



Supplier Handbook 2019

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Introduction

This handbook describes the expectations, methodology, and procedures for the procurement of materials, products, and services by Elliott Company and its subsidiaries. Materials, products, and services account for a significant percentage of Elliott's finished product cost. Elliott's goal is to develop productive, mutually beneficial relationships with its suppliers and to bolster the capabilities of each party with frequent communication, precise information, and targeted support. While maintaining a safe working environment, Elliott's supply management team and its suppliers must work together to minimize total cost of ownership while improving quality and exceeding delivery expectations.

Elliott Group Code of Conduct

Elliott Group actively fosters a culture of fairness, integrity, reliability, safety, and teamwork which is guided by the Elliott Group Code of Conduct [<http://www.elliott-turbo.com/compliance>]. The Code of Conduct affirms Elliott's commitment to conduct business in accordance with high standards of ethics and all applicable laws, rules, and regulations globally.

Elliott expects each of its suppliers to read, understand, and to fully comply with the Elliott Group Code of Conduct and "The Path of Integrity: A Guide to the Elliott Group Code of Conduct" (collectively "the Elliott Code") and the policies and provisions set forth therein. Each Elliott supplier shall also understand and agree to bear sole responsibility for ensuring and agreeing that it will ensure that all suppliers and subcontractors hired by the Elliott supplier to perform work in connection with Elliott shall adhere to the Elliott Code. Elliott may request the supplier to require its employees to participate in compliance training offered by Elliott.

Proprietary Information

During the course of doing business, information and data will be exchanged, some of which will be considered proprietary. Elliott information such as drawings, specifications, analysis, and general company data shall be considered proprietary. As such, Elliott suppliers shall not divulge this information to other parties. Specifically, engineering data is proprietary, and the supplier shall not produce product from this data for any other party unless authorized in writing by Elliott.

Fair Dealing

Elliott expects its suppliers to deal fairly with their customers, suppliers, competitors, and employees. Elliott expects that no supplier should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice. Suppliers should conduct their business affairs in a manner that their reputation for ethical conduct will not be impugned if their dealings become a matter of public discussion. Bribes or kickbacks or the appearance thereof in the form of gifts, hospitality, or other business courtesies are unacceptable behavior and could result in immediate disqualification.

Compliance with the Law

Elliott expects its suppliers to comply with all laws of the countries where they operate and with the regulations and expectations of their customers and industry generally. Elliott suppliers should give particular consideration to:

- International trade laws, particularly those regarding import and export controls, and those related to economic sanctions;
- Labor and anti-discrimination laws.

Conflict Minerals

Environmental destruction and inhumane acts against the local populace by armed insurgent groups in the Democratic Republic of the Congo and neighboring countries have compelled the international community to act against these practices. Minerals mined in these countries, such as tin, tantalum, tungsten, and gold, are a source of financing for the insurgents; these minerals are called "conflict minerals."

To reduce funding to the armed insurgent groups, companies are making serious efforts to avoid procuring conflict minerals for use in their products. Elliott Group takes the issue of conflict minerals very seriously. We actively work with our suppliers to deny any advantage through our material procurement to armed groups engaged in human rights abuses.

Scope

This handbook applies to all suppliers that provide materials, goods, supplies, services, tooling, and professional consultation to Elliott Company and its subsidiaries in support of Elliott product design and development, engineering, manufacturing, testing, distribution, and services. This handbook supplements but does not replace, modify, alter, or supersede the terms and conditions covered by purchase orders, contracts, or other written agreements.

Reference Documents

Form 2137A	<i>Supplier Quality Questionnaire</i>
Form 2137C	<i>Casting Supplier Quality Questionnaire</i>
Form 2137S	<i>Supplier Safety, Health, and Environmental Questionnaire</i>
Form 992	<i>Supplier Request for Nonconformance or Waiver Review Process</i>
Form 3288	<i>Supplier Corrective Action Request Form</i>
Form 3293	<i>Global Elliott Standard Terms and Conditions of Purchase</i>
Form 3311	<i>Confidentiality Agreement</i>

Definitions

ASD; Approved Supplier Database: A compilation of Elliott supplier information showing the current approval status. All companies that supply material, components, or services used in Elliott product must be listed in the Approved Supplier Database. The ASD ensures that coding, input, and updating is consistent for all Elliott Purchasing entities.

