



Indirect Supplier Handbook

(Customer-Specific Requirements)

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A. Brand Promise

Powering our customers through innovation and dependability

We power the future with products and services that improve people's lives. Throughout our history, this has been our brand promise to our customers. We commit to offer innovations that make a positive and meaningful difference. We commit to offer dependability by doing what we say we will do when, where and how we say we will do it and through consistent products, services and actions.

Understanding how we expect innovation and dependability to be embedded into everything we do is crucial to our ability to continue to build an organization that our customers rely on and that we are proud of. There is always tension in delivering both innovation and dependability, however, delivering both simultaneously is the only way that we can win.

INNOVATION

Innovation means we continually introduce high-quality products and services that exceed our customers' expectations. We consistently develop new technologies to improve performance, new services to increase productivity and lower cost and new ways to provide service, information and support. We anticipate what comes next for our customers. We look beyond obvious needs by bringing insight and new thinking to their challenges. As innovators, we are never satisfied with the status quo.

DEPENDABILITY

Dependability means we offer high-quality products and services that help our customers get the job done, whatever and wherever that job is. Our products perform as advertised and are reliable. Our services are timely and right the first time. The information we provide is accurate and available. We are responsive and have clear and consistent policies and procedures. How we engage with our customers is critical to being and remaining dependable. Every interaction matters, reflects our values and is of the same high quality that we demand of the products we make and the services we provide. This is how we built enduring trust, which is critical to our reputation for dependability. Our job is to make our customers more successful. As their success grows, so does ours. When we are innovative and dependable, we all win.

Cummins relies on our indirect material and services suppliers in order to achieve our brand promise of dependability. Zero defects is the goal across the Cummins indirect material and service supply base. Cummins indirect suppliers should focus on fixing product and service quality issues, when they arise and driving the cultural change needed achieve zero defects.

B. Purpose

A significant portion of services provided within Cummins are delivered by third party providers sourced via Corporate Indirect Purchasing (CIP) and managed through CIP, Cummins Business Services (CBS) and corporate functions. Therefore, it is essential to have clear, documented requirements and interaction processes between Cummins and its indirect material and service suppliers.

This document communicates Cummins' Customer Specific Requirements and expectations to Cummins' indirect material and services suppliers.

C. Scope

This document applies to all suppliers of indirect material and services to Cummins, referred to as Cummins in this Indirect Supplier Handbook.

This document is applicable to all Cummins, Inc. plants and facilities globally.

The English language version of this document shall be the official version for purposes of third party registration.

Sanctioned translations of this document shall:

- Be for reference only.
- Reference the English version as the official language.
- Include Cummins in the copyright statement.

It is impossible to cover every conceivable situation with a blanket statement or definition. If a situation occurs that is not covered by the Cummins Indirect Supplier Handbook, the appointed Cummins Relationship Manager is the main point of contact for getting questions answered and situations resolved with additional support coming from Corporate Indirect Purchasing, Supplier Quality and Regional Quality teams. These teams have the authority to request data above & beyond the stated requirements in the Cummins Indirect Supplier Handbook if it is deemed pertinent to protect the interests of Cummins.

The supplier shall appoint at least one 'quality/relationship contact' with sufficient regional replication as needed to successfully support the service / material being supplied. This individual will be the prime path for communication of these handbook requirements to the supplier's organization both globally and within region.

D. Cummins Supplier Code of Conduct

Cummins values its global supply partners who share the Company's commitment to quality and value, and who operate under a philosophy that focuses on integrity and "doing the right thing."

To support that philosophy, Cummins has a Code of Conduct for our employees and a Supplier Code of Conduct specifically for its supply base worldwide. The supplier code outlines the Company's expectations that all suppliers will comply with certain business and ethical standards and to the laws of their respective countries, all other applicable laws, rules and regulations. The code applies to all businesses that produce goods or provide services for Cummins and any subsidiaries, joint ventures, divisions or affiliates.

