



Innotec Group Supplier Manual

A Relationship of Trust!

The goal of the Innotec Group is to develop a trusting (caring, competence, alignment, integrity) relationship with all our suppliers so that together we can achieve our objective of *Total Customer Satisfaction!*

Our objective is to enhance our customer's success by providing zero-defect product, on time, and with unmatched value. We desire the same for—and require the same from—our suppliers. We recognize that our suppliers are instrumental in meeting our goals, and that a relationship based on trust and open communication is the only way to provide the ultimate in quality, delivery, value, and service to our customers. The Innotec Group is committed to fair treatment and works closely with all of our suppliers to create this atmosphere of trust. We encourage a free exchange of information between our companies to alleviate any confusion and promote an atmosphere of “no surprises.”

Throughout our supply chain, and within the Innotec Group, we expect an unwavering commitment to quality and continuous improvement. Innovation and a “we-can-always-do-it-better” mentality is highly encouraged and rewarded. We expect our 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, our supply base must have ongoing and long-term plans to enhance their performance and achieve annual goals.

At times, our customers (and their customers) may change their requirements and direct us to use their customized forms and procedures. The Innotec Group will try to minimize the impact and occurrence of these altered requirements on its suppliers.

The purpose of this manual is to establish clear expectations that will guide and direct all of our suppliers in their quest for excellence. We will outline supplier requirements for all phases of product life (launch, production, and service parts), and lay out the goals and expectations we use to objectively score supplier performance.

Quality Expectations

Innotec Group Supplier PPM Guidelines

This guideline is used to determine a supplier's PPM (Parts Per Million) value, and it applies to all production materials. PPM is defined by the Innotec Group as product received into any of our facilities which does not conform to the drawing, specifications, and standards agreed upon by both our company and the product supplier. The exception is pre-production product that is subject to SPR (see SPR section), but not PPM. PPM is defined in purchased units (i.e. pieces, pounds, kilograms, linear feet).

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

- If a supplier shows diligence and immediately notifies the Innotec Group of a potential problem.
- When there is a mutual agreement between the Innotec Group and its 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 on location at an Innotec Group 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 the Innotec Group.

The following situations may warrant PPM classification:

- Parts that are dimensionally inaccurate
- Parts that do not function to the level of agreed-upon 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

The following are situations in which affected business cells will determine PPM:

- Parts for which there is no released drawing
- Parts that have not been released and approved for production.
- Parts which do not meet fit, function, and appearance specifications

A supplier must give the Innotec Group RMA (Return Material Authorization) within 24 hours of the time the PPM was first reported. The Innotec Group reserves the right to claim compensation from a supplier for any downtime resulting from supplier PPM.

Innotec Group Supplier Performance Review (SPR)

If a supplier demonstrates recurring problems, such as high PPM or delivery issues, the Innotec Group may conduct 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 agenda for the review.

Suppliers are expected to meet the following SPR requirements:

- Provide the Innotec Group 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 the Innotec Group 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 the Innotec Group 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 in the supplier’s organization—and anyone else specified by the Innotec Group—are required to attend the review.

The Innotec Group reserves the right to issue an SPR to a supplier for instances which may not result in PPM; this is determined by the affected cell. For instructions on opening an 8D or containing a quality issue, please see the respective sections of this manual. Suppliers also have a right to call a meeting to deal with issues that the Innotec Group is failing to resolve.

Innotec Group Containment Requirements

The Innotec Group has a zero PPM expectation of our suppliers. 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 the Innotec Group facilities.

If a supplier’s containment process fails and non-conforming parts are delivered to an Innotec Group facility, we may require directed containment depending on the severity. Launches and product or process changes may require Level I Containment based on a supplier’s readiness and the risk of the product. Level I Containment is required in addition to any current quality checks. A sort of *all* material for the specified defect must be performed at the supplier’s facility under the following guidelines:

- The product acceptance standards and measurement/testing processes must be agreed upon by the Innotec Group.
- Data must be collected for all non-conformances and corrective actions. If required by the Innotec Group business cell, the results of the activity must be reported.
- Problem solving must be formal, data-driven, and documented. The Innotec Group prefers its suppliers to use the 8D problem-solving method.

In addition to setting up a containment line at its own facility, a supplier must also contain parts at the Innotec Group facility to which the defective parts were shipped. The Innotec Group will send a letter to its supplier by email or fax to notify them of the directed containment. In this letter, Innotec will also request an 8D, and ongoing 8D updates will be required through the containment process. The supplier must return a signed copy of the notification letter within 24 hours to acknowledge the containment requirement.

A supplier must have formal written approval from the Innotec Group before concluding Level I Containment. Before Level I Containment can end, a supplier must provide data showing a minimum of 30 days or three production runs with no defective material during the Level I Containment. The supplier also must have an 8D plan that has been approved by the Innotec Group.

