



Global Supplier Manual

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Introduction

SMR is committed to building a strong relationship with its supply base. Our aim is to be recognized as one of the world's most quality focused automotive component producers. To reach this target we require a quality focused, competitive and cooperative supplier base.

Our key words in quality are:

- **C**ut cost of quality
- **U**nnecessary rework elimination
- **S**tabilized processes
- **T**arget zero defect
- **O**n time delivery
- **M**easured performance
- **E**liminate waste
- **R**eact quickly

SMR's objective is to improve all aspects of the supply chain through collaboration, planning and execution of superior strategies. Sustainable and profitable growth is essential for both SMR and suppliers to SMR.

Overall supplier relationship may be divided into following 5 phases:

- General Expectations
- Supplier Selection
- New Product Introduction
- Series Production Conformance
- Continuous Improvement

If you have comments or questions regarding the SMR Manual, please contact the appropriate Supplier Development Engineer (SDE), Supplier Quality Personnel (SQ Personnel), or Purchasing Representative.

SMR Quality and Environmental Policy Statement

SMR will continually improve the quality of products and services it provides and also the environment in which it works.

SMR will demonstrate continuous commitment to meet customers' highest expectations, prevention of pollution, and compliance with applicable specifications and regulations.

Purpose

The purpose of this Global Supplier Quality Manual is to specify SMR systems requirements to our suppliers. Requirements of General Management responsibility, supplier qualification, new product development, continuing conformance of serial production and service responsibility are in this document and additional site specific requirements are detailed in the appendixes. It should be understood that the requirements noted within this manual and all applicable appendices align with OEM Customer Specific requirements shall be considered to be "Customer Specific Requirements" for the purposes of Quality System conformance and audit purposes.

Scope

The scope of this document is to ensure compliance to SMR System and OEM customer requirement by sub-suppliers of SMR Automotive. The SMR supplier quality system requirements are based upon the latest edition of IATF 16949 Quality System Requirements along with OEM customer specific Requirements. Although this does not alter or reduce any other requirements of the contract, it is intended to provide a concise understanding of SMR expectations. Referring to other Customer Specific and Automotive Industry Action Group (AIAG) requirements, such as Advanced Product Quality Planning (APQP), Production Part Approval Process (PPAP) etc. the latest edition is always referenced.

In case of difference between standard SMR requirement OEM Customer Specific requirements, the most stringent shall be binding. In all cases, specific requirements of General Terms and Conditions of Purchase, Purchase Orders, specific supplier agreements, contracts take precedence over this manual.

This document supersedes all previously released SMR Supplier Manuals.

Responsibility

Suppliers who are supplier for SMR of a product or service shall meet all requirements listed in this manual and applicable appendices during the whole project lifetime. This includes but not limited to:

- Regularly check for updates of this document on www.smr-automotive.com.
- Ensure availability and awareness of related Customer Specific standards and requirements mentioned in this document and its appendices.
- Ensure requirements are met in their supply chain.

Language

SMR Automotive official language is English. All official communication with SMR will be done in English. Documents may display the native language when integrated in parallel translation. The English version of this manual is the official version. The English version has precedence in the event of discrepancies with manuals translated into different languages.

1 General Expectations

1.1 Supplier Management Responsibility and Compliance Requirements

SMR requires its suppliers to conduct their operations in a socially and environmentally responsible manner and assuring the same principles in its supply chain. Management responsibility and compliance requirements include:

- Compliance with applicable laws and regulations.
- Integration of environmental, occupational health and safety, and human rights and labor policies
- Clear, accurate and appropriate reporting to SMR upon request.

1.2 Supplier Responsibility in Labor Management

Compliance with all applicable governmental requirements for labor including Modern Slavery Act within their business and supply chain.

Compliance with minimum age of employment requirements per the local regulations.

Compliance with applicable wage laws.

Compliance with local law regarding working hours.

Implement policies that prohibit and educate to identify indicators of human trafficking

Prohibit the use of slavery, servitude, forced or involuntary labor.

Maintain workplaces free of unlawful discrimination and harassment.

Respect voluntary freedom of association.

1.3 Supplier Responsibility for Health and Safety Management

Implement procedures to identify, evaluate and control worker exposure to potential safety hazards.

Maintain appropriate emergency plans and response procedures.

Manage, track and report occupational injuries and illnesses.

Provide and properly maintain machine safeguards, interlocks and barriers.

1.4 Supplier Responsibility for Environmental Management

Adhere to applicable laws and contract requirements regarding prohibition or restriction of specific substances, materials and waste.

Assure the compliance of all applicable required environmental permits and registrations.

Identify and manage materials presenting a hazard if released into the environment.

1.5 Supplier Responsibility for Sustainability

Reduce its environmental impact and promote the same practice with its supply chain.

Recognize and promote the use of minority business through its supply chain.

Participate in supplier sustainability reporting as requested by SMR.

2 Supplier Selection

2.1 New Supplier / Location Qualification

New suppliers who wish to be added as suppliers of production materials to SMR shall:

- Demonstrate compliance with the latest released revision of ISO9001 with the ultimate objective of becoming certified to the latest revision of IATF16949. Unless otherwise approved by the customer the following:
 - Sequence should be applied to achieve this requirement:
 - Certification to ISO 9001 through third-party audits; by Certification body bearing the accreditation mark of a recognized IAF MLA member and where the accreditation body's main scope includes management system certification to ISO/IEC 17021.
 - Certification to ISO 9001 with compliance to other customer-defined QMS requirements (such as Minimum Automotive Quality Management System Requirements for Sub-Tier Suppliers [MAQMSR] or equivalent) through second-party audits.
 - Certification to ISO9001 with compliance to IATF 16949 through second-party audits.
 - Certification to IATF16949 through third-party audits (valid third-party certification of the supplier to IATF 16949 by an IATF-recognized certification body).
- Demonstrate an environmental management system. SMR prefers all suppliers to demonstrate compliance with the latest released revision of ISO14001 Environment Management Systems.
- Comply with all applicable governmental regulations. Applicable government regulations might include those in the country of manufacture, as well as the country of sale.
- Meet all commercial and financial requirements of the relevant SMR region/country.
- Complete the Supplier Assessment Survey as a self-assessment.
- At the SDE's, SQ Personnel's or Purchasing Representative's discretion, facilitate on-site supplier assessment survey (audit) by SMR personnel (if applicable). The assessment may also contain additional requirements as specified by the Product Development Team.
- Indicate if the company is currently being investigated for environmental offences by any local, national or international agencies.
- Confirm that no violations of human rights has been made by the company.
- Uphold the human rights for social standards, work standards and social responsibility.
- Meet all the criteria defined by this document.
- The supplier shall provide written commitment stating compliance to latest version of ISO 9001, IAFT 1694 requirements pertaining to the components or services provided. The supplier shall provide supporting documentation to show the process complies with requirements.

2.2 Supplier Quality System Certification Status

Suppliers shall ensure SMR always has a current copy of their Quality System certification.

2.3 Supplier Profile

Suppliers shall complete a supplier profile upon request, or when a major change takes place. The completed profile shall be submitted to SMR Purchasing by mail, fax or e-mail. In the event of a change in structure or ownership, the supplier shall immediately communicate the change to SMR on or before the effective date.