Compliance with the principles of the Cummins Supplier Code of Conduct is required to do business with Cummins. Cummins requires a verification response from all suppliers before they are added to the supplier database. Since Cummins does business around the world, it has translated the code and response letter into 14 languages so that the intentions and expectations are clear. Suppliers are expected to deliver services and goods in line with global or local master service agreements.

For more information on the Supplier Code of Conduct or to complete the Supplier Code of Conduct Response Letter, visit the Cummins Supplier Portal www.supplier.cummins.com under the heading Corporate Responsibility.

E. Quality System Requirements

A quality system is an integral part of a successful quality program. It is not, however, a guarantee of quality products and processes. This document defines fundamental quality system requirements for organizations contracted by Cummins, Inc. to provide services and indirect products.

F. Acronyms and Definitions

1. **BU** –a **specific** Business Unit within Cummins
2. **Business Continuity Planning - (BCP)** The Business Continuity Plan is a collection of guidelines and procedures that proactively outline disaster mitigation and response before, during and after the occurrence of an adverse incident, facilitating the continuity of critical functions. An adverse incident is an internal or external event or situation which may result in unacceptable interruption to the organization's operational status and/or its ability to provide customer service. The objective of the business continuity plan is to help establish & maintain a basic level of operations following a disruptive event until normal operations can be fully restored.

3. **Cummins Seven Step Problem Solving** - A disciplined method for problem solving which emphasizes analysis for the true root cause and verification that the corrective action is effective in eliminating the root cause. The Seven Steps in the process are:
 - 1 Identify the Problem
 - 2 Determine and Rank Potential Root Causes
 - 3 Take Short Term Action and Containment
 - 4 Gather Data and/or Design Test
 - 5 Conduct Tests, Analyze Data, Identify Root Cause(s), Select Solution
 - 6 Plan and Implement Permanent Solution
 - 7 Measure, Evaluate and Recognize the Team
4. **CQMS** - Cummins Quality Management Solutions. This refers to a group of key quality functions and the various software tools that support those functions.
5. **Disruption Score** – The process at Cummins of assigning a numerical score to service issues when within or outside any agree service level agreements based on the significance of the disruption to the Region’s service provided within Cummins.
6. **LPA** - Layered Process Audit – Audits carried out at various levels of the supplier organisation ensuring top to bottom coverage of the audit process
7. **SCR** – Supplier Change Request – process suppliers are required to use to request approval of a change to a product or process.
8. **SIM** - Supplier Information Management – The supplier master data portal used by all Cummins BUs. All Cummins suppliers are required to register in SIM.
9. **SIP** – Supplier Improvement Process
10. **Six Sigma** - Statistically based improvement process used throughout Cummins. Suppliers will be requested to participate where significant opportunities for improvements are identified.
11. **SRM** – Supplier Relationship Management – Formal process used to setup the relationship with commodity partner or critical supplier
12. **Supplier Scorecard** - A Cummins purchasing system that rates the supplier in the categories of Price/Cost, Quality, Service Delivery, Technology, and Attitude/Administration. This system is known as the Merlin Scorecard Process
13. **TCO** – Total Cost of Ownership, A cost modelling tool that systematically accounts for all costs related to purchasing decision. TCO evaluates all costs, direct and indirect, incurred throughout the life-cycle of a service or item, including acquisition and procurement, operations and maintenance, and end-of-life management. Sum of all expenses/costs associated with the purchase and use of equipment, materials and services.
14. **FMEA** – Failure Modes and Effects Analysis

G. Actions to address risks and opportunities (6.1)

Supplier shall include in its risk analysis, at a minimum, lessons learned from service disruptions, supplier audits, 7 Step investigations, complaints, upgrades, and rework.

The supplier shall retain documented information as evidence of the results of risk analysis.

1) **Preventive Action**

Suppliers shall determine and implement action(s) to eliminate the causes of potential nonconformities and service disruptions in order to prevent their occurrence. Preventive actions shall be appropriate to the severity of the potential issues.

