



International Automotive Components

Supplier Requirements Manual – North America

Revision 1 – May 7, 2010

1.0 Introduction

This Supplier Requirements Manual, which serves as a Webguide under IAC's Purchase Order Terms and Conditions, has been developed to communicate the IAC Global Supplier Quality requirements to all production suppliers and provide an IAC common process that includes all phases of APQP, Launch and Current Supplier Quality. The provisions of this Manual are binding on all suppliers to International Automotive Components Group, North America, Inc. and its affiliates and subsidiaries (IAC).

Should you have any questions, please contact your respective IAC Buyer.

Tom Marquardt
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IAC Group North America

2.0 Scope

This Manual applies to all IAC production suppliers globally. Compliance to the requirements within this Manual as well as to the Purchase Order Terms and Conditions is mandatory.

It is the supplier's responsibility to check at regular intervals for updates to this Manual at www.IACgroup.com.

Subsequent Supplier Bulletins will continue to be published to communicate all updates and changes. All bulletins are communicated to the eCPAST supplier web page.

If for any reason, the web-site cannot be accessed, it is your responsibility to contact your assigned IAC buyer for a copy of this Manual.

This Global Production Supplier Requirements Manual has been developed to describe and define the requirements and expectations of IAC. It is intended to drive consistency in IAC's sourcing and procurement activities on a worldwide basis. Our aim is to create a favorable business environment for both IAC and our suppliers that strive for customer satisfaction in an environment that supports continuously improving costs, quality, efficiencies, productivity and ultimately, profits.

The value of the supply chain is fully recognized at IAC. Continuous improvement can only be attained through effective communications, documentation of IAC's expectations and the successful implementation of supportive action plans that support long-term customer loyalty and satisfaction.

Globalization at IAC will be achieved through the penetration of existing and emerging markets with breakthrough technology and extensive customer partnerships on a global basis.

IAC's leadership position is supported by a flexible, cross-functional, global organization that responds quickly to customer and market requirements and that successfully leverages our manufacturing, distribution and supply chain superiority.

IAC recognizes its production supply base as an extension of its business and the need for consistent materials suppliers on a global basis.

Our Global Production Supplier Network will help to create value in the supply chain through continuous improvement, innovation, efficiency and the flexibility to deliver in support of the needs of our customers.

3.0 *Supplier Communication to IAC*

IAC's expectations are that all suppliers meet or exceed the following requirements:

- Supplier communication to IAC will be pro-active and will include notification of any and all sub-supplier or sub-contractor issues that could affect IAC or its customers. All communications to IAC Corporate will be in English.
- All requests for authorization of any proposed material or process changes or moves of production locations must be submitted in advance to your IAC buyer with regard to timing of all issues.
- Early notification of any potential supply/ capacity issues are communicated to your IAC Buyer
- Contingency Planning Strategies need to be in place for all manufacturing facilities that ship to IAC.
- Upon completion of a program, the supplier will ensure tooling is properly stored to prevent damage and is readily available for service requirements.
- Suppliers must acknowledge that achievement of ZERO DEFECTS is a fundamental objective for Quality and 100% on time Delivery performance is required. Suppliers need to monitor their performance as reported in both the IAC Supply Rating System Monthly Corporate & Common Scorecards and QNs issued in the Supplier Quality Tracking System (SQTS).
- All suppliers are expected to be compliant with the environmental directives of our customers and applicable legal requirements including Product Material Content and Recyclability Reporting (PMCR-IMDS).

4.0 *External Production Supplier Electronic Data Interchange Requirements (EDI):*

- All suppliers supplying production parts, assemblies, components and production materials to IAC plants are required to have EDI capabilities.

For additional information on EDI, refer to the IAC Website at www.IACgroup.com.

5.0 Registration to IAC's Corporate Purchasing and Supplier Tracking System (eCPAST)

All suppliers are required to register a supplier administrator for access to the IAC eCPAST Applications.

Your Supplier Administrator will be responsible for assigning user access IDs and passwords for others in your company to access the IAC Purchasing applications, which include:

- Online Quote
- eCPAST
- Supplier Rating System (SRS)
- Purchase Order Retrieval
- ProLink Supplier (APQP)
- Diversity Reporting
- Supplier Quality Tracking System (SQTS)

To register a supplier administrator for your company, access www.IACgroup.com. Go to the "Supplier Portal" Tab, "Supplier Access" and complete the form titled "IAC Supplier Online Access Request Access."

