locations, we are proud to maintain our reputation as the most trusted name in fluid handling, and much of this success is a result of aligning our stakeholders to our strategic initiatives. As a supplier and stakeholder your alignment and execution are critical in continuing our mutual progress.

Sonny's Backroom by Hydra-Flex's Procurement Program (PP) is our method to ensure we are working together to meet customer expectations. Our PP is focused on establishing quality, service, cost, and continuous improvement metrics which align our valued supply partners with our company strategies and actions to meet customer expectations. Performance and execution from our supply base is a critical success factor and establishing processes and programs in your organization to achieve these PP targets is imperative to our mutual success.

In the following pages, you will learn more about our PP program, its areas of focus, and our metrics for measuring success.

We would like to thank you for being an active member in our Procurement Program! We appreciate the focus our suppliers place on solid and consistent performance. We look forward to a great year & future as we embark on a path of mutual success and growth with your company.

Sincerely,

Brenda Misukanis
Director of Quality Assurance

Joel Matthews
VP of Operations

Jessica Gerenz
Sr. Purchasing Manager

Sonny's Backroom by Hydra-Flex's Procurement Program

Our Procurement Program (PP) is a supply management program based on the premise that value is defined as a combination of quality, service and cost. Sonny's Backroom by Hydra-Flex works with a limited supply base to achieve the best value possible.

Note: The information in this manual can also be found on the Company website at www.hydraflexinc.com. Scroll to the Suppliers hyperlink at the bottom right (below the contact us portion) of the homepage.

Purpose

This manual describes our Supplier Management policies & provides requirements for supplier's interactions with Sonny's Backroom by Hydra-Flex. We strive to ensure that we are setting clear expectations and flowing down our customer requirements to our supply base. This manual covers the most important quality related interactions between Sonny's Backroom by Hydra-Flex and its suppliers as well as where to find additional information on tasks, documents, responsibilities, and performance metrics.

Purchased items and services affect the level of quality of every order we ship, and thus our Suppliers must be committed to delivering 100% defect-free product, on-time, every time.

Scope

This manual applies to suppliers of parts, materials, tooling and services to Sonny's Backroom by Hydra-Flex. The supplier's sale of goods and/or services to Sonny's Backroom by Hydra-Flex constitutes acceptance of the applicable purchase order requirements and this manual.

Objective

The objective of the Procurement Program (PP) is to assist Sonny's Backroom by Hydra-Flex in exceeding its customers' expectations. Sonny's Backroom by Hydra-Flex expects to accomplish this by maximizing the value of purchased products, services, and processes, and by identifying and working with suppliers who consistently and reliably perform at or above our expectations. These expectations are:

- 1 or less non-conformances filed/month
- 100% of corrective actions closed on-time
- >95% on time delivery
- >95% accuracy of orders
- <1% cost of quality (scrap/sorting/rework costs)/month

Quoting & Price Changes

The quoting process is an important part in decreasing our "time to market". This "time" is continually shrinking, and it is becoming necessary for Sonny's Backroom by Hydra-Flex to have the ability to quote products and projects faster. Thus, it is our goal to also have suppliers who can respond with their best quote within a 48-hour time frame (where applicable).

Suppliers agree to take customary and reasonable steps to maintain previously agreed upon pricing. However, if the supplier needs to request a price change which deviates from a previously agreed to price or PO, Sonny's Backroom by Hydra-Flex asks the supplier to provide the request for change along with an appropriate

justification for the change, in writing, to the Sonny's Backroom by Hydra-Flex Buyer AT LEAST 30 days in advance of the date the change is to take effect.