Critical Supplier Process: A process where the results cannot be verified by subsequent monitoring or measurement and, as a consequence, deficiencies become apparent only after the product is in use or the service has been delivered. This can further extend to a process where Elliott considers the associated risk of nonconformance considerable enough to require mitigating controls.

Customer: Elliott's customer or end user of Elliott's product.

FSO; Factory Shipping Orders: An FSO is used when shipping material or tooling that is inventoried or otherwise accounted for by Elliott to an entity where an invoice will not be rendered. FSOs are frequently used for outsourcing purposes.

Material Specifications: The controlled documentation that defines the requirements for materials used in the design and manufacture of Elliott products. Material specifications are used by Elliott employees to fulfill design requirements and by Purchasing to procure conforming materials.

PO; Purchase Order: A formal contract specifying goods and/or service requirements.

Process Specifications: The controlled documentation that delineates or references the input variables required to process Elliott products. Elliott Purchasing may furnish process specifications to suppliers or outside contractors provided confidentiality is maintained by written agreement.

Need by Date: The date Elliott requires for receipt of the product or service at Elliott's facility or other specified location.

Promise Date: The supplier's commitment date for receipt of the product or service at Elliott's facility or other specified location. This is not the same as the date of transfer of risk from the supplier to Elliott per terms of the PO.

RFQ; Request for Quote: A formal solicitation for pricing, delivery, and terms of goods or services.

SCM; Supply Chain Management: The Elliott departments that manage supplier qualification and procurement.

Shop Order Number: Elliott's internal order tracking number.

Supplier: Any organization that supplies goods or services to Elliott.

VDR; Vendor Data Requirement: A document identifying documentation required from the supplier.

Reference Email Addresses

document@elliott-turbo.com	Used to submit documentation as required by the Vendor Data Requirement (VDR).
po-data@elliott-turbo.com	Used to submit all non-VDR documentation.
osp@elliott-turbo.com	Used to submit shipping documents when a part is drop-shipped.
supp992@elliott-turbo.com	Used for Nonconformance or Waiver Review.
tech.supplier@elliott-turbo.com	Used for technical and drafting support, issues, or questions.
acctspay@elliott-turbo.com	Used to invoice submittal or Accounts Payable related questions.

Supplier Approval Process

Only Elliott-approved suppliers can be awarded business for material, parts, and services used in the manufacturing of an Elliott deliverable product. This approval is based on a capability assessment that may include a quality audit and a review of information applicable to the supplier's ability to deliver cost-effective, quality goods and services on time.

Capability Assessment & Supplier Approval

Elliott Supply Chain Management (SCM) evaluates a supplier's or potential supplier's ability to provide Elliott with material, parts, or services. The evaluation covers a supplier's business operations and capabilities, quality, capacity, costs, pricing, scheduling, and delivery.

Elliott Purchasing first requires a signed Confidentiality Agreement [Form 3311]. After the supplier agrees to the terms of the Confidentiality Agreement, Elliott requests information from the supplier that indicates the supplier's financial stability and the nature of its business operations such as financial statements, annual reports, Dunn & Bradstreet ratings, facility, and equipment lists, capacity, lead time, pricing, and other pertinent information.

Elliott Purchasing will send the Supplier Quality Questionnaire [Form 2137A] and Supplier Safety, Health, and Environmental Questionnaire [Form 2137S] to a supplier that receives a satisfactory evaluation. The supplier uses the Supplier Quality Questionnaire to conduct a self-evaluation, and then returns the results to Elliott. Casting suppliers are required to complete the Casting Supplier Quality Questionnaire [Form 2137C].

Elliott Purchasing and Quality personnel will review pertinent information regarding the supplier, solicit input from other Elliott resources, and decide upon the appropriate action:

- Approve supplier for inclusion in the Approved Supplier Database (ASD);
- Schedule an on-site audit;
- Request additional information from the supplier;
- Eliminate the supplier from further consideration.

