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# Global Supplier Development & Guidelines Manual



Narmx Querétaro S.A. de C.V.

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## INTRODUCTION

The *Global Supplier Development & Guidelines Manual* is intended to be a communication instrument to suppliers on how to do business with Narmx in all cases, purchase orders, supplier agreements, contracts and any other business agreements shall prevail. For additional information and periodic updates to this manual, you may contact Supplier Development/Quality Department.

## NARMX – Basic Supplier Requirements

- All suppliers must comply to Corporate Social Responsibility (CSR) requirements outlined in: <https://www.drivesustainability.org/>
- All suppliers must not use minerals in conflict as outlined in: <http://www.responsiblemineralsinitiative.org/reporting-templates/cmrt/>
- All Raw Material, Processors, and Component suppliers must be third party registered (see section 4.1)
- Supplier PPM performance to be consistent with Narmx's customer requirements.
- Supplier delivery performance shall be 100% on-time.
- Support Advanced Product Quality Planning Teams from concept phase through to post-launch phase (via the Advance Product Quality Planning "APQP" Process) and through the production phase, for the lifetime of the product.
- Target price consistent with our agreements and customer requirements.
- Yearly cost reductions consistent with our customer agreements, when negotiated with supplier.
- Culture of continuous improvement and lean thinking.
- Use of error-proofing in design and mistake-proofing in manufacturing processes.
- Requests for corrective action require an initial response within 24 hours and a final response (including root cause analysis and irreversible corrective action) within 5 business days. (PDCA / 8D)
- Comply with requests to audit suppliers' financial documents for tooling (dies) and piece price.
- All tooling for Narmx will be handled by Narmx Purchasing, Quality and Engineering organizations.
- Suppliers must quote upon a given drawing and or specification.



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## 1. General Information

### 1.1. Scope

The intent of this manual is to broaden the scope of recognized automotive quality system standards to include additional requirements of Narmx. It is imperative that every internal and external supplier location that manufactures and/or ships production or service parts and materials to Narmx, or to our customer's plants, embrace the standards and business practices outlined in this manual.

### 1.2. Exceptions

The Narmx purchase order or purchase agreement may supersede conformance with the requirements described in this manual. Waiving conformance to any parts of this manual must be in writing and appropriately signed by a Narmx authorized representative.

If a supplier to Narmx is a small business; as to not have adequate resources (sales less than 5,000,000 or less than 10% volume supplied to automotive) to develop a system according to IATF 16949: 2016 or ISO9001:2015, Narmx will perform an on-site audit to determine if good business practices are in place to ensure quality product is shipped to Narmx. At a minimum, the supplier must have a process for:

- Corporate Social Responsibility
- Inspection & Testing,
- Preventive Maintenance
- Record Control
- Material Traceability

### 1.3. Supplemental Requirements and Supporting References

The Automotive Industry Action Group (AIAG) has published several manuals that standardize procedures, reporting formats, and technical nomenclature, which are required by Stellantis, Ford and General Motors. Suppliers are responsible to remain current with these standards as well as the dictated by other customer specifics.

It is the responsibility of the supplier to obtain current editions of each of these reference manuals and to fully comply with the requirements of ISO/IATF and Narmx's expectations. Copies of the following publications can be ordered from AIAG at (248) 358-3003 or via website at <http://www.aiag.org>. Membership to AIAG is recommended.

### 1.4. Customer Specific Manuals

- OEM customer specific manuals and specifications are required as they apply to the suppliers end item customer base.
- Narmx APQP Procedure/Checklists



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### **1.5. *Superseded Documents***

This manual supersedes all other supplier quality manuals issued by Narmx. In cases of conflict, please refer the matter to your Buyer or Supplier Development/Quality Department.

### **1.6. *Distribution and Revision Control***

#### Distribution

This manual is written under the direction of Narmx Supplier Development/Quality and Purchasing Departments and is maintained electronically.

#### Revision

This manual will be periodically reviewed. When changes occur, Narmx Supplier Development/Quality Department or Purchasing will notify suppliers.

