Global Supplier Manual

May 8, 2019

Introduction

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

Our key words in quality are:

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

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

Overall supplier relationship may be divided into following 5 phases:

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

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

SMR Quality and Environmental Policy Statement

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

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

Purpose

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

Scope

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

In case of difference between standard SMR requirement OEM Customer Specific requirements, the most stringent shall be binding. In all cases, specific requirements of General Terms and Conditions of Purchase, apply.

This document supersedes all previously released SMR Supplier Manuals.

Responsibility

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

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

Language

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

1. General Expectations

1.1. Supplier management responsibility and compliance requirements

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

1.1.1. Compliance with applicable laws and regulations.

1.1.2. Integration of environmental, occupational health and safety, and human rights, and labor policies

1.1.3. Clear, accurate and appropriate reporting to SMR upon request.

1.2. Supplier responsibility in labor management

Compliance with all applicable governmental requirements for labor including Modern Slavery Act within their business and supply chain.
Compliance with minimum age of employment requirements per the local regulations.
Compliance with applicable wage laws.
Compliance with local law regarding working hours.
Implement policies that prohibit and educate to identify indicators human trafficking. Prohibit the use of slavery, servitude, forced or involuntary labor. Maintain workplaces free of unlawful discrimination, and harassment.
Respect voluntary freedom of association.

1.3. Supplier responsibility for health and safety management

Implement procedures to identify, evaluate and control worker exposure to potential safety hazards. Maintain appropriate emergency plans and response procedures.
Manage, track and report occupational injuries and illnesses.
Provide and properly maintain machine safeguards, interlocks and barriers.

1.4. Supplier responsibility for environmental management

Adhere to applicable laws and contract requirements regarding prohibition or restriction of specific substances, materials, and waste.
Assure the compliance of all applicable required environmental permits and registrations. Identify and manage materials presenting a hazard if released into the environment.

1.5. Supplier responsibility for sustainability

Reduce its environmental impact and promote the same practice with its supply chain. Recognize and promote the use of minority business through its supply chain.
Participate in supplier sustainability reporting as requested by SMR.

2. Supplier Selection

2.1. New Supplier / Location Qualification

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

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

2.2. Supplier Quality System Certification Status

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

2.3. Supplier Profile

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

2.4. Supplier Facility Access

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

2.5. Employee competence

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

2.6. Supplier Quality System Certification Status Revocation

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

2.7. Supplier Contingency Plan

Suppliers shall develop a contingency plan for potential catastrophes disrupting product flow to SMR, and advise SMR at the earliest in the event of an actual disaster. Potential losses by fire, city water, electricity, flood, or storm, cyber-attacks on information technology systems, etc. should be prevented by active and

organizational measures. In an actual catastrophe, suppliers shall provide SMR's authorized representatives' access to all of SMR or SMR's customer owned capital equipment. The supplier shall maintain adequate safety stocks at their own cost for high risk product. Suppliers must ensure they have sufficient Property and Liability insurance to cover the replacement of all equipment and sub-components used to manufacture products purchased by SMR.

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

2.8. OEM / SMR Manuals and Specifications

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

3. New Product Introduction

3.1. Feasibility Agreement

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

3.2. Customer Designated Special Characteristics

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

3.3. APQP

APQP is initiated at the design concept of a program and runs through Product Launch for each new component. All suppliers, regardless of component criticality, shall use a disciplined APQP Process during the launch of new products for SMR. The use of error-proofing and mistake- Proofing concepts is expected during the development of the process design and manufacturing processes to ensure zero defects, a smooth launch and can meet capacity requirements to ensure SMR and SMR's customer requirements.

SMR Product Development teams define component criticality during the product development cycle using SMR's Standardized Development System (SDS). During this time, SMR's SDE or Purchasing Representative completes a Supplier Risk Assessment for each supplier. This designation determines the involvement of SMR Supplier Development and/or Purchasing agents during APQP and launch event for each supplier. All suppliers shall provide APQP status reports for a new product as specified by the SMR Operating Company

3.4. Pre-Production Sample Submission

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

- Dimensional conformance report
- Material conformance report
- Material Safety Data Sheets, IMDS
- Pre-Production Control plan
- Process FMEA
- Capability studies
- Approved production-intent packaging

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

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

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

The supplier shall ensure that the packaging conforms to SMR (and customer) requirements and is approved by SMR. All packaging must meet basic standards for goods protection and carriage. The packaging should withstand the mechanical, climatic, biotic and chemical stresses to which they are

exposed during transport, storage and cargo handling. All packaging must also conform to appropriate health and safety, environmental and other legislative requirements.

SMR and suppliers shall agree upon the product identification and packaging plan during APQP, including the following requirements:
There shall be only one part number in a box or packaging unit. All packaging units shall be labeled and the label shall include:
SMR part number with engineering level and partname.