2.4 Supplier Facility Access

Upon reasonable prior notice and during normal working hours, supplier will allow SMR and SMR's customers access to both their own facilities and facilities of their suppliers, for the purpose of evaluating parts, processes, documents (for example FMEAs, control plans, process instructions, other records), methodologies and systems used in manufacturing of SMR products to verify that the product(s) and subcontracted product(s) conform to requirements. SMR may, at its discretion, use independent auditors. Such auditors represent SMR and will audit the supplier's processes to establish conformance to desired quality systems.

2.5 Employee competence

Suppliers shall establish and maintain a documented process for identifying training needs including awareness and achieving competence of all personnel performing activities affecting conformity to product and process requirements. Personnel performing specific assigned tasks shall be qualified, as required, with particular attention to the satisfaction of customer requirements.

2.6 Supplier Quality System Certification Status Revocation

In case of serious uncooperativeness from supplier or unacceptable nonconformity in process, system or product; SMR may be forced to inform and request the supplier's ISO certification body to revoke quality certification until implementation and verification of appropriate problem resolution.

2.7 Supplier Contingency Plan

Suppliers shall develop a contingency plan for potential catastrophes disrupting product flow to SMR, and advise SMR at the earliest in the event of an actual disaster. Potential losses by fire, city water, electricity, flood, or storm, cyber-attacks on information technology systems, etc. should be prevented by active and organizational measures. In an actual catastrophe, suppliers shall provide SMR's authorized representatives' access to all of SMR or SMR's customer owned capital equipment. The supplier shall maintain adequate safety stocks at their own cost for high risk product. Suppliers must ensure they have sufficient Property and Liability insurance to cover the replacement of all equipment and sub-components used to manufacture products purchased by SMR.

2.8 Communication of Change of Status for Supplier Quality Certification

Suppliers shall notify all SMR supplied locations in writing within five (5) working days, when there is a change or revocation of the suppliers Quality certification status.

2.9 OEM / SMR Manuals and Specifications

Suppliers are responsible for remaining current with Original Equipment Manufacturers (OEM) and SMR specific manuals and specifications for their products, and for retaining current copies of the appropriate standards.

3 New Product Introduction

3.1 Feasibility Agreement

A supplier-signed feasibility agreement shall provide with each supplier quote. Technical, quality, manufacturing, engineering, purchasing, delivery, and business requirement shall be obtained reviewed and agreed by supplier and committed prior to submission of quote. 2.1.1 Advanced Product Quality System (APQP) – Standard Development System (SDS).

3.2 Customer Designated Special Characteristics

The organization shall conform to OEM customer requirements for designation, approval documentation, and control of special characteristics.

3.3 APQP

APQP is initiated at the design concept of a program and runs through Product Launch for each new component. All suppliers, regardless of component criticality, shall use a disciplined APQP Process during the launch of new products for SMR. The use of error-proofing and mistake-Proofing concepts is expected during the development of the process design and manufacturing processes to ensure zero defects, a smooth launch and can meet capacity requirements to ensure SMR and SMR's customer requirements. SMR Product Development teams define component criticality during the product development cycle using SMR's Standardized Development System (SDS). During this time, SMR's SDE or Purchasing Representative completes a Supplier Risk Assessment for each supplier. This designation determines the involvement of SMR Supplier Development and/or Purchasing agents during APQP and launch event for each supplier. All suppliers shall provide APQP status reports for a new product as specified by the SMR Operating Company.

3.4 Pre-Production Sample Submission

Documentation of product compliance result shall be submitted with Supply of pre-production parts for engineering validation Minimal documentation Requirement to be submitted: Additional Customer specific required documentation will be detailed by the program launch team and purchasing representative.

- Dimensional conformance report
- Material conformance report
- Material Safety Data Sheets, IMDS

- Pre-Production Control plan
- Process FMEA
- Capability studies
- Approved production-intent packaging

3.5 Validation – Design / Product / Process (DVP&R) – PV Test Plan & Results

- Design-responsible suppliers shall provide a product Design Validation Plan (DVP) for SMR approval.
- Production Validation test plan shall be reviewed and agreed during the planning phase.
- Design Verification (DV) shall be satisfactorily completed and reported per the Program APQP timing.
- Production Process Validation testing results to be completed prior to PPAP submission.

3.6 Packaging Approval – Product Identification, Packaging, Material Handling and Transportation

The supplier shall ensure that the packaging conforms to SMR (and customer) requirements and is approved by SMR. All packaging must meet basic standards for goods protection and carriage. The packaging should withstand the mechanical, climatic, biotic and chemical stresses to which they are exposed during transport, storage and cargo handling. All packaging must also conform to appropriate health and safety, environmental and other legislative requirements.

SMR and suppliers shall agree upon the product identification and packaging plan during APQP, including the following requirements:

There shall be only one part number in a box or packaging unit.

All packaging units shall be labeled and the label shall include:

- SMR part number with engineering level and part name.
- Quantity of components within the box or packaging unit.
- Supplier name with appropriate SMR supplier code.
- Lot traceability number and date - This number shall have a direct relationship with Packing Slip supplied. Identification shall permit traceability back to specific supplier manufacturing and inspection records.
- All component packaging must comply with all legal, and/or Customer specified safety information unless specified in writing by SMR.
- Additional traceability requirements at SMR's request.
- Raw Material Heat number, if appropriate.
- A Bar Coded label applied to each packaging unit. SMR facilities may specify their own bar coding formats. Suppliers shall meet the bar code requirements of the SMR location they are shipping to.

Suppliers providing product to multiple operating units, on a global scale, shall work with each of the locations to ensure that the packaging is sufficiently robust to withstand shipment by sea and arrive on time without damage. Each container, rack, box, or pallet of material shipped to SMR shall be identified as per the site specific requirements and agreed during APQP.

The supplier must contact SMR site to obtain the latest site specific packaging approval form. Packaging approval form must be completed and submitted for signature by appropriate SMR personnel. The supplier shall maintain signed Form available for review by request.

In order to ensure that the supplier's products are transported in a manner that prevents damage or deterioration, suppliers are responsible for maintaining written instructions detailing proper packaging, storage, and shipping of its products that conforms to SMR user plant's requirements.

Suppliers shall meet the requirements of SMR user plant with regard to the use, control and supply of returnable packaging.

SMR expects their suppliers to conduct periodic dock audits on packaged material. Evidence of these audits shall be retained with other lot inspection documentation.

Where the supplier is responsible for the shipment of components to SMR, they shall consign with a proven first class company which has enough experience in handling the shipment and knowledge of all other applicable legal obligations with regards to the handling of Importation/Export Tariff and duty requirements to ensure prompt delivery of product to SMR. In case of special transport requirements (e.g. paint or

chemicals) supplier shall ensure the required inter-storage and transport condition complies with paint and chemical materials temperature requirements. These requirements must be verified either by thermo script or other appropriate methods.

3.7 Launch Containment

During development phase, in order to validate the supplier's production control plan and to ensure that any quality issues that may arise are quickly identified, contained and corrected at the supplier's location, the supplier shall implement a quality wall and establish containment stations, which must be off-line, separate, and independently checked from the normal manufacturing process and located at end of process. The launch containment timing and exit criteria must be defined with the SMR site responsible launch team member.