The Supplier Administrator "Supplier User Enrollment Manual" is available on <https://srmaccess.IAC.com> and details the responsibilities of the administrator and instructions for adding users to the application.

6.0 *Customs Trade Partnership Against Terrorism (C-TPAT)*

IAC is a participant in the U.S. Customs and Border Protection initiative commonly known as C-TPAT. As a participant, we have made a firm commitment to enhance the security of our global supply chain and are constantly striving to improve this security to insure the timely delivery of shipments through expedited clearance at U.S. border crossings and ports of entry.

As part of our commitment to supply chain security, it is crucial that our suppliers know about C-TPAT and integrate adequate security practices into their own organizations, or, ideally, participate in C-TPAT themselves.

For C-TPAT Participants, IAC must have the supplier's Status Verification Number (SVI) on file. For non-participating suppliers, the Security Questionnaire available on eCPAST must be completed and on file with the IAC Customs group.

6.1 *IAC Customs Import Document Requirements*

For the importation of goods under CBP regulations, the commercial invoice prepared by the seller must contain pertinent information required for making entry into the commerce of the United States. Because the information on the commercial invoice is presented to CBP as being factual at the time of entry, its contents must be accurate and the document must be complete with all the pertinent information.

Basic Invoice Requirements:

- Date of shipment
- Name and address of shipper
- Name, address and IRS # of consignee
- Name and address of "sold to" party
- **Detailed** description of the product in English ("automotive parts" is NOT acceptable)
- IAC part numbers
- Quantity (number and weight)
- Unit price (Commercial Invoice for Customs purposes must match the PO price)
- Total price per line item
- Total invoice cost (**All** items require a value for Customs purposes. Even if the shipment contains no-charge items, samples, returnable containers, or returned goods, etc. we **MUST** have a Fair Market Value for Customs. If a Fair Market Value is used, the invoice

- should be marked "Value for Customs Purposes Only")
- Type of Currency (USD, etc.)
 - IAC Purchase Order number
 - Country of Origin for each item (country of manufacture)
 - Terms of Sale (ex-works, FOB, CIF, etc...)
 - Name of the Customs broker responsible to clear the cargo and the Port of Entry
 - Any other charges/discounts not included/listed in the invoice price such as:
 - Assists in the form of dies, molds, tools, engineering work, components/materials supplied at less-than-fair-market value or free, etc.
 - Insurance
 - Freight
 - Packing costs
 - Commission
 - Discounts

Other Requirements

NAFTA

U.S., Canadian and Mexican origin goods that qualify for NAFTA and are shipped to the United States, Canada, or Mexico must be accompanied by a NAFTA Certificate of Origin or have a blanket NAFTA Certificate of Origin on file with the broker. Buckland Customs Brokers performs an annual solicitation of blanket NAFTA Certificates of Origin on behalf of IAC. Suppliers are required to comply with all requests pertaining to this solicitation.

NAFTA Certificates should only be completed by a properly trained individual possessing knowledge of tariff classification, tariff shifts, bill of material analysis, regional value content calculations and automotive tracing requirements.

Country of Origin Marking

Section 304 of the Tariff Act of 1930, as amended (19 U.S.C. 1304) provides that, unless excepted, every article of foreign origin imported into the U.S. shall be marked in a conspicuous place as legibly, indelibly, and permanently as the nature of the article (or container) will permit, in such a manner as to indicate to the ultimate purchaser in the U.S. the English name of the country of origin of the article.

U.S. Goods Returned (HTS 9801)

U.S. origin goods returning to the United States having not been advanced in value or improved in condition require the following documentation:

- Manufacturer's Affidavit **AND**
- Foreign Shippers Declaration

Articles Exported and Returned, Advanced or Improved Abroad (HTS 9802)

It is the policy of IAC for articles exported for repair or alteration (under HTSUS 9802.00.40 or 9802.00.50), the invoice must clearly state the value of the repair or alteration **and** the following documentation has been provided at the time of entry:

- Declaration from the person who performed the repairs
- Declaration by the owner, importer, consignee or agent

American Automobile Labeling Act (AALA)

The National Highway Transportation Safety Administration (NHTSA), part of the Department of Transportation (DOT), administers the AALA program requiring all Automotive Original Equipment Manufacturers (OEM) to determine the value of the US/Canadian and foreign content of each vehicle for the consumer. As a result, IAC must furnish this information to the OEMs based on information provided by the supplier. IAC suppliers are required to provide AALA content calculation determinations when requested.