Supplier Eligibility

In our efforts to provide clear expectations, Sonny's Backroom by Hydra-Flex will provide the following documents to any potential new suppliers:

- This PP Manual; PO-0002-PUR
- Our Shipment Routing Guide; FM-9061
- Our Sales Tax Exemption Form
- Our Domestic Wiring Instructions
- Our International Wiring Instructions
- Sonny's Backroom by Hydra-Flex's Credit References

In turn, in order to do business with Sonny's Backroom by Hydra-Flex and be added to the Approved Supplier List, potential suppliers are asked to provide:

- Our Confidentiality Agreement; FM-9062
- A completed W9 (unless international)
- A certificate (proof) of insurance
- A completed Supplier Update form; FM-9058
- An acknowledgement of our Routing Guide; FM-9061
- An acknowledgement of our PP Manual; FM-9060

and one or more of the following:

- Proof of ISO9001 registration, issued by an accredited registrar
- Satisfactorily complete a Supplier Qualification Self Audit, QMS Supplier Survey, or a Rapid Plant Assessment – On-site Audit, with a minimum score of 55.

Note: Quotes and proposals may be solicited from potential new suppliers who are not included on the Approved Supplier List, however potential suppliers must meet the Supplier Eligibility requirements prior to the issuance of purchase orders.

Supplier Assessments/Audits

Sonny's Backroom by Hydra-Flex's Quality Department will identify the status of the supplier's business operating system using assessment tools that may include questionnaires, surveys, on-site visits, and/or audits. The assessment identifies the supplier's capability to support Sonny's Backroom by Hydra-Flex by having documented effective systems in place to meet or exceed this standard.

If successful, a supplier is first identified as an "Approved" supplier. Measured suppliers or Strategic Partners are then identified and developed from the pool of Approved suppliers by the QA and Operations Teams. These departments are responsible to assess, select, develop, retain or replace the strategic supply base. Sonny's Backroom by Hydra-Flex intends to update the quality system assessment of strategic suppliers on an annual basis, however changes to a supplier's status may be adjusted at any time, and will be communicated to suppliers.

Strategic Partnership

Sonny's Backroom by Hydra-Flex's PP requires the commitment of both parties. This commitment is an **investment** in the ability and willingness of both parties to grow with the business. A copy of this manual can also be found on the Sonny's Backroom by Hydra-Flex website: www.hydrflexinc.com ***This manual will be posted on the Suppliers sub-page, which can be reached via a hyperlink at the bottom of the homepage.***

To support this partnership, each supplier should identify a PP Champion. The PP Champion is responsible for completing any required training, communicating PP Performance within the supplier's organization, and serving as Sonny's Backroom by Hydra-Flex's primary contact for PP communications.

Suppliers are categorized into one of four groups: Strategic Partner, Measured, Approved and Disqualifying.

Strategic Partners

Strategic Partners are those who meet or exceed our performance criteria and have a high unit volume, high spend level, and/or provide a critical product, service, or process to Sonny's Backroom by Hydra-Flex. Based on these criteria, Sonny's Backroom by Hydra-Flex Quality and Operations will work together to review the supply base and select Strategic suppliers.

Measured

Measured suppliers are those who show potential and/or deserve serious consideration for the Strategic Partners category. This interim status gives the supplier a chance to prove it can surpass Sonny's Backroom by Hydra-Flex's expectations in terms of measured quality, service and overall value over the course of a year.

A **High Performing** supplier is a long-term partner to Sonny's Backroom by Hydra-Flex that will receive recognition and preferential consideration in product sourcing. Sonny's Backroom by Hydra-Flex will also work with its partners and, where feasible, make training and other resources available to assist with ongoing development.

Approved

Approved suppliers are those remaining suppliers to Sonny's Backroom by Hydra-Flex who have the potential to become Measured or Strategic. Suppliers that consistently meet expectations and increase value will be considered for promotion to Measured and/or Strategic Partner status.

Disqualifying

Disqualifying suppliers are those that Sonny's Backroom by Hydra-Flex is actively working to de-source. Typically, these are suppliers that either Sonny's Backroom by Hydra-Flex or the supplier themselves has chosen NOT to do business with each other due to value, performance, service, or relationship differences.