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

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

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

In order to ensure that the supplier's products are transported in a manner that prevents damage or deterioration, suppliers are responsible for maintaining written instructions detailing proper packaging, storage, and shipping of its products that conforms to SMR user plant's requirements.
Suppliers shall meet the requirements of SMR user plant with regard to the use, control and supply of returnable packaging.
SMR expects their suppliers to conduct periodic dock audits on packaged material. Evidence of these audits shall be retained with other lot inspection documentation.
Where the supplier is responsible for the shipment of components to SMR, they shall consign with a proven first class company which has enough experience in handling the shipment and knowledge of all other applicable legal obligations with regards to the handling of Importation/Export Tariff and duty requirements to ensure prompt delivery of product to SMR. In case of special transport requirements (e.g. paint, chemicals, electronical components) supplier shall ensure the required inter-storage and transport condition complies with paint and chemical or electrical materials temperature requirements. These requirements must be verified either by thermo script or other appropriate methods.

3.7. Launch Containment

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

3.8. Manufacturing Process Review

The SMR Product Development Team (based upon risk assessment and Customer Specific requirements) will be conducted a systematic and sequential review (process sign-off, run-at-rate, etc.) of a supplier's manufacturing process at the supplier's facility prior to PPAP approval. SMR´s customer(s) may be part of this review. The format of the review may be same as that of a customer to SMR, or SMR´s own format, as determined by the Product Development Team.
This review may also be completed as part of the quality planning and manufacturing processes for new and/or significantly changed products.

3.9. Production Part Approval Process

PPAP Requirement

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

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

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

Suppliers should contact the SMR location supplied to determine PPAP level requirements.

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

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

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

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

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

PPAP Process Requirements

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

- Samples parts for the Production Validation (PV) have been secured and PV testing is proceeding to the agreed schedule.
- IMDS data is submitted to proper IMDS location prior to initial sample submission.
- Confirmation of SMR's acceptance of the IMDS data to be included in PPAP.
- A preliminary Run @ Rate has been performed and the production rate is acceptable to meet the launch curve at the necessary quality level.
- The supplier (to SMR) has reviewed the production capacity at all sub-suppliers (including lower tier suppliers). The production rates are sufficient to meet the launch curve at the necessary quality level.
- SMR Supplier Tool Information Sheet; if SMR / OEM owned tooling, is submitted to SMR. Assure tool is properly identified / tagged.
- The Gage Plan has been completed and signed off by SMR giving approval to use the gage in series production.
- Inspection Methods are complete and to the latest engineering level for each shipping unit. Copies are included in the PPAP submission.
- The Launch Containment Plan has been agreed by SMR and has been implemented at the supplier.
- Pre-grain samples (if necessary) have been submitted to SMR. The supplier has received authorization to grain the tooling.
- Grained samples (if necessary) have been submitted to SMR.
- Color and gloss samples (if necessary) have been submitted to SMR.
- Process numbers match between Process Flow Diagram, Process FMEA, and Control Plan.
- The PPAP sample parts have been produced to the latest engineering change level and have been shipped to SMR for PPAP approval with necessary data.
- All material test results are complete, acceptable and referenced in the PPAP submission.
- All components parts and materials have received full PPAP approval from suppliers. All sub- suppliers' PPAP's are referenced within the PPAP submission.

- A run @ rate has been performed and documented by SMR if requested. The production rate is sufficient to sustain full series production at max capacity and normal expected published volumes.
- The part is being produced at the current engineering release level with no open deviations.
- The Process Flow, PFMEA and Control Plan have been updated to reflect the current manufacturing & quality processes.
- The Production Validation (PV) Testing is complete and parts from the series tooling & processes meet all known Specifications (Drawing, OEM Specifications, SAE, ASTM, etc.).
- The Launch Containment Plan has been effective in capturing all defective material at the supplier location.
- All PPAP documentation is complete (utilize AIAG guidelines) and the package has been reviewed internally prior to submission to SMR.

PPAP Documentation Requirements

(1) Part Submission Warrant
(2) Engineering Change Documents, Include Tool Life Deviations
(3) Customer Engineering Approval
(4) Design FMEA
- □ If not design responsible, insert sheet saying not applicable.
- □ If Design FMEA is proprietary, insert sheet saying proprietary and only for review at supplier location.

(5) Process Flow Diagrams
- □ Process flow diagram indicating each step of the operation. Process flow must be specific to detail each step of the operation.

(6) Process FMEA to the latest drawing is included in PPAP submission.
- □ FMEA indicating all steps of the process.
- □ If Process FMEA is proprietary, insert sheet saying proprietary and only for review at supplier location.

(7) Control Plan
- □ Control plan must include the correct drawing and revision level - all items listed in the FMEA are detailed to the control plan.

(8) Measurement System Analysis Studies
- □ A GR&R is performed for every gauge used per control plan as per AIAG MSA-4 or latest version.
- □ Variable Data – AIAG R&R Variable MSA-4, Data for 3 people measuring 10 parts, 3 times.
- □ Attribute Data – AIAG MSA ATT Kappa, minimum 3 operators, 50 pcs checked 3 times.
- □ GR&R's are equal to or less than the target Guidelines. Gauge results with greater than 10%, must be accompanied with an action plan, and SMR approval to proceed.

(9) Dimensional Results
- □ Tools with 1 or 2 cavities - six (6) piece (minimum) part layout of all drawing dimensions.
- □ Tools with 3 or mare cavities - 3 pcs each cavity.
- □ Dimensional results of the part layout are documented in the AIAG format, or format per customer requirement.
- □ Dimensional results referenced by ballooned print.
- □ Special layout set-ups for dimensions must be approved by customer before PPAP submission.

