Supplier Requirements Manual

North American Manufacturing and Support Facilities:

Company Name	Company Location
INOAC USA, Inc. (IUI)	Bardstown, KY US & Novi, MI USA
INOAC Interior Systems LLC (IIS)	Novi, MI USA
INOAC Exterior Systems LLC (IES)	Novi, MI USA
INOAC Interior Systems LP (IIS)	St. Marys, Ontario Canada
INOAC Group North America LLC (IGNA)	Springfield, KY USA
INOAC Polytec de Mexico S.A. de CV (IPM)	Monterrey, Apodaca N.L., Mexico
INOAC Exterior Systems LLC (IES)	Livingston, TN USA
INOAC Exterior Systems, Inc. (IES)	Toronto, Ontario Canada
INOAN Sistemas Exteriores S.A. de CV (IES)	San Juan del Rio, Queretaro, Mexico

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Letter of Introduction:

INOAC is committed to working in partnership with our suppliers to ensure the total satisfaction of our customers. Our Quality Policy states:

"**Innovation, Action and Commitment to Continuously Improve Quality**".

This policy is supported by several documented principles, one of which notes that suppliers are our partners who adopt and share our principles and values.

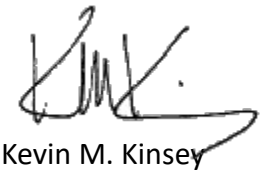
This manual has been developed to provide our suppliers with a guide to help them understand our requirements, standards, and procedures. INOAC views suppliers as an extension of INOAC and thus extends this manual as support to the relationship. This manual contains reference material and information that suppliers are encouraged and expected to use to achieve the desired quality levels. Suppliers are required to visit INOAC's website www.inoacusa.com/suppliers/ to review a Controlled Copy of this manual for up-to-date guidelines.

INOAC continually strives to work with our suppliers to ensure that we have safe and reliable products from our suppliers, which meet and exceed our customers' expectations for Quality, Cost (Price), Delivery, and Service. We are committed to working with our supplier partners in these areas and expect that our partners to adopt and embrace a "Continuous Improvement" mind set into their daily activities to help address them.

As we work together to satisfy our customers, INOAC always encourages open and honest communication. We ask that any concerns be brought forth as early and openly as possible, so that a resolution can be facilitated in a timely fashion.

INOAC's commitment is to assist our supplier partners whenever possible, to help ensure our mutual success while exceeding our customers' expectations.

Sincerely,



Kevin M. Kinsey
INOAC Vice President of Purchasing and Supply Chain

Quality Policy:

"Innovation, Action and Commitment to Continuously Improve Quality"

This policy is based on a set of principles and values:

- Our customers include internal, external, and everyone who we collectively or individually supply goods or services to.
- Our quality goal is zero defects, 100% of the time, beginning with the design of the process.
- Customer satisfaction is an expectation of everyone in the organization; customer delight is our goal.
- Suppliers are our partners who adopt and share our principles and values.
- Company members at all levels are expected to take personal responsibility for their work, thus ensuring their work is of the highest standard and contributes to customer satisfaction.
- The customer is the final judge of our quality.

Social Responsibility:

ENVIRONMENT:

- INOAC is committed to environmental responsibility and participates in many programs designed to protect our environment and manage critical resources. We expect our suppliers to show the same dedication and recommend certification to ISO 14001 environmental standards. Suppliers not currently holding environmental certification are encouraged to develop a plan for achieving certification status or the equivalent.

CONDUCT & ETHICS:

- INOAC believes in conducting business with integrity, fairness and respect and we work hard to select business partners whose business practices and ethical standards align with ours.
- Our employees will not directly or indirectly offer bribes, kickbacks, or other similar payments for the purpose of influencing business decisions. We expect our suppliers to have policies and procedures in place that ensure similar practices with their own employees.
- We manage our supplier relationships in good faith and expect our suppliers to operate in a similar relationship with us and their suppliers.

GLOBAL WORKING CONDITIONS:

- Environmental, Social, and Governance, also referred to as Corporate Social Responsibility, is the responsibility of an organization to effectively manage its environmental and social impacts that may have an impact on the company's financial relevance.
- There are many items that can be classified under the term ESG including: supply chain management, resource management, organizational health & safety policies, etc.
- INOAC and our suppliers should focus on the environment by becoming more energy efficient, reducing our carbon footprint to achieve carbon neutrality, and utilizing more sustainable materials in our operations.
- INOAC recognizes that our supply chains are in different regions around the world and are committed to maintaining working conditions and standards that result in the dignified and respectful treatment of all employees within our locations as well as our supply chain. We expect that our suppliers will have appropriate policies and procedures in place to support the following.
    - Child labor should not be utilized.
    - Any form of forced or compulsory labor is prohibited.
- Workers should be able to work without fear of reprisal, intimidation or harassment and should be able to communicate openly with management regarding working conditions.
- Workers shall be protected against any form of harassment and discrimination including but not limited to;
    - Gender
    - Age

  - Religion
  - Disability
  - Political Beliefs
- Workers shall have a safe and healthy workplace that meets all applicable standards and regulations per occupational health and safety.
- Workers shall be compensated with wages and benefits that comply with local law.
- Working hours shall apply with all local laws.

