Pertek-Erler S. de R.L. de C.V.

Supplier Quality and Development Manual

February 28, 2018
Revision 0

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1. PURPOSE:

The purpose of the Pertek-Erler manual is established and communicates quality and general requirements and expectations to Pertek-Erler suppliers.

Suppliers are responsible for meeting the requirements of this manual.

2. SCOPE:

This procedure applies to all suppliers enlisted in the AVL of Pertek-Erler and special designated suppliers by top management.

3. DEFININITIONS:

- AVL: Approved Vendor List.
- PO: Purchase Order.
- Client: Organization or person who receives a product.
- Client / Supplier: Suppliers who at the same time are clients for the painted parts.
- CPK: Coefficient of process capability.
- Feasibility Study: General Analysis of the project so that it is successful.
- MSDS: Material Safety Data Sheet.
- NCMR: Non-conforming material report.
- PFMEA: Process Failure Mode and Effect Analysis
- PPAP: Production Parts Approval Process.
- Product: The good that the supplier provides
- Supplier: Organization or product who provides a product.
- Shall - Use of the word “shall” indicate a mandatory requirement(s).
- Should - Use of the word “should” indicate a recommendation requirement(s).

4. REFERENCE DOCUMENTS:

MAT-05 - PROCEDIMIENTO COMPRAS
FMAT05-C - PERTEK ERLER SUPPLIER EVALUATION
FMAT05-B - SUPPLIER PROFILE AND QUALITY OVERVIEW
FMAT05-F - ALTA DE PROVEEDOR
FMAT05-J - SUPPLIER QMS ASSESSMENT

5. QUALITY POLICY:

To satisfy our customers needs by providing products which meet their requirements, continuously improving our quality management system performance through employees involvement

6. REQUIERMENTS:

6.1 Generality:
6.2 Quality System.
6.3 Production Capability.
6.4 Monitoring and measurement of manufacturing processes
6.5 Measurement system analysis
6.6 Product Description and Specifications (PPAP).
6.7 Traceability.
6.8 Audits
6.9 Non-Conformities
6.10 Packaging.
6.11 Compliance with Regulations
6.12 Purchase and Shipping Orders
6.13 Receipt inspection.
6.14 Supplier Evaluation
6.15 Supplier Monitoring
6.16 Specification changes.
6.17 Engineering specifications
6.18 Verification after shutdown
6.19 Error Proofing
6.20 Corporate Responsibility / Code of Business Conduct.
6.21 Contingency plans

6.1 Generality:

Suppliers liable to the Supplier Requirements Manual shall comply the requirements established ahead, exceptions may apply if deviated by the client as a directed source.

Any disputes between the present manual and any other document shall be agreed and approved in writing by Pertek-Erler.

It is the supplier's responsibility to communicate and check that the application requirements presented in this manual are met by their sub hired suppliers intervening in products provided to Pertek.

For Client / Supplier cases, Pertek-Erler will review and agree to meet the Client's requirements; Client / Suppliers shall meet with the supplier requirements presented in this manual. Any controversy that might come up on behalf of the Client / Supplier shall be accorded in writing before the beginning of operations; on the contrary the present manual shall take effect.

Any new supplier shall fill out and present the following information:

- Supplier Registration Form FMAT05-F
- Quality Certificate (ISO/TS 16949:2009, IATF 16949:2016 or ISO 9001)
- Quality self-assessment FMAT05-B.
- Provide the necessary information required in the present Manual.

6.2 Quality System.

Suppliers are required to be registered and maintain a Quality Certificate to one of the following Quality Management Systems:

a) ISO 9001:2015 (M*inimum registration*).
b) ISO/TS 16949:2009 (C*onformity recommended, Only for IATF Transition period*).
b) IATF 16949:2016 (C*onformity recommended, registration preferred*).

Pertek-Erler will seek the development of the supplier's quality system to achieve compliance with ISO / TS 16949:2016 or IATF 16949:2016 through second-party audits based on the format FMAT05-J "Suppliers Audit". The order of development priority can be given based on performance in terms of quality as well as the importance of the product it provides or other factors that are considered relevant. Pertek will set the annual audit plan and notify suppliers in due time.

