



ALFMEIER FRIEDRICHS & RATH

SUPPLIER MANUAL

**Sixth Edition
October 2017**

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1. COMPANY OVERVIEW



Greenville, South Carolina USA (AFRG)

Alfmeier Friedrichs & Rath is headquartered in Greenville, South Carolina where products for the North American market are designed and manufactured.

Monterrey, Mexico (AFRM)

The product portfolio of AFR de México S.A. de C.V./Apodaca, N.L. supports all AFR business units. Its primary products are pneumatic lumbar bladders and support solutions, fuel system modules and assemblies, and valves for braking systems for the North American car and truck market.



Troy, Michigan USA (AFRT)

In order to fully support North American customers, AFR maintains an office in Troy, Michigan to provide sales, marketing, and program management support. This location provides Alfmeier Friedrichs & Rath quick access to customers' purchasing and engineering functions.

Alfmeier Friedrichs & Rath LLC (AFR) serves primarily as a Tier 2 supplier to the automotive industry supplying most of the U.S. OE's through Tier 1 customers. AFR also works closely with the OE's and Tier 1's in the design and qualification of parts used in a variety of applications. Design and development of automotive systems, precision plastic injection molding, and sophisticated assembly/testing processes are the major competencies offered to our customers.

Vision Statement

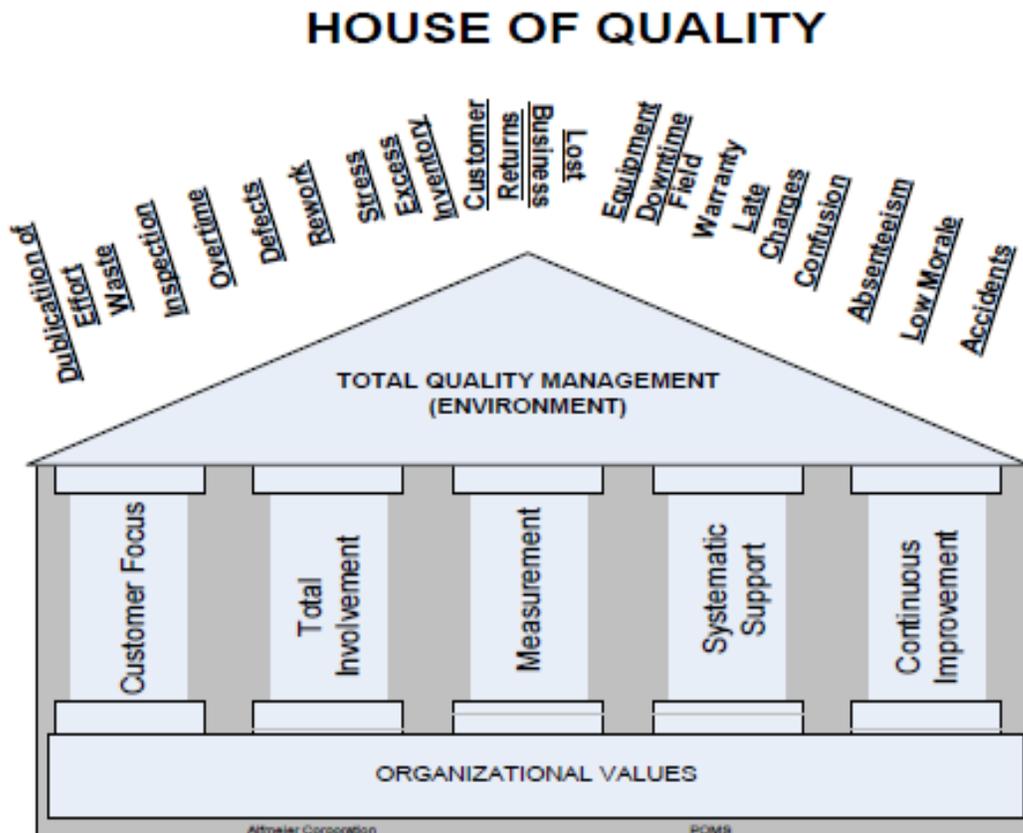
Alfmeier Friedrichs & Rath is committed to being a TQM company with a global reputation for excellence with our customers, associates, financial partners, and the communities and environment in which we work. Alfmeier Friedrichs & Rath is focused on being a desirable partner in all relationships, utilizing our proactive and entrepreneurial philosophy to provide a long term successful future.

Mission Statement

Alfmeier Friedrichs & Rath's mission is to achieve a significant presence in the North American automotive industry as a respected, technologically advanced leader in fluid and seating comfort systems, to be recognized for world class manufacturing and management practices, superior quality products, extraordinary responsiveness to our customer's needs, financial stability anchored by a strong and growing market share, and commitment to a positive work environment for our associates.

Quality Policy

Alfmeier Friedrichs & Rath provides products produced in a safe and efficient manner which meet or exceed customer quality and delivery requirements through controlled, monitored, safe, and efficient processes. We provide an environment of continual improvement by empowering our associates to make decisions which positively impact the success and profitability of the company.



Communication

Primary contacts for Alfmeier Friedrichs & Rath –

TITLE	EMAIL
QUALITY MANAGER – AFRG	QualityAFRG@afrna.com
QUALITY MANAGER – AFRM	QualityAFRM@afrna.com
PURCHASING – AFR	Purchasing@afrna.com
MATERIAL PLANNER – AFRG & AFRM	MaterialPlanner@afrna.com
SHIPPING & RECEIVING – AFRG	ShippingAFRG@afrna.com
SHIPPING & RECEIVING – AFRM	ShippingAFRM@afrna.com
PPAP SUBMISSION – AFRM & AFRG	PPAP@afrna.com

For higher level of management please see <http://www.afrna.com/Pages/contactus.aspx>

Supply contracts, purchase orders, call for deliveries (“the Contract”) will be issued to the Supplier by a legal entity of Alfmeier Friedrich’s & Rath which, as the case may be, will be acting on behalf of itself and of its affiliates or act as an agent for such affiliate (hereinafter referred to as AFR).