3.8 Manufacturing Process Review

The SMR Product Development Team (based upon risk assessment and Customer Specific Requirements) will be conducted a systematic and sequential review (process sign-off, run-at-rate, etc.) of a supplier's manufacturing process at the supplier's facility prior to PPAP approval. SMR's customer(s) may be part of this review. The format of the review may be same as that of a customer to SMR, or SMR's own format, as determined by the Product Development Team.

This review may also be completed as part of the quality planning and manufacturing processes for new and/or significantly changed products.

3.9 Production Part Approval Process (PPAP)

PPAP Requirement

First sampling method, PPAP, VDA (Verband der Automobilindustrie), ISIR (Initial Sample Inspection Report), etc., shall be per OEM required format for SMR location. All PPAP documentation shall be in submitted in English.

A PPAP shall be submitted to each SMR location for a component per that location's requirements.

All PPAP documentation must be submitted in English. Supplier may request use of local language in a PPAP if the business does not involve the export of products.

Suppliers should contact the SMR location supplied to determine PPAP level requirements. A PPAP shall be submitted to each SMR location for a component per that location's requirements.

All production part submissions shall be in accordance with the requirements stipulated by the Product Development Team and/or the AIAG PPAP manual the current revision of the Automotive Industry Action Group (AIAG) PPAP Manual will be used as a default.

Suppliers shall only submit PPAP packages for production- released drawings, and a copy of this drawing shall be included in the submission package.

Suppliers shall ensure that all requirements are met before submission to SMR, including SMR approvals for any change requests.

Suppliers are responsible to assure full approval status for all sub-tier PPAP submissions, including those suppliers directed by SMR, prior to the submission to SMR. Any deviations must be reported to SMR.

- The supplier shall submit all documentation per requirements outlined in latest AIAG PPAP submission level guideline level 3 PPAP for all initial PPAP submissions and for engineering changes and all changes
- The supplier may submit Level 1 PPAP for changes with the documented agreement of SMR.
- Any shipment of production product without first obtaining either a signed, approved PPAP part submission warrant (PSW) or an approved engineering deviation (concession), shall classify the shipment as defective product.
- NOTE: In situations that involve product/components designated as safety/critical, no deviations/concessions shall be permitted on features that affect the functionality/reliability of the product without the appropriate validation and customer approvals

PPAP Process Requirements

When preparing a PPAP (PPAP process), the supplier shall assure the following as applicable to the submission

- Samples parts for the Production Validation (PV) have been secured and PV testing is proceeding to the agreed schedule.

- IMDS data is submitted to proper IMDS location prior to initial sample submission.
- Confirmation of SMR's acceptance of the IMDS data to be included in PPAP.
- A preliminary Run @ Rate has been performed and the production rate is acceptable to meet the launch curve at the necessary quality level.
- The supplier (to SMR) has reviewed the production capacity at all sub-suppliers (including lower tier suppliers). The production rates are sufficient to meet the launch curve at the necessary quality level.
- SMR Supplier Tool Information Sheet; if SMR / OEM owned tooling is submitted to SMR. Assure tool is properly identified / tagged.
- The Gage Plan has been completed and signed off by SMR giving approval to use the gage in series production.
- Inspection Methods are complete and to the latest engineering level for each shipping unit. Copies are included in the PPAP submission.
- The Launch Containment Plan has been agreed by SMR and has been implemented at the supplier.
- Pre-grain samples (if necessary) have been submitted to SMR. The supplier has received authorization to grain the tooling.
- Grained samples (if necessary) have been submitted to SMR.
- Color and gloss samples (if necessary) have been submitted to SMR.
- Process numbers match between Process Flow Diagram, Process FMEA, and Control Plan.
- The PPAP sample parts have been produced to the latest engineering change level and have been shipped to SMR for PPAP approval with necessary data.
- All material test results are complete, acceptable and referenced in the PPAP submission.
- All components parts and materials have received full PPAP approval from suppliers. All sub-suppliers' PPAP's are referenced within the PPAP submission.
- A run @ rate has been performed and documented by SMR if requested. The production rate is sufficient to sustain full series production at max capacity and normal expected published volumes.
- The part is being produced at the current engineering release level with no open deviations.
- The Process Flow, PFMEA and Control Plan have been updated to reflect the current manufacturing & quality processes.
- The Production Validation (PV) Testing is complete and parts from the series tooling & processes meet all known Specifications (Drawing, OEM Specifications, SAE, ASTM, etc.).
- The Launch Containment Plan has been effective in capturing all defective material at the supplier location.
- All PPAP documentation is complete (utilize AIAG guidelines) and the package has been reviewed internally prior to submission to SMR.

PPAP Documentation Requirements

- (1) Part Submission Warrant
- (2) Engineering Change Documents, Include Tool Life Deviations
- (3) Customer Engineering Approval
- (4) Dimensional Results
 - A six (6) piece (minimum) part layout of all drawing dimensions
 - Dimensional results of the part layout are documented in the AIAG format, or signed waiver from customer.
 - Dimensional results referenced by ballooned print
 - special layout set-ups for dimensions must be approved by customer before PPAP submission"
- (5) Initial Process Study
 - Sample size is 100 pcs or agreed with customer
 - When utilizing X-Bar and R charts, at least twenty-five subgroups (minimum of four pieces per sub-group) are required:
 - When historical data are available or enough initial data exist to plot a control chart (at least 100 individual samples), Cpk can be calculated when the process is stable. For processes with known and predictable special causes and output meeting specifications, Ppk should be used. When not enough data are available (< 100 samples) or there are unknown sources of variation, contact the authorized customer representative to develop a suitable plan.

- All significant and critical characteristics have initial process studies.
 - All PPAP must include an initial study, if no significant or critical characteristics are indicated on the drawing, agreement with SMR SDE for the supplier proposed measurement must be obtained prior to PPAP submission.
 - Capability studies requirements of minimum 1.67 Ppk/Cpk.
- (6) Measurement System Analysis Studies
- A GR&R is performed for every gauge used per control plan.
 - GR&R's are equal to or less than the target as per AIAG Guidelines. Gauge results with greater than 10%, must be accompanied with an action plan, and SMR approval to proceed.
- (7) Checking Aids
- Each checking fixture, attribute and variable test/inspection identified in the control plan must have calibration record included in the PPAP.
- (8) Material, Performance Test Results
- PV test plan and report included
 - Performance testing report form per the AIAG format. All test per the drawing requirements, clearly detailed including the specification number date and section; Detail of the test Requirement; Tests results and indication of pass/fail
 - Results for Material Testing / Specifications per the AIAG format.
- (9) Qualified Laboratory Documentation
- Documentation is provided showing lab is approved to perform testing (QS-9000, A2LA, ISO25, etc.).
- (10) Design FMEA
- If not design responsible, insert sheet saying not applicable.
 - If Design FMEA is proprietary, insert sheet saying proprietary and only for review at supplier location.
- (11) Process FMEA to the latest drawing is included in PPAP submission.
- FMEA indicating all steps of the process.
 - If Process FMEA is proprietary, insert sheet saying proprietary and only for review at supplier location.
- (12) Process Flow Diagrams
- Process flow diagram indicating each step of the operation, Process flow must be specific to detail each step of the operation.
- (13) Control Plan
- Control plan must include the correct drawing and revision level - all items listed in the FMEA are detailed to the control plan.
- (14) Appearance Approval Report (AAR)
- The Appearance Approval Report (AAR) has been completed for grain, gloss & color and accepted by SMR and OEM.
- (15) Records of Compliance with Customer-Specific Requirements
- A copy of TS/ISO registration is included in the PPAP submission.
 - Applicable CQI certification must be included for all special processes"
- (16) Master Samples
- Three (3) Master samples have been retained by the suppliers for use in making acceptance and boundary samples.
 - Insert sheet in PPAP submission stating master samples retained at supplier. Master samples must be from the layout parts and must be identified in accordance to the sample number.
- (17) Sample Product
- Three (3) samples are included in PPAP submission.
 - Samples are to be marked with program, part number, print revision level, and date of PSW (date supplier signed PSW).
 - samples should be form the layout parts and should be identified to indicate the corresponding layout report
- (18) Bulk Material Requirements Check sheet
- For bulk material suppliers only. Insert sheet saying not applicable if do not need check sheet.
- (19) Design Records of Saleable Product
- All Design records are included in submission.
 - Ballooned print for dimensional results is included in PPAP submission.

