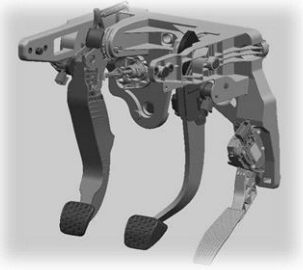


Gear Shift, Park Brake, and Pedal Module

SL AMERICA

SUPPLIER REQUIREMENTS MANUAL

SL Tennessee Production Facility

TABLE OF CONTENTS

Revision Page 2
Message to Suppliers 4
1.0 Introduction 5
1.1 Purpose 5
1.2 Scope 5
1.3 Reference Documents 5
2.0 Communication 5
3.0 Supplier Selection And Approval 6
3.1 Supplier Selection 6
3.2 Designated Small Suppliers 6
4.0 Supplier Quality System Requirements and Assessment 6
4.1 Quality System Requirements 6
4.2 Contingency Plan 6
4.3 On-site Supplier Assessments 7
4.4 CQI Assessments 9
4.5 Layered Process Audits (LPA) 10
5.0 Advanced Product Quality Planning (APQP) 10
6.0 Change Management Requirements 11
7.0 Packaging, Labeling & Traceability Requirements 12
7.1 Lot Traceability 12
7.2 Lot Size 12
7.3 Lot Code 13
7.4 Packaging 14
7.5 Barcode Label Requirements 15
8.0 Record Retention 16
9.0 Product Handling, Storage and Delivery 16
9.1 Handling 16
9.2 Storage 17
9.3 Delivery 17
9.4 Trade Compliance Assurance 18
10.0 Prototype / Pre-Production Product 18
11.0 Production Part Approval Process (PPAP) 18
11.1 Mistake & Error Proofing 18
11.2 Key Product Characteristics (KPC) 19
11.3 Special Characteristic & Communication Form (SCCAF) 19
12.0 Material Reporting information 20
12.1 International Material Data System (IMDS) 20
12.2 Conflict of Mineral Reporting 20
13.0 Annual Validation / PPAP Requirements 21
14.0 Service Component PPAP Requirements 21
15.0 Shipment Certification Requirements 21
15.1 Pre-Launch Part Certification 22
15.2 Break Point Shipment Certification 23
16.3 On-Going Shipment Certification 23
16.0 Notification of Quality Concerns 23
17.0 Rework / Repair 24
18.0 Returned Product Analysis 24
18.1 Cost Recovery for Nonconforming Product 24
19.0 Run at Rate (R@R) / Process Control Plan Audits (PCPA) 25
20.0 Supplier Management System (Sub-supplier controls) 25
20.1 Supplier Selection 25
20.2 Supplier Risk 25
20.3 Supplier Evaluation 25
20.4 Supplier PPAP Approval Process 26
20.5 Supplier On Site Audits 26
20.6 Supplier Corrective Actions 26
21.0 Supplier Corrective Action 26

21.1 Supplier Corrective Action Request (SCAR) 27
21.2 Containment Actions 28
21.3 Audit Supplier Corrective Action Request (ASCAR) 29
22.0 Supplier CS1 / CS2 Containment Phase Review Program 30
22.1 CS1 Containment 30
22.2 CS2 Containment 30
23.0 Supplier Ratings 30
23.1 On Time Delivery 31
23.2 Premium Freight 31
23.3 Advanced Shipping Notice (ASN) Accuracy 31
23.4 Receiving Discrepancies 32
23.5 Packaging & Labeling 32
23.6 Supplier PPM 32
23.7 Quality Assurance Cost 33
23.8 Required Documentation 33
23.9 SCAR Corrective Action 34
23.10 Supplier Audit Score 35
23.11 Supplier Audit Corrective Actions 35
24.0 Access to Facilities and Quality Records 36
25.0 Tooling Payment / Approval Requirements 36
25.1 Tooling Loan Agreement 37
25.2 Tooling Identification Tags 37
26.0 VA/VE Requirements 37
27.0 Value Stream Mapping 37
28.0 Supplier Risk Assessment 37
28.1 Low Risk Suppliers 38
28.2 Medium Risk Suppliers 38
28.3 High Risk Suppliers 38
28.4 Critical Supplier status 39
29.0 Supplier Agreement and Sign off 40

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 Tennessee 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; 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.SLTENNESSEEamerica.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
	8.4	Added Trade Compliance Assurance Section	Add Import Documentation requirements
03-15-2016	2.1	Add the requirement of obtaining a DUNS number	Addition requirement added

Revision Date	QPM Section	Description of Change	Reason for Change
	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 & 1844 (GM Process Audit)
09-01-2016	12.0	Added 12.2 Conflict of Mineral Reporting. Moved IMDS to 12.1 and renamed 12.0 to Material Reporting information	Conflict of Mineral Reporting requirement
06-20-2017	10.2	Safety/Critical KPCs require a Cpk index of 1.67; Cpk index of 1.67 or greater or a Ppk index of 1.33 or greater	Typing error
05-23-2018	---	Add Printed Name Field to signature section	Easier to identify hard to read signatures
07-09-2018	All	Updated all references to ISO/TS-16949 to IATF-16949	Updated to IAFT 16949 requirements
	3.2	Clarification of the Contingency Plan requirements	Updated to IAFT 16949 requirements
	3.5	Added Section 3.5 Layered Process Audit Requirements	Added documentation for requirement
	8.3	Added requirements for the Supplier Relationship Management (SRM) Portal.	ICAR 2712 and ICAR 2714 (MMOG Audit)
	22.0	Added requirements of visual tracking board for internal / external issues	Clarification of corrective action tracing
	24.0	Added requirements for supplier scorecards of below 80% more than once in a 1 year period.	ICAR 3323 (IATF 16949 audit)
09-25-2018	6.0	Update day code table to include leading zero for single digit dates & example	Clarify lot number format
	8.3	Updated issuing SCAR for not using the SRM system	Added SCAR requirement
	13.0	Added HMMA Annual Validation requirements	ICAR 3614 (HMMA – SPA Audit)
	15.1	Clarified sticker requirement and added corrective action requirement	ICAR 3515 - Clarified requirements
	22.3	Update ASCAR timing requirements	Clarified requirements
	24.1	Added SRM requirements as part of On time Delivery	Added SRM requirements
	24.8	Update ASCAR timing requirements	Clarified requirements
	25.0	Updated Barcode Label requirements	Clarified requirements
	25.1	Updated The supplier shall submit an example to their commodity buyer	Clarified requirements
01-11-2019	3.2	Added Packaging and review of contingency plan during on site audits	Added MMOG / LE requirements
	4.0	Remove Section 20.0 High Impact Supplier Program and combined with 4.0 APQP	Redundant information; clarification
	8.3	Clarification of shipping performance monitoring through SRM.	Clarified requirements
	18.1	Add statement regarding internal or 3rd party sorting	Clarified requirements
	20.0	Remove Section 20.0 High Impact Supplier Program and combined with 4.0 APQP	Redundant information; clarification
	20.0	Added Supplier Management System Requirements	Added requirement
	21.0	Removed 21 Supplier Control of Subcontractor; requirements covered 2.1 Supplier Selection	Redundant information; clarification
	23.0	Update Supplier Ratings from quarterly to Monthly, Added ratings for ASN accuracy, receiving discrepancies, packaging & labeling issues and adjusted percentages.	Updated Supplier Evaluation requirements ICAR 3694
	29.3	Add requirement that a supplier launching new product is considered a high risk	Updated Requirement
08-01-2019	21.3	Add: "Failure to submit the initial ASCAR response within 14 days of due date will result in a $500 late fee charged, per week, until initial response is received."	ICAR 4206
01-28-2020	All	Update responsibilities from Commodity Buyers to Supplier Quality / SL Tennessee	Update SL Tennessee responsibilities
	3.3	Clarification of 3 type of audits performed (Part Development Audit, Supplier Quality Audit and Process Control Plan Audits) Clarification of audit criteria.	Update and clarification on requirements ICAR 4134
	10.0	Added the requirement of documentation of verification of error proofing devices, and control of error proofing masters.	Updated Requirement (BIQS requirement) ICAR-3730
	19.0	Update from Run at Rate (R@R) / Launch Readiness Review (LRR) to Run at Rate (R@R) / Process Control Plan Audits.	PCPA are performed during Run @ Rate
	21.0	Update initial response from 14 days to 30 day before fee is incurred for late response.	Update requirement
	22.3	Removed Supplier Phase Review Program from manual	Deleted requirements
	23.0	Updated Supplier Scorecard ratings, added signed supplier agreement to required documentation and not of IAFT or ISO-9001 certification expiration (6 point detection)	Requirement for noncompliance ICAR 4134
	29.0	Added 29.4 Critical Supplier Status	ICAR 4719 low performing supplier
	30.0	Add designated recipient of the Supplier Scorecard	ICAR 4140
02-26-2021	2.0	Add Communication Section	New Requirement
	6.0	Added Change Management Section	Ford Global 8D #277272
	7.0	Combined Lot Size (5.0) Lot Traceability (6.0), Packaging (11.0) and Barcode Container Shipping Label Requirements (24)	Combine Packaging & labeling requirements
	11.3	Added Special Characteristic & Communication Form (SCCAF) Section	Identification of SCCAF requirement

