Supplier Quality Requirements Manual

For use with current editions of

ISO 14001:2015

IATF 16949: 2016 & ISO 9001:2015, ISO 50001, ISO 45001
Rev 3 2024

Amendment Record

Date of Revision	Rev. #	Section #	Details of Change
09.JAN.2018	001	ALL	Complete Re-Write to IATF Requirements Merge between Mecaplast and Key Plastics Groups
02.OCT.2018	002	Section 1 & 6	Added: NOVARES shall pass down all applicable statutory and regulatory requirements and special product and process characteristics to our suppliers and require the suppliers to cascade all applicable requirements down the supply chain to the point of manufacture.
28.MAR.2024 20.MAR.2024	003	ALL sections **Letter** **Quality Management System – the main modifications are done for:** Section 1,5 6,8 **SUPPLIER PERFORMANCE AND DEVELOPMENT** Section 2, New chapters added: **SUSTAINABILITY, TISAX, EXPIRATION DATE /Archive** **Add information about ISO50001 ISO 45001**	**Spelling and grammar correction.** Introducing ISO 45001 and ISO 50001 **Section 1, Quality system registration**: SQL and CPL are following the action plan for registration in case of non-certified supplier; MDS declaration timing not limited anymore to 30 days prior PPAP. **Section 5, Transportation:** EDI or Web EDI mandatory requirement. **Section 6, PPAP requirements:** A) Submissions criteria: added extra requirement e), CMRT reports; 1. Annual part requalification – added minimum requirements **Section 8, Containment / Non-Conforming Materia**l: MECATOOL became NOVAPERFORMANCE. **Section 2, Parts Per Million Rating** - add explanation and split between Quality and Logistics PPM **Additional criteria**

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Dear NOVARES Supplier,

Enclosed is the current release of NOVARES Global Supplier Quality Requirements Manual.

All Suppliers to NOVARES facilities are required to be third party registered to current edition of IATF 16949 or at a minimum of ISO 9001:2015 and ISO 14001:2015 in accordance with customer specific requirements unless otherwise directed by our NOVARES Purchasing team.

It is preferable for the suppliers to be as well certified ISO 45001:2018 “Occupational health and safety management systems” and ISO 50001:2018 “Energy management systems”.

If a supplier is sourced that does not have certification to the above-mentioned requirements the supplier may be subject to heightened assessments and additional testing requirements not limited to certified 3rd party laboratories.

All suppliers to NOVARES (for any final customer) not IATF certified, must be, as a minimum, ISO 9001:2015 certified. If not, we shall have written authorization (as deviation) from NOVARES Purchasing/Supplier Quality final customer.

The revised manual also addresses specifics for NOVARES and as such, compliance to all is required. NOVARES requires their suppliers to recognize the Customer Specific Requirements as they apply to our customers that include but are not limited to the following: Ford, General Motors, Stellantis, Audi, Volkswagen, Toyota, BMW, Renault and Nissan. (to be found on www.iatfglobaloversight.org)

It is the supplier’s responsibility to ensure they are working with the most recent revision of the Supplier Quality Requirements. Verification can be obtained by visiting www.NOVARES.com under Purchasing Codes and Terms.

Please contact your NOVARES Buyer or plant Quality representative if additional clarification is required.

QUALITY MANAGEMENT SYSTEM

1. Quality System Registration

This manual contains and defines the procedures and requirements that involve our suppliers and sub-suppliers. All suppliers must meet the Quality System Requirements, including any applicable customer-specific requirements as documented in this manual (see Required References below and Suppliers of Special Processes).

This manual applies to all suppliers (externally provided processes, products, and services) that do business with NOVARES (referred to as NOVARES), globally. This manual does not alter or reduce any other contractual requirements covered by purchasing documents or requirements of engineering drawings or specifications. This manual describes the minimum requirements expected and is applicable to all (production, non-production) material, capital, and service suppliers whether the products and/or services are provided directly or indirectly through sub-suppliers.

Potential Suppliers who currently are not registered to a Quality standard, such as, small job shops, may be scheduled for a 2nd party audit to assess compliance to the required standard. Suppliers who do not meet these required criteria shall begin the registration process to IATF 16949 current version immediately (if applicable. N/A for services and sales offices, non-production companies). The Supplier must provide NOVARES Purchasing Commodity Leader & the NOVARES Supplier Quality Leader an action plan, for review and approval. The approved action plan must reflect detailed timing of the registration process.

Where certification to Federal Regulations, in any region around the globe, such as, the Federal Motor Vehicle Safety Standards published under Public Law, are applicable, the supplier is required to certify compliance of the product with such standards prior to initial production shipments and as required thereafter. The written certification, with supporting test data, shall be directed to the Quality Assurance Department Quality Manager, at the appropriate NOVARES facility, and is in addition to original compliance documentation.

Suppliers are responsible for ensuring that all materials and processes used in sale and manufacturing of products to NOVARES are following all Federal, State & Local requirements regarding environmental, toxic, and hazardous waste, mechanical, electrical, and electro-magnetic devices. This applies in the country of manufacture and sale.

NOVARES shall pass down all applicable statutory and regulatory requirements and special product and process characteristics to our suppliers and require the suppliers to cascade all applicable requirements down the supply chain to the point of manufacture.

