



Supplier Handbook



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CompX Supplier Handbook

1.0 OVERVIEW

1.1 Application and Approach

The relationship between CompX International, Inc., and its subsidiaries (hereinafter collectively referred to as CompX) and our supply base (hereinafter individually referred to as Supplier and collectively referred to as Suppliers) is based on mutual trust, integrity, and world class performance. We see superior Supplier performance as a competitive advantage. We call on you to provide innovative input on our business challenges. In turn, we are committed to your success. CompX expects its supply base to have a robust quality management system in place that complies with ISO 9001:2015 requirements. A core component of any quality management system must be the acknowledgement, monitoring, and continuous improvement of key business processes. These efforts towards continuous improvement should be visible to CompX in the form of improved product quality, delivery and total cost. CompX qualifies you based on business needs and Supplier capabilities. CompX Material Planners / Buyers will facilitate this process by collaborating with an internal cross functional team consisting of input from Quality, Material Planners / Buyers, Engineering and Manufacturing. Supplier approval decisions are based on:

- Technology capability
- Operational capability
- Competitive costs
- Customer service and support
- Global presence and capability
- Financial viability

Sourcing decisions are a team effort and are based upon the demonstrated effectiveness of the Supplier's operational performance, including their quality system, technical capabilities, pricing methodology and delivery. As such, CompX reserves the right to audit the Supplier's Quality System and key metrics of performance.

To be considered for new business, the Supplier must have an acceptable quality system and be an approved Supplier. The CompX Quality System

focuses on Advanced Product Quality Planning (APQP) and defect prevention. Suppliers should employ effective APQP techniques and error-proof their manufacturing processes so that zero defect objectives can be achieved.

APQP is a structured process of defining and establishing the steps necessary to assure that a product satisfies the customer and specifying goals for product quality. Quality planning focuses on developing process controls that, when properly managed, ensure a high degree of quality within the manufacturing / assembly system.

CompX is an advocate of understanding process capabilities to design for manufacturability and operational excellence; the ability to deliver high quality product(s) at the lowest total cost. CompX strives to work with Suppliers who are experts in their technological fields and manufacturing specialties. Our supply base should be willing to learn and share new process improvement methods to support mutual growth. Ongoing Supplier Continuous Improvement activities are accomplished by monitoring Supplier performance through the Supplier Rating Process described later in this Supplier Handbook.

Our Suppliers have much to offer and we need to leverage the Suppliers knowledge and experience to reduce cost and improve quality. CompX looks forward to establish a partnership with its Suppliers which is mutually beneficial.

1.2 Distribution

CompX Material Planners /Buyers and Quality teams maintain this document. Each Supplier is provided a copy of this supplier handbook or can gain access through the CompX web site at: <http://compX.com/csp-termspurchase.html> , or http://custommarine.com/terms_purchase.php , or http://www.livorsi.com/terms_purchase.htm CompX will notify Suppliers of updates to this handbook. It is incumbent upon Supplier to understand any modifications to this handbook and have access to the updated hard or electronic copies of this supplier handbook.

1.3 INTRODUCTION

1.3.1 Scope

1.3.1.1 Off the Shelf Items

This supplier handbook does **not** apply to standard catalog items unless otherwise directed by CompX in the RFQ, Drawing or Purchase Order.

1.3.1.2 Expected Quality System of Supplier

This Supplier Handbook defines the basic quality systems and procedures required for Suppliers of production parts to CompX. The ability of a Supplier to develop and maintain an acceptable quality system is an essential factor in qualifying and continuing as a CompX Supplier. The contents of this Supplier Handbook apply to all CompX production Suppliers, regardless of the CompX location with which it transacts business. Supplemental requirements, if any will be outlined on the CompX purchase order.

1.3.1.3 Supplier Handbook Organization

This handbook is organized into two (2) sections:

- a. **General Requirements** by which all Suppliers must comply with, and
- b. **Specific Requirements**

Acceptance of a CompX purchase order constitutes acceptance of the requirements of this Supplier Handbook. Any deviation from the requirements of this Supplier Handbook will require written confirmation from your CompX Material Planner/Buyer.

1.3.1.4 Conflict Resolution

CompX encourages open and honest communication and makes every effort to work with Suppliers in a respectful and equitable manner.

1.3.1.5 Communication

Communication with CompX, unless otherwise specified, must be in English. Communication includes Purchase Order confirmation, Part Approval documents and all other forms. Changes to the CompX purchase order must be communicated through a written change notice such as a modified purchase order. Acceptance of the purchase order should be confirmed either in written form or electronically. Supplier's acceptance confirms you have received the purchase order, reviewed it, and have accepted its terms and conditions. If there are any questions regarding the purchase order, your CompX Material Planner /Buyer must be contacted immediately.

