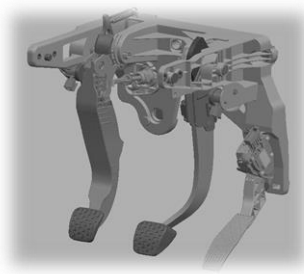


5/15/2016



Gear Shift, Park Brake, and Pedal Module

**SL
AMERICA**

SUPPLIER REQUIREMENTS MANUAL



SL Tennessee Production Facility

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Revision Date	QPM Section	Description of Change	Reason for Change
05-15-2013	5.12	Added Note to Section 5.12 Annual Validation "Suppliers designated as high risk based on VW standards. Result in supplier penalty.	
07-16-2013	2.0	Tooling Requirements	
11-01-2013	3.0	Updated to title from Supplier Quality Manual to Supplier Requirements Manual, Add Value Stream Mapping, Update Change Management for clarification, add Tool Loan Agreement section, added Pre-launch Part Certification and updated general requirement.	ICAR 673 (Ford Q1 Audit) ICAR 793 (YFUSA System Audit)
01-15-2014	13.0	Annual Validation shall be determined by SL TN as needed. This may include Dimensional Layout. Annual testing of resubmission of PPAP.	ICAR 850-VW VDA 6.3 audit
06-01-2015	15.1	Replace GP12 reference with Launch Inspection will continue until process proven capable & documented	ICAR 1353, ICAR 1420 (GM Process Audit)
08-16-2015	3.0	Separate into 3 sections 3.1 Quality System Requirements. 3.2 On Site Supplier Assessments and 3.3 CQI Assessments. Clarify the CQI Assessment requirements. Add QCI-23 Assessment.	ICAR 1365 and ICAR 1424 (GM Process Audit)
	10.0	Add Mistake & Error Proofing Suppliers Process	ICAR 1077
	11.0	Add Maximum Weight requirements to Packaging	Clarification purposes
	15.2	Clarify Break Point process	ICAR 1350
09-15-2015	30.0	Added Supplier Risk Assessment, 30.1 Low Risk Suppliers, 30.2 Medium Risk Suppliers and 30.3 High Risk Suppliers.	ICAR 1061, 1246 (GM QSB), 1263, 1466 (MMOG), 1470 (MMOG), 1495 (Ford Q1)
11-01-2015	3.0	Updated On-site Supplier Assessments to reference ASCAR and Contingency Plan requirements.	ICAR 1470 (MMOG)
	15.0	Added picture of an example of the Launch Inspection Sticker	ICAR 1389 and ICAR 1641
	22.0	Updated to clarify the required information to successfully complete Gate 1 and Gate 2 of the SCAR. Added ASCAR requirements	ICAR 1484, 1499 (Ford Q1) ICAR 1573 (QSB +)
	24.0	Update Supplier Rating to reflect the updated Supplier Score Card added Sections 24.1 through 24.8	ICAR 1574 (QSB + Audit)
02-01-2016	1.3	Update website from www.SLTNAmerica.com to www.sl-america.com/supplier/chassis	Correction
	2.1	Add QSB certified and MMOG audit requirements	Additional certification; ICAR 1469 (MMOG)
	6.0	Add actual lot code information to section, remove from section 25	Clarification purposes
	13.0	Clarify annual validation requirements	ICAR 1570 (GM QSB + Audit)
	27.2	Tooling Identification Tags	Customer Requirement
	31.0	Added Section Supplier Agreement and Sign off	Supplier acceptance of requirements
03-15-2016	8.4	Added Trade Compliance Assurance Section	Supplier Import Documentation requirements
	2.1	Add the requirement of obtaining a DUNS number	Addition requirement added
	10.2	Added Section 10.2 Key Product Characteristics (KPC) to add call out for the retention of variable data for Key Product Characteristics (KPC)	Clarification of KPC requirements
	13.0	Added capability study on KPCs identified on the drawing, Control Plan and / or SCAF to Annual Revalidation requirements.	Clarification of KPC requirements during annual validation.
05-15-2016	15.1	Added "Supplier Request to Remove Launch Inspection form" to complete by the supplier.	ICAR 1748 (GM Process Audit) and ICAR 1844 (GM Process Audit)

Message to Suppliers

“QUALITY” can be simply defined as doing something right the first time. “QUALITY” is achieved through the continual reduction of variation in product and service required to achieve a degree of excellence that meets or exceeds customer expectations. “QUALITY” is not a philosophy, statement, or program, “QUALITY” is a way of life. It is the driving force for achieving total customer satisfaction profitably.

SL TN cannot achieve “QUALITY” without the full support, commitment and expertise of our entire supply base. Our company is committed to internal excellence and expects the same from its supply base. SL TN maintains a specific document which reviews specific details related to PPAP and the APQP process /requirements. As part of this requirement manual it is the supplier’s responsibility to know and understand what is expected.

This manual is designed to outline and communicate SL TN’s supplier general requirements and to ensure a thorough understanding of what is required to become, and remain, an Approved supplier.

We thank you for your continued support, as well as your commitment to meet our “QUALITY” objectives.

Chassis Quality Manager

Chassis Procurement

1.0 Introduction

SL TN's Procurement group is the supplier's first line of communication and permission-granting authority whenever components or services are contracted and are provided to the company. The Procurement group coordinates supplier information and provides the appropriate support activity to the supplier, while relying upon the supplier's expertise with regard to manufacturing and quality of the product.

Suppliers are expected to meet the requirements stated herein. These requirements do not supersede any of the purchase order, engineering drawing or specification requirements, or relieve the supplier of exercising independent expertise and skill in providing products and services to SL TN.

While various SL TN activities may assist a supplier in achieving quality requirements and improving quality, the **responsibility for supplier quality remains with the supplier.**

1.1 Purpose

This manual is intended to communicate uniform quality requirements which SL TN expects of all suppliers. It provides general instruction and outlines procedures which are to be followed in order to become, and remain, an **approved** supplier.

1.2 Scope

This manual applies to all prototype and production intent product related materials (raw materials, processing, components, sub-assemblies, and assemblies) procured by SL TN.

This manual is a "Quality Standard" and requires the formation and maintenance of a documented, active, and effective quality system by all suppliers. It establishes specific minimum requirements and shall be the supplier's responsibility to implement and maintain any additional controls deemed necessary to continually ensure "fitness for use", reliability, and product conformance.

1.3 Reference Documents

This Supplier Requirements Manual, as well as all referenced procedures and forms can be found on the SL TN's internet site www.sl-america.com/supplier/chassis . Other reference documents are as follows:

- Technical Specification ISO/TS 16949
- Automotive Industry Action Group (AIAG)
- Advanced Product Quality Planning & Control Plan (APQP), AIAG
- Measurement Systems Analysis Manual (MSA), AIAG
- Statistical Process Control Manual (SPC), AIAG
- Potential Failure Mode and Effects Analysis (FMEA), AIAG
- Production Part Approval Process (PPAP), AIAG

2.0 Supplier Selection and Approval

2.1 Supplier Selection

Suppliers are selected and approved by SL TN on a manufacturing location by location basis (i.e., approval of one supplier manufacturing facility does not constitute approval of any other facility).

The supplier selection process formally starts within the Procurement group. Supplier will receive information packages including RFQ, self-assessment documents and SL TN PPAP Manual. On-site potential supplier assessments are conducted based upon supplier meeting SL TN's initial sourcing criteria. Once sourced a complete, SL TN will perform an on-site system audit.