## 2. Narmx Operating Philosophy and General Business Practice

### 2.1 Customer Focus

To reach and maintain the status of “World class supplier” with its customers, Narmx has developed a strategy that targets beyond customer satisfaction to customer delight. Narmx requires its suppliers to adopt this strategy, known as the “Customer Focus Initiative”, as part of their own.

The central feature of the “Customer Focus Initiative” is the expansion of products offered by Narmx. Narmx provides its customers with the most innovative technology.

Other Elements of the Narmx “Customer Focus Initiative” are as follows:

- Supplier Development
- Benchmarking
- Value
- Technical Innovation
- Customer Liaison Program
- Delivery
- Lean Manufacturing

Narmx provides guidance to assist a supplier’s understanding of Customer Expectations. Narmx encourages suppliers educate themselves in the following:

- \* APQP
- \* ISO/IATF 16949: 2016
- \*Lean Manufacturing
- \*Problem Resolution
- \* ISO 14001
- \* PPAP, Control Plan, FMEA
- \* Error/Mistake Proofing Basics
- \* Statistical Process Control (SPC)
- \* Corporate Social Responsibility

### 2.2 Supplier Profile/Quality System Certification Status

Suppliers are required to forward a copy of their Quality System certification. For those suppliers not certified to the appropriate standard, Narmx Supplier Development/Quality Department requires an action plan and timing for certification or a letter of refusal. An on-site audit will be conducted by Narmx Supplier Development and/or Purchasing to ensure good business practices.

### 2.3 Accounting Practices/Payment Terms

The terms listed below are guidelines only. For actual payment terms, refer to the purchase order or the actual contract/agreement.

- Narmx payment terms are specified on the purchase order or actual contract.
- All materials, parts and/or tooling must be received through our receiving department and must have a proper packing slip or invoice firmly attached to the outside of one of the containers/pallets as described under “Packing Slips and Master Bill of Lading” in this manual. The packing slip or invoice must reference the appropriate purchase order number,



pallet or lift serial number and part number with the appropriate signature(s) from our receiving department to serve as proof of delivery to ensure payment.

- Paper invoices are required at all operations for all tooling, testing, development / process samples and all non-production items. All invoices supporting these items shall have the appropriate approval documentation attached to expedite approvals (i.e., PPAP or Gage R & R documentation)
- Each invoice must reference Narmx part number and purchase order number exactly, or the invoices will be returned to the appropriate supplier delaying payment.

#### **2.4 Standard Supplier Charge-Back Guidelines:**

Errors in workmanship or discrepancies in delivery may result in a charge back to the supplier. The actual charge to the supplier is determined by the costs incurred by Narmx resulting from the discrepancy and the impact to our C-TPAT regulations. Charge-backs are typically transacted as a debit against open invoices. Additional charges may be assessed based on actual costs incurred on behalf of the supplied product.

- A \$250 administration cost recovery charge may be issued in the event of the following receiving discrepancies:
  - Incorrect ASN or production reporting information
  - Packing Slip discrepancies or no packing slip submitted with the shipment
  - AIAG bar code label errors or no bar code label affixed to shipping pallet (s)
  - Incorrectly labeled containers – label versus actual content
  - Material shipped in a manner other than first in first out (FIFO)
  - IMMEX material without mill certificate attached to BOL or invoice.
- A \$500 administration cost recovery charge may be issued with each notification of nonconforming product.
- In addition to the \$250 and the \$500 administration charges, the charges listed below may also apply.
  - Any and all Narmx customer charges incurred as a result of a supplier's non-conforming product.
  - A \$100 per man-hour charge on behalf of Narmx for time spent sorting and/or re-working a supplier's product.
  - Any and all line stoppages based on both man-hour and machine idle time. (Charges will be determined through Supplier Quality)
  - A \$100 charge for all incomplete, incorrect or otherwise discrepant PPAP submissions.
  - A \$250 administrative fee plus negotiated rate for third party inspection service.
  - A \$250 administrative fee plus late fees and all related costs for submitting inaccurate information for customs/IMMEX purposes

#### **2.5 Containment**

Narmx Supplier Development/Quality Department or Purchasing may place a supplier in immediate "containment" if the severity of the performance issue deems it appropriate and or upon quality issues recurrences.

