# SUPPLIER REQUIREMENTS MANUAL

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## *1.0 OVERVIEW*

### 1.1 Purpose of this Manual

The purpose of this manual is to communicate our requirements and expectations to our suppliers. This drive for excellence, in conjunction with a close working relationship, will enable us both to continuously improve and become leaders in a world class supply base. Our joint goal must be the delight of all our customers.

### 1.2 Area of Application

The supplier shall carefully read this document and ensure that he fully understands its content and have clarified all issues with WEGU.

In addition to the conditions of this Supplier Requirements Manual, WEGU expects that the supplier expressly warrants that all contracted products and services shall conform to and satisfy the drawing, specifications, samples and other descriptions furnished, specified or approved by WEGU as well as applicable logistic planning, safety and environmental rules or regulations applicable to the geographical location of the supplier manufacturing site.

WEGU acknowledges its social responsibility in the global marketplace which demands adherence to principles that protect the well-being of employees throughout our Supply Chain. These principles apply to all suppliers and cover the following:

### 1.3 Conflict materials:

- Awareness relative to human rights abuses.

### 1.4 Human rights:

- No forced or compulsory labor,
- No child labor,
- No Harassment and discrimination,
- Freedom of association,
- Working conditions:

### 1.5 Health & Safety protection

- Reasonable compensation,

- Reasonable working hours.

## 1.6 Environment:

- Environmental laws and regulations compliance,
- Environmentally friendly technologies promotion.

## 1.7 Corruption and Ethics:

- No conflict between personal and corporate interests,
- No bribery and extortion,
- Laws and regulations compliance.

## 1.8 Precedence

If there are differences between the requirements of this SRM and any other document, the order of precedence of the documents is as follows:

- The purchase order,
- The component specifications / drawings,
- This SRM,
- Standards, which are referred to in this SRM.

## 1.9 The revision of the specifications / drawings, that was valid when the individual order was placed, will be the valid version when determining the quality requirements of the components.

## 1.10 Acronyms

| | |
|---|---|
| SRM: | Supplier Requirements Manual |
| AIAG: | Automotive Industry Action Group |
| APQP: | Advanced Product Quality Planning |
| PPAP: | Production Part Approval Process |
| DFMEA: | Design-Potential Failure Mode and Effects Analysis |
| | MSA-Measurement System Analysis |
| DFMEA: | Design-Potential Failure Mode and Effects Analysis |
| PFD | Process Flow Diagram |
| SPC: | Statistical Process Control |
| QMS: | Quality Management System |
| SPDP: | Supplier Performance Development Process |
| SCAR: | Supplier Corrective Action Request |
| MQR: | Management Quality Review |
| QAP: | Supplier Quality Action Plan |
| KCC: | Key Control Characteristic |
| KPC: | Key Product Characteristic |

CI: Continuous improvement
CSR: Customer specific requirements

## *2.0 QUALITY SYSTEM REQUIREMENTS*

### 2.1 Quality Management System

Suppliers are expected to implement a robust Quality Management System (QMS) that promotes defect free products through prevention, monitoring, and ongoing improvement. **When referring to a standard (ISO/TS) or an AIAG manual, it is the responsibility of the supplier to ensure that he is using the latest version.**

WEGU prefers certification to ISO/TS 16949 for its suppliers but will accept certification to ISO 9001 in conjunction with WEGU specific requirements for its critical suppliers. External laboratories must be certified to ISO/IEC 17025 or to an equivalent standard according to customer's requirements. WEGU strongly encourages its suppliers to become certified to ISO/TS 16949 and may strategically require TS certification in the future.

**When requested, suppliers shall submit, to WEGU, their annual dimensional layout to fully meet this specific requirement.** Suppliers registered to ISO or TS must immediately notify WEGU should certificates be revoked or placed on probation. Suppliers must also notify WEGU if they plan to change registrars.

Suppliers must provide WEGU with a copy of the registration certificate for any amendments or renewals to the Quality Management System certification.