(10) Records of Materials and Performance results, and (Components List).
- □ PV test plan and report included.
- □ Performance testing report form per the AIAG format. All test per the drawing requirements, clearly detailed including the specification number date and section; Detail of the test Requirement; Tests results and indication of pass/fail.
- □ List all components used and include results of the material and performance requirements.

(11) Initial Process Study
- □ All significant and critical characteristics have initial process studies.
- □ PPAP must include an initial study. If no significant or critical characteristics are indicated on the drawing, agreement with SMR for the supplier proposed measurement must be obtained prior to PPAP submission.

- □ Sample size is 125 pcs or agreed with customer.
- □ When utilizing X-Bar and R charts, at least twenty-five subgroups (minimum of four pieces per sub-group) are required.
- □ When historical data is available or enough initial data exists to plot a control chart (at least 100 individual samples), Cpk can be calculated when the process is stable. For processes with known and predictable special causes and output meeting specifications, Ppk should be used. When not enough data is available (< 100 samples) or there are unknown sources of variation, contact the authorized customer representative to develop a suitable plan.

(12) Qualified Laboratory Documentation
- □ Certification lab approved to perform testing (ISO17025, A2LA, CCC, INMetro, etc.).

(13) Appearance Approval Report (AAR)
- □ The Appearance Approval Report (AAR) has been completed for grain, gloss & color and accepted by SMR and OEM.

(14) Sample Product
- □ Three (3) samples are included in PPAP submission.
- □ Samples are to be marked with program, part number, print revision level, and date of PSW (date supplier signed PSW).
- □ Samples to be the layout parts and identified to indicate the corresponding lay out report.

(15) Master Samples
- □ Three (3) Master samples have been retained by the suppliers for use in making acceptance and boundary samples.
- □ Insert sheet in PPAP submission stating master samples retained at supplier. Master samples must be from the layout parts and must be identified in accordance to the sample number.

(16) Checking Aids
- □ Each checking fixture, attribute and variable test/inspection identified in the control plan must have calibration record included in the PPAP.

(17) Records of Compliance with Customer-Specific Requirements
- □ A copy of IATF/ISO registration is included in the PPAP submission.
- □ Applicable CQI certification must be included for all special processes.

(18) Design Records of Saleable Product
- □ All Design records are included in submission.
- □ Ballooned print for all drawing requirements. Dimensional, material and drawing notes to be numbered and results is included in PPAP submission.

(19) IMDS
- □ Evidence of IMDS module with IMDS number and approval status.

(20) Bulk Material Requirements Check sheet
- □ For bulk material suppliers only. Insert sheet saying not applicable.

(21) Tooling approval form
- □ Tooling form complete with pictures of Tags on tools showing SMR/ OEM ownership.

(22) Packaging Approval Forms
- □ SMR packaging approval form is included in the submission.

(23) Capacity Analysis Verification / Run at Rate Report
- □ Component PPAP approval documentation.

(24) Launch Containment Plan

(25) Assessment Using SMR or VDA6.3 questionnaire.

(26) Assembly Trail at SMR line

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

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

Reporting Suppliers shall ensure that all components and materials supplied to any SMR plant facility comply with the current environmental legal requirements.
SMR requires suppliers to provide information on the raw materials used in all products supplied to SMR. ELV and IMDS standards have been developed by vehicle manufacturers to collect and manage this data. Suppliers must submit the required ELV/IMDS data to SMR as soon as possible after the award of new business, but in any case before PPAP submission. The supplier as part of the PPAP submission must provide confirmation of SMR´s acceptance of the ELV/IMDS data. IMDS submissions must be placed under the appropriate SMR location IMDS code (the location to which the supplier's product is shipped). Suppliers should contact the appropriate SMR location to obtain the IMDS code.

3.11. REACH

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

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

3.12. Conflict Minerals

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

3.13. Document & Product Sample Retention

Suppliers shall retain documents and product master samples as a minimum to the guidelines defined in this manual. OEM requirements and regulatory requirements supersede and extend the required retention period. Parts used on multiple programs will follow the most stringent OEM document and product sample retention requirement.

Document Retention

- Audits - The organization shall retain records of internal quality system audits and management review for three years.
- Design records- life of the part plus 50 years
- APQP - The organization shall maintain the APQP/PPAP for the life of the part (production and service) plus 7 year as part of the PPAP record.
- PPAP documents – 100 % of PPAP documents must be retained for lie of the part plus 50 years.
- Training - The organization shall retain records of training for 3 years from the date of the training.
- Job set up -The organization shall retain records of job set-up verifications for 1 year.
- Retention periods longer than those specified above may be specified by an organization in its procedures.
- Maintenance- The organization shall retain records of maintenance for 1 year.
- The organization shall retain records of measurement equipment calibration for one calendar year or one year after equipment is superseded.
- Safety Features - All documents with safety feature requirements shall be retained for minimum of life of the part plus 50 years.

3.14. Sample Product Retention:

The supplier shall provide to SMR and retain master samples from each activity, die, cavity, pattern for the same period as production part approval records or until a new master sample is produced for the same part number subject to SMR PPAP approval. 6 samples or 2 from each cavity are to be selected from a significant, production process run, with a production quantity to total a minimum of 300 consecutive parts, unless authorized in writing by a SMR authorized representative. The samples are to be randomly selected identified, and used for the measurements provided in dimensional results of the PPAP documentation. Upon verification of the samples to the drawing requirements the 3 pcs or one of each cavity are supplied as samples with the product PPAP and the remaining parts are to be retained at the supplier. The samples shall be identified as such and shall show PPAP submission reference and SMR approval date.

