

# SUPPLIER HANDBOOK



*Built to Deliver*

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## ABOUT US

Welcome to the Trinity Rail supply chain. The intent of this is to document introduce our suppliers to the basic processes involved in establishing and maintaining a successful relationship with TrinityRail. It clarifies how to conduct business with TrinityRail and help us provide high-quality products to our customers.

TrinityRail is the premier provider of railcar products and services. We offer extensive manufacturing resources and a complete product line of new railcars. In addition, we offer one of the fastest growing railcar lease fleets in North America and a broad portfolio of comprehensive railcar services. Our wide-ranging railcar service offerings provide our customers with enhanced transportation efficiencies and optimized fleet utilization.

Our culture is built on a solid foundation of values. Our core values guide our individual behavior.

Integrity....it's what links all Trinity employees.

We thank you in advance for taking the time to join in our journey to be the Premier Provider of Railcar Products and Services

## Importance of Supplier Relationships

TrinityRail recognizes the importance and will always advance the development or improvement of our suppliers. Our ability to clearly communicate our expectations is one way we can help you be successful. TrinityRail considers communication from our suppliers an extremely important part of the framework for working together. For this reason, TrinityRail earnestly solicits dialogue when its requirements do not appear compatible from a quality or total cost viewpoint, with the product specified or used in the manufacturing process.

## Safety & Quality

Trinity has a fundamental commitment to ensuring that its products meet the highest standards of safety and quality. We expect all suppliers to provide products or services that meet or exceed governmental or contractual standards of safety and quality. Suppliers must immediately report deficiencies in their product safety and quality to TrinityRail Supply Chain Management executive leadership.

## MISSION STATEMENT

Our supply chain Mission Statement defines our goals for supplier relationships:

*"It is our mission to create and maintain a competitive advantage for Trinity Railcar Group by developing the industry's most flexible and cost effective supply chain. We employ collaborative processes which enables efficient and responsiveness to our customers. Our focus is on the development of a premier supply chain which provides best in class supply assurances and product quality."*

"Doing what's right! Everyone! Every day!..... TrinityRail!"

## CODE OF BUSINESS CONDUCT / ETHICS

For over two decades Trinity Industries has advocated business conduct and commercial practices that are fair, honest, ethical, compliant and professional, based on a written Code of Business Conduct.

TrinityRail is committed to the principles therein and extending this to all business interfaces with customers and suppliers. To this end, all suppliers are expected to conduct themselves with the highest standards of honesty and trustworthiness.

Honesty supports an ethical work environment and builds trust. We strive to gain the trust of others by aligning our actions with our words. Being trustworthy is the foundation for high quality relationships.

As a trusted supplier, you can provide a strong influence to insure that our high standards are upheld by conducting all business interactions with Trinity Industries in an ethical manner. Subcontractors, agents or other third parties utilized to do business with TrinityRail should have similar business values.

We expect the principles expressed in our Code of Business Conduct and Ethics to be honored by our suppliers or that our suppliers' codes of conduct contain similar principles to those in our code. The Trinity Code of Business Conduct and Ethics can be viewed at [www.trin.net/invsrela/governance.asp](http://www.trin.net/invsrela/governance.asp)

### Conflicts of Interest

As a Trinity Railcar Group Supplier, any offers, promises, favor, cash or other types of gratuities made to Trinity Rail employees with the intent to obtain favorable treatment from Trinity is prohibited. TrinityRail employees are similarly prohibited from soliciting such favors from Suppliers.

Suppliers will not enter into a financial or any other relationship with a TrinityRail employee that creates any actual, potential or perceived conflict of interest for TrinityRail.

### Laws and Regulations

The supplier must represent and remain in compliance, for all goods and services provided, with all applicable local, state, and federal laws. The supplier also guarantees that they will comply with all equal opportunity, safety, and labor laws and regulations. This includes but is not limited to:

- Applicable U.S. Small Business Rules and Regulations
- Affirmative Action and Equal Employment Opportunity Rules and Regulations
- All anti-bribery, anti-corruption, customs, import, export and sanctions laws
- All rules regarding suspension and debarment of companies from doing business with the U.S. Government and other similar laws and regulations applicable in other jurisdictions

### Conflict Minerals Reporting

TrinityRail's efforts related to conflict minerals are aligned to the work of the Conflict-Free Sourcing Initiative (CFSI), an initiative of the Electronic Industry Citizenship Coalition and the Global e-Sustainability Initiative. As of 2010, all U.S. publicly traded companies are required to file disclosures and reports with the U.S. Securities and Exchange Commission related to the use of conflict minerals in their products.