Suppliers are expected to be familiar with current Automotive Industry Action Group (AIAG) manuals:

- Advanced Product Quality Planning and Control Plan (APQP)
- Production Part Approval Process (PPAP)
- Failure Modes and Effect Analysis (FMEA)
- Measurement System Analysis (MSA)
- Statistical Process Control (SPC)
- CQI-9 / Special Process: Heat R-Treat System Assessment (when applicable)
- CQI-11 / Special Process: Plating System Assessment (when applicable)
- CQI-12 / Special Process: Coating System Assessment (when applicable)
- CQI-23 /Special Process: Molding System Assessment (when applicable)

## 2.2 Supply Chain Expectations

To ensure the quality of the parts shipped, it is necessary to have systems in place to manage the parts and material received from the next tier level suppliers. Essentially, the same requirements you have received from us are expected to cascade down to your supply base. It is your responsibility to ensure that the parts / materials received from your suppliers meet all necessary requirements.

Requirements include certified material test results for initial submission. Suppliers certified as per ISO 9001 must have their material tested in an ISO/IEC 17025 certified laboratory. Suppliers certified as per ISO/TS 16949 can provide their own certified results but shall have a defined scope that include their capability to perform the required inspection, test or calibration service. Their management system shall have adequate requirements such as: procedures, competent personnel, product testing, and equipment traceable to relevant standards.

*WEGU, its divisions and subsidiaries, consider that environmental protection is in accordance with the values of the company.*

*Regarding environmental issues WEGU is committed to respect laws, regulations and other requirements applicable to its operations. On a yearly basis, WEGU will monitor the impact of its operations, establish objectives of continual improvement and prevention of pollution and will promote their achievement.*

*WEGU intends to continue to be a good corporate citizen by respecting the health and quality of life of its employees and of the general population, while taking into consideration the environment in which they evolve.*

*In order to make sure that these standards are met, we encourage our supply base to strive towards ISO-14001 certification.*

## 2.3 Communication

The supplier is required to submit the ‘’Supplier Contact List’’ (appendix 1), including emergency contacts. In addition, an organizational chart must be attached to the ‘’Supplier Contact List’’ and sent to WEGU Purchasing Contacts. If any changes are made within the supplier’s organization, revised documents must be sent to WEGU Purchasing.

The supplier must also behave proactively by notifying WEGU team of any deviation or risk of not meeting the following requirements and participate with WEGU at providing appropriate action plan and corrections:

- Plant certification,
- Quality documentation and testing,

- Production capacity,
- Logistic requirements.

## 2.4 Confidentiality

Suppliers shall maintain confidentiality of WEGU products and information as documented in WEGU contracts.

## 2.5 Audits Performed by WEGU

Representatives of WEGU or its customers are entitled to visit the supplier's processing and assembly facilities after notification and to conduct audits on the basis of the IATF16949 standard or for process or products audits. This may also include the supplier's sub suppliers. The supplier shall provide the necessary resources for the performance of this task. The supplier is, however, not obligated to reveal any proprietary information without a mutual non-disclosure obligation. Already available audits reports, which are based on the above-mentioned standards, will be used to the greatest extent, where deemed practical.

# *3.0 SUPPLIER PERFORMANCE DEVELOPMENT*

## 3.1 Advanced Production Quality Planning

Advanced Production Quality Planning (APQP) has become the industry standard by which new products are introduced into the automotive market. APQP will be the tool used to monitor launch activities for all suppliers.

The APQP is a structured process that defines and establishes the necessary steps to ensure product meets customer requirements. Its purpose is to communicate the requirements necessary to develop the product quality plan. The Supplier Top Management support is a key element to the success of the APQP process.

The supplier will be notified of which parts will be required for APQP tracking. Program Kick-off meeting may be held to further communicate launch requirements. Your Quality Contact will be the main APQP link throughout the launch.

You will receive specific instructions from the WEGU Quality Contact, as to which sections of the APQP you need to submit through the APQP Timing Plan. The following are the main requirements:

- Supplier Technical Review,
- Supplier Program Review (Program Kick-off, Mid Program Review, PPAP Preparation);

- DFMEA if design responsible,
- PFD,
- PFMEA,
- Control Plan,
- PPAP submission,
- Run @ Rate,
- Early Production Containment.

### 3.1.1 Supplier Technical Review

The Technical Review is a pre-sourcing activity, which can include a meeting with the potential supplier invited by the Engineering, Purchasing or Quality Representatives. WEGU participants in the meeting may also include, aside from the above, the Logistic and Purchasing Representatives with representation from other functions as appropriate. The purpose of this review is to ensure that all requirements have been understood and that the supplier has the potential to produce parts meeting WEGU expectations; manufacturability of the part, including timing, design, manufacturing capability, packaging, etc.