(20) Packaging Approval Forms

- SMR packaging approval form include in the submission.

(21) Additional requirements

- Component PPAP approval documentation."
- Run at rate documentation.

3.10 Annual Validations

The supplier is responsible for conducting annual validation. Annual validations shall be submitted to SMR for approval. Annual validations are due one (1) year from the date of last PPAP submission (date supplier signed PSW). Supporting documentation to include:

- PSW (reason for submission – “other “– annual validation)
- Layout (dimensional report) to drawing 100 % of the drawing dimensional requirements.
- Current capability data (minimum 100 data points).
- Records of compliance for safety and TDL features.
- Gage Calibration
- Material Certification

Any questions on submission requirements shall be directed to SMR for concurrence.

End-of-Life (ELV) / International Material Data System (IMDS) Reporting

Suppliers shall ensure that all components and materials supplied to any SMR plant facility comply with the current environmental legal requirements.

SMR requires suppliers to provide information on the raw materials used in all products supplied to SMR. ELV and IMDS standards have been developed by vehicle manufacturers to collect and manage this data.

Suppliers must submit the required ELV/IMDS data to SMR as soon as possible after the award of new business, but in any case before PPAP submission. The supplier as part of the PPAP submission must provide confirmation of SMR’s acceptance of the ELV/IMDS data. IMDS submissions must be placed under the appropriate SMR location IMDS code (the location to which the supplier’s product is shipped). Suppliers should contact the appropriate SMR location to obtain the IMDS code.

REACH

REACH is a European Community Regulation on chemicals and their safe use (EC 1907/2006). It deals with the Registration, Evaluation, Authorization and Restriction of Chemical substances. The new law entered into force on 1 June 2007.

All Suppliers that are impacted by REACH legislation must ensure compliance for all components used in the manufacture of parts that are then sold to an SMR entity.

Conflict Minerals

Suppliers shall respond to inquiries regarding the use of minerals designated as Conflict Minerals by section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act in their product, as required by the SMR entity.

Document & Product Sample Retention

Suppliers shall retain documents and product master samples as a minimum guidelines defined in this manual, Program Specific OEM requirements and regulatory requirements may superseded and extend the required retention period.

Parts used on multiple programs will follow the most stringent OEM document and product sample retention requirement.

Document Retention

- Audits - The organization shall retain records of internal quality system audits and management review for three years.
- Design records- life of the part plus 50 years.
- APQP - The organization shall maintain the APQP/PPAP for the life of the part (production and service)

plus 7 year as part of the PPAP record.

- PPAP documents – 100% of PPAP documents PPAP must be retained for life of the part plus 50 years.
- Training - The organization shall retain records of training for 3 years from the date of the training.
- Job set up -The organization shall retain records of job set-up verifications for 1 year.
- Retention periods longer than those specified above may be specified by an organization in its procedures.
- Maintenance- The organization shall retain records of maintenance for 1 year.
- The organization shall retain records of measurement equipment calibration for one calendar year or superseded, whichever is longer.
- Safety Features - All documents with safety feature requirements shall be retained for minimum of life of the part plus 50 years.

Sample Product Retention

The supplier shall provide to SMR and retain master samples from each activity, die, cavity, pattern for the same period as production part approval records or until a new master sample is produced for the same part number subject to SMR PPAP approval. Six samples or two from each cavity are to be selected from a significant, production process run, with a production quantity to total a minimum of 300 consecutive parts, unless authorized in writing by a SRM authorized representative. The samples are to be randomly selected identified and used for the measurements the provided in dimensional results of the PPAP documentation. Upon verification of the samples to the drawing requirements the 3 pcs or one of each cavity are supplied as master samples with the product PPAP and the remaining parts are to be retained at the supplier. The master sample shall be identified as such and shall show PPAP submission reference and SMR approval date.

Tooling Management

Suppliers shall have an established and proven system to ensure effective and efficient management of all tool and production systems as described by Purchase Order and appropriate supplemental documents. The supplier shall establish preventive/predictive maintenance procedures on all tooling. Evidence of procedure execution shall be made available upon request. All tooling shall be permanently marked so that the ownership of each item is visually apparent (whether OEM, SMR, or supplier). Evidence of the tooling identification and other requested tooling data must be provided with the product PPAP.

Preventive/predictive maintenance schedules and tool history records shall be documented and available for review.

The supplier is responsible for informing SMR before modifying or disposing of any tooling required to manufacture products for SMR.

Sub-Supplier Management

Suppliers of SMR shall have capabilities to manage their respective suppliers including APQP disciplines and periodic auditing. SMR, when it deems necessary, will audit the critical processes of the sub-suppliers to assure that proper controls are in place throughout the entire supply chain.

Suppliers shall maintain a supplier management system including tracking the quality and delivery performance of their suppliers. Suppliers shall be able to demonstrate that they manage their suppliers' issues through documented corrective actions and verification activities.

Suppliers to SMR shall require their sub-suppliers to conform to the requirements described in this Manual. Suppliers of SMR shall ensure critical processes are adequately audited and managed.

Suppliers shall ensure that all applicable customer specific requirements are rolled down through their supply chain

Customer (OEM) Specific Requirements

SMR defines its specific requirements through this global document and its regional specific appendices, in addition SMR requires compliance to end user OEM customer specific requirements. OEM Customer – Specific requirements, can be found on the AIAG Global Oversight for OEM Customer Specific Requirements. For those customers that are not listed on the AIAG Global Oversight please go directly to the specific customer website. If any doubt as to the end User OEM or further guidance is needed, contact your SMR Purchasing / SDE contact for assistance

Suppliers are responsible to complete all “Special Process” Audits, and OEM required audits that pertain to their process on an annual basis, or as directed by the OEM requirement. The audits are to be submitted to the SMR Supplier Module of CEBOS or submitted to SMR SDEV/SQE on or before the scheduled due date.

4 Series Production Conformance

4.1 Compliance Certification

Compliance documentation to safety or legal requirements shall be supplied as required.

A signed certificate of conformance, certificate of analysis, and/or capability data summary may be required to accompany shipments of specified components or materials. The certificate of analysis must contain the actual results of physical testing and/or measurements specified by contract. SPC data requirements must cover special control characteristics, at minimum.

4.2 Product Traceability (Batch/Lot Traceability)

All suppliers to SMR shall have an effective batch/lot definition and traceability procedure. The shipper number will be linked to the batch/lot traceability procedure in such a way that the delivered product can be traced back to the raw material, purchased components and the production shift.