All TrinityRail suppliers must complete and submit the most recent available Conflict Minerals Reporting Template (provided by TrinityRail and available through CFSI) once a year or upon request.

## SUPPLIER APPROVAL PROCESS

### Becoming a TrinityRail Supplier

To ensure our supply chain can provide material that meets our customer quality and delivery requirements, all suppliers must go through the Supplier Approval Process. In addition, existing rail standards and AAR regulations require TrinityRail to evaluate and select suppliers based on documented assessment of their capabilities.

### Initial Assessment

TrinityRail qualifies suppliers based on business needs and capabilities. Suppliers will facilitate this activity by completing the TrinityRail Supplier Self-Assessment, which provides insight to the various technical, operational, financial, and business practices of potential suppliers. If this initial assessment indicates a supplier to be favorable, the supplier will proceed to next steps of the approval process which would include an on-site assessment to review technical resources and a Quality Management System review.

### Confidentiality, Financial and Quality Review

TrinityRail communicates product-related requirements to our suppliers. Due to the confidential and proprietary nature of this information, TrinityRail requires that a confidentiality agreement be signed by management of all potential suppliers before approval.

To ensure our potential suppliers can guarantee an uninterrupted supply of quality products and services in order to meet our customer's requirements, a financial evaluation will also be performed. Suppliers will be asked to supply information relevant to this evaluation.

Once the steps are completed, results will be reviewed by the Supply Chain Management (SCM) Team. If deemed necessary, a representative from the TrinityRail Supplier Quality team will perform an on-site review of the candidate's quality management system. If the supplier meets all approval criteria, the supplier will be activated in the business system for potential purchasing activity.

Critical parts are subject to an additional quality review and must be approved before production purchase orders are considered.

Supplier is required to provide proof of insurance, warranty documentation and all AAR certifications upon request.

### Engineering Drawings, Intellectual Property, and Confidentiality

Confidentiality agreements must be signed and executed prior to exchange of drawings or other intellectual property.

Supplier will provide TrinityRail Engineering with the drawing for their products. Only TrinityRail Engineering can approve or authorize drawing decisions. When a drawing is changed, TrinityRail engineering needs to review and approve the change. TrinityRail designs are confidential, and all drawings must be secure.

### Warranty

Each supplier is required to have an updated warranty policy on file with TrinityRail. Supplier warranties are expected to align with our customer warranty policy of 5 years (assuming the same owner as when purchased). Trinity may also work with the supplier to establish warranty provisions allowing for extended warranty coverage

## **SUPPLIER APPROVAL PROCESS**

### **Agreements**

Approved suppliers will typically participate in annual request for proposal (RFP) in which TrinityRail will provide a template of components purchased within the last 2 years. Suppliers will complete the pricing template. There are several required fields. Once accepted by TrinityRail, this document will be the basis for the purchase order pricing for purchase orders issued within the specified period of time.

All approved suppliers are expected to work with TrinityRail to continuously develop value propositions. TrinityRail may elect to establish price agreements with major suppliers that define pricing for a specified period of time. If a supplier suggests a price change the supplier must notify the SCM Commodity Manager in writing 90 days in advance of the requested effectivity date.

### **Change in manufacturing process**

Another critical role in achieving and maintaining supplier quality is effective change management controls. Suppliers are required to notify SCM Commodity Managers when changes to processing or manufacturing of Trinity components occur. Included, but not limited to, is a change in manufacturing process or location, tooling or a change of outsourcing supplier of work or services on a Trinity part.

### **Control of sub-tier suppliers**

Suppliers are responsible for the quality of material and components provided by their sub-tier suppliers and sub-contractors.

### **AAR Specifications**

Supplier is responsible for assuring the proper AAR certifications (facility, activity code and design) to manufacture and/or supply the components listed on Trinity purchase orders are in force at time of purchase order acceptance and time of product shipment.

