



September, 2010

Innotec is committed to providing defect free product, on time and with unmatched value to achieve our objective of Total Customer Satisfaction. We recognize that our Suppliers are instrumental in meeting this objective, and that a collaborative relationship based on trust and open communication is the only way to provide the ultimate in value and service to our Customers.

Innotec expects Suppliers to have an unwavering commitment to quality, continuous improvement, innovation and a “we-can-always-do-it-better” attitude. We also expect Suppliers to be data-driven and to apply a systematic approach to operations, product launch and problem solving. As the bar of excellence continues to rise, Suppliers must have ongoing and long-term plans to enhance their performance and achieve annual goals.

The purpose of this Supplier Manual is to establish clear expectations that will guide and direct all of our Suppliers in their quest for excellence. The Manual establishes Innotec’s requirements for all phases of product life (launch, production, and service parts), and outlines the goals and expectations we use to objectively score Supplier performance.

Thank you for your continued support of Innotec!

Innotec Supply Chain



SUPPLIER MANUAL TABLE OF CONTENTS	PAGE
1. Quality	
1.1 Parts Per Million	3
1.2 Containment Requirements	3
1.3 Certification Requirements	4
1.4 Assessments	4
1.5 PPAP Requirements	5
1.6 Material Certification Audits	5
2. Delivery	
2.1 Delivery Expectations	5
2.2 Forecast Requirements	6
2.3 Labeling	6
2.4 Routing Instructions	6
2.5 Discrepant Material Report	7
3. Issue Response	
3.1 8D Problem Solving	7
3.2 Supplier Performance Review	8
3.3 Issue Costs	8
4. End of Life Requirements	
4.1 Balance Out	9
4.2 Service Part Requirements	9
4.3 IMDS Requirements	9
5. Commercial Requirements	
5.1 Cost	10
5.2 Cost Reduction	10
5.3 Purchase Orders	10
6. Supplier Performance Evaluation	
6.1 Supplier Performance Rating	10
7. Environmental Policy	
7.1 Certification requirements	11



1. Quality Expectations

1.1. Parts Per Million

Innotec expects all Suppliers to maintain 0 Parts Per Million. Parts Per Million (PPM) is defined by Innotec as product received into any facility which does not conform to the drawing, specifications, and/or standards agreed upon by Innotec and the Supplier. PPM is defined in purchased units (i.e. pieces, pounds, kilograms, or linear feet).

The following situations may warrant PPM classification:

- Parts that are dimensionally inaccurate
- Parts which do not meet fit, function, and appearance specifications/standards
- Parts that do not pass color or aesthetic standards as specified in PPAP, boundary samples, etc.
- Parts that do not meet the drawing specifications

Non-conforming materials sent back to a Supplier will be noted as PPM, except:

- If a Supplier shows diligence and immediately notifies Innotec of a potential problem.
- When there is a mutual agreement between the Innotec and Supplier that the part rejection was unjustified.

The business cell at Innotec that is affected by the non-conforming parts will decide whether or not the Supplier should sort product at an Innotec facility. A Supplier must report all non-conforming product found in sorting. The affected business cell will decide whether *all* non-conforming product will be classified as PPM, or only those parts which were found by Innotec.

A Supplier must sign and return the Innotec SMRR (Supplier Material Rejection Report) within 24 hours of the time the PPM was first reported. Innotec reserves the right to claim compensation from a Supplier for any downtime or any other associated costs resulting from the Supplier PPM.


1.2. Innotec Containment Requirements

All Suppliers are required to have a written containment process, which must include methods of identifying corrective action and containing suspect material in order to prevent non-conforming material from entering Innotec facilities.

If a Supplier's containment process fails and non-conforming parts are delivered to an Innotec facility, Level 1 or Level 2 Containment may be required depending on the severity of the quality issue. Launches and product or process changes may require containment based on a Supplier's readiness and the risk of the product.

Level I Containment: defined as a sort of *all* material for the specified defect at the Supplier's facility using the following guidelines:

- The product acceptance standards and measurement/testing processes must be agreed upon by Innotec.

- 
- Data must be collected for all non-conformances and corrective actions. If required by Innotec business cell, the results of the activity must be reported.
 - Problem solving must be formal, data-driven, and documented. Innotec prefers its Suppliers to use the 8D problem-solving method (see Section 3.1)
 - Supplier must also contain parts at the Innotec facility where the defective parts were shipped.

Level II Containment: defined as a sort of all material for the specified defect by a third-party sorting company at the Supplier's expense. Innotec may specify which third-party sorting company the Supplier must use. The presence of the third-party sorting company does not relieve the Supplier of any Level I Containment requirements. Level II Containment will be warranted if Innotec receives subsequent defective material during a Level I Containment.