Under these circumstances, Narmx Supplier Development/Quality Department or Purchasing will send a formal, written notification to the supplier. This notification identifies the specific containment level that applies to the supplier and the actions required to address that status.

### Launch: Controlled Shipping Level 1 (CS1)

Launch CS1 requires:

- Immediate implementation of a containment system in addition to the supplier's normal process controls and inspections.
- Submission of a CS1 containment plan and/or corrective action plan.
- Evidence based on data from the controlled shipping area that the normal production process is free of all non-conformances for a minimum of 30 working days after the start of mass production or implementation of permanent corrective action.

CS1 may be elevated to "Controlled Shipping Level 2 (CS2)" and/or "Quote Hold" if zero defects and/or permanent corrective action is not achieved.

### Controlled Shipping Level 2(CS2)

CS2 requires:

- Immediate implementation of a Narmx approved third-party containment system. This containment is in addition to CS1 containment activity already in place.
- A formal meeting between Narmx, the third-party and the supplier to establish all CS2 criteria.
- Evidence based on data from the controlled shipping area that the normal production process is free of all non-conformances for a minimum of 30 working days after the implementation of permanent corrective action.

CS2 may be elevated to "Quote Hold" if timely permanent corrective action is not achieved. The supplier may submit a written request to be removed for any containment (CS) level to the Narmx Plant Quality Manager. This request must provide evidence that all the criteria of the containment have been met. Narmx will remove the supplier containment status after verification of the effectiveness of implemented actions.



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## 3. Supplier Performance Measurement

### 3.1 Supplier Performance Measurement

The Raw Material, Processor, and Component Supplier Scorecard or Supplier Evaluation is done monthly, supplier performance scorecards / evaluations are reviewed by Narmx, Scorecards / evaluations display supplier performance measurements and performance rating for the prior month. Suppliers may request a monthly report from Supplier Development / Quality Department.

### 3.2 Data Correction

Suppliers are requested to review performance data for accuracy. When discrepancies are identified, the supplier may request corrections through Supplier Development / Quality Department.

### 3.3 The Overall Supplier Performance Rating

The Supplier Performance Rating is divided into four categories. These categories include: Quality Performance Rating (45%), Delivery Performance Rating, QC Cert and service. Suppliers are given scores in each category and the Overall Rating is calculated from these scores. All ratings are expressed as percentage. The Overall Rating is calculated monthly and summarized on Raw Material, Processor and Component "Scorecards" or "Evaluations" (SCGA-P-7.4-XX Compras Material Directo). Scorecards or evaluations are distributed to the supply base monthly.

Narmx's policy is to help suppliers reach acceptable performance levels. Reference section "Supplier Quality Improvement Process" for further information.

#### Quality:

#### 45% of score:

Supplier defective PPM is expected to be 0. For supplier evaluation purposes the following criteria will apply:

From 0 to 50 PPM's = 40%

From 51 to 100 PPM's = 20%

From 101 to 250 PPM's = 10%

Above 250 PPM's = 0%

#### 5% of Score:

Timely response to quality issues.

Customer rejections will automatically place a supplier in red with a score of 0%.

Suppliers with audits in red will be automatically rated 0% and must submit corrective actions within 60 days.



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**Delivery 40%:**

Supplier delivery on time allowance:

1 day delivery is allowed

0 days late

10% under is acceptable

No more than 20% above is acceptable.

**5%:**

C-Tpat certification and/or yearly questionnaire submitted.

**Quality Certification 5%:**

Valid third party certification and/or Narmx certification. A supplier without a renewal will not be eligible for new products.

**Customer Service 5%:**

Suppliers are required to respond to customer inquiries in timely manner.