2.0 GENERAL SUPPLIER REQUIREMENTS

2.1 Terms and Conditions

Currently CompX has two (2) operating units:

- a. **CompX Security Products**, which includes CompX National, CompX Fort, and CompX Timberline and its terms and conditions, can be found at www.compx.com/csp-termspurchase-pf.html .
- b. **CompX Marine**, which includes Custom Marine and Livorsi Marine and its terms and conditions can be found at http://www.custommarine.com/terms_purchase.php (Custom Marine) or http://www.livorsi.com/terms_purchase.htm (Livorsi)

2.2 Cost Changes

All components / products / services are to be invoiced at the price per the purchase order and agreed upon by CompX and Supplier. CompX recognizes that there are times when a cost change is appropriate. In those circumstances, Suppliers must receive CompX written consent prior to such cost change. Unless otherwise agreed to, Supplier must notify CompX in writing sixty (60) days in advance of any price increases. This notice must include a justification support the cost change. No price change will be effective without CompX's written consent.

2.3 CompX Code of Ethics

CompX is governed by a code of ethics and expects all of its Suppliers to comply with this policy which can be found at <http://compX.com/ethics.html>

2.4 Conflict Minerals

All Suppliers must comply with the Dodd-Frank "Conflict Minerals" Section 1502 rules of the "Wall Street Reform and Consumer Protection Act. More information can be found at <http://phx.corporate-ir.net/phoenix.zhtml?c=116425&p=irol-conflictminerals> .

2.5 Environmental

CompX as an environmentally conscious company is committed to environmental compliance such as RoHS, REACH and TSCA (Toxic Substances Control Act) for product(s) we manufacture. For CompX to meet this goal, we require that all our Suppliers provide declarations of compliance for the component(s)/product(s) supplied to us.

2.6 Quality Audits

As part of the Supplier approval process as well as ongoing monitoring of Supplier performance, an audit of the Supplier's Quality Management System and production processes may be required. CompX reserves the right to conduct audits of Supplier's quality and business systems. This audit is to verify Supplier's compliance to applicable standards, regulations, agreements, requirements and specifications. It may also involve a review of processes and procedures in place to assure a quality product is manufactured and delivered to CompX. The audit results will be shared with the Supplier and are intended as a mutually beneficial experience. All audits will be scheduled in advance at a mutually agreeable time.

2.7 Part Approval

At a minimum all supplied production parts must have an ISIR to the latest revision on file at the receiving CompX location prior to shipment. See also section 3.1.

2.8 Inspection/Rejection

All Supplier's components/products and / or services are subject to CompX's right of inspection and rejection on or after the Delivery Date. CompX at its sole option may inspect Supplier's product(s) and may reject all or any portion of these product(s) if it determines the product(s) are defective or otherwise do not conform to the descriptions and specifications delivered in the purchase order or otherwise communicated to Supplier in writing. If CompX rejects any portion of the product(s) or services, CompX has the right, effective upon written notice to Supplier, to: (i) rescind the purchase order in its entirety; (ii) accept the defective and/or non-conforming components/products and / or services at a reasonably reduced price; (iii) reject the non-conforming components/products and / or services and require the replacement or rework thereof; or (iv) reject the non-conforming components/products and / or services and CompX rework's the components/products and / or services at the sole cost and expense of Supplier.

If CompX requires replacement or rework of non-conforming components/products and / or services, Supplier will, at its expense, promptly replace or rework the non-conforming components/products and / or services and pay for all related expenses, including but not limited to, transportation charges for the return of the non-conforming product(s) and the delivery of replacement product(s). If Supplier fails to timely deliver replacement components/products and / or rework services), CompX may replace the non-conforming components/products and / or services with components/products and / or services from a third party and charge Supplier the cost thereof and terminate the purchase order for cause.

Any inspection or other action by CompX under this section will not reduce or otherwise affect Supplier's obligations under the purchase order. Furthermore, CompX will have the right to conduct further inspections after Supplier has carried out its remedial actions.

CompX will issue a Material Review Request (MRR) to Supplier when Supplier's product(s) are rejected. Supplier must review, complete and return this MRR within twenty (20) business days of issuance. See also section 2.9 for Corrective Action Request (CAR).

