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**1.0 PURPOSE:**

The purpose of this procedure is to establish a process for placing suppliers with critical, chronic and / or repetitive issues into the Controlled Shipping and / or Phase Review Process.

**2.0 SCOPE:**

This procedure applies to all suppliers providing production components / materials.

**3.0 RESPONSIBILITY / AUTHORITY:**

- The plant Quality Manager and Supplier Quality Engineer have the responsibility and authority to place a supplier on CS1 and approve exit from CS1.
- The plant Quality Manager and Supplier Quality Engineer have the responsibility and authority to enter a supplier into phase review.
- The plant Quality Manager and the Supplier Development Engineer have the responsibility and authority to place a supplier on CS2 and approve exit from CS2.

**4.0 PROCEDURE:**

**CS1 / CS2 CONTAINMENT**

For suppliers with critical, chronic and / or repetitive quality issues, Key Safety Systems, Inc. (KSS) Plant SQE may impose additional containment measures (at the suppliers expense) to ensure conforming product is received at KSS plants.


**LEVEL 1 CONTAINMENT:**

The supplier may be placed on Level 1 containment for chronic and / or repetitive quality issues, customer impact issues, as well as KSS line down issues.

The supplier is required to perform 100% certification of all products prior to shipment through an additional off-line inspection process. This measure would be in addition to any existing controls and containment measures previously implemented.

It is the responsibility of the Plant SQE to send the CS1 letter to the supplier using the attached template. This letter is to be signed by the Plant Manager and Plant Quality Manager. The plant SQE is responsible for communicating to the supplier the method of identification of the sorted product and containers. It is the responsibility of the Plant SQE to communicate to the supplier the frequency for sending the sort information to the KSS plant.

**LEVEL 2 CONTAINMENT:**

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This level is imposed on suppliers who fail to contain or correct quality issues through the Level 1 Containment Program.

The supplier is required to subcontract a third party certification contractor to 100% certify material prior to receipt at KSS.

It is the responsibility of the Plant SQE to send the CS2 letter to the supplier. This letter is to be signed by the Plant Manager, Plant Quality Manager and North American Quality Director.

The Plant SQE is responsible for communicating to the supplier the method of identification of sorted product and containers.

The supplier is responsible for the organization and monitoring of this sort and ensuring that the certification results are sent to KSS per the agreed upon frequency with KSS SQE.

**EXIT CS1 AND CS2 CONTAINMENT**

Supplier will receive authorization to exit CS1 / CS2 upon completion of 30 days clean after permanent corrective action is implemented. The supplier shall provide CS1 / CS2 data to verify the 30 day clean requirement has been met.

KSS SQE will send to the supplier the formal exit letter from CS1 and CS2.


**REGISTRAR NOTIFICATION**

KSS reserves the right to notify the supplier's third party TS / ISO registrar of chronic quality system failures. The supplier will be notified prior to this action being taken.


**SUPPLIER PHASE REVIEW PROGRAM**

The Supplier Phase Reviews are intended to heighten the awareness of KSS's supply base to quality performance and to focus the quality improvement efforts of KSS's suppliers toward a shared objective with the company.

KSS plants may initiate Phase Review meetings for suppliers with significant quality issues (customer impact, line down safety), chronic quality issues or negatively trending quality performance. At these meetings, suppliers will be required to present corrective action plans to KSS Plant Management, Supplier Quality, and Procurement, (and others at plant discretion). The Plant SQE and Plant Quality Manager shall determine when a supplier should be entered into the Phase Review Process. When this is determined, an agenda shall be prepared that specifically details each issue, the supplier is expected to present corrective

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actions. This agenda must also include the meeting date, time, location and required attendees. An internal meeting notice shall be sent to invite plant and corporate support.

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The program consists of three phases, as detailed below:


**Phase 1:** Suppliers will be selected for a Phase 1 review based on the following criteria:

- Repetitive quality issues
- Highest monthly PPM
- Chronic monthly PPM activity
- Negatively trending PPM activity
- Quality accidents causing significant impact to the production operations and/or KSS customers.

Requires on-site attendance of the Plant and Quality Managers to review corrective action plans in detail. KSS support should include Plant Quality Manager, Plant Manager, Plant QE, Corporate SDE, and Buyer.

**Phase 2:** Suppliers will be selected for a Phase 2 review if issues are not completely resolved as committed during the Phase 1 review. Requires on-site attendance of Operations and Quality Executives to review corrective actions in detail. “New Business Hold” status may be imposed on the offending supplier location. KSS support should be expanded to include Commodity Manager and Quality Director.