Suppliers are required to have either ISO 9001 or ISO/TS-16949 certification. Any supplier who does not have ISO 9001 or TS-16949 certification must have waiver signed off by SL TN Procurement and Supplier Quality prior to producing material. All suppliers are to begin working on becoming certified or have the ability to show compliance to the TS standard." The AIAG documents listed in paragraph 1.3 must be used by all suppliers in establishing their quality system.

Suppliers shall provide evidence of an internal or external MMOG / LE or equivalent audit to SL TN purchasing.

SL TN encourages all suppliers to be registered to ISO 14001 and QSB certified.

Suppliers are also required to obtain a DUNS number in order to do business with SL TN.

2.2 Designated Small Suppliers

Certain elements of ISO-9001 and/or TS-16949 standards may be waived in the event that a supplier is deemed a "designated small suppliers". The waiver must be in writing from SL TN.

3.0 Supplier Quality System Requirements and Assessment

3.1 Quality System Requirements

Suppliers are required to provide Procurement a copy of their "Quality Manual" and/or their quality system registration certificate before issuance of an RFQ if not already on file, and provide updates if/when any changes are made to the certificate (scope, expiration dates, standards, etc.). If at any time a supplier's Quality System registration is allowed to expire, or is rescinded by the registrar, SL TN's Supplier Quality group must be notified immediately.

Suppliers must provide a current organizational chart which indicates the quality personal functions and reporting relationships along with a Quality Control Procedure Manual.

3.2 Contingency Plan

Suppliers shall have an up to date contingency plan that is not limited but includes the following:

- Labor shortage
- Critical equipment
- Supplier Interruption
- Natural Disasters
- Utilities
- Field Returns
- Transportation
- Electronic Data
- Emergency Contacts

Suppliers are also required to ensure that their sub-suppliers are maintaining a Contingency Plan.

3.3 On-site Supplier Assessments

SL TN Chassis uses a unique audit format with variable scoring in performing assessments. The supplier assessment evaluates the effectiveness of the supplier's Quality Management System.

The On Site Supplier Assessment frequency is based off of the Supplier Risk Assessment (reference section 30.0 Supplier Risk Assessment).

A successful on-site assessment is required for all new suppliers, or new supplier locations, prior to sourcing. Suppliers are responsible for Action Plans developing and implementing action plans for any assessment item that did not meet requirements. SL TN SQE will issue an Audit Supplier Corrective Action Request (ASCAR) to the supplier for any nonconformances that need to be address. Please reference section 22.3 Audit Supplier Corrective Action Request (ASCAR) for more information.

3.4 CQI Assessments

Suppliers with internal or outsourced "special processes," as identified by AIAG are required to show conformance with relevant AIAG Special Process document:

- CQI-9 - Heat Treat Assessment,
- CQI-11 - Plating System Assessment,
- CQI-12 - Coating System Assessment,
- CQI-15 - Welding System Assessment
- CQI-17 - Soldering System Assessment.
- CQI-23 - Molding System Assessment

The Supplier is required to use the appropriate AIAG CQI Assessment form.

Special Process CQI Assessments are required to be submitted to SL TN at PPAP (ref: *SL TN's Supplier PPAP Manual*).

Ongoing CQI Assessments will be conducted by the Supplier annually. The Supplier is required to submit (annually) evidence of applicable CQI compliance as well as all appropriate action plans to address any unsatisfactory ratings to their SL TN SQE.

A 3rd Party or self-audit is required to be performed annually by the supplier or their outsourced sub-suppliers using the applicable AIAG CQI Assessment, as part of their PPAP submission (ref. *SL TN's Supplier PPAP Manual*).

SL TN requires that auditor credentials, that meet each standard requirement, be submitted with each assessment. Evidence of auditor credentials must include both:

- Experienced quality Management system (QMS) auditor and

- Five years of specialized process knowledge (this will vary based on which assessment is required)

4.0 Advanced Production Quality Planning (APQP)

APQP is the process of establishing quality objectives (the voice of the customer) and establishing the schedules or plans for consistently meeting or exceeding these objectives. It is the cornerstone of nonconformance prevention and continual improvement. Specific details can be found in the SL TN PPAP Requirements manual

APQP and use of SL TN's Early Supplier Involvement (ESI) methodologies are required in the following situations:

- During the development of new processes and products.
- Prior to significant changes in processes and products (as determined by SL TN).
- Before tooling is transferred to new producers or new plants.

SL TN's Procurement group schedules and facilitates ESI meetings with suppliers and SL TN's Quality team. As a group SL TN will track APQP timing, milestones, and completion dates.

Suppliers shall convene quality-planning teams for every new or changed product. These teams shall use the quality planning techniques identified in the AIAG APQP manual, as well as SL TN's PPAP requirements manual.

5.0 Lot Size

Supplier lots must be the quantity of product produced under similar conditions such that the product within the lot is expected to be homogeneous in all significant attributes. Maximum lot size shall be limited as follows:

- One shift of production
- One batch of product produced in a batch process.

Note: Some processes may require that a lot number change based upon major process changes, set-ups, or adjustments within the material lot; in these cases, the material lot identifier must be readily traceable from the lot number change.

Each lot number must contain homogeneous components or raw materials. If a specific product and/or manufacturing process doesn't lend itself to these requirements, alternate methods may be used if approved in advance by SL TN's designated SQE.

6.0 Lot Traceability

6.1 Lot Code:

Each supplier is required to follow SL TN lot code system both on box label and internal part marking. Each lot code on part and on box label must be based on manufacturing date not shipping date. Any repacking operation should keep consistent with manufacturing date.

Each production lot shall be identified using SL TN lot number standard:

Lot No = Year (1 Character) + Month (1 Character) + Day (Digit)

Year	Year Character
2012	2
2013	3
2014	4
2015	5
2016	6
2017	7
2018	8
2019	9

Month	Month Character
January	A
February	B
March	C
April	D
May	E
June	F
July	G
August	H
September	J
October	K
November	L
December	M

Day Code Digit	
1	16
2	17
3	18
4	19
5	20
6	21
7	22
8	23
9	24
10	25
11	26
12	27
13	28
14	29
15	30
	31

Example: March 12, 2015 = 5C12

The supplier may ship more than one lot per pallet, but each container on the pallet must contain only parts from one lot, unless the parts are individually serialized.

6.2 Lot Traceability

For all SL TN products, the supplier shall establish and maintain procedures for identifying the product during all stages of production including receipt, work in process, storage, and delivery. In addition, lot traceability of all sub-components, raw materials and process inspection data shall be maintained.

The supplier lot traceability system must provide for the following situations:

- Permit isolation of suspect product on a precise basis based upon lot number on each container.
- Barcode identification of supplier lot number on each container. This lot number must be the key to all traceability in the supplier’s system. The lot code presented on the box must be consistent with product inside.
- Determine traceability to component lot numbers and production/quality data specific to the lot number identified on the container (backward traceability).
- Determine supplier finished product lot number(s) produced with a given lot of components or on a given shift of production (forward traceability).
- Each lot of raw material (ex. Leather, Resin, Paint) must have the ability to trace forward.

7.0 Record Retention

Supplier records shall be retained for the length of time required by the ISO/TS standard and referenced AIAG documents. Suppliers must have a procedure for record retention, which defines the retention period for all records (those referenced in ISO/TS and other records generated by the supplier), as well as archive and disposal procedures. Quality records shall be made available to SL TN upon request.