Suppliers will be categorized as follows:

A Supplier: Scoring 90 a 100%

B Supplier: Scoring from 70 to 89%

C Supplier: Scoring less than 69%

### **3.4 Supplier Quality Systems Assessment**

All new suppliers will be required to successfully complete a Supplier Self Assessment or an on-site survey by Narmx Supplier Development/Quality Department before being approved. Suppliers who are certified to the applicable quality system standard, or who have been audited by Narmx OEM customer may, at the discretion of Narmx, have this survey waived. Surveys of current suppliers are conducted at a frequency determined by Narmx Supplier Development/Quality Department, as stated in section "Survey Standards".

### **3.5 Survey Standards**

All surveys shall be performed using the requirements of the applicable quality system standard and this manual.

The "Supplier System Survey": Used for suppliers not certified to the applicable quality system standard.

The "Supplier Quality Overview": Is used for evaluating suppliers that are certified to the applicable quality system standard, but may have not met the minimum supplier ratings for 2 consecutive months.



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### **3.6 Survey Results**

The lead auditor will provide the supplier a written report that summarizes the survey findings and identifies any areas for corrective action. Where corrective action is required, a corrective action plan must be submitted to Narmx Supplier Development/Quality Department within 30 days of receipt of the report, unless otherwise specified. Narmx will assist in implementing this plan and periodically evaluate the plan's effectiveness.



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## 4. Human, Quality, Environmental and Safety Management Systems

Suppliers are expected to implement and maintain systems compliant to ISO/IATF16949:2016 or ISO9001:2015, and the ISO 14001 standard. Refer to the appropriate standard for specific requirements.

### 4.1 *Human*

All suppliers must comply with Human Rights as well as all applied governance regulations. All suppliers must have implemented a Corporate Social Responsibility program.

### 4.2 *Quality Management System*

All suppliers of production materials are required to be third-party certified to ISO/IATF 16949:2016, or ISO9001:2015.

Suppliers are requested to forward evidence of their quality system certification to Narmx Supplier Development/Quality Department.

### 4.3 *Environmental Management System*

Suppliers are not required to be third-party registered to ISO 14001 Environmental Management System, but it is preferred. Suppliers must comply with Environmental Government regulations. Copies of the Narmx Environmental Guide are available through the Quality or Purchasing Departments.

### 4.4 *Customer-Specific Requirements and Supporting References*

Suppliers are responsible for remaining current to customer-specific requirements (see section 1.3 for more detail).

### 4.5 *Narmx Supplemental Quality Management System Requirements – Maintaining Process Control*

Statistical process control (SPC) is mandatory for defined special characteristics as defined by Narmx Plant Quality, the APQP team or supplier's internal requirements. Defined characteristics shall have a minimum 1.67 PPK, at PPAP, unless otherwise waived by Narmx Plant Quality. If there is any variation in these values, or the required capability cannot be met, contact Narmx Plant Quality for further instructions. CPK minimum requirement is 1.33 for production parts.

Annual Validation



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The suppliers are responsible for conducting and submit annual validation to Narmx, Annual validation must include as minimum:

- Dimensional Report for all characteristics listed in the drawing
- Material test report
- MSA studies for equipment used in the process
- Any special test or validation listed in the approved Control Plan.

Full PPAP approval and validation must follow AIAG PPAP rules and has to be submitted at supplier expense each 5 years. (Every 3 years for VW parts)

Supplier is responsible to ensure that all supplied products, processes and services conform to the current applicable statutory and regulatory requirements in the country of receipt, the country of shipment and the country of destination.



