

|  |                                   |                       |                           |
|--|-----------------------------------|-----------------------|---------------------------|
|  |                                   | NUMBER                | <b>SOP 06-012</b>         |
| STANDARD POLICIES AND PRACTICES                      |                                   | PAGE                  | <b>1 OF 4</b>             |
| SUBJECT<br><br><b>Delegated Inspection Authority</b> |                                   | EFFECTIVE DATE:       | <b>September 15, 2014</b> |
|  |                                   | REVISES POLICY DATED: | <b>March 1, 2012</b>      |
| APPROVALS  |                                   |                       |                           |
| Supply Chain Management                              | Management Systems Representative |                       |                           |
| <i>Signature on File</i>                             | <i>Signature on File</i>          |                       |                           |

## 1.0 PURPOSE

This procedure establishes the requirements for the Eaton Industrial Corporation (EIC) Delegated Inspection Authority Program. The purpose of this document is to provide methods and instructions for authorizing select suppliers to perform source inspection on behalf of EIC and identify the responsibilities of personnel involved in this process.

## 2.0 POLICY STATEMENT

EIC suppliers that have shown a high capability in the systems and processes used to control supplied product, may be delegated authority to verify that the parts or services they provide meet all specified requirements.

## 3.0 APPROVAL REQUIREMENTS

- 3.1 Quality Systems Management and all divisional Operations Management shall approve all changes to the requirements established by this procedure.
- 3.2 Where required by contract, written approval to delegate product verification authority shall be obtained from authorized customer, government and/or regulatory agency representatives prior to granting delegation authority to suppliers.

## 4.0 DEFINITIONS/GENERAL

### 4.1 Definitions:

- 4.1.1 Delegated Inspection Authority - Strategic suppliers with superior performance may be delegated authority to verify product or process conformance in accordance with the requirements of this procedure.
- 4.1.2 Delegation Statement - Upon indoctrination into the Delegated Inspection Authority Program, in accordance with the requirements of this procedure, suppliers will include the following statement on pack sheets.

**THIS SUPPLIER HAS BEEN DELEGATED INSPECTION AUTHORITY FOR ALL PARTS MANUFACTURED UNDER CONTRACT WITH EATON INDUSTRIAL CORPORATION (EIC)**

|                             |   |  |                              |
|-----------------------------|---|--|------------------------------|
| Number<br><b>SOP 06-012</b> | Effective Date<br><b>September 15, 2014</b> | Revises Policy Dated<br><b>March 1, 2012</b> | Page Number<br><b>2 of 4</b> |
|-----------------------------|---|--|------------------------------|

#### 4.2 General:

- 4.2.1 Delegation of inspection authority is validated through products that have been successfully processed and controlled by suppliers' approved quality systems and successfully assembled and tested at EIC.
- 4.2.2 Quality shall coordinate indoctrination of candidate suppliers into the program and shall subsequently perform product verification audits to ensure the suppliers' understanding and compliance with all quality assurance and purchase order requirements.
- 4.2.3 Quality shall maintain a list of suppliers with delegated inspection authority. The list shall indicate the date the supplier achieved delegation status and define any limitations applicable to the supplier's status.
- 4.2.4 Acceptance based on delegation authority shall not absolve the supplier from responsibility for any latent defects discovered by EIC or its Customers after receipt.
- 4.2.5 Documentation requirements for suppliers with delegated inspection authority include the following:
  - Pack sheet containing the delegation statement
  - Certificate of conformance
  - Delegated Shipping Labels on container exterior (Attachment B)
  - First article inspection report along with required documentation as outlined in QC 6.1, Attachment A
  - Test reports
  - Copies of "supplier submittals" when nonconformities have been accepted through EIC MRB.

### 5.0 RESPONSIBILITIES

- 5.1 Quality Management will be responsible to ensure the implementation and maintenance of the requirements defined by this procedure.
- 5.2 Quality is responsible for performing supplier quality system assessments, coordinating product verification audits, indoctrinating suppliers with delegated inspection authority, and maintaining the necessary records of these activities. Additionally, Quality is responsible for the collection of performance data for each supplier.
- 5.3 Purchasing is the point of contact for all negotiation and communications between EIC and the supply chain. Purchasing or Supplier Quality may identify candidates for participation in the Program based on business strategy. Purchasing will determine and flow down requirements of each purchase order line item including the necessity of a first article inspection or test reports.

|                             |   |  |                              |
|-----------------------------|---|--|------------------------------|
| Number<br><b>SOP 06-012</b> | Effective Date<br><b>September 15, 2014</b> | Revises Policy Dated<br><b>March 1, 2012</b> | Page Number<br><b>3 of 4</b> |
|-----------------------------|---|--|------------------------------|

5.4 Suppliers with delegated inspection authority are responsible for maintaining a quality assurance system that will assure submitted products conform to all purchase order requirements.

