

# **Progress Rail**

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## **Infrastructure Supplier Quality Manual**

# Progress Rail

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## Introduction

This manual outlines the requirements to be used in addition to or as a supplement to Progress Rail's Purchase Order, Engineering drawings/specifications, and any other signed active agreement with the supplier. Acceptance of any part of a purchase order constitutes acceptance and commitment by the supplier to comply with this manual's content. The supplier shall:

- Satisfy the requirements defined in this manual
- Maintain a working knowledge of all policies outlined on Purchase Orders and any signed and approved agreements governing the relationship between the supplier and Progress Rail
- Obtain the latest version of documentation referenced in this manual
- Communicate issues involving contractual agreements, product quality issues related to design, specifications, changes and notifications, delivery delays, or any other feedback concerning supplier obligations.
- Accept responsibility for the safety, quality, on-time delivery, and regulatory compliance during manufacture and delivery of all products and services.

## Quality Policy

**Progress Rail pledges our products and services will meet our internal and external customers' requirements through a commitment to continual improvement of the quality management system and failure prevention.**

To follow our quality policy all suppliers are expected to operate with a "Zero Defect" philosophy, strive to continually improve product manufacturing processes and overall product quality. We ask each supplier to focus on defect prevention, reduce waste, and foster an atmosphere of continuous improvement.

## Business Partner Code of Conduct

Progress Rail conducts business in an ethical manner at all times. Progress Rail and Caterpillar's "Code of Conduct" governs our business practices and policies. Suppliers to Progress Rail are expected to conduct business within the framework of Integrity, Excellence, Teamwork, Commitment, and Sustainability which are the core values of the Code of Conduct. It is also the responsibility of each supplier to ensure their sub-suppliers and sub-contractors practice and comply with the Code of Conduct at all times. Copies of Caterpillar's Code of Conduct can be obtained by contacting Progress Rail's Quality or Purchasing departments.

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## **Quality System Requirements**

Progress Rail requires that each supplier maintain an effective Quality Management System. It is preferred that each Supplier to Progress Rail maintain a Third (3<sup>rd</sup>) Party Audited Quality Management System equivalent to ISO 9001 and/or M1003 Section J (or equivalent) certification.

If a Quality Management System is not in place, Progress Rail reserves the right to perform an audit of the supplier location to ensure compliance to this manual.

Upon request, the supplier must furnish Progress Rail with a controlled copy of the supplier's Quality Manual and supporting procedures.

## **Supplier Assessment & Selection**

Suppliers are selected based on quality, capability, delivery, and price. All suppliers shall be evaluated and added to Progress Rail's approved supplier listing. Suppliers are required to ensure any sub-contractors used in the manufacture of Progress Rail products adhere to all applicable requirements of this manual. To achieve and maintain approved supplier status, suppliers must have the following on file:

- Business Partner Maintenance Request Form
- Supplier Quality Survey Report (Identification of person responsible for corrective action reporting)
- Supplier Quality Manual Receipt & Agreement
- Nondisclosure Agreement
- Request for Taxpayer Identification Number and Certification
- Accounts Payable ACH Payment Enrollment Form and Agreement
- On-site Service Agreement (OSA) (where applicable)
- On-Site Assessment (May include a Quality System Audit, Business Assessment and/or Manufacturing Technology Assessments)

## **Supplier Performance Monitoring**

Progress Rail periodically monitors its supplier's performance to ensure they continue to meet minimum performance requirements.

Monitoring may consist of one or more of the following:

- On-Site audits to validate Corrective Actions, Conformance to the SQM, and conformance too applicable regulatory standards. **NOTE:** Progress Rail reserves the option to perform on-site audits unannounced.

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- Review of supplier's PPAP/FAI submission packages, as requested.
- Receiving inspections
- Random review of the supplier's inspection record(s)
- Supplier's performance rating / scorecard.

If the supplier's performance (i.e. scorecard, vendor claims, etc.) is deemed to be sub-standard, then Progress Rail reserves the right to take corrective measures.

The supplier will be required to maintain a list of the resulting action items:

- Assigned responsibilities
- Target completion dates
- Periodically report the status of those action items in a manner prescribed by Progress Rail at the time.

## **Sub-Tier Suppliers**

The supplier is responsible for the quality of materials and components provided to them by their sub-tier suppliers and subcontractors. It is the supplier's responsibility to ensure that the sub-tier and/or subcontractors meet all Engineering drawings/specifications provided to the Supplier by Progress Rail.

Progress Rail reserves the right to evaluate the quality system and records of sub-tier suppliers, as necessary.