#### 3.1.1.1 Supplier Assessment

A supplier assessment is used by WEGU, when appropriate, to verify that the supplier has adequate quality and business systems in place to meet the requirements of WEGU, prior to making a sourcing decision.
It may be conducted at a supplier that is new to WEGU, or where an existing supplier is making a different product / technology or using a new process. WEGU may elect to have supplier perform a self-assessment and send to WEGU

### 3.1.2 Supplier Program Review

The supplier Program Review is a review, by a multifunctional team, of the design and the manufacturing process necessary to produce the part. The supplier should schedule and conduct working sessions to plan how to achieve process capability. The supplier must use data from drawings, experiments, capability studies, FMEA, etc, to identify characteristics that will require controls, to establish capable measurements systems and to determine gaps between the desired and actual results. AIAG checklist may be required as appropriate.

The WEGU Engineering, Purchasing or Quality Representative may hold reviews with the supplier at:

- Program Kick off,
- Mid Program,
- PPAP Preparation.

#### 3.1.2.1 APQP Timing Plan and Open Issues List

The Timing Chart and Open Issues List are the documents that the supplier will use to track the part during the advanced quality planning stage, and this is what will be reviewed by WEGU Quality Contact at the technical review, program review or at other frequencies when needed. Suppliers are expected to complete these on all new parts they have with WEGU. The supplier develops updates and reviews timing and open issues on an ongoing basis, to ensure that the program remains on track. The supplier is responsible to maintain the status and progress for all items listed on the APQP Timing Chart, with supporting details behind each step. When issues occur, the supplier should develop action plans to resolve the problems and proactively contact their Quality Representative.

### 3.1.3 DFMEA

If WEGU is design responsible, the supplier needs to ensure that they receive a copy of the DFMEA as an input into their PFMEA development. From their review of the DFMEA, the supplier should communicate any concerns, input or lessons learned back to WEGU.

If the supplier is design responsible, they must develop a DFMEA as per AIAG, PPAP or in the customer specific format and use this as an input into the PFMEA development.

The DFMEA is a living document that is initiated before or at design concept and is continually updated as changes occur, or additional information is obtained throughout the phases of product development. It supports the design process in reducing the risk of failure by:

- Aiding in the evaluation of design for manufacturing (DFM),
- Increasing the probability that potential failure modes have been considered,
- Establishing a priority system for design improvements.

### 3.1.4 Process Flow Diagram

The purpose of the flow diagram is to provide a logical pictorial representation of the entire manufacturing process flow (dock to dock) that can be used as the foundation of the PFMEA, control plan, workstation layout, etc. Supplier

develops updates and reviews the flow diagram during various phases of the APQP process as per AIAG, PPAP or in the customer specific format. As the process changes, the suppliers must maintain updates to the flowchart.

### 3.1.5 PFMEA

The purpose of the PFMEA is to ensure that potential failure modes of the process have been considered and addressed. It is a living document that must be developed, maintained and utilized for every new part. When preparing a PFMEA, inputs form a multi-disciplinary team (manufacturing, materials, engineering, quality, logistics, sub-suppliers, etc) should be used. The PFMEA should comprehend the inputs taken from the DFMEA. The supplier should develop and implement RPN reduction plans and strive to continuously reduce RPN using error proofing and defect detection. The supplier must ensure that the current process controls and results of the recommended action on the PFMEA are listed on the control plan. The DFMEA, PFMEA, Control Plan and PFD must correlate (refer to AIAG).

### 3.1.6 Control Plan

The purpose of the control plan is to define the methods used to control all customer design characteristics, particularly KPC's, KCC's and other special characteristics.
The PFMEA and statistical data are used to determine which steps require additional controls. The supplier builds the required control into the manufacturing process and quality systems. When updating a control plan, this should be done in conjunction with the PFMEA and PFD. The control plan is a living document and should be revised to reflect changes as they occur during the production life cycle (refer to AIAG).

### 3.1.7 PPAP

The purpose of the product part approval is to demonstrate whether all design records and specification requirements are properly understood by the supplier and that the process has the potential to manufacture products meeting these requirements through a limited production run. The supplier should follow AIAG PPAP submission requirements (or customer specific format) and work with their Quality Contact to obtain a full PPAP approval on time. The PPAP must be submitted in the customer's format as instructed by the Quality Contact and neatly organized in a manner that is easy to understand that allows for efficient customer review.