In case of not having any quality certificate the supplier can only be used under written approval of the client.

The supplier shall provide Pertek-Erler with a copy of its quality certificate when it is renewed and will notify Pertek-Erler within the first 10 business days if its certificate registration is suspended.

6.3 Production Capability.

The supplier shall ensure the production capacity for Pertek-Erler 's requirements, presenting a feasibility study as evidence of the supply capacity when required.

6.4 Monitoring and measurement of manufacturing processes

The supplier shall ensure the processing capacity according to the specifications defined by Pertek, presenting a study capacity of the defined dimensions.

For special characteristics or those identified by Pertek-Erler:

- Supplier shall perform process studies on all new manufacturing processes to verify process capability and to provide additional input for process control. For PPAP approval the required Cpk is minimum 1.67.
- Supplier shall maintain manufacturing process capability or performance results as specified in part approval process requirements, during sustaining the required Cpk is minimum 1.33. If is required, results shall be shared with Pertek-Erler representative.
- If special characteristics or those identified by Pertek-Erler are either non statistically capable or unstable, Supplier shall initiate a reaction plan indicated on the control plan, these reaction plan shall include containment of product and 100 percent inspection, as appropriate. A corrective action plan shall be developed and implemented by the Supplier indicating specific actions, timing, and assigned responsibilities to ensure that the process become stable and statistically capable. If is required, the plan shall be reviewed with and approved by Pertek-Erler.

Supplier shall verify that the process flow diagram, PFMEA, and control plan are implemented, including adherence to the following:

a) Measurements techniques
b) Sampling plans
c) Acceptance criteria
d) Records of actual measurements values and / or test results for variable data
e) Reaction plans and escalation process when criteria are not met

Significant process events, such as tool change or machine repair, shall be recorded and retained as documented information.

6.5 Measurement system analysis

Statistical studies shall be conducted to analyze the variation present in the result of each type of inspection, measurement and test equipment system identified in the control plan. The analytical method and acceptance criteria used shall conform to MSA AIAG Manual. Records of results shall be retained.

6.6 Product Description and Specifications (PPAP).

All automotive suppliers shall be capable of developing and meeting the requirements presented by PPAP.

Pertek will deliver the required specifications to the supplier, and the supplier shall meet the specifications (PPAP) to 100%. The supplier shall also demonstrate the capability of production equipment and facilities, as well as evidence of qualified personnel.

Additional suppliers shall use AIAG PPAP manual.

- Forms may differ based on customer specific requirements.
- If submission level is not specified, then Level 3 shall be submitted.
- Supplier shall initiate a Deviation Authorization (DA) if it is necessary to utilize the parts prior to full part submission approval.
- PSW and PPAP documentation must reference PERTEK released part number, drawing number and revision level.
- Supplier shall submit PPAP Level 3 for carry-over parts with revised capacity confirmation, unless otherwise specified by the GHSP quality contact.
- Supplier shall submit master samples and duplicate boundary sample proposals to PERTEKs manufacturing plant. One of the samples will remain at PERTEK, the other is sent back to the supplier with evaluation & signature.

6.7 Traceability.

The Supplier shall have the capacity to control the lots and products produced for Pertek, with the goal of being able to perform the traceability of a product.

The Supplier shall identify the products that are provided to Pertek, where it is identified as a minimum, the supplier and Pertek's part number (cross reference), the product description, the amount of material per box, the production lot and any other additional information that is required by Pertek.

6.8 Audits

Representatives of Pertek may make visits to the supplier's facilities, whether administrative, production or branch offices that the provider has and will be given all the facilities so that conformity audits can be carried out. This may include sub-suppliers of the provider.

The provider is not obliged to provide intellectual property information without a signed confidentiality agreement between the parties.

Internal Audit Program

Supplier shall have a documented internal audit process. The process shall include the development and implementation of an internal audit program that covers the entire quality management system including: quality management system audits, manufacturing process audits and product audits.

The audit program shall be prioritized based upon risk, internal and external performance trends, and criticality of the processes.

The frequency of audits shall be reviewed and, where appropriate, adjusted based on occurrence of process change, internal and external nonconformities, and / or customer complaints.