8.0 Product Handling, Storage and Delivery

Suppliers shall establish, document and maintain procedures for handling, storage and delivery of product per ISO/TS requirements. Suppliers must also conform to any specific requirements documented on SL TN's purchase order or drawing/engineering specification. SL TN's specific requirements follow:

8.1 Handling

The supplier shall utilize methods of handling that prevent damage or deterioration before, during, and after the manufacturing process.

8.2 Storage:

The supplier shall utilize secure storage areas to prevent damage or deterioration of product pending use or delivery. Appropriate methods for authorizing receipt and dispatch to and from such areas shall be stipulated in order to maintain control and assure First-In First-Out (FIFO) method of using or processing goods in the order purchased or received.

In order to detect deterioration, the condition of product in stock shall be assessed during the supplier's "Internal Quality Audit" process per ISO/TS requirements. Shelf life shall be monitored, as applicable, to ensure products shipped to SL TN have greater than 50% of the original shelf life remaining, unless approved in advance by SL TN Quality.

Shelf life expiration date and/or product manufacture date must be identified on each carton/container. Special storage condition requirements (i.e., temperature/humidity levels) shall be determined, and implemented, to prevent deterioration during storage at supplier locations.

8.3 Delivery

The supplier shall arrange for the protection of product quality subsequent to manufacture. This protection shall include delivery to destination. The supplier is responsible to design and utilize packaging which is most cost effective and ensures that when the product reaches SL TN it is conforming and "fit for use", regardless of F.O.B. terms, (with the exception of blatant carrier damage and/or neglect). Suppliers are responsible to ship finished product to SL TN on a FIFO basis.

Suppliers shall notify SL TN's Material Planner and Procurement in advance of any planned shutdowns or extended downtime that will affect shipment schedules. This notice shall be communicated as far in advance as necessary to provide sufficient time for the supplier to produce and ship inventory to cover the downtime period.

Suppliers are required to ship on time per SL TN's release schedules and quantities. Material releases are generated via **Manufacturing Resource Planning (MRP)** systems, which clearly details delivery requirements. These releases will be communicated to the supplier electronically through email or via fax.

Over shipments may be rejected and returned at the supplier's expense, short shipments may require expedited shipments at the supplier's expense. Additionally, packing SL TN must accurately reflect SL TN's purchase order number, part number, revision level, and quantity shipped.

Discrepancies may result in customs issues where SL TN is moving the material across borders for production. Such incidents may result in a supplier chargeback to recover any related costs to SL TN.

8.4 Trade Compliance Assurance – Supplier Import Documentation Requirements

For any product coming into the US from a Foreign Country, Supplier shall submit a copy of the Commercial Invoice and packing list for every shipment, in Excel format, to the SL TN Trade Compliance Assurance team upon departure from the supplier or any directed sub-tier supplier's facility.

Supplier shall include part number & description of each item on the Commercial Invoice/packing lists.

Supplier shall submit a Certificate of Origin and/or a Manufacturer's Affidavit with the first shipment of every part and shall submit annually thereafter, before Dec 31. (FORMS are located on website)

Supplier shall submit any Free Trade Agreement Certification forms such as NAFTA, KORUS, etc., with the first shipment of every part and shall submit annually thereafter, before Dec 31. (FORMS are located on website)

Supplier shall submit a new Manufacturer's Affidavit if/when any component itself or within is resourced to a different sub tier supplier.

Supplier shall make all correspondence in English when communicating with the Compliance Assurance Dept.

9.0 Prototype / Pre-Production Product

All prototype or pre-production product supplied to SL TN is expected to conform to the applicable drawing (latest revision), specification, and purchase order requirements in their entirety.

If such requirements cannot be met for any reason, the supplier shall notify SL TN at the time of order placement, or immediately following subsequent discovery of any discrepancy and request disposition.

Non-conforming product shipped without SL TN's written authorization is subject to rejection/return and chargeback for any related costs incurred by SL TN as a result of the non-conformance (product built, test failure, customer impact/costs, etc.).

10.0 Production Part Approval Process (PPAP)

All Submissions to SL must follow the guidelines detailed in the PPAP Requirements Manual. All PPAP documentation must be completed entirely in English.

PPAP submissions are expected to be 100% complete and conforming to applicable requirements upon initial submission. Failure to comply with outline requirements or missed deadlines will result in a supplier corrective action (SCAR) and a fine.

10.1 Mistake & Error Proofing

Mistake Proofing is the process of detection known errors entering or attempting to leave the process. This is typically addressed with Sensor Mechanisms. Error Proofing defined as eliminating the possibility of having the error occur in the first place. Design or process improvements are the most effective methods to achieve true error proofing. These should be established and discussed during ESI meeting and APQP Review.

All error proofing controls are required to be included on the Control Plan and on the PFMEA. In addition, the implementation of error proofing will assist in the reduction of PFMEA RPN number by reducing the detections rating.

10.2 Key Product Characteristics (KPC)

All Fit/Function Key Product Characteristics (KPCs) require a Cpk index of 1.33 or greater or a Ppk index of 1.67 or greater. All Safety/Critical KPCs require a Ppk index of 1.67 or greater. (Ref: Supplier PPAP Manual).

All KPC variable data shall be retained by the supplier and be available to SL TN upon request. Variable data may be required to be sent with each shipment as designated by SL TN. Ongoing capability for all KPCs is required.

11.0 Packaging:

PPAP submission is required for packaging and packaging materials supplied to SL (i.e. boxes, dividers, plastic wrap, box labels, etc.). Each component packaging method must be signed off and approved by SL Procurement. Each component must be packed in one of the three options represented below and maximum weight of each box shall not exceed 35 lbs. (15 Kg.). If a supplier packs in unapproved or nonstandard packaging without approval a repacking fee will be charged.

The supplier is responsible in determining box and dunnage construction to include wall thickness in order to protect contacts from shipping damage.



	Option 1	Option 2	Option 3
Width	14.17" (360 mm)	14.17" (360 mm)	7.28" (185 mm)
Length	20.87" (530 mm)	20.87" (530 mm)	10.63" (270 mm)
Height	12.40" (315 mm)	6.69" (170 mm)	6.69" (170 mm)
Maximum Weight	35 lbs. (15 kg.)	35 lbs. (15 kg.)	35 lbs. (15 kg.)

12.0 International Material Data System (IMDS) Requirements:

Every SLTN Supplier, because of national and international environmental legislation, is required to provide information about the material used in their product.

The Supplier is responsible for creating an IMDS module on every part that supplied to SLTN. The IMDS module must be submitted via the IMDS website (www.mdssystem.com) to SL TN recipient code of **119519**.

All material and components must be included in the submission. In addition, all plastic parts must be identified with appropriate ISO marking codes. The Supplier is also required to complete the ***Restricted Materials and Recyclability Reporting Certification***.

It is the responsibility of all Suppliers to submit the necessary information into the IMDS database. As a result, the Supplier must require their Sub-Suppliers to submit IMDS to their appropriate recipient code. The Supplier is required to review their Sub-Supplier IMDS submission for compliance then disposition (approve or reject) the IMDS submission. Once the Supplier approves the appropriate Sub-Supplier submissions, the Supplier shall the approved Sub-Suppliers IMDS modules to build their own IMDS module to prior to submission to SL TN.

The approved IMDS certification is to be included in the PPAP submission and the IMDS number is required to be documented on the PSW. The supplier is responsible for correcting any rejections in IMDS and resubmitting the updated IMDS to SL TN in a timely manner.

13.0 Annual Validation / PPAP Requirements:

Annual validation is required to be performed by the supplier and be documented in the Control Plan (Ref: *SL TN Supplier PPAP Manual*). Results shall be maintained by the supplier and must be forwarded to SL TN Purchasing. Annual Validation shall be determined by SL TN as needed.

