1. PURPOSE

Ilpea do Brasil has developed this Supplier Requirements Manual for the purpose of:

- Formalizing the activities between Ilpea do Brasil and its Suppliers, focusing on the requirements of the Integrated Management System (Quality and Environment);
- Informing the procedures, requirements and recommendations for the activities of:
  - Developing new suppliers, materials and services;
  - Monitoring supplier performance;
  - Dealing with material and service deviations;[
- Informing suppliers about the specific requirements of Ilpea do Brasil customers, the applicable international standards, and the need to meet them;
- Establishing, ensuring and encouraging the development of the Supplier Integrated Management system based on the requirements of ABNT NBR ISO 9001, ABNT NBR 14001 and IATF 16949 (suppliers of the Automotive Line);
- Promoting the development and continuous improvement of suppliers and service providers.

1.1 SCOPE

This Manual applies to suppliers of materials/services that have a direct impact on the quality and the environment of Ilpea do Brasil products, approved or under development, including the following groups:

- Raw Material (Supplier/Manufacturer): Specified materials for processing the Ilpea do Brasil product.
- Components: Finished products, specified in drawings, which are mounted on Ilpea do Brasil products and which are applied to the final product.
- Accessories: Finished products, specified in drawing, which are mounted on Ilpea do Brasil products and which are not applied to the final product.
- Packaging: Materials used in the packaging process of Ilpea do Brasil products.

- Calibration Services: Calibration and maintenance services of measuring instruments, devices and equipment.
- Transportation Services: Services provided for the transport of Ilpea products from Brazil to the customer and raw materials to Ilpea do Brasil.
- Inspection, Rework and Selection Service: Service provided in the Ilpea do Brasil product, related to quality inspections and rework.

2. REFERENCES

This Supplier Requirements Manual was developed using the following quality standards and tools, in its current version, as a reference:

- NBR ISO 9001 – Quality management systems;
- NBR ISO 14001 – Environmental management systems;
- IATF 16949 – Automotive quality management systems;
- PPAP Reference Manual – Production Part Approval Process;
- MSA Reference Manual – Analysis of Measurement Systems;
- CEP Reference Manual – Statistical Process Control;
- FMEA Reference Manual – Failure Mode and Effects Analysis;
- APQP Reference Manual – Advanced Product Quality Planning;
- VDA Reference Manual 6.3 – Process Audit;
- AIAG CQI-23: Special Process: Evaluation of the Molding System;
- AIAG – Applicable CQI's
- BIQ's Methodology (GM).

3. SUPPLIER AND MATERIALS DEVELOPMENT PROCESS

The process of developing suppliers and materials follows the Flowchart shown in Figure 01.