3.15. Tooling Management

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

3.16. Sub-Supplier Management

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

Suppliers shall maintain a supplier management system including tracking the quality and delivery performance of their suppliers. Suppliers shall be able to demonstrate that they manage their suppliers' issues through documented corrective actions and verification activities.
Suppliers to SMR shall require their sub-suppliers to conform to the requirements described in this Manual.
Suppliers of SMR shall ensure critical processes are adequately audited and managed.
Suppliers shall ensure that all applicable customer specific requirements are rolled down through their supply chain.

3.17. Customer (OEM) Specific Requirements

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

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

4. Series Production Conformance

4.1. Compliance Certification

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

4.2. Product Traceability (Batch/Lot Traceability)

All suppliers to SMR shall have an effective batch/lot definition and traceability procedure. The shipper number will be linked to the batch/lot traceability procedure in such a way that the delivered product can be traced back to the raw material, purchased components, and the production shift.
Unless otherwise approved in writing by the SMR SDE or Purchasing Representative, a batch/lot shall consist of one shift, or eight hours of production, whichever is smaller. SMR reserves the right to specify a minimum and maximum batch/lot size.
The batch/lot definition shall reflect all significant processes influencing the component / material, with the shipping lot number reflecting the last value added operation. Suppliers shall ensure that their lot traceability system maintains its integrity throughout the entire extended supply chain, including raw material and purchased components/products.

4.3. Ongoing Statistical Process Control

Statistical Process Control (SPC) is mandatory for significant and critical characteristics as defined by SMR or the supplier's internal requirements.
SMR Supplier and all lower tier suppliers shall use the latest edition of the following references as appropriate: See IATF 16949 for applicable references Process Capability. The capability index for reporting launch process capability and ongoing production process capability is Ppk (Performance Index).
The supplier must maintain minimum required statistical indices (process capability) for all product significant characteristics throughout the product life cycle.
Process capability can be conducted with both variable and attribute data.
Minimum requirements for variable statistical indices (SPC) to be calculated, using at least 100 individual samples.

2.0 Ppk – program approval.

1.67 Cpk – continuing production conformance.

Service product will conform to specification.
In case of NOK result, special containment action will be required. E.g. 100% control of this characteristic.
Containment actions of NOK result must continue until such time that the process Cpk demonstrates acceptable process capability.
Any deviation to this requirement, together with attribute feature control, must be concurred and documented by the Product Development Team.
Evidence of process capability must be retained at the supplier's manufacturing location. Documentation of process capability shall be made available to SMR representatives upon request.

4.4. Process Control

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

4.5. Temporary Change of Process Control

The supplier shall document the process that manages the use of alternate control methods. The organization shall include in this process, based on risk analysis (such as FMEA), severity, and the internal approvals to be obtained prior to production implantations of the alternate control method.
Before shipping product that was inspected or tested using the alternate method, if required, the organization shall obtain approval from the customer(s). The organization shall maintain and periodically review a list of approved alternate process control methods that are referenced in the control plan.
Standard work instructions shall be available for each alternate process control method. The organization shall review the operation of alternate process controls on a daily basis, at a minimum, to verify implementation of standard work with the goal to return to the standard process as defined by the control plan as soon as possible. Example methods include but are not limited to the following:
Daily quality focused audits (e.g., layered process audits, as applicable).
Daily leadership meetings.
Restart verification is documented for a defined period based on severity and confirmation that all features of the error-proofing device or process are effectively reinstated.
The organization shall implement traceability of all product produced while any alternate process control devices or processes are being used (e.g., verification and retention of first piece and last piece from every shift).

4.6. Manufacturing process audit

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

4.7. Layered process audits

The supplier must conduct Layered Process Audits (LPA), the aim of which is to ensure consistent application and execution of standards. LPA are to be performed by Operational Managers.
LPA shall be implemented for all operational areas (manufacturing, logistic, maintenance). All shifts shall be audited.

4.8. Product audit

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

4.9. Error-proofing

Error proofing devices shall be tested to failure or simulated failure at the beginning of each shift at a minimum when feasible, otherwise according to the control plan.
The organization shall keep a list of all error proofing devices and identify which can be bypassed and which cannot be bypassed. The bypass determination shall consider safety, severity and overall RPN rating. SMR must be informed for any bypass of error proofing devices with agreed plan for additional containment during time that error proofing is bypassed.

4.10. Color Masters

The following applies to suppliers of colored parts or components and to suppliers of paints, coatings, pigments, dyes, tints, master batches and other colorants.
Only SMR or its customers' approved color masters may be used to develop color formulations or to determine the acceptance of colored materials. The supplier is responsible to verify that the master is current.
The supplier shall have dual sets of color masters whenever possible. A color standard shall be used for verification of working standards and stored in a manner to maintain color integrity.