Suppliers must upload all pertinent information relating to the material used in their product per IMDS and Reach Regulations onto the MDS website (www.mdsystem.com) before PPAP (reference PPAP section).

2. Required References

Suppliers are responsible for obtaining and maintaining copies of the latest revised/current versions of all associated and referenced publications in consideration to the receiving OEM, (copies of some applicable publications can be obtained from the Automotive Industry Action Group) such as:

- Advanced Product Quality Planning (APQP)
- Statistical Process Control (SPC),
- Measurement System Analysis (MSA),
- Failure Mode and Effects Analysis (FMEA),
- Product Part Approval Process (PPAP),
- IATF 16949 and/or ISO 9001 and ISO 14001 (current version)
- Customer-specific Requirements (available through the IATF website)
- Sanctioned Interpretations (available through the IATF website)
- CQI-Special Process Assessments, i.e., Plating, Coating, Welding, Heat-Treat, etc. (see Suppliers of Special Assessments)

NOVARES facilities may reference industrial or international references that are required. These could be specifications, procedures, test methods, etc. that may have to be purchased by the supplier from third party document sources.

Also, all our suppliers must obtain and adhere to customer specific requirements and assessment criteria via onsite or self-monitoring as defined in the scope of work. These can include: BIQS, QMS, PPA, CQI, VDA 6.3, FIEV 2.0… and any identified special process audits provided by the customer.

3. Request for Quotation

Before awarding any business, the supplier must complete the NOVARES RFQ with a detailed cost breakdown. Should a discrepancy between the supplier's layout and our layout occur, then our layout is to be followed.

4. New potential supplier assessment

A new potential supplier assessment should be completed under consideration for award of business. All potential Suppliers must complete the initial assessment return to the respective NOVARES Supplier Quality Leader. Additional assessment may be conducted at NOVARES's requirement.

NOVARES will assess the risk level of each supplier for each part being supplied.

5. Transportation

Logistics specifications related to the delivery of the References to the Client are detailed in the Contract Review, as well as in the Logistics Protocol sent by the Client's at the consultation of each Reference.

The customer requirement is to support the creation of a new logistics flow with the drafting of a memorandum describing the organization and logistics parameters established. The protocol is the summary of logistics information (physical and information systems) necessary for the proper operation of the supply flows.

Any change of flow must be preceded by a modified Logistics Protocol to be able to give an accurate picture of flows at any time.
EDI or web EDI is a mandatory requirement.

6. PPAP Requirements

A. Submission Criteria

NOVARES requires a full PPAP submission unless otherwise detailed in the Purchase Order or specified and defined by the OEM. Level 3 is the default level for all PPAPs; however, the receiving NOVARES Project team and/or plant may require at its discretion a level 4 or 5 based upon priority, risks, or new supplier. Any deviation to Level III default will be provided to the supplier in writing.

PPAPs must be conform to the latest final customer specific requirements. If the supplier is not aware of the final customer or the customer specific requirements, it is the responsibility of the supplier to contact the receiving NOVARES project team and/or plant for clarification. Ideally this must be discussed during the contract review.

AIAG provides a host of manuals including PPAP, FMEA, Control Plans, MSA, etc. that may be used as reference for PPAP submissions. Customer Specific Requirements take precedent over AIAG requirements. The Supplier will be responsible for ensuring that the

PPAP reflects the latest revision level of the controlled drawing used by NOVARES.

NOVARES shall pass down all applicable statutory and regulatory requirements and special product and process characteristics to our suppliers and require the suppliers to cascade all applicable requirements down the supply chain to the point of manufacture.

It is the responsibility of the Supplier to adhere to and incorporate into their systems any special characteristics, appearance items, pass through characteristics, statutory, regulatory, or critical and/or safety (inverted delta) items:

a) Documentation of all special characteristics in the drawings (as required), risk analysis (such as FMEA), control plans, and standard work/operator instructions: special characteristics are identified with specific markings and are cascaded through each of these documents;
b) development of control and monitoring strategies for special characteristics of products and production processes;
c) customer-specified approvals, when required;
d) compliance with customer-specified definitions and symbols or the organization's equivalent symbols or notations, as defined in a symbol conversion table. The symbol conversion table shall be submitted to the customer, if required;
e) CMRT reports if requested shall be submitted to the customer.

The Supplier is responsible for providing resources and managing its sub-suppliers to ensure that appearance parts are provided to NOVARES for approval by NOVARES customers promptly. This applies to AAR (Appearance Approval Report) submissions for initial PPAP approval, and any further AAR submissions required by NOVARES and its customers.

NOVARES requires early notification and consent from all suppliers prior to any process, product, or material changes. Furthermore, the supplier shall ensure all sub-tier suppliers adhere to the same requirement resulting in full notification and approval from NOVARES and the first sub-tier supplier.

It is the supplier's responsibility to notify NOVARES and submit it for part approval prior to the first production shipment. This applies to all situations identified in Table 3.1 and Table 3.2 of the AIAG PPAP Manual, 4th Edition. In some cases, NOVARES may waive this requirement; when this happens, the supplier must review all items in the PPAP and update them as necessary to reflect the current process.