Importer Security Filing (10 + 2)

CBP has issued the Interim Final Rule for Importer Security Filing (ISF/10+2) enforcement. Effective immediately, the filing requirements for the 10+2 interim final rule for maritime (ocean) cargo are mandatory and require that the ISF Importer file ISF data for every ocean shipment imported into the U.S.

For all ocean shipments to all International Automotive Components North America locations bound for the U.S., all suppliers must provide a completed Importer Security Filing (ISF) form to our U.S. Customs Broker, Buckland Global Trade 48 hours in advance of loading at the foreign port. No freight should be released until the ISF form has been filed with Buckland and you have received confirmation from Buckland that all information is complete and Buckland has provided you with an ISF number.

The forwarder/consolidator must provide the shipper with the house bill of lading number (or the ocean bill of lading number if direct booking) at the time of booking to ensure that it is EXACTLY represented on both the ISF and the ocean carrier's Automated Manifest Transmission (AMS).

ISF Form and Submission

The ISF form (IAC_Buckland_ISF.doc) can be found on eCPAST under Web Guides. The completed form must be sent to airoceanadvances@bucklandcustoms.com

Special Classes of Merchandise

Textile Shipments require a notation on the documents indicating the name and address of the company which performed the processing that gave the product its country of origin.

Tooling / Machinery / Equipment Shipments

It is IAC's policy that the owner of any tooling/machinery should act as the importer of record.

Due to the high value of these shipments, special care should be taken when moving tools, machinery, and equipment across international borders. The basic invoice requirements should be followed keeping in mind the following:

- Confirm the shipping terms, including who is responsible to clear the cargo through Customs.
- For shipments from a non-IAC location sent on IAC's behalf, the shipper should be listed as: IAC c/o (the shipping location).
- If the tooling or equipment is being sent only for alterations or repairs and will be returned, please mark the invoice accordingly. Also note if the work is under warranty.
- For transfer of production equipment, values should be "fair market value".
- If no actual sale is taking place, the invoice must be marked: "Value for Customs Purposes Only".

Documentation

- For machinery of U.S. origin, a Manufacturer's Affidavit, completed by the **original manufacturer**, must be completed.
- A valid NAFTA Certificate of Origin should be completed by the **original manufacturer** of the tooling/machinery and provided to IAC.

Tooling/Machinery/Equipment moves from Canada to Mexico often require additional coordination and time due to the multiple border crossings. It is always helpful to advise IAC's brokers in advance of the cargo arriving to ensure a smooth clearance.

The invoice description for machines and machine parts also must provide the following information:

- For Machines: A statement as to use or method of operation of each type of machine
- For Machine Parts: A statement specifying the kind of machine for which the parts are intended, or if this is not known to the shipper, the kinds of machines for which the parts are suitable.

7.0 Supplier Quality Registration and 3rd Party Customer Approval Guidelines

IAC is certified to ISO/TS 16949:2009 and applicable Customer Specific Requirements as they apply to automotive production and relevant service part organizations.

- **The IAC Quality Certification Requirement for all approved production supplier manufacturing locations is 3rd party Certification to TS 16949:2009 or ISO 9001:2008**

IMPORTANT NOTE:

Registration to ISO 9001:2008 is only acceptable for those production suppliers that do not meet the applicability requirements of TS 16949:2009 as described below or as an interim step to achieving TS 16949 certification. Production Suppliers that are not 3rd party certified to these standards shall be required to submit self audits to IAC Supplier Management upon request. If performance warrants, physical on-site review will be conducted.

- Suppliers are also required to submit renewed certificates for each manufacturing location at time of renewal.
- Information on all certificates **must match** the name and address of record of the manufacturing location. See submission information below.

Applicability Requirements:

TS 16949:2009 applies to organizations that manufacture products that end up in the final vehicle assembly, including:

- Production Materials
- Production or Service Parts
- Assemblies
- Heat treating, Welding, Painting, Plating or other Finishing Services.