2.9 Corrective Action Requests

The Supplier of non-conforming material may be asked to complete a Material Review Request (MRR) or a Corrective Action Request (CAR). A CAR/MRR may also be issued for chronic nonconformance on similar parts or operation issues. The purpose of the CAR/MRR is to permanently prevent future receipts of

non-conforming material. Supplier is requested to complete (see below details and timing) and forward the completed CAR/MRR to Quality Engineering within twenty (20) business days. If more time is required, Supplier is required to request a reasonable extension date for the CAR/MRR submission. At the sole discretion of your CompX Material Planner / Buyer, CompX can debit Supplier one hundred and no/100 Dollars (\$100.00) if a written CAR/MRR is not completed and submitted with twenty (20) days of Suppliers receipt of the CAR/MRR. Issuance of a CAR/MRR will impact the Supplier's rating score (see section 2.10 for Supplier Rating).

It is imperative that Supplier identify cause and corrective action, complete the CAR/MRR form and implement procedures so further quality issues do not occur. The Supplier is responsible for filling out the following:

Supplier has twenty-four (24) business hours from Supplier's receipt of a CAR/MRR notification to complete the Supplier Review Part A (Correction and Containment). This reply should include:

- Problem description
- Immediate action taken
- Effective date
- How certified material will be identified
- Material Disposition or Performance Improvement Plan
- Name and Title of supplier representative responding to the CAR/MRR
- Date of CAR/MRR response

Supplier has twenty (20) business days from Supplier's receipt of the CAR/MRR to complete the Supplier Review Part B (Root Cause, Corrective and Preventative Action). This reply should include:

- Root cause analysis (i.e. 5 Why's, Fishbone analysis...)
- Preventive – Corrective Action Plan and Effective Date
- Description of the Corrective Action permanent implementation and Effective Date
- Verification of Corrective Action effectiveness and Effective Date
- Name and Title of Supplier representative responding to the CAR/MRR

CompX will review Supplier's CAR/MRR. In the event CompX deems the CAR/MRR incomplete after its review, the CAR/MRR will be rejected and returned with an explanation. Rejected CAR's and MRR's shall remain open until an acceptable response has been received. Costs and charges incurred associated with shipping, handling, processing, reworking, inspecting, engineering verification and replacing defective material including the costs of value-added operations prior to its discovery are the responsibility of the Supplier.

2.10 Supplier Rating

The objective of the Supplier Rating System is to develop a supply base that has the capability to consistently supply products(s) that meet the quality, delivery, cost, and technology objectives to maintain CompX as a competitive provider of superior innovative products(s). The Supplier rating process also plays a key part in the Supplier source selection process. The Supplier Rating System will be based upon four (4) areas of performance:

1. Quality, non-conforming material in PPM's
2. On-time delivery
3. Technology
4. Cost

Quality

Quality will be measured by Parts per Million (PPM) level and Corrective Action Responsiveness.

PPM is defined as:
$$\frac{\text{Defective parts} * 1 \text{ million}}{\text{Total parts}}$$

Delivery

The on time delivery will be measured by in house/dock receipt date. All Suppliers will be allowed a grace period of three (3) days prior to and zero (0) days after the in house date listed on the purchase order/release. The Supplier should confirm all purchase orders and change notices to its CompX Material Planner/Buyer. CompX Material Planners/Buyers are responsible for the accuracy of data between actual receipt dates vs. confirmed receipt dates by the Supplier in the business system.

Review

CompX Material Planners / Buyers will review strategic Supplier's ratings annually. The frequency of review may be increased based upon a Supplier's performance.

2.11 CompX Owned Tooling

CompX owned tooling and fixtures (hereinafter collectively referred to as Tooling) shall be permanently identified as "**Property of CompX Part #: (to be inserted)**" or "**Property of (CompX customer name to be inserted) Under Care of CompX Part #: (to be inserted)**" as communicated by the Planner / Buyer and visually documented in the Production Part Approval Process (PPAP) submission (see below discussion on PPAP). The Supplier shall exercise care with CompX property while it is under the Supplier's control or being used by the Supplier. If any CompX Tooling is lost, damaged or otherwise found to be unsuitable for use, the Supplier shall report this immediately to CompX and maintain records of all issues. Proprietary Tooling may not be reworked or destroyed without prior written authorization from your CompX Material Planner / Buyer. The Tooling is the property of CompX and is to be held in trust by the Supplier. This Tooling can only be used in the manufacture of product(s) for CompX.

2.12 Packaging.

2.12.1 Instructions

If specific packaging instructions are not outlined, the Supplier is responsible to take the necessary measures to prevent product damage during shipment. Items to be considered include the part material, the shipping method, and the distance for transport.