Innotec will send a letter to Supplier by email or fax to notify them of Level I or Level II Containment. The Supplier must return a signed copy of any notification letter within 24 hours to acknowledge the containment requirement.

A Supplier must have formal written approval from Innotec before concluding Level I or Level II Containment. Before the Containment can end, the Supplier must provide data showing a minimum of 30 days or three production runs with no defective material. The Supplier also must have an 8D plan that has been approved by Innotec. If Level II Containment is discontinued, the Supplier will still be responsible for Level I Containment requirements until Innotec formally removes this requirement.

1.3. Supplier Certification Requirements

Innotec has adopted the ISO/TS 16949 Quality System. Any company who seeks to become a full-service Supplier to Innotec should be ISO/TS 16949 certified or working towards the implementation of this quality system within their organization.

Suppliers that are not registered with a third-party quality registration organization will be handled by Innotec on a case-by-case basis. These Suppliers may be required to submit a plan to Innotec that outlines future plans for registration and continue to demonstrate progress towards registration.

1.4. Assessments

Innotec may choose to perform a Supplier assessment with either a current or new Supplier. The assessment evaluates a Supplier's systems and processes to ensure they meet Innotec's required operational excellence performance level. There are two classifications for Supplier assessments

- Level 1: Commodity Supplier (resin or metal)
- Level 2: Value Add Supplier (for a Supplier of processed and/or assembled components)

Sample assessment forms can be found at www.innotecgroup.com/supplierresource.html.

An Innotec team member will conduct the assessment at the Supplier's facility. Prior to the visit, the Supplier must complete and return to Innotec a pre-assessment. Suppliers must address any findings cited during the



assessment by implementing and tracking corrective action using the Gap Analysis form attached to the assessment. Suppliers may be required by Innotec to implement a corrective action plan.

Suppliers whose annual Supplier Scorecard rating falls below 50 may be required to undergo an on-site Supplier assessment. Assessments may take place as needed if the Supplier shows signs of ongoing quality, delivery, or commercial issues.

1.5. PPAP Requirements

Innotec will request the Production Part Approval Process (PPAP) and using a Supplier Sample Submission Request Form (SSSR). The SSSR will be sent to a Supplier by email or fax. Innotec may verbally request a PPAP (without SSSR), but this PPAP will not be included on the Supplier's Scorecard.

A Supplier must submit PPAP information according to the guidelines established in the Fourth Edition of the AIAG PPAP Manual. If a PPAP is more than one year old and Innotec is required to submit an updated Customer PPAP, a Supplier may be required to resubmit a PPAP at no additional cost to Innotec.

1.6. Material Certification Audits

In order to meet Customer requirements, Innotec may perform random audits of Supplier Material Certifications received with the product. Testing will be completed by an independent lab at Innotec expense. However any issues that arise out of the testing and the resulting costs associated with the issue will be at the Supplier's expense.

2. Delivery

2.1 Delivery Expectations

Suppliers are expected to provide 100% on time delivery of the Product. In order to achieve this delivery expectation Suppliers must:

- Meet reasonable schedule increases (defined as 15% more than the weekly plan or as otherwise required in a Statement of Work).
- Contact the Innotec Materials Representative(s) immediately if unable to meet the release schedule, and supplying the following information:
 - Date the parts will be available
 - A plan to get back on schedule
- Arrange for expedited freight when necessary by coordinating with the Innotec Materials Representative(s). Every effort must be made at the time of shipment to reach an agreement on who is responsible for the cost of the expedited freight. If the Supplier is responsible, the freight must be shipped "PREPAID". The Supplier must also track the inbound freight and advise the Innotec Material Representatives as to shipment status.
- Assign the necessary resources to resolve any delivery issues.



Innotec reserves the right to claim compensation from a Supplier for any downtime and/or any other associated costs resulting from a delivery issue.

2.2. Forecast Requirements

Forecast Delivery Requirements will be provided to Suppliers by Innotec Materials Representative(s). These schedules show the expected quantity and date of arrival for each part number. The date shown on the schedule is the date the parts are required to arrive at Innotec. The schedule date is **NOT** a ship date.

Innotec's maximum material authorization is 4 weeks raw and 2 weeks fabricated (total four weeks). Any deviations from this standard must be authorized in writing by Innotec and/or communicated on the Purchase Order.

2.3. Labeling

All labels must contain the following information and meet the standard label requirements of AIAG.