The standard PPAP submission level is 3 or as requested by your Quality Representative. Changes or modifications to an approved PPAP must be addressed through the Supplier Change Request (SCR) process.

### 3.1.8 Run @ Rate

The purpose of the Run @ Rate is to verify that the supplier's actual manufacturing process is capable of producing components that meet:

- WEGU's on-going quality requirements, as stated in the PPAP,
- Quoted tool capacity,
- WEGU daily volume requirement.

After PPAP approval and prior to production acceleration, the supplier must complete, when requested by the Quality Contact, a run at rate. This activity may be monitored by WEGU at the customer site and the data generated by the run at rate must be provided to the Quality Contact for review and approval.

The documents, details and duration of the run at rate will be communicated, as well, by the Quality Contact.

The quality and quantity of parts produced will be used to determine whether the run at rate passes, fails or has open issues.

### 3.1.9 Early Production Containment

The Quality Representative will notify the supplier of Early Production Containment requirements. The purpose of Early Production Containment is to establish a containment plan to be used during start-up and ramp-up so that any quality issues are quickly identified and contained at the supplier's facility, thus protecting WEGU and our customers. This containment may be also required for changes made to existing products for a determined time frame as established by WEGU Quality Representative.

The Early Production Containment requires a Pre-Launch Control Plan that should take into consideration all known critical conditions of the part in the control plan as well as potential areas of concerns in the supplier's process identified during the product part approval and start of production process.

## *4.0 CHANGE MANAGEMENT*

### 4.1 Supplier Change Request

Changes having an impact on the design, process, tooling, material, component, packaging, component suppliers or facilities must be communicated to WEGU Quality Contact and written authorization must be received prior to implementation. The supplier will use the "Supplier Change Request" form

(appendix 2) to communicate the changes.

Delivery of parts with changed material must not start prior to a written approval from WEGU. The supplier shall identify the first shipment including the change with proper identification, mutually agreed upon between the supplier and WEGU.

### 4.1.1 Unauthorized Change

Any unauthorized changes, to a product or the process used to produce a product that has been previously PPAP approved by WEGU, without prior written approval by WEGU would not only constitute a breach of our purchase order terms and conditions but would also be a serious breach of standard automotive practice and would result in the placement of the supplier into Controlled Shipping. Suppliers who do not adhere to this requirement will be held responsible for all damages, losses and liabilities attributable to any unapproved change made by you or one of your suppliers (ex. customer rejections, customer line stoppage penalty fees, field failures costs, warranty expense). Failure to resolve the systemic issue, thereby allowing a repeat offense, may result in the supplier being placed in New Business Hold.

Please investigate your systems to ensure that your current practices are in compliance with WEGU requirements and immediately contact the WEGU receiving location with a detailed plan to correct any violations discovered.

## 4.2 Supplier Deviation Request

A deviation constitutes limited permission to supply materials, products or components that do not fully comply with the drawings, specifications or standards. The supplier must submit a Deviation Request to WEGU Quality Contact, giving as much background information with the intent of the sought deviation. This information must include the date, duration and the quantity of parts affected by the deviation. After review and analysis of the demand, the
WEGU Quality Contact will notify the customer, if required, about the related deviation.

Delivery of parts with changed material must not start prior to a written approval of WEGU. The supplier shall identify the first shipment including the change with proper identification, mutually agreed upon between the supplier and WEGU.

## 4.3 WEGU Product Engineering Change Request

WEGU communicates engineering change requests to the supplier by providing new specifications, drawings and applicable directives in writing.

The supplier must contribute to the management of the engineering change request by providing the following information and proactively supporting the buyer:

- Product unit cost modifications,
- Bank requirements, planning details and costs,

- Packaging change costs modification details,
- Packaging modifications (dimension, configuration, number of parts per box or per pallet),
- Transport cost modifications,
- Inventory of products from previous drawing revision,
- New delivery schedule,
- Order updates or conciliations.

The supplier must also update in a timely manner documents such as:

- PPAP documents,
- Work instructions,
- Inspection requirements,
- Bill of material.

PPAP approval is required prior to initial shipment. PPAP submission level will be determined by the Quality Representative. Level 3 is required for initial PPAP submission.