CONFLICT MINERALS:

- On August 22, 2012, the final rule regarding sourcing of conflict minerals under Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("the Dodd-Frank Act") was approved by the U.S. Securities and Exchange Commission ("SEC"). The rule imposes reporting requirements on publicly traded companies relating to the presence of conflict minerals in the products that they manufacture. For more information on this regulation, visit http://www.sec.gov/news/press/2012/2012-163.htm.
- To ensure compliance with the SEC requirements, INOAC must request information regarding use of conflict minerals of any appropriate suppliers. Any supplier contacted must support by completing all requested data and reporting.

Receipt / Acknowledgement:

- The terms and requirements of this manual will be considered agreed upon following supplier acceptance of SSOW and/or purchase order including terms and conditions.
- There will be no exceptions or deviations to this manual.
- It is the responsibility of the supplier to maintain access to the INOAC Supplier Portal and to regularly review all communications, corrective actions, performance information, documentation requests, and the latest version of the INOAC Supplier Requirements Manual published therein.

Section 1: General Information

1. Plant Rules and Regulations for Contractors and Vendors

General Plant Rules:

- All contractors, vendors and visitors working in or visiting the plant must sign in and must sign out when leaving the facility.
- All contractors, vendors and visitors must be identified where applicable.
- No firearms, knives or explosives are allowed in the plant.
- Possession of alcoholic beverages or illegal drugs are not allowed on the premise.
- No smoking is allowed in the plant. Smoking is only permitted in designated areas.
- No food or drinks are allowed on the plant floor. Eating and drinking is allowed only in designated areas.
- Contractor vehicles must be parked in the normal parking areas unless special permission is given.
- All vendors and their employees must conduct themselves in a professional manner.
- Any work that could cause production interruption must be scheduled with the applicable INOAC contact(s).
- All contractors and vendors are responsible for cleaning up their trash and equipment as the job progresses and at the end of their shift.
- Pictures are not permitted to be taken unless authorization is given by the Plant Manager or designate.
- All contractors, vendors and visitors moving throughout the manufacturing floor must give the fork trucks priority.
- All contractors, vendors and visitors must wear appropriate attire.
- When driving around the facility, contractors, vendors and visitors must abide by the posted speed signs. If not posted, all must maintain a safe speed on all parking lots and roadways.
- Refer to each location's plant requirements upon arrival.

Safety and Environmental:

- All people in the plant must wear safety glasses and other personal protective equipment, as required in the area where they are working. This may include:
- Shoes having a steel, composite or alloy toecap that provide protection equal to or better than those compliant with ANSI Z41 standards.
- Protective gloves or Kevlar gloves.

- Hearing Protection.
- Hair net (for head or face (as required))
- Face Coverings: (i) provided by either Supplier or INOAC; (ii) the type/form of which must be approved by INOAC; and (iii) to be always worn on site(s) during time periods mandated by INOAC.
- Contractors and vendors are responsible for safety in their work area.
- In the event of an emergency all contractors, vendors and visitors shall be responsible for their own safety and evacuation and shall meet with their contact in the designated location.
- Use of INOAC equipment by contractors or vendors must be approved in advance.
- A copy of the Worker's Compensation Certificate of Insurance must be on file with the Human Resources Department prior to work beginning on site.
- All contractors and vendors will comply with applicable Federal, State, Provincial and Local environmental regulations.
- All contractors and vendors shall not create any undue hazards, hazardous material exposures to employees or to the environment.
- In the event of a hazardous material spill or other release by a contractor or vendor, that contractor or vendor shall be responsible for material containment and cleanup as well as notification to INOAC. The contractor or vendor shall pay all expenses related to the spill including fines and penalties.
- All contractors and vendors shall properly label, store, and remove all waste materials generated.
- All contractors and vendors shall have access to INOAC MSDS's that apply and may use them for the training of their employees.
- All contractors and vendors shall provide INOAC with a list of all chemicals transported on-site and MSDS's for these materials.

2. Definitions & Acronyms:

Abbreviations	Term	Definition
5S	Sift, Sort, Sweep, Sanitize, Sustain	A philosophy of managing the workspace and work flow with the intent to improve efficiency. (See www.lean.org)
AIAG	Automotive Industry Action Group	An automotive industry group
AIEM	INOAC De Mexico SA de SV	A Division of INOAC USA

Abbreviations	Term	Definition
ANSI	American National Standards Institute	An organization that coordinates standards and technical regulations that relate to how U.S. businesses
APQP	Advanced Product Quality Planning	A framework of procedures and techniques used to develop products. See www.aiag.org
ASN	Advance Shipment Notice	A notification of pending deliveries, similar to a packing list.
BOL	Bill of Lading	A detailed list of a shipment of goods in the form of a receipt given by the carrier to the person consigning the goods.
CAR	Corrective Action Request	A formal request for corrective action when an error is made, or defect found.
DFMEA	Design Failure Mode Effect Analysis	A document that recognizes and evaluates the potential failure of a design and its effects
DMR	Delivery ???	Discrepant Material Report
DV Testing	Design Validation Testing	A verification method to ensure the part meets the design intent
FMEA	Failure Mode Effect Analysis	Documented process where components, assemblies, and subsystems are reviewed to identify potential failure modes in a system and their causes and effects
FMVSS	Federal Motor Vehicle Safety Standards	Government regulation requirements
IAFT	International Automotive Task Force	An international group of automotive manufacturers that put together a list of stringent requirements to ensure quality in all certified products.
IEC	International Electrotechnical Commission	An international standards organization that prepares and publishes international standards for all electrical, electronic and related technologies
IES	INOAC Exterior Systems	A Division of INOAC USA primarily focused on exterior automotive & related parts.