5.4.1 Suppliers in the Program shall:

- Maintain copies of all documents associated with shipments on file for a period of ten years from the last contract delivery. EIC must be notified prior to disposal of any documentation associated with deliveries of product to EIC.
- Upon request, make documentation available to EIC personnel within 48 hours.
- Submit all known nonconforming conditions to EIC buyer for review, disposition, and authorization to ship per Supplier Submittal referenced in QC 06.1.
- Respond to requests for corrective or preventive action in a timely manner.
- Notify EIC of any facility or process changes that could affect the conformity of product delivered under the Delegated Inspection Authority Program.

5.5 Receiving personnel are responsible for deliveries from suppliers with delegated inspection authority, for verifying the required submitted documentation is received, and processing this material to stock. Shipments with documentation errors or omissions, or first article inspection reports as required by QC 06.1, will be submitted to inspection personnel for review.

## **6.0 PROCEDURE**

6.1 Supplier Selection

6.1.1 Candidates for participation in the Program will be selected based upon EIC business strategy.

6.2 Supplier Indoctrination

6.2.1 Quality and possibly, Purchasing will visit approved suppliers selected for participation to explain the Program and perform an on-site initial product verification audit (PVA) – Attachment C.

6.2.2 Any required corrections for deficiencies detected during the system survey and PVA will be documented and implemented through the EIC Corrective and Preventive Action (CAPA) system. All required actions must be resolved before delegation of inspection authority can occur.

|                             |   |  |                              |
|-----------------------------|---|--|------------------------------|
| Number<br><b>SOP 06-012</b> | Effective Date<br><b>September 15, 2014</b> | Revises Policy Dated<br><b>March 1, 2012</b> | Page Number<br><b>4 of 4</b> |
|-----------------------------|---|--|------------------------------|

6.2.4 Upon successful completion of the audit process, EIC Quality will grant the candidate supplier authority and responsibility for inspection of products manufactured under contract with EIC. Quality will add supplier to the controlled Delegated Inspection Authority List and update WDS PO 17 to delegated supplier status. At this time, the supplier is authorized to include the Delegation Statement on pack sheets and affix delegated shipping labels for all future shipments as long as Delegated Inspection Authority is maintained.

### 6.3 Maintenance of Delegated Inspection Authority

6.3.1 In addition to the initial PVA, suppliers with delegated authority for inspection will be subject to periodic Product Verification Audits to monitor on-going compliance with requirements. Finished product will be selected for audit. Dimensions will be verified. All records pertaining to fabrication will be examined.