Suppliers are expected to submit complete PPAP packages to the appropriate project team and/or plant Quality Manager or designate before the agreed-upon date unless otherwise detailed in the Purchase Order or specified and defined by the OEM. Submitted PPAPs missing this information may result in rejecting PPAP. NOVARES will review the submission and give one of three statuses:

1. Full approval indicates that the part or material meets all specifications and requirements. The supplier is authorized to ship the product. Unless otherwise agreed on, supplier can only invoice for tooling when they achieve full PPAP approval.
2. Interim approval permits shipment of production for production requirements on a limited time or piece quantity basis. The supplier must submit, at the time of PPAP, an action plan

to address the issues preventing the PPAP from obtaining full approval.

3. Rejected means that the submission does not meet the specifications and requirements. NOVARES will state the reasons the submission was rejected on the PPAP warrant and return the warrant to the supplier. A corrected PPAP must be submitted and approved before the supplier can ship the product.

Tier-2 suppliers are responsible for the PPAP submission and approval of subsequent tier suppliers. At a minimum sub-tier suppliers shall meet the same PPAP requirements as the first-tier supplier to NOVARES. For initial PPAP, Tier-2 suppliers shall conduct an on-site Process Audit (or equivalent) at the Tier-3 that includes Control Plan compliance.

Tier-2 shall inform NOVARES of any non-conformance found during this audit. If the NOVARES receiving plant supplier metrics indicate deficient performance, the Tier-2 suppliers shall continue to conduct on-site Process Audits at the sub-tier. All submitted parts for PPAP shall be clearly identified and marked per respective reports and documentation. All gauges owned by NOVARES must be built in accordance with NOVARES Checking Fixture Standard.

All submissions, except annual revalidations, must include IMDS number prior to shipping parts per PPAP Requirements.

All test results must be conducted by an accredited test facility. An internal laboratory facility shall have a defined scope that includes its capability to perform the required inspection, test, or calibration services. This laboratory scope shall be included in the quality management system documentation. The laboratory shall meet the requirements as stated in 7.1.5.3.1 of the IATF standard.
External/commercial/independent laboratory facilities used for inspection, test or calibration services shall have a defined laboratory scope that includes the capability to perform the required inspection, test, or calibration, and either accredited to ISO/IEC 17025 or national equivalent or approval designated by the customer. The laboratory shall meet the requirements as stated in 7.1.5.3.2 of the IATF standard.

1) Annual Part Verification/Validation

All Novares Suppliers provide an annual product requalification for all NOVARES released parts or components as detailed in customer-specific requirements (according to agreements during RFQ).

For annual product requalification, at minimum, Suppliers must provide:

- Capability report on SC list defined and validated with Novares Engineering
- 5 parts measurements for all dimensions.
- Laboratory tests agreed with Novares Engineering in the Purchased part RFQ, TECHNICAL SPECIFICATIONS SHEET

In addition to PPAP/Requalification, suppliers are responsible for submitting documentation as listed below (as applicable to service or product being provided):

- IATF 16949 and/or ISO 14001 or required Certificates (i.e., ISO 17025)
- CQI Special Assessments including Tier Suppliers supporting NOVARES Programs
- Self-Assessment (Supplier Quality Assessment form)
- NOVARES-specific Forms as indicated during the initial PPAP

For suppliers that fail to comply with annual requalification, a corrective action will be issued, and the supplier will have five days for submitting and closing the corrective action. An administrative fee, to be confirmed per region, will be assessed should the supplier fail to submit the completed corrective action within five days.

2) Material Certifications

A completed Certificate of Analysis (COA), which includes the engineering specification number, must be provided prior to shipment for each lot. The COA must contain the actual physical or testing measurements per the specified OEM customer engineering specification for the key parameters as detailed on the contract or amendments to the contract. SPC data, when required, must be provided with each shipment. A copy of the actual physical or testing measurements detailed in the OEM specification must be maintained on file at the production location and available upon request. Reference examples:

A. RESIN

- Customer Specification materials was tested
- Min/Max Specifications and Values
- Lot/ Batch Number for Traceability
- Estimated Quantity Shipped
- Melt Flow Rate
- Ash Content
- Density
- Flexural Modulus
- Notched Izod Impact

B METALS

- Material Spec
- Material Description (dimensions, tolerance and unit of measure)
- Heat Number
- Mechanical Properties (if applicable)
- Chemistry
- Coating Weight per side (if applicable)

For suppliers of components, a certificate must be maintained on file at the production location and available upon request.

B. Qualification of Personnel

The Supplier's system shall provide for the qualification of personnel performing critical inspection and production operations. Operator training records are to be made available upon request by NOVARES' representatives.

C. IMDS/REACH/Conflict Minerals – according to https://www.novaresteam.com/wp-content/uploads/2023/12/Novares-Supplier-Code-of-conduct.pdf

D. Suppliers of Special Processes

NOVARES suppliers that provide special processing that fall under the directives identified in the AIAG CQI Assessments (at all tier levels) to the latest edition (available from AIAG) are required to complete and submit to NOVARES. The assessment shall be performed annually on the anniversary date. Failure to submit a requested deliverable will result in the supplier's PPAP being rejected.

Note: Additional assessments may be required per customer-specific requirement or if the NOVARES receiving plant key supplier performance indicators indicate a risk level warranting a change in frequency or type. This may include additional testing from an approved third-party laboratory. Suppliers are required to maintain onsite records of compliance for a period at a minimum per the OEM customer- specified requirement and with concurrence of the NOVARES receiving plant.