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 Tennessee 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 Tennessee 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 Tennessee'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 Tennessee'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 Tennessee.

While various SL Tennessee 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 Tennessee 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 Tennessee.

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 Tennessee's internet site www.sl-america.com/supplier/chassis . Other reference documents are as follows:

- International Standard – Quality Management System Requirements ISO 9001
- Automotive Quality Management System Standard IATF 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 Communication

The supplier shall kept contacts up to date. Supplier shall annually submit the Supplier Contact List to SL Tennessee Supplier Quality Engineer. The Supplier Contact List can be located on the SL Tennessee website www.sl-america.com/supplier/chassis.

The supplier shall all attend supplier development / program meetings when required and notify SL Tennessee in advance of cancelling meetings.

3.0 Supplier Selection and Approval

3.1 Supplier Selection

Suppliers are selected and approved by SL Tennessee 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 Tennessee PPAP Manual. On-site potential supplier assessments are conducted based upon supplier meeting SL Tennessee's initial sourcing criteria. Once sourced a complete, SL Tennessee will perform an on-site Supplier Quality Audit (system) audit.

Suppliers are required to have either ISO 9001 or IATF 16949 certification. Any supplier who does not have ISO 9001 or IATF 16949 certification shall have waiver signed off by SL Tennessee prior to producing material. All suppliers are to begin working on becoming certified or have the ability to show compliance to the IATF standard.**"** The AIAG documents listed in paragraph 1.3 shall 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 Tennessee.

SL Tennessee encourages all suppliers to be registered to ISO 14001 and QSB compliant.

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

3.2 Designated Small Suppliers

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

4.0 Supplier Quality System Requirements and Assessment

4.1 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 Tennessee's Supplier Quality group shall be notified immediately.

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

4.2 Contingency Plan

Suppliers shall have a documented contingency plan and shall retain as documented information describing any revision(s), including the person(s) who authorized the change(s). Suppliers shall identify and evaluate internal and external risks to all manufacturing processes and infrastructure equipment essential to maintain production output and to ensure that customer requirements are met and define contingency plans according to risks and impact to the customer.

The Contingency plan shall include provisions to validate that the manufactured product continues to meet customer specifications after the re-start of production following an emergency in which production was stopped and if the regular shutdown processes were not followed.

At a minimum, suppliers shall perform a review of the Contingency Plan annually by a multidisciplinary team including top management. Documented evidence of Contingency Plan reviews shall be retained.

Periodic tests of the Contingency plan shall be performed to ensure effectiveness (e.g. simulations as appropriate). Documented evidence of tests shall be retained.

The contingency plan shall include but is not limited the following events to ensure the continuity of supply of productions and services:

- Labor shortage
- Critical equipment failures
- Supplier Interruption (process or services)
- Natural Disasters
- Fire
- Utilities interruptions
- Field Returns
- Transportation
- Infrastructure disruptions
- Electronic Data
- Packaging
- Emergency Contacts

The supplier shall have a documented process to notify the customer or other interested parties of the extent and duration of nay situation impacting customer operations.

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

Contingency Plans, associated risks and contingency testing plans are evaluated during on site Supplier Quality Audits.

4.3 On-site Supplier Assessments

SL Tennessee 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.

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 Tennessee Supplier Quality Engineer will issue an Audit Supplier Corrective Action Request (ASCAR) to the supplier for any nonconformances that need to be address.

SL Tennessee has three types of audits that are performed:

1. Part Development Audits (PDA)

At Part Development Audit (PDA) may be performed at suppliers who are launching new product. The audit is performed after production tooling is complete and prior to the start of Production Validation Testing. As a minimum the following will be reviewed:

- Review of part dimensions
- Develop action plans to address dimensional issues

- Review of the initial SCAF (Special Characteristic Approval Form) to verify and approve proposed Key Product Characteristics (KPC) controls including methods, frequencies and sample sizes.
- Pre-launch Control Plan
- Purchasing Review (upcoming build requirements, packaging, supplier contacts)

Results of the Part Development Audit will be documented on the Action Plan Section of the Audit Report.

Audit Supplier Corrective Action Requests (ASCARs) may be generated to document and address significant findings (Reference Section 22.3, Audit Supplier Corrective Action Request). It is the supplier's responsibility to resolve all audit findings and provide evidence of closure to the auditor.

2. Supplier Quality Audits (SQA)

The Supplier Quality Audit (SQA) is an audit that is performed to review the supplier Quality Management System. This audit reflects SL Tennessee requirements and includes ISO-9001:2015, IATF-16949:2016, and other OEM requirements. Frequency of the SQA is determined by the supplier risk classification (Reference Section 29.0, Supplier Risk Assessment).

The supplier will be evaluated against the following ten (10) Sections:

- Quality Management System
- Document and Data Controls
- Supplier Quality Management
- Corrective Action
- APQP / PPAP
- Product Inspection
- Process Control
- Customer Service & Logistics
- Personnel / Training
- Housekeeping & Emergency Response

Results of the Supplier Quality Audit will be documented on the Action Plan Section of the Audit Report. Audit Supplier Corrective Action Requests (ASCARs) may be generated to document and address significant findings (Reference Section 22.3, Audit Supplier Corrective Action Request). It is the supplier's responsibility to resolve all ASCARs and the supplier should address all other audit findings noted on the action plan section of the Audit Report. Monthly conference calls will be scheduled to review ASCAR responses. The frequency of conference calls may be adjusted as required.

3. Process Control Plan Audits (PCPA)

A Process Control Plan Audit may be performed at suppliers who are launching new product or who are experiencing significant quality issues.

The scope of the PCPA may include the following:

- An audit of the Control Plan against the entire production process to ensure that all manufacturing processes and part controls are sufficient, and match the Control Plan.

- Final review of the SCAF (Special Characteristic Approval Form) to ensure all controls on Key Product Characteristics (KPC) have been implemented, and the verification method and frequency are adequate.
- Review of Launch Inspection Process
- Perform Run @ Rate (capacity review) for all launching parts as required

Results of the Process Control Plan Audit will be documented on the Action Plan Section of the Audit Report. Audit Supplier Corrective Action Requests (ASCARs) may be generated to document and address significant findings (Reference Section 22.3, Audit Supplier Corrective Action Request). It is the supplier's responsibility to resolve all audit findings and provide evidence of closure to the auditor.