The supplier shall establish a process to lessen the impact of negative effects of risk including the following:

- a) Determining potential nonconformities/service disruptions and their causes;
- b) Evaluating the need for action to prevent occurrence of nonconformities/service disruptions;
- c) Determining and implementing action needed;
- d) Documented information of action taken;
- e) Reviewing the effectiveness of the preventive action taken;
- f) Utilizing lessons learned to prevent recurrence in similar processes.

2) **Contingency Plans**

When requested, Suppliers are required to submit a Business Continuity Plan (BCP)

- a) Suppliers may use Cummins BCP template for assistance in creating BCP for the suppliers company. The BCP template is available on www.supplier.cummins.com by following the path Corporate Responsibility>Business Continuity Planning.
- b) Suppliers are expected to provide BCPs for the Primary/Major Facilities that produce high risk services as identified by Cummins
- c) The BCP must be an “active” document and Suppliers are responsible for reviewing, updating BCPs at a regular frequency (at least annually), and testing contingency plans for effectiveness
- d) The Supplier shall submit latest version of the BCP to CMI on an annual basis.

H. Planning of Changes (6.3)

Supplier shall notify Cummins of any changes within their management structure and standard methods of service delivery within two weeks of changes taking effect. This includes changes in ownership as well as any changes to contacts related to doing business with Cummins.

I. Design and Development Services (8.3)

Each supplier participating in a new project may be requested to provide evidence of managing the introduction of the service via industry standard project management, software develop and testing processes. The Cummins Supplier Quality / Relationship Manager will engage a supplier for any relevant testing and approval processes deemed necessary during development and launch cycles of the projects.

Cummins requires suppliers with projects deemed as high risk to participate in the Cummins Safe Launch process. This may apply to new processes, moving from one supplier to another, and for some system and component design, hardware or process changes. Suppliers expected to complete this activity will be notified by their Cummins Supplier Quality / Relationship Manager. Safe Launch includes but is not limited to:

- 1) **Process / System / Service Capability Tests** – test of functionality, capacity and quality run by the supplier with Cummins personnel present. Ensuring the new or changing process/system/service meet the requirements detailed with the project scope.
- 2) **Safe Launch Control Plan** – detailed plan for increased inspection frequencies during the safe launch timeframe.
- 3) **Service / Indirect Material Approval Process** - Cummins must be notified of pending changes using the Cummins Supplier Change Request Process (SCR). Informed decisions are then made on the impact of the changes It is the supplier’s responsibility to ensure that Cummins has approved the change or new processes prior to launch or installation.
- 4) **Failure Modes and Effects Analysis (FMEA)** - FMEAs and control plans are required for new processes and updated whenever there is any change.

J. Information for External Providers (8.4.3)

Cascade and communicate all Cummins, Inc. quality requirements throughout the organization’s value chain.

K. Preservation (8.5.4)

Where necessary for supplying the product or service, the supplier shall meet Cummins Inc. packaging requirements as defined in the Cummins packaging standards “Global Packaging Standard Production Parts” and/or “New and ReCon Parts Packaging Standards”. These standards are available for download through the Cummins Supplier Portal.

L. Control of Changes (8.5.6)

Service/Process/ Product Supplier Change Control (including Embedded Software changes)

1. Any service or changes to service delivery will be issued through a change request process
2. The supplier shall notify the Cummins Supplier Quality / Relationship Manager of any proposed service, process or product changes from current services, products or processes detailed within the current contract or SOW.
3. The supplier shall obtain approval for all service, process and product change requests from their Cummins Supplier / Relationship Manager prior to implementing a change. Informed decisions are then made on the impact of the changes. It is the supplier's responsibility to ensure that Cummins has approved the changes before the changes are implemented.