E. Suppliers of Product-Related or Embedded Software

NOVARES suppliers of products-related or embedded software are required to implement and maintain a process for software quality assurance for their products.

A software development assessment methodology shall be utilized to assess the supplier's software development process. Using prioritization based on risk and potential impact to the customer, the organization shall require the supplier to retain documented information of a software development capability self-assessment.
See Warranty Management section for additional expectations

7. Tooling

The supplier is expected to maintain NOVARES owned, and customer-owned assets located at the supplier's facility. It is the supplier's responsibility to track and identify NOVARES tooling in their facility, and the supplier must tag the tooling "property of NOVARES ". These assets are to be used solely for NOVARES products. When there is no future need for these assets, the supplier must request direction for disposition. A bailment receipt and tooling information (as per plant request) shall be returned to the plant designated purchasing contact. Failure to do so may result in a delay in payment of the final tooling invoice.
Control of NOVARES Owned / Supplied Equipment and Tooling – NOVARES owned/ supplied equipment and tooling includes gages, test equipment and tooling supplied by NOVARES for use in production or maintenance or made by the Supplier and paid for by NOVARES supplier shall:

- Use NOVARES Supplied Gages, Special Test Equipment, and Special Tooling on NOVARES purchase orders only and for only those purchase orders for which the items

were supplied.

- Identify all tools and test equipment, unless size or use prohibits, with identification tag(s) ensuring legibility and permanency, which states the ownership designation as “Property of NOVARES” upon receipt or fabrication.
- Obtain written approval from NOVARES prior to making modifications or changes to gages, test equipment or tooling.
- Maintain, protect and preserve tooling, test equipment, and gages. Tooling and gauging shall be maintained for three years after the NOVARES purchase order is complete unless NOVARES directs otherwise.
- Contact the NOVARES Buyer before the transfer of gages, test equipment or tooling among supplier facilities (address location) or to other suppliers.
- Supplied gages, test equipment or tooling that become excess to the purchase order's needs shall be reported to NOVARES.
- Obtain written approval from NOVARES before the disposal or destruction of NOVARES supplied gages, test equipment or tooling.
- Report all cases of loss, damage, or destruction of NOVARES’s property in possession or control or property located at Supplier’s second-tier suppliers to the NOVARES Buyer within 72 hours as such facts become known.
- Maintain a record (Tool List) of all NOVARES supplied gages, test equipment or tooling. The list shall be traceable back to the NOVARES tooling purchase order and job number.
- Use NOVARES supplied and approved tools and equipment that includes obtaining as applicable: master plaques, PPAP samples, AAR Samples and boundary samples.
    - As applicable the supplier is responsible for obtaining and ensuring master plaques and samples used in production validation are current and maintained.
- Obtain written approval from NOVARES when deviating from the use of approved PPAP samples, AAR samples, Master plaques or Boundary samples.
- Obtain approval from NOVARES when disposing of or removing PPAP samples, AAR samples, Master Plaques or Boundary samples.

8. Containment / Non-Conforming Material

The supplier must have a system implemented to ensure that “nonconforming” items are identified and quarantined to prevent introduction into production shipments.

Should the supplier detect that products do not meet what is defined in the Purchase Order, Drawings, NOVARES and customer supplied requirements and/or applicable standards and specifications, the supplier should immediately inform the Purchasing and Quality Departments of all impacted NOVARES plants.

NOVARES Suppliers shall obtain a customer concession or deviation permit prior to further processing whenever the product or manufacturing process is different from that which is currently approved.

NOVARES Suppliers shall obtain customer authorization prior to further processing for “use as is” and rework dispositions of nonconforming product. If sub-components are reused in the

manufacturing process, that sub-component reuse shall be clearly communicated to NOVARES in the concession or deviation permit.

NOVARES Suppliers shall maintain a record of the expiration date or quantity of authorized goods under concession. The supplier shall also ensure compliance with the original or superseding specifications and requirements with the authorization expires. Product shipped under concession shall be properly identified on each container/box. NOVARES will review and approve/reject any requests from suppliers before submission to the customer.

NOVARES Suppliers shall use risk analysis (such as FMEA) methodology to assess rework risks before deciding to rework the product. If required by the customer, the supplier shall get approval from them before starting rework of the product.

NOVARES Suppliers shall have a documented process for rework confirmation in accordance with the control plan or other relevant documented information to verify compliance with original specifications.

Instructions for disassembly or rework, including re-inspection and traceability requirements, shall be accessible to and utilized by the appropriate personnel.

The organization shall retain documented information on the disposition of reworked products including quantity, disposition date, and applicable traceability information.

Where non-conforming material has been shipped to a NOVARES facility, a Supplier Quality Complaint will be issued, and the supplier must submit a corrective action indicating their Containment Plan within **24 hours** of receiving a corrective action request. The Containment Plan must include material in transit. The Containment Plan will be reviewed and agreed to by NOVARES. This process is managed through a NOVARES portal named NOVAPERFORMANCE.

A. Corrective Action Requests (CAR)

Suppliers receiving a nonconformance will be responsible for submitting Corrective Action as follows: If non-conforming material received by NOVARES from the supplier causes a major disruption (downtime) to production lines, and/or issue at NOVARES' Customer, the supplier shall respond *within 24 hours* with a containment plan and submit an approved corrective action plan (i.e., 8D, 7-step, 5 phase, etc) *within 10 days*. Any deviation from this requirement must be agreed to by the NOVARES Quality Dept**.** All corrective actions must be implemented and verified within 30 days. An extension of up to 90 days may be granted with written approval from the issuing plant.