Elliott conducts on-site audits to evaluate a supplier's quality system. The audit results are documented and maintained in the ASD. If the supplier will participate in a Critical Supplier Process, Elliott may require additional documentation to evaluate and qualify the supplier's role in the process. On-site supplier audits and requests for additional information generally result in either the addition of the supplier to the ASD or the supplier's elimination from consideration.

Approved Supplier Database (ASD)

Elliott's Quality department maintains the ASD for use by Purchasing, Engineering, and Manufacturing personnel. The ASD contains pertinent information on suppliers of material, parts, and services used in the manufacturing of an Elliott deliverable product.

An "Active" status listing in the ASD completes the qualification phase for new suppliers. An "Active" supplier's scope of supply may be restricted to particular processes or part numbers based on capability.

Elliott will conduct regular performance reviews of “Active” suppliers. Suppliers with ongoing acceptable performance may not require a full audit for re-qualification. Other ASD status listings are “Inactive,” “Disqualified,” and “Pending.”

Purchasing Requirements

Request for Quote (RFQ), Request for Proposal (RFP)

Elliott SCM will provide a Request for Quotation (RFQ) or Request for Proposal (RFP) to suppliers to determine their ability to provide parts, documents, or services meeting Elliott’s requirements. The request will include:

- Part number and/or description;
- Revision, quantity, terms;
- Associated drawings;
- Scope of Work (SOW);
- Other specifications as applicable.

Suppliers are expected to respond to the request within five (5) business days or as specified, with price, lead time, and any exceptions to the RFQ/RFP package. Supplier responses will be evaluated objectively for cost of ownership and added value.

Purchase Order (PO)

Only the Elliott Purchasing department is authorized to make purchase commitments on Elliott’s behalf. No other Elliott department may take any action that commits Elliott to a specific supplier or purchase. Any supplier who provides material or service without a properly authorized PO, or engages in changes without a properly revised PO, does so at their own cost and risk. Any backdoor selling will not be tolerated. Elliott Purchasing will notify a supplier of a contract award with a PO specifying:

- Part number and/or description;
- Revision;
- Quantity;
- Need by Date;
- Price and associated terms;
- Drawings and other specifications as applicable.

The supplier is responsible for ensuring work is performed in accordance with the specified configuration or revision. If specifications are called out without reference to a revision, the supplier shall use the latest configuration in place at time of contract award. Suppliers must provide Elliott Purchasing with an accurate Promise Date as required by the PO.

Elliott’s Global Standard Terms and Conditions of Purchase are integral to every Elliott PO. Any exceptions will be clearly noted in the PO.

Special Terms or Requirements

As required, Elliott Company will flow down certain terms and conditions, or requirements of the customer’s contract. These may include Liquidated Damages, Warranty Provisions, or other required contract specifications.

Purchase Order Revision

Elliott Purchasing will issue a PO revision to communicate any changes to an original PO. The revised PO will use the same number as the original PO with the addition of a revision change identifier (1, 2, 3, etc.). The supplier is responsible for reviewing the proposed and incorporated changes to determine the effect of the revision on the stated negotiated terms of the PO. The supplier shall communicate the identified consequences of the revision to the buyer in Elliott Purchasing.

iSupplier

Elliott uses Oracle as its ERP system and has enabled Oracle's iSupplier portal. iSupplier allows Elliott suppliers to access Elliott's ERP system in real time to view PO requirements and to verify and update changes to Promise Dates and costs. Additionally, the improved communication effort lowers the total operational and administrative costs for both Elliott and the supplier. As such, Elliott requires that every approved supplier is either active on iSupplier or is working towards implementation.

Delivery

Elliott's Ship to Address and shipping instructions will be clearly marked on the PO. Suppliers must strictly follow these instructions unless additional instruction is provided by Elliott SCM. If the shipping information is missing, the supplier must contact the Elliott buyer on record.

Packaging, Handling, and Storage

The supplier shall preserve the product during internal process and delivery to Elliott to maintain conformity to requirements. Unless otherwise specified on the PO, the supplier shall ensure the integrity of product delivered against damage or degradation. The supplier shall label each individual package to identify the PO and line item number, part number or purchase requisition number, item quantity, and box number if applicable; for example, Box 1 of 3.