This supplier manual informs Suppliers on how to do business with AFR. Delivering parts to AFR a supplier is deemed to have read and understood this Supplier Manual, which is an integral part of the Contract between Supplier and AFR.

This Supplier Manual supersedes and cancels all previous Supplier Manuals issued by AFR.

The Supplier Manual may be revised from time to time by AFR. The Supplier agrees that the version of the Supplier Manual will contractually be binding between the parties will be the most recent one issued by AFR.

2. 2. PURCHASING GROUP’S GENERAL EXPECTATIONS

2.1 Purchasing Overview

The Purchasing organization is composed of regional Buyer, Global Commodity Managers, Project, Service and Tooling Buyers, Global Directors, Global Purchasing Vice President and Global Purchasing President. For local structures please refer to your local Purchasing contact.

2.2 Scope

It is imperative that each Supplier and its affiliates or subcontractors who manufacture and/or ship production and service parts and materials to AFR, or are involved in development and testing with AFR plants or with AFR customers’ plants, embrace the business practices and standards outlined in this manual.

2.3 Business Conduct, Suppliers, Vendors and Subcontractors

AFR will purchase all equipment, supplies, and services on the basis of merit. AFR Suppliers and subcontractors will be treated with fairness and integrity and without discrimination.

AFR is committed to the highest standards of ethics and business conduct. This includes our relationship with our customers, our Suppliers, our shareholders, our competitors, and the communities in which we operate and with each other as employees at every level of the organization.

Our internal Code of Conduct governs our business decisions and actions. The Code of Conduct is an expression of fundamental values and represents a framework for decision making. AFR employees and representatives must comply with AFR Code of Conduct.

2.4 Corporate Social Responsibility

AFR actively promotes ethical, social and environmentally responsible practices throughout its entire business, including the promotion of this process with its global extended supply chain. These practices are being defined through these efforts.

AFR requires its Suppliers to follow the same high standard of ethics and business conduct as AFR. Specifically, AFR will be monitoring that the following key ethical principles are being complied with by the Supplier as part of its business activities:

- A clear prohibition of bribery and kick-backs and other corruption or facilitation activities;
- Ethical human resource management practices that prohibit child labor, prevent discrimination, harassment and which offer equal opportunities and safe work environments to all employees;
- Trading practices that are fair and in full compliance with antitrust regulations;
- Processes to ensure that parts and manufacturing processes do not cause harm to the environment or human life;
- Processes to avoid the misuse or infringement of intellectual property rights of third parties.

AFR looks forward to partnering with its Suppliers in an effort to raise the awareness of its corporate social responsibility initiative.

2.5 Regional Diversity Policies

It is the policy of AFR North America to actively include diverse suppliers in its purchasing activities. AFR commitment is to affirm that certified diverse suppliers have the maximum opportunity to participate in provided products and services to AFR.

3. SUPPLIER SOURCING PROCESS

3.1. The Approved Supplier List

AFR evaluates and selects Suppliers on their ability to meet its requirements. This selection process is led by the AFR Commodity Buyers and selected Suppliers are included on an approved supplier list.

The following are some of the criteria used to determine Suppliers' eligibility:

- Certification to the ISO/TS 16949 most current version, or
- Suppliers shall, at a minimum, be 3rd party certified to ISO 9001 most current version.
- Supplier's position in the Industry based on its technology and capacity to meet AFR demand;
- Competitiveness based on participation in cost reduction programs with a continuous quality and cost improvement policy;
- Service and Support:
- Engineering, development and testing capability and responsibility;
- Warranty commitment;
- Full service capabilities (program management & design capability);
- Responsiveness to Request for Quotes ("RFQ");

- Technical assistance;
- Effective problem resolution;
- Proactive approach to defect prevention and continuous improvement.
- Financial health;
- Location in relation to AFR plants;
- Global presence: Geographic positioning in line with AFR future requirements. Suppliers that are directed by an AFR customer will also be included in the approved supplier list.

The AFR Quality Team reserves the right to perform Supplier QMS audits with the goal of developing supplier conformity to this Technical Specification.

3.2. Requests for Quotation

For any contemplated business, the sourcing process starts with an RFQ request from AFR. The RFQ generally contains technical specifications, legal, and commercial information. AFR RFQs may also contain instructions to be followed and forms to be used by the Supplier to submit a valid offer.

As defined by the Buyers for each type of part, RFQs for production material sourcing are made available to the Suppliers at AFR discretion as a form sent to each Supplier.

3.3. Supplier's Offer

As an expert in its own field, the Supplier is required to report to AFR any omission, inconsistency, or any other issues or concerns with the Requirements.

The Supplier shall submit an offer as directed by the AFR Buyer, by using the appropriate forms (i.e. Cost Breakdown, etc.).

In the event that the Supplier is unable to comply with the requirements, those noncompliance's ("Deviation Requests") need to be identified clearly by the Supplier and stated in the SRDW form available in the supplier manual.

The Deviation form shall be returned to AFR with the Supplier's offer.

All Requirements not specifically addressed in the Deviation shall be deemed to have been accepted by the Supplier.

Time being of the essence the Supplier is required to answer the RFQ in the language and in the deadline stated in the requirements. Any offer not complying with the provisions of this section 3.3 may be rejected without being reviewed.