M. Performance Evaluation

Cummins reserve the right to monitor the quality performance of the supplier primarily through contract SLA and Regional Disruption score processes. Cummins will report these measures to the supplier. Zero defects and disruption is the goal for both measures. Failure to meet this goal may result in corrective action activity as described in the Non-Conformance section of this document. Cummins will set interim goals (targets) for suppliers who cannot rectify any quality issue via the Seven Step Process. These targets will be reviewed each year.

N. Monitoring, Measurement, Analysis and Evaluation (9.1)

The supplier shall allow on-site verification activities as required by Cummins and Cummins' customers.

The supplier shall allow on-site Process/Product Audits and System Assessments when requested by Cummins.

The supplier shall allow and facilitate visits by Cummins personnel to their suppliers for purposes of audit, review of corrective action effectiveness, or any other reason related to the quality of service and products supplied to Cummins.

The supplier shall allow direct communication with their operations personnel as well as any sub tier supplier's personnel on quality issues.

O. Application of Statistical Concepts

1. Suppliers are encouraged to adopt Six Sigma as a formal improvement process, particularly when aimed at improving quality or reducing costs. This includes the Value Stream Transformation process within the Six Sigma approach.
2. Suppliers shall use statistical tools for managing and improving processes wherever possible. Statistical tools may include but are not limited to Statistical Process Control.

P. Internal Audit (9.2)

1) Quality management system audit

Supplier may be requested to conduct an Internal Quality Management Systems audit at least once per year.

2) Layered Process Audits

Suppliers may be requested to implement a Layered Process Audit program to promote continuous improvement within their organisation.

Evaluation shall be self-assessment. The self-assessment shall be conducted annually at a minimum, but may be repeated as needed. The self-assessment may be conducted as part of the supplier's internal quality audit or conducted separately. The self-assessments are to be retained on-site, but made available for review by Cummins Inc. upon request.

This requirement shall apply to any sub-tier suppliers that perform these processes for the direct supplier to Cummins Inc.

Q. Nonconformity and Corrective Action (10.2)

- 1) In the event that quality problems are experienced with services or product provided by a supplier, Cummins' corrective action process may escalate through several phases depending on the adequacy and timeliness of the supplier's response and the effectiveness of the actions taken. It may also go straight from problem notification to Senior Management depending on severity and urgency.
- 2) Cummins will notify the supplier when a non-conformance has occurred. At the time of notification, the supplier will also be advised if a corrective action response is required. It is Cummins' expectation that the supplier takes immediate action to contain any additional service / product defects. The supplier is expected to take appropriate corrective action to prevent additional service / product defects from being produced or reaching any Cummins site. Cummins Supplier Quality / Relationship Managers may check supplier's actions taken as part of the Cummins Process/Product audit process.

- 3) If a SCAR (Supplier Corrective Action Request) is issued, the following must take place:
- a) Suppliers are expected to submit evidence of problem solving tools used during root cause investigation of the issue. Suppliers are expected to use the Cummins SCAR worksheet to aid in the investigation process and ensure a thorough corrective action response is complete.
 - b) Supplier is required to take immediate containment actions to enable Cummins facilities to operate and protect Cummins from further non-conforming product.
 - c) The supplier shall submit documented containment results within 24 hours of notification of non-conformity.
 - d) The supplier's containment process must cover all possible areas of potential defects including:
 - 1) All relevant Supplier's location
 - 2) All potential product / service delivery links (e.g. supplier to ship, ship to warehouse, warehouse to Cummins, etc.)
 - 3) The notifying Cummins facility and any other potential Cummins facilities
 - 4) Root cause shall be identified and short-term action in place within 48 hours of finding the defect.
 - e) Long term action plan submitted within 10 working days of receipt of SCAR
 - f) Long term action plan in place within 30 days of finding the defect. Past Due SCARs will be escalated to Cummins management for further review.
 - g) Timeliness of suppliers' responses to these due dates are measured and included in the Supplier Balanced Scorecard.
 - h) All SCAR responses will be reviewed by the Cummins Supplier Quality / Relationship Management for adequacy.
 - i) Any charges accrued associated with the activities conducted during the rectification of the defect will be at the Supplier's expense.
 - j) PFMEA and Control Plan are to be reviewed and relevant revisions made as part of the problem solving process. The expectation is that these documents will be submitted as part of the completed SCAR response. Proprietary process documentation requires evidence that the review has been completed by the Cummins SQIE. Process changes as a result of the problem solving process are expected to be submitted to Cummins for review.
- 4) Repetitive nonconformance, adverse quality trends, or other issues may escalate the corrective action process to include, but not be limited to:
- a) Formal Process/Product Audit of the supplier's facility by Cummins Supplier Quality, looking for systemic issues