Supplier Performance

A **high performing supplier** meets the following criteria:

- The supplier must be a Strategic Partner or in the Measured category.
- The supplier must achieve a score in the top 10% of our Sonny's Backroom by Hydra-Flex suppliers.

Strategic Partners and Measured suppliers with a score of less than 70% may be required to complete an action plan highlighting their plans to improve Quality, Delivery and Cost Support in the coming year as part of Hydra-Flex's Supplier Development process. Supporting information for the action plan may consist of an 8D, 5-Why analysis or other documents, as requested.

If an action plan is required, the Sonny's Backroom by Hydra-Flex buyer will initiate the request through the PP Champion. Action plans shall be approved by senior management at the supplier, and then submitted by the PP Champion. Sonny's Backroom by Hydra-Flex will facilitate acceptance of the action plan by Management members of the Quality and Operations team.

Progress against the action plan will be reviewed regularly. If the supplier does not make sufficient progress against the action plan, the Sonny's Backroom by Hydra-Flex Team may decide to demote the supplier from their current status.

Supplier Development

At the start of each year, members of the Quality & Operations teams will review the past performance of suppliers to determine which suppliers should participate in the Supplier Development program for the new year to drive improved performance. Suppliers who were in the Supplier Development program for the previous year will be reviewed to determine whether the supplier has made sufficient progress to leave the Supplier Development program or if additional actions are required. Supplier meetings will be held at intervals determined by the Sonny's Backroom by Hydra-Flex team to support the Supplier Development process.

How We Measure Success

The Sonny's Backroom by Hydra-Flex Procurement scorecard is rated on a linear scale from 0-100%. The Quality and Delivery sections both provide 40% of the total overall score, while the remaining 20% is provided by cost.

Each month those suppliers in the Strategic Partner or Measured categories will receive a scorecard from Sonny's Backroom by Hydra-Flex and are asked to contact Sonny's Backroom by Hydra-Flex within 3 business days to review and discuss any data needing adjustment. Disputes will be reviewed by the Sonny's Backroom by Hydra-Flex Quality and Operations teams, and as needed adjustments will be made and if necessary, a final scorecard will then be re-sent to the supplier. The revised scorecards will be then considered "final" for the month.

Suppliers are encouraged to use these scorecards to drive continual improvement efforts within their own facilities.

Quality

This section is weighted as 40% of the total overall score. Comprised of both the number of non-conformances issued each month as well as the status of any corrective action requests, the scores in this category can rate from 0-100%.

| Category | Explanation | Weight | Good 100% | Acceptable 50% | Bad 0% | Your Score |
|--------------------------|--|------------|----------------------------|--|--|--------------|
| Quality | | 40% | | | | 40.0% |
| Non-Conformances | Number of non-conformance reports this month | 40% | No NCRs filed this month | 1 NCR filed | More than 1 NCRs filed this month | 100.0% |
| Corrective Action | Status of corrective action | 60% | No open Corrective Actions | Containment in place and Corrective Action in progress | More than 1 Corrective Action filed this month | 100.0% |

Non-Conformances

Non-conformances are typically defined as deviations from print and are issued when product is not suitable for use. Primarily non-conformances are issued when product is deemed unsuitable for fit/form/function purposes, but when appropriate, Sonny's Backroom by Hydra-Flex may also issue non-conformances for "aesthetic/cosmetic" issues if the finished product quality will impact Customer's installation, use or overall perception. Please note that Sonny's Backroom by Hydra-Flex makes every effort to keep delivery related interruptions separate from product quality related instances, and thus unless continued, unfavorable trends are seen in the on-time delivery or order accuracy categories, non-conformances typically will NOT be issued for late, short, over or inaccurately identified shipments. Instead, these types of discrepancies will be tracked within the delivery portion of the scorecard as described in the "Delivery" section below.

Weighted as 40% of the Quality category, this performance metric is scored at either 100%, 50% or 0% only. (Only one of these 3 percentages will be awarded).