3.4. Negotiations

A request for quotation does not oblige AFR in any way to continue negotiations with Supplier.

AFR reserves the right to modify the Requirements to include changes or additions as may be required by AFR or by its customer. In such a case, AFR will issue to the Supplier an update of those Requirements and the Supplier shall modify its offer accordingly.

AFR's acceptance or refusal of any deviations requested by the Supplier will be indicated to the Supplier in writing.

When the negotiations with the Suppliers are completed the selected Supplier shall issue a final offer which shall include all the terms and conditions agreed upon during the negotiations. No further deviation, reservations or requests will be accepted from the Supplier in its final offer. By submitting its final offer the Supplier undertakes to develop and supply the parts, either alone, through its affiliates and/or subcontractors, in strict compliance with the requirements.

3.5. Agreement

AFR reserves the right to accept and/or reject any offer. AFR's acceptance of the offer shall be limited expressly to those terms in the Supplier's offer, which are in line with the Requirements and the accepted Deviation Request and shall be deemed to exclude, without any further act from AFR being necessary, any terms in Supplier's offer which are inconsistent with those Requirements and accepted Deviation Request(s).

A Supplier agreement shall be signed by the Supplier and by the concerned AFR legal entity, which as the case may be, will act in its own name and/or as an agent for other AFR affiliates that will be involved in the contemplated business.

The Supplier agreement shall govern, along with the Purchase Order as defined below, the relationship between AFR and the Supplier and/or their respective Affiliates with respect to the development, sale and delivery of parts by the Supplier.

In the absence of a Supplier agreement, the Purchase Order as defined below, solely governs the relationship with the Supplier and includes the Requirements, notably the AFR General Terms and Conditions of purchase.

3.6. Purchase Orders

The purchase orders ("Purchase Orders") are the individual agreements to be entered into between the AFR entity and the Supplier and/or its Affiliates. They may be issued pursuant to a supplier agreement and, when applicable, in the absence of a supplier agreement, they may govern solely the business relationship between AFR and the Supplier and will include the Requirements, notably the AFR General Terms and Conditions of purchase.

Purchase Orders may be issued for the procurement of parts or for the procurement of services.

Single Purchase Orders will be issued for the procurement of parts and/or services on a one-time basis such as for specific tooling or prototype parts. Single Purchase Orders will mention quantity and/or delivery dates. Blanket Purchase Orders will be issued for the on-going procurement of ongoing production parts.

Blanket Purchase Orders will cover the estimated planned volumes based on customer forecast and are not a guarantee for purchase. Blanket Purchase Orders shall not oblige AFR to order the parts unless and until a FIRM order is released to the supplier via the Vendor Schedule Report.

Suppliers are reminded that the "Ship to" location and the "Bill to" location specified in a Purchase Order may be different.

3.7. Sourcing authority

Only the employees from AFR's purchasing department are authorized to negotiate and enter into purchase agreements with Suppliers in the name and on behalf of any AFR entity.

Suppliers' offers quotations, and preliminary engineering estimates or other document issued by Supplier must be sent to the purchasing department with copies to other AFR representatives as directed by the purchasing department.

Any quotation or offer submitted in violation of the above mentioned may be rejected by AFR without being considered.

Supplier Agreements or Blanket Purchase Orders, as well as all amendments thereof, are valid only when signed by an authorized person from the purchasing department. A Purchase Order/Blanket Order shall be deemed to have been electronically signed when issued electronically by the concerned Buyer to the Supplier through direct e-mail or fax.

Any agreement obtained from AFR in violation of the above statement may be subject to cancellation by AFR without any indemnity or liability from AFR.

4. QUALITY REQUIREMENTS

Quality Requirements Information

For AFR to maintain its current ISO/TS16949 registration, our suppliers must be registered to the most current ISO 9001 standard as a minimum requirement. Upon successful completion of the audit to the ISO 9001 or TS-16949 standard, the Supplier is to forward a copy of the certificate to AFR Purchasing.

Certified Material Requirements

If requested by AFR, each shipment or lot of material delivered to AFR will require data for all controlled and functional dimensions as listed on component prints.

IMDS Submission Requirements

All substances used in production part materials shall be declared electronically in IMDS (International Material Data System). The IMDS declarations must comply with AFR's reporting requirements and the supplier must submit the IMDS declaration in a reasonable time before the agreed PPAP submission date. The IMDS identification number shall be listed on the PSW submitted with the PPAP package. In case AFR does not respond to the IMDS declaration before supplier's PPAP submission date, it is sufficient for the supplier to submit only the IMDS entry confirmation with the PPAP package. PPAP approval can only be done with an approved IMDS declaration.

The IMDS Reporting Guideline at www.mdssystem.com provides help, explanation, and user-guidelines for supplier IMDS reporting in the IMDS-Application/System. Materials, components, and products containing substances classified as forbidden must not be used. In case a forbidden substance is identified during a development project, the supplier must immediately notify AFR.

PPAP Submission Requirements

The most recent edition of the AIAG PPAP manual shall be followed in all instances. The following guidelines have been established to aide in the preparation of the documents; however, the AIAG PPAP manual shall prevail in the case of any inconsistency. PPAP submissions must be received at least four weeks prior to

change implementation or start of production. All submissions shall be Level 3 unless otherwise stated in a supplier agreement or purchase order and must be labeled with a barcode label and notification label.