Manufacturing Process Audit

Supplier shall audit all manufacturing process at least once a year to determine their effectiveness and efficiency. For molding suppliers, process audit shall be performed base on CQI-23 “Molding System Assessment”, results shall be reported to Pertek-Erler.

Each manufacturing process shall be audited on all shifts where it occurs. The manufacturing process audit shall include an audit of the effective implementation of the PFMEA, control plan and associated documents.

Product Audit

Annually Supplier shall perform a product audit. At least this audit shall include a dimensional-layout inspection, in case dimensions are found out of specification Supplier shall define a corrective actions, results shall be sent to Pertek Quality Engineer.

For automotive dimensional-layout inspection, if the supplier internal laboratory does not have the capability or proper equipment to perform this activity, Supplier shall use an external ISO 17025 accredited Laboratory.

Internal auditor competency

Supplier shall ensure manufacturing process auditors are competent according to the following requirements:

- Understanding of applicable Automotive Core Tools requirements.
- Understanding of CQI-23 Molding System Assessment (for Molding Suppliers).

6.9 Non-Conformities

Supplier shall immediately notify Pertek-Erler Quality representative in the event that nonconforming product has been shipped. Initial communication shall be followed with detailed documentation of the event.

Supplier shall ensure that product with unidentified or suspect status is classified and controlled as non-conforming product. Supplier shall ensure that all appropriate manufacturing personnel receive training for containment of suspect and nonconforming product.

The supplier shall perform a corrective action at Pertek-Erler's request for non-conformances found applicable to the Supplier, which shall answer using the problem-solving methodology (examples: 8D, DMAIC, etc.).

The response times to the corrective actions shall provide a containment plan within 24 Hours and close of corrective action in a maximum of 10 Business Days.

For any corrective action may apply an administrative fee of 200 USD.

6.10 Packaging.

The supplier will provide the products in accordance with the defined packaging standard, the packaging shall maintain the condition of the product in optimal conditions so that it does not suffer damage due to the handling of materials inside the packaging, any change of packaging shall be under the prior consent of Pertek-Erler.

There shall be only one-part number in a box or packaging unit. All packaging units shall be labeled and the label shall include at least:

- Pertek-Erler's part number and part description.
- Supplier name and supplier code.
- Quantity per box
- Lot traceability number, manufacturing date and expire date if applicable.

6.11 Compliance with Regulations

The supplier shall ensure the correct fulfillment of obligations to which he is subject in accordance with the laws that apply to him, in case of handling of special use materials, he shall provide Pertek with sufficient evidence of compliance.

It is a requirement that the supplier is within the legal terms in environmental and labor compliance.

The supplier shall provide any of the following regulatory documents when applicable or requested:

- SDS (Safety Data Sheet) for each hazardous material.
- TDS /Technical Data Sheet)
- Certifícate of origin/NAFTA Certifícate
- Manuals or detailed description of the material and use.
- Any additional information requested by the competent authorities.

Suppliers shall comply with all applicable governmental regulations. These regulations relate to the health and safety of the workers, environment protection, toxic and hazardous materials, and free trade. Suppliers should recognize that the applicable government regulations might include those in the country of manufacture, as well the country of destination and if available final country of destination.

6.12 Purchase and Shipping Orders

Suppliers with the responsibility of shipping products to Pertek-Erler, shall first notify the Pertek-Erler purchasing area or have the authorization of the area for delivery and make sure that Pertek-Erler has a Purchase Order to cover in full the shipment to make.

The supplier shall include the PO number reference on the invoice which shall be delivered at the time the products are received at Pertek-Erler.

The supplier shall ensure that the product complies with the specific requirements established by Pertek-Erler complying with deliveries on time according to the agreed schedule or delivery date. Any discrepancy in the delivery terms and condition may incur in a non-conformity.

6.13 Incoming inspection.

Pertek-Erler expects not to receive materials outside of the given specifications. After receiving the material in Pertek-Erler's facilities, it may be inspected to verify product, quantity and physical integrity.

Pertek-Erler will be able to carry out the necessary tests to validate that the materials compliance to the established requirements.