Annual Validation includes but is not limited to the following:

- Current level balloon drawing
- Complete dimensional layout (3 parts per cavity) a minimum of 6 parts total.
- Gage R & R
- Annual testing as required
- Resubmission of PPAP as required.
- Capability study on KPCs identified on the drawing, Control Plan and / or SCAF.

In addition, a complete capability study may be required depending on the supplier performance and / or criticality of the part.

Conformance to this requirement is subject to random audit by SL TN.

Suppliers designated as high risk based on VW standard are required to submit annual D/TLD test certification as well as annual VDA audit requirement. Failure to perform this activity results in supplier penalty.

14.0 Service Component PPAP Requirements:

The AIAG PPAP manual does not require a formal PPAP submission for service component orders, even if tooling has been inactive for 12 months or more—this clause applies to production volume components only.

When service parts are ordered by SL TN, it is required that suppliers implement the same controls as documented on the most recent control plan PPAP approved for volume production. Any changes to the control plan for service must be approved in advance by SL TN’s designated QE and/or PPAP Analyst

Lack of PPAP approval is not an acceptable excuse for not meeting SL TN’s shipment releases. It is the supplier’s responsibility to submit a complete, conforming PPAP package on time to SL TN’s designated SQE. Service PPAP submission should follow the same standards as outlined in SL TN’s PPAP requirements manual.

15.0 Shipment Certification Requirements

SL TN Chassis will reject all shipments that are received without required quality data and certifications.

15.1 Pre-Launch Inspection Part Certification

Shipments of “Pre-Launch” parts (prior to PPAP approval) must include a description of the dimensional measurements, material and functional / performance tests that occur after prototype and before full production.

The Pre-launch Control Plan includes additional product/process controls to be implemented until the manufacturing process is validated.

These additional controls may include more frequent inspections, more in-process and final check points, statistical evaluations of process capability, and so forth. The purpose of the Pre-launch Control Plan is to contain potential product and process nonconformities prior to and during production trial runs, and to validate the manufacturing processes.

Pre-Launch criteria will be established, agreed upon and documented during Cross functional Team (CFT) meetings. Data is to be submitted with applicable shipments. During the launch process it is the responsibility of each supplier to perform Launch Inspection inspections of outgoing product 100% off line. The purpose of the off line launch inspection is to validate the error proofing devices that are in place in the process are working correctly. Immediate feedback must be given back to the process in order to correct the issues.



Supplier is responsible for marking the boxes as certified by placing a green Launch Inspection sticker on the outside end of each container (not the top). This information should be communicated and documented up front to avoid confusion. SL’s designated SQE will review and approve all exceptions or clarifications to these requirements.

100% off line Launch Inspection is required until the Supplier’s process has been proven capable. The supplier is required to remain on launch inspection until they have received notification from SL TN that they can stop launch inspection. Controls shall be documented on the Special Characteristic Approval Form (SCAF).

The supplier may contact the appropriate SL TN SQE to be removed from launch inspection after 90 days by providing launch inspection data. Supplier may be required to remain on launch inspection after 90.

The supplier is to request in writing to be removed from Launch Inspection by submitted a Supplier Request to Remove Launch Inspection form to the appropriate SL TN Supplier Quality Engineer. The SL TN SQE will notify the supplier of approval of removal of launch inspection or the reason for rejection.

If the request for removal from launch inspection is rejected, the SQE will provide the supplier with new exit criteria. Once the supplier has successfully meet the new criteria they may submit a new request for removal from launch inspection.

Until the supplier has a signed copy of the Supplier Request to Remove Launch Inspection form, the supplier is required to continue to perform launch inspection including identifying containers with the appropriate launch inspection stickers.

15.2 Break-Point Shipment Certification

The first three shipments after a Corrective Action has been implemented must be clearly identified with SL TN’s Breakpoint Flags printed using 96 point Ariel Black font, bold and centered on white 8.5” X 11” paper (See figure 1 below). The notice should be taped on all four sides of each pallet, and a small descriptive label affixed close to the part identification label on each container printed on blue paper (See figure 2 below). These labels are available from your designated SQE or on line at: <http://www.sl-america.com> supplier chassis portal.

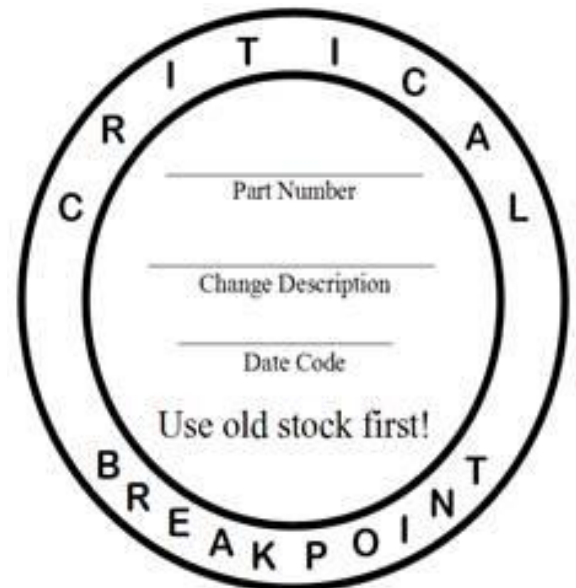
Notice should be sent to SL TN’s SQE with Breakpoint lot information and expected first delivery date.

BREAKPOINT

Change Description _____

Part # _____ Part Name _____ Qty _____

DELIVER TO:	FROM:
_____	_____
_____	_____
_____	_____
_____	_____
Revision Level _____	PHONE # _____
ATTN: _____	QTY: _____
	PACK DATE: _____



15.3 On-Going Shipment Certification

Each shipment must be inspected to make sure parts and count match the shipping label, regular dock audits must be conducted to verify shipping data.

The supplier must provide data at the request of SL TN within 24 hours for any characteristic in the approved control plan, even if the data is not required to be submitted with each shipment.

16.0 Notification of Quality Concerns

SL TN requires that suppliers formally notify the affected SL TN manufacturing plant(s) of any quality concerns within 24 hours of discovery **without exception**. This applies to all quality concerns identified by suppliers for which product shipped is suspect. If exposure has not been determined within 24 hours of discovery and product shipped to SL TN has not been proven to be void of the concern, notification is required.

Suppliers should be prepared to present the concern in detail, the exposure of the concern (i.e., what lot number(s) is/are affected), the containment and corrective action plan.

17.0 Rework / Repair

Rework consists of any actions to the product that are not part of the documented and PPAP approved production process. For certain commodities, unique terminology exists (“reformulation” for chemical processes, “repair” for electronics) which describes synonymous concepts to rework. Since any action to salvage a product which does not originally meet customer requirements is both a source of variation and inherently costly, SL TN’s goal is to eliminate such actions.

When rework is necessary as an isolated measure, the supplier must develop written procedures. These procedures must provide for additional inspection and testing after rework to ensure conformance to SL TN’s specifications prior to shipment or further processing.

In all cases, rework must be approved in advance by SL TN via a Supplier Request for Engineering Approval (SREA) process (see Section 15.0). The SREA must be submitted along with all rework procedures, control plans and technical justifications.

Where on-line repair is part of the manufacturing process, disposition of such activities will be made by SL TN as part of the PPAP process. As such, all PPAP documentation must reflect repair procedures and controls (Process Flow Diagram, PFMEA, and Control Plan). If the repair is not included in the PPAP approved documents, it is not approved by SL TN.