Transportation

Shipping directions are clearly noted on the PO header, and suppliers are expected to pay special attention to the direction provided for contact information, incoterms, or any other special instruction(s) provided. If there are any questions or if shipping direction is not provided on the PO, the supplier shall contact the Elliott buyer as listed on the PO. When drop shipping items, the supplier must submit shipping documents electronically to the osp@elliott-turbo.com email account to ensure necessary receipts and inspection transactions are completed. Failure to follow these procedures will result in delayed or denied payments.

Invoicing

Payment and receipts are made in accordance with Elliott's Global Standard Terms and Conditions of Purchase or the negotiated terms of the PO. All purchased material must be recorded as received prior to any authorization for payment through Elliott Accounts Payable.

Elliott will only pay authorized charges that appear on the purchase order; no other charges that are itemized or listed on the supplier invoice will be considered for payment, including surcharges, packaging, skids, or freight, unless specified in the terms of the PO.

All invoices must be remitted to "Elliott Company" and be directed to the email address noted on the PO header, and must include the Elliott Purchase Order number, the Elliott part number, the Purchase Order line number, quantity, cost per unit, invoice date, and any applicable discounted payment terms.

Quality Requirements

Elliott products must meet the stringent and demanding quality requirements of Elliott's sophisticated, multinational customer base. Elliott's customers expect its quality program to encompass globally accepted quality standards, and they expect Elliott to hold its suppliers to these same requirements and standards. All Elliott subcontractors must use capable and controlled processes to ensure the quality and integrity of their products.

Control of Nonconforming Material

Elliott suppliers are required to have a system in place to prevent the shipment of nonconforming material to Elliott. When a supplier detects nonconforming material, it shall be identified, segregated, documented, and dispositioned.

Suppliers may scrap nonconforming material at their own cost; however, they shall not scrap any Elliott supplied and owned material. Elliott suppliers are not authorized for any other disposition of nonconforming material such as Repair or Use As Is. These dispositions must be approved by Elliott before a supplier proceeds to use the material.

To request a deviation from Elliott's specified requirements, a supplier must submit to Elliott a Form 992: Supplier Request for Nonconformance or Waiver Review Process. Form 992 must be submitted electronically with the buyer's

name in the Subject line to: supp992@elliott-turbo.com.

Whenever possible, the supplier shall submit a request for a waiver or concession prior to the beginning of the manufacture or processing of the material. If the supplier detects a nonconformance during processing, the supplier will halt processing and submit a Form 992. The supplier will not undertake corrective action until authorized and directed by Elliott.

Each authorized deviation is limited to a particular part, batch, or lot and does not serve as an authorization for permanent change to a specification or process. To request the same waiver on future parts, batches, or lots, the supplier must re-submit Form 992 for approval.

Documentation

Documentation requirements are defined on the PO or on attachments to the PO. Suppliers shall send the documentation to the email address specified on the PO and attachments.

- Suppliers shall submit documents electronically, prior to the shipment of product to Elliott; invoice payment will be withheld until required documentation is received in electronic format.
- Documents must be legible and of high quality. Preferred document format is Adobe PDF unless otherwise specified.
- If documents are required for prior approval, Manufacturing Release Date must be provided as soon as possible.
- Only one PO should be associated with each email; however, multiple lines are acceptable.

Contact the responsible Elliott buyer for clarification of unclear documentation requirements.

Non-VDR documentation is typically submitted to: po-data@elliott-turbo.com. When submitting documents to this address:

- Enter the Elliott Purchase Order number and Line Item number (four digits) in the Subject field; separate lines with commas. (for example; 123456, Line 0001, 0002).
- If documentation sent to po-data is not addressed in this manner, it will be recorded as a nonconformance. It may also be considered a late shipment if the documentation is not properly received on or before the Promise Date or Need by Date.

VDR documentation is typically submitted to: document@elliott-turbo.com. When submitting documents to this address, mark all documentation with:

- Elliott Shop Order number;
- Elliott PO and Line Item number;
- Elliott Purchase Requisition number.