4.11. Color Measurement and Evaluation

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

4.12. Change Management

The supplier must have a documented process for change management the process shall require consideration of a production trial run for every product and process change. Results of the trial run shall be documented.
Any changes by a supplier that impact product realization must be controlled and SMR notified for approval prior to change.
Guideline, “The supplier shall notify the responsible customer product approval authority of any design, process, or site changes.”
Supplier must obtain SMR approval and changes must be controlled through the APQP and PPAP process. SMR determines requirements. Contact SMR to clarify any issues.

In the following cases supplier PPAP is mandatory:

- A new part or product.
- A part number revision change.
- Any change that requires a revision of the Process Control Plan.
- Correction of a discrepancy on a previously submitted part.
- Product modified by an engineering change to customer specifications, design records/ customer drawing, or materials.
- New production site including changing the layout in the same building.
- Production was stopped more than 6 months. In the following cases customer waiver is mandatory:
- Long term rework.
- Short term deviation.
- Damaged or delayed shipment.

These requirements are mandatory for the whole supply chain. All tier supplier levels the change management must be controlled in the same way by SMR suppliers.
All changes must be marked visually with special label, agreed by local SMR production site.

4.13. Annual Validation

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

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

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

4.14. Supplier Nonconforming Material – Concern Management

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

- SMR Quality, Logistics or Purchasing may require a supplier to implement independent containment activity if the severity of the performance issues deems it appropriate
- Supplier must respond to the nonconforming material as per the general nonconforming material concern management requirements and all Defective Material Report type requirements.
- All communication regarding the nonconformance should include the report number.
- An administrative fee, and all associated costs will be charged to supplier. Administration fee will be charged as cost defined in the region. All costs associated with shipping, handling, processing, reworking, inspecting, and replacing defective material, including the costs of warranty and of value-added operations prior to discovery of the defect shall be charged to, and paid by, the supplier.
- Response to all types of Defective Materials Reports must be submitted in the required timing electronically through the sites quality management system or by Email to the local SQE/ SDE in the SMR plant.

- Disposition; Return Material Authorization (RMA) or Scrap Authorization Number required within 24 hours for all types of Defective Material Report. Failure to disposition product within 72 hours will result with product being disposed of at supplier's cost and listed as having no response to the problem description.
- Corrective actions will be provided in the SMR supplier corrective actions 8D format. All problem solving tools used and effectiveness of corrective actions must be reported.
- All Nonconforming product or service corrective actions result will be reflected in the supplier FMEA and control plans, and lessons learned documents.
- All DMR types will be reported for the supplier Monthly performance rating.
- All applicable number of defects will be reported to calculate supplier PPM, in the monthly year to month supplier performance rating system.
- Disposition and Corrective action response timing will be tracked, late responses will be reported to calculate the on time response score in the supplier performance rating system.

- Use of “lessons learned” to ensure nonconformance issues are eliminated in the design phase of future programs. Lesson learned or TGW (“Things Gone Wrong”) list.to be updated for all applicable nonconformance’s.
- The suppliers organization’s shall have a documented problem solving process which shall include:
- Tracking of issues through closure.
- Daily review of issues by a multi-disciplined team including plant management.
- Daily reviews are documented.
- All levels of the organization are including in the problem solving process.
- Timely closure of corrective action(s).
- Initial containment is well documented by the use of a containment worksheet or similar any waiver to specified general and DMR type expectations must be agreed with SMR site Quality management.

4.14.1. Defective Material Reports types and required actions

DMR – Defective Material Report
Description: SMR plant receives material or service that fails to conform to applicable quality and delivery
Specifications. Disruption to SMR process / production. Response must be provided in according to the following expectations detailed.

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

DMR and DMRC corrective action response expectations
Containment and/or certified stock will be at the SMR user plant within 4 hours. If not, suspect product is subject to be sorted/contained by the SMR user plant and supplier charged related expenses.
Corrective action response: Written initial response within 24 hours in corrective action format shall be submitted including the following detail:

4.14.2. Team Identification
4.14.3. Problem Description
4.14.4. Containment actions

Initial response shall include the following:

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

- Is there suspect product in-transit? If so, when will this product arrive at the SMR user plant and how will it be contained?

Within 10 calendar days written corrective action response (8D) shall be submitted continuing initial response with Root Cause – for both functional and systemic failure. Failure analysis including detail of problem solving and methods and root cause verification methods employed.
Interim Corrective Actions – including how product will be identified and additional inspection points.

- Permanent Corrective Actions
- Prevention Action
- Horizontal deployment

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

DMR for Received Product with Past Due Annual Validation

As per the Global Supplier Manual annual validations shall be maintained by the supplier and submitted annually per the SMR / Customer specific requirement. A DMR will be written when product is received after the due date for annual validation (Due date is one year from Supplier submittal date at bottom of PSW).

Supplier shall submit updated annual validation immediately so product can be released. Supplier will be responsible for all associated costs, including line downtime charges.

Corrective action(s) to prevent past due annual validations will be submitted by due date of DMR (see corrective action response paragraph above).

DMRL Defective Material Report - Line Accumulation

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

DMRL corrective action response expectations:

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

DMRW Defective Material Report Warranty

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

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

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

DEL Delivery Issue Report

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

DEL corrective action response expectations

Corrective actions including shipments of effected product must be organized with materials department within 4 hours. For any delivery issues causing shortages, or missed delivery schedules SMR materials scheduling department must be notified and agree to expedited freight communication to SMR including the part numbers and quantity of products to be delivered, carrier, time of delivery, and all relevant shipping information, Corrective Action Response (8D) is due in 24 hours with daily updates until all actions are completed, unless otherwise specified by SMR.