18.0 Returned Product Analysis

The supplier is required to analyze nonconforming product returned from SL TN manufacturing plants, engineering tests and vehicles in the field. Records of the results of these analyses must be submitted to SL TN upon completion.

Suppliers shall submit corrective actions for any defects discovered during analysis to SL TN’s designated SQE (see Section 22.0 - “Supplier Corrective Action”).

18.1 Cost Recovery for Nonconforming Product

The supplier shall absorb any costs associated with nonconforming product as received or processed through a SL TN manufacturing plant. These costs shall include, but not be limited to: premium freight (inbound and outbound), scrap, returned material, labor (sorting, rework, repair, teardown, overtime, downtime, etc.), testing beyond normal requirements, customer communications, liaison visits, customs fees, and related customer chargebacks.

Written notification of the situation where chargeback is applicable will be sent to the supplier by SL TN prior to any debit memos being issued. Supplier approval/dispute response to chargeback requests from SL TN plants is required within 3 business days of notice.

Any supplier disputes must be accompanied by factual reasons that the chargeback or portions thereof, are not the supplier's responsibility. If there is no response by the supplier within 3 days, it will be deemed acceptance of any related charges.

19.0 Run at Rate (R@R) / Launch Readiness Review (LRR)

A Production Run @ Rate must be performed to verify that a supplier's actual production process is able to meet program volumes at an acceptable quality level prior to product launch. A Capacity Analysis Report (CAR) shall be completed by the supplier during the Run @ Rate and included in the supplier's PPAP submissions (Reference the Supplier PPAP Manual).

A process acceptance/qualification audit must be conducted to ensure that new components meet SL TN's yield, rate, and quality requirements. R@R is mandatory on newly tooled components, components with significant volume increases or components with changes that require significant process or assembly changes. R@R's may be witnessed by SL TN personnel, or performed by the supplier with results submitted to SL TN. Specific R@R requirements including capacity analysis will be established during ESI.

R@R shall be successfully completed prior to PPAP approval. If this is not accomplished, a provisional PPAP approval may be issued at the discretion of SL TN's designated Product Development Engineer. Additionally, SL TN may also elect to conduct a Launch Readiness Review (LRR) of critical components at the supplier's facility. Suppliers will be notified in advance of this requirement and will be provided with specific requirements (agenda, LRR checklist, etc.) in order to prepare for the review.

20.0 High Impact Supplier Program

The SL TN High Impact Supplier Program is a process to further engage suppliers of critical components/materials in the launch phase at SL TN plants. The selection criteria are based on safety function or critical function of supplier's component. The program requires suppliers to support certain pre-production build events when requested by SL TN (such as Production Validation (PV), initial production launch, etc.). Supplier may be requested to assist SL TN in root cause analysis and resolution of any quality and assembly issues encountered during these builds related to supplied components/ materials.

This program is for the combined benefit of SL TN and our suppliers and will enable us to quickly and effectively root cause issues, both SL TN and supplier related, and develop improvement plans.

This will enable us to reduce the time and effort required to solve problems. Suppliers selected to participate in this program will be notified by SL TN in advance of the build events.

21.0 Supplier Control of Subcontractors

Suppliers to SL TN Chassis shall select subcontractors on the basis of their ability to meet subcontract requirements, have effective quality and system controls to fully meet SL TN's Quality requirements defined herein. Suppliers shall target subcontracted business with ISO/TS 16949:2009 or ISO 9000:2008 compliance as much as possible.

The supplier shall be prepared to show documented evidence of subcontractor quality levels at the request of SL TN and also provide SL TN, and SL TN customers, access to subcontractor facilities and records if requested at any time.

Suppliers are fully responsible for the quality of goods and/or services subcontracted. SL TN's recommendation or stipulation of a subcontractor shall in no way relieve the supplier of full responsibility for ensuring the subcontractor, and the products they supply, meet all SL TN requirements.

22.0 Corrective Actions

22.1 Supplier Corrective Action Request (SCAR)

It is required that suppliers maintain a system for corrective action of quality concerns. SL TN will use a Supplier corrective action or (SCAR). This request will come from the suppliers SQE or QE representative. The response from supplier must include a multi-disciplined problem solving methodology (8D Report*) including follow-up of corrective action implementation and effectiveness.

* SL TN 8D report format is available on the SL website: www.sl-america.com/supplier/chassis.

Listed below are various types of corrective actions and their effect on corrective action closure:

1. **Type I:**

Design, material, or drawing change. Corrective action may be closed upon implementation and verification of the change.

2. **Type II:**

Mistake proofing device or other systemic process error proofing is implemented. This can include automated inspection equipment. Corrective action may be closed upon completion of a 30 day evaluation of effectiveness.

3. **Type III:**

Inspection / training only. Insufficient for corrective action closure.

Any supplier quality concerns detected at SL TN and/or SL TN customer locations will be formally directed to the appropriate supplier contact. All corrective action submissions are to be in English and completed in full. Failure to answer within the required time frame and/or incomplete submission will require supplier management presentation to SL TN quality staff and \$500.00 late fee assessed per week.

The required supplier response is as follows:

1. **Within 1 Business Day of Notification – 24 hours (Gate 1):**

Initial response due to SL TN's designated SQE detailing the following:

- Containment actions (at supplier and SL TN) (Notes 1 & 2)
- Suspect inventory, lot numbers, etc.

- Return authorization number

2. Within 7 Days of Notification (Gate 2):

Completed action plan due to SL TN's designated SQE detailing the following:

- Initial response information
- Root cause Analysis (Occurrence, detection and prevention)
- Action Plan including target date of completion for each action and assigned champion.
- Containment and certification activity. Actual quantities of parts sorted, reworked and scrapped should be included.

3. Within 14 Days of Notification (Gate 3):

The supplier is to prove the following to the SL TN designated SQE:

- Permanent Corrective action implementation
- Error Proofing / Detection
- Corrective action to be verified by SL TN SQE/QE
- Updated PFMEA and Control plan that reflect corrections made (the SCAR number should be included on the updated PFMEA and Control Plan). If the PFMEA Risk Priority Number (RPN) is adjusted, the severity ranking should not decrease unless the corrective action is a design change.

4. Within 35 Days of Notification (Gate 4):

Completed action plan due to SL TN's designated SQE detailing the following:

- SL TN SQE to validate corrective actions and permanent improvements.
- Supplier to update Layered process audits and lessons learned to be shared with the program team.

If it is not possible to implement and verify permanent corrective actions in the fourteen business day window, SL TN's designated SQE must receive the supplier's plan to permanently resolve the issue by this date with all associated task completion dates and responsible persons documented. Completed corrective action plans, with actual task completion dates and verification records, must be submitted to SL TN's designated SQE as agreed between the suppliers and designated SQE / QE team.

Late submissions of Gate 1 (24 hour) Gate 2 (7 day) and Gate 3 (14 day) may result in the issuance of a customer satisfaction CAR at the discretion of the SL TN's designated SQE. Continued failure to resolve or respond to defective material will result in monetary penalty issued by SL TN Procurement to protect the initiative for zero defect products.

22.2 Containment Actions

Defect containment by the supplier at SL TN's locations is expected within 24 hours (i.e. on-site sorting) wherever possible. This is to be coordinated with SL TN's designated SQE. Containment means every subsequent delivery will be certified and/or corrected. Violation of containment will result in immediate CS1 or CS2. Suppliers who do not support on-site containment will be subjected to the full lot quantity returned, as opposed to the actual number of defects in the computation of the PPM rating.