## **Purchase Order and Document Control**

Progress Rail Purchasing will issue purchase orders (POs) for all incoming products. The purchase order will include the part number, description, quantity, price, expected delivery and any specific instructions or information related to the PO requirements. Purchase orders issued to purchase products in which Progress Rail has design control or proprietary rights will include Engineering Drawings specifying product requirements. It is the responsibility of each supplier to review, understand, and resolve any issues related to price, delivery, or capability to fulfill the purchase order requirements. Suppliers are expected to acknowledge each purchase order by email or direct contact the respective buyer within 5 days of PO release.

Document Control – New engineering drawings will be supplied with each purchase order for Progress Rail proprietary products. It is the responsibility of each supplier to have a document control process in place to maintain the latest or most current revision level drawing and ensure their use for the manufacture of the required product. It is recommended to discard all engineering drawings after completion or fulfillment of each purchase order.

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Product revisions or changes to products in process of manufacture will be communicated by Progress Rail's Purchasing and will provide specific instructions related to a change.

## **Product Design/Manufacturing Changes & Communication**

Progress Rail (PR) recognizes that purchased products used on our equipment are subject to design and/or manufacturing process changes. Furthermore, we understand product suppliers reserve the right to change the design and/or manufacturing process of their products as needed unless the product is branded or labeled specifically for PR. Suppliers are required to provide advanced, written notification of any product change whether planned or unplanned, to their assigned Progress Rail Quality Representative and Purchasing Agent to obtain direction on the Progress Rail PPAP/FAI approval. This notification shall apply to any design and/or manufacturing process change in fit, form, function, appearance, and where applicable, identification.

## **Production Part Approval Process / First Article Inspection (PPAP/FAI)**

Progress Rail uses the Production Part Approval Process (PPAP) / First Article Inspection (FAI) to document a supplier's compliance to Progress Rail specifications and requirements as a method to verify that the suppliers have the capability to meet the specified requirements. The PPAP/FAI requirement is applicable to all materials purchased by Progress Rail and is applied against the part number that appears on the associated PO.

Suppliers **ARE NOT** permitted to ship any production material until a "Full" PPAP / FAI approval has been received. A "Full" PPAP/FAI approval **WILL NOT** be granted until all required documentation has been submitted and formally approved by a Progress Rail representative.

For questions on the PPAP/FAI process, consult your Progress Rail Purchasing or Quality representative.

## **Supplier Request for Deviation**

A supplier is **NEVER** permitted to knowingly ship product that does not conform to the drawing/specifications without prior written authorization from Progress Rail. If such a condition exists, the supplier must request a deviation, by submitting a completed Supplier Deviation Request form, of the drawing(s) and/or specification(s) from the Progress Rail Quality Representative and/or Purchasing Agent by submitting a completed deviation request.

Progress Rail will provide a disposition to the request for the deviation. If approved, the supplier is then authorized to ship the product in compliance with any specified conditions on the deviation. Any approved Progress Rail Engineering Deviation related to product material must be supplied with material certification sheets.

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Deviations **ARE NOT** permanent engineering changes rather temporary approvals from the drawing(s) and/or specification(s). The supplier must work immediately to correct the nonconformance(s). Failure to comply with the conditions of the deviation may result in the issuance of a formal vendor claim and/or cost recovery actions, all of which may affect the supplier's performance rating.

## **Progress Rail Controlled Product Designs**

A permanent design change from your assigned Product Engineer may be requested. The supplier shall have a documented procedure for assuring that the latest Progress Rail drawings are available and implemented at their facility or sub-supplier(s) in accordance with the Purchase Order and PPAP/FAI requirements. The supplier shall submit a completed Supplier Change Request form to validate any design change.

The supplier shall have a written procedure that defines the methods for:

- Receipt, review, distribution, and implementation of all changes to drawings and specifications.
- Control of new or revised parts until approved by Progress Rail
- Control and elimination of obsolete drawings, specifications, and production material as appropriate.

## **Supplier Controlled Product Designs**

The following requirements will pertain to Suppliers that have design control over the products they supply to Progress Rail:

- Unless otherwise agreed to, the supplier shall notify Progress Rail Engineering and their assigned Purchasing Agent of any planned design changes and jointly establish a product design validation plan with Progress Rail Engineering, and where applicable, submission of the necessarily changed engineering drawings and/or specifications.
- PPAP/FAI requirements that apply to the design validation shall submit a completed Supplier Change Request to validate any design change.