Level 3 PPAP Requirements

1. Design Records
 - a. The supplier must submit PPAP to the drawing that is referenced on the Purchase Order.
 - b. In any case where the design record is not referenced, contact the QE at AFR for clarification.
2. Authorized Engineering Change Documents
 - a. Include any documents requesting a change to the product that have not yet been included in the Design Record but are incorporated in the product.
 - b. Examples are Engineering Change Request (ECR) or Engineering Work Order (EWO).
3. Engineering Approval
 - a. When required, submit evidence of customer approval of the design record.
4. Design FMEA
 - a. Products in which the supplier is design responsible, a design FMEA must be submitted.
 - b. Reference AIAG Potential Failure mode and Effects Analysis manual.
5. Process Flow Diagrams
 - a. Must clearly describe the production process steps and sequence from incoming material to shipment of product.
6. Process FMEA
 - a. A Process FMEA must be developed and address all risks associated with the product.
 - b. Reference AIAG Potential Failure mode and Effects Analysis manual.
7. Dimensional Results
 - a. Five piece full layouts are required for each cavity, mold, tool, and/or line.
 - b. Dimensions and notes must be referenced to the design record (i.e. ballooned drawing corresponding to dimensional layout).
 - c. One of the measured parts will be designated as the master sample and retained by the supplier.
8. Records of Material and Performance Results
 - a. Material certifications must be submitted for any raw material contained in the final product.
 - b. Test reports must be submitted for any functional or performance testing required per the design record.
9. Initial Process Studies
 - a. 30 - 100-piece capability studies must be submitted for all critical dimensions.
 - b. Cpk values must be greater than 1.67 short term and 1.33 long term.
 - c. In any case where AFR's customer has different requirements than stated above, the customer's requirements shall prevail
10. Measurement System Analysis Studies
 - a. All measurement devices must have applicable Measurement System Analysis studies completed and submitted, typically meaning gage R&R studies.

11. Qualified Laboratory Documentation
 - a. Certifications such as ISO 17025, etc. must be submitted for any laboratory (including the supplier's) used for functional, performance, or dimensional results.
12. Control Plan
 - a. The control plan must define all controls used for process control.
 - b. Reference AIAG Advance Product Quality Planning and Control Plan manual.
13. Part Submission Warrant
 - a. All sections on the PSW must be completed.
14. Appearance Approval Report
 - a. Only required for items where appearance is a critical characteristic.
15. Bulk Material Requirements Checklist
 - a. Only required for bulk materials such as resin.
16. Sample Production Parts
 - a. Samples must be provided as requested for PPAP. At least three of the dimensional layout samples must be submitted along with PPAP documentation unless agreed with AFR QE.
17. Master Sample
 - a. At least one of the layout samples (per cavity) must be retained as the supplier's master sample.
18. Checking Aids
 - a. Certification of dimensions on any checking aids used (such as fixtures, gauges, and templates) must comply with the design record.
19. Customer Specific Requirements
 - a. Sample barcode label
 - b. Copy of TS-16949, ISO9001, and other certifications as applicable
 - c. SRDW must be submitted for any deviation to the process, product, or other requirement.
 - d. Packaging data form

Change Management

Any, and all changes – location changes, subcomponent changes, process change, new or modified tooling, test method or inspection changes, and all engineering changes shall be communicated formally to AFR using form SCR – Supplier Change Request (Appendix PUR 13) to the following address SCR@afrna.com. This formal notification shall be submitted to AFR a minimum of 6 months prior to the intended date of implementation. All changes require a Level 3 PPAP submission, unless otherwise agreed with Supplier Quality.

AFR shall support the SCR by providing timely acknowledgement of receipt of request. The final change acceptance will be sent to the supplier by the affected AFR location(s). Supplier is obligated to identify the first shipment, including the change, with proper visual tools, mutually agreed upon between the supplier and the receiving AFR location. Labels for all new level parts shall be distinguished from previous shipments, for a period defined by AFR. Deliveries of changed components must not start prior to a written approval of all respective locations.

Annual Re-Certification

Annual re-certification is required for all PPAP submissions. At minimum, dimensional results, material certifications, capability studies, and a PSW must be submitted to re-qualify products every 12 months. Additionally, for interior components, certification to all applicable specifications is required annually (e.g. FMVSS302, Fogging, Odor, Emissions, etc.) as communicated to you by AFR QE and/or Purchasing Manager.

Containment Requirements

Three types of containment exist for AFR suppliers. These are early production containment, Level I containment, and Level II containment. Each type must be labeled using labels found in appendix to this manual.

Early Production Containment

Early Production Containment will be required for all new products shipped to AFR for a minimum of 30 days after start of production. This requires 100% offline inspection. Suppliers will be required to document any defects that are found and report them to AFR. The 30-day time shall restart after permanent corrective action is put in place each time a defect is found. Failure to have successful Early Production Containment will lead to Level II containment.

Level I Containment

Level I containment shall be instituted for repetitive issues, external or customer issues, and/or multiple defects in the supplier's product line. This requires 100% offline inspection for a minimum of 30 days. AFR will send details of Level I Containment requirements when Level I Containment is issued to the supplier. Suppliers will be required to document any defects that are found and report them to AFR. The 30-day time period shall restart and corrective action re-investigated if further defects are found. Failure to have successful Level I containment will lead to Level II containment.

Level II Containment

Level II Containment is enforced for failure of early production containment or Level I containment and when customer directed. This requires 100% sorting by a third party at an off-site location unless prior approval is granted from AFR. AFR reserves the right to refuse the use of unapproved third party companies. Data obtained from the third party must be sent directly to AFR. AFR will send details of Level II Containment requirements when Level II Containment is issued to the supplier. Level II Containment shall be in place for a minimum of 30 days after permanent corrective action is implemented. The 30-day time period shall restart and corrective action re-investigated if further defects are found.