## *5.0 SUPPLIER CORRECTIVE ACTION REQUEST*

Suppliers are notified of non-conforming material through a phone call or an e-mail from the Quality Contact and through a documented "Supplier Corrective Action Request" (appendix 3). This document is issued whenever purchased material is identified which does not conform to quality requirements. The supplier must have established a procedure and appropriate process to take all necessary preventive actions for all rejects or non-conforming products received by WEGU.

When required, arrangements with third party sources for the purpose of containment will be the responsibility of the supplier.

The supplier must send the Quality Contact a written interim containment plan within one business day of problem notification using the Supplier Corrective Action Request (SCAR) form. Within 15 business days, the supplier is expected to communicate in writing the corrective measures using the SCAR form. If the supplier is unable to resolve the quality issue in this delay, an extension may be provided by the Quality Contact, when requested.

All costs related to the supply of non-conforming material incurred by WEGU will be charged to the supplier. These include, but are not limited to, administration fees, inspection fees, material replacement, premium freight, etc,).

## *6.0 SUPPLIER CONTAINMENT PROCESS*

## 6.1 Supplier Containment

The purpose of containment is to protect the customer by preventing non-conforming material from being shipped to WEGU. Containment may be applicable after a change requiring PPAP approval, after an extended shut down period, a supplier corrective action request or has deemed necessary by WEGU Quality Contact.

## 6.2 SCAR Containment

The SCAR containment will be implemented as a result of a complaint communicated by WEGU (e.g. SCAR form, phone call, e-mail, fax, etc.) to the supplier. This containment consists of a limited sort of the supply chain. The supplier must provide an initial response, consisting of the following information, at a minimum, within one business day of a receiving the SCAR:

- The immediate and ongoing containment actions to be taken by the supplier to prevent further shipments of non-conforming parts or material,
- Disposition of the non-conforming parts or material at WEGU and in-transit,
- Date of the next shipment of certified conforming parts or material, including how it will be identified,
- Name, title and phone number of the supplier representative who provided the above information.

## 6.3 Controlled Shipping

The intent of controlled shipping is to implement a rigorous process that protects WEGU from the receipt of non-conforming parts and/or material. Controlled shipping is a request by WEGU or its customer for a supplier to put in place an additional inspection process to sort, for a determined period of time, for non-conforming material, while implementing root cause analysis and corrective actions. The controlled shipping process is in addition to normal controls. The data obtained from the controlled shipping inspection process is critical as both a measure of the effectiveness of the containment process and the corrective actions taken to eliminate the initial nonconformance.

The controlled shipping containment process includes the following:

- A highly visible and properly lighted and equipped containment area,
- A well-defined efficient material flow including clearly identified areas for incoming and outgoing parts material,
- Provisions for repair/rework separate from the containment area,
- Containment area independent of the supplier's normal production process,
- Information board displaying nonconformance, inspection results, action plans and status and other results from the containment activity,
- Daily review of inspection results by supplier management,

- A document and data driven problem solving activity,
- Proper job instructions, quality standards, boundary samples, tools, equipment and qualified measurement devices to facilitate the containment operations,
- Proper operator training.

The following are to be considered for determining the need for controlled shipping:

- Repeat SCAR's,
- Duration and severity of the problem,
- Incapable process,
- Customer quality issues,
- Inadequate containment and/or resolution of nonconformance,
- Major production disruptions or spills,
- Plant shutdown.

Based on the above, WEGU decides whether controlled shipping level 1 (CS1) or level 2 (CS2) would be appropriate.

## 6.4 Controlled Shipping Level 1 (CS1)

Controlled shipping level 1 requires an additional inspection process enacted at the supplier's manufacturing facility. The inspection process ensures that WEGU will be protected from receipt of non-conforming parts and /or material.

## 6.5 Controlled Shipping Level 2 (CS2)

Controlled shipping level 2 includes the same processes as controlled shipping level 1, with an additional inspection process that is completed by a third party. The third party is mutually agreed upon by WEGU and the supplier and is the financial responsibility of the supplier. The level 2 inspection is required to be performed outside the supplier's facilities unless otherwise approved by WEGU.