- Part Number
- Quantity
- Part Description
- Date of Manufacture
- Part Revision Level
- Lot Number
- Barcode (if requested)

2.4. Routing Instructions

Innotec requirements for transportation are as follows:

- Unless otherwise specifically stated on the Purchase Order, freight terms for shipments to Innotec are F.C.A., Sellers Dock (Incoterms 2000).
- Innotec will provide information to the Supplier regarding the preferred freight carrier.
- Supplier should contact Innotec for permission to deviate from the preferred freight carrier. Instances for deviation include expedited freight that is paid for by Innotec.
- Innotec may provide the Supplier with a routing letter, which will include:
 - Preferred freight carrier
 - Innotec "ship to" address
 - Innotec "bill to" address
 - Dock number
 - Shipping density and classification values
 - Innotec contact information

Suppliers who fail to comply with the routing letter specifications will be required to compensate Innotec with freight pricing differences and a \$50 administrative fee for each occurrence.



2.5. Discrepant Material Report

The following situations may warrant the issuance of a Discrepant Material Report (DMR):

- Shipment quantities or Part Numbers that do not match Releases or Purchase Orders
- Shipments damaged in transit
- Missing documentation (i.e. pack lists, bills of lading, NAFTA certificates, commercial invoices, hazardous materials information)
- Mislabeled product
- Shipments that are not delivered to Innotec within the requested delivery window
- Shipments that are invoiced incorrectly

DMR's are issued to a Supplier by the Innotec business cell that is affected by the problem. The Supplier is expected to sign and return the DMR to Innotec within 24 hours of receipt of the DMR. The Supplier is required to provide corrective action in the 8D Problem Solving Process format (see Section 3.1). Repetitive errors or chronic problems may result in an SPR (see Section 3.2) meeting.

3. Issue Response

3.1 Eight Disciplines (8D) Problem Solving

Innotec requires Suppliers to formally respond to issues with an 8D Problem Solving Process format. All Suppliers must have a thorough knowledge of this process and its required steps. On occasion, a response may be requested in an alternate Customer-specified format (i.e. Honda's "5 Principles" or Chrysler's "7 Steps").

The 8D process is designed to ensure:

- Immediate *Containment* of the defect or problem
- Analysis to determine the true *Root Cause* (R/C) of a problem
- *Corrective Action* (C/A) to eliminate the root cause
- *Prevention* of the issue from occurring again to both the product in question and other similar products or processes. *Prevention can only be achieved if Root Cause Analysis and Corrective Action are done correctly.*

The 8 Disciplines / Steps in the 8D Problem Solving Process are:

1. **Team Contact:** Assemble a team to solve the problem and implement corrective action. Select a team leader.
2. **Problem Description:** Describe the problem in measurable terms.
3. **Interim Containment Action & Verification:** Decide on a temporary method to protect the customer from the problem until permanent corrective action is in place. Verify with date that the interim containment process is completely effective.
4. **Define the Root Cause(s):** Identify all potential causes of the problem and narrow them down to the root cause.



5. **Define Permanent Corrective Action(s) and Validate:** Define permanent corrective action that will eliminate the root cause and ensure that problem is resolved.
6. **Implement Permanent Corrective Action:** Implement the permanent corrective action and take appropriate measures to ensure the root cause is eliminated.
7. **Prevent Recurrence:** Improve and update practices and processes to prevent any future recurrence of this and all similar problems.
8. **Congratulate Your Team:** Recognize and reward the work of each of your team members.

A 4D response is required within 24 hours of an issue and the completed 8D is required within 7 days from date the issue occurred. Depending on the severity and/or urgency of the issue, the Innotec Cell has the right to require the 8D be completed in less than 7 days.

3.2 Supplier Performance Review (SPR)

If a Supplier demonstrates chronic recurring problems, Innotec may request a Supplier Performance Review (SPR) at the discretion of the affected business cell. A Supplier will receive an SPR notice form from Innotec by fax, email, or mail. The notice will specify the meeting location, time, and date, as well as include an explanation of the reason for the review.

Suppliers are expected to meet the following SPR requirements:

- Provide Innotec with an 8D (complete through Step 4) within 24 hours of the time Innotec becomes aware of the issue. The Supplier must give the 8D to Innotec within seven days of the issue or 48 hours prior to the SPR, whichever comes first.
- This meeting is not intended to be a “brainstorming session.” Suppliers must draft an agenda and forward it to their contact at Innotec at least 48 hours prior to the meeting. Suppliers must demonstrate in the agenda that they are taking appropriate action to deal with the problem.
- Top problem-solvers at the Supplier’s organization and anyone else specified by Innotec, are required to attend the review.

3.3 Issue Costs

Innotec reserves the right to charge Suppliers a \$100.00 flat fee for the administrative and engineering costs associated with the issuance of a SMR, DMR, or SPR. Innotec Business Cells also have the option to charge \$50.00 per hour for activity related to a Supplier issue, such as sorting, customer meetings, etc. These charges are in addition to any down time or any other costs associated with an issue at Innotec.