1. Upon receiving a Corrective Action Request from NOVARES, Suppliers are required to immediately sort 100% of potential affected parts; including product at the NOVARES plant(s), in transit, in warehouses, at the Supplier's production facility, etc., and to ensure that NOVARES's assembly plants are supplied with enough certified stock to assure no disruptions to production. Material must be labeled as certified for the specific defect or defects for the next three shipments unless otherwise directed by NOVARES.

Depending on the continuity of supply situation, the following may occur:

- *High inventory at NOVARES: Supplier may choose to have product returned or Supplier may sort at NOVARES.*

- *Low inventory at NOVARES: Supplier required on-site at NOVARES to sort for defective product.*
- *Extremely urgent (possible line down): NOVARES will take the appropriate action and the Supplier will be responsible for all costs incurred.*

***NOTE**: Some of NOVARES's production facilities do not allow sorting of purchased material to take place on-site. Suppliers must make arrangements for transporting non-conforming material from NOVARES, sorting the material, re-packaging, creating new packing slips with accurate quantities, affixing new bar code labels as needed, and arranging transportation of certified stock back to NOVARES.*

Disposition shall be provided for non-conforming material in the following manner:

- *Use as is (with documented approval): material used, quantities not counted against PPM total.*
- *Sort / Rework: supplier will be charged a standard sort / rework fee; defective pieces found will be counted against PPM total.*
- *Scrap: Removal of non-conforming material will be the responsibility of the supplier. For Non-conforming material remaining over 48 hours will be scrapped and any related scrap fees will be charged back to the supplier.*

2. Supplier is responsible for reporting accurate sorting results and to request adjusted effective quantities when appropriate. This can have an impact on the Supplier's PPM calculation.

3. Suppliers are responsible for managing the use of outside sources for sorting and must make all arrangements to ship parts between NOVARES and outside source. NOVARES will contact the Supplier for authorization to return the material at Supplier's expense (for example Return Material Authorization).

4. Defective parts returned to the Supplier, reworked, and returned to NOVARES may still be counted toward the Supplier PPM. Reworked parts must meet specifications. The repairing of parts is not permissible without prior written authorization from NOVARES.

5. Evidence of the defect, such as digital photos will be provided when possible. A sample of the defect may be sent to the Supplier upon request. NOVARES and its Customers reserve the right to verify product conformance to the requirements at the Supplier's and their subcontractor's plants.

6. Verification of the implemented corrective action on-site at the Supplier may be accomplished during subsequent visits. If Corrective Actions take more than two weeks to implement, a progress report may be required. When the corrective action is completed and verified to be effective, the NOVARES Corrective Action Champion is responsible for approving the corrective action closure and notifying the Supplier contact of the closure.

7. A Corrective Action at a minimum must include:

- Clear identification of the root cause and cannot be a restatement of the issue
- Interim Action and containment implemented
- Actions taken to correct issue
- Actions taken to prevent reoccurrence (i.e., error-proofing)
- Evidence of verification that actions taken were effective
- Lessons Learned or Read Across implemented

B. Preventive Action Request

If non-conforming material received by NOVARES from the supplier causes zero or minor disruption (no down time /no scrap /no issue at NOVARES's Customer), the supplier shall submit a corrective action plan and meet any requirements approved through the corrective action plan.

C. Escalation Process

NOVARES requires suppliers to ensure that all material, services, and processes are in conformance with all specifications and requirements and are delivered within the defined delivery schedule. Repeat product and/or process issues, launch or delivery issues may initiate the use of Controlled Shipping at the expense of the supplier. NOVARES escalation process for repeated incidence is initiated through the Escalation Process. A supplier failing to protect a NOVARES facility from repeated incidents will be subject to the escalation process, up to and including resourcing.

D. Continuous Improvement

1. General

Continual Improvement in regard to cost reduction is an essential element of long-term business success for NOVARES and for its Suppliers. In order to remain competitive, NOVARES and its Suppliers must recognize the requirement to find effective ways to eliminate waste and reduce the cost of our products.

2. Expectation—Improvement Factor

NOVARES expects all Suppliers to constantly examine and optimize the entire cost structure of their business and the products supplied to NOVARES; including process improvements, cycle-time reduction, scrap reduction, die/tooling set-up reduction, design improvements, Sales, General and Administration (SG&A) reduction, fixed and variable over-head reduction, transportation, etc. In order to ensure proper review and validation of Suppliers' design and process improvement ideas, Suppliers must strictly comply with NOVARES's change management requirements for all design and process change proposals.

9. Supplier Improvement Plan

When a non-conformity processing is still not efficient, we enter in the step 2 escalation process. The Commodity Lead Buyer and the Supplier Quality Leader have the authority to decide a supplier improvement plan for any supplier that does not reach the defined performance targets. The supplier evaluation's criteria depend on the considered commodity family. Decision on the criteria is taken by the NOVARES Commodity Lead Buyer and the Supplier Quality Leader (according to risk, gravity…).