## 6.6 Controlled Shipping Process

WEGU Quality analyzes the nonconformance situation and determines if CS 1 or CS 2 is required. The supplier is than notified by WEGU quality, by a live conversation, to ensure that the process is initiated properly. A written communication confirms this conversation which includes:

- The reason for CS 1 or CS 2,
- The nonconformance(s),
- The inspection checks required,
- Exit criteria required to be achieved.

The supplier upon receiving the control shipping notice must ensure to:

- Establish proper containment actions,

- Establish breakpoint for conforming material and ensure traceability of non-conforming material,
- Establish appropriate identification to indicate controlled shipping status on outgoing material,
- Conduct management reviews of the inspection results on a daily basis, to ensure that corrective actions taken are effective,
- Communicate results of sort activities, to WEGU, to the agreed frequency, to WEGU Quality,
- Meet the defined exit criteria,
- Submit a request to exit from controlled shipping, including the appropriate data and documentation that the corrective actions are effective, to the QE Coordinator.

### 6.7 Exit criteria

The supplier will be eligible to exit containment after meeting the established exit criteria. If the supplier is unable to meet the exit criteria or the supplier's containment plan continues to identify nonconformance's, then the containment continues until the exit criteria are met:

- The containment starts upon notice and continues for a period of 30 days starting after corrective action implementation,
- During the containment period, no nonconformance must be found for a continuous period of 20 days minimum.

When the exit criteria for controlled shipping have been met, WEGU will communicate in writing that the supplier is no longer considered to be in controlled shipping and controlled shipping activities can cease. The supplier cannot exit from controlled shipping or cease the controlled shipping activities without written authorization from WEGU.

## *7.1 MANAGEMENT QUALITY REVIEW*

The Quality Representative will notify the supplier when a Management Quality Review is required. Management Quality Review (MQR) is held to analyze and review the current problem situation (quality, delivery or other problems). Supplier accountability and response will be the focus of such a review. A MQR may be requested, if a supplier is considered responsible for an issue that results in:

- Product nonconformance,
- Product suspended due to supplier's product quality,
- Part shortage,
- Product safety characteristics, as defined in drawings, that do not meet Cpk level,
- A sort or rework at WEGU and/or customer site due to supplier's product quality,
- Poor quality performance,
- Chronic quality issues,

The supplier is expected to present the following documents at the MQR meeting:

- A detailed description of the deficiencies that may affect one of the four areas:
  - Quality,
  - Delivery,
  - Commercial,
  - Technology.
- A corrective action plan to address the issues including measures to eliminate reoccurrences in accordance with an 8D report / SCAR (appendix 3) as requested by the Quality Representative.

This meeting is not meant to be a brainstorming session. All items listed above are expected to be completed and forwarded to the Quality Representative 3 days prior to the meeting.

## *8.0 LOGISTICS*

### 8.1 Tools

Maintenance, refurbishment and replacement of WEGU owned tooling are the responsibility of the supplier. The supplier will be paid for tooling contingent to full PPAP approval.

If the supplier is tool design responsible, then reproducible tooling prints must be completed by the supplier at PPAP approval on all new program tools as well as tools undergoing an engineering change and current tools that are revised. Supplier, upon request from WEGU, must provide reproducible tooling prints for existing tools.

The supplier shall furnish a tool inventory of all WEGU owned tools (active and inactive) in the supplier's possession. The tool inventory must be submitted to your WEGU Purchasing Contact annually by **April 30th**. The inventory must contain the following information for each WEGU owned tool:

- Tool part number,
- Current tool revision,
- Description,
- Date parts last ordered,
- Total cost of tool,
- Quantity of parts produced from tool,
- Remaining tool life,
- Indicate if the previous part number of tool has been changed to produce a new part number.

WEGU will determine the disposition of all WEGU owned tooling by a Return

Material Authorization (RMA) communicated to the supplier.

## 8.2 Material Expectations

Suppliers will provide samples, testing, environment and Material Safety Data Sheet (MSDS) information in the time frame requested by the Quality Contact.

WEGU will be collecting component/material composition information from suppliers through the International Material Data System (www.mdsystem.com). This will ensure recyclability/ recoverability data on all automotive vehicles. Once received, all component/material submitted packages are assembled and submitted to automotive customers prior to PPAP approval. Supplier must submit this information to the WEGU ID # 167738.

When requested, suppliers must provide their Certificate of Origin, their Tax Identification Number as well as their HS code for each material or component provided to WEGU.