If the Level I Containment is ineffective and the Innotec Group receives subsequent defective material, Level II Containment may be warranted. In Level II Containment, a third-party sorting company is brought in—at the supplier’s expense—to contain product. This guarantees that the Innotec Group will receive conforming product. The presence of the third-party sorting company does not relieve the supplier of any Level I Containment requirements.

During Level II Containment, the supplier will again be notified through a letter via email or fax of the directed containment, and it must return a signed copy of the notification letter to the Innotec Group within 24 hours to acknowledge this requirement. The Innotec Group may specify which third-party sorting company the supplier must use. As with Level I Containment, an Innotec Group team member decides when to remove Level II Containment requirements from its supplier. Before Level II Containment can end, the supplier must provide the Innotec Group with data showing non-conforming material has not reached Level I Containment for 30 days or three production runs. The supplier must also demonstrate that acceptable corrective action has been implemented. If Level II Containment is discontinued, the supplier will still be responsible for Level I Containment until the Innotec Group also formally removes this requirement.

Supplier Assessment

New Suppliers

The Innotec Group performs supplier assessments prior to issuing its first purchase order with a supplier. The assessment evaluates a supplier’s systems and processes to ensure they meet Innotec’s required performance level. There are three classifications for supplier assessments:

- Level 1: For a machine build or tooling supplier, if the P.O. issued is greater than \$500
- Level 2: For a bulk supplier (resin or metal)
- Level 3: For a supplier of processed and assembled components (bulbs, switches, molded and stamped components) or a processing supplier (heat treat, black oxide)

An Innotec Group team member will conduct the first assessment at the supplier’s facility. Prior to the visit, the supplier must complete and return to Innotec a pre-assessment. As a result of the initial on-site assessment, suppliers may be required to implement corrective action before the Innotec Group will issue a purchase order.

Exceptions to the on-site assessment may be made if a bulk supplier is located further away than a one-day trip from the Innotec Group. However, if a bulk supplier demonstrates high risk for safety issues or quality concerns (especially relating to significant or critical characteristics), an on-site visit may be warranted.

Current Suppliers

All current suppliers must satisfy Innotec requirements during the assessment to establish an initial “baseline” of performance (the same Level 1, 2, and 3 classifications mentioned above in the “New Suppliers” section apply here as well).

Suppliers whose annual supplier scorecard rating falls below 70 must undergo a new supplier assessment. The assessment level will continue to be based on the supplier classification. If the supplier’s score drops below a 50, the Innotec Group may perform another on-site assessment. The assessment may take place once a year if the supplier shows signs of ongoing quality, delivery, or purchasing problems. The Innotec Group highly encourages, but does not require, its team members to perform on-site assessments. The business cell that purchases the supplier’s parts will decide whether or not an on-site assessment is necessary.

All Suppliers

Suppliers must address any findings cited during the assessment by implementing and tracking corrective action, using the Gap Analysis form attached to the assessment.

Innotec Group Supplier Certification Requirements

The Innotec Group has adopted the ISO/TS 16949 Quality System. Any company who seeks to become a full-service supplier to any of the Innotec Group subsidiaries also must accept and implement this quality system in their organization. Furthermore, the Innotec Group requires that all suppliers be third-party registered to a relevant quality system specification for their particular industry. These include, but are not limited to:

- The current revision of QS-9000 (valid only through December 14, 2006)
- The current revision of ISO-9001
- The current revision of ISO/TS 16949

Regardless of certification, all suppliers must have the specified requirements of ISO/TS 16949 in place within their organization. Suppliers that are not registered with a third-party quality registration organization will be handled by the Innotec Group on a case-by-case basis. These suppliers must submit a plan to the Innotec Group that outlines future plans for registration and demonstrates progress towards registration.

Countermeasure Process / 8D (Eight Disciplines) Problem Solving Process

The Innotec Group requires its suppliers to formally respond to certain types of defects with a systematic countermeasure process. Innotec typically requires responses in the 8D Problem Solving Process format. All suppliers must have a thorough knowledge of this process and its required steps. On occasion, a response to defects must be documented in an alternate customer-specified format (i.e. Honda's "5 Principles" or Chrysler's "7 Step").

The 8D process is designed to ensure:

- Immediate *Containment* of the defective product
- 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.

For 8D forms and instructions, please see Forms in a separate file folder.