4 End of Life Requirements

4.1. Balance Out

Innotec seeks to minimize balance out claims by Suppliers when a product becomes obsolete. This is accomplished by strictly managing incoming material and ensuring that shipments match what is ordered. Innotec will contact the Supplier using a Balance-out Notification Form prior to balance out. This will outline the projected date of balance out and forecast the remaining production volume. The forecast is subject to change based on the needs of our Customers, but it will be our best estimate of the number of parts needed for the remainder of production. This form must be signed and returned to Innotec within one week of receipt.

As the balance-out date approaches, Innotec will email or fax the Supplier the forecasted amount remaining to be ordered. In the event that Innotec does not purchase the amount ordered, the Supplier should complete a balance-out claim form. In order to receive reimbursement from Innotec, a Supplier must have documentation proving that Innotec ordered the material; additionally, the dollar amount of the order must be at least \$250.

4.2. Service Part Requirements

In order to support OEM requirements, Suppliers must have service parts available to Innotec for a minimum of 10 years after the final production build date of the program. If the OEM extends the period of the required service parts term, the Supplier must agree to abide by the extended period.

All service parts will be provided at production-level pricing for five years after the end of production. Suppliers can request adjustments to pricing after the fifth year of the service term. All parts will be re-quoted at the start of the service term to account for the following:

- Packaging
- Special handling
- Transportation
- Set-up costs

Additional cost elements must be fully disclosed in the quoting process and are to include reasonable and justifiable cost breakdowns.

4.3. IMDS Requirements

In 2000, the European Union established the End of Life Vehicle (ELV) Directive, which states, "All OEMs & Suppliers must account for all prohibited, restricted, and reportable substances for all components." International Material Data System (IMDS) provides substance breakdowns necessary to safely recycle vehicles at the end of their useful lives.

Innotec requires IMDS to be submitted through the IMDS, which can be accessed at <http://www.mdssystem.com> and observe the requirements of the IMDS Recommendation 001.

Suppliers must include IMDS data with their PPAP submissions. If the data is not received with the PPAP submission, Innotec reserves the right to refuse PPAP sign-off. Additionally, the Supplier's scorecard may be negatively affected by late or non-submittal of IMDS information.



5. Commercial Expectations

5.1. Cost

Prices set forth on the Purchase Order are firm and not subject to increase.

5.2. Innotec Cost Reductions

Innotec Cost Reduction performance will be monitored and may be included in the Supplier Performance rating. Innotec is committed to achieving cost reductions of 4% annually. Suppliers will be evaluated on their ability to meet this objective. Cost reductions opportunities can be generated through changes in materials, packaging, logistics, process redesign, or VA/VE. It is a condition of continuing business that a Supplier participates in cost reduction initiatives. Proactive communication of cost reductions and continuous improvement initiatives are expected. Innotec is committed to involving our Suppliers as early as possible in commercial quoting activities with our customers to reduce costs. Innotec's expectation is that Suppliers will provide innovation ideas during the initial sourcing decision, productivity improvements annually and VA submissions throughout the year.

5.3. Purchase Orders

Every purchase order issued by Innotec whether written or oral, is bound to the Innotec's Terms and Conditions which can be found at www.innotecgroup.com/supplierresource.html. Suppliers accept these Terms and Conditions upon acceptance of any purchase order.

6. Supplier Performance Evaluation

6.1. Supplier Performance Rating

In order to rank our Supplier performance each fiscal year, Innotec may use a Supplier Scorecard based on a consistent metric-based system. This system focuses on three main areas: quality, delivery, and cost. To see the measurement criteria for each of the three areas, please reference the scoring criteria found at www.innotecgroup.com/supplierresource.html. Innotec uses this scoring system as part of the strategic evaluation process for sourcing Suppliers future programs. The expectation is for all Suppliers to maintain a score of 70 or better.

Scorecard data is emailed to certain suppliers each month, but all suppliers are expected to maintain the appropriate objective. Suppliers can contact their business cell at any time for scoring information.



7. Environmental Policy

7.1. Supplier Performance Rating

Innotec is committed to Environmental Performance with the same diligence that we apply to working with our Customers. We continue to review our operations and supply chain to identify opportunities to make products more earth friendly.

Innotec is **ISO 14001** certified. We expect any company who is seeking to become a Supplier to Innotec to be working towards the implementation of this system within their organization.

Suppliers that are not working towards environmental registration will be handled by Innotec on a case-by-case basis. These Suppliers may be required to submit a plan to Innotec that outlines future plans for registration and must continue to demonstrate progress towards registration in order to be sourced on future programs.