Submission of quality system certificates and transition plans should be sent to: SUPPLIERCERTS@IACNA.COM or Fax 313-733-2627

- All IAC production suppliers are required to establish documents and implement effective production, quality and management systems compliant with the above outlined requirements, including all customer specified requirements.
- IAC reserves the right to verify a supplier's manufacturing location for site compliance to these standards by performing site audits by a designated IAC representative for those suppliers identified as having a high impact to safety, fit, form, function, quality and or Customer down-time.
- The duration of the audit will conform to the full application of the Audit Day requirements table of the "Automotive Certification Scheme for ISO/TS 16949:2009."
- Third party certification does not relieve the supplier of the full responsibility of the quality of the product supplied.
- IAC requires all production suppliers to monitor their sub-suppliers quality management systems per TS clause 7.4.1.2.
 - Verification of sub-suppliers 3rd party certification – includes obtaining a copy of the valid registration certificate and receiving updates as certificates expire.
 - Documented evidence of sub-supplier compliance must be available for review upon request of IAC.
 - In the event that a sub-supplier provides a proprietary material, is not registered and/or on-site verification is very impractical (limited resources and/or location), exceptions must be documented and approved by an authorized representative of IAC Purchasing.

8.0 Environmental Requirements

All IAC suppliers are expected to work proactively with IAC to reduce the environmental footprint of IAC's products and comply with the environmental requirements of our customers and those countries in which IAC operates.

Additionally, all IAC suppliers must have an effective environmental management program in place: Either a 3rd party registration to the International Environmental Management Standard ISO 14001:2004 or a Responsible Care Management system.

Suppliers are required to submit copies of all certificates and renewals to SupplierCerts@IACNA.com or send via fax to (313) 733-2627

9.0 Product Materials Content Recyclability Reporting (PMCRR-IMDS)

Product material content, recyclability, weight and other information is to be reported via IMDS as specified below. Product containing substances of concern that are restricted and/or prohibited must comply with current legal and customer requirements. Life cycle assessment (LCA) data may also be required for specific programs.

All suppliers must provide evidence of product data submission acceptance by IAC with every PPAP submission, or as requested. A copy of the print out or "screen shot" of the 'Recipient Data' from IAC IMDS Site **66187** is considered to be the only valid evidence of acceptable submission. The part numbers in the acceptance note must match the part numbers submitted for PPAP or other approval. PPAP or other approvals will not be granted for the parts not accompanying this documentation. IAC suppliers are responsible for cascading this requirement and collecting data from their respective sub-suppliers. Failure to do so will be reflected in the supplier's monthly scorecard performance as measured in "Customer Satisfaction."

All IAC suppliers must re-submit their part to IAC for re-approval per IMDS and customer requirements.

10.0 Supplier Quality Tracking System (SQTS)

The SQTS is IAC's Global Supplier Quality Tracking System for reporting & resolving supplier quality, delivery, customer satisfaction and warranty issues. It is an online 8D system that provides a standardized method of issuing Quality Notices (QNs) to all suppliers. Suppliers must respond to QNs by entering data in the system fields that follow a disciplined problem-solving approach.

Data collected in the SQTS database is linked to the IAC Purchasing SRS (Supplier Rating System) to generate Supplier Scorecards and Metric Reports.

QNs created for quality, delivery, warranty or customer satisfaction issues represent the number of Written Complaints on each supplier's scorecard.

The number of rejects in a Quality QN will be used in the calculation of a supplier's PPM that will be on each supplier's scorecard. For additional information and instructions on the SQTS System, download the Supplier User Manual at [eCPAST](#).

Requirements:

- All suppliers must have a Supplier System Administrator and have a minimum of two contacts registered w/access to the system at each of their locations that ship to IAC.
- Initial Response to the QN within 24 hours of issue. (Monitor the system daily.)
- Root Cause Analysis & Identification within 72 hours of the initial response acceptance from the IAC Plant.
- Permanent corrective action implementation and verification of effectiveness as promptly as possible, but always within 30 days.
- Suppliers may risk being awarded new business / lose existing business if adherence to SQTS is not followed.

11.0 *Production Supplier Performance*

To meet the ISO/TS 16949:2009 requirement of measuring supplier performance, the IAC Supplier Rating System (SRS) Monthly Scorecard utilizes composite measures which cover various aspects of supplier performance. It provides a monthly and year to date record of the suppliers' quality, delivery, written complaints and customer satisfaction metrics.

These performance metrics also provide:

- Recognition of exceptional supplier performance
- Improved communication on performance issues
- Objective data for use in supplier management and IAC sourcing decisions
- Opportunities for continuous improvement

These performance metrics are based on monthly receipt data and Quality Notices issued in the SQTS system by the IAC receiving plants.

IAC conducts Internal Quality meetings at the IAC production facility and Corporate levels. Suppliers that do not meet expectations are required to attend and present containment / corrective actions and are identified based on the following derived from SRS.