2.12.2 Container Packing

When shipping over pack containers, all parts with the same part number must be in the same container. Scattered parts are not acceptable. In the event of smaller quantities of packaged components, each package shall have label identification for traceability back to the over pack container.

2.12.3 Weight

The weight of a container / carton must not exceed thirty five (35) pounds.

2.12.4 Pallets

All wooden pallets must comply with IPPC-ISPM 15 (International Plant Protection Convention – International Phytosanitary Measure) requirements. The maximum pallets size must not exceed 48” x 45” x 5”. The opening should be on the 45” side. The pallet must comply with the ASTM D1185 standard test method. The maximum pallet load height must not exceed 46 inches for international shipments.

2.12.5 Shipping

Expeditious shipments and control of costs are important to CompX. Suppliers shall use CompX endorsed carriers when transportation costs are incurred by CompX. CompX Material Planners / Buyers will note the appropriate carriers on the purchase order.

2.12.6 Mixed Pallets

In the event Supplier packs more than one (1) part number on a pallet, Supplier shall place a Green Label **stating MIXED PALLET - PLEASE BREAK DOWN SKID** (see below example) on three (3) sides of the pallet which will communicate to CompX that the pallet has more than one (1) part number and that CompX must break down the pallet.



2.13 Labeling:

All labels must contain the CompX part number and rev level used on the purchase order, part description, quantity in that container and serial number or

manufacture date, along with name of Supplier. Labeling shall comply with the Automotive Industry Action Group (AIAG) Trading Partner Labels (B-10) which can be found at www.aiag.org . The label size will be 4 inches high by 6 inches wide. The bar code symbology shall be code 39. See sample below.

FROM: <SUPPLIER NAME> <Address> <City>, <State> <Zip> Supplier: XXXXXXXX	TO: <COMPX LOCATION> <Address> <City>, <State> <Zip> Shipped: XX/XX/XX	PACKING LIST # XXXXXXXX
PART NO. XXXXXXXXXXXXXXXX 	REV. LEVEL XX.XX UOM XXX PART DESC. Part_Description	
QUANTITY 12345678 	 PURCHASE ORDER # POXXXXXXXX	
SERIAL XXXXXXXXXXXX 	LOT/BATCH # XXXXXXXXXXXX 	

2.14 Cost Recovery:

In the event that an incident occurs, a cost recovery may be issued to the Supplier to recover only the cost incurred to make CompX whole.

3.0 SPECIFIC REQUIREMENTS FOR COMPX GRAYSLAKE (COMPX FORT, TIMBERLINE AND LIVORSI)

3.1 Additional Part Approval Requirements

3.1.1 Production Part Approval Process

CompX Fort, Timberline and Livorsi component qualification process is conducted in accordance the Production Part Approval Process (PPAP) Manual published by the Automotive Industry Action Group (AIAG). Production Part Approval Process (PPAP) defines the requirements for production part approval. The purpose of the PPAP is to determine whether all CompX engineering design records and specification requirements are properly understood by the Supplier and the Supplier's manufacturing process (es) has / have the capability to produce product consistently meeting these requirements during actual production run at the quoted production rate. In the execution of the PPAP, CompX requires Suppliers to submit complete PPAP data as part of the APQP process, at no charge.

CompX chooses its Suppliers strategically so they are able to provide documentation that completes a PPAP. CompX Material Planner / Buyer will communicate what level of PPAP is required through the PPAP Submission Checklist and will establish and advise the Supplier of the PPAP due date based upon project schedule. At a minimum it will be a Part Submission Warrant, an ISIR to the latest drawing (including drawing notes), and Capability Studies for all dimensions on the drawing denoted by a diamond, a Gage R&R study for the gages used to measure the diamond dimensions, and Material Certifications. CompX reserves the right to select and assign PPAP levels based upon experience, Supplier performance, and specific needs, at its discretion.

3.1.2 Additional Documentation with Shipment

The Supplier must ensure that the following items are satisfied for part acceptance prior to or at the time of receipt of material at CompX receiving:

- a) Parts must be produced from a stable process,
- b) Identification of each container with a unique lot code tied to the material for which the capability study applies,
- c) Capability studies (30 piece minimum),
- d) Acceptable Gage R&R studies (supplied annually),
- e) Data is supplied electronically or via hard copy to the buyer/planner and designated representative in the form of a custom Excel spreadsheet or by commercially available software (Minitab).