## 8.3 Transportation instructions

The WEGU Purchasing Department is responsible to identify the most competitive transporters for all in-bound transportation. Suppliers are to comply with specified transporters and custom brokers unless otherwise instructed by WEGU. Suppliers will be responsible for any extra costs incurred by the use of the wrong carrier, or any expedited shipment caused by them. Written directives are mandatory for all deviations.

## 8.4 Border Security

Supplier located outside Canada and shipping through US borders are strongly encouraged to implement security procedure as per US specification "Minimum - Security Criteria for C-TPAT Foreign Manufacturer" (Custom Trade Partnership Against Terrorism) or PIP (Partner in Protection) program. PIP is a Canada Border Services Agency (CBSA) program. Practices are defined in order to improve supplier chain, cargo, building, visitor, personnel, documents and technology security, preventing contraband smuggling.

# *9.0 PURCHASING (PO terms and conditions apply)*

## 9.1 Purchase Order, Terms and Conditions

Electronic Data Interchange Manual (EDI/ASN) :
WEGU suppliers are required to use Electronic Data as error-proofing. Consequently, upon request, suppliers may have to exchange requirements through EDI instead of using faxes or emails.

Forecasts: To assist the supplier, but without binding WEGU in any manner, WEGU

may deliver forecasts or planning orders to the supplier. All forecasts, planning orders or similar types of information provided by WEGU are not and shall not be considered as Firm Orders. WEGU shall not be obligated to purchase any of the projected product volumes in the forecasts or planning orders.

Firm Orders: ***In most cases*** the supplier will receive at least 4 weeks of firm orders. In addition to identification of the products ordered, the purchase order or other method of notice shall specify the delivery date for the products and the WEGU shipping destination.

Emergency Orders: WEGU may also deliver to the supplier emergency orders for products which require special attention as further described in Section 3, below.

Additional Orders: WEGU may place an order which exceeds the number of products previously specified in the Firm Orders furnished to the supplier, and the supplier agrees to exercise its best efforts to fill the excess portion of the order. Within one (1) day after receipt of such an order, the supplier will inform WEGU in writing of the number of additional products it will be able to deliver to WEGU.

## 9.2 Service Part Order

The supplier must ensure the capability to produce parts for 15 years after the end of production. When lifetime contracts are negotiated, the supplier must maintain the same production price for 5 years after the end of production.

## 9.3 Packaging:

The supplier must appropriately package the products so that the products will not be damaged or destroyed in transit. In addition, the supplier must comply with any additional packaging requirements of the WEGU location that has ordered the products, including any bar-coding requirements.

Packaging must be submitted and approved by the buyer prior to initial shipment. All items must be properly identified with WEGU ordering P/N, quantity, traceability and manufacturing or shipping date. Back up packaging must be submitted upon buyer request when applicable.

Returnable containers shall be considered as an option for packaging cost saving opportunity when possible.

## 9.4 Shipment

Shipment Notice and Terms: Shipping shall be ***FOB at WEGU's location.*** WEGU may charge the supplier the shipping, storage and other costs associated with any shipment of products which are not prepared for shipment or packaged according to the terms of this Agreement or do not otherwise meet the requirements for products set forth in this Agreement.

Failure to Meet Delivery Date: If the supplier is unable to make products available for shipment to meet the specified delivery date, the supplier shall immediately give WEGU notice, and the parties shall confer to develop a solution to the supplier's inability to meet these requirements. This conference shall be made in an attempt to mitigate the damage caused to WEGU, and this conference shall not constitute a waiver of any right or remedy held by WEGU due to the supplier's failure to meet the delivery date requirements specified by WEGU.

Transportation/Freight/Customs: The WEGU Purchasing contact shall designate the method of transportation, the route and the carrier. Except as otherwise provided in this Agreement, all transportation charges will be paid by ***the supplier***, unless the WEGU Purchasing Representative ***has agreed to other arrangements.*** Further, it will be the supplier's responsibility to ensure the appropriate paperwork (i.e. NAFTA Certificate, Customs Invoice, etc.) is presented to the carrier for presentation to Customs. Any missing or inappropriately completed paperwork that results in additional fees to WEGU shall be reimbursed by the supplier.

For each shipment of products, the supplier must include, at a minimum, a packing list specifying the product number(s), the quantity of each product and the applicable WEGU Purchase Order.