- Performance History of Repetitive Quality Issues
- Responsiveness to Concerns
- Severity of Issues
- Warranty Issues

The SRS Scorecards and the Supplier SRS User Manual which includes the scoring criteria for each of the categories are available at eCPAST.

Requirements:

Supplier representatives at both the corporate and manufacturing level are required to download their monthly corporate and common scorecard data each month. Any discrepancies in data must be reported to the individual IAC Plant providing the data.

Production Suppliers are required to submit written notification to the receiving IAC Plant(s) and to the IAC Buyer, the following information:

- All changes in Supplier's "Remit To" information
- Copies of all updated Third Party Quality Certification with expiration dates for each manufacturing site that ships to IAC.
- Any changes in ownership of the company/corporation
- Copies of Notification of Third Party Containment

12.0 Pre-production & New Product Launch Requirements (APQP)

All production suppliers involved in pre-production & new product launches are required to produce advanced quality plans to support the development of new products and/or services, in accordance with the guidelines in the *Advanced Product Quality Planning and Control Plan (APQP)* manual published by the Automotive Industry Action Group (AIAG).

12.1 Supplemental requirements, suppliers are also required to:

12.1.1 Download the ProLink Supplier APQP User Guide and communicate the requirements throughout your organization and manufacturing facilities.

12.1.2 Utilize the IAC ProLink System

ProLink is a web-based global project management software system that includes a part tracking system, storage of basic part information and Supplier APQP timing.

12.1.3 Enter Supplier APQP timing for each program.

12.1.4 All suppliers are required to:

Submit Form CQI-9 "Heat Treat System Assessment as an attachment in the ProLink System to document the status of all in-house heat treat processes, all

out-sourced heat treated parts and/or all outsourced heat treat services for all purchased and overseas components that are heat treated.

Submit Form CQI-11, "Plating Special Process Audit" as an attachment in the ProLink System to document the status of all plating processes, whether internal to the supplier or outsourced by the supplier.

Both Forms can be found on the Supplier eCPAST portal under "Web Guides, Supplier Management Information and Forms.

13.0 *Launch Readiness Measures*

IAC Supplier Management monitors and manages selected suppliers from new product release through the start of production. New product/process launch readiness measures are implemented to ensure that suppliers are able to produce in accordance with all requirements of the Purchase Order and customer requirements (i.e., Part Branding/Identification).

Supplier Risk Assessment:

Supplier Management and Program Management will conduct Supplier Risk Assessments to determine those suppliers whose products are identified as “High-Risk” and will be tracked by Supplier Management. Criteria includes, but is not limited to:

- Product / process complexity
- Product specifications to FMVSS
- New product / complexity for IAC
- Product Environmental Impact
- Past product / process concerns
- Supplier launch history
- Impact on final product
- New supplier production location
- Past warranty concerns
- New supplier
- New product / process for supplier
- Mergers, Acquisitions or Affiliations associated with a Supplier

Component Review Meeting (CRM):

- Component Review Meetings are held with selected suppliers to identify key product/process characteristics that are statistically monitored to ensure stability.
- Suppliers are required to conduct CRM's with their own sub-suppliers and highlight/identify customer specific requirements, i.e. part branding/identification.

Supplier Document / Process Review:

- All production suppliers are required to complete and return a Supplier Document and Process Review sheet for each representative part number that is scheduled to launch for the current year at the supplier's manufacturing location
 - It is the responsibility of the IAC Supplier Quality Engineer and the supplier to identify each representative part number that will be supported by the Supplier Document and Process Review sheets prior to PPAP submission.
 - It is the supplier's responsibility to obtain this information package from www.IACNA.com under the Supplier Portal, ECPAST, Web Guides, Supplier Development Information and Forms.
 - The cross-functional IAC Program Team identifies high risk suppliers and Document and Process Reviews are conducted by the Supplier Quality Engineer.
 - It is an IAC requirement that the supplier will perform similar Document and Process Review audits with their sub suppliers and provide that information to IAC upon request.
 - IAC Supplier Quality Engineering has the authority to request this information or conduct an on site Document and Process Review audit at any time for existing parts produced by a supplier for IAC.
 - All documentation will be provided to IAC Supplier Management.