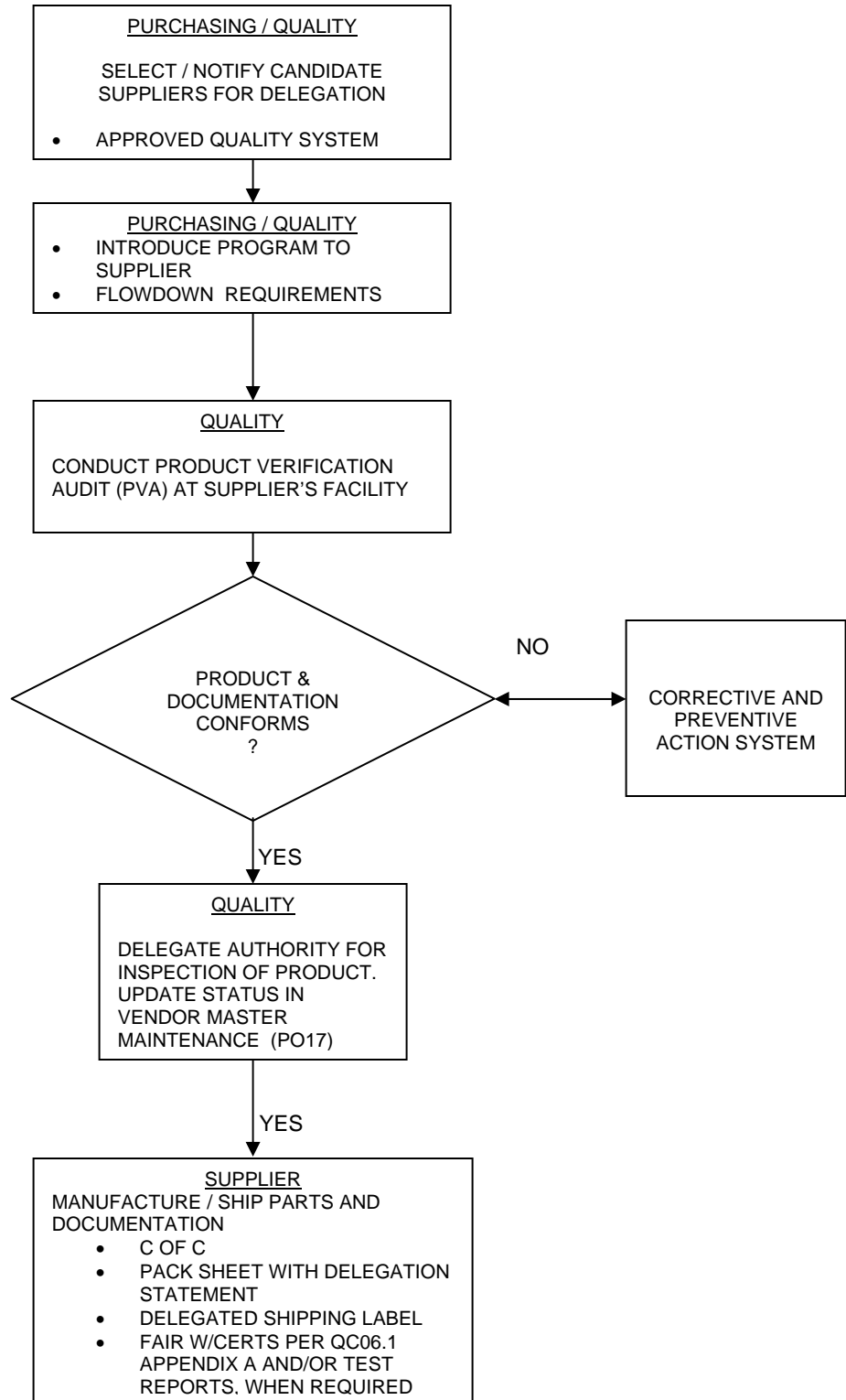
6.3.2 The minimum frequency for the Product Verification Audit is every two years. These audits may be performed more frequently at the discretion of EIC Quality. EIC Quality will maintain records of all Product Verification Audits.

6.3.3 Any required corrections for deficiencies detected during the periodic PVA will be documented and implemented through the EIC CAPA system. All required actions must be resolved for the delegation process to be sustained.

6.3.4 Suppliers exhibiting deteriorating quality performance may be required to submit a formal corrective action plan. Failure to submit and implement an effective plan may result in removal of Delegated Inspection Authority status, being placed on probation, or disapproval.

|                             |   |  |                        |
|-----------------------------|---|--|------------------------|
| Number<br><b>SOP 06-012</b> | Effective Date<br><b>September 15, 2014</b> | Revises Policy Dated<br><b>March 1, 2012</b> | Attachment<br><b>A</b> |
|-----------------------------|---|--|------------------------|

**Delegated Inspection Authority Procedure**



|                             |   |  |                        |
|-----------------------------|---|--|------------------------|
| Number<br><b>SOP 06-012</b> | Effective Date<br><b>September 15, 2014</b> | Revises Policy Dated<br><b>March 1, 2012</b> | Attachment<br><b>B</b> |
|-----------------------------|---|--|------------------------|

**DELEGATED SHIPPING LABEL**

(2" X 4" Fluorescent green)

**(Affix to exterior shipping containers)**

|   |                  |
|---|------------------|
| THIS SUPPLIER HAS BEEN DELEGATED INSPECTION<br>AUTHORITY FOR ALL PARTS MANUFACTURED UNDER<br>CONTRACT WITH EATON INDUSTRIAL CORPORATION |                  |
| PART NO: _____  | CHG LTR: _____   |
| P.O. NO: _____  |                  |
| NO. OF PCS IN CONTAINER: _____  |                  |
| HEAT / LOT NO. _____  | CURE DATE: _____ |
| SHIP DATE: _____  | INSPECTOR: _____ |

|                             |   |  |                        |
|-----------------------------|---|--|------------------------|
| Number<br><b>SOP 06-012</b> | Effective Date<br><b>September 15, 2014</b> | Revises Policy Dated<br><b>March 1, 2012</b> | Attachment<br><b>C</b> |
|-----------------------------|---|--|------------------------|