Any anomaly will be informed to the supplier by an NCMR (Non-conforming material report - FCAL06-A). The supplier shall confirm material disposition. In case that any sort and/or re-work services are need, the service shall be provided within a maximum of 8 hours after Pertek-Erler´s notification.

In the event of non-compliant material without the possibility of being sort or re-worked, the supplier shall provide a disposition within no more than 48 hours, if a disposition is not provided, Pertek-Erler may dispose the material as Scrap and make the corresponding charges to the supplier for the cost of the material and any other applicable charge.

Paint suppliers shall provide a color chip reference and a lot quality certificate for any new lot produced for Pertek-Erler previous or at the time of delivery.

Lot quality certificate may apply for additional supplier as agreed with the purchasing area.

For any non-conformity found a corrective action may apply.

6.14 Supplier Evaluation

Pertek will evaluate the AVL supplier and any special designated supplier, grading their status according to the following criterial:

- Not approved supplier: 0-60%
- Conditional supplier: 61-79%
- Preferred supplier: 80-100%.

The total rating will be defined by the criteria established in the format FMAT05-C "Pertek-Erler supplier evaluation":

- **Quality - 40%:** DPPMs,% rejected lots, and SCARS raised in the evaluation period.
- **Service -20%**: Flexibility before changes in demand, customer service, technical assistance and freight expedited.
- **Costs -10%:** Existence of productivity programs and cost reduction projects.
- **On Time Deliveries - 30%:** Delays in deliveries or errors when delivering products.

Mentioned evaluation will be done out every six months and will be sent to all suppliers on an annual basis, evaluating the periods from January to December. The annual grade will be the average of the two semesters.

In the case that a supplier obtains a grade lower than 80 in the first semiannual evaluation, an action plan will be requested and, in the case of reoffending in the second evaluation, an audit of the supplier's quality system will be conducted.

If a response is not received from the provider regarding the action plan, follow-up will be made via email and telephone calls. If no response is obtained, the issue will be escalated with the commercial area to block the assignation of new business and evaluate a possible change of supplier.

In case a provider is designated by the client, they will also be treated as an AVL provider and will be evaluated according to the already mentioned criteria. In case it is classified as conditioned or not approved, an action plan will be requested, and if it fails to deliver it will be scaled with the final client notifying the lack of response from the provider and seeking intervention in the business relationship

In the case of Clients / Suppliers, the evaluation will be sent, without the requirement of compliance with an action plan in case they are classified as conditioned or unapproved providers. And notice will be given to the commercial area to evaluate the business situation.

6.15 Supplier Monitoring.

Pertek-Erler will supervise the AVL supplier and any special supplier designated by the top management, and will obtain the score and status in accordance with the following information:

Criteria:

a) Delivered product conformity to requirements.
b) Customer disruptions at the receiving plant.
c) Delivery schedule performance.
d) Number of occurrences of premium freight.

Parameters:

50% Quality
40% Purchasing
10% Production control

The mentioned evaluation will be done every month and will be sent to the suppliers. In case that the score is out of target (score lower than 80%) for 3 consecutive months a corrective action may apply.

6.16 Control of changes.

Pertek reserves the right to make specifications changes based on the needs that are given to meet the customer's requirements. These changes will be notified in a timely manner to the supplier.

Supplier shall have a documented process to control and react to changes that could impact product realization. The effects of these changes, including those changes caused by the Supplier or Pertek-Erler shall be assessed.

Supplier shall:

- Define verification and validation activities to ensure compliance with Pertek-Erler requirements.
- Validate changes before implementation
- Retain records of verification and validation

For those changes that could impact fit, form or function of the product, Supplier shall:

- Notify Pertek-Erler quality representative
- Obtain documented approval, prior to implementation of the change
- If is required by Pertek-Erler, complete additional verification or validation requirements, such as production trial run and new product validation.

Supplier shall obtain Pertek-Erler concession or deviation permit prior to further processing whenever the product or manufacturing process is different from that which is currently approved.

Supplier shall maintain a record of the expiration date or quantity authorized under concession or deviation. Supplier shall ensure compliance with the original specification and requirements when the authorization expires. Material shipped under concession shall be properly identified on each shipping container.