- The Supplier Document and Process Review is utilized to demonstrate a supplier's compliance to and the continued improvement of their overall product quality plan.
- Compliance to the Supplier Process and Document Review does not relieve the Supplier of their responsibilities to comply with other specified A.I.A.G. requirements.
 - The Supplier Document and Process Review documents the progress of the supplier's product quality plan.
 - Supplier Management audits the supplier's documentation and manufacturing site, and monitors the supplier's progress in closing any open issues.
 - Suppliers are required to audit their sub-suppliers and conduct similar document and process reviews.

Pre-Launch Production Trial Run:

- All suppliers are required to perform a Run @ Rate prior to PPAP, to verify that the supplier's actual production process is able to meet program volumes at an acceptable quality level.
- IAC Supplier Management will coordinate the Run @ Rate with the supplier in accordance with IAC Run at Rate Procedures. (IAC has adopted General Motors GP9)
- The supplier's process must be able to produce 115% of the quoted volume using production tools and equipment and within the actual manufacturing site and process.
- It is the responsibility of the supplier to enter the completed Run @ Rate documents as an attachment in ProLink.
- Suppliers are required to assure that Run @ Rate is conducted for all sub-suppliers and provide supporting documentation to IAC upon request.

Launch Support:

- During any program launch at an IAC production facility, selected suppliers may be required to provide on-site representation. The supplier's launch support representative(s) must be knowledgeable, capable and empowered to make decisions. Coverage must be provided for all shifts.
- Suppliers will be selected based on past quality performance and or complexity of components or assemblies being supplied. Suppliers will be identified by Supplier Management.
- Any component or assembly that is identified as a safety or critical item or contains any special record retention requirements must have additional inspection implemented prior to IAC receiving the component or assembly for launch. Each component or assembly shipment must be certified for 30 days or 6 shipments of defect free product, which ever is the longer period of time. It is the responsibility of IAC Supplier Management to approve part certification plans.
- Suppliers may be required to attend key event builds prior to production launch. Suppliers will be identified by Supplier Management.

Production Part Approval:

- All production suppliers are required to obtain full approval from the IAC receiving facility per the requirements of the AIAG Production Part Approval Process (PPAP) Manual, according to the latest revision level.
- All sample submissions are to be Level 3 unless otherwise specified
- Annual Layouts are required to verify continuing conformance on all parts & components.
- If the IAC Plant is required to submit PPAP to its' customer, all supplier PPAP documentation must be no more than one year old. PMCRR-IMDS data must be updated per IMDS and customer requirements.
- All PPAP's over one year old are to be updated upon written request from the IAC Plant.

Tooling Identification:

- All tooling, fixtures, gages, assembly aids or equipment (defined as tooling) that has been authorized by the issuance of an IAC Purchase Order or placed under IAC control by an OEM Customer resourcing action or as the result of an acquisition must be identified and documented. This identification shall consist of an IAC tool tag permanently affixed to the tooling. The tooling shall also require photo documentation clearly identifying the tooling and clearly showing the IAC tool tag. A physical description of the tooling is also required. This description must contain the type of tooling (mold, die, gage, etc.), the physical size and weight of the tooling and any detail relative to cavitation. In the case of metalforming tooling, the description must include the pitch and gage of material.
- Initial PPAP submissions will **not** be accepted without this documentation.
- Tool tags may be obtained from the IAC Buyer or any member of the Supplier Management staff.

14.0 Production Phase/Manufacturing

14.1 All Product or Process Changes

Advance written approval from the IAC Buyer is required for all changes to a supplier's product or process.

- Samples may be required for review and to evaluate potential impact on IAC's manufacturing processes.
- Submission for PPAP approval is required unless specifically waived.

14.2 Production Location Changes

Production Suppliers must obtain **advance written approval** for **ALL** production location changes from both IAC Purchasing and **ALL** receiving IAC facilities as required in the most current edition of the AIAG, Production Part Approval Process (PPAP) under "Customer Notification & Submission Requirements."

Suppliers are to submit a completed "Supplier Location/Process Change Request" form to their IAC buyer and the IAC receiving plant(s) 30 days in advance to obtain approval for a production location change. Copies are available in the Web Guide for "Supplier Development Information and Forms" which is located on the IAC Supplier Portal (eCPAST) at www.IACgroup.com.

Input from IAC Purchasing, Program Management, and the receiving IAC plant(s) is required for obtaining approval for the supplier location change.

The Tool Move Plan must include the requirements of a production bank to ensure IAC's Production and Service requirements are not affected. Additionally, all shared tooling must be called out and identified in the Tool Move Plan.