If the Run @ Rate does not pass, the supplier shall develop an action plan to address any concerns.

4.4 CQI Assessments

Suppliers with internal or outsourced "special processes," as identified by AIAG shall demonstrate 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 shall use the appropriate AIAG CQI Assessment form. Special Process CQI Assessments shall be submitted to SL Tennessee at PPAP (ref: *SL Tennessee's Supplier PPAP Manual*).

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

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 Tennessee's Supplier PPAP Manual*).

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

- Experienced quality Management system (QMS) auditor and
- Five years of specialized process knowledge (this will vary based on which assessment is required)

The supplier shall have a system in place to track their sub-supplier CQI Assessment compliance. An annual audit of the supplier to verify sub-supplier compliance of performing CQI Assessment is not sufficient. The supplier shall periodically track sub-supplier CQI Assessment to ensure the Assessment is no

4.5 Layered Process Audits (LPA)

There shall be a weekly internal layered process audit (LPA) process in place to access the compliance to standardized process, identify continuous improvement opportunities and to provide coaching opportunities to operators. The process shall be documented as part of the Quality Management System. The layered process audit is owned by Management.

The Layered Process Audit process shall include at a minimum:

1. A schedule including frequency of audits and locations of planned audits
2. Layered audits shall be used and include different levels of employees, including top management. Audit frequency may vary by layer.
3. Customer complaints or rejections trigger a layered audit on the process that was the cause of the issue.
4. All departments within the organization
5. All findings shall be documents, tracked and measured for improvement
6. Findings that cannot be corrected during the audit shall move to an action plan for monitoring to closure.
7. Records of all audits shall be maintained
8. Layered audit questions shall be reviewed periodically and changes as required to focus on the organization's weaknesses.
9. Layered audit results (findings) shall be used as lessons learned and analyzed for system improvements.
10. LPA compliance to the schedule is tracked
11. LPA auditors shall be competent to conduct audits and training records shall be retained. Auditor's competency shall be assessed periodically.

5.0 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 Tennessee PPAP Requirements manual

The SL Tennessee Early Supplier Involvement (ESI) is a process to further engage suppliers of critical components/materials in the launch phase at SL Tennessee 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 Tennessee (such as Production Validation (PV), initial production launch, etc.).

Supplier may be requested to assist SL Tennessee 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 Tennessee and our suppliers and will enable us to quickly and effectively root cause issues, both SL Tennessee 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 Tennessee in advance of the build events.

APQP and use of SL Tennessee's Early Supplier Involvement 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 Tennessee).
- Before tooling is transferred to new producers or new plants.

SL Tennessee will schedule and facilitate Early Supplier Involvement meetings with suppliers and SL Tennessee's support group. As a group SL Tennessee 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 Tennessee's PPAP requirements manual.

The supplier shall maintain an open issues list that should include all on going activity and target dates for completion. The supplier shall be responsible for distributing the Open Issues list at least 24 hours prior to any Early Supplier Involvement meetings.

6.0 Change Management

The supplier shall have a documented process to control and react to changes that impact the part or process and shall include:

- Documentation of the impact of the potential change including related risk analysis
- Verification and validation activities to ensure compliance with customer requirements

Records of verification and validation shall be retained and available for review as requested by SL Tennessee.

The Supplier shall obtain SL Tennessee's approval prior to making changes that affect a part or process prior to implementing the change. The Supplier shall notify SL Tennessee of any planned change(s) a minimum of 90 days prior to plan implementation.

To request approval for the change, the Supplier should submit a ***Supplier Request for Engineering Approval*** (SREA).

The SREA is used to initiate:

- Permanent print related change
- Temporary deviation from print
- Move of manufacturing to new facility
- Cost saving change
- Change of sub-supplier
- A change of material composition
- Manufacturing process change
- Packaging Change

The SREA must be approved by SL Tennessee prior to implementation**.** Failure to have an approved SREA may affect future business opportunities.

It is the supplier's responsible to complete the SREA and to clearly Itemize the changes requested including:

- Reason for change

- Impact of change and risk associated with change
- Controls put in place to mitigate any potential risks

SL Tennessee will identify additional verification and validation requirements that may include the following:

- Testing
- Performance data
- Engineering change (drawing change)
- PPAP submission

7.0 Packaging, Labeling & Traceability Requirements

7.1 Lot Traceability

For all SL Tennessee 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 shall 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 shall be the key to all traceability in the supplier's system. The lot code presented on the box shall 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) shall have the ability to trace forward.

7.2 Lot Size

Supplier lots shall 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 shall be readily traceable from the lot number change.

Each lot number shall 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 Tennessee's designated Supplier Quality Engineer.

7.3 Lot Code:

Each supplier is required to follow SL Tennessee lot code system both on box label and internal part marking. Each lot code on part and on box label shall 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 Tennessee lot number standard:

The barcode shall be at least 18 characters and no more than 25 characters. It is comprised of the 10 digit info record, 4 character lot code, 2 digit sequence, and box number (2 to 9 digits).

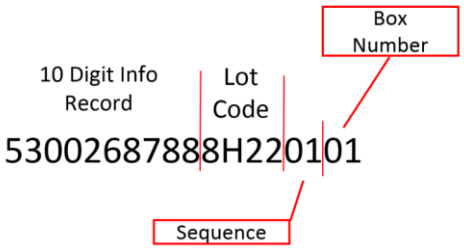
Info Record: 10 digit number used to uniquely identify the part number represented by the label.
It can be obtained from the SL Tennessee Supplier Quality Engineer

Lot Code: Must be 4 character and SHALL reflect actual date of manufacture
See 6.1 Lot Code for details.

Sequence: For multiple shipments of the same lot code, increase the sequence number
This will help to identify shipping dates when the lot codes are the same

Box Number: Must be unique for each box minimum of 2 digits.
If you have 20 boxes it will range from 01-20.
You may extend up to 9 digits for box number if your shipment contains more than 99 boxes

Lot No = Year (1 Character) + Month (1 Character) + Day (2 Digits)



Year	Year Character
2018	8
2019	9
2020	A
2021	B
2022	C
2023	D
2024	E
2025	F
2026	G
2027	H
2028	J
2029	K
2030	L
2031	M
2032	N
2033	O

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	
01	16
02	17
03	18
04	19
05	20
06	21
07	22
08	23
09	24
10	25
11	26
12	27
13	28
14	29
15	30
	31

Example:	**October 6, 2018**	**=**	**8K06**
	October 6, 2020	**=**	**AK06**

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

7.4 Packaging:

All packaging must be pre-approved and signed off by SL Tennessee Team Members prior to first shipment. A copy of the approved SL Tennessee Chassis Packaging Submission Form must be included with PPAP Submission. The supplier must submit the SL Tennessee Chassis Packaging Submission Form to SL Tennessee Commodity Buyer to obtain approval.

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

The supplier must meet the following Packaging Requirements:

- Pallets **MUST NOT** be made of chip board, pressed wood, or similar materials
- Pallets Must have 4 way entry
- Empty pallet sizes **MUST NOT** exceed 45" long (1143 mm) x 44" wide (1118 mm)
- Maximum loaded pallet height **MUST NOT** exceed 45" (1143mm)
- Individual package should be selected from the standard box size table below

	Option 1	Option 2	Option 3
Width	14 1/8” (360 mm)	14 1/8” (360 mm)	7 ¼” (185 mm)
Length	20 7/8” (530 mm)	20 7/8” (530 mm)	10 5/8” (270 mm)
Height	12 3/8” (315 mm)	6 5/8” (170 mm)	6 5/8” (170 mm)

Alternate package can be requested but must include explanation for deviation from standards

Individual package must contain only one unique part number

- A charge of $100 will be assessed per mixed part number to separate mixed material
- To support shipping efficiency on small quantity orders during product development phase, multiple boxes may be shipped in one larger container, but each nested box must satisfy individual label standards

- For handling purposes individual packages **MUST NOT exceed 40lbs (18kg)** in total weight
- SL Tennessee Standard label must be accessible for every package in pallet pack state. If this requirement interferes with shipping efficiency, the arrangement can be discussed
- SL Tennessee Standard label must be applied to each individual package
  - Label format and information must comply with SL Supplier Requirements Manual, summary on next 3 tabs
  - Failure to comply with label standard may result in labor and material recovery chargeback
  - Minimum $500 set up fee per invoice and $1.00 for each label SL Receiving department has to apply
- All Pallets must be fully cubed based on purchase order quantity. Mixed pallets are allowable only after the parts have completed all possible full pallets.