Abbreviations	Term	Definition
IES-C	INOAC Exterior Systems – Canada	IES Plant located in Toronto, Canada
IES-M	INOAC Exterior Systems – Mexico	IES Plant located in San Juan Del Rio, Mexico
IES-TN	INOAC Exterior Systems – Tennessee	IES Plant located in Livingston, Tennessee USA
IFS	INOAC Foam Systems	The Division of INOAC USA primarily focused on foam solutions.
IGNA	INOAC Group North America	A Division of INOAC USA
IIS	INOAC Interior Systems	A Division of INOAC USA primarily focused on interior automotive & related products.
IIS SP	INOAC Interior Systems - Springfield	IIS Plant located in Springfield, KY USA
IIS ST	INOAC Interior Systems - St. Mary's	IIS Plant located in St. Mary's, Ontario Canada
INA	INOAC North America	A Division of INOAC USA
IPG	INOAC Packaging Group	The Division of INOAC USA primarily focused on packaging solutions.
IPM	INOAC Polytec de Mexico	Plant located in Monterrey Mexico that supports all divisions.
ISO	International Organization for Standardization	An international organization. See (www.iso.org)
IUI	INOAC USA Incorporated	INOAC USA
MAQMSR	Minimum Automotive Quality Management System Requirements	A set of minimum automotive quality management system requirements that must be followed.
MQR	Management Quality Review	Quality review process that audits key items to ensure compliance to INOAC requirements.
MSDS	Material Safety Data Sheet	A document that contains information on the potential hazards (health, fire, reactivity and environmental) and how to work safely with the chemical product
OEM	Original Equipment Manufacturer	An organization that makes devices from component parts bought from other organizations.

Abbreviations	Term	Definition
PFMEA	Process Failure Mode Effect Analysis	A document that recognizes and evaluates the potential failure of a process and its effects
PPAP	Production Part Approval Process	Process used to validate a component is ready for production
PPH	Past Problem History	An issue that occurred in the past that must be corrected for future models
PPM	Parts Per Million	A metric used to quantify rejected parts
QMS	Quality Management System	The business processes used to ensure a customer's quality requirements are met.
SEC	Securities and Exchange Commission	US SEC is to oversee and enforce the laws against market manipulation.
SPLP	Supplier Packaging & Labeling Standard	INOAC's Supplier Packaging & Labeling Standard (found on the INOAC Supplier Portal)
SMRR	Supplier Material Rejection Report	Report of a supplier's material rejections due to quality issues.
SSOW	Supplier Statement of Work	Description of a supplier's work requirement
USMCA	United States-Mexico-Canada Agreement	The free trade agreement between those three countries. The USMCA replaced the North American Free Trade Agreement (NAFTA).

Section # 2: Selection, Assessment, and Development of Suppliers & Sub-contractors

A. Supplier Qualification:

1) Suppliers must have at a minimum certification to ISO 9001 through third-party audits; unless otherwise specified by the customer, suppliers to the organization shall demonstrate conformity to ISO 9001 by maintaining a third-party certification issued by a certification body bearing the accreditation mark of a recognized IAF MLA (International Accreditation Forum Multilateral Recognition Arrangement) member and where the accreditation body's main scope includes management system certification to ISO/IEC 17021.The following progression would be the objective based on current performance and risk to INOAC.
    a) Certification to ISO 9001 with compliance to other customer defined QMS requirements (such as Minimum Automotive Quality Management System Requirements for Sub-Tier Suppliers [MAQMSR] or equivalent) through second party audits.
    b) Certification to ISO 9001 with compliance to IATF 16949 through second party audits.
    c) Certification to IATF 16949 through third-party audits (valid third-party certification of the supplier to IATF 16949 by an IATF-recognized certification body).
2) Acceptable quality and delivery performance.
3) Being identified by INOAC's customers as their selected source for specific material or commodity. No special provisions or exceptions for these suppliers are made and all requirements expected of all INOAC suppliers must be met.
4) Electronic transaction capability, including EDI, Web EDI, or Supplier Portal participation, may be evaluated as part of supplier selection, risk assessment, onboarding, and ongoing supplier development activities.
5) Must be on the INOAC approved supplier list.

B. Conditions of Business and Purchase Orders:

1) As a condition of business, all suppliers must be prepared, upon request, to furnish INOAC any information to substantiate the products, commodities, and services. This information shall include, but is not limited to, technical capacity systems/procedures to evaluate key product characteristics and financial information. In addition, the supplier must be prepared to provide proactive initiatives such as cost reduction ideas and recycling programs.
2) The extent of the purchase contract shall be derived from the following:
    a) INOAC Terms and Conditions
    b) The Purchase Order or Blanket Purchase Order.

c) Requirements set forth in the Supplier Manual(s)

d) Compliance with all relevant local, provincial, state, and federal government legislation in country produced as well as the customer identified countries of destination (if provided) with special emphasis on hazardous waste and other environmental requirements.

e) Any additional requirements specified in writing by INOAC.

f) Any customer specific requirements mandated by the end item customer.