Eaton Industrial Corporation

**Product Verification Audit**

Y=Yes, N=No, N/A=Not Applicable, C=Comment (no entry = not evaluated)

|   |  |   |  |       |  |
|---|--|---|--|-------|--|
| Supplier:   |  | Supplier Contact:   |  | Date: |  |
| Auditor:  |  | Part Number:  |  | P.O.: |  |
| Is this an on-site audit?<br>Yes <input type="checkbox"/> No <input type="checkbox"/> |  | Is this an initial audit?<br>Yes <input type="checkbox"/> No <input type="checkbox"/> |  |       |  |

| <b>A. Indication of Inspection Status</b>          | <b>Y</b> | <b>N</b> | <b>N/A</b> | <b>C</b> |
|--|----------|----------|------------|----------|
| 1. Certificate of Conformance (CoC)                |          |          |            |          |
| 2. Lot quantity Inspection Report                  |          |          |            |          |
| 3. First Article Inspection Report (when required) |          |          |            |          |

| <b>B. Examination of Product / Configuration Management</b>                                 | <b>Y</b> | <b>N</b> | <b>N/A</b> | <b>C</b> |
|---|----------|----------|------------|----------|
| 1. Product meets visual inspection requirements?  |          |          |            |          |
| 2. Product is identified in compliance with requirements?                                   |          |          |            |          |
| 3. Part revision is as specified on the EIC purchase order?                                 |          |          |            |          |
| 4. Measurements of selected characteristics conform to requirements?                        |          |          |            |          |
| 5. CoC, Inspection and First Article Reports complete, accurate and in the correct formats? |          |          |            |          |
| 6. All known non-conformances have been processed per SOP 06-006?                           |          |          |            |          |

|                             |   |  |                        |
|-----------------------------|---|--|------------------------|
| Number<br><b>SOP 06-012</b> | Effective Date<br><b>September 15, 2014</b> | Revises Policy Dated<br><b>March 1, 2012</b> | Attachment<br><b>C</b> |
|-----------------------------|---|--|------------------------|



Eaton Industrial Corporation

| C. Procurement Control   | Y | N | N/A | C |
|--|---|---|-----|---|
| 1. Certifications for all material / processing present, accurate and in the correct format? |   |   |     |   |
| 2. Are EIC approved suppliers used for special processes?                                    |   |   |     |   |
| 3. Heat numbers, lot numbers and cure dates correctly recorded?                              |   |   |     |   |

| D. Quality Control System   | Y | N | N/A | C |
|---|---|---|-----|---|
| 3. Planning: Is production / inspection planning adequate regarding router instructions and inspection points?  |   |   |     |   |
| 4. Sampling Inspection: Do sample sizes comply with the supplier's procedure and provide reasonable risk protection?  |   |   |     |   |
| 3. Calibration <ul style="list-style-type: none"> <li>Is the calibration system adequate to control metrology accuracy?</li> <li>Can calibration and recall dates be determined for all metrology?</li> </ul> |   |   |     |   |
| 4. Records: Are all certifications and reports associated with product shipments maintained on file for a minimum of 10 years?  |   |   |     |   |

| E. Preparation for Delivery  | Y | N | N/A | C |
|--|---|---|-----|---|
| 1. The following documents are included with the shipment? <ul style="list-style-type: none"> <li>Certificate of Conformance</li> <li>First Article Inspection Report (when required)</li> <li>Pack Sheet with DELEGATION STATEMENT</li> <li>Shipping Labels on exterior containers</li> </ul> |   |   |     |   |
| 2. Product conforms to all EIC Purchase order flow down requirements? <ul style="list-style-type: none"> <li>Line Item Notes</li> <li>Terms and Conditions</li> </ul>  |   |   |     |   |
| 5. Packaging is adequate to protect product during shipment?   |   |   |     |   |
| 6. Is the supplier knowledgeable about accessing the EIC website and obtaining supplier related information (i.e. QC 06.1)?  |   |   |     |   |

|                  |
|------------------|
| <b>Comments:</b> |
|                  |
|                  |
|                  |
|                  |
|                  |

Form# EIC 403 (Rev 3/12)