The main criteria can be:

- Respect of the contract review
- Level of Non-Quality Cost
- Scorecard level (Supplier scorecard performance follow up checks the compliance with Quality, Cost & Delivery time targets and allows to schedule continuous improvement with our suppliers. Through this approach, our target is to make every effort to achieve zero defects and to work with the world's best automotive suppliers. Supplier Score Cards (Quality, Costs and Delivery) are communicated on a quarterly basis to the main suppliers by CLB. These Score Cards are used for the Purchasing Commodity Strategy. They support the supplier selection decision during the Sourcing Committee.
- Number of repetitive claims
- Number of claims in several NOVARES plant

- Reactivity of the supplier for claims management (Quick A3 lead-times not respected)
- Lack of efficiency of corrective actions
- Supplier risk assessment

10. Supplier Charge Back

A. General

Suppliers are responsible for the quality, on-time delivery, and reliability of the product they supply. Product must meet the drawing and any referenced specification requirements. Suppliers must also maintain their approved production process and/or service that yielded acceptable and conforming parts upon PPAP approval unless there is a documented agreed upon deviation from the NOVARES receiving plant. The Supplier accepts financial responsibility for the consequences of non-conforming product and rejected PPAP submissions including, but not limited to, costs incurred for containment, sorting, premium freight, rework, repair, and replacement of defective material, resulting overtime, and productivity loss incurred by NOVARES or by NOVARES customers.

The following is the schedule for charge back costs associated with non-conforming product sent to a NOVARES site:

- Administration fee for each Corrective Action issued.
- Off-site 3rd Party Sorting—charges to be paid directly between Supplier and 3rd Party Sorting Company.
- In-house sorting by 3rd Party Sorting Company (if allowed by specific NOVARES site)—charges to be paid directly between Supplier and 3rd Party Sorting Company.
- In-house sorting by NOVARES personnel (if required to avoid down production line—Supplier will be responsible for actual costs incurred.

- Production Line-Down Charge—Supplier will be responsible for actual costs incurred.
- Miscellaneous fees (rework, material handling, required Customer visit time and travel costs, expedites, Customer location sorting fees, tooling/machine damage, testing, etc.) Supplier will be responsible for actual costs incurred.
- Applicable warranty costs in accordance with the designated OEM warranty fault/no-fault found systems.

B. Unauthorized Changes

In cases where a NOVARES Supplier has implemented an unauthorized change* or has failed to deliver contracted products in accordance with the specifications and terms of the NOVARES Purchase Order, all cost that are incurred by NOVARES and/or its customers will be the hole responsibility of the Supplier.
Examples of Unauthorized changes include, but are not limited to: tool/equipment transfer, unauthorized outsourcing, new manufacturing location, tooling changes, process changes outside of the current level 3 PPAP, etc.

C. Charge Back Debit

The method of charge back will be by “invoice for supplier incident”, processed by the NOVARES receiving location. See the appendix for a breakdown of expected costs to be assessed at the NOVARES facilities.

MATERIAL REQUIREMENTS

1. Material Management Operation Guideline (MMOG)

Some Suppliers may be required to provide a copy of their MMOG Scoring Summary Results. If NOVARES requires you to implement MMOG and you fail to do so by the target date, NOVARES reserves the right to place your company on New Business Hold and/or consider another source.

2. Material Releasing and Authorization

Authorization is the number of weeks of financial commitment for released material NOVARES provides the supplier. In other words, it is how much material (measured in weeks) NOVARES will buy from the supplier if the part is no longer required. If a supplier has a raw authorization of six weeks, NOVARES will purchase no more than six weeks' worth of raw material from that supplier if NOVARES decides no longer to use the part.

All suppliers shall receive:

- A minimum of two weeks fabricated material – finished goods – authorization.
- An incremental two weeks of firm - work in process - authorization.
- An incremental four weeks of raw material authorization.

  Note: To be clear, the total authorization period is eight full weeks.

NOVARES will supply up to 16 weeks or more of releases for material planning and forecast purposes only.

It is the responsibility of the Supplier to ensure all requirements are met as directed by the release and / or purchase order.

NOVARES's goal is to minimize the amount of obsolescence of product for the supplier and for NOVARES. It is the supplier's responsibility to work on continuous improvement activities to reduce the Material Authorization needed.

For Extended Material Authorization, complete the appropriate form and submit for approval to your NOVARES buyer.

3. Just-In-Time (J.I.T.) Delivery

All production material/service requirements will be against a Blanket Purchase Order, which will be forwarded to the Supplier by the NOVARES Purchasing Department**.**

As a supplier to NOVARES, it is imperative that you are aware of our delivery expectations. NOVARES focuses on reducing inventory levels. We fully expect our suppliers to deliver 100% on time to our ship schedules.

The purpose of JIT delivery is to improve the overall productivity and quality of parts, for both supplier and customer, through the elimination of waste. It is expected that all suppliers will provide JIT delivery to NOVARES:

- According to material releases
- Local warehousing may be required if you are a supplier located outside of the local

delivery area in order to support JIT deliveries.

If there are problems anticipated with meeting Purchase Order Release requirements, communication must take place with the NOVARES Materials department. In the case of a production stoppage due to a Supplier non-conformance to the Purchase Order Releases, the NOVARES will debit the Supplier's account with all costs incurred, including cost incurred at NOVARES's customer location. NOVARES is not responsible for any inventory at the supplier's location beyond the authorized levels indicated on the Purchase Order Releases.