6.17 Engineering specifications

Supplier shall have a documented process describing the review, distribution, and implementation of all customer engineering standards/specifications and related revisions based on Pertek-Erler schedules.

Supplier shall retain a record of the date on which each change is implemented in production. Implementation shall include the update of the related documents.

6.18 Verification after shutdown

Supplier shall define and implement the necessary actions to ensure product compliance with requirements after a planned or unplanned production shutdown period.

6.19 Error Proofing

For corrective actions or 8Ds required by Pertek, Supplier shall implement error proofing methodologies in order to prevent defect manufacturing, as appropriate. Supplier shall have a documented process to determine the control of the appropriate error-proofing; such as identification, maintenance activities. The process shall include the testing of error proofing devices for failure or simulated failure, records of the testing results shall be maintained. Challenge parts, when used, shall be identified, controlled, verified and calibrated where feasible. Error proofing device failures shall have a reaction plan.

Details of the error-proofing method used shall be documented in the PFMEA and test frequencies shall be documented in the control plan.

6.20 Corporate Responsibility / Code of Business Conduct.

Pertek-Erler, since its formation in 2000, has developed a reputation for providing high-quality products and services to our customers, with integrity and with respect for all our business partners, including employees, customers, suppliers, government, and shareholders. Our core values of Integrity, Caring, and Trustworthy are integral to all our business interactions, which must be at all times be ethical. We have an obligation to ourselves, our partners, our shareholders, and to society to conduct business with the upmost integrity and within the law.

Based on Pertek-Erler Code of Conduct, products or parts bought from Suppliers by Pertek-Erler must not contain any product, material or substance prohibited by the legislation or regulations applicable in the Suppliers' countries, the European Union and, more generally, in all of the countries in which these supplies, products or parts are used. Supplier shall comply with REACH and RoHS procedures or its national / international equivalent. If it is required by Pertek-Erler, Supplier shall provide information about the composition of supplied materials.

In order to be compliant with US Conflict minerals legislation, whose objective is to avoid financing directly or indirectly or benefit armed groups, Supplier shall ensure the following 3TG minerals; tin, tantalum, tungsten and gold contained in the supplied Pertek-Erler products are not extracted from the Democratic Republic of Congo or any adjoining country.

Pertek-Erler shall request Supplier to report the origin of the 3TG minerals contained in the supplied products, if a supplied product is found in conflict, Supplier shall immediately notify Pertek-Erler, implement corrective actions and identify others supply sources free of conflict.

6.21 Contingency plans

The supplier shall:

a. Identify and evaluate internal and external risk to all manufacturing processes and infrastructure equipment essential to maintain production output and to ensure that customer requirements met;
b. Define contingency plans according to risk and impact to the customer;
c. Prepare contingency plans for continuity of supply in the event of any of the following: key equipment failures; interruption from externally provided products, processes, and services; recurring natural disasters; fire; utility interruptions; labor shortages; or infrastructure disruptions;
d. Include, as a supplement to the contingency plans, a notification process to the customer and other interested parties for the extend and duration of any situation impacting customer operations;
e. Periodically test the contingency plans for effectiveness (e.g., simulations, as appropriate);
f. Conduct contingency plans reviews (at minimum annually) using a multidisciplinary team;
g. Document the contingency plans and retain documented information describing any revision(s) including the person(s) who authorized the change(s)

The contingency plans shall include provisions to validate that the manufactured product continues to meet customer specifications after the re-start of production following an emergency in which production was stopped and if the regular shutdown processes were not followed.

7. REVISION HISTORY:

Revision	***Description of the change***	***Originator***	***Date of issue***
0	Initial release.	David Velazquez	28/02/201

8. APPROVALS

Name	***Department***	***Position***	***Signature***	***Date***
Paul Kenny	Direction	General Manager		28/02/2018
Ricardo Herrera	Plant Manager	Operations Manager		28/02/2018
Armando Castro	Finance	Controller		28/02/2018
Carlos Mendoza	Quality	Quality manager		28/02/2018
Rafael González	Supply chain	Supply Chain Manager		28/02/2018