PPAP submission (Level 3 unless otherwise directed by the receiving plant) and approval from the IAC receiving plant is required **prior** to the shipment of production material from the new location. An Exit PPAP from the prior facility is also required.

14.3 PPAP Submissions Over 1 Year Old

Whenever IAC is required to submit PPAP to its' customer, all Production Supplier PPAP documentation must be no more than one year old.

At that time, all PPAP's over one year old are to be updated upon request by the receiving IAC Plant location, regardless of the supplier's business relationship (i.e. customer directed) with IAC's customer.

14.4 Production Supplier Extended Shutdown/Start-Up Audit (SESSA)

IAC Purchasing and **ALL** receiving IAC facilities must be **notified in writing** prior to a supplier's extended production shutdown and must submit a completed SESSA audit that covers all products at each of their manufacturing locations that ship to IAC.

The complete audit(s) are submitted to the IAC Buyer **with a copy to the** Supplier Management Mailbox at suppliercerts@iacna.com. Subject line of email should read: SESSA Audit Response

Copies of the "Supplier Notification of Extended Shutdown/Start-Up Audit" are available in the Web Guide for "Supplier Development Information and Forms" which is located on the IAC Supplier Portal (eCPAST) at www.IACgroup.com.

- Examples of Extended Shutdown/Start-up periods include Customer change-over, unscheduled preventative maintenance for Tooling, Machinery, extended Holiday closings, or the anticipation of a work stoppage due to Union Contract Negotiations.
- SESSA audits submitted for a supplier's unionized facilities that manufacture and ship product to an IAC facility must be submitted six (6) months prior to the actual Union contract expiration date.

- All questions that are answered as “NO” require an action plan and the action plan must in place prior to the shutdown period to insure compliance.

15.0 Sub-contractor Development

With the increasing demands of IAC’s customers for higher quality at a lower cost, the entire supply chain is responsible for increasing quality and contribution to a lower overall cost.

By developing and improving sub-contractors, IAC’s production suppliers could obtain substantial savings to themselves and ultimately, to IAC.

It is IAC’s expectation that all IAC production suppliers work closely with their supply base to insure that the quality level of received product meets IAC’s requirements and expectations.

The primary area of focus is in the communication and documentation of customer requirements, which is achieved through APQP (Advanced Product Quality Planning).

Through the APQP process, the subcontractor is informed of customer requirements and expectations and develops the process foundation.

16.0 Production Supplier Controlled Shipping Status

The IAC Plant facility or IAC Management issues a Quality Notice (**QN**) in the IAC Supplier Quality Tracking System (**SQTS**).

The IAC Plant initiates the written documentation to notify a supplier of Controlled Shipping Status, CS Level I or CS Level II as identified below:

Controlled Shipping - Level I (CS I)

CS I requires the supplier to implement extraordinary inspection of product to contain a specific failure.

Containment actions must verify that requirements are met and approved by the IAC receiving plant.

Controlled Shipping - Level II (CS II)

CS II requires the supplier to provide an independent third party to inspect product separated from normal production process prior to release for shipment to the IAC receiving plant.

CS II is initiated if the supplier fails to contain non-conforming product within its' own facility. Regardless of introduction of CS II the additional inspection for CS I will stay in place.

The IAC plant and the supplier must agree on the documentation required, content and duration of containment.

Items to be inspected can include:

- PFMEA top 3 highest RPN
- Historic failure modes during launch
- Prototype phase quality issues (either internally at supplier or at the customer)
- Late engineering changes
- Potential high-impact customer issues
- Federal Motor Vehicle Safety Standards (FMVSS) Requirements or Safety Related Issues

Determination of CS I Status

CS I is required when extraordinary inspections have to be implemented due to failures which have been detected by IAC, or major discrepancies which have been identified during a process audit conducted by IAC.

The supplier must verify that the actions taken meet all IAC requirements.

Inspections and methods must be approved by the receiving IAC plant. All containment actions must be documented according to IAC's requirements.

The supplier is required to:

- Immediately establish a containment process at its location. Containment can be placed in line after final inspection or may be located off line in a separate area.
- Ensure understanding of the nonconformance.
- Return confirmation reply as required.
- Purge pipeline of suspect material.
- Commence the sort activities and display the results in a public and visible location.
- Track clean point of non-conforming material, e.g. material in transit, storage, at an IAC plant etc.
- Provide proper layout and instruction documents, space and tooling.
- Notify all additional IAC plants or customer plants that receive the same part, informing them of the nonconformance and provide containment activities as required.
- Parts, material and containers are to be marked, as agreed with IAC plant, to identify parts certified for production.
- Perform corrective actions including all steps of the 8D process.