Innotec Group PPAP Requirements

Innotec will request the Production Part Approval Process (PPAP) using a Supplier Submission Request Form (SSRF). The SSRF will be sent to a supplier by email or fax. The Innotec Group also may verbally request a PPAP (without SSRF), but this PPAP will not be included on the supplier's scorecard. A supplier must submit PPAP information according the guidelines in the Third Edition of the AIAG PPAP Manual (these guidelines are also outlined on the Innotec Group Supplier PPAP checklist). If a PPAP is more than one year old and the Innotec Group is required to submit a PPAP, a supplier also may be required to complete a PPAP again. Suppliers who are unable to meet the due date of the PPAP must contact the Innotec Group team member who originally sent the SSRF.

Materials & Logistics

Innotec Group Material & Logistics Requirements

Forecast Delivery Requirements

Forecast Delivery Requirements will be provided to suppliers by Innotec Group 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 Group's maximum authorization is 4 weeks raw and 2 weeks fabricated. Supplier deviations from this standard must be authorized by Innotec Group and communicated on the purchase order.

Supplier Expectations

Suppliers are responsible for guaranteeing uninterrupted part flow to Innotec by:

- Meeting reasonable schedule increases (defined as 15% more than the weekly plan or as otherwise required in the Statement of Work).
- Contacting the Innotec Group 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
- Arranging for expedited freight when necessary by coordinating with the Innotec Group 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 Group Material Representatives as to shipment status.

- Assigning the necessary resources to resolve any delivery issues.

Suppliers who are unable to meet delivery requirements will be held responsible for downtime and other associated costs at Innotec. A supplier's scorecard may also be negatively impacted due to late or incomplete shipments of scheduled parts.

Material Labeling

All labels must contain the following information:

- Part Number
- Quantity
- Part Description
- Date of Manufacture
- Part Revision Level
- Lot Number

Routing Instructions

Innotec Group requirements for transportation are as follows:

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

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

Discrepant Material Report (DMR)

Material discrepancies, as they pertain to Innotec Group, are as follows:

- Shipment quantities which do not match their releases or PO's
- 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 buyers within the requested delivery window
- Shipments that are invoiced incorrectly

Discrepant Material Reports are given to a supplier by the Innotec Group business cell that is affected by the problem. The supplier is expected to sign and return the DMR to the Innotec Group by the end of the business day following the DMR receipt.

Corrective action in the 8D Problem Solving Process format is required and the supplier must have steps 1 through 4 completed within 24 hours of DMR acknowledgement. If applicable, containment of the non-conforming materials must also be completed within this 24-hour window. Steps 5 through 8 of the 8D must be completed within seven days of DMR acknowledgement. Repetitive errors or chronic problems may result in an SPR meeting.

Removal of DMR from a supplier's scorecard is made at the discretion of the affected Innotec Group business cell. DMRs are monitored and reported to suppliers in their monthly scorecard (see scoring criteria).

Balance Out and Claims Process

The Innotec Group 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. An Innotec Group team member will contact the supplier using a balance-out notification form prior to the 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 Group within one week of receipt. As the balance-out date approaches, the Innotec Group team member will email or fax the supplier the forecasted amount remaining to be ordered. In the event that the Innotec Group does not purchase the amount ordered, the supplier should fill out 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.

Service Part Requirements

In order to support OEM requirements, suppliers must have service parts available to the Innotec Group 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.

Service Part Pricing

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.

Innotec Group 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 Sheets (IMDS) provide substance breakdowns necessary to safely recycle vehicles at the end of their useful lives.

The Innotec Group requires IMDS to be submitted through the MDSsystem, which can be accessed at <http://www.mdsystem.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, the Innotec Group 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.

Commercial Expectations

Innotec Group is committed to achieving cost reductions of 4% annually. Suppliers will be evaluated on their ability to meet this objective.

Innotec Group Cost Reductions

Innotec Group Cost Reduction performance will be monitored and included in the Supplier Performance rating. 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 each supply partner participates in cost reduction initiatives. Proactive communication of cost reductions and continuous improvement initiatives are expected.

Innotec Group is committed to involving our suppliers as early as possible in commercial quoting activities with our customers to reduce costs. Innotec Group’s expectation is that each supply partner will provide innovation ideas during the initial sourcing decision, productivity improvements annually and VA submissions throughout the year.

Purchase Orders

Every purchase order issued by Innotec Group or one of its Divisions, whether written or oral, is bound to the Innotec Group’s Terms and Conditions. Suppliers accept these Terms and Conditions upon acceptance of the purchase order.

Supplier Scoring System

Supplier Scorecard

In order to rank our supplier performance each fiscal year, the Innotec Group uses a supplier scorecard based on a consistent metric-based system. This system focuses on three main areas: quality, delivery, and cost. Since the Innotec Group companies prefer to select suppliers based on their ability to service us in these three areas, these measurements are absolutely critical. To see the measurement criteria for each of the three areas, please reference the scoring criteria. The Innotec Group uses this award system to decide which suppliers it will use for future business.