**Phase 3:** Suppliers will be selected for a Phase 3 review if issues are not completely resolved as committed during the Phase 2 review. Requires on-site attendance of top management (President) to review systemic reasons for corrective action failure and plans to resolve. “New Business Hold” status is required for all supplier locations. Supplier will not be allowed to quote on new business until the issues are resolved and closed by KSS Plant SQE. KSS support should be expanded to include Director of Purchasing, VP of Quality and Division President.

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**5.0 APPENDICES**

**5.1 CS1 - Letter of Phase 1 Review and Level 1 Containment (Start)**



**LETTER OF PHASE 1 REVIEW AND LEVEL 1 CONTAINMENT  
FOR Supplier Name, Supplier City, Supplier State FACILITY**

**Customer Line:**  
**Component Assembly:**  
**Part Number:**                      **Part Name:**

**Date:**

Supplier Manager's Name  
Title  
Supplier Name  
Street  
Supplier City, Supplier State, Zip  
PO Box Phone: Fax: Fax

Dear :

This letter is official notice that your plant is being placed under PHASE 1 REVIEW AND CONTROLLED SHIPPING LEVEL 1 CONTAINMENT by Key Safety Systems effective Date for the above assembly component and product line for the following reasons:

- : Reason.
- : Reason.


The actions required to be removed from Phase 1 review and Level 1 containment is Days days of zero defects as reported by Key Safety Systems, Plant. The requirements of Phase 1 review and Level 1 containment are covered in Procedure # 1005485. Evidence of containment will be a witness mark placed on each part .

Review of your current containment status will be conducted monthly at which time re-evaluation of your containment effectiveness will determine if escalation to the next level of containment is needed. Issues to be covered include, but are not limited to, current quality problems, PPM's, corrective actions, and review of your action item matrix. You will be notified in writing of the results of this review. Additionally; if this action is elevated to the next level, then TS 16949 requires you to notify your registrar of the Containment Level action.

Sincerely;

Director's Name  
Director of Procurement  
Location City, State/Country

Plant Mgr. Name  
Plant Quality Manager  
Plant Name, State/Country

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LEVEL 1 CONTAINMENT CONFIRMATION REPLY

<b>TO:</b>	Plant Mgr. Name	Mike Rawson	
	Key Safety Systems	Key Safety Systems	(FAX TO BOTH)
	Plant Name, State/Country	Sterling Heights, MI	
	Fax - Plant Fax	Fax 810-997-4643	
<b>FROM:</b>	Supplier Manager's Name		
	Supplier Name		
	Street		
	Supplier City, Supplier State	Fax: Fax	

We acknowledge receipt of your letter dated ..... advising us that our facility has been placed in: (check all that apply)

Level 1 Containment  
 Level 2 Containment

We understand the containment process requirements  
 We do not fully understand the containment process requirements

→ Please contact ..... (Name of contact)  
→ ..... (phone number)

The following is a description of how conforming parts and shipments will be identified to indicate that they have been certified as conforming to requirements.

---

The containment activity will be performed at the following location

---


The person responsible for the containment activity is:

Name: ..... Phone: .....

Signature: ..... Date: .....





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LEVEL 2 CONTAINMENT CONFIRMATION REPLY

<b>TO :</b>	Plant QA Mgr. Name	Mike Rawson	
	Key Safety Systems	Key Safety Systems	(FAX TO BOTH)
	Plant Name, State/Country	Sterling Heights, MI	
	Fax - Plant Fax	Fax - 810-997-4643	
<b>FROM:</b>	Supplier Manager's Name		
	Supplier Name		
	Street		
	Supplier City, Supplier State	Fax: Fax	

We acknowledge receipt of your letter dated \_\_\_\_\_ advising us that our facility has been placed in:

(check all that apply)

- Level 1 Containment  
 Level 2 Containment

We understand the containment process requirements

We do not fully understand the containment process requirements

Please contact \_\_\_\_\_ (Name of contact)

\_\_\_\_\_ (phone number)

The following is a description of how conforming parts and shipments will be identified to indicate that they have been certified as conforming to requirements

\_\_\_\_\_  
 \_\_\_\_\_

The containment activity will be performed at the following location

\_\_\_\_\_

The person responsible for the containment activity is:

Name: \_\_\_\_\_ Phone: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_