Adherence to Packaging and Labeling requirements will be assessed monthly and will be part of the monthly Supplier Scorecard.

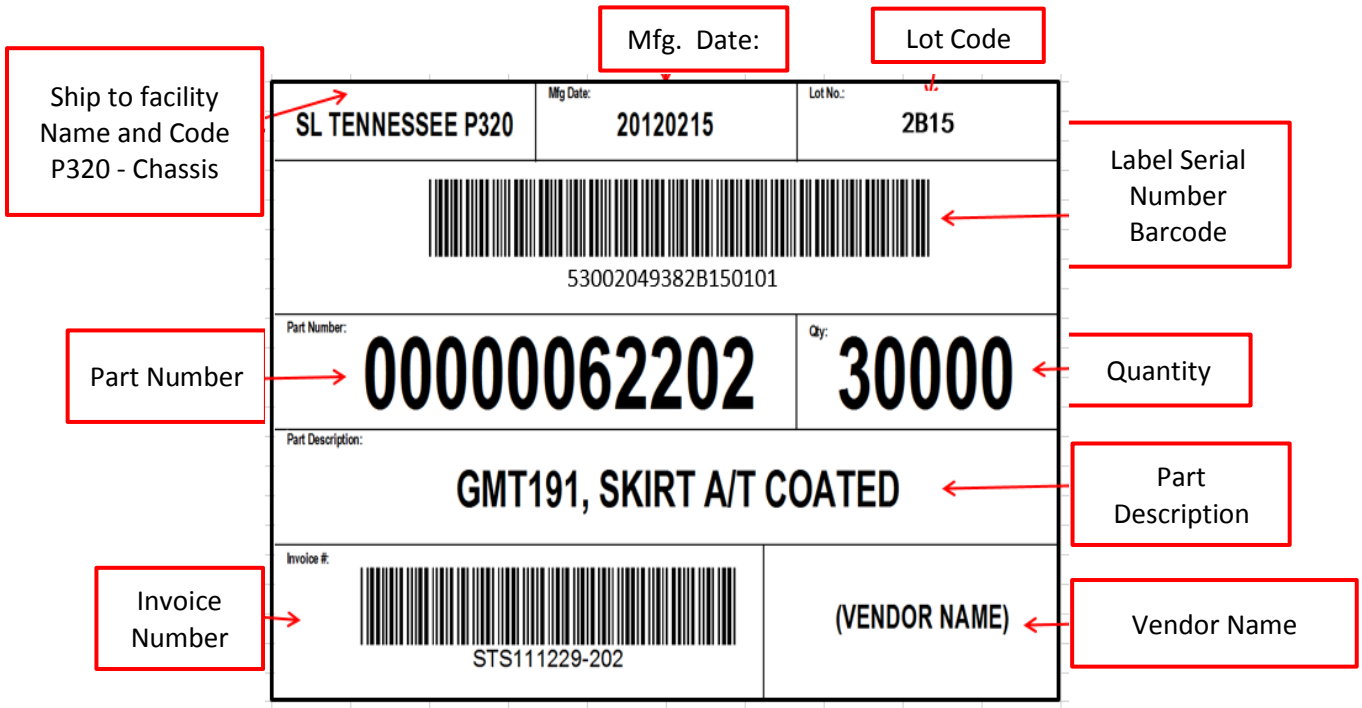
7.5 Barcode Label Requirements

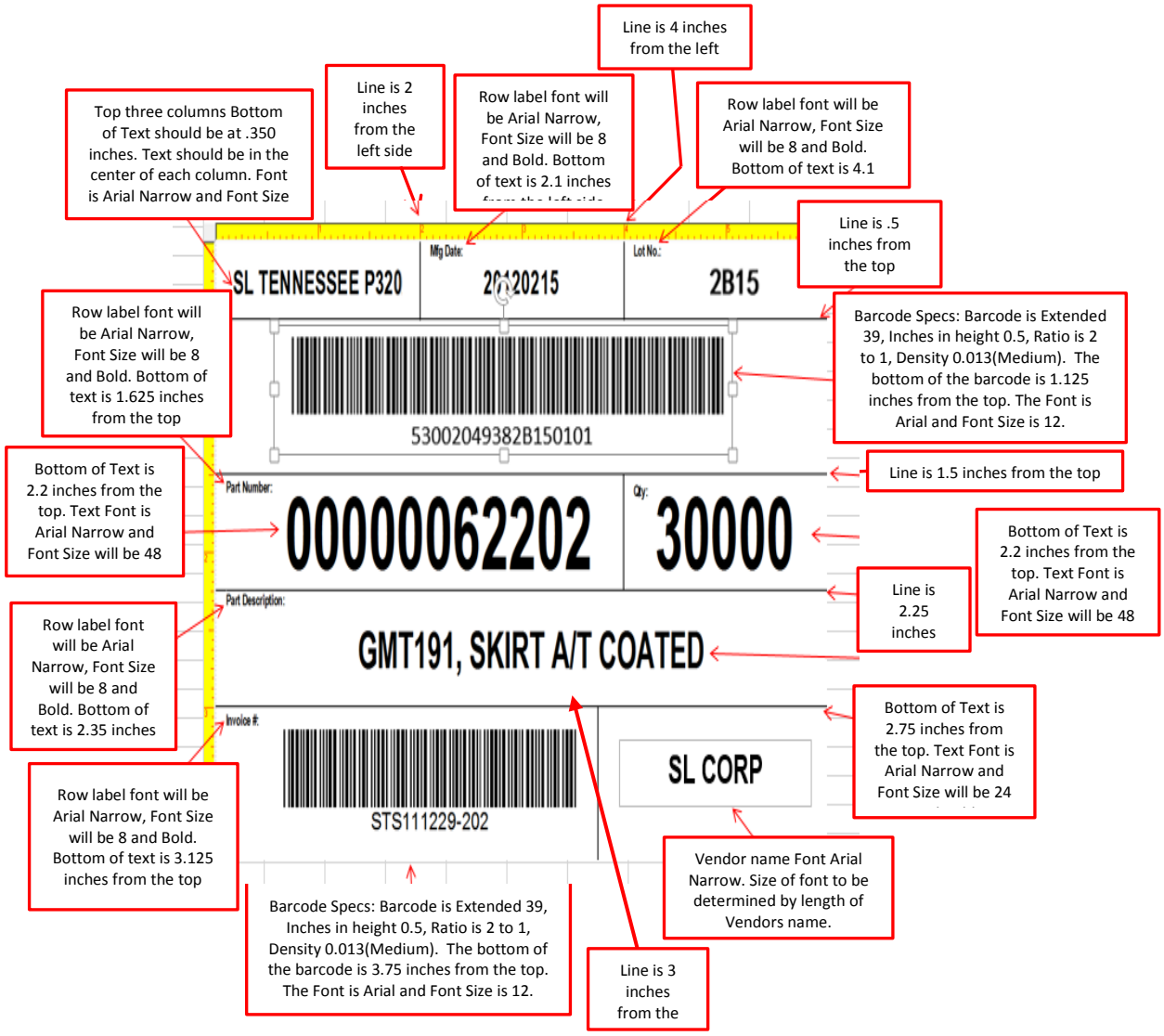
It is the responsibility of the supplier to provide uniquely barcoded container shipping labels that meet SL Tennessee's requirements as defined in the Barcode Label Requirements procedure.