3) All suppliers shall provide "Country of Origin" certification and other documentation as required under the US/Canada Free Trade Agreement and/or United States – Mexico – Canada Agreement. All customs requirements must be met in a timely manner to ensure efficient transportation of goods.

4) All suppliers shall have documented procedures for assessing, selecting, monitoring, and developing their suppliers with adherence to a continual improvement philosophy committed to ever-increasing customer satisfaction and overall improvement.

3. Award of Business:

1) INOAC will issue the Award Letter for all piece price and tooling agreements. The supplier must sign and return the Award Letter confirming their agreement to the contracted price, terms and conditions.

2) If there are exceptions to the terms and conditions, this must be formally addressed in writing and be approved and signed off on by INOAC Purchasing prior to the acceptance of the contract.

3) It is INOAC expectations that all suppliers participate in Cost Reduction Activities including Manufacturing Improvements on an annual basis.

4. Supplier Contacts:

Suppliers should provide appropriate points of contact to INOAC to ensure a smooth business relationship. Contacts would include the Sales Contact & Sales Manager, Quality Contact & Quality Manager, Engineering Contacts, Accounting/Finance Contacts, HR Contact, Safety Contact, Shipping & Receiving Contacts, and Plant Managers of supplying facilities.

Suppliers should complete the Supplier Key Contact Form and/or the Supplier Quality Assurance Contact Information Form upon request. Contact information should also be included in the Supplios Portal System and maintained by the Supplier's Portal Administrator(s).

Section # 3: Records Retention

Suppliers shall have a documented system in place for monitoring receipt, control, and obsolescence for all INOAC supplied drawings and specifications.

Suppliers are expected to maintain accurate records, which document INOAC, and its customers, satisfying conformance requirements. Documented procedures shall be in place and shall define responsibilities for record control and the retention of those documents.

INOAC requires the following records to be retained per the retention periods below:

Part Prints	Start of Production + 50 years
APQP Documentation and Approval (this includes PPAP, Process Flow, FEMA, Control Plans, etc…)	Start of Production + 50 years
Terms and Condition Review	Life of Program + Service + 1 year
Product Traceability	Start of Production + 30 years
Vender Purchase Order	Life of Program + Service + 1 year
Quality Lab Records / Testing Records / Inspection Reports (including dimensional checks, color readings/checks, red tags etc.…)	Start of Production + 50 years

Section #4: Property Receipt and Condition Acknowledgement:

INOAC will issue check fixtures, gages, and/or test equipment to the supplier when applicable. With these items you will receive a sign off form to verify receipt. When you receive the issued items, verify the items against the list and the condition of the equipment. Sign and date the verification sheet and fax and/or e-mail to the appropriate INOAC representative. After receipt, the supplier is responsible for the safekeeping and maintenance of the item(s) including any calibration for the duration of the program.

If the check fixture, gage, or test equipment is the responsibility of the supplier, they must meet any OEM requirements (refer to IATF website).

Where INOAC is the asset owner of the check fixture, gage and/or test equipment, it must be identified as such through a permanent method (i.e., asset tags, etc.).

INOAC will issue drawings, specifications, technical standards, color standards, gloss standards, et al. to the Supplier (where applicable). With these items, you may receive a sign off sheet to verify receipt. When you receive the issued items, verify the items against the list, sign, and date the verification sheet, and fax and/or e-mail to the appropriate INOAC representative. INOAC expects that the color and gloss standards be properly stored and maintained for the duration of the program.

Section #5: APQP Requirements:

A. INOAC follows the AIAG APQP, FMEA & Control Plan manuals, unless otherwise directed by customer requirements. Our supply base is expected to also follow the latest edition of these manuals.

B. The INOAC Project Team or Supplier may conduct a run at rate before actual mass production begins. This run at rate is to make sure production quantities / quality can be achieved.

C. All workstations, set ups, and instructions are to be completed before the Run at Rate. If these items are not in place, corrective actions shall be scheduled.

D. During the trial, production must be continuous at Mass Production Speed, and the output of the process constantly recorded for a period of at least 1 hour.

E. The Run at Rate Trial Sheet will be used to calculate performance and review all applicable documents prior to obtaining approval.

F. INOAC requires an AIAG Level 3 PPAP unless otherwise informed. Level 1 may be requested for carry-over or already established products currently being used in other INOAC applications.

G. Annual Dimensional Layouts will be required along with any revalidation testing per individual product requirements (e.g., Annual flammability testing).

H. Monthly Capability Studies are required for special/critical dimensions. All information needs to be maintained at the supplier's facility and be available for review upon request.

I. Any deviation to the PPAP approved part/process will require written authorization prior to shipping. Shipment needs to be identified with the deviation number.

J. Embedded software (if applicable) – Any supplier of embedded software will develop a process for quality assurance. This includes, but is not limited to, analyzing any field issues and monitoring system interactions.

K. Suppliers may be required to provide advanced copies of applicable information (i.e. material certs, color plaques, plating certs, heat treat certs, etc.) for each lot supplied for the life of the program.

Section # 6: Supplier Correct Action Report (8E)

Occasionally, discrepant parts are received at INOAC. When this happens, we will contact the Supplier and request assistance with sorting and containment of the product.

If nonconforming parts are found a corrective action request may be issued. A corrective action request may be issued for mislabeled products, mixed parts, or wrong/missing components.