- Review corrective actions for effectiveness and take further actions if required to eliminate issue long term.
- Conduct a daily management meeting at the sort location.
- Report results & findings to the IAC receiving plant(s) on a daily basis.
- Meet defined exit criteria.

Additional Supplier Information about CS I

The supplier is notified in writing of the containment status by the affected IAC plant. The Supplier must confirm CS I Status within 24 hours and include supplier contact information and detailed action plan. All related documentation will be contained within the Quality Notice (QN).

The IAC Plant SQE, Director of Supplier Management and IAC Buyer must receive the following information:

- Supplier Name, SRS Common Vendor number, Location & Supplier Contact Information
- Program, Customer
- Number of non-conformances
- Date CS I status initiated
- List of all defined exit criteria

This information must be included in the Supplier's Containment Summary to provide cross communication between the IAC plants with common suppliers and for use in future sourcing activities.

Exit Criteria for CS I

The Exit Criteria is based on long term actions and results and must be agreed by the receiving IAC plant. The IAC plant will inform the supplier in writing of release from containment and will also notify the IAC Director of Supplier Management and IAC Buyer.

Determination of CS II Status

CS II requires the supplier to inspect all suspect parts in an area separate from their normal production process prior to shipment to IAC by an independent third party inspection source. CS II may be initiated if:

- The supplier has failed to contain non-conforming products in Launch Containment and/or CS I status
- There are safety related or FMVSS issues
- There is a risk in the field with the Customer

The supplier must verify that all actions taken meet all IAC requirements. Inspections and methods must be approved by the receiving IAC plant. All containment actions must be documented according to IAC's requirements.

In addition to maintaining the requirements of CS I activities, the supplier is immediately required to:

- Contact a third party inspection source for the controlled shipping inspection.
- Issue a purchase order to the controlled shipping third party inspection source within 24 hours of receiving the CS II letter and forward a copy of their purchase order for 3rd party inspection services to the IAC Plant.
- Provide adequate trained resources to continue with CS I inspections.
- If requested by the Customer, the supplier must submit corrective action plans to its' ISO/TS registrar for review and/or assessment and authorizes its' ISO/TS registrar to submit the review and/or assessment findings to the Customer.

Exit Criteria for CS II Status

The Exit Criteria is based on long-term corrective actions and results by the supplier and must be approved by the IAC plant. The supplier's release from containment is given in writing by the IAC plant and is copied to the Director of Supplier Management and the IAC Buyer.

The IAC Plant SQE/Quality Manager can replace CS II with CS I if the long-term solution lead-time is too long and the reliability of supplier performing CS I.

Failure to meet exit criteria for CS II may result in new business hold status (NBH).

COST RECOVERY POLICY:

Production Suppliers are liable for all costs incurred by IAC when the cause is the supplier's responsibility. These are outlined below:

- **PRODUCTION SUPPLIERS** – Charges to production suppliers will be based on local rates of the affected IAC plant per Cost Recovery Rate Tables (CPM 7.21 T1) found at: Supplier Portal, ECPAST, WEB Guides, Supplier Development Information and Forms. Refer to the guidelines below regarding applicable charge backs to suppliers.
- **ADMINISTRATIVE CHARGE** - Each Quality Notice (QN) has an administrative charge of 2 hours minimum covering the collection of data and documentation of the quality incident/spill.
- **OTHER CHARGES** - the following types of charges will be calculated on the actual time incurred for the associated action:
 - Rework / Repair (Supplier Fault)
 - Premium Freight Costs including Air Charter, if required
 - Overtime to Avoid Production Interruption
 - Disposition of Scrap (Supplier Fault)
 - Production Downtime for IAC and End Customer
 - Sorting of Suspect Material In-House, and Customer Location(s) or Third Party Warehouse and Contractor Costs
 - On-Line Containment
 - Tear-Down (Minor, Major or Complete) and Outside Lab Testing
 - Customer Returns including hourly charges, and transportation on on-site inspections.
 - Receiving Inspection, Material Handling and Freight associated with Scrap and Replacement Material
 - Delays in Customer PPAP or other approvals based upon submission of the necessary data to IAC IMDS Site 66187 in a timely and accurate manner or caused by the presence of substances of concern.