



O&k American

Policies & Procedures If Nonconforming Material Is Suspected

Revision Date: October 17, 2018

O&k American is committed to providing you material that conforms to our agreed upon specifications. Our team, processes and quality system are all designed to allow us to achieve this result. As there are items that cannot be inspected for, tested for and assured, we recognize that nonconformances may occur. This document defines O&k's policy and procedures if you suspect that supplied material does not meet our agreed specification.

First, we must start by defining our initial agreement.

- You, our customer, and O&k will reach a mutually agreeable specification. This will be defined in the formal correspondence between our companies detailing your requested needs and our capabilities. Once this is completed and agreed upon, a formal O&k Specification Review document will be presented for acceptance. This document will become the basis for our future manufacturing agreements.

Next specification compliance will be confirmed:

- O&k will provide a formal material test report detailing the results of the testing agreed upon within our specifications. This will be provided at the time shipment. This document must be reviewed and assured that all reported results are within agreed specification. If any concerns are noted, they should be identified at time of receipt of material or prior to processing.

Finally, material will be manufactured in various customer parts and components:

- You, as our customer, are responsible for determining and procuring material that will allow you to manufacturer the desired part. O&k's responsibility lies in meeting the defined material specification agreed upon between our companies. As we are not manufacturing or producing the final part, we cannot be held responsible for any requirement other than meeting our agreed upon specification.

In the event any concerns or nonconformance's are believed to be encountered during manufacturing, we would ask you to please follow the below process for a proper investigation and timely response.

1. Notify O&k Quality Assurance immediately upon detection. Please provide all investigation, results etc. that were utilized to determine the suspect material.
2. Supply the following information with your initial submission:
 - A. Reason for submitting for investigation, include any investigative work done by customer.

- B. O&k manufacturing and coil number (An image of our tag is preferred)
 - C. Heat number
 - D. Grade
 - E. Weight of nonconforming material and parts
 - F. Purchase order (PO) number.
3. Provide several samples of suspect material and wire samples for analysis.
 4. Provide several samples of good parts for comparison.
 5. Data on the failure rate of this suspect material. it is very important that we view this event in its historical context of production for analysis. Is this a first-time event, a one-part failure, or chronic failure rate affecting many parts?
 6. The O&k production number (M #) and coil number must be submitted on all correspondence.
 7. If additional information is needed during our investigation O&k will request this through our normal quality or sales channels.
 8. O&k will formally respond with the results of our investigation and any disposition of material if applicable. This response will include next step action plans for this material if determined to be nonconforming. If material is found to be within specifications, the decision on the material will be for you.

If suspect material is confirmed as nonconforming, the following reimbursement policies are applicable:

1. **As sole compensation for material that has been confirmed as nonconforming, O&k will provide material invoice cost minus scrap value for confirmed rejected weight of accepted nonconforming weight.**
 2. This policy is based on material cost being refunded. This cost does not include non-material costs like: tariffs, freight costs, etc.
 3. Decisions on salvage methods are to be made by the customer only. As our agreement is only for materials, O&k cannot be responsible for any other associated costs including but not limited to: sorting charges, rework charges, warranty, consequential costs, etc.
 4. Requests for full coil or non-processed material will be reviewed on case-by-case basis. A fair representation of material supplied must be processed prior to accepting a full coil or non-processed material rejection.
 5. Customer submissions will be denied for any cost or decision made without prior authorization from O&k.
 6. Inspection of coils must be undertaken at time of receipt for conformance. If any detectable conditions are encountered, like handling damage, shipment damage or surface damage, including rust, we require immediate notification. Failure to provide this notification may result in denial of this claim.
 7. Please: no invoice deductions or debits are allowed unless the claims are authorized and approved by by O&k. A formal claim number will be provided that should be used in any deductions taken from payment.
-