Upon receipt of the component(s) / products(s) from Supplier the designated CompX representative will review the appropriate drawing and data. If the data is not available at the time of receipt, or if the capability study does not meet the minimum Cpk of 1.67, the CompX designated person will look for other supporting documentation which shows that each part meets the specification. If this is not supplied, CompX will measure 100% of the parts at the Supplier's expense. If all requirements are met the designated person will release the material for production.

3.2 Quality Systems Assessment

CompX uses an audit workbook, essentially a tailored process audit for ISO 9001:2008 registered manufacturers, for conducting Supplier audits. In most cases, the Supplier will receive this document in advance and be requested to conduct a self-audit prior to the arrival of CompX personnel. The audit score should not be confused with CompX's Supplier rating system, which is based on performance. After completion of the onsite audit, a detailed follow up report will be sent to the Supplier.

3.3 Requests for Quotation and Purchase Orders

3.3.1 Information That May Be Included In CompX RFQ

RFQ's (requests for quotation) will be submitted to Suppliers. The RFQ may include but not be limited to the following:

- Drawings
- Specifications

- Process Requirements
- Estimated Annual Volumes
- Terms and Conditions of Purchase
- RFQ final submittal date
- And any other information to aid the supplier in quoting
- Special Packaging (if required)
- Supplier Handbook

3.3.2 Suppliers Quotation

CompX is committed to be responsive to its customers to secure future business. Unless otherwise communicated, CompX seeks a RFQ turnaround time of no more than three (3) business days. The Suppliers' quotation should be returned to the CompX requesting organization. A review will be initiated and may include the following:

- Budget requirements
- Delivery/lead time
- Shipping terms
- Terms of Payment
- Acceptance of Terms and Conditions
- Warranty Period
- Supplier Quality Rating (if available)
- Supplier bids must acknowledge acceptance of the Terms and Conditions for CompX Purchases or provide a detailed list of exceptions.

If necessary, follow-up meetings may be held with one or all of the solicited Suppliers to ensure that both CompX and the Supplier(s) fully understand the specification / technical requirements and commercial aspects of the quote.

3.3.3 Purchase Order initiation

Purchase orders will be initiated for all work. CompX Material Planners / Buyers will verify initial Supplier production/delivery schedules. Upon Production Part Approval, your Material Planner / Buyer will assume full planning activities with the Supplier.

3.4 Change Request

A Supplier Change Request and Approval is required in advance of any change in manufacturing location, manufacturing/assembly process, tooling, packaging, material, supplier, etc. Suppliers are required to request or propose changes in writing to CompX. Supplier should completely explain the extent of the request; which should include timing, cost savings, cost avoidance, delivery improvements, and quality improvements. Engineering and Quality will determine the effect of the requested change on product form, fit, and function. If CompX determines a PPAP re-submission is required, the Supplier will be notified through a PPAP Submission Checklist. It may be necessary for CompX to review these changes with their customer prior to approval. CompX Engineering and Quality will document the rationale for CompX acceptance or rejection, and return the documentation to your CompX Material Planner / Buyer. CompX Material Planners / Buyers will notify the Supplier of the CompX decision and if appropriate, forward the documentation to receiving inspection.

3.5 Deviation Request

The deviation request should be used for items such as material, dimensions, process changes, or test results from the approved process. The Supplier is responsible for documenting product and process changes. The Supplier should submit this documentation to its CompX Material Planner / Buyer. CompX Engineering and Quality will determine the effect of the requested deviation on product form, fit, and function; document the rationale for CompX acceptance or rejection, and return the documentation to the CompX Material Planner / Buyer. CompX Material Planners / Buyers will notify the Supplier of the CompX decision and forward the documentation to receiving inspection if appropriate. A copy of the approved deviation should accompany the shipment of parts as well as having each box/package identified with the deviation number.

3.6 Continuous Improvement / Cost Reductions

CompX encourages Suppliers to embrace a comprehensive continuous improvement philosophy throughout its organization. A continuous improvement philosophy will present opportunities for improvement in area of quality, cost, delivery, safety and productivity. CompX expects Suppliers to provide annual cost reductions / cost control.

CompX encourages Suppliers to recommend both product and process improvements to reduce total costs. CompX must receive timely notification of changes to assess any impact to the final product functionality

CompX Supplier Code of Conduct Policy

CompX is committed to the highest standards of social and environmental responsibility and ethical conduct. CompX's suppliers are required to provide safe working conditions, treat workers with dignity and respect, act fairly and ethically, and use environmentally responsible practices wherever they make products or perform services for CompX. CompX expects its suppliers to operate in full compliance with all applicable laws and regulations and have respect for human rights and environmental conservation.

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