If possible, INOAC will make the discrepant part available for analysis. In some cases where this is not possible, INOAC will provide as much information as possible (i.e., photo, issue description, etc.). It is INOAC's expectation that corrective action activities will still occur, even if the part is not available for analysis.

The supplier will be required to certify shipments until a counter measure is in place and accepted by the applicable INOAC Quality representative. All shipments must have identification showing, 100% sort or certified.

The Corrective Action Request (CAR) is to be completed, **Containment/Short Term Countermeasures within 1 working day and then the Long-Term Countermeasure(s) identified within 7 working days, implemented, and validated within 30 working days.** This timing may be adjusted to meet INOAC customer requirements. If the supplier needs more time to implement counter measures for the problem, they must contact their INOAC Quality representative and request an extension prior to the due date.

For every day that a Supplier CAR is late and prior arrangements with the INOAC quality representative have not been made, there may be a $100.00/day charge.

If a repeat of the same nonconformance occurs after the CAR is closed, a new CAR will be opened, and the supplier will be asked to re-investigate the root cause and implement new countermeasures to prevent reoccurrence of the problem.

If a customer issues a corrective action to INOAC for a supplier problem, INOAC will issue a Corrective Action Request to the supplier.

If a customer requests a 100% sort at their facility, (and it is a supplier issue) INOAC will support the sort with INOAC employees and/or a 3rd party company. The supplier will be expected to pay for this activity, including all additional expenses.

If INOAC's customer charges us for a nonconformance due to an INOAC supplier related issue, these charges will be passed along to the supplier plus our administrative fees.

If the supplier has more than three CARS issued to them in a one-week period, INOAC may request a meeting at their facility to determine what will be done to improve the supplier's performance (reference Management Quality Review Process).

Should it occur that an INOAC customer should place us on Third Party Containment for a supplier related issue, the Supplier will be required to accept full financial responsibility.

Section # 7: Supplier Performance

A. Suppliers are expected to maintain a PPM rating of 15 or below (unless otherwise notified by INOAC), in order for us to meet our customer expectations for PPM ratings.

B. Although this may seem like a low rating, INOAC knows that working together with the supplier and the customer, we will be able to achieve this goal.

C. Supplier performance reports are available upon request.

D. DMR's (Delivery), PPAP's and CARs issued/requested and late responses may also be tracked and impact the supplier's scorecard.

Section 8: Sorting & Containment

When nonconforming material/product is found at INOAC, we will request the supplier to sort/contain the problem at our facility and/or at their facility.

A. (Supplier Facility)

   The supplier will be required to certify shipments until a counter measure is in place and accepted by the INOAC Quality Representative. All certified shipments must be identified. The Sorted/Certified tag should also be dated and initialed or signed by the individual who sorted the parts from the supplier facility.

B. (INOAC Facility)

   The supplier may be required to come to INOAC to sort the parts. Identification method for certification of the parts will be determined at the beginning of the sort. An initial date will be required on each box of parts certified by the supplier at INOAC. A sort sheet indicating the results of the sort must be filled out and submitted to the INOAC Quality Representative or designate prior to exiting the INOAC facility each day of the sort. If the supplier reports to INOAC to sort, there will be no sorting fees. If additional help is needed, the supplier needs to contact an INOAC approved third party sorting agency. Only the discrepant material/product (repairs or returns) will be charged against the Suppliers PPM rating.

C. If INOAC must sort/contain parts for discrepant material/product, an hourly fee will be charged. The charge is $75.00 per man-hour for regular time (may be adjusted per local practices). If INOAC production is interrupted, the charge will be $75.00 per man-hour per associate in the affected area (may be adjusted per local practices). All suspect parts will be charged to the Suppliers PPM rating.
D. When INOAC has to provide a material handler (forklift) to move materials to be sorted, the supplier will be charged $75.00 per hour (this may be adjusted per local practices, 1 hour min.).
E. If discrepant/nonconforming material/parts have been sent to an INOAC customer, and these parts are the fault of the supplier, the supplier will be expected to either pay INOAC to sort the parts or accompany INOAC to the customer for sorting/containment/ rework activities. In some cases, INOAC's customer dictates a third-party sorting company must be used. In these cases, the expenses of this sort will be passed on to the supplier. All travel expenses, meals, lodging, customer chargebacks, etc., as well as $75.00 per man-hour (may be adjusted per local practices) will be charged to the Supplier. Only the discrepant material/product (repairs or returns) will be charged to the Suppliers PPM rating. The corrective action process will be followed as normal.

Section # 9: Supplier Material Rejection Report (SMRR)

A SMRR will be used for any (parts, sort charges, late fees, etc...) debits that need to be sent to the supplier.

A. Chargeback Guidelines
    a. 1st Occurrence administration charge of $ 500 may be levied upon each SMRR issued (this is in addition to any labor costs) at the discretion of the issuing Quality department.
    b. 2nd Occurrence Repeat - $ 1,000
    c. 3rd Occurrence Repeat - $ 1,500
    d. Any Repeat Occurrence Afterwards - $2,000
    e. Floor space @ INOAC - $ 100.00 per 10 sq. ft. per day

    When an SMRR is issued, the supplier has 2 working days to provide a Return Material Authorization number (RMA#) for the charges. If the RMA# is not received within 2 working days, the SMRR # will be used as the RMA# and the charges will be processed through INOAC's accounting group.