Non-Conforming Material Policy

AFR's quality requirement of zero defects applies to all product supplied by our suppliers. There are no deviations from this requirement. However, as with any manufacturing environment, quality issues may arise. AFR's assigned QE will contact your company's quality personnel directly with an issued SCAR and all details of defects and the following options should we encounter any non-conforming product.

1. If AFR has sufficient inventory of parts, then we will return all suspect parts to the supplier for immediate replacement. All replacement parts must be 100% certified as defect free and labeled as such. All costs

associated with this return and replacement (freight, handling, scrap, etc.) will be the supplier's responsibility.

2. If AFR does not have sufficient inventory or parts cannot be returned, a quality representative from your company may be requested to travel to AFR within 24 hours of notification. Should parts be needed to support production prior to the arrival of your representative, AFR will begin sorting. All costs associated with this sort, in addition to any defective parts found, will be charged back to the supplier. These charges will include any off-site warehouse charges and use of AFR floor space as necessary.
3. If the quality representative cannot travel to AFR within 24 hours, all costs for this sort, in addition to any defective parts found, will be charged back to the supplier.

A \$300.00 administration fee will be assessed for each non-conforming report issued. This fee will be doubled for repeat issues. Additionally, scrap costs for finished goods due to supplier defects will be charged back to the supplier. This cost will be indicative of the cost AFR incurs to produce the part. For external quality issues, AFR will charge suppliers with actual costs charged by the customer. Costs associated with sorting at AFR are at a rate of \$50.00/hour.

4.1. Initial Production Part Approval Process ("PPAP") submission

The Supplier shall provide AFR with parts for production trials. Typically, these trials are run prior to PPAP approval and their purpose is to confirm fit, form and function at the plant prior to approval by AFR. PPAP sample submissions by the Supplier must follow the Production Part Approval Process ("PPAP") procedure as set out below which complies with the AIAG Production Part Approval Process most recent edition. AFR shall not be relied upon by the Supplier in order to determine acceptability of the Supplier's product. The Supplier shall also and necessarily perform inspection on initial samples and make any necessary corrections to meet drawing tolerances prior to shipping to AFR manufacturing facilities.

The Supplier shall submit initial samples from production tooling as required by the AFR QE. When multiple tools, mold cavities or patterns are used, samples from each cavity must be submitted.

Suppliers shall manufacture and submit three hundred (300) parts for PPAP approval or any other number otherwise agreed with the AFR QE. Regular production shipments shall only be sent once the Supplier has received written PPAP approval from the AFR QE.

The Document Submission-/-Retention Matrix found in the appendix to this manual identifies the specific documents which shall be submitted to AFR and the documents which shall be retained at the Supplier's site location. The Supplier shall obtain prior written approval from AFR for any and all exceptions or deviations. All Deviation Requests are to be submitted on a SRDW to the appropriate QE. The Supplier shall ensure that parts meet all drawing and material requirements prior to submission. Samples with non-conformity or with improper or incomplete documentation shall be rejected unless a SRDW has been approved. All required PPAP documentation is to be submitted to: PPAP@afna.com.

4.2. Yearly PPAP Submission

Suppliers shall provide annual dimensional reports and functional test results to ensure continuing conformance to the drawing, material, specification and statistical requirements as directed by

the AFR QE. Suppliers must submit statistical process control data (“SPC”) on all internal and drawing KPCs to the AFR manufacturing facilities if required by the AFR QE.

4.3. Laboratory

Testing laboratories contracted by the Supplier must be accredited to the most current version of ISO/IEC 17025. Proof of accreditation to be available on request and submitted with initial PPAP.

4.4. Environmental Management System and Material Details Mapping (IMDS)

All Suppliers are encouraged to be third-party registered to current ISO 14001 Environmental Management Systems.

Suppliers shall ensure compliance with the environmental policies of AFR’s customers, international standards/regulations and the law of the countries in which the Supplier, AFR or AFR’s customers operate.

All suppliers must submit detailed material information for all sub-components used in the products shipped to AFR using the International Material Data System (“IMDS”). In addition, the Part Submission Warrant (PSW) must include part number, revision level, creation date, AFR approval date, the IMDS number and version number, and the date that it was approved.

Each time the part component changes (material, location moves, product or process changes) the supplier must resubmit a IMDS submission for approval. IMDS submission is required to be submitted to AFR code 24178 beginning on first trial off of production tooling for all suppliers that provide components to AFR Automotive.

4.5 Service

Service parts must be provided for a minimum of 15 years after serial production. Production pricing will apply to all service parts.

5. PRODUCTION AND SUPPLY

AFR requires critical supply chain element to be agreed on and documented in the part specific Supply Chain Agreement (SCA) prior to the start of production.

5.1. Advanced Shipment Notice (ASN)

AFR sends a weekly vendor schedule report that contains weekly delivery schedules and forecast.

AFR requires that Suppliers send an Advanced Shipment Notice (ASN) for all shipments. This information is to be transmitted via email to the appropriate material planner. The ASN must include a copy of the packing list, a copy of the invoice, name of transportation company, tracking number and number of boxes and skids.

5.2. Releases

Vendor Schedule Report

Effective communication is mandatory regarding any and all information that may affect the timely delivery of material(s) to support AFR’s daily production builds.

AFR production facilities will provide Suppliers with regular releases against Blanket Purchase Orders to meet production requirements. These releases will be sent via the Vendor Schedule Report (VSR).

Vendor Schedule Report will be sent to the Suppliers via email. The VSR will advise Suppliers of AFR commitments.