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 SL Tennessee Supplier Quality Engineer.

- Once completed supplier shall submit example to their Supplier Quality Engineer for confirmation that the label works.





8.0 Record Retention

Supplier records shall be retained for the length of time required by the ISO 9001 / IATF 16949 standard and referenced AIAG documents. Suppliers shall have a procedure for record retention, which defines the retention period for all records (those referenced in ISO 9001 / IATF 16949 and other records generated by the supplier), as well as archive and disposal procedures.

Quality records shall be made available to SL Tennessee upon request.

9.0 Product Handling, Storage and Delivery

Suppliers shall establish, document and maintain procedures for handling, storage and delivery of product per ISO 9001 / IATF 16949 requirements. Suppliers shall also conform to any specific requirements documented on SL Tennessee's purchase order or drawing/engineering specification. SL Tennessee's specific requirements follow:

9.1 Handling

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

9.2 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 9001 / IATF 16949 requirements. Shelf life shall be monitored, as applicable, to ensure products shipped to SL Tennessee have greater than 50% of the original shelf life remaining, unless approved in advance by SL Tennessee Quality.

Shelf life expiration date and/or product manufacture date shall 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.

9.3 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 Tennessee 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 Tennessee on a FIFO basis.

All Suppliers shall use the SL Supplier Relationship Management (SRM) Portal for the communication of orders from SL to the Supplier and for uploading supplier Advance Shipping Notices (ASN). New Suppliers will be given a user name and password. For instructions on how to use the SRM system please contact the designated SL Tennessee Material Planner or go to the "SL Website (www.sl-america.com/supplier/chassis) for the Instruction Manual.

SL Tennessee will evaluate the Supplier's on time shipping delivery performance, ASN Accuracy, Receipt discrepancies and packaging and labeling errors via SRM. Each failure will directly affect the supplier's monthly performance reflect in loss of points on the monthly scorecard. The failure may also result in a Supplier Corrective Action Request (SCAR).

Failure to use SRM system will result in Supplier Corrective Action Request (SCAR) and points will be deducted from Supplier Scorecard

Suppliers shall notify SL Tennessee'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 Tennessee'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 the Supplier Relationship Management (SRM) Portal.

Over shipments may be rejected and returned at the supplier's expense, short shipments may require expedited shipments at the supplier's expense.

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

9.4 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 Tennessee 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.

Annually the Supplier shall submit to SL Tennessee the following:

1. 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)
2. 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)
3. 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 Department.

10.0 Prototype / Pre-Production Product

All prototype or pre-production product supplied to SL Tennessee 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 Tennessee at the time of order placement, or immediately following subsequent discovery of any discrepancy and request disposition.

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

11.0 Production Part Approval Process (PPAP)

All Submissions to SL Tennessee shall follow the guidelines detailed in the PPAP Requirements Manual. All PPAP documentation shall 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 may result in a Supplier Audit Corrective Action (ASCAR) and a $500 fine per week.

11.1 Mistake & Error Proofing

Mistake Proofing is the process of detecting known errors entering or attempting to leave the process. This is typically addressed with Sensor Mechanisms. Error Proofing is 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 early supplier involvement meetings 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.

The supplier shall document the verification of all mistake and error proofing devices at the beginning of each shift. The supplier should perform additional verification as prompted by downtime events, machine maintenance, or any other activity which could have compromised the mistake and error proofing devices. The verification of mistake and error proofing shall be included in the Control Plan. There supplier shall maintain a list off all mistake and error proofing device, their location and controls.

Mistake and error proofing Masters (red rabbits) are required to be clearly identified, calibrated, and tracked in the supplier's gage calibration or equivalent preventive maintenance system.

11.2 Key Product Characteristics (KPC)

A Key Product Characteristic (KPC) is a characteristic that is identified by our development team as critical to form, fit, function, or safety. A KPC will be identified with a unique symbol and/or number on the drawing. All KPC controls shall be submitted on the Special Characteristic & Communication Form (SCCAF) and approved by SL Tennessee Team.

KPC symbols / numbers are required to include on all process control documents, PFMEA, Control Plans, PFMEA, SCCAF, Operator Instructions, Inspection Sheets, etc. There shall be clear linkage from the drawing to the other inspection documents including Receiving.

All Key Product Characteristics (KPCs) require a Cpk study to be performed during development and submitted as part of the PPAP submission. A Cpk of 1.67 or greater, or Ppk of 1.33 or greater is required. All Safety Critical KPCs require a Cpk of 1.33 or greater. (Ref: Supplier PPAP Manual).

All KPC variable data shall be retained by the supplier and made available to SL Tennessee upon request. Variable data may also be required to be sent with each shipment as designated by SL Tennessee Development Team. Ongoing capability for all KPCs is required. Annual capability studies on all KPC are required to be performed during revalidation.

Any nonconforming KPC shipped to SL Tennessee will result in an immediate issuance of a Supplier Corrective Action Request (SCAR).

11.3 Special Characteristic & Communication Form (SCCAF)

Special Characteristic & Communication Form (SCCAF) is a document that is used to identify all Key Production Characteristics (KPC) / Special Characteristics.

The supplier shall submit a preliminary SCCAF to the SL Tennessee Supplier Quality Engineer prior to tools are kicked off. The initial SCCAF shall include the minimum information:

1. **Class**

   This is the KPC symbol and/or number designed on the drawing.

2. **Characteristic Description**

   Clear description of the part characteristics that is identified on the drawing.

3. **Specification / Tolerance**

4. **Inspection Location**

   All locations where the characteristic is verified.

5. **Control Measurement Method**

   The planned measuring method used for each inspection location. Measuring method might be different depending on the inspection location.

6. **Quantity**

   Quantity of parts for each inspection location. Must include cavities for example (2 parts per cavity)

7. **Frequency**

   Inspection frequency for each inspection location

8. **Characteristic No. (PFMEA / CP)**

This is characteristic number form the Process Flow, Control Plan and PFMEA. This may be left blank for the submission on the initial SCCAF submission but must be completed when submitted prior to PPAP.

9. PFMEA – RPN

Severity, Occurrence and Detection ratings from the PFMEA. This may be left blank for the submission on the initial SCCAF submission but must be completed when submitted prior to PPAP

Once initial SCCAF was approved, supplier is ready to kick off all tooling.

The supplier shall submit the updated SCCAF to the SL Tennessee Supplier Quality Engineer for final approval prior to PPAP. A copy of the approved SCCAF is required to be included in with the PPAP Package. The SCCAF shall match current drawing revision.

12.0 Material Reporting information

12.1 International Material Data System (IMDS) Requirements:

Every SL Tennessee 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 SL Tennessee. The IMDS module shall be submitted via the IMDS website (www.mdsystem.com) to SL Tennessee recipient code of **119519**.

All material and components shall be included in the submission. In addition, all plastic parts shall 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 shall 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 Tennessee.

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 Tennessee in a timely manner.

12.2 Conflict of Mineral Reporting

SL Tennessee is committed to sourcing components and materials from companies that share our values around human rights, ethics and environmental responsibility. SL Tennessee expects all of our suppliers to abide by the requirements of our Supplier Code of Conduct, which prohibits human rights abuses and unethical practices, and requires all suppliers to comply with applicable legal standards and requirements.

