

This Supplier Quality Statement of Requirements constitutes an extension to the contract between the Supplier and Southco, Inc. or one of its affiliates, covering the items (Goods) as described in the Purchase Order.

Supplier's acceptance of the Purchase Order shall constitute Supplier's agreement to the requirements stated therein and herein, without modification, addition or alteration. In the event of any inconsistencies between the Purchase Order and the requirements set forth below, the terms and conditions of the Purchase Order shall take precedence.

Suppliers are responsible to periodically review Southco's website for changes / additions:

<http://www.southco.com/en-us/supplier/default.html#requirements>

1. Quality Goal

All suppliers are expected to supply Products & Services to Southco with zero defects. Suppliers are encouraged to use error prevention processes and techniques (such as poke-yoke) and process improvement tools such as Lean, Six Sigma, in their manufacturing processes to meet this quality goal.

2. Quality System Requirements

Southco is an ISO/TS 16949 certified company. Our Quality System includes the requirement for all suppliers to have an accredited third party quality system certification (i.e. ISO, TS, AS, etc).

ALL SOUTHCO SUPPLIERS – PRELIMINARY REQUIREMENTS FOR APPROVAL:

- Review and sign Form 1178 – Mutual Supplier Confidentiality and Nondisclosure Agreement.
- Review and sign Form 022 – Southco's Business Conduct & Ethics Expectations for Suppliers & Contractors
- Review this document, Form 1058 – Supplier Quality Statement of Requirements
- Complete and sign Form 1315 – Preliminary Supplier Evaluation
- If importing to a U.S. Southco facility, complete the C-TPAT Survey included in Form 1315
- Forward a copy of the current Quality System Certification (i.e. ISO, TS, AS, etc).
- Southco will review these documents and either accept, reject, or conduct an on-site audit to determine if the supplier meets Southco requirements. Where the supplier does not fully meet all Southco requirements, implementation of corrective action plans to address any deficiencies may be required.

3. Southco Procedures

Suppliers are to use the tools and/or requirements contained in the following documents:

- Advanced Product Quality Planning & Control Plan Reference Manual (AIAG)
- Potential Failure Mode and Effects Analysis (FMEA) Reference Manual (AIAG)
- Measurement Systems Analysis (MSA) Reference Manual (AIAG)

- Statistical Process Control (SPC) Reference Manual (AIAG)
- Production Part Approval Process (PPAP) Manual (AIAG)
- Continuous Improvement per TS16949, 8.5.1. (AIAG)
- Supplier Global Control Plans (applicable to certain plating and heat treating applications only)
- Routing Guide (Southco Form 1218)
- Terms and Conditions (Southco Form 1104 or 2006/3 as applicable)
- Any additional requirements noted in Southco purchase order text
- Request sub-assembly suppliers to use FIFO practices

4. Advanced Product Quality Planning

- Suppliers must use an advanced product quality planning process that follows the Automotive Industry Action Group (AIAG) APQP Project Plan that ensures production readiness with parts that meet 100% of the product specifications.
- Suppliers are expected to complete all elements of the AIAG APQP process (as applicable) to ensure all program benchmarks are met, and be able to provide the Southco Supplier development representative with a timing chart that adequately reflects the timing of the APQP Project Plan deliverables (Tooling, Fixtures, PFMEA, Control Plans, PPAP, etc)
- Suppliers are expected to participate in a pre-production meeting with Southco Supplier Development/Purchasing as needed.
- Suppliers are expected to share key aspects of the product or process requirements including key characteristics with the sub-tier suppliers.

5. Changes

In the event of a proposed change, suppliers must notify the Southco Supplier Development representative and submit for part approval prior to the implementation of the change to determine the type of quality re-certification required (PPAP documentation). Production part approval is always required prior to the first production shipment of product in the following situations (unless specifically waived by Southco Supplier Development representative):

- Product modified by an engineering change to design records, specifications, or materials.
- Use of another optional construction or material than originally approved.
- Production from new or modified tools (except perishable tools), dies, molds, patterns, etc., including additional or replacement tooling (partial or complete).
- Production following refurbishment or rearrangement of existing tooling or equipment.
- Production following any change in process or method of manufacture.
- Production from tooling and equipment transferred to a different plant location or from an additional plant location.