The commitments are as follows unless otherwise stated in writing:

Weeks 1 – 2 Fabrication Authorization

Weeks 3 – 4 Fabrication Authorization to sub-Suppliers

Weeks 3 – 6 Raw Material Authorization Only

Weeks 7 – 12 Forecast / Planning Only

The Supplier shall contact the appropriate AFR Material Planner if an updated weekly VSR is not received. The Supplier is responsible for any and all additional costs associated with any failure to do so.

Planning information and fabrication and raw material authorizations will be provided through the VSR.

- Ship quantities: Ship requirements will be determined by the firm orders showing on the weekly VSR.
- Over shipments: Shipments may not be accepted and could be returned at the Supplier's expense and a Supplier Corrective Action Report ("SCAR") may be issued.
- Under shipments: Any shipments not shipped in full must be communicated prior to shipment (Supplier will be responsible to expedite balance of shipment at their cost).
- Communication: The Supplier must immediately communicate any issues with the VSR to AFR.
- Frequency of order: The Vendor Schedule Report will be sent once a week at a predetermined fixed time.
- Standard Pack Containers: It is critical that the agreed standard pack quantity and container is used for each shipment to ensure the accuracy of the inventory within the AFR receiving location.

The AFR receiving location must approve any deviations to this along with the Supplier's root cause analysis of why the defined standard pack quantity or container was not used.

- Release comparison: In case of volume increases within the firm order period (two weeks), the Supplier shall maintain adequate inventory levels to meet AFR demand between Supplier's production runs. It is the Supplier's responsibility to ship the firm requirement plus 20%. Should the Supplier be unable to meet the volume increase, immediate contact is to be made with the appropriate AFR Planner to discuss a viable plan. If, however no contact is made AFR will assume that demand can be serviced.
- Order lead time: The amount of time from when AFR sends a Firm Order until the Supplier is expected to ship will be a minimum of twenty-four (24) hours, unless otherwise agreed by the Supplier and the AFR ship to location.

KEY POINTS

- The Supplier shall notify the Buyer in writing if AFR needs to change the Supplier contact name, phone number, fax number, email address, etc. for the Vendor Schedule Report, or Purchase Orders;
- In the event of a failure by the Supplier to ship on time the Supplier must immediately contact the AFR Material Planner to discuss any late shipments, the potential impact and the Supplier's recovery plan;

- Without prejudice to any other rights or remedies that AFR may have against the Supplier under contract or at law, any expenses, including premium shipping expenses, necessary to meet the required delivery dates shall be the Supplier's sole responsibility;
- Any inability to support AFR ship requirements must be communicated to the AFR receiving plant prior to the scheduled shipping day and immediate reaction to contain and avoid AFR shut down must occur by the Supplier in coordination with AFR receiving plant;
- With respect to the International standard phytosanitary measures, the Supplier shall use packaging that is sufficient to protect the goods from damage during transport to ship goods to AFR.
- The Supplier shall supply all replacement and service parts as may be required by AFR for a period of 15 years after completion of mass production or as otherwise agreed in writing with AFR in order to match AFR's customer's requirements. Service parts shall be produced from production tooling. Regular preventive and predictive maintenance activities are required to maintain production capability.
- In the event the Supplier has delivery constraints, which will impact AFR's production plan and delivery Schedules, AFR will issue a Bottleneck Notification, which will require a response within 24 hours. If this is not complied with, AFR will issue a SCAR, which will require formal response according to Standard protocol, and which will attract the abovementioned administration fee of \$300.00.

5.3. Product labeling & shipping documentation

A. Bar Code Labeling Requirements

All boxes, containers and pallets containing parts shall be labeled in accordance with the specific AFR manufacturing plant's labeling requirements. These requirements include the application of the following Transport Label:

The Master Label – Handling Unit (HU) and the Standard Label (ST) – Simplified Handling Unit (SHU) labels must be clearly visible on each pallet.

In the case of a mixed pallet two Master Labels visible together should be included which details all parts within the shipment.

The following information shall be included on the approved barcode label:

- Delivery note Number;
- Packaging Unit Quantity;
- AFR Part number;
- AFR Revision Level (if applicable);
- Part description;
- Quantity in box;
- Shipping date or production date;
- Supplier Name and address;
- Supplier Reference Number;
- AFR Purchase Order Number;
- Unique Serial Number traceable to the manufacturing date code;
- AFR Receiving Plant, Receiver/Customer Address;
- Packaging Unit Number (Handling Unit ID);
- Batch Number.

Such barcode labels shall be capable of being scanned for all production parts shipped to AFR manufacturing facilities.

Any deviations requested from the standard bar code labels specified above must be approved by the AFR.

For the Global Transport Label (GTL) and where applicable the following information shall be included on the approved bar code label:

- Ship from location;
- Ship to location;
- Shipment Date;
- Container Type;
- Gross Weight;
- Part Quantity;
- Part Number;
- Delivery Note or Packing List Number.

Such barcode labels shall be capable of being scanned for all production parts shipped to AFR facilities.

Individual Component Part Number and Traceability Labels - in addition to the required shipping labels the following commodities shall have part number labels. All commodities are required to have traceability labels.

Country of Origin Markings - The country of origin must be specified on the shipping label.

B. Shipping documentation for all shipments

Each shipment is to be accompanied by a packing list/bill of lading that clearly identifies the following data:

- Supplier name;
- Date of shipment;
- Packing slip number;
- Purchase order number;
- Shipping location;
- AFR Part Number;
- Quantity shipped;
- Part description as stated on the Purchase Order;
- Unit of measure;
- AFR receiving plant.
- The Packing slip number must also be on the Supplier's invoice.