- b) Focused problem solving activity with agreed measures and targets and routine progress reporting into Cummins
- c) Participation in a formal Cummins Supplier Improvement Process program (SIP)
- d) Consequential Management activities, which may include Third Party certification processes that are provided at supplier's expense. These actions will be implemented at the direction of Cummins Supplier Quality / Relationship Manager

These activities will be monitored at a senior level at Cummins and require the active participation of senior management at the supplier.

- 5) The final escalation of the corrective action process, if required, is a meeting of the supplier's highest management with appropriate Cummins' Location, Purchasing or Corporate senior management. The supplier must be prepared at this meeting to commit resources to resolve the issues. Failure to follow through with these commitments would initiate re-sourcing activity by Cummins.
- 6) Cummins monitors supplier-caused disruption costs to Cummins and its Customers. Costs associated with supplier caused disruptions will be recovered from the supplier. Typically these costs could arise from:
 - i. Nonconforming material detected within Cummins or by its customers
 - ii. Supplier caused warranty issues
 - iii. Line stoppages at Cummins or its customers due to supplier issues
 - iv. SQI work beyond normal planned activity

7) Problem Solving

Cummins Inc. SCAR worksheet shall be used for problem solving.

Suppliers with high value, chronic or repeat quality issues are expected to participate in any Cummins driven problem solving initiative.

Cummins expects suppliers to monitor the outputs of their quality system and continually improve in quality, service, and cost. This philosophy should be fully deployed throughout the supplier's organization. Continual improvement in service / product characteristics means optimizing at a target value and reducing variation around that value. This assumes that product characteristics currently meet specifications. Cummins customers have high expectations of the quality of the Cummins services / products and in order to meet these expectations we are equally demanding of our supply base.

Suppliers are expected to apply continual improvement techniques to non-product / system characteristics that impact quality, service, and cost such as resource downtime, testing methods,

process flows, etc. Lean philosophies are a proven way of achieving these improvements and are encouraged by Cummins and can be equally applied to products, service and indirect processes.

R. References

References cited by this document are the latest versions available at the date of publication. When a cited document is revised after the date of publication, the newer version shall apply.

A. References cited in these Customer-Specific Requirements

Automotive Industry Action Group (AIAG) North American Automotive Quality Core Tool Manuals

- Chrysler, Ford, General Motors Failure Mode and Effects Analysis (FMEA), Fourth Edition, June, 2008.

AIAG Quality Manuals

- CQI-8: Layered Process Audit Guideline, 2nd Edition

Software Process Assessment

- Capability Maturity Model Integration (CMMI)

ISP Standards

- ISO 9001:2015 “Quality Management Systems – Requirements”

International Automotive Task Force (IATF) Publications

- IATF 16949:2016 “Fundamental quality management system requirements for automotive production and relevant service parts organizations”.

Purchasing and Supplier Quality Documents and Applications

- iSCM Integrated Supply Chain Management (<https://iscm.cummins.com>)
- Supplier Portal (<https://supplier.cummins.com>)
- SCAR Worksheet and 3P5Y
- CQMS
- Supplier Scorecard
- Cummins Suppliers Guide to Prohibited and Restricted Substances

S. REVISION LOG

Page	Description	Date
All	Initial release	01-01-20