- Change of source for subcontracted parts, materials, or services (e.g. heat treating or plating).
- Product re-released after the tooling has been inactive from volume production for twelve months or more.
- Following a Southco request to suspend shipment due to a supplier quality concern.

6. Production Quality

- All suppliers are expected to have the base manufacturing capability (Ppk's/Cpk's) to support zero PPM.
- All suppliers are expected to supply parts to Southco with zero defects. Funding is expected to be identified in the initial quote, and subsequent quotes, to reflect error occurrence prevention (poke yoke, error proofing devices, etc) and defect outflow detection and feedback (in-process and subsequent inspection).
- PPM reduction plans must be in place to meet this zero defect target. Effective plans must include root cause identification, irreversible corrective action, timing, data, etc.
- All suppliers are required to have effective manufacturing practices and procedures to ensure a continuous flow of high quality parts into Southco production facilities.
- Should a problem occur, suppliers are required to implement effective and immediate containment and comply fully with SCAR (form 1172) requirements and the containment efforts that may result.
- Nonconforming Product – in the event Supplier obtains goods, items or materials which are not in conformity with Buyer's specifications, drawings, other requirements of Buyer or Supplier's warranties hereunder, which Products are to be provided by Supplier pursuant to this Order, Supplier shall immediately notify Buyer, in writing, identifying the Products, together with the subject matter of the nonconformity. Buyer, in its sole and exclusive discretion, may determine, on a case-by-case basis, that Supplier may use or deliver to Buyer the nonconforming Product; provided however, that such determination by Buyer shall not constitute a waiver of any obligations, warranties or liabilities of Supplier as provided in this Order, except with respect to the specific portion of the Product which is the subject of Supplier's written disclosure to Buyer and Buyer's subsequent written consent to use or deliver such nonconforming Product.

7. Counterfeit Part Prevention

Supplier represents and warrants each of the following:

- Only authentic materials are used in goods delivered to Southco;
- Goods or services delivered or sold to Southco contain no Counterfeit Items;
- Supplier shall only purchase materials or goods for resale to Southco from Authorized Sources.
- These representations and warranties shall apply regardless of the source of such goods or materials and irrespective of whether Southco has approved such source in advance.
- If Supplier sells or otherwise furnishes Southco with any Counterfeit Item, Southco shall have the right to impound such items, and Supplier shall promptly replace such items with items acceptable to Southco. In

such case, Supplier shall be liable to Southco for all costs relating to impoundment, removal, replacement and proof of physical destruction. Southco may withhold payment for any Counterfeit Items and may turn such items over to governmental authorities for investigation.

- Supplier shall be responsible for and communicate this requirement down to all sub-tier suppliers to prevent the inadvertent use of counterfeit parts and materials.

8. Conflict Metals

The Dodd-Frank Wall Street Reform and Consumer Protection Act was adopted August 22, 2012. It prohibits the use of metals derived from Conflict Minerals in goods (any material, part, sub-component, component, or product, which is to be incorporated into a product). Conflict Mineral is defined as an ore [columbite-tantalite (coltan), cassiterite, gold, wolframite or their derivatives] originating from a Conflict Region that is processed to create the following metals: Tantalum, Tungsten, Tin, and Gold.

A conflict region is a geographical region involved in armed conflict where mining operations and proceeds may contribute to serious human rights violations. Currently, the Democratic Republic of Congo and adjoining countries are considered Conflict Regions.

To help Southco keep conflict minerals out of our supply chain suppliers are required to do the following:

- Supplier declares that any material, part, sub-component, semi-finished or finished product supplied to Southco either directly or via third parties do not, to the best of its knowledge, contain any metals (Tantalum, Tungsten, Tin, Gold) originating from the Democratic Republic of Congo and its adjoining countries as defined in Section 1502 of the “Dodd-Frank Wall Street Reform and Consumer Protection Act” and its affiliated laws or regulations.
- Supplier will proactively undertake due diligence and continuous monitoring of our supply chain to avoid direct or indirect procurement of Conflict Metals.
- If the supplier becomes aware of the use of metals that have been derived from Conflict Minerals in any goods supplied to Southco, it shall immediately notify Southco. Such notification shall include tracking information to specify which goods may contain these materials.