Unless otherwise approved in writing by the SMR SDE or Purchasing Representative a batch/lot shall consist of one shift, or eight hours of production, whichever is smaller. SMR reserves the right to specify a minimum and maximum batch/lot size.

The batch/lot definition shall reflect all significant processes influencing the component / material, with the shipping lot number reflecting the last value added operation. Suppliers shall ensure that their lot traceability system maintains its integrity throughout the entire extended supply chain, including raw material and purchased components/products.

4.3 Ongoing Statistical Process Control

Statistical Process Control (SPC) is mandatory for significant and critical characteristics as defined by SMR or the supplier’s internal requirements.

SMR suppliers and all lower tier suppliers shall use the latest edition of the following references as appropriate: See IATF 16949 for applicable references Process Capability. The capability index for reporting launch process capability and ongoing production process capability is Ppk (Performance Index).

The supplier must maintain minimum required statistical indices (process capability) for all product significant characteristics throughout the product life cycle.

Process capability can be conducted with both variable and attribute data.

- Minimum requirements for variable statistical indices (SPC) to be calculated, using at least 100 individual samples.
- 2.0 Ppk – program approval
- 1.67 Cpk – continuing production conformance
- Service product will conform to specification
- In case of NOK result, special containment action will be required. E.g. 100% control of this characteristic
- Containment actions of NOK result must continue until such time that the process Cpk demonstrates acceptable process capability.
- Any deviation to this requirement, together with attribute feature control, must be concurred and documented by the Product Development Team.
- Evidence of process capability must be retained at the supplier’s manufacturing location. Documentation of process capability shall be made available to SMR representatives upon request.

4.4 Process Control

Suppliers shall identify, document, and maintain a list of process controls, including inspection, measuring, testing, and error-proofing devices, that includes the primary process control and the approved back-up or alternate methods.

Temporary Change of Process Control

The supplier shall document the process that manages the use of alternate control methods. The organization shall include in this process, based on risk analysis (such as FMEA), severity, and the internal approvals to be obtained prior to production implantations of the alternate control method.

Before shipping product that was inspected or tested using the alternate method, if required, the organization shall obtain approval from the customer(s). The organization shall maintain and periodically review a list of approved alternate process control methods that are referenced in the control plan.

Standard work instructions shall be available for each alternate process control method. The organization shall review the operation of alternate process controls on a daily basis, at a minimum, to verify implementation of standard work with the goal to return to the standard process as defined by the control plan as soon as possible.

Example methods include but are not limited to the following:

- a) Daily quality focused audits (e.g., layered process audits, as applicable).
- b) Daily leadership meetings.

Restart verification is documented for a defined period based on severity and confirmation that all features of the error-proofing device or process are effectively reinstated.

The organization shall implement traceability of all product produced while any alternate process control devices or processes are being used (e.g., verification and retention of first piece and last piece from every shift).

4.5 Manufacturing process audit

Supplier shall audit all manufacturing processes over each three-year calendar period to determine their effectiveness and efficiency using customer-specific required approaches for process audits. Where not defined by customer, the organization shall determine the approach to be used.

4.6 Layered process audits

The supplier must conduct Layered Process Audits (LPA), the aim of which is to ensure consistent application and execution of standards. LPA are to be performed by Operational Managers.

LPA shall be implemented for all operational areas (manufacturing, logistic, maintenance).

All shifts shall be audited.

4.7 Product audit

The Supplier shall audit products using OEM customer-specific required approaches at appropriate stages of production and delivery to verify conformity to specified requirements. Where not defined by the customer, the organization shall define the approach to be used. Any quality issues that may result in nonconforming product shipped to SMR or reaching SMR Customer must be contained and corrected at the supplier's location, the supplier shall implement a quality wall and establish containment stations, which must be off-line, separate, and independently checked from the normal manufacturing process and located at end of process.

4.8 Error-proofing

Error proofing devices shall be tested to failure or simulated failure at the beginning of each shift at a minimum when feasible, otherwise according to the control plan.

The organization shall keep a list of all error proofing devices and identify which can be bypassed and which cannot be bypassed. The bypass determination shall consider safety, severity and overall RPN rating. SMR must be informed for any bypass of error proofing devices with agreed plan for additional containment during time that error proofing is bypassed.

4.9 Color Masters

The following applies to suppliers of colored parts or components and to suppliers of paints, coatings, pigments, dyes, tints, master batches and other colorants.

Only SMR or its customers' approved color masters may be used to develop color formulations or to determine the acceptance of colored materials. The supplier is responsible to verify that the master is current.

The supplier shall have dual sets of color masters whenever possible. A color standard shall be used for verification of working standards and stored in a manner to maintain color integrity.

Color Measurement and Evaluation

Visual and analytical evaluation of color and gloss shall be made in compliance with customer end item requirements. Contact the relevant SMR plant for information.

4.10 Change Management

The supplier must have a documented process for change management the process shall require consideration of a production trial run for every product and process change. Results of the trial run shall be documented.

Any changes by a supplier that impact product realization must be controlled and SMR notified for approval prior to change.

Guideline, "The supplier shall notify the responsible customer product approval authority of any design, process, or site changes."

Supplier must obtain SMR approval and changes must be controlled through the APQP and PPAP process. SMR determines requirements.

Contact SMR to clarify any issues.

In the following cases supplier PPAP is mandatory:

- A new part or product.
- A part number revision change.
- Any change that requires a revision of the Process Control Plan.
- Correction of a discrepancy on a previously submitted part.
- Product modified by an engineering change to customer specifications, design records/ customer drawing, or materials.
- New production site (even changing the layout in the same building).
- Production was stopped more than 6 months.

In the following cases customer waiver is mandatory:

- Long term rework
- Short term deviation
- Damaged or delayed shipment

These requirements are mandatory for the whole supply chain. For all tier supplier levels the change management must be controlled in the same way by SMR suppliers.

All changes must be marked visually with special label, agreed by local SMR production site.

4.11 Annual Validation

The supplier is responsible for conducting annual validation. Annual validations shall be submitted to SMR for approval. Annual validations are due one (1) year from the date of last PPAP submission (date supplier signed PSW).

Supporting documentation to include:

- PSW (reason for submission – "other" – annual validation)
- Layout (dimensional report) to drawing 100 % of the drawing dimensional requirements.
- Current capability data (minimum 100 data points).
- Records of compliance for safety and TDL features.
- Gage Calibration.
- Material Certification.

Any questions on submission requirements shall be directed to SMR for concurrence.

4.12 Supplier Nonconforming Material – Concern Management

When suspect / nonconforming product or delivery or service issue is identified, it is the supplier's responsibility to contain product, replace suspect / nonconforming product, and implement actions to permanently correct and prevent occurrence.