### **New product introductions**

If a supplier has a proposal to sell new components to TrinityRail, they should contact the SCM Commodity Manager. TrinityRail Sourcing and Engineering teams have a phase gate evaluation process to govern the commercial and technical evaluation of the proposal. The Commodity Manager will provide status and feedback on submitted proposals.

### **Barcoding**

Barcoding allows TrinityRail to receive material more efficiently by capturing receiving data via scanning rather than from manual data entry of packing lists. For the printing and application of text data and barcodes on the packing list, suppliers should use CODE128 barcode topology or any topology which allows for more data characters in a reduced width bar code.

Bar code for the purchase order number, trinity item number, and shipment quantity should appear in proximity to the related line on the packing list.

## **Customer Communication**

Communications between TrinityRail and suppliers are expected to be collaborative, valued and confidential. Once there is a firm customer order in place between TrinityRail and an end customer, there should never be direct commercial conversations between the end customer and supplier. Any direct customer communication should not occur without prior consent of Trinity. The goal here is to present a unified value proposition to the end customer and a single message.

## **Supplier Performance Evaluation**

TrinityRail compiles performance data on a monthly basis for most suppliers and publishes the data in the Monthly Supplier Scorecard. The data shown reflects the quality performance (DPPMs) and delivery performance (on-time delivery). If you are not receiving a monthly report, please contact your SCM Commodity Manager.

A more comprehensive 'Supplier Rating' is reviewed every 1-3 years, within a scheduled Business Review. The purpose of these business review meetings is to enhance the communication and relationship between management at both companies. Items discussed may include long- and short-term commercial strategies, scorecards, ongoing manufacturing or technical issues, and reviews of open or unresolved issues.

## **Preferred Supplier Status**

TrinityRail has a strategy for developing suppliers into a preferred supplier program. By focusing our resources on enhancing and optimizing our processes, quality, cost and performance there are advantages for both TrinityRail and our suppliers. This status is achieved by meeting or exceeding much of the criteria listed in this handbook. Our strategy is best discussed with our SCM Commodity Managers as they will assist and direct the development of this strategy as it applies to each supplier.

## **Recognition and Reward**

As part of our commitment to promoting supplier success, TrinityRail recognizes premier performance. We conduct a supplier recognition program event annually to acknowledge those suppliers who have achieved premier performance.



## **PURCHASING PRACTICES**

### **Scope**

TrinityRail Buyers are responsible for execution and maintenance of purchase orders based on commodity strategies developed and approved by SCM senior leadership. Only approved suppliers are eligible to receive purchase orders. All documents exchanged in our Request for Proposal and Purchase Orders are confidential. By completing the Confidentiality Agreement during the Supplier Approval Process, you agree to abide by these and all other conditions therein.

### **Purchase Order Terms and Conditions**

Purchase Order Terms and Conditions are found on the back of each purchase order issued by TrinityRail.

### **Purchase Order Acceptance**

Supplier acknowledges that current drawing revisions shown on purchase order are in possession at time of purchase order acceptance.

### **Purchase Order Due Date**

On time delivery performance that is expected is 95% compliant.

The due date shown on all TrinityRail purchase orders is the date the material is due in plant (not a shipment date or pick-up date). A delivery is considered to be on time only when the full line quantity is received at the plant on or before the by the due date shown on current purchase order line being received.

Deliveries will not be considered on time if outside the following tolerances:

Early deliveries -

- Truck shipments - 5 business days prior to PO due date
- Rail shipments – 8 business days prior to PO due date

Late deliveries –

- 0 (zero) business days after PO due date

### **Supply Assurance**

In the event of a significant supply constraint in which the due dates will not be met, suppliers should seek guidance from the appropriate SCM Commodity Manager to communicate in a proactive timeframe and seek resolution to the issue. Trinity generates a *Past Due/Near Due Report* to suppliers. Suppliers are required to provide delivery information on items that are past due or near due orders that have not yet shipped.

### **Purchase Order Rescheduling and Cancellation**

If TrinityRail advises a supplier of a purchase order revision, acceptance of the updated purchase order constitutes that the supplier can meet the new requirement or cancellation. Due to the nature of the manufacturing industry, flexibility is a key attribute we seek to develop with all suppliers. Changes are unavoidable. Buyers will communicate any significant changes to their suppliers prior to executing the change and it is the responsibility of the supplier to collaborate with TrinityRail and provide best efforts to support in a flexible, timely manner.