9. Process Failure Modes and Effects Analysis (PFMEA)

Suppliers must do the following:

- Consider any lessons learned from previous program and/or similar part or component designs.
- Drive simple and inexpensive devices into the process to help prevent and detect errors.
- Prepare the PFMEA with input from a multi-disciplinary team (Assembly, Manufacturing, Materials, Quality, Service, Tooling supplier, Tier 2, 3, etc).
- Ensure that the current process controls listed in the PFMEA are listed on the Control Plan.
- If the process, material or manufacturing location has changed, revise the PFMEA and re-evaluate the effect on the severity, occurrence and detection.

10. Supplier Evaluation System

Inventory suppliers are evaluated on a monthly and annual basis on the Southco Supplier Evaluation System. Each supplier is rated on Quality and Delivery as follows:

Quality Rating – 50 Points (max.)

PPM	Score	PPM	Score
0 – 300	50	2701 – 3000	41
301 – 600	49	3001 – 3300	40
601 – 900	48	3301 – 3600	39
901 – 1200	47	3601 – 3900	38
1201 – 1500	46	3901 – 4200	37
1501 – 1800	45	4201 – 4500	36
1801 – 2100	44	4501 – 4800	35
2101 – 2400	43	4801 – 5100	34
2401 – 2700	42	5101 and Above	0

The supplier will be notified of all rejections via Southco Material Discrepancy Report or Supplier Corrective Action (Form 1172).

Delivery Performance – 50 Points (max.)

This score is derived from dividing the total number of on-time lines by the total number of lines shipped for the given time period multiplied by 50. Southco requires deliveries to be 100% on-time to our request date.

11. Supplier Status

Supplier status is determined using the evaluation system described above.

- **Approved** – The supplier must meet the quality requirements of this document and maintain a score of 85 points or above on the Southco Supplier Evaluation System. If the score falls below 85 points in three consecutive reporting periods the supplier’s status will be changed to Probation.
- **Probation** – Once a supplier has received three consecutive scores below 85 points their status will be changed to Probation. In order to return to Approved status the supplier must submit a corrective action plan to Southco Supply Chain (via Southco Supplier Corrective Action Request –SCAR- Form 1172) within 10 business days and achieve a score of 85 points or above for three consecutive reporting periods. If a supplier is unable to re-achieve Approved status Southco may seek a replacement.
- **Blocked** – The supplier is unable/unwilling to correct quality or delivery problems. The supplier will not receive any new orders.

NOTE: If Southco has not purchased from a supplier in more than two years the supplier will be blocked in the business system and must be re-approved by meeting the Quality Systems Requirements in this document.

12. Inspections

Southco (along with its customers and governmental agencies) shall have the right to enter Seller's facilities (and those of its approved subcontractors) at reasonable times to inspect (and if applicable test) the facility, goods, materials, records (including without limitation the quality systems) and any property of Southco covered by this order. Southco's inspection of the goods, whether during manufacture, prior to delivery or within a reasonable time after delivery, shall not constitute acceptance of any work-in-process or finished goods.

13. Records Retention Requirements

Quality records that are created and/or retained by the supplier must be complete, legible, and identifiable to the corresponding product/process. Quality records shall be maintained for a minimum of 10 years or as specified on the purchase order. Records will be made available upon request by Southco or its customers at no charge.

If Southco requests a hard copy of any quality record, supplier must fax or send an electronic copy within four hours of the request.

14. Systems and Procedures Access

All Southco specific procedures and documents listed can be obtained by contacting your Southco Supply Chain contact or email to: <mailto:scm@southco.com>.

AIAG documents can be obtained by contacting AIAG at 1-248-358-3003. In Europe contact Carwin Continuous at 44-1708-861333. Documents can also be ordered by accessing the web at: <http://www.aiag.org/>.