    If there are parts associated with the SMRR and no RMA# is received from the supplier, INOAC will decide the best action (scrap the parts at INOAC, return the parts to the supplier, hold the parts, etc…). INOAC will communicate with the supplier that the parts have been dispositioned and they will have 1 working day to dispute the decision in writing.

B. Program Start Up:

    At the beginning of any program containment is expected and should be performed by the supplier at the supplier site (referred to as level I containment). Some additional containment may be carried out at INOAC involving the Advanced Quality Engineers from the supplier and INOAC. Level I containment will continue for a minimum of 30 days after start of production. If zero defects are encountered, then it may be discontinued after 30 days at the discretion of INOAC. If some defects are still occurring, then level 1 containment will be kept in place as long as necessary. Level 1 containment results must be documented and retained at the supplier for each shipment and available upon request.

    If level 1 containment fails and major or repetitive problems are not contained the supplier may be placed on level II containment (third party). In this case all cost of the level II containment is the responsibility of the supplier. Level II containment is considered a serious form of probation and may result in loss of further business opportunities with INOAC. Suppliers who are on Level II containment must notify their third-party registrar per IATF16949/ISO 9001 requirements. Suppliers cannot discontinue containment without written INOAC authorization.

Section # 10: Management Quality Review (MQR)

The MQR Meeting is an opportunity for INOAC and Suppliers to review and discuss significant quality issues.

It is an escalating resolution process.

- MQR I is a “plant level” review.
- MQR II escalates to involve Corporate Quality
- MQR III escalates to involve Corporate Purchasing & Quality

MQR I Criteria - An MQR I may be called when one or more of the following occur.

- Significant characteristic does not meet print specifications.
- Production disruption at INOAC – not customer
- Prototype and/or pre-production part quality/delivery issues.
- Chronic documented quality, delivery or logistic issues.
- Inadequate response to CAR/SMRR(s).
- Sort and/or rework at INOAC due to product quality issues.

MQR I will typically involve a meeting at the INOAC site and Level I containment activity.

MQR II Criteria - An MQR II may be called when one or more of the following occur.

- Product safety characteristics do not meet print specifications.
- Unresolved MQR I issue timing or actions.
- Production disruption at INOAC customer.
- Prototype and/or pre-production part quality/delivery issues that affect customer deliverables or timing.

MQR II will typically involve a meeting at the INOAC site, full 2nd party review of supplier site and process, Communication of Supplier performance issues to Supplier 3rd Party Auditor, and Level II containment activity (may include 3rd party sort company verification at off site location).

MQR III Criteria - An MQR III may be called when one or more of the following occur.

- Unresolved product safety characteristics that do not meet print requirements.
- Chronic documented MQR II problems.
- Unreasonable response or unwillingness to respond to MQR II issues.
- Ongoing production disruptions at INOAC customer.
- Continued customer dissatisfaction.

MQR III will typically involve a meeting at the INOAC site, communication of business hold/desourcing activity and ongoing Level II containment activity. Additional actions up to and including a full 3rd party QMS audit and notification of registration body will be performed as required.

Section 11: Procurement

This section outlines the requirements for all suppliers engaging in business with INOAC. Compliance with these procurement requirements is mandatory and will be monitored throughout the supplier relationship.

General Procurement Principles.

- Suppliers must operate ethically, transparently, and in compliance with all applicable laws and regulations.
- INOAC expects suppliers to support fair competition, responsible sourcing, and continuous improvement.
- Suppliers are required to maintain adequate resources (financial, technical, and operational) in order to consistently fulfill all contractual obligations.

Qualification and Approval:

- All suppliers must undergo INOAC's Supplier Qualification and Approval Process prior to receiving business awards.
- Required documentation may include, but are not limited to:
    - Completed supplier self-assessment questionnaire.
    - Financial stability reports
    - Quality certifications (e.g. IATF 16949, ISO 9001, etc.)
    - Other certifications (CTPAT, ISO 14001, TISAX/ISO 27001, etc.)
    - Sustainability and compliance declarations (conflict minerals, child/forced labor, REACH, etc.)
- Adhere to INOAC's and utilize INOAC's Supplier Portal for key tasks and items.
- Approved suppliers will be added to INOAC's Approved Supplier List and will remain activity only through continued compliance.

Purchase Orders (POs) and Supplier Portal Usage

- A valid purchase order is required for all transactions. No goods or services may be provided without an authorized PO.
- Purchase orders will specify price, quantity, delivery location, and required delivery dates.
- Suppliers are responsible for confirming receipt and acceptance of POs within two (2) business days.
- Changes to scope, pricing, or delivery must be approved in writing by INOAC Procurement.

- Suppliers are required to utilize the INOAC Supplier Portal system for all procurement and quality related activities, including but not limited to:
    - RFQ Activity for new and existing programs.
    - Accessing performance scorecards and compliance requirements.
    - Uploading required certifications and compliance documentation.
- Failure to use the Supplier Portal as directed may result in delays, chargebacks, or non-compliance status.