## **Lead Times and Flexibility**

Lead times should be communicated annually or when significant (increase or decrease more than 25%) changes occur.

When a supplier accepts a purchase order, they are acknowledging their understanding of its contents; drawings, revision levels, AAR requirement for both the product and the facility at which the product is produced and their ability to meet the quantity and due date listed.

## **Nonconforming Material**

TrinityRail documents non-conformance with two primary reports, a non-conformance report (NCR) and a material problem report (MPR). The purpose of these documents is to provide containment and a written record of a non-compliant condition which caused the product to be rejected in either the production or inbound delivery processes. The MPR serves as the commercial document and notifies all parties concerned that a nonconforming item requires disposition. The MPR process provides information for inventory transactions, supplier communication, accounting/finance, and recovery of payment related to the non-conforming material. The MPR process is owned by Supply Chain Management and carried out in conjunction with our facility personnel.

When there is a documented non-compliance, it is important that our suppliers establish containment and provide corrective actions in a timely manner.

## **Returns**

If an MPR is issued by TrinityRail, the supplier has a maximum of one week to provide disposition. If material needs to be returned to the supplier, a Return Material Authorization (RMA) must be completed and sent to the Buyer. A debit memo will be issued and sent to supplier to review and approve. Once approved, the debit memo will be sent to our payment center and the expectation is that the supplier will arrange for transportation for the return shipment of the non-conforming material.

Supplier is responsible to provide a disposition plan for the non-conforming material associated with a Material Problem Report (MPR) within 5 days of receipt of proper documentation. If the disposition plan involves the supplier arranging for the pickup and removal of the material, the supplier must remove the material within 30-days of the date the disposition plan was accepted.

Unless Trinity has provided an exception, via the SCM Commodity Manager, if the material is not removed within 30-days Trinity will notify the supplier that the non-conforming material will be scrapped and scrap accordingly.

## **Supplier Portal**

TrinityRail uses a supplier portal to enhance communication with our supply chain. Documents on the portal include purchase orders and acknowledgements, purchase order change requests, ship notifications and forecasts.

The system will automatically transmit a notification to the supplier via e-mail. The e-mail received by the supplier will contain a hyperlink to the purchase order image and attachments, including any item specifications or drawing revisions from TrinityRail Engineering. Upon reviewing the purchase order, the supplier may accept or reject. If the supplier rejects the purchase order, details advising the reason must be provided. The Buyer will receive an e-mail notification once the supplier has rejected or accepted the purchase order.

## SHIPPING

### Terms

The standard INCOTERMS for TrinityRail's product supply for North American suppliers (US, Mexico, and Canada) is Ex Works (EXW) named place of delivery, where the seller delivers the goods from their shipping point to TrinityRail's named carrier. For shipments originating outside of North America, the standard INCOTERMS are Free on Board (FOB) named port of shipment. For shipments to TrinityRail's third party vendor managed inventory locations (3PL VMI), terms are Ex Works except Risk.

TrinityRail will typically provide a routing, via the TrinityRail Portal sites, to the supplier that specifies the standard and expedited logistics service provider to each TrinityRail destination. The supplier will coordinate with the specified logistics service provider(s) to determine the total lead time for delivery to TrinityRail. The supplier will communicate order lead times to TrinityRail as well as lead time changes. Cancellation or changes to transportation request once transportation has been scheduled that result in "truck not used" or other accessorial charges may be passed along to the supplier at TrinityRail's sole discretion.

### Routing

Supplier will follow the routing guide established as shown on the TrinityRail Portal site when transportation is available. The supplier is not responsible for the performance of logistics providers specified by TrinityRail, only that shipments associated with a purchase order were shipped via the preferred mode with sufficient lead time to meet the in plant due date. TrinityRail will specify the procedures for requesting transportation, the mode of transportation, and logistics provider information in the routing guide. The supplier is required to comply with the routing guide. Suppliers will be responsible for expedited freight costs if there is a non-compliant release of material to TrinityRail facilities.

