



SEASTAR \*  
SOLUTIONS®

# Supplier Handbook

\* Marine Canada Acquisition Inc. DBA SEASTAR SOLUTIONS



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### **Section 1 – Introduction**

#### **1.1 Objective**

The objective of this handbook is to provide our suppliers with an understanding of the requirements they must meet to supply SeaStar Solutions with products or services. Additional information may be obtained by contacting the Purchasing or Supplier Quality representative at our facility.

#### **1.2 Scope**

This handbook applies to suppliers who provide production materials used in support of SeaStar Solutions product manufacturing. This document is intended to be a supplement to, and does not replace or alter other terms and conditions covered by written purchase contracts, specified warranty agreements, or other separate written agreements signed by an authorized representative of SeaStar Solutions. In the event of any conflict between the terms of this handbook and any such written agreement, the terms of such written agreement shall govern.

#### **1.3 Contact Information**

Facility	Address	Phone	Fax
Richmond, B.C.	SeaStar Solutions 3831 No. 6 Road Richmond, BC Canada V6V 1P6	604 270 6899	604 303 2896



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## **Section 2. – Quality Expectations**

### **2.0 Application of this Section**

This Section applies to all suppliers. Suppliers subject to the additional Supplier Quality Advanced Controls Program will be notified separately.

### **2.1 Change Notification**

Suppliers will make no change to materials, process (including manufacturing process), manufacturing location or tooling without prior written authorization from SeaStar Solutions.

To receive a temporary product specification change, the supplier:

- Must contact their SeaStar Solutions Purchaser or Supplier Quality Representative and get a written Specification Deviation Allowance (SDA) to supply that facility prior to shipment. This will state the maximum quantity or period for which the deviation shall apply.
- Must include a copy of the signed SDA with each shipment of nonconforming product.
- Will be fully liable for all warranty claims and rework or reject costs, for shipments of product which do not conform to specification and were shipped without a Specification Deviation Allowance (SDA).

### **2.2 Quality Data & Records**

When required by SeaStar Solutions Purchase Order, the supplier must submit reports such as Certificate of Compliance, Certificate of Analysis, Test & Inspection Records, and/or SPC data. Failure to do so may delay payment.

### **2.3 Verification of Supplier's Products & Processes**

When required, SeaStar Solutions shall be afforded the right to verify at the supplier's premises that the product or services supplied to SeaStar Solutions conform to specified requirements.

### **2.4 Inspection and Acceptance of Material/Articles**

All materials furnished must conform to contractual requirements / specifications and are subject to inspection and approval by SeaStar Solutions after delivery. If fault is found with the material, SeaStar Solutions reserves the right to withhold payment. SeaStar Solutions also reserves the right to reject and/or return at the risk and expense of the supplier, all or any portion(s) of shipment(s) that fail to comply with SeaStar Solutions requirements or specifications.

### **2.5 Production Part Approval Process (PPAP)**

When required by Purchase Order, the supplier shall submit PPAP samples along with the appropriate paperwork as prescribed on the PPAP Submission Checklist by using PPAP Part Submission Warrant (CF069), both supplied with the Purchase Order. Following submission of the PPAP samples and documentation to SeaStar Solutions, the supplier must ensure that a signed off



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PPAP warrant is received from SeaStar Solutions before commencing manufacture of Production Components.

### 2.6 Supplier Corrective Action Requests (SCAR's)

The supplier must address all Supplier Corrective Action Requests no later than the specified due date as defined by the originator of the SCAR. Suppliers may request extensions to SCAR due dates through their assigned Supplier Quality Engineer (SQE). All SCAR responses must address root causes and actions implemented to prevent recurrence of the problem. SeaStar Solutions is willing to assist suppliers with root cause analysis upon request.



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### **Section 3 - Supply Capacity and Orders Expectations**

#### **3.1 Delivery**

SeaStar Solutions expects materials ordered to arrive on the mutually agreed date. Costs incurred by SeaStar Solutions for materials arriving outside of the agreed date will be passed back to the supplier.