- If the supplier has NOT been issued a nonconformance report within the month, the supplier will be awarded 100% in this category.
- If the supplier has had 1 (and only 1) nonconformance report issued against them within the month, the supplier will be awarded 50% in this category.
- If the supplier has 2 or more nonconformance reports that have been issued to them within the month, the supplier will receive a 0% score in this category.

Sonny's Backroom by Hydra-Flex uses nonconformance reports to track rejected parts and associated costs. These costs may include, but are not limited to, scrap, re-work, sorting, transportation fees, line-down charges, and administrative fees. Although these reports will previously have been sent to the supplier at the time the nonconformance is issued, they can be re-sent or details regarding them can be provided upon request by contacting the Sonny's Backroom by Hydra-Flex Quality department at: hydraflexquality@sonnysdirect.com

Corrective Action

Correction action relates to the elimination of the cause of a nonconformity. Weighted as 60% of the Quality category, this performance metric is scored at either 100%, 50% or 0% only. (Only one of these 3 percentages will be awarded). Sonny's Backroom by Hydra-Flex refers to corrective action requests that have been issued to suppliers as SCARs (Supplier Corrective Action Request).

- If the supplier does NOT have any open SCARs within the month, the supplier will be awarded 100% in this category.
- If the supplier has an open SCAR, but Sonny's Backroom by Hydra-Flex has received the SCAR form back with updates that provide containment and a corrective action plan within the month (i.e., SCAR form is filled in and sent back with at least steps 1-5 updated), the supplier will be awarded 50% in this category.
- If the supplier has more than 1 SCAR that has been issued within the month OR if Sonny's Backroom by Hydra-Flex has NOT received an updated response (SCAR form has not been completed through step 5) from the supplier on the SCAR that was issued, the supplier will receive a 0% score in this category.

Issuance of a corrective action request is typically based on the following criteria but is not limited to these factors.

- Defective product has escaped Sonny's Backroom by Hydra-Flex's facility & was shipped to a customer
- Sonny's Backroom by Hydra-Flex has experienced a repeat occurrence of the same issue within a 3-month period (especially if the first occurrence of which did not result in issuance of a SCAR)
- The impact of the issue to Sonny's Backroom by Hydra-Flex's cost of quality (for part cost, rework, scrap or any combination of the three) is >5% of the invoice total
- Sonny's Backroom by Hydra-Flex has experienced a repeat occurrence of the same issue or one of a 'similar' (e.g., same failure mode on "sister" part #) nature that was found within the "effective" time frame of a previously issued SCAR

Note: The above criteria are shared as guidelines for SCAR issuance. Ultimately, SCARs will be issued by a Sonny's Backroom by Hydra-Flex QA team member based on the overall risk that the issue presents as well as the nature (is the problem systemic in nature) and complexity of the failure itself.

For clarification, the term "correction" refers to repair, rework or adjustment and relates to the disposition of an existing nonconformity. Many issues that only require correction can be classified as isolated, one-time, non-systemic failures. As such, these types of issues usually are not suitable for full corrective action and thus will not be issued as SCARs, but typically will still be captured as non-conformances within the Sonny's Backroom by Hydra-Flex Quality Management System.

Delivery

This section is also weighted as 40% of the total overall score. Comprised of both on-time and accuracy factors, the scores in this section are based on a linear scale that ranges from 0-100%.

| Delivery | | 40% | | | | 29.2% |
|----------|---|-----|--|---|---|-------|
| On Time | On time is 3 business days early/ 0 business days late. | 60% | 95% or more on time deliveries. | Between 80-95% on time deliveries. | Less than 80% of orders on time. | 60.0% |
| Accuracy | Percentage of accurate orders this month | 40% | 100% of orders were accurate this month. | Between 95-100% of orders were accurate this month. | Less than 95% of orders were accurate this month. | 92.7% |

On-Time Delivery

Weighted as 60% of the Delivery category, “On Time” is calculated by comparing the receipt date against the due date on each Sonny’s Backroom by Hydra-Flex Purchase Order (PO) line. PO lines have an acceptable on-time window of 3 business days early and 0 days late. Each shipment is evaluated individually against these criteria. The on-time delivery calculation divides the number of on-time shipments against the total number of shipments for each month.