4. Missed Shipments

NOVARES expects all their suppliers to expedite all missed shipments the same day at the supplier's expense. All missed shipments will be documented and will be reflected in the Supplier Performance Rating.

Expedites

NOVARES requires a formal email to the customer materials manager in the event of any expedite that the supplier incurs regardless of a missed or late delivery time. In the event a supplier requires an expedite to protect for a designated delivery time the supplier is responsible for notifying the customer plant **within a minimum of 24 hours of the occurrence via email notice with details and root cause identified for the expedite**.

A supplier who fails to provide notification will be required to complete a corrective action and may incur a score adjustment and or administrative costs, amount depending on the region, per occurrence when failing to monitor and report expedites.

5. Safety Stock & Change Responsiveness

Fluctuations in demands have become common in the automotive industry. NOVARES expects that an increase or decrease in demand of up to 15%to be supported at all times. Suppliers to NOVARES are required to carry sufficient inventory of product to protect NOVARES and their Customers from shortage situations. Suppliers should establish the minimum inventory required as protection and be prepared to provide this information to NOVARES upon request.

In order to prevent missed deliveries to NOVARES, suppliers must ensure they have the capability to maintain a continuous flow of material despite potential interruptions involving:

- Labor disruptions
- Equipment failures
- Tool transfers
- Material shortages
- Capacity shortfalls

Maintaining a base amount of safety stock will be required of all NOVARES suppliers. The amount of safety stock will depend on many factors, such as geographic proximity and manufacturing processing time, but will typically amount to **one week's supply,** or more in the case of a new product/program launch. Overseas supplier safety stock requirements will be determined on an individual basis.

Short shipments will require a supplier action plan and will result in delivery performance penalties.

6. Supplier Safety Stock- Build Requirements

Suppliers may be required to build safety stocks for engineering changes, moving of equipment, etc. A safety stock is required when there is a physical movement of tooling. The supplier must supply a Safety Stock Build Plan and submit to the NOVARES Engineering Manager for approval. The supplier will be required to provide updates to the Safety STock Build Plan as directed through final consumption of stock.

7. Packaging/ Labeling

A. Labeling

All material shipped by the Supplier shall be identified with a label that will ensure product identification and traceability throughout all stages of production. All cartons/ containers/ racks shall be identified. Labeling should adhere to NOVARES labeling standards. Labeling requirements may be dictated by the product being shipped or the facility that the product is being shipped to.

The identification method shall meet the specifications provided by NOVARES. A Master Label is required for multiple containers of the same part number on a single pallet. The supplier should ship one part number per skid unless approved otherwise by the Materials Department.

The Supplier should have a process in place for scanning all bar code labels to create shipping documents and the Advance Shipping Notice. Failure to label correctly may result in administrative charges.

B. Packaging

Packaging will be reviewed on an individual basis. This should be agreed through the contract review.

8. Supplier Communication

Suppliers shall be capable of receiving and sending electronic communication with NOVARES.

Supplier must notify NOVARES within 24 hours of a production interruption. The nature of the problem must be communicated to NOVARES, and immediate actions implemented for continued supply of products to NOVARES.

Suppliers with collective bargaining agreements will be responsible for providing NOVARES with an Action Plan for potential production interruptions six months prior to negotiations.

Product volume change requests from NOVARES increasing/decreasing volume by 20% or more over the previously verified volume capability shall require confirmation from supplier management to ensure no interruptions from the supplier to NOVARES.

9. Contingency Plans

NOVARES requires suppliers to establish contingency plans to prevent failure of the supplier to deliver product within the terms of the contract / purchase order / release in the event of an emergency such as utility interruptions, labor shortages, key equipment failure, and field returns. NOVARES reserves the right to review the supplier's contingency plan.

If NOVARES and/or its customer's production is interrupted by the failure of the supplier to deliver scheduled product within agreed to terms, all costs and/or penalties that are incurred by NOVARES and/or our customers will be the sole responsibility of the supplier.

SUPPLIER PERFORMANCE AND DEVELOPMENT

1. Review Frequency

Key performance indicators shall be monitored on a pre-determined frequency and feedback as required per NOVARES plant procedures. The reviews may consist of but not limited to:

a. PPM*
b. Delivery performance to schedule; premium freight
c. NOVARES and/or OEM customer disruptions
d. Communication & Response Time
e. Dealer returns, field actions, warranty, recalls
f. PPAP Timeliness
g. Corrective Action –
   - Containment response and effectiveness
   - Response Time for planned and implemented action
   - Effectiveness of Containment and corrective action taken
   - Effectiveness of verification of action(s) taken

During the Sourcing and Quoting process for further potential business, supplier Performance Ratings shall be considered as part of the review.

2. Parts Per Million Rating

One of the measurements of Quality Performance of suppliers is defective Parts Per Million (PPM). The expectation for supplier performance is 0 PPM (zero defects).

Product received into NOVARES facilities that does not conform to the drawing, specifications and/or agreed upon standards will be counted against a supplier's PPM record.

Quantities will be reported in the units of measure in which they are purchased. This applies to production parts / saleable units.