4.15. Supplier Containment

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

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

4.15.1. Containment Status

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

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

4.16. Supplier Nonconformance Administration Fee Model

Minimum administration fees are charged in according to the type of DMR.
Based on the following model, resource costs will vary depending on SMR Site, refer to SDE/SQE, local specifications for detail. Administration fee = Resource Scale * Hourly Rate (Resource Cost)

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

4.17. Supplier Nonconformance Parts per Million (PPM) Calculation

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

- The quantity used to calculate PPM is the amount defective on DMR’s (Defective Material Reports), DMRL’s (Defective Material Reports - Line Accumulation) and DMRC’s (Defective Material Reports – Customer).
- Defects on DMRW’s (Defective Material Reports – Warranty) are not counted as PPM. Warranty is treated separately with negative impact on the monthly supplier performance ratings for all months with warranty issues.
- PPM will be calculated in the equal unit of measure the product is received (Example – Resins received in pounds/kilograms. 1,000 pounds/kilograms defective would be 1,000 defects).
- Product received at a Third Party Logistics warehouse established and controlled by SMR will be treated the same as product received at a SMR facility. Any defects found in sorts will be counted as pieces defective for the calculation of PPM.
- The amount of rejected parts for PPM will be what is found on the line and in containers.
- The parts in the delivery chain at the time of the original nonconformance report will not be counted against the supplier if the supplier takes care of the product before we receive it. This can be accomplished by the supplier recalling the shipment and checking product, coming in to check when transport arrives, or the supplier has a sort organization check when the transport arrives. This exception is only for the product in transit at time of original notification of defect. Defects found in shipments made after the notification date will be counted against the supplier PPM.
- If the supplier asks for the product to be returned, the total amount returned will be counted against PPM (Example –1,000 pieces rejected, 1,000 pieces returned to supplier, 1,000 pieces counted against PPM).
- If the supplier comes in or has a sort organization check the rejected product at the SMR facility, then only the actual defects found in the sort are counted against PPM (Example – 1,000 pieces rejected, supplier sorts at SMR and finds 25 pieces defective, 25 pieces counted against PPM).

- The total amount of product reworked at SMR, as a result of a defect found by SMR, will be counted against PPM.
- Mislabeled product does not count the total amount of parts against PPM. Each mislabeled container is counted as 1 reject towards PPM (Example – 6 boxes of 100 parts are mislabeled which would be 600 parts total, but only 6 would be counted against PPM which is the number of containers).
- Mislabeled product where the parts in the container are not used in the SMR facility (parts labeled wrong) will count the total amount of parts against PPM.

4.18. Deviations for Non-Conforming Material

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

4.19. Supplier Performance Rating

Samvardhana Motherson Global, SMG, has defined expectations for its group companies preferred source with world-class performance in quality, cost and delivery. To accomplish these targets it is essential that SMG aligns itself with a strong supply base with an ability to match these demands. Enabling compliance to the businesses expectations for Quality, Cost, Delivery, Development, and Management / Safety / Environment Systems.

The purpose of the Supplier Performance Evaluation is to provide a means of objectively assessing the ability meet expectations, to identify areas of risk and opportunities for improvement.

SMG evaluates Supplier Performance using a set of criteria based Key Performance Indicators, These KPI’s are focused on quality performance, delivery performance and commercial competitiveness. SMG employs the results as essential tools for decision making, risk mitigation and continuous improvement. A supplier performance report is available to all direct suppliers on a monthly basis, which assesses the overall performance according to the defined criteria

Parameters and Weightage

Suppliers will be evaluated monthly on the following parameters as per the weightage percentage against them. Supplier's final score is the sum of operational performance (85%) and commercial performance (15%). Final Score will be calculated by multiplying the total points of each parameter\ (Quality, Delivery & Commercial) with their weightage percentage

Parameters	Weightage %
Operational	**85%**
Quality Delivery	60% 40%
Commercial	**15%**

Final Score

Monthly and Year to month scores are provided, the supplier must to take the actions as per the final score as mentioned in the below table.

Final Score	Rating	Action:
>=95	A	**"A"** rating indicates supplier have achieved the Preferred target. No actions are required.
>=85	B	**"B"** rating indicates good performance. All required corrective actions for quality and delivery reports must be submitted. Follow Normal Continuous improvement
>=66	C	**"C"** rating indicates cautionary supplier performance. The performance should be escalated within your organization for improvements. Plan and focus on performance indicators causing result in order to improve performance in coming months. All required quality and delivery must be submitted.
<66	D	**"D"** rating indicates an unacceptable supplier performance. Systematic Corrective Actions Required (Problem in there Quality System) – Approval From EVP's Purchasing & Quality for sourcing. Systematic corrective actions plans must be submitted to SMG responsible quality and purchasing representatives.

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

Operational Performance Rating

Operational performance of the supplier is rated based on the Quality Key Performance Indicators (KPI) and Delivery key performance indicators.