Pre-Manufacturing Meeting

A technical meeting might be held with a supplier prior to the commencement of work to review relevant documents, procedures, and instructions, and to ensure a successful result.

Rust Prevention

Elliott's rust prevention requirements will be specified on the PO.

Source Inspection and Customer Witness (Inspection & Test)

Source Inspection is an inspection by an Elliott representative and will be specified on the PO, if required. Customer Inspection is an inspection by a representative of Elliott's customer and will be specified on the PO, if required. The supplier shall maintain records of all inspections, including approvals by Elliott and customer representatives.

The supplier shall provide sufficient access as well as all measuring tools and gauges necessary to conduct an inspection. All inspections shall be conducted by the supplier's personnel with the Elliott or customer representative observing.

The supplier shall notify the project engineer, buyer, and Product Quality in advance of any required inspections that involve Elliott's customer.

The supplier may contact Elliott's customer directly if prior arrangements are made with Elliott SCM and Elliott's project engineer or Product Quality. In these cases, the supplier shall keep the project engineer, buyer, or Product Quality informed of inspections that involve Elliott's customer.

Elliott or Elliott's customer might establish alternative inspection notification procedures. For example, the Elliott PO may direct the supplier to contact the customer directly and to send a copy of the notification to Elliott. This is a common arrangement for suppliers of major equipment that requires close customer involvement, such as motors, gears, oil systems, and couplings.

Supplier Nonconformance

Elliott creates a Nonconformance Record (NCR) whenever a defect is detected at Elliott. If Elliott determines that a supplier is the source of the nonconformance, the supplier will be notified. The supplier must make diligent, good faith efforts to rectify the nonconformance. Elliott reserves the right to back-charge the supplier for all verifiable, relevant, and direct costs incurred by Elliott in the resolution of any quality issues that were caused by the supplier or its sub-suppliers.

Returned Material

When Elliott determines that material it has received is nonconforming to requirements, Elliott may return the material to the supplier for rework or replacement. The supplier must make diligent, good faith efforts to expedite the return of product so as not to delay Elliott's delivery commitments. The supplier must properly identify reworked or replaced product to Elliott; in many cases, by properly identifying it with the appropriate FSO number.

If the material is urgently required to meet production schedules, Elliott may decide to rework the product. In these cases, the supplier may be required to cover some or all of the associated rework costs. Elliott and the supplier will negotiate these rework terms.

Supplier Corrective Action Requests

When products or services do not meet the PO requirements, Elliott may issue a Supplier Corrective Action Request (Form 3288) to advise the supplier of the discrepancy. The supplier will investigate and report the root cause of the discrepancy and the actions they have taken to prevent recurrence with effectivity dates. The supplier is also expected to assess the effectiveness of actions taken and to provide supporting evidence. The supplier shall respond in two weeks with the completed Supplier Corrective Action Request form.

In the event of significant or repeated discrepancies or NCRs, Elliott will issue an internal Corrective Action Report (CAR). CARs are reviewed by Elliott's senior management and can result in additional actions to remedy continued issues with high risk suppliers, product, or processes.

Technical Conflicts

In case of a technical conflict between any of the documents provided by Elliott, the supplier must immediately notify the Elliott buyer and suspend all activity pertaining to that Purchase Order until Elliott provides a resolution to the technical conflict in writing.

The technical information in the documents provided by Elliott shall be evaluated in the following decreasing order of precedence:

- Technical Drawing
- Material Specification
- Process Specification
- Component Plan
- Work Instruction
- Purchase Order

In the interest of quickly and accurately resolving a technical conflict, the supplier may suggest a resolution to Elliott. However, the supplier may not proceed with a suggested resolution to a technical conflict until the supplier has received a written instruction from Elliott.

Supplier Performance Monitoring

Elliott evaluates its suppliers on delivery, quality, and cost on an ongoing basis. Performance on these metrics is the primary indicator of a supplier's ability to contribute to Elliott's long-term success.

Delivery

All Elliott POs include two dates: Promise Date and Need by Date.

Promise Date: The supplier must commit to this date and keep the date current. This commitment is based on the supplier's internal schedule and capacity. It is essential that the original Promise Date is accurate and achievable. Elliott manages its production schedules and resource planning based on Promise Dates.