Any issues that make on site sorting impractical may be discussed with SL TN's designated SQE and alternate actions taken. Replacement material requirements are to be coordinated with the SL TN Material Planning department.

All certified material must be identified by an agreed colored dot or mark on/by each shipping label on each carton. This must continue until permanent corrective action has been implemented and approved by SL TN's designated SQE.

SL TN's designated SQE will review and approve closure of all Corrective Actions. SL TN's designated QE reserves the right to require additional controls to be implemented and/or additional documentation to be provided to effectively resolve supplier quality issues.

22.3 Audit Supplier Corrective Action Request (ASQR)

If nonconformances are found during an on-site audit, SL TN will issue an Audit Supplier Corrective Action Request (ASQR). The supplier is required to submit their initial response to SL TN within 7 days of the receipt of the ACAR. Failure to submit the initial ASCAR within 7 days will be reflected in their quarterly scorecard rating.

The following is required as part of the initial response:

1. **Systemic Root Cause Analysis (5 Whys).** This should address system failure not just the nonconformance.
2. **Documented Corrective Action Implementation Plan.**
 - Address the system failure
 - This should include actual document names that are to be updated and must
 - The Responsible person for implementing each action
 - The Planned Completion Date

The appropriate SQE will review the initial ASCAR response and will notify the supplier if the initial response is approved. Once the initial response is approved, it is the Suppliers responsibility to provide the SL TN SQE updates and evidence of the ASCAR.

Upon completion of the ASCAR the supplier shall complete the Action completion date on the ASCAR form and return the completed ASCAR form and all required evidence to the SQE for closure. Evidence may include:

- Documented procedures
- Pictures of corrective action

- Quality records, i.e. inspection documents, Control Plans, completed forms, etc.
- Other documentation as required

ASCAR are expected to be completed closed no later than 35 days. Failure to close ASCAR within 35 days will be reflected in their quarterly scorecard rating and subject to a \$500 late fee per week.

23.0 Supplier CS1/CS2 Containment and Phase Review Program

The supplier must have a secured segregated area to hold all non-conforming parts and suspect material. For suppliers with chronic or repetitive quality issues, SL TN's designated SQE reserves the right to impose additional containment measures (at supplier expense) to ensure conforming product is received at SL TN

23.1 CS1 Containment:

The supplier is required to perform a 100% certification of all products prior to shipment through an additional, off-line inspection process. This measure would be in addition to any existing controls and containment measures previously implemented. This level is imposed on suppliers who have failed to contain or correct quality issues effectively, and immediately.

23.2 CS2 Containment:

The supplier is required to subcontract a third party product certification contractor to independently 100% certify all products prior to shipment to SL TN. This level is imposed on suppliers who fail to contain or correct quality issues through the Level 1 Containment program.

Suppliers required to implement either Level 1 or 2 Containment will be notified by SL TN's designated SQE.

These additional containment measures are intended to be interim steps to ensure conforming product is shipped to SL TN. Permanent actions to prevent recurrence are expected to be implemented in conjunction with these containment programs. Once permanent actions are implemented and verified effective for 30 days, containment may cease with the approval of SL TN's designated SQE.

Each container of certified material must be clearly identified with a listing of all conditions for which the material has been certified.

In addition, SL TN reserves the right to notify third party Quality System registrars of Quality System failure if open quality issues are not resolved by this time. The supplier will be notified prior to this action being taken.

23.3 Supplier Phase Review Program:

The Supplier Phase Reviews are intended to heighten the awareness of SL TN's supply base to quality performance and to focus the quality improvement efforts of SL TN's suppliers toward a shared objective with the company.

SL TN's designated SQE will initiate Phase Review meetings at a specified location for suppliers with significant quality issues, chronic quality issues or negatively trending quality performance.

At these meetings, suppliers will be required to present corrective action plans to SL TN Plant Management, Supplier Quality, and Procurement, (and others at plant discretion). The program consists of three phases, as detailed below:

1. Phase 1:

Suppliers will be selected for a Phase 1 review based on the following criteria:

1. Repetitive quality issues
2. Highest monthly PPM
3. Chronic monthly PPM activity
4. Negatively trending PPM activity
5. Quality accidents causing significant impact to the production operations and / or SL TN customers.

This phase requires on-site attendance of the Plant and Quality Managers to review corrective action plans in detail.

2. Phase 2:

Suppliers will be selected for a Phase 2 review if issues are not completely resolved as committed during the Phase 1 review. This phase requires on-site attendance of Operations and Quality Management to review corrective actions in detail. “New Business Hold” status may be imposed on the offending supplier location.

3. Phase 3:

Suppliers will be selected for a Phase 3 review if issues are not completely resolved as committed during the Phase 2 review. This phase requires on-site attendance of top management (President) to review systemic reasons for corrective action failure and plans to resolve. “New Business Hold” status is required for all supplier locations. Supplier will not be allowed to quote on new business until the issues are resolved and closed by SL TN’s designated QE.

24.0 Supplier Ratings

Suppliers will be rated quarterly by SL TN Procurement and Supplier Quality Assurance on the basis of their ongoing delivery performance, quality performance, documentation and corrective actions to SL TN Chassis.

Overall Supplier Score	Scorecard Rating
80% - 100%	Supplier Meets Requirements – Green.
60% - 79%	Supplier Needs Improvement.
Below 59%	Supplier is un-sourceable without approval

Any supplier with a score of 79% or below will be issued an ASCAR to address systemic root causes of their below satisfactory Score.

24.1 On Time Delivery

Suppliers shall be rated for their ability to delivery according to the delivery schedule provided by the SL TN material planner. On Time delivery is weighted at 15% of the total score. Delivery performance is affected by early or late shipments, shipping in nonstandard containers or shipping nonstandard or incorrect quantities.

Each individual occurrence results in a 1 point loss in overall delivery performance.

24.2 Premium Freight

Premium freight is defined additional charges incurred to a transportation provider to expedite shipments in order to meet a required date. Premium Freight is weighted 10% of the overall Scorecard score. The following rating will be assessed based on the Premium Freight amount:

Premium Freight	Scorecard Rating
\$0	10
\$1 - \$199	9
\$200 - \$299	8
\$300 - \$399	7
\$400 - \$499	6
\$500 - \$599	5
\$600 - \$699	4
\$700 - \$799	3
\$800 - \$899	2
\$900 - \$999	1
\$1000 or above	0

24.3 Supplier PPM:

Supplier shall be rated for quality performance measured in PPM. The expectation is always for zero defect standards. PPM is weighted at 15% of the total score.

To calculate PPM: If there are 25 defective pieces in a shipment of 1,000 parts. $25/1000 = .025$ or 2.5% defective $.025 \times 1,000,000 = 25,000$ PPM.