## *10.0 CONTINUOUS IMPROVEMENT*

Fundamental to remaining a competitive supplier, is a well-developed program to pursue Continuous Improvement (C.I.) in all areas of business. We expect each supplier to embrace the concept at all levels of the organization. Although the actual details will vary from supplier to supplier, the following list details the basic elements of a C.I. system:

- Supplier leadership commitment to C.I.,
- Cross-functional teamwork,
- Data-driven improvement based on key indicators,
- Regularly scheduled reviews,
- QMS in place that allows improvement to be embodied in the normal operating procedures of the business.

It is essential that key business indicators are established and tracked. We expect that quantifiable improvement will be pursued in these areas, even if there is currently no perceived problem. Examples of key areas for improvement are:

- scrap, rework and repair,
- excessive cost of non-conforming product,
- unscheduled machine downtime,
- excessive cycle time,
- non-value-added use of floor space,

- waste of labor and materials,
- excessive handling and storage,
- machine set-up, die change and machine changeover times,
- difficult assembly or installation of the product,
- marginal measurement system capability,
- customer disruption or field returns,
- customer PPM,
- delivery performance schedule (premium freight).

## *11.0 SUPPLIER PERFORMANCE EVALUATION*

Feedback on supplier performance is a critical component for any positive supplier-customer relationship. These performance metrics provide the basis for continuous efforts, and expectations that WEGU has for all its suppliers.

### 11.1 Supplier's evaluations

Strategic suppliers will receive a scorecard on a quarterly basis. Other suppliers will get their scorecard annually, unless a yellow or red performance has been registered.

Evaluations are based on the following requirement:

- Delivery: % on time delivery = $\frac{\text{number of late deliveries}}{\text{Number of total deliveries}}$

  GREEN STATUS = 100% on-time delivery
  YELLOW STATUS = 75-99% on-time delivery
  RED STATUS = less than 75% on-time

- Quality (quarterly): GREEN STATUS = 0 SCAR
  YELLOW STATUS = 1 SCAR
  RED STATUS = 2 or more SCARs

- Quality (annual): GREEN STATUS = 0 or 1 SCAR
  YELLOW STATUS = 2 or 3 SCARs
  RED STATUS = 4 or more

  (Any SCAR **recurrence** will result in RED STATUS).

- Service: Qualitative evaluation from the purchaser based on responsiveness of the supplier.

  GREEN STATUS = 100% (ideal service)
  YELLOW STATUS = 75-99% (improvement required)
  RED STATUS = less than 75% (not satisfactory)

| | | |
|---|---|---|
| • Premium Freight: (quarterly) | GREEN STATUS | = 0 occurrence |
| | YELLOW STATUS | = 1 occurrence |
| | RED STATUS | = 2 or more occurrences |

| | | |
|---|---|---|
| • Premium Freight: (annual) | GREEN STATUS | = 0 or 1 occurrences |
| | YELLOW STATUS | = 2 or 3 occurrences |
| | RED STATUS | = 4 or more occurrences |

YELLOW STATUS may require (upon request from the purchaser) a written improvement plan to be submitted within 2 weeks after receipt of the scorecard. Each RED STATUS shall require a written **corrective** action plan to be submitted within 2 weeks after receipt of the scorecard. Suppliers will be at risk of being placed on Business Hold, by ***WEGU's*** Purchasing department, if the corrective action is not submitted in time.

- Financial stress: WEGU performs credit report verifications on a biannual basis (on key suppliers) and communicates results to the Purchasing department.
- The Purchasing department will request a contingency plan for all red-coded suppliers.

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| ***Revision Log*** | | | | |
|---|---|---|---|---|
| | | | | |
| ***NOTE:*** *(as applicable) The signature/initials of the Department Manager/Designate indicate obsolete copies of this document have been removed from files and destroyed.* | | | | |
| ***PART NUMBER if needed:.*** | | | | |
| ***Proc/WIN/Form Reference:*** | | **PurWIN XXX Supplier Requirements Manual** | | |
| ***ENTRY DATE*** | ***REVISION LEVEL*** | ***DESCRIPTION OF CHANGE*** | ***INITIALS*** | ***EFFECTIVE / REVISION DATE*** |
| 8/31/16 | R4 Draft | Modifications to previously drafted Manual to incorporate many changes and additions | RB | |
| | | | | |