KPI of Quality Performance

The quality performance is weighted at 60% of the operational rating. The performance is measured using the following key performance indicators:

PPM	40%
Defective Material Reports	15%
Repeat Quality concerns	20%
Reaction to Quality concerns	10%
PPAP / Annual Validation	10%
M / S/ E	5%
	100%

Parts Per Million (PPM):

The monthly number of defective parts received is to be reported.
Supplier can score 0 to 40 points as per range of PPM described in the table below:
PPM is calculated by the formula:
PPM = (Total Units Rejected/Total Qty. Received) X 10^6

PPM	Points
0	40
> 0 & <= 5	30
> 5 & <= 15	25
> 15 & <= 50	22
> 50 & <= 100	12
> 100 & <= 150	8
> 150 & <= 200	4
> 200 & <= 300	2
> 300	0

Defective Material Reports: DMR, DMRL, DMRC, DMRW
The monthly number and type of quality concerns is to be reported.
Supplier score 0 to 15 points based on the number and type of the occurrence of quality concern.
For any DMRC or DMRW quality concern points scored is 0.

DMR – (Defective Material Report) – Report of Supplier nonconforming material – issue found at SMG. Root cause analysis and corrective actions must be submitted.
DMRL – (Defective Material Report Line accumulation) – Report of nonconforming material causing no disruption to the SMG operations and no chance that SMG customer gets impacted. If there are not more than 3 pcs of any defect type, the supplier must complete internal corrective actions and submit upon request of SMG.
DMRC – (Defective Material Report Customer Issue) – Supplier nonconforming material found at SMG Customer - root cause analysis and corrective actions must be submitted.
DMRW – (Defective Material Report Warranty Issue) - Supplier nonconformance causing a SMG customer warranty return. Root cause analysis and corrective actions must be submitted.

Quality Concerns - DMR, DMRL, DMRC, DMRW	Points
0	15
1	13
2	8
3	6
4	4
>4	0
DMRC or DMRW	0

Repeat Quality
The monthly occurrence of repeat quality concerns is to be reported.
If same DMR, DMRL, DMRC or DMRW quality concern is repeated supplier scores 0 points. If same quality concern is not repeated the supplier score 20 points.

Repeat Quality concerns	Points
0	20
Any repeat quality concern	0

Reaction Time to Quality Concerns:
The monthly number of on time, late, and open quality concerns is to be reported. Supplier score 0 to 10 points for reaction to quality concerns.

Reaction to Quality concerns	Points
Supplier response within 24 hrs., takes containment actions & report submitted on time	10
Supplier response or containment actions or report late	0
DMRC or DMRW remaining open from previous months	0

PPAP / Annual Validation:
Compliance to the SMG site specific PPAP and annual validations requirements is to be reported. Supplier score 0 to 10 points for on time submission and approval for all required PPAP / Annual Validation (Requalification)

PPAP / Annual Validation (Requalification)	Points
Submitted and approved On time	10
Submitted and approved Not on time	0

Management /Safety /Environment:
Compliance to the SMG site requirement of current certifications to the management, safety, and environmental certifications and reporting process.

Supplier score 0 to 5 points for Management/ Safety/ Environment Percentage of compliance to SMR site specific requirements:

- IATF16949
- IS014001
- Social Responsibility Safety Officer
- BS OSHA 18001
- Modern Slavery Policy
- Conflict minerals reporting as required
- Corporate Responsibility compliance

Management/ Safety/ Environment	Points
100% Compliance with Opco. certification requirements	5
75% Compliance with Opco. certification requirements	4
50% Compliance with Opco. certification requirements	2
25% Compliance with Opco. certification requirements	1
<25% Compliance with Opco. certification requirements	0

KPIs of Delivery Performance

Delivery Performance weightage is 40% of the Operational score which is measured by the following key performance indicators:

SMG sites with VMI requirement:

Suppliers shipping as per the VMI requirement will be rated as per the Delivery Key performance Indicators mentioned below:

Min/ Max breaches at VMI	50%
Delivery Issues - Packaging/ Labeling/ ASN Error etc.	15%
Reaction to Delivery concerns	15%
Premium Freight	10%
Soft facts (24 hrs. support, service, EDI Connection)	10%
	100

If VMI is requested by the operating company and supplier is not supplying accordingly, then the below parameters and weightage will be used and result of delivery will be multiplied by 0.7

• Over Shipment (Qty.)/ Early Shipment (Date)	25%
• Short Shipment (Qty.)/ Late Shipment (Date)	25%
• Delivery Issues - Packaging/ Labeling/ ASN Error etc.	15%
• Reaction to Delivery concerns	15%
• Premium Freight	10%
• Soft facts (24 hrs. support, service, EDI Connection)	10%
	100%

Example: Supplier “A” has been requested to use VMI but is not shipping into VMI system. Supplier “A” score is 95, then it has to be multiplied by 0.7 so the final score will be 66.5.

If VMI is not requested by operating company then KPIs of case 2 will be considered, but the result of delivery will not be multiplied by 0.7.

Note: If Supplier generates any Line Disruption at Opco/ Customer Disruption, Yard Hold, or Stop ships, supplier will get 0 for delivery performance.