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## 5. Supplier Problem Communication

### 5.1 General

Suppliers shall notify their certification body/registration to Narmx Supplier Development / Quality Department in writing within five (5) working days, when a customer changes the status of a site servicing a Narmx or customer, to any of the following:

- Stellantis “Needs Improvement” (Quality Rating only)
- Ford Q-1 Revocation
- General Motors Level II containment

### 5.2 PDCA (Plan, Do, Check, Act), 8D or Corrective Action

A Corrective Action Request may be issued to a supplier when nonconforming material is received at either a Narmx or its customer’s facility. The notification to the supplier will typically include the following information:

- Part Number
- Part Description
- Problem Description
- Quantity Rejected
- Anticipated Response

Suppliers must follow the following timeframe upon receiving a non conforming ticket, auqlity alert or a rejection:

Quality alert at supplier premises	24 hrs
Date Clean point identification	48 hrs
8D o PDCA	7 days
Corrective action evidences	14 days
PFMEA updated	20 days
Control plan Updated	20 days
Works instructions Updated	20 days

Narmx reserves the right to initiate sort, scrap, rework, or repair activities without prior authorization from the supplier to protect customer build. Narmx will notify supplier when such action has been taken.

The issuing Narmx representative shall email the Corrective Action Request, or otherwise notify the supplier of the problem. The supplier shall comply with the following corrective actions:

- Initiate containment and inspection of all suspect material including product in-route, at the Narmx plant or at the customer location.





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- Post evidence of customer concerns at appropriate locations.
- Implement immediate corrective action to eliminate the discrepancy.

Supplier liability for sort, rework/repair, scrap, freight, customer charges, Narmx administrative charges, etc., is detailed in a debit memo and/or claim.

If sort and/or rework of defective material are required and the supplier chooses to subcontract the work, the supplier is responsible for appropriate supervision.

### **5.3 Corrective Action**

Contact the Narmx for the appropriate corrective action form.

The supplier shall complete the corrective action using an approach that typically includes the following steps:

- Immediate fix developed in the production operation: Short-term corrective and containment actions such as sorting, reworking, reprocessing, temporary countermeasures, etc. A description of the fix is to be submitted to Narmx within 12 hours and to include an authorization to sort, scrap, rework or repair.
- Root cause established: in-depth analysis of the reported problem shall be conducted to determine the true underlying cause(s) and/or reasons for the discrepancy.
- Corrective action implemented: long term action taken to ensure that the problem will not recur. Methods that may be used are mistake-proofing systems, training, process changes, or tool changes.
- Verification performed: objective evidence that the problem has been solved, including statistical capability studies where applicable.
- Certification obtained: a date and signature of a responsible supplier management representative who attests to the accuracy of all statements made on the form.

The complete, written corrective action report is due to Narmx within 5 working days of notice. If the report cannot be completed in 5 working days, the supplier shall submit the incomplete report and include a timeline for the submission of the completed report.

When requested, the supplier shall provide on-site support personnel at Narmx and/or its customer's facilities.

### **5.4 Supplier Quality Improvement Process**

The Supplier Quality Improvement Process was developed to monitor suppliers and to assist these suppliers in becoming self-reliant.

The process is driven by the supplier's quality and delivery performance. Supplier quality and delivery data (see section 3.0 for details) are collected by Narmx. Narmx will summarize the data, and a supplier performance scorecard/evaluation is generated for each supplier.

A request for corrective action is made to suppliers that fail to meet Narmx's quality, delivery, and service requirements. This request is made by fax or e-mail, from Narmx Supplier Development/Quality Department. Suppliers that fail to show improvement after the initial notification may be requested to participate in a Supplier Quality Improvement meeting, where a second request



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for corrective action is made. The Supplier Quality Improvement meetings are an important step in the Supplier Quality Improvement Process and should therefore receive top management support (participation) from the supplier. The Supplier Quality Improvement meetings may take place at Narmx receiving the material or at the supplier location.

Suppliers that do not show improvement after the Supplier Quality Improvement meeting may be placed in "containment." Suppliers may also be placed in "containment" at any time by plant Quality or Purchasing departments when not meeting the acceptable performance ratings.

A supplier that fails to show improvement while in "containment" or has problems after containment requirements are met, may be placed on "Quote Hold" status. Suppliers that are placed on "Quote Hold" are notified of this status. Failure to improve quality and delivery performance may result in desourcing or loss of business or could eventually result in the removal of the supplier from Narmx's Approved Supplier List, where appropriate (see section 6.0 of this manual).



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## 6. The Approved Supplier List

Note: Narmx utilizes de supplier performance matrix as approved supplier list. To maintain control over Key Suppliers.