- On-Time Delivery of 95% or more will be considered as meeting expectations (green)
- On-Time Delivery between 80% and 94.9% will be considered “acceptable, but with room for improvement” (yellow).
- On-Time Delivery that is less than 80% is considered unacceptable (red)

Specific performance details in this category can be provided upon request by contacting the Sonny’s Backroom by Hydra-Flex buyer.

Accuracy

Weighted as 40% of the Delivery category, shipment accuracy is negatively impacted by short ships, over shipments (>10%) incorrect labeling, part #’ mix-ups, and/or incorrect delivery documentation. Accuracy is defined as the difference between the quantity that Sonny’s Backroom by Hydra-Flex expects to receive as stated on the PO vs. the quantity that Sonny’s Backroom by Hydra-Flex is able to “receive into inventory” (following receiving inspection). That is, when a supplier delivers product to Sonny’s Backroom by Hydra-Flex and it is prepared for receipt within our Enterprise Resource Planning (ERP) system, if the count of the shipment does not match (short or over ship >10%), the PO cannot be received due to documentation errors, if the incorrect part has been supplied, or the incorrect label was applied, the accuracy of the shipment is <100%. Like the on-time metric, the accuracy calculation also divides the number of <100% inaccurate shipments against the total number of shipments for each month. As such:

- An Accuracy score of 98% is excellent & is considered as meeting expectations (green)
- An Accuracy score of 95%-97.9% is considered “acceptable, but with room for improvement” (yellow).
- An Accuracy score that is less than 95% is considered unacceptable (red)

Cost

The Cost portion of the Sonny's Backroom by Hydra-Flex Procurement rating is weighted as 20% of the total overall score.

| | | | | | | | |
|--------------------------------|--|-------------|---------------------------------------|---|----------------------------------|--|---------------|
| Cost | | 20% | | | | | 20.0% |
| Cost of Non Conformance | Monthly cost of Non-Conformances/ Monthly receipt amount | 100% | Cost of quality equal to 0 this month | Cost of quality more than 0 but less than 0.1 | Cost of quality greater than 0.1 | | 100.0% |
| Total | | 100% | | | | | 89.2% |

Cost is calculated as the cost of non-conformance and is calculated by comparing the total \$ amount of any non-conformances issued within the month divided by the total value of all parts that Sonny's Backroom by Hydra-Flex has received from the supplier in the month.

- If the cost of nonconformance equals 0 this is excellent & is considered as meeting expectations (green)
- If the cost of nonconformance is greater than 0, but less than 0.10 (10%) for the month, the cost is considered "acceptable, but with room for improvement" (yellow).
- If the cost of nonconformance is greater than 0.1 (10%) for the month, the cost is considered unacceptable (red)

Sample Supplier Scorecard

The Supplier Scorecard contains 4 distinct sections:

The upper right hand corner is the Total Overall Score from all 3 categories, and shows the supplier's current categorization level within the PP.

| |
|--------------------|
| Total Score |
| 89.2% |
| Strategic Partner |

The second section reflects basic performance data, including the monthly receipt amount in \$, the monthly receipt count (volume or quantity of units received), and the quality data used for calculation fo the quality and cost sections of the scorecard.

| Monthly Receipt Amount | Monthly Receipt Quantity | Non Conformance Reports Issued | Quantity Rejected | Cost of Non Conformance |
|------------------------|--------------------------|--------------------------------|-------------------|-------------------------|
| \$138.4K | 76.2K | 0 | 0 | \$0.00 |

The third section contains the scorecard data. This section includes a description of each category and subcategory, as well as actual performance in each category.