#### **3.2 Rejected Materials Charge Back Policy**

If SeaStar Solutions discovers defective material or parts, the supplier will be immediately notified of the problem. Whenever defective parts are found, the supplier is expected to replace the defective parts, at no cost to SeaStar Solutions, as soon as possible with no disruption to SeaStar Solutions production process.

When time permits, the supplier's personnel should come to the SeaStar Solutions receiving location to sort, rework or replace the components and resolve the problem.

In the event replacement parts are not available from supplier, the supplier shall be responsible and indemnify SeaStar Solutions for the cost for replacement goods purchased from any third party and any fees, costs or expenses incurred by SeaStar Solutions for sorting, reworking, and expediting of rejected materials.

All discrepant material found by the receiving plants will be held for supplier review and disposition. The supplier will be given an opportunity to either scrap non-conforming material or have it returned at the supplier's cost for rework or replacement. In the event a Returned Goods Authorization is not received within 7 calendar days, the parts will be returned and/or scrapped for full credit at the supplier's cost. The cost of all parts found to be scrap will be deducted from future payments or debited to the supplier along with any excessive manufacturing costs incurred during the manufacturing process.

Costs of shipping, including any brokerage fees will be borne by the supplier.

If SeaStar Solutions rejects material because of non-conformance to drawing specifications and/or delivery requirements, the following are provisional solutions:

<b>Table 3.2: Default solutions by SeaStar Solutions for non-conformance to drawing specifications and/or delivery requirements</b>			
<b>Problem</b>	<b>Solution</b>	<b>Effect</b>	<b>Cost to Supplier</b>
Delivery early > 5 days	Return to Supplier	Charge to Supplier	Freight & Brokerage
Delivery late > 1 day	-Expedited Freight -Overtime -Line Shutdown	Charge to supplier	-Freight -Overtime if Applicable -Downtime if Applicable
Non-Conformance to drawing specification	Reject	Return to Supplier	Freight and debit for product
Non-Conformance to drawing specification	Reject	Scrap	Debit for product

**Table 3.2:** Default solutions by SeaStar Solutions for non-conformance to drawing specifications and/or delivery requirements

Problem	Solution	Effect	Cost to Supplier
Non-Conformance to drawing specification	Rework	Charge to Supplier	SeaStar Solutions incurred cost
Non-Conformance to drawing specification	Sort	Supplier on Site	Downtime if Applicable
Non-Conformance to drawing specification	Reject and Replace with product from third party supplier	Charge to Supplier	Debit for product and Cost of Cover

For all rejections due to non-conformance to drawing specifications, SeaStar Solutions reserves the right to select any solution set forth above, or any combination thereof, as SeaStar Solutions may determine are appropriate, at its sole discretion.

SeaStar Solutions may seek to recover from a supplier any damage resulting from a delivery of nonconforming product, including but not limited to the following:

- If the reject is a repeat issue (same part, same rejection reason within a 12-month time frame), the supplier will be charged back a minimum of C\$500 for administrative costs.
- If the late delivery is a repeat issue (same part more than 3 consecutive times), the supplier will be charged back a minimum of \$150 for administrative costs.
- If the reject is discovered in production or beyond (i.e., at a SeaStar Solutions customer or in the possession of the general public), regardless if it is a repeat issue or not, the supplier will be charged back a minimum of \$1,000 for administrative costs.
- The supplier may also be held responsible for resulting charges imposed by a SeaStar Solutions customer, such as warranty claims or costs associated with a recall campaign.
- If the reject and/or late delivery causes downtime in the SeaStar Solutions plant, the supplier will be charged back an amount based on the following formula:

$$(\text{Downtime Hours} \times \text{Standard SeaStar Solutions Burden Cost/Hour}) + (\text{Variable Costs Incurred} - \text{i.e., Expedited Freight, Customer Shutdown Charges, etc.})$$

- Third party inspection services will be charged back at SeaStar Solutions negotiated rate + any administration time incurred by SeaStar Solutions.

\*It should be noted that these charges will be invoked only when a supplier's product does not conform to contractual requirements and/or specifications.