



Supplier Requirements & Guidelines

KALAS MANUFACTURING INC. SUPPLIER REQUIREMENTS AND GUIDELINE

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1.0 Introduction

Kalas Manufacturing Inc. is a vertically integrated wire and cable manufacturer with operations in Lancaster and Denver, Pennsylvania. Kalas provides products and services to the welding cable, industrial power, marine, material handling, heavy truck, bus, construction, and agricultural market segments. Kalas distributes and ships nationally and overseas our wire and cable.

1.1 Scope

The material and information provided within this manual apply to all Suppliers of production parts and services and apply to all Kalas facilities and divisions. The information is intended to provide specific processes and guidelines Suppliers are to follow, but is not intended to act as a step by step replacement to any existing procedures that exist to the Supplier. It is Kalas expectation that each Supplier develops internal policies and procedures that meet the expectation for doing business with Kalas. Suppliers must review the manual and become familiarized with the expectations for meeting Kalas requirements. Any deviation from the requirements may result in a Non Conformance (NC) which may require a corrective action plan. It is the Suppliers responsibility to ensure latest manual revision is available on hand and to request the latest version on file from Kalas from time to time.

The Kalas Supplier Manual is written with an assumption of an understanding of basic AIAG core tools and principles and to ISO 9001/TS16949/IATF16949 (automotive suppliers) requirements.

The ultimate goal for Kalas' Supply Base is for each supplier to understand the Kalas business requirements, to assess risk, and to proactively and collaboratively develop a robust and flexible supply plan that mitigates risks. If Kalas provides a supplier with forecast requirements, then the supplier has a responsibility to identify risks to successful fulfillment.

1.2 Core Values

Kalas Purchasing upholds the Kalas Core Values established by our owner and executive leadership team. We conduct business and aim to establish long lasting partnerships with our supply base. Our goal is to select and source business with suppliers that can deliver the best quality at the most competitive cost while bringing value and knowledge to the process. Through this process of collaboration, we aim to drive continuous improvements and increased profitability. Our Core Values is available at the www.kalaswire.com website.

1.3 Quality Policy

Kalas Quality Objectives are established at the management level and cascaded through the organization to each individual associates personal goals. This ensures alignment of the

individual goals to overall company goals and continual improvement. Kalas Quality Policy is made available to all associates, vendors, and customers at each Kalas facility.

1.4 Environmental, Health, and Safety (EHS) Guidelines

Kalas is ISO14000 registered and highly encourages Supply Base alignment. The safety of our workforce and that of our Supply Base is paramount. The Kalas vision is that our associates return home each day from work at least as healthy as they were when they arrived. In addition, Kalas takes a proactive approach to the Wellness of our associates, and cares about incentivizing our associates to improve their health and wellness over time.

In addition, Kalas places great importance regarding environmental impacts. To this end, Kalas actively recycles our top raw materials consumed and ensures compliance with local township and borough guidelines for our waste streams. Our expectation is that our Suppliers have similar EHS policies which are communicated down the supply chain respectively.

1.5 Product, Regulatory, Social Responsibility, and Sustainability

Kalas Suppliers are expected to adhere to all local laws, regulations, have established internal corporate social responsibility policies, and participate in sustainability programs. Furthermore, Suppliers are responsible to ensure product and material supplied to Kalas meet product specification guidelines and regulatory compliance as applicable. For a list of requirements and guidelines, please ask your Kalas Buyer for the Product, Regulatory, Social Responsibility, and Sustainability Guideline.

2.0 Supplier Selection

Supplier selection is accomplished in accordance with Kalas Purchasing Procedure and the approval process consists of members from Engineering, Quality, and Purchasing. The selection process consists of an evaluation of the following key areas:

- Relevant quality and delivery performance to Kalas Supplier Performance guidelines
- Evaluation of acceptable Quality Management System
 - Minimum QMS requirements is ISO9001 registered or documented compliance to ISO9001 through a 2nd party audit with an expectation for our automotive suppliers to register or comply to TS16949/IATF16949 requirements
- Supplier risk assessment to Kalas supply chain
- Product conformity to Kalas requirements (proven during trial/sample process, as required, or through PPAP approval)
- Competitive Total Landed Cost evaluation

- Product compliance to local laws and environmental/regulatory compliance (RoHS, Reach, Prop65)

At Kalas request, the following areas may also be evaluated as part of overall supplier selection:

- Review of Supplier financial stability
- Manufacturing capability and capacity availability to meet delivery requirements

Suppliers will be required to complete one or more of the following forms as part of the approval process:

- FM1639 – Kalas Supplier Self-Assessment (required)
- FM1643 – Kalas Supplier Site Audit (as determined by Kalas Buyer)
- FM1652 – Kalas Supplier Basic Data Form (required)
- Execution of Supplier Manual Agreement & Confidentiality (required)

All FM forms can be obtained from the Kalas Buyer. Following cross functional team approval, the supplier is added to the general Kalas supplier list. Kalas maintains a core approved supplier list which is continually evaluated on a monthly basis to the Supplier Performance criteria as noted in section 3.0.