C. Packaging / Part Packaging Guideline as provided by Regional or Local Purchasing Offices

Suppliers shall pack their parts in pre-approved packaging. Suppliers shall submit packaging proposals on the "Packaging Data Sheet" to the Buyer and in the PPAP submission.

Once a packaging proposal is received by AFR from the Supplier, AFR and the Supplier will work together to evaluate the proposal and select a final packaging solution.

As part of this assessment phase, AFR is free to require a packaging trial at no additional cost.

Final approval for packaging will be provided by AFR prior to any shipments of production parts.

Determination of Packaging types

The selection method of packaging will depend upon the specific part or material, the method of transportation and the method of handling required by the receiver.

However, certain basic factors deserve consideration.

Package size, strength and type must be selected to provide protection and to fit the method of handling, mode of transportation, applicable carrier regulations and distance of transit.

AFR has the right to reject Supplier's packaging which do not meet AFR packaging requirements as communicated to the Supplier.

Boxes shall be loaded to optimum cubic capacity and load density while maintaining freight integrity. Boxes must be strong, robust and stackable to guarantee maximum equipment use during the transportation process.

Additionally, Suppliers shall review their packaging on an on-going basis in order to improve deliverable part quality and continual decrease in costs. The Supplier shall ensure part integrity when shipped under normal handling conditions.

Hand handled packages

In order to enable efficient handling and ergonomically safe containers the following conditions will apply:

- Packages must not exceed 30 LBS gross weight (unless a lower gross weight is specifically required by the AFR receiving plant) and should be shaped so that one person can easily handle them.
- Recommended pallets are four-way entry, with either a 48" x 45" or 1200 x 800mm or a 1200 x 1000mm footprint. Unique pallets shall only be used when part characteristics dictate such use and when it is approved beforehand by AFR.
- All pallets shall be heat treated/fumigated and stamped according to the International Standard for Phytosanitary Measures No.15 (ISPM15) unless otherwise approved by AFR.
- Whenever possible and especially when volume makes it possible, hand-handled packages shall be used so they can be handled mechanically as a single load by forklift trucks. One full level layer of cartons on a pallet is sufficient volume to require that parts be palletized.

Mechanically Handled Loads

In order to ensure that mechanically handled loads will allow proper handling by available equipment and will be shipped without damage and in a manner, that will enable efficient unloading from the carrier, the following conditions shall apply:

- All mechanically handled loads must have four-way entry with flush cut
- Top and bottom boards;
- All loads must be firmly secured to the pallet. Securing can be achieved with non-metallic strapping (at least two bands lengthwise and two bands width wise) or with stretch wrap or shrink-wrap to maintain the integrity of the load;
- The container shall be designed to withstand the constant handling required by our Just-In-Time operation.

Packaging Closure

The acceptable closure for packages is adhesive carton sealing tape or fiber reinforced paper tape.

STAPLES AND GLUE ARE NOT ACCEPTABLE AS A METHOD OF CONTAINER CLOSURE.

Returnable Containers

"RETURNABLE" pertains to re-useable containers such as plastic, cardboard, metal bins, racks, pallets, trays and separators that are returned to the original shipping location. All returnable containers and internal dunnage must be pre-approved by AFR. Packaging must fit on either a 48" x 45" or a 1200 x 800mm or a 1200 x 1000mm four-way entry pallet. The packaging cannot exceed 50" high respectively, including the pallet and lid. All returnable containers are to be cleaned by the supplier – with all obsolete labels removed.

D. Special Shipment Identification Labeling

AFR requires that ALL non-production parts shall be shipped separately from production orders at all times. Shipments outside the normal production process shall be identified with a special color-coded label (“the Special Shipment Label”) that refers to a specific type of event at our manufacturing plants or technical centers.

Placement of the special shipment label must be made in accordance with the label and barcode-labeling requirements as provided here above. The special shipment labeling is in addition to actual bar coding shipment container requirements set out here above.

- Prototype Sample (Pink label) – notifies the AFR manufacturing plant that inside the returnable and/or expendable packaging are “prototype” parts that require special storage and handling at AFR.
- Engineering Trial parts (Blue label) – notifies the AFR manufacturing plant that inside the returnable and/or expendable packaging are “Engineering samples” that require special storage and handling at AFR.
- PPAP (Yellow label) – notifies the AFR manufacturing plant that inside the returnable and/or expendable packaging are initial “PPAP” parts that require special storage and handling at AFR.
- Production Trial Parts (Orange label) – notifies the AFR manufacturing plant that inside the returnable and/or expendable packaging are non-PPAP approved parts for production trials that require special storage and handling at AFR.
- Certified Material or Early Production Containment (Green Label) – notifies the AFR manufacturing plant that inside the returnable and/or expendable packaging are 100% certified parts and will reference the specific Supplier Corrective Action Report (SCAR) number, or will signify Early Production Containment (EPC).

5.4. Freight and Transportation

Suppliers are expected to quote a price for each delivery term indicated in the RFQ. Unless otherwise specified by AFR, the applicable delivery conditions terms (INCOTERM) are set out in AFR General Terms and Conditions of Purchase. It is however understood that upon simple notification to the Supplier, AFR may decide to change the applicable term throughout the performance of the Nomination Letter and/or the Purchase Orders based on the Supplier’s quotation.

Packaging conditions are defined on a regional basis. AFR will not bear any additional costs for shipments made outside the Supplier’s normal business hours.

There will be no additional charges for paperwork and loading of emergency trucks and additional trucks during week-ends. Depending on the production or logistics concept, AFR may provide the Supplier with specific instructions for loading conditions.