On August 22, 2012, the U.S. Securities and Exchange Commission (“SEC”) issued the final conflict minerals rule under Section 1502 the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Conflict Minerals Rule”). The Conflict Minerals Rule requires companies to report annually the presence of conflict minerals (tin, tungsten, tantalum and gold, or “3TG”) originating in the Democratic Republic of the Congo or adjoining countries (“Covered Countries”).

SL Tennessee supports the goal of ending violence, human rights violations and environmental devastation in the Covered Countries and is committed to complying with any requirements applicable to our Company under the Conflict Minerals Rule.

SL Tennessee will assist our suppliers in implementing their conflict minerals programs. SL Tennessee strives to work cooperatively with our customers and supply chain partners in implementing conflict minerals compliance programs.

SL Tennessee requires all of our suppliers to provide us with completed conflict minerals declarations using the EICC / GeSI Conflict Minerals Reporting Template where 3TG minerals are used. The template can be found on the SL America website under the Chassis supplier section. This form is to be completed annually starting from January 1st and completely turned in by March 1st. It is the duty of each supplier to be aware and responsible for where the minerals are coming from. Failure to comply with the request can result in the loss of potential or existing business.

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 Tennessee Supplier PPAP Manual*). Results shall be maintained by the supplier and shall be forwarded to SL Tennessee Supplier Quality Engineer. Annual Validation shall be determined by SL Tennessee as needed. HMMA Annual Validation requires Suppliers to submit revalidation data twice per year. SL Tennessee Supplier Quality Engineer will notify each Supplier if their parts that are required to meet this standard.

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 Tennessee.

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 Tennessee, 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 shall be approved in advance by SL Tennessee's designated QE and/or PPAP Analyst

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

15.0 Shipment Certification Requirements

SL Tennessee 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) shall 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 shall be submitted with each 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 Tennessee's designated Supplier Quality Engineer will review and approve all exceptions or clarifications to these requirements. The Launch Inspection sticker shall be completed with the date of the inspection and the name or initial of the inspector prior to placing the sticker on the box. Completing the sticker, signifies that Launch Inspection was performed.

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 Tennessee that they can stop launch inspection. Controls shall be documented on the Special Characteristic Approval Form (SCAF).

Failure to comply with these Launch Inspection requirements will result in SL Tennessee issuing a Supplier Corrective Action Request (SCAR) to correct the issue.

The supplier may contact the appropriate SL Tennessee Supplier Quality Engineer 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 Tennessee Supplier Quality Engineer. The SL Tennessee Supplier Quality Engineer 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 Supplier Quality Engineer will provide the supplier with new exit criteria. Once the supplier has successfully met 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 shall be clearly identified with SL Tennessee'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 Supplier Quality Engineer or on line at: http://www.sl-america.com supplier chassis portal.

Notice should be sent to SL Tennessee's Supplier Quality Engineer with Breakpoint lot information and expected first delivery date.

15.3 On-Going Shipment Certification

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

The supplier shall provide data at the request of SL Tennessee 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 Tennessee requires that suppliers formally notify the affected SL Tennessee 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 Tennessee 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.

The supplier shall include the customer notification of the shipment of suspect or nonconforming product in their documented nonconformance product process.

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 Tennessee's goal is to eliminate such actions.

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

In all cases, rework shall be approved in advance by SL Tennessee via a Supplier Request for Engineering Approval (SREA) process (see Section 15.0). The SREA shall 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 Tennessee as part of the PPAP process. As such, all PPAP documentation shall 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 Tennessee.

18.0 Returned Product Analysis

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

Suppliers shall submit corrective actions for any defects discovered during analysis to SL Tennessee's designated Supplier Quality Engineer (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 Tennessee 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 Tennessee prior to any debit memos being issued. Supplier approval/dispute response to chargeback requests from SL Tennessee plants is required within 3 business days of notice.

SL Tennessee reserves the right to kick off internal or 3rd party sorting to keep production from shutting down. Alternative measures are acceptable if options meet SL Tennessee expectations.

Any supplier disputes shall 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) / Process Control Plan Audits

A Production Run @ Rate shall 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 shall be conducted to ensure that new components meet SL Tennessee'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. Run@Rate may be witnessed by SL Tennessee personnel, or performed by the supplier with results submitted to SL Tennessee. 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 Tennessee's designated Launch Engineer. Additionally, SL Tennessee may also elect to conduct a Process Control Plan Audit of critical components at the supplier's facility. Suppliers will be notified in advance of this requirement and will be provided with a self-assessment in order to prepare for the review.

20.0 Supplier Quality Management System (Sub-supplier controls)

Suppliers are required to have a documented supplier management process that details how the supplier manages their suppliers. The supplier shall retain documented information of these activities as objective evidence.

20.1 Supplier selection

The documented Supplier Management process shall include specific supplier selection criteria including but not limited to:

- Supplier risk assessment
- Review of quality and delivery performance
- Assessment of the supplier's Quality Management System. (This could be
- Evaluation of multidisciplinary decision making
- Evaluation of software development capabilities if applicable

20.2 Supplier risk

The documented supplier risk management process shall include:

- The identification of supplier risk including categories of risk and evaluation of risks that is performed at a minimum of annually.
- Documented additional controls for high risk suppliers.

20.3 Supplier Evaluation

The supplier shall have a documented process for the evaluation of their suppliers on an ongoing basis. At a minimum the process shall include:

- Selected criteria including quality performance, delivery performance, corrective action timeless, etc.
- Notification of the supplier's performance
- Corrective actions as required for low performance
- Escalation process for repeated low performance.

20.4 Supplier PPAP Approval Process

The supplier shall have a documented process in place for ensuring that their suppliers meet AIAG PPAP requirements. At a minimum, the process shall include:

- Clear linkage to detailed Process Flow Diagram, Control Plan and PFMEA
- All requirement PPAP elements per AIAG PPAP requirements
- Evidence of follow up and development of PPAP requirements

20.5 Supplier on site audits

The supplier shall have a documented process in place for auditing of their suppliers. At a minimum this process shall include:

- A defined frequency of supplier audit requirements
- A defined format for documenting audit results
- Audit scoring process
- Issuing corrective actions to the supplier as a result of audit findings.

Auditors that perform supplier audits are considered second-party auditors. Second-party auditors shall demonstrate competency of the same requirements that internal auditor requirements.

20.6 Supplier Corrective Actions

The supplier shall have a documented process in place for issuing supplier corrective actions. At a minimum this process shall include:

- Issuing corrective actions to the supplier as appropriate for Quality performance, Delivery performance, Supplier Audit findings and Supplier evaluation (scorecard) results
- Root cause analysis performed by the supplier for corrective actions
- Verification and validation of corrective actions
- Tacking of supplier corrective action status

21.0 Supplier Corrective Actions

Suppliers shall maintain a system for corrective action of quality concerns. A visual board is required that tracks at a minimum internal and external issues and monitors progress. A daily meeting is required to be held to review the status. Exit criteria for each gate shall be defined criteria required and appropriate timing for closure prior to moving to the next gate.

At a minimum the visual tracking board shall include:

- Containment activities
- Completion of root cause analysis
- Tracking of corrective actions

- Verification of the completion of all correction actions including all documentation (standard work, Control Plan, PFMEA, ext.)

- Validation

The supplier shall document their corrective action process and have designated criteria for initiating formal corrective actions for both internal and external concerns. The supplier shall also have am established root cause analysis methodology that is used plant wide.

21.1 Supplier Corrective Action Request (SCAR)

SL Tennessee will use a Supplier corrective action or (SCAR). This request will come from the suppliers Supplier Quality Engineer or Quality Engineer representative. The response from supplier shall include a multi-disciplined problem solving methodology (8D Report*) including follow-up of corrective action implementation and effectiveness.