## **Manufacturing Control**

Progress rail suppliers are required to monitor and control all manufacturing processes in accordance with the Supplier's control plan or equivalent document. Process controls could be, but not limited to, Statistical Process Control (SPC), Poka-Yoke (Error Proofing), KPI(s), etc.

Special Processes must be indicated by Industry standards and/or CQI(s) or equivalent. For any special processes performed, the supplier shall provide proof of certification before work is performed.

## **Product Packaging**

Product packaging shall be provided as appropriate to prevent damage to products during handling, transit, and storage. Product identification must be permanently affixed to the outside of the packaging and must remain clearly legible after normal handling and transportation. Any base coated (primed) or finished painted product is to be palletized and secured in a manner to prevent deterioration of the painted surface during transport, handling, and storage. In addition, painted products, or products subject to scratches (windows, Plexiglas®, Lexan®, etc.) are to be individually wrapped within the same package. Some products may require special provisions for handling to prevent damage due to size and weight. The best packaging arrangement remains the discretion of the supplier, unless otherwise specified in this manual, purchase order (PO) or communicated directly to the supplier by PR Engineering, Purchasing, or Quality Departments.

Hazardous material shipments should be properly labeled and must comply with GHS regulations.

**Note: It is not recommended to wrap freshly primed or painted parts with plastic wrap as this prevents the primer/paint from curing.**

**Bulk Shipments** – Multiple products/parts of the same part number shipped within the same container shall have the container identified with the label affixed to at least two sides of the container. It is not permissible to package multiple part numbers within the same box or container. Multiple parts or part numbers which make up a single assembly, considered a “kit”, is allowed to be packaged in the same container; however, they are to be packaged as individual “kits” with the “kit” part number affixed to each individual package. Shrink wrapped pallet labels must be affixed outside the shrink wrap and inside next to the product. Label size for bulk shipments is to be 8 ½” X 11” with ½” text on at least two sides of the container.

**Palletized Shipments** – Product shipped on pallets shall be secured in a manner to prevent damage in transit. Consideration of product weight and size should be evaluated when selecting the proper pallet size and weight rating. Product is not to extend beyond the edges of pallets to prevent contact with fork trucks and other products during transport and handling. Selection of the proper pallet configuration is at the discretion of the supplier unless otherwise directed by Progress Rail.

Multiple individually packaged products palletized shall be labeled individually. Individual package labels shall be facing outward when stacked on the pallet in order to read the product label from each side. Shrink wrapped palletized product shall be labeled both individually and outside of the shrink wrap. The outside label shall include the required label information.

**Note: No steel banding or strapping material is allowed by Progress Rail due to Safety risk. Polyester Strapping is the recommended material to be used in the appropriate weight rating.**



## **Product Nonconformance, Corrective Action, and Product Rework**

Any nonconformance found during incoming inspections will be returned to the responsible supplier. It is the Supplier's responsibility to provide a Return Goods Authorization number (RGA) and containment plan within 24 hours of the notification from Progress Rail. Disposition of a nonconformance shall be made in a manner not to cause disruption to Progress Rail's production.

Requests for corrective action will be conveyed by vendor claim (ETQ, NCR, QN, etc.). The supplier shall establish a documented procedure for problem solving to identify and eliminate any root cause(s) of nonconformances to Progress Rail requirements. Contact your assigned Quality Representative for support with suitable correct action report formatting. Suppliers shall have a response for corrective action to vendor claims within 14 days and preventive actions within 60 days.

As part of the corrective action activities, suppliers must establish root cause(s) for:

- The occurrence of the nonconformity (occurrence cause(s))
- The failure to detect the nonconformity and to prevent its delivery to Progress Rail
- The failure to prevent the nonconformity as part of the initial manufacturing design planning or Advanced Product Quality Planning (APQP) activities.

Corrective / Preventive Actions are focused on eliminating the established root cause(s) for occurrence and detection as well as preventing the root cause(s) from reoccurring. Validation of Corrective and Preventive Actions must be documented and available upon request.

Significant nonconformances can be submitted to the AAR, as required.

**NOTE:** Breach in containment activities (repeat issues detected by Progress Rail) will result in Third Party containment activities at Progress Rail facilities. The burden of containment operations and costs shall be the responsibility of the supplier. Documented results of containment must be saved and available to Progress Rail upon request.

In the event a product nonconformance is found during the build process that requires rework, suppliers will be notified and given an opportunity to correct the deficiency within an acceptable timeframe to meet PR's production schedule. Notification with supporting documentation will be provided by PR-Quality. Suppliers are required to acknowledge notification prior to conducting rework on nonconforming product.