General concern management expectations:

- SMR Quality, Logistics or Purchasing may require a supplier to implement independent containment

activity if the severity of the performance issues deems it appropriate

- Supplier must respond to the nonconforming material as per the general nonconforming material concern management requirements and all Defective Material Report type requirements.
- All communication regarding the nonconformance should include the report number.
- An administrative fee, and all associated costs will be charged to supplier. Administration fee will be charged as cost defined in the region. All Costs associated with shipping, handling, processing, reworking, inspecting, and replacing defective material, including the costs warranty and of value-added operations prior to discovery of the defect shall be charged to, and paid by, the supplier
- Response to all types of Defective Materials Reports must be submitted in the required timing electronically through the sites quality management system or by email the local SQE/ SDE in the SMR plant.
- Disposition; Return Material Authorization (RMA) or Scrap Authorization Number required within 24 hours for all types of Defective Material Report. Failure to disposition product within 72 hours will result with product being disposed of at supplier's cost and listed as having no response to the problem description.
- Corrective actions will be provided in the SMR supplier corrective actions 8D format. All problem solving tools used and effectiveness of corrective actions must be reported.
- All nonconforming product or service corrective actions result will be reflected in the supplier FMEA and control plans, and lessons learned documents.
- All DMR types will be reported for the supplier monthly performance rating.
- All applicable number of defects will be reported to calculate supplier PPM, in the monthly / year to month supplier performance rating system.
- Disposition and Corrective action response timing will be tracked, late responses will be reported to calculate the on time response score in supplier performance rating system.
- Use of "lessons learned" to ensure nonconformance issues are eliminated in the design phase of future programs. Lesson learned or TGW ("Things Gone Wrong") list, to be updated for all applicable nonconformance's.
- The suppliers organization's shall have a documented problem solving process that shall include:
 - Tracking of issues through closure.
 - Daily review of issues by a multi-disciplined team including plant management.
 - Daily reviews are documented.
 - All levels of the organization are including in the problem solving process.
 - Timely closure of corrective action(s).
 - Initial containment is well documented by the use of a containment worksheet or similar waiver to specified general and DMR type expectations must be agreed with SMR site Quality management.

Defective Material Reports Types and Required Actions

DMR – Defective Material Report

Description: SMR plant receives material or service that fails to conform to applicable quality and delivery specifications. Disruption to SMR process / production. Response must be provide in according to the following expectations detailed.

DMRC - Defective Material Report Customer

Description: Supplier nonconforming material found at SMR Customer. Supplier nonconforming products causing customer disruptions at the receiving plant, including yard holds and stop ships. Special status customer notifications related to quality or delivery issues; such as SMR customer places SMR on any special status, due to supplier issue, such as 3rd party containment, yard hold, or new business hold due to supplier defective material. Response must be provide in according to the following expectations detailed.

DMR and DMRC Corrective Action Response Expectations

Containment and/or certified stock will be at the SMR user plant within 4 hours. If not, suspect product is subject to be sorted/contained by the SMR user plant and supplier charged related expenses.

Corrective action response: Written initial response within 24 hours in corrective action format shall be submitted including the following detail:

- Team Identification
- Problem Description
- Containment actions

Initial response shall include the following:

- Will the suspect product be sorted or replaced with certified stock? If sorted, provide supplier representatives who will conduct sorting operation.
- Estimated arrival date and time of sorting supplier representatives.
- Number of pieces sorted at the SMR user plant.
- Number of pieces found non-conforming at the SMR user plant.
- How the sorted/certified product will be identified/marked.
- What is the clean point for first shipment to the SMR user plant? How will this product be identified / marked (if different from initial sort)?
- Is there suspect product in-transit? If so, when will this product arrive at the SMR user plant and how will it be contained?

Within 10 calendar days written corrective action response (8D) shall be submitted continuing initial response with Root Cause – for both functional and systemic failure. Failure analysis including detail of problem solving, methods and root cause verification methods employed.

Interim Corrective Actions – including how product will be identified and additional inspection points.

- Permanent Corrective Actions
- Prevention Action
- Horizontal deployment

Supplier to provide weekly updates until all actions are complete, unless otherwise specified by SMR. Certified product (identified as above) is required for 30 days after the corrective action is implemented. Effectiveness of corrective actions to be monitored.

DMR for Received Product with Past Due Annual Validation

As per the Global Supplier Manual annual validations shall be maintained by the supplier and submitted annually per the SMR / Customer specific requirement. A DMR will be written when product is received after the due date for annual validation (due date is one year from Supplier submittal date at bottom of PSW). Supplier shall submit updated annual validation immediately so product can be released. Supplier will be responsible for all associated costs, including line downtime charges. Corrective action(s) to prevent past due annual validations will be submitted by due date of DMR (see corrective action response paragraph above).

DMRL Defective Material Report - Line Accumulation

Description: Supplier nonconforming product found at SMR. No disruption to SMR production – (No more than 3 pcs for defect type, line accumulations to be processed weekly)

DMRL corrective action response expectations.

Supplier to follow for corrective actions internally. Submission of corrective actions to SMR upon request. Closure of DMRL concern will be entered after the disposition of the material is complete.

DMRW Defective Material Report Warranty

Description: Supplier nonconformance related to reports of nonconforming product reported during vehicle warranty term, including dealer returns, warranty, field actions, and recalls.

Customer places SMR on any special status notification, due to supplier issue, including dealer returns, warranty, field actions, and recalls. Special status notification includes 3rd party containment, recall, and new business hold due to supplier defective material found in Warranty.

DMRW corrective action response expectations.

Corrective Action Response (8D) due in 15 days with weekly updates until all actions are completed, unless otherwise specified by SMR.

DEL Delivery Issue Report

Description: Supplier Delivery Issue – Supplier issue with materials shipment or documentations normally reported by the materials department.

DEL Corrective Action Response Expectations

Corrective actions including shipments of effected product must be organized with materials department within 4 hours. For any delivery issues causing shortages, or missed delivery schedules SMR materials

scheduling department must be notified and agree to expedited freight communication to SMR including the part numbers and quantity of products to be delivered, carrier, time of delivery and all relevant shipping information Corrective Action Response (8D) due in 24 hours with daily updates until all actions are completed, unless otherwise specified by SMR.

Supplier Containment

SMR Quality, Logistics or Purchasing may place a supplier in containment if the severity of the performance issues deems it appropriate.

A supplier will be placed on Containment Second Level (CS2) with an approved third party provider for any repeat issue within a three (3) month period.

Containment Status

Suppliers who are notified that they have been placed on “containment status”, due to receipt of Non-Conforming material, continued poor performance and/or failure to achieve goals and objectives will be required to:

- Establish and communicate the manner in which they will ensure that SMR is provided with only quality-assured product.
- Communicate the manner in which product shall be identified as quality-assured both by container and individual product.
- In circumstances that prevent the supplier from supporting SMR production with quality-assured product in an expedient and efficient manner, the supplier shall notify the SMR user plant of the local third party inspection body that has been nominated to represent the supplier.
- Provide on-site support, in conjunction with SMR personnel, to SMR customers in the event that the containment activities implemented by the supplier prove ineffective.
- Accept all charges associated with the action instigated by SMR to protect its production in the absence of quality-assured product, to include 3rd Party Containment activity as warranted.

Supplier Nonconformance Administration Fee Model

Minimum administration fees are charged in according to the type of DMR.

Based on the following model, resource cost will vary depending on SMR Site, refer to SDE/SQE, local specifications for detail. Administration fee = Resource Scale * Hourly Rate (Resource Cost)

| DMR Type | Resource Scale |
|--|----------------|
| DMRL –Line Accumulation & DEL – Delivery Issue | 5 |
| DMR & DMRW – Warranty | 10 |
| DMRC – Customer Issue | 20 |

Supplier Nonconformance Parts per Million (PPM) Calculation

The following guidelines will be followed in determining reject counts for supplier PPM.