The following rating will be assessed based on the Supplier PPM performance

Supplier PPM	Scorecard Rating
0 – 100	15
101 – 300	14
301 – 500	13
501 – 700	12
701 – 900	11
901 – 1100	10
1101 – 1300	9
1301 – 1500	8
1501 – 1700	7
1701 – 1900	6

Supplier PPM	Scorecard Rating
1901 – 2100	5
2101 – 2300	4
2301 – 2500	3
2501 – 2700	2
2701 – 2900	1
2901 or Above	0

24.4 Quality Assurance Cost

Quality Assurance Cost is defined as sort and rework cost incurred by SL TN for nonconforming and/or suspect parts. Quality Assurance Cost is weighted 10% of the overall Scorecard score. The following rating will be assessed based on the Quality Assurance Cost amount:

Quality Assurance Cost	Scorecard Rating
\$0.00	10%
\$1 - \$100	9%
\$101 - \$200	8%
\$201 - \$300	7%
\$301 - \$400	6%
\$401 - \$500	5%
\$501 - \$600	4%
\$601 - \$700	3%
\$701 - \$800	2%
\$801 - \$900	1%
\$901 and Over	0%

24.5 Required documentation

It is very important that supplier’s documentation is kept current. It is the supplier’s responsibility to ensure the SL TN has all required documentation prior to the expiration date. Required documentation is weighted at 10% of the total score. Required documentation includes but is not limited to:

- ISO/TS-16949 Certification
- NAFTA / Country or Origin Documentation
- All Applicable Annual CQI Assessment results (Reference: Section 3.3 CQI Assessments)
- Approved Packaging Documentation (PPAP Package)

To calculate the required documentation score:

$$\frac{\text{Total number of out of date or missing documents}}{\text{Total number of required documents}}$$

24.6 SCAR Corrective Action

The SCAR Corrective Action Score is separated into 2 sections: The total number of SCARs issued to the supplier in a quarter and the Average Response Time for closure. The overall SCAR Correction Action score is weighted 10% of the overall Scorecard score.

The following rating will be assessed based on the number of SCARs that are issued to the supplier in a quarter:

No. of SCARs	Number of Points
0 – 1	5
2 – 3	4
4 – 5	3
6 – 7	2
8 – 9	1
10 and Over	0

The Average Response Time is calculated by adding the total number of days each SCAR was opened and taking an average. The following rating will be assessed based on the average number of days it takes to close a SCAR

Average Response Time	Number of Points
35 Days or Less	5
36 - 37 Days	4
38 – 39	3
40 – 41	2
42 – 43	1
44 or above	0

24.7 Supplier Audit Score

The last Supplier Audit Score will be weighted 20% of the overall Scorecard score.

24.8 Supplier Audit Corrective Action

The Supplier Audit Corrective Action Score is separated into 2 sections: The Average initial response time of an ACAR and the Overall Response Time. The overall supplier Audit Corrective Action score is weighted 10% of the overall Scorecard score.

The following Rating will be issued by taking the average number of days for the initial ASCAR response to be completed:

Average Initial Response Time	Scorecard Rating
7 days or less	5
8 – 9 days	4
10 -11 days	3
12 – 13 days	2
14 – 15 days	1
16 and Over	0

The following rating will be assessed based on the average number of days for the ASCAR completed:

Average Response Time	Number of Points
-----------------------	------------------

35 – 39 days	5
40 – 44 days	4
45 – 49 days	3
50 – 54 days	2
55 – 59 day	1
Over 60 days	0

Any deviation from the above requirements may require the implementation of documented corrective action to meet these requirements. Repeated failure will result in supplier review and possible loss of business.

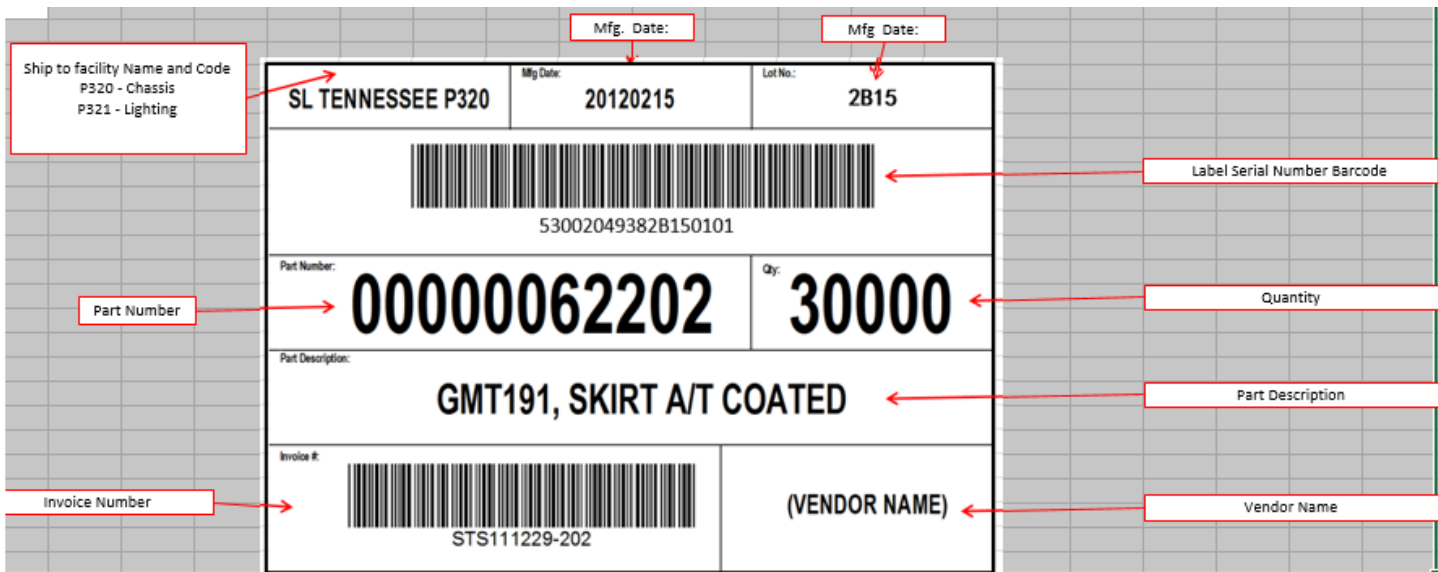
“Approved” suppliers can be placed on “New Business Hold” status if ratings fall below 60 percent for all rating element. Procurement will review year-to-date supplier ratings every quarter and update supplier status accordingly based upon these ratings and criteria.

Suppliers are encouraged to review quarterly ratings for accuracy and resolve any disputes with the responsible SL TN plant. Any disputes which cannot be resolved with the plant must be elevated to SL TN Procurement for final arbitration.

25.0 Barcode Label Requirements

It is the responsibility of the supplier to provide barcoded container shipping labels that meet SL TN’s requirements as defined in the Barcode Label Requirements procedure.