The following are PPM assignable:

- Production Parts which do not meet drawing specifications or dimensional, functional, or appearance standards as called out in the specifications or from an agreed-upon boundary sample.
- Out-of-spec parts that require rework/repair to be used.
- Production Parts that were damaged during inadequate packaging or transportation for which the supplier is responsible.
- In cases where the supplier may be shipping prior to PPAP with an approved customer deviation, any defects outside of the boundaries defined by the deviation.
- Out-of-spec parts shipped prior to PPAP approval without an approved customer deviation.

- Shipments that are received with mixed parts or parts that are the wrong revision level after the break point has been established. PPM is assigned for the quantity of incorrect parts only.

- Shipments that are received with mislabeled containers are considered PPM assignable. The reject quantity shall reflect the total number of containers with incorrect labels. In cases where each individual part requires identification, the total number of incorrectly labeled parts will be counted toward PPM. If mislabeled products are used incorrectly in production operations, the total number of incorrect assemblies will be counted against the supplier's reject quantity.

QUALITY PPM

Products received into NOVARES facilities that are not conform according to the drawing specifications and/or agreed upon standards will be counted against a supplier's PPM record.

Quantities will be reported in the units of measure in which they are purchased. This applies to production parts / saleable units.

Terms:
Quantity concerned = quantity of parts in delivered batch
Quantity of defect: number of defective parts detected before the sorting out and have disrupted production. The quantity of defected parts after sorting out is taking in account in the parts "costs" where we charge the defected parts.

The following are PPM assignable:

- Production Parts which do not meet drawing specifications or dimensional, functional, or appearance standards as called out in the specifications or from an agreed-upon boundary sample.

- Out-of-spec parts that require rework/repair to be used.

- In cases where the supplier may be shipping prior to PPAP with an approved customer deviation, any defects outside of the boundaries defined by the deviation.

- Out-of-spec parts shipped prior to PPAP approval without an approved customer deviation.

LOGISTIC PPM

- Production Parts were damaged from inadequate packaging or transportation for which the supplier is responsible. (In case incident discovered in production should be Quality PPM)

- Shipments that are received with mixed parts or parts that are the wrong revision level after the break point has been established. PPM is assigned for the quantity of incorrect parts only. (In case the incident is discovered in production it will be considered Quality PPM accountable)

- Shipments that are received with mislabeled containers are considered PPM assignable. The reject quantity shall reflect the total number of containers with incorrect labels. In cases where each individual part requires identification, the total number of incorrectly labeled parts will be counted toward PPM. If mislabeled products are used incorrectly in production operations, the total number of incorrect assemblies will be counted against the supplier's reject quantity. (In case the incident is discovered in production it will be considered Quality PPM accountable)

3. Supplier Development

A. Supplier Development, Plant Quality Managers, or designee has primary responsibility for obtaining corrective actions for quality and Plant Materials Manager's, or designee has responsibility for corrective actions due to delivery issues from suppliers. Purchasing and/or Supplier Development may become involved when suppliers are not responsive to requests from NOVARES plants for corrective actions and/or overall deficient performance from a supplier due to quality and delivery issues.

B. Purchasing will make the final determination (i.e., first or one-time occurrence, competitiveness in the marketplace, etc.) to place a supplier on probation, de-source, and/or to continue to monitor suppliers with performance issues.

C. Supplier Development may conduct onsite supplier development, which may include, but not limited to, verification of correction action, supplier process audit, conducting PSO's and improvement activities.

WARRANTY MANAGEMENT

When the supplier is required to provide warranty for their product(s) and or process(es), the supplier shall implement a warranty management process that shall include a method for warranty part analysis, including NTF (no trouble found).

NOVARES Customers assert increasing importance on product performance and expenses attributed after vehicle sale. With increasing consumer awareness to vehicle performance and reliability OEM Customers extend warranty coverages. It is vital for NOVARES and their supply base to focus on durable and persisting quality of their products.

OEM Customers have stipulated that warranty costs will be shared with their supply base and NOVARES stipulates the same expectation. All applied OEM warranty system processes, procedures, agreements and requirements will transmit through to the NOVARES supply base in the same accordance.

When a supplier's component is implicated in warranty, customer complaints recall, field failures or campaign of any kind, including any returned parts, the supplier shall perform analysis and initiate problem solving and corrective action to prevent recurrence. Where requested by the customer, this shall include analysis of the interaction of embedded software of the organization's product within the system of the final customer's product.
The supplier shall communicate the results of testing/analysis to NOVARES.

The supplier will be held responsible for root cause analysis, appeal, or rebuttal of claim, and must be prepared to accept all associated costs. As such, suppliers will be expected to participate in warranty activities.

- Warranty return reviews and analysis
- Improvement and corrective action process
- Warranty cost responsibility

Responsibility and costs for which a supplier is accountable shall also be referenced in relation to NOVARES Purchase Order Standard Terms and Conditions of Supply or contact your NOVARES Purchasing Buyer representative.

SUSTAINABILITY

Sustainability gets the full focus in Novares company that´s why Novares expects that supplier embrace the ESG, register in ESG database shared with supplier (by the case) accept the code of conduct and answer to the ESG topics in the yearly audit.

TISAX

As our customers also Novares has a lot of interest and focus on Security of Information. Through audits and yearly observation, the status will be checked by Novares suppliers. For defined suppliers TISAX Certification will be a must.

EXPIRATION DATE /Archive

All documentation should be archived for 10 years after End of Life or according to OEM agreements at the beginning of the project.