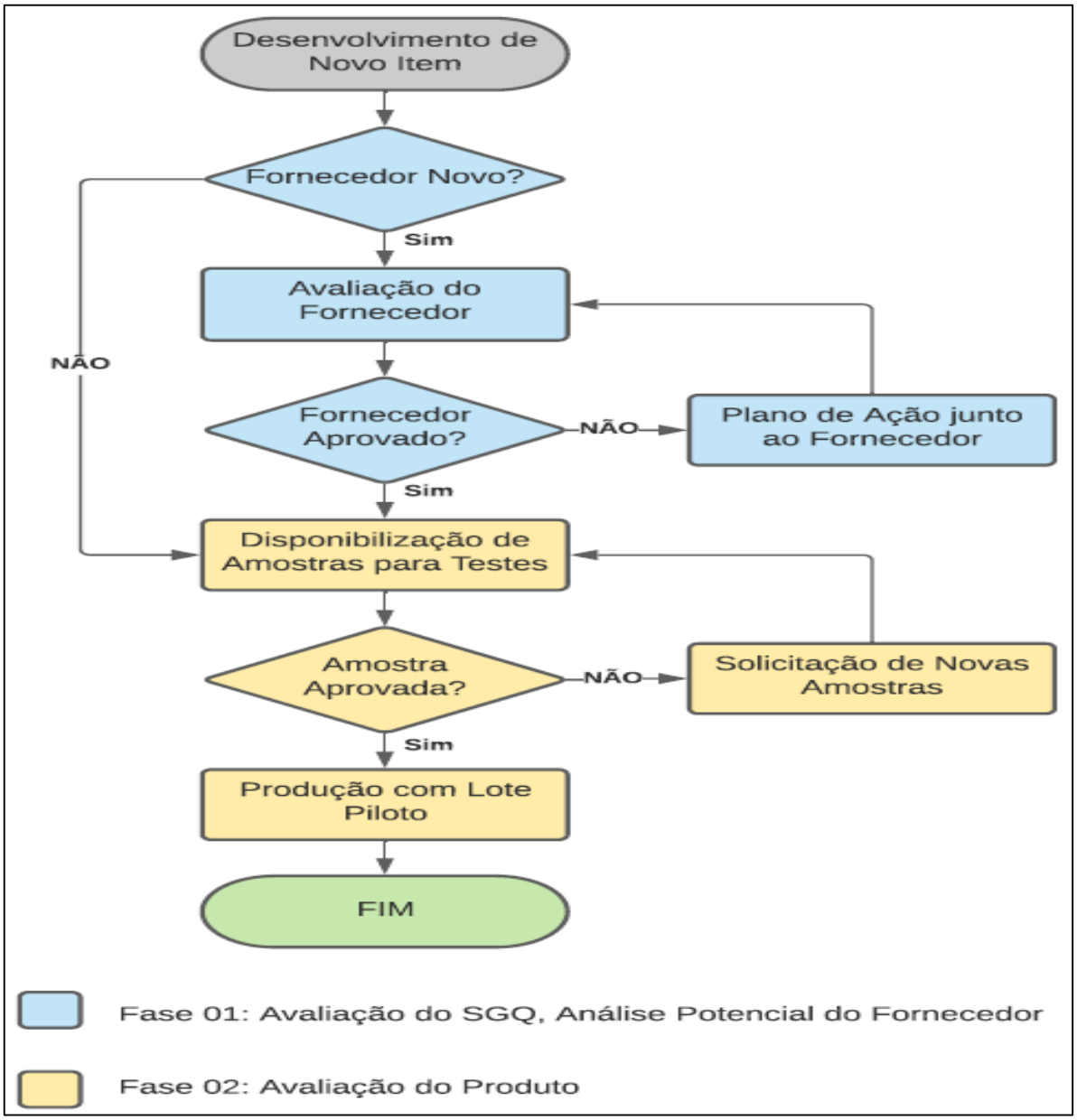

Figure 01: Suppliers and materials development flowchart.

3.1 SUPPLIER EVALUATION

In the development of new suppliers for Ilpea do Brasil, the evaluation criteria described in the following items will be adopted,

3.1.1 Evaluation of the QMS

Suppliers must maintain 3rd party certification for a quality system in accordance with the requirements of ISO 9001:2015 (White Line and Automotive Line) and desirable IATF 16949:2016 (Automotive Line).

Suppliers not certified in ISO 9001:2015, can only have active supply to the Automotive line with the approval of the Ilpea do Brasil customer, through a derogation.

For suppliers of Accessories and Packaging, ISO 9001:2015 certification is not mandatory, provided that it is approved in an audit according to ISO 9001:2015 carried out by an auditor appointed by Ilpea do Brasil.

Suppliers for raw materials and components to be used for the Volkswagen end customer, must send the documentation according to the requirements of the Formula Q Manual (Form D/TLD, PSCR Indication, Quality Agreement).

Calibration Services providers for the automotive line must have a Quality Management System certified under ISO / IEC 17025 in the current version by an accredited outsourced body, as well as the certification of the Standards Accreditation Entity and /or Employers, of the country of origin.

3.1.1 Evaluation of the EMS – Environmental Management System

Suppliers should preferably certify or seek 3rd party certification for an environmental management system in accordance with the requirements of ISO 14001: 2015. Suppliers not certified in ISO 14001:2015, may only have active supply if their environmental licensing document is valid, as well as the valid IBAMA Certificate of

Regularity, both if applicable to their operation, as a prerequisite for their hiring, and after, in the periodic evaluations of these suppliers, ILPEA must be informed of the maintenance of the validity of the licenses.

3.1.2 Potential Analysis Audit

For the development of new suppliers, the services to the P1 elements of the VDA 6.3 standard will be evaluated.

3.2 PRODUCT AND PROCESS APPROVAL PROCESS

The supplier must use the AIAG manuals (APQP, FMEA, PPAP, CEP, MSA) as a guide for product and process development and extend this requirement to its subcontractors, and the evidence of its application must be available for auditing by Ilpea do Brasil.