| Category | Explanation | Weight | Good 100% | Acceptable 50% | Bad 0% | Your Score |
|--------------------------------|--|-------------|--|--|---|--------------|
| Quality | | 40% | | | | 40.0% |
| Non-Conformances | Number of non-conformance reports this month | 40% | No NCRs filed this month | 1 NCR filed | More than 1 NCRs filed this month | 100.0% |
| Corrective Action | Status of corrective action | 60% | No open Corrective Actions | Containment in place and Corrective Action in progress | More than 1 Corrective Action filed this month | 100.0% |
| Delivery | | 40% | | | | 29.2% |
| On Time | On time is 3 business days early/ 0 business days late. | 60% | 95% or more on time deliveries. | Between 80-95% on time deliveries. | Less than 80% of orders on time. | 60.0% |
| Accuracy | Percentage of accurate orders this month | 40% | 100% of orders were accurate this month. | Between 95-100% of orders were accurate this month. | Less than 95% of orders were accurate this month. | 92.7% |
| Cost | | 20% | | | | 20.0% |
| Cost of Non-Conformance | Monthly cost of Non-Conformances/ Monthly receipt amount | 100% | Cost of quality equal to 0 this month | Cost of quality more than 0 but less than 0.1 | Cost of quality greater than 0.1 | 100.0% |
| Total | | 100% | | | | 89.2% |

The fourth section of the scorecard may include comments relative to the scores in any one of the three categories, or any other information pertaining to trends related to the supplier’s performance.

Comments

I am testing these comments

Expectations around Non-Conformances

Sonny’s Backroom by Hydra-Flex expects suppliers to have process controls in place to prevent product and service non-conformances and to have sufficient systems to detect, identify and correct non-conformances if/when found. If process controls fail, and the supplier catches a non-conforming product prior to shipment, the supplier is expected to take immediate containment and review actions. If appropriate, the supplier has the option to request a deviation, upon notice of which Sonny’s Backroom by Hydra-Flex will review, evaluate and determine if the product can still be shipped and granted a “use-as-is” disposition. Suppliers are never to knowingly ship non-conforming product to Sonny’s Backroom by Hydra-Flex without first receiving a deviation approval. Sonny’s Backroom by Hydra-Flex also expects suppliers to be forthcoming with any/all product quality relates issues that could cause delivery delays.

When a nonconformance is found at Sonny's Backroom by Hydra-Flex, the Sonny's Backroom by Hydra-Flex QA team will issue a non-conformance report (NCR) to the supplier, and they may, depending upon the nature of issue (refer to Corrective Action section above), also issue a SCAR. Both NCR as well as SCAR issuance and SCAR response times will be tracked and shared as part of the monthly scorecard metrics. SCARs are typically issued on a standardized 8D template. When issued a SCAR, suppliers are asked to provide proof of the use of either a 5why or fishbone diagram (included on standard form) to help determine and document the root cause.

The 8 Steps of an 8D corrective action are:

1. Establish the team
2. Describe the problem
3. Develop interim containment actions
4. Define and verify root cause
5. Choose and verify permanent corrective action
6. Implement and validate permanent corrective action
7. Choose actions to prevent recurrence
8. Approval and Closure – recognize the team!

Timing requirements for completing 8D's are:

- Containment actions- through Step 3 are required within 24 hours
- Root Cause and corrective action steps 4-5 are required within 15 days of original request
- Steps 6-8 are required to be closed within 60 days and should include implementation and verification

It is within the discretion of the initiator of the 8D to grant extensions or shorten these dates depending on the circumstances.

Should Sonny's Backroom by Hydra-Flex's production line be interrupted as a result of defective or non-conforming products or late deliveries from a supplier, Sonny's Backroom by Hydra-Flex reserves the right to charge the associated cost to the supplier. Those line-stop charges may include, but are not limited to: machine or line set up, parts or material inspection and sorting, material handling, product expediting, production and customer downtime. The amount claimed may vary by the type of operation, production line and of the number of people involved.