Narmx evaluates and selects suppliers on their ability to meet its requirements. This selection process is led by the Purchasing, Engineering and Quality function. Purchasing maintains an Approved Supplier List. The following is the criteria used to determine the suitability for this list.

One of the following is required:

- Certification to the appropriate quality system standard.
- Directed by the customer.
- Successful audit by Narmx's Supplier Development/Quality Department.
- Recent audit by other major customer.

Other criteria used to evaluate suppliers:

- CSR Corporate Social Responsibility
- Position in Industry:
  - Technology
  - Capacity
- Competitiveness:
  - Responsible for Tool Design
  - Full Service Capabilities (Program Management and design capable).
  - Progressive Culture with Continual Improvement Philosophy.
  - C-TPAT certified
- Service and Support:
  - Responsiveness to requests for quotes and technical assistance.
  - Effective Problem Resolution
  - Proactive Approach to Defect Prevention and Continual Improvement.
- Location:
  - Logistics in relation to Narmx Plants.
  - Global Presence – Geographic positioning for future.
- For Mexican suppliers: Positive opinion from the federal entity of taxes (Opinión Positiva)

### Maintaining Position on the Approved Supplier List

Suppliers currently on the Approved Supplier List remain in good standing by providing high level of service in the areas of quality and delivery performance, cost reduction, error-proofing/technology, and quality systems. (Criteria for remaining on the Approved Supplier List in contained within section 3.0).

Narmx will communicate any change in status to suppliers.



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## 7. Narmx Specific Requirements by Commodity

### 7.1 **Product, Process and Material Changes**

Product, process and material changes are to be guided by the current AIAG PPAP (Production Part Approval Process) and OEM requirements.

### 7.2 **Run@Rate / Process Sign-Off (PSO) and Production Part Approval Process (PPAP)**

Suppliers shall notify or confirm in advance to Narmx of a scheduled or upcoming Run@Rate, PSO and/or PPAP. A Narmx representative could review the Product Demonstration Run / Run@Rate on site or request video as evidence.

### 7.3 **Production Part Approval Process (PPAP)**

All Suppliers of materials used in the manufacture of Narmx products are required to submit PPAP packages and receive PPAP approval prior to beginning shipments.

Suppliers shall comply with the current version of the PPAP manual, or OEM customer's specific requirements for product approval. The APQP team or other designated Narmx representative may modify these requirements. The default level for all submissions is Level 3. Narmx must approve any change to this submission level. All items that do not meet specification shall be clearly identified on the PSW and a Narmx pre-approved action plan for each discrepancy shall accompany the submission.

In addition, for all suppliers submitting steel or aluminum PPAPs must have a third party certification for the mechanical and chemical properties stated in the mill certificate.

It is the responsibility of the supplier to do what is necessary to achieve full PPAP approval within 30 natural days from being granted interim PPAP approval.

For formal sign-off and approval, all PPAP submissions shall be forwarded to the assigned Supplier Quality Engineer or Quality Assurance Associate at Narmx.

Validation shall follow the requirements of PPAP. Annual PPAP validation submissions may be required at the supplier's expense. See section 4.4 for Annual Validation requirements.

Suppliers are required to have an operation standard that includes key items to assure quality in the process. i.e. (Work instructions, Operating instructions, visual aids).

Suppliers are required to identify trial parts, PPAP samples and at the start of full production according to the following labels:



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<p>THIS FORMAT IS USING USL FOR TRIAL PARTS ONLY. SOFT TOOL MOLD CAN BE ACCEPTABLE. ID: ORANGE LABEL.</p>	<p>THIS FORMAT IS USING USL FOR SAMPLES PPAP PARTS ONLY. TOOL/MOLD MUST BE FULLY FABRICATED. ID: BLUE LABEL.</p>	<p>THIS FORMAT IS USING USL TO START PRODUCTION SHIPMENTS AFTER PPAP HAS BEING APPROVED. TOOL/MOLD MUST BE FULLY FABRICATED. ID: GREEN LABEL.</p>																																																
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#### 7.4 Supplier Request for Deviation

Suppliers requesting to ship product that deviates from the original PPAP requirements must complete a Supplier Request for Deviation (NQ: SAC-I-8.3.4-XX F1 Solicitud de Desviación /NP:SAC F-8-3-XX ). The Supplier Request for Deviation must be submitted for approval to Narmx receiving the material prior to shipment. All shipments under the approved deviation must be properly identified as “Deviation Material”. Supplier Deviations shall not exceed the time authorized by Narmx.