Pricing and Cost Management

- Suppliers are expected to provide competitive pricing and actively pursue cost reduction initiatives.
- Pricing agreements must be documented in writing and remain firm for the duration of the agreement unless otherwise negotiated.
- Cost transparency may be required, including detailed breakdowns of material, labor, overhead, and logistics.
- INOAC reserves the right to benchmark supplier pricing against industry standards.4.5

Compliance and Responsible Sourcing

- Suppliers must comply with all applicable trade, customs, export control, and anti-corruption regulations.
- Suppliers are required to adhere to INOAC's Responsible Sourcing Policy, including avoidance of:
    - Conflict minerals sourced from non-compliant smelters/refiners
    - Forced, child, or trafficked labor
    - Non-compliance with environmental laws or hazardous substance restrictions
- Upon request, suppliers must provide supporting documentation and traceability for materials used in supplied products.

Performance Monitoring:

- Supplier performance will be evaluated on the basis of:
    - Quality (defect rate, compliance with specifications)
    - Delivery (on-time performance, logistics compliance)
    - Cost (adherence to agreed pricing, cost competitiveness)
    - Responsiveness (communication, corrective action effectiveness)
    - Sustainability (environmental and social responsibility compliance)

- Performance reviews will be conducted periodically, and corrective action may be required for deficiencies.
- Suppliers are expected to monitor their performance results within the INOAC Supplier Portal and take proactive corrective actions when necessary.

Supplier Portal Requirements

- INOAC may require suppliers to utilize the INOAC Supplier Portal for quality, logistics, purchasing, compliance, sustainability, risk management, supplier development, and other business-related activities.
- Suppliers are responsible for maintaining active portal access, monitoring notifications, responding to requests within required timelines, and ensuring that authorized personnel are assigned to the appropriate portal functions.
- Communications, requests, corrective actions, surveys, performance metrics, documentation requests, and other information issued through the Supplier Portal shall be considered official communications from INOAC.

Contractual Obligations:

- All suppliers must comply with INOAC's terms and conditions, Purchase Order Terms, and any other contractual documents.
- Confidentiality and data protection requirements must be observed at all times.
- Long-term agreements may include provisions for volume commitments, productivity improvement expectations, and risk-sharing mechanisms.

Non-Compliance:

- Non-compliance with procurement requirements may result in:
    - Corrective action requests
    - Financial penalties or chargebacks
    - Suspension or removal from the Approved Vendor List
    - Termination of business relationship

Section 12: Purchase Orders and Shipping Requirements

Purchase Orders:

INOAC may issue purchase orders to the supplier for any of the following reasons:

- Sample Parts/Material Orders
- Trial Parts/Material Orders
- Mass Production Orders
- Service Parts Orders
- Other Orders (as needed)

Suppliers should review all purchase orders for accuracy and completeness.

Shipping Requirements:

To ensure timely and damage-free delivery of goods, all suppliers must comply with the following shipping requirements. Failure to adhere to these requirements may result in rejected shipments, chargebacks, or delays in payment. The information in this section is meant to provide general guidance. For detailed requirements, please refer to the INOAC Supplier Packaging & Labeling Standards (SPLS) located in the INOAC Supplier Website (inoacusa.com/suppliers/) or the INOAC Supplier Portal.

General Requirements:

- All shipments must comply with applicable international, federal, state, and local transportation regulations.
- Shipments must be made using the agreed Incoterms as specified in the purchase order or supply agreement.
- All deliveries must arrive on the confirmed delivery date and within the scheduled delivery window. Early or late deliveries must be approved in advance.
    - Receiving hours may vary by plant and the supplier must contact the specific facility for their hours of operation.
    - Any deviation from these receiving hours must be pre-approved prior to shipment or shipment may be refused or receipt delayed.
- INOAC expects 100% on-time delivery from our suppliers and if a supplier is unable to comply, the MQR process will be activated.
- Any short shipments must be communicated to INOAC prior to delivery and must be formally authorized by INOAC. Unauthorized short shipments may be refused or result in chargebacks.

Electronic Supply Chain Communication Requirements

Suppliers shall maintain the capability to electronically exchange materials, logistics, and purchasing information with INOAC through approved electronic communication methods.

Approved methods may include:

- Electronic Data Interchange (EDI)

- Web EDI
- INOAC Supplier Portal
- Other INOAC-approved electronic transaction platforms

Suppliers shall be capable of receiving and processing purchase orders, forecasts, schedules, releases, and other supply chain communications transmitted electronically by INOAC.

Where required by INOAC or its customers, suppliers shall electronically transmit Advance Shipping Notices (ASNs) and other logistics information in the format specified by INOAC.

Suppliers are responsible for maintaining systems, personnel, and contingency plans necessary to support uninterrupted electronic communication with INOAC.

Email, PDF, fax, or paper-based communication methods may be used only when specifically authorized by INOAC or during approved contingency situations.

Suppliers shall provide evidence of electronic transaction capability upon request and shall cooperate with testing, implementation, validation, and onboarding activities associated with EDI or the INOAC Supplier Portal.

Electronic transaction capability may be considered during supplier assessments, sourcing decisions, supplier performance reviews, and new business awards.

Packaging Standards:

- Packaging must protect goods from damage, contamination, or loss during transport and storage.
- Use strong, stackable cartons or containers suitable for the product weight and dimensions.
- All pallets must conform to ISPM-15 heat-treated wood standards for international shipments.
- Mixed product pallets are not permitted unless authorized in writing.
- Each pallet must not exceed height, weight, and stability limits as communicated in the supplier guidelines.
- Packaging requirements shall be provided to the supplier on the Packaging Data Form and must be approved by INOAC. Please see the SPLS for additional information.