- The quantity used to calculate PPM is the amount defective on DMR’s (Defective Material Reports), DMRL’s (Defective Material Reports - Line Accumulation) and DMRC’s (Defective Material Reports – Customer).
- Defects on DMRW’s (Defective Material Reports – Warranty) are not counted as PPM. Warranty is treated separately with negative impact on the monthly supplier performance ratings for all months with warranty issues.
- PPM will be calculated in the equal unit of measure the product is received (Example – Resin is received in pounds/kilograms. 1,000 pounds/kilograms defective would be 1,000 defects).
- Product received at a Third Party Logistics warehouse established and controlled by SMR will be treated the same as product received at a SMR facility. Any defects found in sorts will be counted

against PPM.

- The amount of rejected parts for PPM will be what is found on the line and in containers.
- The parts in the delivery chain at the time of the original nonconformance report will not be counted against the supplier if the supplier takes care of the product before we receive it. This can be accomplished by the supplier recalling the shipment and checking product, coming in to check when transport arrives, or the supplier has a sort organization check when the transport arrives. This exception is only for the product in transit at time of original notification of defect. Defects found in shipments made after the notification date will be counted against the supplier PPM.
- If the supplier asks for the product to be returned, the total amount returned will be counted against PPM (Example –1,000 pieces rejected, 1,000 pieces returned to supplier, 1,000 pieces counted against PPM).
- If the supplier comes in or has a sort organization check the rejected product at the SMR facility, then only the actual defects found in the sort are counted against PPM (Example – 1,000 pieces rejected, supplier sorts at SMR and finds 25 pieces defective, 25 pieces counted against PPM).
- The total amount of product reworked at SMR as a result of a defect found by SMR will be counted against PPM.
- Mislabeled product does not count the total amount of parts against PPM. Each mislabeled container is counted as 1 reject towards PPM (Example – 6 boxes of 100 parts are mislabeled which would be 600 parts total, but only 6 would be counted against PPM which is the number of containers).
- Mislabeled product where the parts in the container are not used in the SMR facility (parts labeled wrong) will count the total amount of parts against PPM.

4.13 Deviations for Non-Conforming Material

It is the policy of SMR not to accept product that does not meet the requirements of the applicable drawings and specifications. Requests for concessions on non-conforming product shall be submitted to the SMR plant for review and to obtain written approval prior to shipment. Any such requests shall be accompanied by a thorough explanation of the root cause for the non-conformance, the actions taken to eliminate these root causes and to prevent recurrence, and the date of quality assured product availability, confirmation of its traceability and the manner of identification.

4.14 Supplier Performance Rating

In order to meet the continuing demands of our customers for world-class performance in quality, cost and delivery, it is essential that SMR Automotive aligns itself with a strong supply base with an ability to match these demands. Enabling compliance to the businesses expectations for **Quality, Cost, Delivery, Development, and Management / Safety / Environment Systems**. Supplier performance reporting provides a means of objectively assessing supplier ability to identify opportunities for improvement and by giving continuous feedback via performance measures.

SMR Automotive measures Supplier Performance using a set of criteria based on quality performance, delivery performance and commercial competitiveness. A supplier performance report is available to all suppliers on a monthly basis, which assesses the overall performance of each supplier according to the defined criteria.

Monthly Performance Rating

Suppliers are rated each month according to their monthly performance.

The Supplier Monthly Performance Rating is calculated using the following 2 Key Performance Indicators. Supporting our business expectations of Quality, Delivery, Development, Management / Safety / Environment Systems and Cost.

Operational Performance 75% weighting

Commercial Performance 25% weighting 100%

The percentage score is then converted into a rating according to the actual achievement for the month.

| | |
|-------------------|-------|
| A – Preferred | > 95 |
| B – Good | 85-94 |
| C- Cautionary | 70-84 |
| D- Unsatisfactory | < 70 |

Suppliers should take appropriate actions according to the rating received in effort to achieve preferred status. Unsatisfactory suppliers should implement improvement plans to improve their performance. Unsatisfactory suppliers that fail to improve may be de-sourced. It is the Supplier's responsibility to assure the performance report is received and the information contained in the report is correct. Enquiries and comments should be identified on the report and directed to the SMR Automotive Purchasing department.

Operational Performance Rating

The operational Performance is weighted as 75% of the Monthly Performance rating. The Operational Performance Rating is calculated using criteria based on 2 key performance indicators.

| | |
|----------------------|---------------|
| Quality Performance | 75% weighting |
| Delivery Performance | 25% weighting |
| | 100% |

Quality Performance

The quality performance is weighted at 75% of the operational rating. The performance is measured using the following key performance indicators.

| | |
|------------------------------|----------------------|
| PPM | 45% weighting |
| Repeat Quality concerns | 15% weighting |
| Reaction to Quality concerns | 10% weighting |
| PPAP / Annual Validation | 10% weighting |
| Quality Concerns | 10% weighting |
| M / S/ E | <u>10% weighting</u> |
| | 100% |

Delivery Performance

The delivery performance is weighted at 25% of the operational rating. The performance is measured using the following key performance indicators:

A supplier caused line stoppage or premium freight at SMR = 0 points for delivery performance.

| | |
|-------------------------------|----------------------|
| Missed Deliveries | 40% weighting |
| Quality Issues | 10% weighting |
| Reaction to Delivery concerns | 20% weighting |
| Min/ Max breaches at VMI | <u>30% weighting</u> |
| | 100% |

SMR plants that do not currently require the use of a defined VMI system, will award all suppliers, up to a maximum 30 points, for no breaches to the agreed system.

Commercial Performance Rating

The operational Performance is weighted as 25 % of the Monthly Performance rating. The Operational Performance Rating is calculated using criteria based on the following key performance indicators:

| | |
|------------------------------|----------------------|
| Cost Improvement | 30% weighting |
| Delivery Conditions | 20% weighting |
| Payment Terms | 20% weighting |
| Contract | 20% weighting |
| Reactivity / Cooperativeness | <u>10% weighting</u> |
| | 100% |

Rating Detail

Operational – Quality

Parts Per Million (PPM):

0 – 45 points. The PPM points are given in accordance to the monthly Defective PPM.

The PPM rating formula is as follows:

PPM Calculation – $PPM = \text{Quantity of Rejects} \div \text{Quantity Received} \times 1 \text{ million}$.

| | |
|-----------|---|
| 45 points | 0 – 25 PPM |
| 42 points | 26 – 100 PPM |
| 40 points | 101 – 150 PPM |
| 38 points | 151 – 200 PPM |
| 30 points | 201 – 250 PPM – Needs improvement |
| 28 points | 251 – 300 PPM |
| 26 points | 301 – 350 PPM |
| 24 points | 351 – 400 PPM |
| 22 points | 401 – 450 PPM |
| 20 points | 451 – 500 PPM |
| 15 points | 501 – 600 PPM – Unacceptable, systemic corrective actions necessary |
| 10 points | 601 – 1,000 PPM |
| 5 points | 1,000 – 1,500 PPM |
| 3 points | 1,501 – 2,000 PPM |
| 1 points | 2,001 – 2,500 PPM |
| 0 points | Over 2,500 |

Defective Material Reports: DMR DMRL DMRC DMRW

0 – 10 points deducted for number of quality concerns written.