SL Tennessee 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 Tennessee and/or SL Tennessee 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 Tennessee 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 Tennessee's designated Supplier Quality Engineer detailing the following:

- Containment actions (at supplier and SL Tennessee) (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 Tennessee's designated Supplier Quality Engineer 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 Tennessee designated Supplier Quality Engineer:

- Permanent Corrective action implementation
- Error Proofing / Detection
- Corrective action to be verified by SL Tennessee Supplier Quality Engineer / Quality Engineer
- Updated PFEMA 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 Tennessee's designated Supplier Quality Engineer detailing the following:

- SL Tennessee Supplier Quality Engineer 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 Tennessee's designated Supplier Quality Engineer shall 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, shall be submitted to SL Tennessee's designated Supplier Quality Engineer as agreed between the suppliers and designated Supplier Quality Engineer / Quality Engineer 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 Tennessee's designated Supplier Quality Engineer. Continued failure to resolve or respond to defective material will result in monetary penalty issued by SL Tennessee's Supplier Quality Engineer to protect the initiative for zero defect products.

21.2 Containment Actions

Defect containment by the supplier at SL Tennessee's locations is expected within 24 hours (i.e. on-site sorting) wherever possible. This is to be coordinated with SL Tennessee's designated Supplier Quality Engineer.

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 Tennessee's designated Supplier Quality Engineer and alternate actions taken. Replacement material requirements are to be coordinated with the SL Tennessee Material Planning department.

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

SL Tennessee's designated Supplier Quality Engineer will review and approve closure of all Corrective Actions. SL Tennessee'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.

21.3 Audit Supplier Corrective Action Request (ASCAR)

If a nonconformance is found during an on-site audit, SL Tennessee will issue an Audit Supplier Corrective Action Request (ASCAR). The supplier is required to submit their initial response to SL Tennessee no later than the assigned initial response due date. Failure to submit the initial ASCAR response within 14 days of the due date will be result in a reduction in quarterly scorecard rating. Failure to submit the initial ASCAR response within 30 days of due date may result in a $500 late fee charged, per week, until initial response is received.

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. ASCARs submitted without root cause analysis (5 Whys) will be automatically rejected.

2. Documented Corrective Action Implementation Plan.

- Address the system failure
- This should include actual document names and document numbers that are to be updated
- The Responsible person for implementing each action
- The Planned Completion Date

The appropriate Supplier Quality Engineer 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 Tennessee Supplier Quality Engineer updates on ASCAR status and evidence of the ASCAR corrective action closure.

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 Supplier Quality Engineer for closure. Evidence may include:

- Documented procedures
- Pictures of corrective action
- APQP Documents (Process Flow, Control Plans and PFMEA)

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

It is the Suppliers responsibly to keep SL Tennessee appraised on the status of all ASCARs. Suppliers will be scored quarterly for ASCAR initial response and closure. Significant progress shall be demonstrated toward approval and ultimate closure of all ASCARs. The supplier will be subjected to a $500 late fee per week for not demonstrating progress towards completing ASCARs.

22.0 Supplier CS1/CS2 Containment and Phase Review Program

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

22.1 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.

22.2 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 Tennessee. 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 Tennessee's designated Supplier Quality Engineer.

These additional containment measures are intended to be interim steps to ensure conforming product is shipped to SL Tennessee. 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 Tennessee's designated Supplier Quality Engineer.

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

In addition, SL Tennessee 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.

23.0 Supplier Ratings

Suppliers will be rated monthly on the basis of their ongoing delivery performance, supply chain performance, quality performance, documentation and corrective actions to SL Tennessee Chassis.

This monthly scorecard will be distributed to one (1) member of the supplier's team designed on the signed agreement form (Section 30.0 Supplier Agreement and Sign off).

Overall Supplier Score	Scorecard Rating
80% - 100%	Supplier Meets Requirements – Green.
79% - 69%	Supplier Needs Improvement.
Below 69%	Supplier is un-source able 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. Supplier conference calls will be schedule at a minimum of monthly until Supplier performance improves.

Suppliers can be placed in the Critical Risk category if the scorecard rating fall below 60 percent for or if suppliers score below 70% thee (3) times in a rolling twelve month period. Supplier Quality will review year-to-date supplier ratings every month and update supplier status accordingly based upon these ratings and criteria. (Reference 29.4 Critical Supplier Status for critical risk details)

Supplier may put on new business hold for the poor supplier ratings if they do not successfully complete the Critical Supplier Program.

23.1 On Time Shipping / Delivery

Suppliers shall be rated for their ability to ship according to their schedule in Supplier Relationship Management (SRM) portal. Rating will be determined by the timeliness of shipment of the delivery to the SRM schedule.

On Time delivery is weighted at 5% of the total score. Delivery performance is affected by early or late shipments, each individual occurrence results in a 1 point loss in overall delivery performance.

On Time Delivery Score	Scorecard Rating
100%	5%
95% - 99%	4%
90% - 94%	3%
85% - 89%	2%
80% - 84%	1%
Below 80%	0%

23.2 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 5% of the overall Scorecard score.

The following rating will be assessed based on the Premium Freight amount:

Premium Freight	Scorecard Rating
$0	5%
$1 - $250	4%
$251 - $500	3%
$501 - $750	2%
$751 - $999	1%
$1000 or above	0%

23.3 Advanced Shipping Notice (ASN) Accuracy

Each shipment submitted by the supplier in the Supplier Relationship Management (SRM) portal is required to have an ASN submitted. Failure to submit ASNs, late ASNs submissions or incorrect ASN information will result

in 10 point deduction in the ASN accuracy score. An ASN issue may result in a Supplier Corrective Action Request (SCAR) being issued. ASN accuracy is weighted 5% of the overall Scorecard score.

The following rating will be assessed based on the ASN Accuracy amount:

ASN Accuracy	Scorecard Rating
100%	5%
95% - 99%	4%
90% - 94%	3%
85% - 89%	2%
80% - 84%	1%
Below 80%	0%

23.4 Receiving Discrepancies

Any receipt of product that does not match the ASN quantity will be penalized in the Supplier's monthly scorecard. Over and under quantities are both treated as receiving discrepancies. Any issue may result in a Supplier Corrective Action Request (SCAR) being issued. Receiving discrepancies is weighted 5% of the overall Scorecard score.

Receiving Discrepancies	Scorecard Rating
0	5%
1	4%
2	3%
3	2%
4	1%
5 and Over	0%

23.5 Packaging & Labeling

Any receipt of product that meet packaging & labeling requirements will be penalized in the Supplier's monthly scorecard. Shipping in nonstandard containers or incorrect labels, missing labels or misidentified containers are treated as failures. Any issue may result in a Supplier Corrective Action Request (SCAR) being issued. Receiving discrepancies is weighted 5% of the overall Scorecard score.

Packaging & Labeling	Scorecard Rating
0	5%
1	4%
2	3%
3	2%
4	1%
5 and Over	0%

23.6 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 X 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
1901 – 2100	5
2101 – 2300	4
2301 – 2500	3
2501 – 2700	2
2701 – 2900	1
2901 or Above	0

23.7 Quality Assurance Cost

Quality Assurance Cost is defined as sort and rework cost incurred by SL Tennessee for nonconforming and/or suspect parts. Rework cost is based on Rework hours + the cost of the part being reworked. 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 - $100	10%
$101 - $200	9%
$201 - $300	8%
$301 - $400	7%
$401 - $500	6%
$501 - $600	5%
$601 - $700	4%
$701 - $800	3%
$801 - $900	2%
$901 - $1000	1%
$1001 and Over	0%

23.8 Required documentation

It is very important that supplier's documentation is kept current. It is the supplier's responsibility to ensure the SL Tennessee 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:

- IATF 16949 Certification or ISO-9001 Certification. If the
- ISO-14001 Certification
- All Applicable Annual CQI Assessment results (Reference: Section 3.3 CQI Assessments)

- NAFTA / Country or Origin Documentation
- Conflict minerals declaration (Reference Section 12.2 Conflict of Mineral Reporting)
- Signed copy of the Supplier Agreement and Sign off for the current revision of the Supplier Requirements Manual

To calculate the required documentation score:

No of late / Missing Documentation	Scorecard Rating
0	10%
1	8%
2	6%
3	4%
4	2%
5	0%

If the supplier's IATF-16949 or ISO-9001 certifications have expired, it is an automatic 6% deduction.