Once PSW has been approved by Narmx, the supplier MUST follow the releases and ship accordingly for current parts and approved new parts.



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## 8. Continual Improvement

Suppliers shall develop an annual continual improvement plan, approved by senior upper management, which establishes improvement goals, implementation dates and responsible personnel. As part of a supplier's Continual Improvement system, Narmx expects suppliers to implement several interrelated systems as detailed below.

### Lean Principles

It is Narmx's expectation that suppliers recognize Lean as an inherently cost-effective method of managing a business. Therefore, suppliers are expected to adopt and implement Lean Principles. Each supplier is expected to develop company wide, as well as plant specific, Lean Principles. All programs, at each level of the organization, shall include training of all employees, on-going communication of plans and results to all employees, establishment of measurables with which to measure improvement progress, workshop (improvement events) schedules, the cascading of lean to Tier 3 suppliers, etc..., where appropriate. It is expected that all operators are fully trained in their operations and quality specifications before being placed on process to supply parts to Narmx. Narmx deserves the right to request for written plans or instructions.

### Mistake-Proofing

Automotive customers require "zero defects". The most effective way to accomplish this task is to use error-proofing in product designs and mistake-proofing in manufacturing processes. Narmx expects its suppliers to adopt the same tools and operating philosophies as a fundamental responsibility of doing business. Narmx's initial focus will be with new suppliers and existing "problem suppliers".

### Quality Operating System (QOS) or Business Operating System (BOS)

It is Narmx's expectation that suppliers adopt and implement a visual QOS or BOS, a measurement-based continual improvement methodology, to involve all employees in driving continual improvement activity throughout all work areas. It is expected that QOS or BOS be utilized to help prioritize and focus company resources on improving the most important aspects of the business in key areas such as safety, quality, cost, delivery and people.

### Benchmarking

It is Narmx's expectation that suppliers establish benchmarking activities to develop and maintain a database of information on competitor parts and materials. This information shall be a source of input to all current and new program activities.



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## 9. Product Development/Engineering and Design

### Overview

This section presents the Narmx expectations and requirements in the area of product development (Engineering and Design).

This section describes the expectations and requirements in three major areas:

- Design and Development capabilities
- Program Management
- Engineering Change Management

### 9.1 *Design and Development Capabilities*

Suppliers are expected to have the technical and personnel resources to support all phases of design, development and engineering. Suppliers shall design and manufacture their products and issue periodic progress reports in accordance with the Narmx APQP requirements.

#### Design Schedule Review and Involvement

Suppliers will demonstrate the ability to participate in early design activities, from concept through prototype and production. They shall have the ability to provide the necessary information and data per the Narmx APQP process, unless otherwise specified by Narmx Program Management.

Design schedule review and approval data, including provision for written Narmx approval, shall be planned.

#### Supplier Capability

Suppliers will dedicate appropriate resources and facilities to support the design and development processes. Suppliers should be capable of conducting or participating in:

- Identification and documentation of key characteristics based on product function, design intent and other factors such as product safety requirements, government regulations or other requirements.
- Performance/cost studies

### 9.2 *Program Management*

It is Narmx's expectation that suppliers will use a multi-disciplinary approach for decision making and documented program tracking system that includes key events and "target versus actual" timing. Suppliers shall identify people involved in decision making by name, title or responsibility and telephone numbers. Designated individuals are required for evaluating quality, reliability, health, safety, environmental issues, product service and cost reduction. Suppliers shall maintain a



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manufacturing flow chart covering the entire process from purchasing of raw materials, through finished product, customer approval, and depicting all operations. All defined characteristics and tolerances, will be approved by Narmx along with Cpk data.