Progress Rail may elect to recover, from the supplier, excess costs associated with nonconformance events. The following costs can be recovered, including but not limited to, the following:

- Containment Costs

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- Logistics Costs
- Liquidated Damages
- Customer costs
- Rework Costs
- Lost Material
- Lost Time
- Value-added Loss

Debits are submitted monthly related to any rework charges in addition to administrative fees. Any credits not received within 60 days of debit notification will automatically be deducted from any outstanding Supplier invoice(s). Credits related to product nonconformance are to be sent directly to PR-Quality Assurance.

A burden ratio will be established, unique to each vendor and contingent upon scorecard / performance data. To minimize the cost impact, it is beneficial for the supplier to contain nonconformities in an effective and timely manner.

In certain cases, suppliers may be allowed to perform on-site repairs to correct a nonconformance. However, the Supplier must submit an On-site Service Agreement and supporting documentation for approval by Progress Rail Corporate Legal prior to conducting on-site services. For detailed information related to this policy and policy execution please contact PR- Purchasing.

## **Continuous Improvement**

Suppliers are expected to review their manufacturing process(es) and business operations on a defined periodic basis and maintain records of their efforts to improve the effectiveness and efficiency of their process(es) in order to improve product quality, delivery, and cost.

Progress Rail reserves the right to review records of such process improvement activities.

## **Revision History**

Date	Revision	Changes
XX/XX/XXX	0	Initial release.

## Supplier Quality Manual

### New Release

#### Acknowledgment of Receipt and Compliance

I have reviewed and acknowledge the above requirements. I also understand that failure to comply with these requirements may result in Progress Rail rejection of submitted product and/or removal from Progress Rail's Approved Supplier listing.

**Company / Supplier Name:** \_\_\_\_\_

**Authorized Signature:** \_\_\_\_\_

\_\_\_\_\_  
Print

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Appendix A**

**Supplier Code of Conduct**

While Progress Rail conducts its business within the framework of applicable laws and regulations, for us, compliance with the law is not enough. We strive for more than that. As enshrined in Caterpillar’s [Supplier Code of Conduct](#), we envision a work environment all can take pride in, a company others respect and admire, and a world made better by our actions.

We view our suppliers as extensions of our company and an essential part of our extended value chain and commitment to quality. We look for suppliers who demonstrate strong values and commit to the ethical principles outlined in Caterpillar’s Supplier Code of Conduct, namely:

Conflicts of Interest	Fair Competition	International Trade Laws
Improper Payments	Diversity and Inclusion	Emissions and Waste Reduction
Confidential Information	Protection of Assets	Health and Safety
Human Rights	Conflict-Free Sourcing	Innovation
Environmental Responsibility	Fairness and Non-Discrimination	Water Conservation Stewardship

We expect suppliers to comply with the sound business practices we embrace, follow the law and conduct activities in a manner that respects human rights.

## Appendix B

### Shipping Requirements

- ❑ **North American Shipping:** It is critical that the [Progress Rail Routing Guide](#) is followed when shipping material across North America. This ensures that the proper carriers are used, and the material is handled in the proper manner.
- ❑ **International Shipping:** It is critical that suppliers follow the instructions noted below when shipping material from destinations outside of North America into the USA (Including Canada and Mexico). Shipments that do not designate or terminate in North America may require further details. Please contact your Progress Rail your Progress Rail point of contact for further instructions.  
For International Shipping questions contact [international\\_sli@progressrail.com](mailto:international_sli@progressrail.com).
  - [International Supplier Routing Guide](#)
  - [International Trade Compliance](#)
  - [Instruction for Shippers](#)
  - [Booking Shipper's Letter of Instructions](#)
  - [Commercial Invoice Requirements](#)
- ❑ **ISF Filing Requirements:** US Customs regulations require all importers causing the arrival of Ocean shipments to US to submit Importer Security Filing (ISF) to CBP no less than 24 Hours **before loading** the container on a vessel destined to the U.S.

All ISF details are to go directly to Progress Rail filer UPS ([ordisf@ups.com](mailto:ordisf@ups.com); with a copy to [progressrail@ups.com](mailto:progressrail@ups.com)). UPS will work with the shipper to determine it has all required data elements for filing. The ISF 10 + 2 form can be found [here](#).

The party required to provide the ISF information will bear full responsibility for timeliness as per Purchase Order Terms and Conditions and/or Authorization to Return Material.

**Note:** Supplier to follow specific shipping instructions and links listed on the purchase order