0 points for any DMRC or DMRW type of quality concerns

| | |
|-----------|----------------------|
| 10 points | – 0 Quality Concerns |
| 9 points | – 1 Quality Concern |
| 8 points | – 2 Quality Concerns |
| 6 points | – 4 Quality Concerns |
| 3 points | – 5 Quality Concerns |
| 2 points | – 6 Quality Concerns |
| 0 points | > 7 Quality Concerns |

Repeat Quality

0 – 15 points received for no repeat concerns.

15 points – No Repeat Issues.

0 points – Any repeat Issue.

Reaction Time to Quality Concerns:

0 – 10 points received for reaction according to timing requirements.

10 points – Initial response within 24 hours & 8D closed on time.

5 points – Initial response within 24 hours 8D submitted with outstanding actions.

0 points – Initial response or 8D late.

0 points for a DMRC or DMRW remaining open from previous months.

PPAP / Annual Validation:

0 – 10 points received for PPAP / Annual Validation received and approved on time.

10 Points - PPAP and annuals submitted and approved on time.

0 points - PPAP not submitted or approved on time.

Management /Safety /Environment:

0 – 10 points given compliance to SMR Site Specific management and operational systems requirements

Percentage of compliance to SMR site specific requirements:

- TS1694
- ISO1400
- Social Responsibility Safety Officer
- BS OSHA 18001
- Modern Slavery Policy

Operational – Delivery

Missed Deliveries:

0 – 40 points – Number of Missed Deliveries to SMR Automotive.

- 0 – 40 points
- 1 – 20 points
- 2 or > 0 points

Quality Issues – Packaging / Labeling / ASN Errors:

0 – 10 points – Number of Packaging / Labeling / ASN, or other errors for deliveries.

- 0 – 10 points
- 1 – 8 points
- 2 – 4 points
- 3 – 2 points
- 4 or > 0 points

Reaction to Delivery Issues:

0 – 20 points received for reaction time to delivery concerns as required.

20 points – All initial reaction within 24 hours & correction implemented.

10 points – Initial response within 24 hours correction complete after 24 hours.

0 points – Any delivery Issue not responded to in within 24 hours.

Min / Max Breaches at VMI:

0 – 30 points. Points received according to number of occurrences of breach of Min/ Max quantity requirements.

- 0 – 30 points
- 1 – 15 points
- 2 – 10 points
- 3 – 5 points
- >3 – 0 points

Commercial

Cost Improvement:

0 – 30 points (extra points 15 available): Percent of cost improvement to target including all cost improvement activity (e.g. PPV/CIP/One timers, etc). Score of 30 points is given at 100% realized to target. 0 points are given if less than 25% of target is obtained.

Subsequent scores can be calculated. $X = 30 * y$.

The maximum score can be 45. Examples provided below:

| | |
|------|-----------|
| 150% | 45 points |
| 110% | 33 points |
| 100% | 30 points |
| 80% | 24 points |

50% 15 points
<25 0 points

Delivery Condition:

- 0 – 20 points – received as supplier complies with standard SMR delivery conditions.
- 20 points – Supplier complies with standard delivery terms.
- 0 points – Supplier does not comply with delivery / warehousing requirements.

Payment Terms:

- 0 – 20 points – received as the supplier complies with standard terms
- 20 points – Complies with standard target.
- 0 points – Does not comply with standard target.

Contract:

- 0 – 20 points received as commercial agreement or agreements to standard terms are in place
- 0 points – No agreement.
- 20 points – Signed Terms and Conditions / Commercial Agreement.

Reactivity / Cooperativeness:

- 0 to 10 points – Supplier will receive a based on management feel for supplier support and cooperation.
- 10 points Excellent
- 5 points Average
- 0 points Unacceptable

4.15 Management review outputs

Supplier’s Top management shall document and implement an action plan when customer performance targets are not met.

Supplier Top management shall provide management review to the following:

- Design and development planning
- Supplier quality management system development
- Customer satisfaction — Supplemental except as noted below
- Quality management system audit
- Manufacturing process audit
- Warranty Management review of all actual and potential field-failures and their impact upon quality, safety or the environment.

4.16 Supplier Warranty Cost Reduction Program

Suppliers are required to develop an aggressive warranty reduction program.

Activities to be included are:

- Assignment of a warranty “champion” to act as a single point of contact for warranty issues.
- Analysis of warranty issues (amount of rejects and cost).
- Timely implementation of corrective actions or process improvements to lower warranty costs.
- Use of “lessons learned” to ensure warranty issues are eliminated in the design phase of future programs.
- Development of TGW (“Things Gone Wrong”) list.

4.17 Service Parts Requirements

All suppliers are responsible for the supply of original equipment service parts to SMR plants for the duration specified by SMR’s Customer. Service parts are to be produced from production tooling. Regular preventative and predictive maintenance activities are required to maintain production capability. Service parts have the same requirements as production unless otherwise directed by SMR.

5 Continuous Improvement

5.1 Continuous Improvement Program

Suppliers shall develop a Continuous Improvement Program, approved by senior management, which establishes improvement goals, implementation dates and responsible personnel. As part of a supplier's commitment to its customer, SMR expects that a supplier will implement coordinated improvement activities. Contact the appropriate SDE or Purchasing Representative for more information on any of the following:

Lean Manufacturing

SMR expects suppliers to recognize Lean Manufacturing as an inherently cost-effective method of managing a business. Therefore, suppliers are expected to adopt and implement Lean Manufacturing principles.

Benchmarking

SMR expects suppliers to establish benchmarking activities, and to subsequently implement process improvements.

Value Analysis / Value Engineering (VA/VE)

SMR expects suppliers to continuously supply VA/VE ideas and to support SMR workshops during and after the introduction of new products, to provide continually improving product value.

5.2 Business Improvement Plan (BIP)

Suppliers are expected to implement a visual BIP, a measurement-based continuous improvement methodology, to help prioritize and focus company resources on improving the most important aspects of the business in key areas such as safety, quality, cost, delivery and people. This should involve all employees in driving continuous improvement activities throughout all work areas, including production and administration.

Teams and Individuals should be empowered to improve the performance metrics within their work areas through the use of Continuous Improvement process steps.

6 History of the revision

| No. | Cause of modification | Date | Modifier | Approved |
|-----|--|------------|------------------|-----------------|
| 1 | First issue | | | |
| 2 | Revision of all chapters acc. to IATF 16949 requirements | 20.12.2017 | Judith Robertson | Alejandro Lomas |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | | | | |

List of Appendices – Appendices to be requested from each SMR location (regional differences may exist)

Appendix A - Glossary of Terms and Acronyms

Appendix B - Packaging and Shipping Requirements

Customer Specific Requirements (CSR) Appendices

Appendix C – BMW

Appendix D - Daimler CSR

Appendix E – GM CSR

Appendix F – FCA US CSR

Appendix G – JLR CSR

Appendix H – Karma CSR

Appendix I - Mahindra and Mahindra CSR

Appendix J – Mazda CSR

Appendix K – Nissan CSR

Appendix L – PSA CSR

Appendix M – Suzuki CSR

Appendix N – Tesla CSR

Appendix O – Toyota CSR

Appendix P – Volkswagen CSR

Appendix Q – Hyundai-Kia CSR

Appendix R – Renault CSR

Appendix S – Volvo CSR

Appendix T – Ford CSR

Appendix U – FCA EMEA CSR