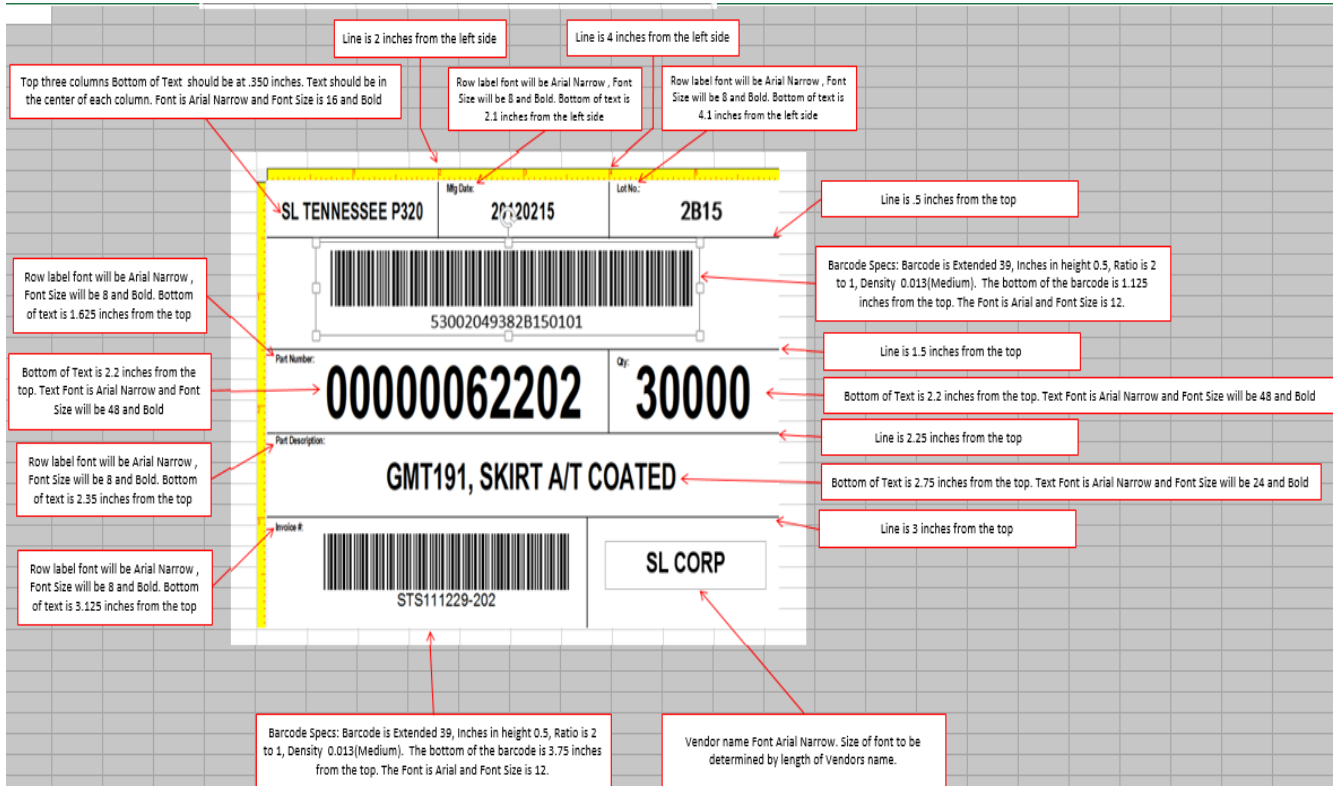
Strict adherence to these specifications for the barcode identification labels will reduce implementation cost and increase benefits throughout industry. Failure to comply with these requirements may result in rejection of the shipment. Supplier should reference barcode example for explanation of barcode construction. Additional information is available through Procurement Buyer or SQE.



- Chassis division is P320
- Once completed supplier should submit example to their buyer for confirmation the label works.

25.1 Barcode Detail:

Info record information is based on supplier part number and can be acquired from SL TN purchasing team. The Lot no. on barcode must be a three letter combination for year/month/day and a sequence number based on the amount of boxes. This data must match and be consistent with product in each box.



Unit of measure in which quantities can be entered alternatively to the base unit of measure / stock keeping unit.

Barcode (Total 25 digit): Inforecord (10 digit) + Lot Number* (4 digit) + Number of Boxes (01 - ??)**

* See section 6.0 Lot Traceability for lot code information.

** If you have 20 boxes, you will have 20 labels so the Number of boxes would be 01 – 20. If here are over 100 boxes, then use 100 and so on.

26.0 Access to Facilities and Records

Suppliers shall allow SL TN, and SL TN customers, access to any facility and quality records associated with the production and supply of products directly to, or on behalf of SL TN. This requirement extends to all sub-contractors as well.

27.0 Tooling Development Approval / Payment Requirements

SL TN Procurement and Development will work with Suppliers to develop the best tool or equipment design possible. However, it is the supplier’s ultimate responsibility to ensure that the final tool design will meet and produce parts that meet design 2D/3D specifications. Tooling payment will not be made until it is proven through the PPAP process and part validation testing verifies requirements are met.

Supplier will be required to document with photos and evidence of the existence of SL TN purchased equipment. These photos should be provided with supplier PPAP and on specific tooling forms referenced in the PPAP requirements manual. Failure to provide the requirement evidence will delay or prevent equipment payment.

27.1 Tool Loan Agreement

In cases where SL TN owned tooling is subcontracted out to a supplier for manufacturing a tool loan agreement is required. This document is controlled by SL TN procurement group and is necessary to determine responsibilities related to pieces of equipment and repairs, etc. This agreement covers tool repair, damage, maintenance and repair including PM records.

27.2 Tooling Identification Tags

The Supplier is required to apply an identification tag for all customer owned tooling, if one is not currently applied to the tool. This tag identifies SL Tennessee (or 3rd party, if applicable) as the owner of the tool and states the tool identification number. It is the responsibility of the supplier to provide the tags for the tooling. For customer specific requirements, the supplier must contact the appropriate SL TN Purchasing Buyer for specific specifications.

Tools that are too small to be individually identified, shall be boxed and / or chained / affixed to a tool tag to ensure their properly identify.

Tooling shall remain identified throughout the entire length of program including service.

28.0 VA/VE Requirements

SL TN is committed to providing the best part design and cost to each customer. As a result each supplier is required annually to submit any combination of VA/VE savings proposals that equal a minimum of 5% of the annual sales value to SL TN. Proposals are to be received by November 1st of each year. If these proposals are accepted by the customer or internally at SL TN the savings will be shared 50/50 with supplier. Failure to comply could result in loss of privilege to bid on new projects.

29.0 Value Stream Mapping

For a full understanding of the supply chain, each supplier and SL TN procurement are to develop and map out a supply chain value stream map. This method is the best way to understand logistics and timing between customer and supplier.

30.0 Supplier Risk Assessment

SL TN will perform a risk assessment on all suppliers and assign risk to each supplier in December of each year. There are three supplier risk ratings: low, medium on high. Suppliers will be notified of their risk rating annually. All new suppliers will be rated as a high risk supplier for a year. Risk is based off two scores:

- The 12 month average of scorecard
- Supplier Audit Score

30.1 Low Risk Supplier

A supplier is deemed to be a low risk supplier if:

- The average of all scorecards for the year is above 81.
- The on-site Supplier Audit score is above 70%

In order to be a low risk supplier both the scorecard and audit criteria must be met. If a supplier is deemed a low risk supplier, at a minimum, SL TN will perform an on-site audit every 3 years.

30.2 Medium Risk Supplier

A supplier is deemed to be a medium risk supplier if:

- The average of all scorecards for the year between 61 and 80.
- The on-site Supplier Audit score is between 50 and 69.9.

Suppliers who score below the threshold in either or both the scorecard or audit criteria would be considered a medium risk supplier. At a minimum, SL TN will perform an on-site audit annually and will continue to monitor their performance.

30.3 High Risk Supplier

New supplier automatically considered high risk for 1 year. A supplier is deemed to be a high risk supplier if:

- The average of all scorecards for the year is below 60.
- The on-site Supplier Audit score is less than 50.

Suppliers who score below the threshold in either or both the scorecard or audit criteria would be considered a low risk supplier. As a high risk supplier the following controls will be applied:

- At minimum SL TN will perform an on-site audit
- At a minimum of monthly, SL TN will require a conference call to review all open issues including SCARs, audit corrective actions, PPAP concerns, etc. The monthly conference call will be documented.
- The supplier could be placed on new business hold until their performance has improved.

31.0 Supplier Agreement and Sign off

By signing below supplier fully understands, accepts and intends to comply with the requirements contained within this document.

Note: The supplier is required to sign and return this sheet to SL Tennessee Purchasing. If purchasing does not receive the signed acknowledgement of SL Tennessee requirements, the supplier will be placed on new business hold.

Supplier Quality Manager	Date	Supplier Procurement	Date
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