Labeling Requirements:

- All container labeling must adhere to the approved SPLS located in the INOAC Supplier Website (inoacusa.com/suppliers/) or INOAC Supplier Portal.
- Each carton and pallet must display:
  - Supplier name
  - Purchase order number
  - Part number(s) and description(s)
  - Quantity per package
  - Country of origin
- Labels must be legible, weather-resistant, and securely attached.

- Barcode labeling must comply with INOAC standards, which align with industry standards. Any exceptions must be approved by INOAC in advance.

Documentation:

- A complete packing list and a copy of the Advanced Shipment Notice (ASN) must accompany the shipment with a copy attached to the lead carton/pallet.
- Commercial invoices must clearly state:
  - Purchase order number
  - INOAC Part numbers and quantities
  - Unit price and total value
  - Country of origin
  - Harmonized tariff code (if applicable)
- An Advance shipping notice (ASN) must be submitted prior to shipping the product.
- Additional data should be added to the ASN to clarify the shipment outside of normal production:
  - Trial Parts
  - 1st Mass Production Shipment
  - ECI or PCR Changes
  - New Style / Old Style Part Identification
  - Old Style Parts will not be accepted after new parts have been received.
  - Dimension / Testing Data to be shipped with all trial parts.
- Improper or missing paperwork or ASN may result in a DMR being issued, with a $500.00 administrative charge.

Transportation and Delivery:

- Suppliers shall only approved carriers unless otherwise authorized.
- Shipments must be traceable with tracking numbers provided upon dispatch.
- Deliveries must be made to the correct receiving location as specified on the purchase order.
- Temperature-controlled products must ship using validated refrigerated or insulated transport
- Hazardous materials must follow all applicable hazardous goods handling and labeling regulations.

Non-Compliance:

- Shipments not meeting these requirements may be refused, returned at supplier's expense, or subject to chargebacks.
- Repeated non-compliance will result in review of supplier performance and potential disqualification.
- A Discrepant Material Report (DMR) can be issued for any of the following reasons:
  - Mislabeled Parts
  - Improper or Missing Paperwork
  - Short or Over Shipments

- Improper or Unapproved Packaging
- No ASN Transmitted, etc.

Note: INOAC may charge an administrative fee of $500.00 for each DMR issued.

Section 13: IT Security Requirements

IT Security Requirements:

To protect INOAC's data, systems, and business continuity, all suppliers must adhere to the following information technology (IT) security standards. These requirements apply to all suppliers who process, store, transmit, or have access to INOAC's data or systems.

General IT Security Standards:

- Suppliers must implement and maintain industry-standard IT security practices, including:
    - Regular patching and updates of all software and systems.
    - Firewalls, antivirus, and intrusion detection/prevention systems.
    - Strong access controls, including unique user IDs, role-based permissions, and multi-factor authentication where applicable.
    - Secure encryption for data at rest and in transit.
- Suppliers must ensure that third parties or subcontractors they engage with also comply with these IT security requirements.

Data Protection and Confidentiality:

- Supplier systems that store or process INOAC data must be protected against unauthorized access, loss, or alteration and shall be encrypted at all times.
- INOAC data must not be stored on personal devices or unsecured systems.
- Removable media (USB drives, external hard drives, etc.) must not be used for INOAC data unless encrypted and pre-approved.
- Cloud services used to process or store INOAC data must meet recognized security standards (e.g., ISO 27001, SOC 2).
- Data retention and deletion schedules shall be aligned with INOAC's retention policies as stated in Section 3: Records Retention.
- Data loss prevention (DLP) controls shall be implemented and maintained by the supplier.
- Supplier shall not use INOAC or it's customers' data for training any AI model in production, development, or test environments without explicit prior approval.

Security Monitoring and Compliance:

- Suppliers must conduct periodic risk assessments, vulnerability scans, and penetration testing.
- Suppliers must maintain an incident response plan for IT security events.

- Suppliers must retain logs of system access and security events for a minimum of 12 months and provide them to INOAC upon request.
- INOAC reserves the right to audit supplier IT systems with reasonable notice or request proof of compliance with these requirements. Supplier is obligated to provide evidence of compliance to INOAC within a timely manner.

IT Security Breach Notification and Response:

In the event of a suspected or confirmed IT security breach affecting INOAC data or systems, suppliers must:

1. **Immediately contain** the breach to prevent further damage.
2. **Notify INOAC within 24 hours** of discovery, providing:
    - Nature of the incident (e.g., ransomware, phishing, unauthorized access).
    - Date and time of discovery.
    - Systems and data impacted.
    - Steps taken to contain and mitigate the breach.
3. **Cooperate fully** with INOAC's internal teams and external investigators during root cause analysis.
4. **Provide ongoing updates** on remediation progress until the incident is fully resolved.
5. **Submit a formal incident report** to INOAC within five (5) business days of resolution, including corrective and preventive measures.

Non-Compliance:

- Failure to comply with these IT security requirements or breach notification obligations may result in:
    - Corrective action requests.
    - Suspension of access to INOAC systems.
    - Financial liability for damages
    - Termination of the business relationship.

Section 14: Forms

Current revision levels of the various INOAC supplier forms may be obtained from the program manager assigned to your company, specific plant contacts, or MAY be available from the INOAC Website in the future at: https://inoacusa.com/suppliers/ or through the INOAC Supplier Portal.