Min/ Max breaches at VMI

The monthly number of breaches of the VMI is reported, the score is based on the number of breaches according to the table below:

Min/ Max breaches at VMI	Points
0	50
1	35
2	20

3	6
> 3	0

Over Shipment (Qty.)/ Early Shipment (Date)
The monthly number of over shipments / early shipments is to be reported.
For Over Shipment/ Early Shipment, supplier can score 0 to 25 points depending upon the following cases:

Case 1: If supplier supplies less than or equal to 10 deliveries in a month

Number of Deliveries Not OK	Points
0	25
1	6
> 1	0

Case 2: If supplier supplies more than 10 deliveries in a month

Percentage of Deliveries are OK	Points
100% to 95%	25
95% to 85%	15
85% to 66%	6
< 66%	0

Reaction to Delivery Concerns
The monthly number of on time, late correction to delivery issues is to be reported. Supplier score 0 to 15 points for reaction to delivery concerns.

Reaction to Delivery concerns	Points
Initial response within 24 hours & Correction implemented	15
Initial response within 24 hours correction complete after 24 hours	6
Any Delivery Issue not responded to in within 24 hours	0

Premium Freight
The monthly number of occurrences of supplier premium freight or supplier-caused SMG premium freight is to be reported.
For any premium freight supplier gets 0 points.

Premium Freight	Points
0	10
> 0	0

Soft facts (24 hrs. support, service, EDI Connection)
Compliance to the SMG site requirements for 24 hour support line and service, and compliance to EDI connection requirements is to be reported. For soft facts supplier score 0 to 10 points.

Soft facts (24 hrs. support, service, EDI Connection)	Points
24 hrs. Support & service, EDI Connection installed…	10
None	0

Short Shipment (Qty.)/ Late Shipment (Date)
The monthly number of short shipments / late shipments is to be reported.
For Short Shipment/ Late Shipment supplier score 0 to 25 points depending upon the following

cases: Case 1: If supplier supplies less than or equal to 10 deliveries in a month:

Number of Deliveries Not OK	Points
0	25
1	6
> 1	0

Case 2: If supplier supplies more than 10 deliveries in a month:

Percentage of Deliveries are OK	Points
100% to 95%	25
95% to 85%	15
85% to 66%	6
< 66%	0

Delivery Issues - Packaging/ Labeling/ ASN Error etc.

The monthly number of delivery issues is to be reported.

Supplier score 0 to 15 points for delivery issues according to below table :

Delivery Issues - Packaging/ Labeling/ ASN Error etc.	Points
0	15
1	12
2	9
3	6
> 3	0

Commercial

KPIs of Commercial Performance

Commercial Performance weightage is 15% which is measured by the following key performance indicators:

Competitiveness	50%
Payment Terms	20%
Reactivity/ Cooperativeness	15%
Delivery Condition	10%
Valid Contract	5%
	100%

Competitiveness

The level of the supplier's competitiveness is to be reported. Supplier is meeting the commercial expectation of the company.

For competitiveness supplier score 0 to 50 points:

Competitiveness	Points
High	50
Medium	20
Low	0

Payment Terms

Compliance to the SMG site payment terms is to be reported. Supplier aligned with the payment terms receives 20 points:

Payment Terms	Points
Agreed	20
Not Agreed	0

Reactivity/ Cooperativeness

The supplier reactivity and cooperativeness to SMG companies is to be reported. For Reactivity/ Cooperativeness supplier score 0 to 15 points:

Reactivity / Cooperativeness	Points
High	15
Medium	8
Low	0

Delivery Conditions

Compliance to the SMG site Delivery Conditions is to be reported. Supplier aligned to the Opco delivery conditions receives 10 points:

Delivery Conditions	Points
Agreed	10
Not Agreed	0

Valid Contract

Record of the signed contract is to be reported.

If record of contract is signed on file the supplier score 5 points:

Valid Contract	Points
Received signed contract	5
No record of signed contract on file	0

4.20. Management review outputs

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

Supplier Top management shall provide management review to the following:

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

4.21. Supplier Warranty Cost Reduction Program

Suppliers are required to develop an aggressive warranty reduction program. Activities to be included are:

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

4.22. Service Parts Requirements

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

5. Continuous Improvement

5.1. Continuous Improvement Program

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

5.2. Lean Manufacturing

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

5.3. Benchmarking

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

5.4. Value Analysis / Value Engineering (VA/VE)

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

5.5. Business Improvement Plan (BIP)

Suppliers are expected to implement a visual BIP, a measurement-based continuous improvement methodology, to prioritize and focus company resources on improving the most important aspects of the business in key areas such as safety, quality, cost, delivery, and people. This should involve all employees in driving continuous improvement activities throughout all work areas, including production and administration. Teams and Individuals should be empowered to improve the performance metrics through the use of Continuous Improvement process steps.

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History of the revision

No.	Cause of modification	Date	Modifier	Approved
1	First issue			
2	Revision of all chapters acc. to IATF 16949 requirements	20.12.2017	Judith Robertson	Alejandro Lomas
3	1) Updated Supplier Performance Rating to SMG SPES system requirements 2) Reformat the table of content and body of document 3) Update PPAP requirements to align section numbers with the SMR PPAP check list 4) Correction to Name Of Appendix B 5) Appendix V – Honda added	01.05.2019	Judith Robertson	Alejandro Lomas
4	Reformat the entire document Correction to revision dates Correction to the calculation for Quality performance rating	08.05.2019	Judith Robertson	Alejandro Lomas
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