### Requirements

- Supplier is responsible for assuring shipments are available for pick-up.
- When shipping to a United States facility, shipping request forms must be completed 7 days prior to the required delivery date.
- When shipping to Mexico facility, this form must be completed 10 days prior to the required delivery date.
- The supplier must make reasonable efforts to facilitate consolidated freight for LTL shipments.
- The supplier will work with TrinityRail to agree upon a reasonable period of time to hold orders/shipments to facilitate building full truckloads.
- Rail shipments must not ship earlier than 7 days prior to Estimate To Ship (ETS) date provided on the purchase order. Rail shipments shipping after ETS must ship via truck, and the supplier may be subject to freight equalization.
- Truck shipments can be received up to 5 business days early.
- Rail shipments can be received up to 8 business days early.
- If shipment arrives after the in plant due date, it is considered late.
- Delivery performance will be provided to suppliers on a monthly basis and via scheduled business reviews.

## SHIPMENTS

### Supplier Shipment

Suppliers are expected to fulfill all orders placed within agreed upon lead times, and best efforts will be made by the supplier to accommodate orders and order changes inside lead time. This also applies to product supplied under a TrinityRail vendor-managed inventory model.

### Requesting Pickup

Most of our INCO terms with suppliers are EXW for shipments originating in North America and FOB for shipments originating outside of North America. Freight load pick up requests are placed via the appropriate website below. Use the mode specified in the routing guide. These portals enforce TrinityRail shipping policies.

Mode	Supplier Portal	Secondary Request Method
Ocean	Expeditors International Portal [ <a href="https://portal.expeditors.com/expo/login">https://portal.expeditors.com/expo/login</a> ]	TBD
Rail	RSI Load Pick Up Request Portal [ <a href="https://rsinet.rsilogistics.com/Account/LogOn?ReturnUrl=%2f">https://rsinet.rsilogistics.com/Account/LogOn?ReturnUrl=%2f</a> ]	Rail Carrier Website
FTL	Trinity Rapid Response Supplier Portal [ <a href="https://rapidresponse.kinaxis.com/TRIP02_PRD">https://rapidresponse.kinaxis.com/TRIP02_PRD</a> ]	Email vendor load notification form to <a href="mailto:railcar.release@trin.net">railcar.release@trin.net</a>
LTL	Unyson Order Entry Portal [ <a href="https://portal.hubgroup.com/TMOrderEntry">https://portal.hubgroup.com/TMOrderEntry</a> ]	Email vendor load notification form to <a href="mailto:trinityrail@unyson.com">trinityrail@unyson.com</a>

### Expedited Freight

The supplier needs to contact the TrinityRail Logistics Coordinator. The TrinityRail Logistics coordinator will determine whether or not to authorize expedited freight. When expedited freight is requested, it will be determined at that time if freight equalization will be charged to the supplier. If the supplier was not responsible for the lateness of the shipment and it is approved by Buyer, the supplier will not be charged for the expedited shipment.

### Packaging and Storing Requirements

The supplier must ensure that all provided packaging solutions are adequate for material shipped to any TrinityRail location, including protection against electrostatic discharge and moisture as required. If any product requires specific handling or storage needs, suppliers are required to provide detailed information to preserve the integrity of the product. This may include lifting limitations, weight, stacking instructions and environmental requirements. In addition, all shipping and safety standards (such as MSDS sheets) must be available for the parts being shipped. Safety of our employees is first and foremost, and suppliers are expected to support our team by communicating all product safety requirements.

## **PAYMENT TERMS**

Our standard payment terms are 2% /20/net 45. Trinity would take a 2% discount if paid within 20-days of invoice date or pay the full invoice amount is within 45-days from the invoice date.

## **INVOICING, PRICING, AND PAYMENT**

### **Invoicing and Payment**

To maximize the efficiency of invoicing and reduce invoice holds, we advise that our suppliers follow the below guidelines:

- Invoice price and purchase order price must match.
- Invoice unit of measure and purchase order unit of measure must match
- There should be one purchase order for each invoice. When shipping multiple orders, ensure that the invoicing information is clear so that the products will go against the correct purchase order.
- TrinityRail item numbers used on the purchase order must be on the invoice.
- The bill of lading should be clear and accurate.
- When shipping overages, the Buyer must be aware so that they may work out the purchase order details for processing.
- The suppliers will work with the Buyers to establish the payment terms before the first purchase order is placed.
- If an invoice goes on hold, the supplier will need to work directly with our Accounting Service Center.

Errors will cause issues with payment and processing, forcing the invoice payment to go on hold.