Sub Supplier Requirements

We encourage our suppliers to have sub-supplier relationships that maintain a management system in accordance with the current revision of ISO 9001. Sonny's Backroom by Hydra-Flex reserves the right to directly assess a sub-supplier that has a significant impact on the product's final quality, but will always work through/with our direct supplier to arrange these assessments. It is not Sonny's Backroom by Hydra-Flex's intent to manage sub-tier suppliers, but rather to ensure that our direct suppliers develop, maintain and focus their own efforts on risk mitigation, supply chain management and relationship building throughout the supply chain. As such, Sonny's Backroom by Hydra-Flex suppliers will be held responsible for the products and services they provide including items supplied to them from their own sub-suppliers.

We expect our suppliers to ensure their sub-suppliers:

- Have a quality focused approach to ensure that measures are taken to minimize the probability of defective products occurring
- Have processes in place to identify and quarantine defects early in their processes
- Maintain data and documents to ensure and prove if needed that products have been manufactured in accordance with relevant laws and safety standards
- Have processes in place to communicate any product, process or supply chain change prior to implementation
- Implement risk based thinking into their processes and quality management systems
- Obtain or work towards certification to ISO9001 practices as applicable

Notification of Changes

Suppliers are obligated to inform Sonny's Backroom by Hydra-Flex of any changes in product or the production processes used to produce product for Sonny's Backroom by Hydra-Flex PRIOR to the change being implemented by the supplier. To properly notify Sonny's Backroom by Hydra-Flex of a change, Sonny's Backroom by Hydra-Flex requests its suppliers to use its Supplier Change Request form (FM-9063) to request change to the part(s), process(es), manufacturing method(s), locations or sub-supplied component(s). Samples may be required for review and to evaluate potential impact on Sonny's Backroom by Hydra-Flex product(s). Unapproved changes could result in rejection, issuance of both a non-conformance and/or SCAR. As such, supplier actions should only take place only after formal notification and an agreement is reached on what steps are to be taken and the price impacts associated with them.

Other changes subject to the notification requirement may include, but are not limited to, tool repairs or modifications, equipment transfers, transfers to alternate sites or sub-contractors, and material substitutions.

Temporary Deviations

When a temporary deviation from specification is requested from the supplier, the supplier must notify the Sonny's Backroom by Hydra-Flex Quality Department via completion of the Supplier Deviation Request Form (FM-9064). Samples may be required for review to ensure the deviation will not impact Sonny's Backroom by Hydra-Flex's product or production processes. Again, unapproved changes could result in rejection, issuance of both a non-conformance and/or SCAR. As such, supplier actions should only take place only after formal deviation acceptance has been supplied by Sonny's Backroom by Hydra-Flex.

Identification & Traceability

Product shipped to Sonny's Backroom by Hydra-Flex must contain the following information, unless otherwise discussed with Sonny's Backroom by Hydra-Flex buyer. Deviations to this should be limited to exceptions for emergency deliveries/drop shipments of pass-thru products:

| Information Type | Provide on packaging | Provide on packing slip/shipping docs |
|---|----------------------|---------------------------------------|
| Sonny's Backroom by Hydra-Flex's Purchase Order # | X | X |
| Sonny's Backroom by Hydra-Flex's Part Number | X | X |
| Sonny's Backroom by Hydra-Flex's Part Rev level | | X |
| Quantity | X | X |

Certificate of Conformance documentation may be requested on shipments received by Sonny's Backroom by Hydra-Flex as well. If there is an additional cost for the supplier to provide these certification(s) this cost must be included on the formal quotation.

First Article

The purpose of first article inspection is to document objective evidence that Sonny's Backroom by Hydra-Flex suppliers' products conform to the engineering drawing and meet the design specification requirements. First articles may apply to component parts, assemblies, castings/forgings and/or completed products as contractually specified by the purchase order or contract. First articles are produced using the same process that is used for production. First articles are required whenever specified by the purchase order, requested by Engineering, or for any of the following criteria:

- Initial production run of the part by a new supplier
- The engineering drawing revision on the purchase order has changed since the last first article
- As required by the Sonny's Backroom by Hydra-Flex Quality Department

Suppliers must submit first articles for approval with no known nonconformances. Products are not approved for production until first article samples are approved by a Sonny's Backroom by Hydra-Flex representative.