3.0 Supplier Performance

Kalas monitors all suppliers in the key areas of quality and delivery performance. Kalas maintains a scorecard with these metrics which can be shared with suppliers on a monthly basis. The goal is to document suppliers' performance and provide a tool to measure and assist in improving quality and delivery. Our goal is to have our suppliers meet or exceed Kalas expectations.

All direct material suppliers that provide product and services to Kalas are measured to these metrics. Suppliers that meet or exceed the expectations are automatically considered for potential new business opportunities.

At Kalas discretion, suppliers who perform consistently below minimum requirements can be placed on new business hold unless an agreed and approved recovery plan is implemented. Suppliers who consistently underperform more than 90 days need to provide a corrective action plan or recovery plan and document stability and improvements for the subsequent 90 days. Failure to maintain an improved or stable performance may result in Kalas resourcing business away to mitigate supply risks.

3.1 Quality

Quality performance measurement is expressed as Parts Per Million (PPM) and is calculated as below:

$$\text{PPM} = \frac{\text{Quantity Parts Rejected} \times 1,000,000}{\text{Quantity Received}}$$

The quantity of parts used in PPM calculation does not include parts detected by the supplier during a stock sort nor does it include parts detected by our customers.

The expectation is for Kalas Suppliers to perform at less than 500 PPM.

3.2 Delivery

Delivery performance measurement is expressed as a Percentage of on-time and is calculated from Actual PO Line Delivery Date from Required PO Line Delivery date. Anything delivered outside of the Required PO Line Delivery date will be considered late. Kalas will accept shipments up to 10 day early with no penalty to supplier's on-time delivery performance metric.

The expectation is for Kalas Suppliers to perform at 98.0% or greater.

3.3 Customer Disruptions

Kalas will monitor incidences of Kalas Customer disruptions resulting from Kalas Supplier's poor performance. Costs incurred by Kalas Customers' may be addressed as noted in Cost of Poor Quality section 3.5.

3.4 Premium Freight

Kalas will monitor incidences of premium freight, including those occurring to achieve on-time delivery. Suppliers who are late to Kalas PO delivery requirements will be responsible for premium freight charges which may include air, overnight, or standard ground delivery as required. In the event Kalas manages the freight, any premium charges incurred may be debited back to Supplier's account.

3.5 Cost of Poor Quality

Kalas will monitor costs of poor quality that contribute to any of the following scenarios:

- Re-work – cost incurred on-site at Kalas or at a 3rd party location
- Sorting – cost incurred on-site at Kalas or work done by a 3rd party

- Lines down – cost incurred on-site at Kalas or incurred at a Kalas Customer location
- Material – cost incurred due to loss of Kalas material as a result of a Supplier’s poor product in our Production or Shipping process

In the event that any of the above scenarios take effect, at Kalas discretion, Kalas may debit Supplier’s account for actual costs incurred. Kalas will provide Suppliers with a cost breakdown upon request. Additionally, Kalas may assess a \$250 administrative and processing fee for each event.

3.6 Special Status

Kalas will monitor special status customer notifications resulting from Kalas Supplier’s poor performance. Suppliers on Control Level I or II status are directly responsible for costs and expenses incurred.

Control Level I – shall be utilized at Kalas discretion and requires supplier to 100% certify material at facility until such time corrective action(s) are complete and verified as approved by Kalas Quality

Control Level II – shall be utilized at Kalas discretion and requires that material be 100% certified by a third party source until such time corrective action(s) are complete and verified as approved by Kalas Quality

3.7 Non Conformance (NC)

In the event that nonconforming supplied material is identified at Kalas, every effort will be made to immediately sort, segregate, and contain the material from accidental use. Additionally, the supplier will be contacted to aid in the disposition of the nonconforming material. However, Kalas may initiate sorting, re-work, or replacement activities immediately in order to minimize or eliminate downtime or risk to Kalas’ quality standards and Kalas Customers’ production requirements.