Need by Date: Elliott determines the Need by Date based on its internal schedules and customer requirements. Elliott includes the Need by Date on the PO.

While it is optimal that the Promise Date is prior to or no later than Elliott's Need by Date, Elliott recognizes that this is not always possible.

A supplier's on-time performance is determined by:

- The original Promise Date and the receipt date at Elliott's receiving dock. It is not based upon the date shipped from the supplier nor the date that product or risk transfers per the PO terms.
- When a supplier fails to give Elliott a Promise Date, the Promise Date defaults to the Need by Date for performance evaluation.
- Delivery performance is always measured from the original Promise Date. If the Promise Date changes as the result of an Elliott action or a force majeure event, Elliott's buyer may add a grace period to balance the supplier's performance.

Quality

Quality performance is a function of the Acceptance Rate at the time of receipt and the Quality Ratio as observed as the product is tested and used throughout the production process.

Acceptance Rate: Acceptance rate is the First Pass Yield at the time of receiving and incoming inspection: non-defective pieces divided by total pieces. Inspection evaluates the product against the PO, the drawing requirements, and any other documentation on the PO. Any failure in product inspection or documentation will result in an NCR against the supplier's performance.

Quality Ratio: Quality ratio is the measured and observed quality of the product as it passes through Elliott's production processes: non-defective pieces divided by total pieces. Any defects, omissions, or issues with the material that is determined to be the supplier's responsibility will result in an NCR against the supplier's performance.

Cost

Elliott evaluates cost competitiveness in several ways: best in class, budget support, and cost models.

Best in Class: This is the supplier's cost performance when measured against other capable suppliers. Elliott uses this information when determining the suppliers to receive an RFQ/RFP. This can be a major factor for awarding business and future opportunities.

Budget Support: This reflects the supplier's ability to support Elliott's competitiveness by providing pricing in line with Elliott's internal cost estimates or needs for a new business proposal.

Cost Models: Elliott is continuously striving for improvement, and requires support from its suppliers to gauge the cost effectiveness of alternative products and designs. Suppliers that provide Elliott with insight into the suppliers' actual cost models help Elliott to focus on the most significant cost contributors in a product or process.

Communication & Information Transfer

Point of Contact

Elliott strongly believes that procurement is a partnership, and that both sides must clearly share their requirements and strive for mutual understanding.

A supplier's primary point of contact for all communication regarding an Elliott PO is the buyer.

The buyer ensures that questions regarding contract terms or technical data are forwarded to the appropriate authority within Elliott and are communicated back to the supplier in writing or via a PO revision. The supplier must notify the Buyer of changes to delivery schedules together with the reason for the delay and the revised delivery date.

Records

Elliott's document retention procedures require its suppliers to maintain records for a period of five years. The five-year retention period also applies in the event of termination or business inactivity. Records are to be retrievable and available for Elliott review within forty-eight hours of a request for review. Records are to be maintained in a manner that ensures protection from deterioration or loss. When necessary, Elliott might request additional data and documentation through the Elliott buyer.

Useful Websites

Elliott Group Website:	http://www.elliott-turbo.com/
Elliott Group Code of Conduct:	http://www.elliott-turbo.com/Compliance
Elliott Group Supplier Information:	http://www.elliott-turbo.com/Suppliers
Elliott Group Quality:	http://www.elliott-turbo.com/Quality
Equal Employment Opportunity:	http://www.dol.gov/dol/topic/discrimination/



Elliott Group is a global leader in the design, manufacture, and service of technically advanced centrifugal compressors, steam turbines, power recovery expanders, cryogenic pumps and expanders, and axial compressors used in the petrochemical, refining, oil & gas, liquefied gas, and process industries, as well as in power applications.

Elliott Group is a wholly owned subsidiary of Ebara Corporation, a major industrial conglomerate headquartered in Tokyo, Japan.



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T H E W O R L D T U R N S T O E L L I O T T



C O M P R E S S O R S ■ T U R B I N E S ■ C R Y O D Y N A M I C S ■ G L O B A L S E R V I C E