In the event that parts are delivered directly to the vehicle manufacturer (also named OEM), the Supplier shall be in charge of the complete delivery process. The OEM or AFR may however provide the Supplier with specific delivery instructions

C-TPAT (Customs Trade Partnership Against Terrorism)

Suppliers shipping material to any of the AFR North American facilities must be C-TPAT certified or practicing C-TPAT equivalent security processes. C-TPAT certified Suppliers must generate a Status Verification Identification (SVI) number from the C-TPAT web portal upon AFR’s request. Those Suppliers who are not certified are required to participate in an annual AFR security survey, are subject to audit and must work cooperatively with AFR in order to achieve an equivalent C-TPAT level security process. Security criteria can be

found on the U.S. Customs and Border Protection web site:
http://www.cbp.gov/xp/cgov/trade/cargo_security/ctpat/ctpat_application_material/ctpat_security_guidelines/

Shipping Windows

Following the INCOTERM, all scheduled shipments from the Supplier shall be completed in a specific pick up window ("the Pick-up Window").

The Supplier shall have the shipment ready for loading at the start of the Pick-up Window. The Supplier shall have the carrier physically loaded and the necessary shipping documents completed by the end of the Pick-up Window. The Supplier shall contact the applicable AFR Material/Logistic manager wherever they are unable to complete the scheduled shipment within the allocated time frame.

The Pick-up Window may change from time to time. The Material/Logistic manager shall provide the Supplier with written notice in advance of the change.

Failure to deliver a shipment when scheduled may result in charges to the Supplier for any plant production downtime at AFR and at its customers, or other related expenses.

5.5. Delivery

All Suppliers shall provide 100% on time delivery performance of FIFO (First in, First Out) parts.

Any shortages or problems affecting the planned delivery shall be communicated immediately in writing to your AFR plant contact immediately.

Each Supplier shall ensure that all shipments be made in predetermined standard pack quantities.

Over-shipments are not acceptable, and all Suppliers will be held responsible for any return freight carrier charges, and/or other plant costs as a result of an over-shipment.

Mixed pallets (multiple part numbers on the same pallets) are not permitted without prior authorization. On shipment of low volume items, the Supplier shall contact the AFR releasing plant to obtain its approval to ship a mixed pallet.

5.6. Customs Documentation

Suppliers shall provide all information necessary for AFR to comply with all applicable laws, regulations and related legal reporting information in the countries of destination.

The Supplier shall provide all documentation and/or electronic transaction records to allow AFR to meet customs-related obligations, any local content/origin requirements, and to obtain all Tariff and Trade program duty avoidance(s) and/or refund benefits. Certificates of origin are required annually. The Supplier shall submit the Certificate of origin to AFR Purchasing prior to Dec 15th of the previous year.

Suppliers not complying with this requirement will be issued a SCAR and will be responsible for all associated costs incurred as a result of the non-conformance, including an administrative fee of \$300 USD. The administrative fee will be charged on a part number basis.

6. Glossary of Terms and Acronyms

AFR	Alfmeier Friedrichs & Rath	OEM	Original Equipment Manufacturer
AIAG	Automotive Industry Action Group	RFQ	Request for Quote
AP	Alfmeier Präzision	RMA	Return Material Authorization
APQP	Advanced Product Quality Planning	PPAP	Production Part Approval Process
ASN	Advanced Shipping Notification	PPM	Parts Per Million
ECR	Engineering Change Request	PSW	Part Submission Warrant
EDI	Electronic Data Interchange	SAR	Shipment Authorization Release
EWO	Engineering Work Order	SCAR	Supplier Corrective Action Report
FMEA	Failure Mode and Effects Analysis	SPC	Statistical Process Control
IMDS	International Material Data System	SRDW	Supplier Request for Deviation/Waiver
JIT	Just in Time	TQM	Total Quality Management
MSA	Measurement Systems Analysis	WIP	Work in Process
NAFTA	North American Free Trade Agreement		

7. Appendices List

ACC 01	AFR Supplier Debit Memo	PUR 10	Quotation
ACC 02	Asset Tracking Document	PUR 11	Non-Disclosure Form
PC 01	Sample barcode label	PUR 12	Obsolescence Form
PUR 01	Supplier Profile	PUR 13	Supplier Change Request
PUR 02	Supplier Agreement	QLTY 01	Supplier PSW
PUR 03	Terms and Conditions	QLTY 02	Supplier 8-D Nonconforming Report
PUR 04	Supplier Feasibility Statement	QLTY 03	Supplier SRDW
PUR 05	Supplier Self-Assessment	QLTY 04	Supplier Request for Kaizen
PUR 06	Cost Improvement Form	QLTY 05	Supplier Special Labels
PUR 07	VA VE Proposal	QLTY 06	Supplier PPAP Requirements Matrix
PUR 09	Business Partner Security Profile Form	SCM 01	Supplier Packaging Data Sheet
		SCM 02	Supply Chain Agreement



8. Supplier Acknowledgement Form

I/We have received, or have access to, the Supplier Requirements Manual from Alfmeier Friedrichs & Rath.

Supplier Name:

Supplier Code/ Vendor ID: _____

Signature/ Name and Title: _____

Please complete the form below:

TITLE	NAME	CONTACT NUMBER	EMAIL
GENERAL MANAGER			
SALES MANAGER			
OPERATIONS MANAGER			
QUALITY MANAGER			
PRODUCTION MANAGER			
CUSTOMER SERVICE MANAGER			
LOGISTICS MANAGER			
CUSTOMER SERVICE CONTACT			

Please complete and return this form within 7 days to AFR, LLC. – Fax: 864-607-9318 or Email: PPAP@afrna.com