Calibration

Sonny's Backroom by Hydra-Flex requires that monitoring and measuring equipment used for the verification of product at the supplier's facility is calibrated at regularly scheduled intervals with records of such calibrations maintained. Calibrations should take place in a controlled environment using standards traceable to NIST (the National Institute of Standards and Technology).

Supplier Held Tooling

Suppliers should recommend and/or select manufacturing processes and tooling which assure that their production parts meet specified requirements. Supplier tool recommendations are solicited via quotation by Sonny's Backroom by Hydra-Flex and are evaluated on a best overall (total part) cost considering the estimated part volume, the tool cost, and the expected tool life. Authorization for supplier held tooling is documented via purchase order.

Tool Ownership

Sonny's Backroom by Hydra-Flex's standard practice is to purchase and own the tools used to produce proprietary parts. Parts made from Sonny's Backroom by Hydra-Flex owned tools shall not be sold to other parties without the written approval of Sonny's Backroom by Hydra-Flex. Terms and conditions for tools owned by Sonny's Backroom by Hydra-Flex's customers and managed by Sonny's Backroom by Hydra-Flex will be conveyed via the PO authorizing the build or purchase of the tool. Tool ownership is designated during the quotation process and secured by issuance of a tooling purchase order.

Fulfillment of Tooling Purchase Orders

Sonny's Backroom by Hydra-Flex will provide a tool asset number, for any Sonny's Backroom by Hydra-Flex or Sonny's Backroom by Hydra-Flex Customer owned tooling. This asset number shall be permanently and legibly marked on the tool. Any additional tool identification requirements will be conveyed via the authorizing purchase order.

Tool Payment

Tool payment will be made according to the terms stated on the tool purchase order. If progress payments are required, the supplier must invoice for the down payment and any individual progress payments.

Tool Storage & Disposal

Tools shall always be handled and stored appropriately. Tools shall not be disposed of without prior authorization from a Sonny's Backroom by Hydra-Flex representative.

Tool Modifications, Rework, or Replacement

Authorization for modification or replacement is only by purchase order from Sonny's Backroom by Hydra-Flex. The performance of normal tool maintenance for typical wear items is not considered a tool modification. Normal tool maintenance is typically conducted by the supplier without issuance of a Sonny's Backroom by Hydra-Flex purchase order.

Tool Records

The supplier shall maintain a record of the tool available to Sonny's Backroom by Hydra-Flex upon request. The record should contain at a minimum:

- Tool asset #
- Part number(s) produced by the tool

- Revision level of the part(s) that the tool currently produces
- Tool description
- Tool condition (good/needs attention/bad)
- Number of cavities (where applicable)
- Date tool last used
- Number of shots on the tool or expected remaining tool life in number of parts/shots
- Record of tool maintenance activities

Tool Status/Audit

A tool status report may be requested by Sonny's Backroom by Hydra-Flex at any time during the build and validation of the tool. Inspection or audit of the tool may be required at any time during the life of the tool.

Tool Maintenance

The supplier is responsible for the maintenance and repair of the tool during its life. The tool must be maintained and repaired to assure conforming parts for the life of the tool. If the supplier suspects that the maintenance or repair could affect appearance, dimensional, or reliability/performance characteristics of the part, notify the Sonny's Backroom by Hydra-Flex buyer for determination if re-validation of the part is required. The supplier should have formal procedures for handling, storage, and preventive maintenance.

Tool Use

Tools owned by Sonny's Backroom by Hydra-Flex or a Sonny's Backroom by Hydra-Flex Customer only can be used to make parts for Sonny's Backroom by Hydra-Flex. Any other use of the tool without Sonny's Backroom by Hydra-Flex's prior consent is prohibited.