If an NC has been reported, Kalas expects the following actions to occur:

- Initial containment within 24 hours
- Replacement of material within 48 hours, if required by Kalas
- 8D or Corrective Action Report in Supplier’s own format or Kalas format within 30 days from the NC’s initiated date
- Extensions from the NC closure date may be extended provided when presented to Kalas and agreed by both Supplier and Kalas; but should not extend beyond 90 days from the NC initiated date

All costs incurred by Kalas during a nonconformance event will be subject to Kalas chargeback to Supplier as noted in Cost of Poor Quality section 3.5.

Lastly, all NCs may be assessed a \$250 administration and processing fee for each occurrence. Suppliers are entitled to dispute any and all charges with the Kalas Buyer. The dispute must be in written form and must occur within 30 days of the nonconformance.

4.0 Commercial and Delivery Terms

All Purchase Orders are subject this Kalas Supplier Manual and the Kalas Purchase Order Terms & Conditions which are located on our website at www.kalaswire.com

Freight Terms – Kalas utilizes Incoterms 2010. Unless otherwise negotiated, terms are Prepaid by Supplier, Delivered to Kalas designated facility

NET Terms – NET 60 day, unless otherwise negotiated

Currency – all funds will be in US dollars

Invoices

Invoices submitted to Kalas must include the following information in order to ensure timely and accurate processing by Kalas Accounting; failure to provide the required details may delay the invoice for payment:

- Kalas Purchase Order Number
- Kalas Part Number
- Kalas Project # or Capital # (if provided)

Invoices can be submitted:

- By Email – accountspayable@kalaswire.com
- By Fax – 717-335-1953
- By U.S. Mail
 - Attn: Accounts Payable
 - Kalas Manufacturing Inc.
 - 167 Greenfield Road, Lancaster, PA 17601

5.0 Packaging and Logistics Requirements

5.1 General Guidelines

Each shipment is to be accompanied by a packing list/shipping documentation that clearly identifies at minimum, the following:

- Date of shipment
- Pack Slip number
- Kalas Purchase Order #
- Kalas Part Number
- Part Description
- Quantity shipped/UOM
- Kalas Plant Address Destination

The Packing Slip must be clearly visible and easily located and accessible on the outside of the carton or pallet. When multiple cartons are loaded per pallet, the pack slip must be clearly visible and easily located and accessible on one of the exterior cartons. When located on pallets, the pack slip may be shrink-wrap covered to prevent loss or damage. The pack slip must not be hidden inside a carton/package. Labels on cartons that are pallet-loaded must be facing outward where possible.

5.2 Packaging/Label Requirements

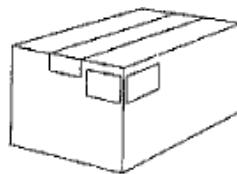
Labeling

Packages must be labeled with Kalas part number, PO Number and quantity and include bar code no less than ½" character height. Example of label with Code 30 bar codes:

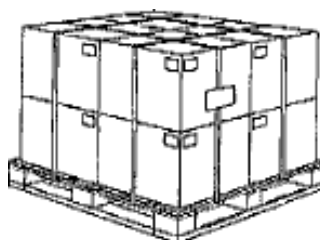
Part Number PLW350 [Barcode]	Lot Number 10131
PO Number 0073608 [Barcode]	Description LEAD WIRE W/FUSE LINK ASSEMBLY
Quantity 50 [Barcode]	Vendor
	Ship Date 4/9/2014

Label must be applied to each box or carton on the pallet. Examples:

Box or carton: Identical labels should be located on two adjacent sides as high as possible on the carton. Different items should not be mixed within one carton.



Cartons on Pallet. Each carton should be individually labeled as described above. One mixed load label must be used if all cartons do not contain the same item. Labels should face outward if at all possible.



Drums, Barrels, or Cylindrical Containers. Identical labels should be located on the top and near the center of the side.



Packaging

Supplier is responsible for packaging their products in safe, efficient containers that must protect the contents from damage and must not crush or collapse during normal transportation conditions.

Packaging should consider the environment and follow all governmental and environmental regulations.

Boxes or cartons must be limited to a weight of 40 lbs to ensure safe handling.

Each box needs to be packaged with one part number per carton. Individual cartons should not contain multiple different items unless preapproved to mix cartons.