23.9 SCAR Corrective Action

The SCAR Corrective Action Score is separated into 3 sections: The total number of SCARs issued to the supplier in a month, the Average Initial Response Time and the Average Response Time for closure. The overall SCAR Correction Action score is weighted 15% of the overall Scorecard score.

1. Number of SCARs

The following rating will be assessed based on the number of SCARs that are issued to the supplier in a month. The weighted score of number of SCARs is 5%

No. of SCARs	Number of Points
0	5%
1	3%
2	1%
3 and Over	0%

2. SCAR Initial Response Time

The following rating will be assessed based on the average number of days for the SCAR initial response to be approved. This does not indicate that all corrective actions on SCAR are closed. The root cause analysis and corrective action plan must be approved. It is the suppliers responsible to communicate when additional timing is required to complete the root cause analysis. Significant progress shall be evident in order to receive full points. The Initial Response is weighted 5%.

SCAR 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%

3. SCAR Average Close Time

The Average Response Time is calculated by adding the total number of days each SCAR is opened and taking an average of all the open SCARs. The following rating will be assessed based on the average number of days it takes to close a SCAR. The weighted score of SCAR Average Response Time is 5%

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%

23.10 Supplier Audit Score

The last Supplier Audit Score will be weighted 15% of the overall Scorecard score.

Audit Score	Number of Points
100% - 98%	15
97% - 96%	14
95% - 94%	13
93% - 92%	12
91% - 90%	11
89% - 88%	10
87% - 86%	9
85% - 84%	8
83% - 82%	7
81% - 80%	6
79% - 78%	5
77% - 76%	4
75% - 74%	3
73% - 72%	2
71% - 70%	1
69% or Below	0

23.11 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.

1. SCAR Initial Response Time

The following rating will be assessed based on the average number of days for the ASCAR initial response to be approved. This does not indicate that all corrective actions on ASCAR are closed. The root cause analysis and corrective action plan must be approved. It is the suppliers responsible to communicate when additional timing is required to complete the root cause analysis. Significant progress shall be evident in order to receive full points. The Initial Response is weighted 5%.

ASCAR Initial Response Time	Scorecard Rating
14 days or less	5%
15 – 17 days	4%
18 - 20 days	3%
21 – 25 days	2%
26 – 29 days	1%
30 and Over	0%

2. ASCAR Average Close Time

The Average Response Time is calculated by adding the total number of days each SCAR is opened and taking an average of all the open ASCARs. The following rating will be assessed based on the average number of days it takes to close an ASCAR. The weighted score of SCAR Average Response Time is 5%

Average Response Time	Scorecard Rating
40 days or Less	5%
41 – 50 days	4%
51 – 60 days	3%
61 – 70 days	2%
71 – 80 day	1%
Over 81 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. Supplier Quality will review year-to-date supplier ratings every month and update supplier status accordingly based upon these ratings and criteria.

Suppliers can be placed in the Critical Risk category if the scorecard rating fall below 60 percent for or if suppliers score below 70% 3 times in a rolling twelve month period. Supplier Quality will review year-to-date supplier ratings every month and update supplier status accordingly based upon these ratings and criteria. (Reference 29.4 Critical Supplier Status for critical risk details)

Suppliers are encouraged to review monthly ratings for accuracy and resolve any disputes with the responsible SL Tennessee plant. Any disputes which cannot be resolved with the plant shall be elevated to SL Tennessee Supplier Quality for final arbitration.

24.0 Access to Facilities and Records

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

25.0 Tooling Development Approval / Payment Requirements

SL Tennessee Development Team 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 Tennessee 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.

25.1 Tool Loan Agreement

In cases where SL Tennessee owned tooling is subcontracted out to a supplier for manufacturing a tool loan agreement is required. This document is controlled by SL Tennessee 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.

25.2 Tooling Identification Tags

The Supplier is required to apply an identification tag for all customers 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 shall contact the appropriate SL Tennessee 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.

26.0 VA/VE Requirements

SL Tennessee 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 Tennessee. Proposals are to be received by November 1st of each year. If these proposals are accepted by the customer or internally at SL Tennessee the savings will be shared 50/50 with supplier. Failure to comply could result in loss of privilege to bid on new projects.

27.0 Value Stream Mapping

For a full understanding of the supply chain, each supplier and SL Tennessee 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.

28.0 Supplier Risk Assessment

SL Tennessee 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 the following categories:

- Scorecard performance for the last 12 months
- Supplier Audit Score
- New product that is in the Launch phase
- New suppliers

28.1 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%
- No upcoming program launches
- Been a supplier for longer than one (1) year.

In order to be a low risk supplier both the scorecard and audit criteria shall be met. If a supplier is deemed a low risk supplier, at a minimum, SL Tennessee will perform an on-site audit every 4 years.

28.2 Medium Risk Supplier

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

- Supplier has just launch new product and all product is current production.
- The on-site Supplier Audit score is above 70%

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 Tennessee will continue to monitor their performance and may perform an onsite Suppler Quality Audit.

28.3 High Risk Supplier

The following criteria is used to deem a supplier to be high risk:

- New supplier automatically considered high risk for 1 year after Start of Production
- Supplier launching new product
- The average of all scorecards for the year is below 80%.
- The on-site Supplier Audit score is less than 70%

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

- On-site Supplier Quality Audit at minimum of every 18 months
- At a minimum of monthly, SL Tennessee will require a conference call to review all open issues including but not limited to:
    - Open SCARs
    - Open ASCAR
    - PPAP concerns, etc.

- Capacity issues

The monthly conference calls will be documented.

28.4 Critical Supplier Status

A supplier placed in the Critical Status:

- Scorecard rating of below 80%, three (3) times in a rolling 12 month period
- Scorecard rating of below 60% for one (1) month
- Supplier Quality Audit Score below 60%

The following Controls will be placed on the Supplier when moved into the Critical Status:

- The Supplier's Management shall develop and present an improvement plan to SL Tennessee Supplier Assessment Team (SAT) which will approve or reject the plan. This presentation should be made at the SL Tennessee facility.
- Weekly Conference calls. These calls will be documented
- Audit performed at the Supplier's location. This audit may be a Supplier Quality Audit or a Process Control Plan Audit. The cost of the travel to the supplier location to perform the audit may be charged back to the supplier.

In order for a supplier to return to their original risk assessment status, the supplier shall complete the following:

- Three (3) connective scorecards with a score of 80% or above
- All ASCARs are closed, verified and validated
- Supplier Improvement Plan actions have been verified as completed.

Once the supplier has completed the all above requirements, the supplier will return to their original risk assessment status and will follow designated controls.

Failure to make the required improvement while the supplier is in the "Critical Status", SL Tennessee Management may place the supplier on New Business Hold.

29.0 Supplier Agreement and Sign off

Indicate Designated Supplier Scorecard Recipient that will be responsible for receiving and communicate the Monthly Supplier Scorecard here:

Name (Print)	Title	E-mail Address

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 form to their designated SL Tennessee Quality Contact. If the signed acknowledgement of SL Tennessee requirements is not returned in a timely manner, the supplier will be deducted points on their monthly scorecard and in some cases may be placed in Critical Status.

(Print) Quality Manager	Date	(Print) Customer Service	Date
(Sign) Quality Manager	Date	(Sign) Customer Service	Date