### **9.3 Engineering Change Management**

Suppliers are required to respond to Engineering Changes, as required, on or before the required date identified. When necessary, Suppliers may be required to participate in APQP teams at Narmx.

All material manufactured as a result of an Engineering Change shall be identified with a method of identification approved by Narmx along with a specified duration.





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## 10. Manufacturing/Materials Management

### 10.1 *Packing Slips or Invoice and Master Bills of Lading:*

Packing slip or Invoice and master bills of lading, whether direct shipments or shipment moving through a consolidation point, shall be submitted with every shipment.

Packing Slips/Invoices

Packing slip format must allow for multiple part numbers, quantity information, show the Narmx assigned part number, Narmx Purchase Order number, and pallet or lot serial number.

The information to be included on all packing slips is as follows:

Supplier Information:

1. Supplier name and address (ship point not billing office)
2. Supplier Code (I.D.) number
3. Packing slip number
4. Date shipped
5. Carrier Name

Shipping Information:

1. Ship To: Narmx plant address
2. Bill To: Narmx plant address
3. Gross and net (material) weight.
4. Shipped via
5. Freight Terms (FOB point, collect/prepaid).

Packaging Information:

1. Number of unit loads: Pallets
2. Pieces per load.
3. Unit of Measure – if other than pieces per unit load.

### 10.2 *Identification Labels*

Labeling must be in compliance with the Automotive Industry Action Group (AIAG) Shipping/Parts Identification Label Standard and any other Narmx plant requirements. All suppliers must have implemented a lot traceability system or process in place driven by the lot printed in the label.

Repair

Damaged pallets owned by supplier, shall be repaired before they are re-introduced into the system. The use of faulty pallets can lead to further damage to the pallet or its contents, or may represent a safety hazard.



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#### Storage

After pallets have been cleaned and are ready to be returned into the system, storage space for empty pallets is to be provided. This space should be where the pallets can be protected from contaminants, i.e. dirt, weather, etc.

### **10.3 Freight and Transportation:**

All Suppliers must use specified transportation methods and specified carriers in compliance with shipping instruction(s) provided by Narmx, when the freight cost is the responsibility of Narmx.

#### Premium Freight

All premium freight shall be tracked, monitored and reported to Narmx.

Regular Freight – All freight, payable by Narmx must be shipped in accordance with the approved routing instructions. Non-compliance to these routing instructions will result in debiting the supplier back for the applicable shipping charges. All Suppliers will take all necessary actions to avoid premium transportation shipments.

#### Dedicated Runs

All pick-ups for dedicated runs (i.e. milk runs) must adhere to shipping schedules and maintained without exception. Any delay in shipping to schedule must be communicated to Narmx immediately to avoid downtime issues. Excess freight incurred due to supplier-caused missed or late pick-ups is the responsibility of the supplier and will result in charge-backs.

#### Shipping Windows

Suppliers are required to deliver material at the specified appointment time provided by NMP at the supplier's request.

#### Delivery

It is a Narmx plant requirement that all suppliers shall provide 100% on-time delivery performance of 100% FIFO material. All incurred costs must be absorbed by supplier for any late shipments or quality replacement materials.

## 11. Tooling Management

Suppliers shall have an established and proven system to ensure effective and efficient management of all tool systems as described by Purchase Order and appropriate supplemental documents. Supplier shall be ISO9001:2015 or IATF 16949: 2016 certified and follow all procedures defined by that standard. The supplier shall submit and receive approval of a Supplier Contact List, which shall include at a minimum the following information:

- Name and Phone numbers of suppliers' primary and secondary contact personal, as well as emergency number to be used to assure plant support.
- Complete and maintain all appropriate feasibility studies and tool history records.
- Proper and adequate storage for all tools.
- The supplier shall maintain and staff an appropriate facility for engineering change, preventive maintenance and repair or all tooling.