For items approved to be shipped in a MIXED LOAD carton:

- Mixed cartons must be labeled clearly identifying it as a “Mixed Load” or “Mixed items Enclosed” for cartons containing more than one part number.
- Each group of items must be secured within its own individual bag or carton.
- Kitted parts should be

Pallets must be prepared in a secure manner to a safe height in such a way that the pallet’s integrity and stability are not compromised. Pallets need to be shrink wrapped or secured in way to ensure it maintains stability during transit and arrives in a safe manner for unloading and handling.

Shipment needs to be loaded securely on the trailer to ensure the containers do not shift/move to damage product.

Supplier shall be responsible for any problems that occur in transit and may incur costs due to improper packaging or loading.

5.3 Logistics/Routing

Kalas normal receiving hours are 7:00am to 1:00pm Monday thru Friday except by special prior arrangements.

For collect shipments < 150 lbs, package in separate boxes less than 40 lbs and consult with Kalas Buyer to determine UPS or FedEx account codes to ship against.

For collect shipments > 150 lbs, supplier must contact Kalas via email at logistics@kalaswire.com with all necessary shipment information for routing instructions.

At time of shipment from Supplier to Kalas, an Advanced Ship Notice (ASN) must be provided to Kalas to include the same information as contained in the packing slip plus tracking information.

Supplier should notify Kalas immediately to communicate any changes to expected delivery timing, potential damage, concerns with carrier or any other risks to the shipment that occur.

Documentation

- All suppliers must be in compliance with US, Canada and Mexico Customs regulations and requirements including completion of annual NAFTA Certificate of Origin for all parts supplied to North America.
- Kalas requires Country of Origin (COO) data on all purchased items and must have COO on all Quotes for purchased material.

6.0 Supplier Tooling

The following information describes the general expectations for suppliers relating to tooling and equipment utilized specifically to produce product either supplied to or manufactured by Kalas including the basic expectations for machines, devices, tooling, fixtures, gauges, service and installation. These general expectations should not be misconstrued to relieve the supplier of responsibility for the quality and functionality of the tooling or equipment they are providing. Kalas reserves the right to visit supplier and subcontractors to review progress and verify quality and status of the tools.

Kalas-owned Tools (at Supplier facility)

- Kalas will provide Supplier the Asset Identification Number which is to be marked on each tool

- Supplier will permanently mark tool with Kalas as the owner of the tool
- Supplier will also provide photographs of each tool to the Kalas Buyer
- Supplier will submit photos as part of the PPAP package
- Supplier will have responsibility to maintain and repair the tooling to ensure the tool will produce defect free parts

7.0 Confidentiality and Supplier Manual Agreement

This Agreement, made the _____ day of _____ 20____, between Kalas Manufacturing Inc (hereafter called Kalas) and _____, (hereafter called Supplier),

Agreement:

1. Supplier agrees that Supplier will not use for himself or disclose to any person any Trade Secrets of Kalas obtained by Supplier as a result of their relationship with Kalas, unless authorized in writing by Kalas. For purposes of this agreement, Trade Secrets shall be deemed to include, but shall not be limited to, all confidential information (which shall be deemed to be all information not available to the general public), price lists, product costs, production techniques, patents, designs, inventions, copyright materials, product lists, marketing strategies, equipment designs, financial statements and/or accounting systems, personnel files, customer lists, and all other information received by Supplier in connection with this relationship. Supplier will not reproduce electronically or materially any of the preceding for corporate or personal use.
2. All inventions or discoveries relating to Kalas' business developed or conceived by Supplier while partnering with Kalas shall be the property of Kalas. Whenever requested by Kalas, either during or subsequent to partnership, Supplier shall execute such instruments as Kalas deems necessary for the purpose of obtaining exclusive rights to any such invention or discovery under applicable intellectual property law, including but not limited to, any application for Letters, Patents, and assignments thereof.
3. The Supplier understands and agrees to the terms and conditions of the Kalas Manufacturing Inc Supplier Manual, K014 Revision 07 5/8/2018 as well as the terms and conditions as found on www.kalaswire.com
4. This Agreement shall not constitute a Long Term Supply Agreement between Kalas and Supplier.
5. This Agreement expresses the entire agreement between the parties and all subjects relating to this Agreement, and it supersedes all prior agreements and understandings between the parties, whether oral or written. Neither this Agreement nor any of its provisions may be amended, modified, waived or terminated, except by written agreement signed by Supplier and representative of Kalas.
6. This Agreement shall not be assignable by either party, except by Kalas to any successor to its business.

The respective parties have executed this Agreement the day and the year first written above.

Kalas Manufacturing Inc Representative

Supplier Representative