All payment questions should be directed to the Accounting Service Center (ASC) at (866) 227-5876. Their email is [apcallcenter@trin.net](mailto:apcallcenter@trin.net).

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## SUPPLIER EXPECTATIONS

### Overview

TrinityRail SCM Commodity Teams and Quality Assurance teams work closely together to ensure the best sourcing practices to provide high-quality products to our customers.

We take our responsibility to our customers, employees, suppliers, and communities we live in very seriously. In many ways, we see our suppliers as an extension of our organization. Suppliers play a critical role in our ability to consistently provide our customers with high-quality products delivered on-time. We are continually seeking premier performance, and by focusing on continuous improvement we are constantly raising the bar for our quality requirements.

### Regulatory Compliance

Supplier is required to assure compliance to all applicable government regulations. All components supplied to TrinityRail that fall under AAR Technical Specification requirements must meet all applicable AAR Certification requirements for the component as well as the producing facility. If there is a need for clarification, please immediately contact the SCM Commodity Manager or a Supplier Quality Engineer.

### On-Site Support - Quality

In the event of a supplier quality issue at one of our plants, the supplier may be required to send support to the plant. In such event, we expect on-site support within 48 hours. If the supplier is unable to provide on-site support to the plant within 48 hours (including Mexico), we reserve the right to deploy 3<sup>rd</sup> party services for which you will be billed.

### Supplier Deviation Report

Suppliers are not permitted to ship product that deviates from the print, specification limits or design intent without written authorization from a Supplier Quality representative.

## OVERVIEW

### Quality Management System

While TrinityRail does not currently require certification or registration to any particular quality management system standards, a supplier should be compliant to a basic generally accepted quality management system such as ISO 9001, AAR M-1003, or other similar industry specific quality management system standards.

All components supplied to TrinityRail that fall under AAR Technical Specification requirements must meet all current applicable AAR Certification requirements for the component being supplied.

## SUPPLIER QUALITY REPORTING

### Continuous Improvement Visits (CI Visits)

Continuous improvement visits are an important part of the business for both the Supplier Quality Engineer and the supplier. While informal, these types of visits are scheduled to maintain, improve and grow our relationships with suppliers.

### Trinity Part Approval Process (TPAP)

The Trinity Part Approval Process is used by TrinityRail to help ensure all product and regulatory requirements are met when sourcing component parts to suppliers. It is also used when significant changes in materials or manufacturing processes occur. A Part Submission Warrant approving the part must be signed by both the Supplier and a Trinity representative prior to any production quantities of parts being shipped. This must be reviewed with our Supplier Quality Team for detailed program requirements.

### Supplier Corrective Action Requests (SCAR)

TrinityRail utilizes a Nonconformance Report (NCR) to communicate supplier nonconformance. Nonconformance Reports form the basis for a supplier quality rating. There are times when a supplier nonconformance may lead to a written corrective action request from TrinityRail. It is the supplier's responsibility to provide a complete and accurate corrective action report that meets the requirements of this section. Additional requirements may exist with regard to supplier's whose product falls under the jurisdiction of AAR Section J, M-1003, Chapter 7 Quality Assurance Nonconformance Reporting.

TrinityRail may initiate a Corrective Action Request for any of the following reasons:

- A single event of a product nonconformance that has the potential for significant safety or cost concerns or other negative impact on our customers.
- Multiple occurrences of the same product nonconformance with lesser impact on product safety or cost.
- A nonconformance found during the course of a supplier assessment or audit.
- The failure to meet Trinity Industries documentation requirements such as TPAP documentation and Material Test Reports.

Representatives from TrinityRail Supplier Quality review the corrective action plan submitted to ensure the root cause is plausible and the corrective action plan addresses the stated root cause. TrinityRail Supplier Quality will review the implementation timeline and schedule follow up as necessary.

## **Supplier Onsite Assessments**

If required, a representative from the TrinityRail Supplier Quality team will schedule an on-site assessment of the supplier's quality management system. The supplier will be assessed to ensure a basic quality management system is in place that at least meets the minimum requirements of TrinityRail. The minimum quality management system requirements for TrinityRail suppliers are outlined later in this document.

The on-site assessment results along with any requested corrective action plans are reviewed by the TrinityRail Supplier Quality and the decision is made whether or not to approve the supplier.