3.2.1 PPAP Requirements

The product approval must meet the requirements of the PPAP manual (AIAG), with the PPAP submission level as requested by Ilpea do Brasil, or VDA 2 for Volkswagem chain suppliers.

When submitting PPAP, the supplier must also consider the requirements of the CQI9, CQI11, CQI12, CQI15, CQI17, CQI23 and others manuals, when applicable.

Chain suppliers to Volkswagem must be able to submit VDA 2 and may be audited in VDA 6.3 (P1, P5, P6 and P7) during the supplier approval process.

3.2.2 Validation Plan

The supplier must prepare a complete Validation Plan for the item under development, which must include all the raw material and functional tests required in standards or drawings, place of execution, deadline and persons responsible and present it to Ilpea do Brasil for validation at the beginning of the development.

3.2.3 IMDS - International Material Data System

To meet the requirements of our customers regarding the prohibition and / or restriction of the use of heavy metals, such as Mercury, Cadmium, Lead and Hexavalent Chrome, in vehicles and automotive parts, the supplier must register the components of the raw material and its chemical composition in the IMDS.

To send the IMDS record, use ID 61536. Submitting this requirement becomes part of the PPAP documentation and is a mandatory requirement for its approval.

This record is also required, in the case of development of new items or replacement of components and / or changes in the manufacturing process, in any other applicable situation and / or when required by Ilpea do Brasil.

3.2.4 Process Capability

For all characteristics indicated as special, the supplier must meet the capacity indicators described in Table 01.

Table 01: Requirements of Indicators Process Capability.

Condition	Indicator Used	Value
Sample	Ppk	Minimum 1.67
Production	Cpk	Minimum 1.33
Safety Item Production	Cpk	Minimum 1.67

3.2.5 Analysis of the Measurement System

The supplier must use the MSA manual (AIAG), for study and analysis of the measurement system.

3.2.6 Material Certificates

The pilot batch of Raw Material, Components and Accessories supplied to Ilpea do Brasil, must be identified according to item 4.1.3, and the supplier must simultaneously send the following documents to the Supplier Development sector:

- Technical Data Sheet;
- Chemical Safety Data Sheet (MSDS), according to the Globally Harmonized System;
- Material Quality Certificate.
-

3.2.7 Lay-Out Inspections

All features of the drawing and/or specifications shall be checked annually to demonstrate compliance with the specified requirements. All reports must be available on the supplier's plant for consultation with Ilpea do Brasil whenever necessary.

3.2.8 Document Retention

Quality records must be kept for the product's useful life plus one calendar year. For items designated as Safety /Government Regulation, they must be maintained for a period of 15 years after the useful life of the project.

3.2.9 Change Management

Any and all changes to the design or characteristics of the component/material, including changes from suppliers to approved raw materials, and process changes, including change of production location, must be communicated to Ilpea do Brasil via Purchasing.

4. MATERIALS DELIVERY REQUIREMENTS

The supplier must be prepared to meet the Delivery Schedules according to the sending of Orders, making available the scheduled materials inspected and identified on the established days and times.

The times for receiving goods are described below:

- Monday to Friday: 07:30 – 11:50 and 13:00 – 17:00 hours.

The batches of Raw Material, Component and Accessories provided to Ilpea do Brasil, must meet the requirements described below.

4.1 RECEIPT INSPECTION

Supplied Materials can be inspected according to the specification Ilpea do Brasil - Receiving Inspection.

Raw Material, Component and Accessory Nonconformities are reported through the RACP report sent to the supplier.

4.2 QUALITY CERTIFICATE

All Material delivered to Ilpea do Brasil must be sent together with the Material Quality Certificate, mentioning at least the following information:

- Name of the Supplier;
- Product Description;

- Expiry Date (if any);
- Batch number;
- Acceptance range and measured result of material characteristics.

The Material Quality Certificate must be delivered together with the invoice and sent by email to the address: laboratorio_jlle@ilpea.com.

4.3 PRODUCT IDENTIFICATION

Unless otherwise approved in the PPAP, all materials delivered to Ilpea do Brasil shall be submitted with at least the following information:

- Name of the Supplier;
- Product Description;
- Expiry Date (if any);
- Batch number;
- Quantity.

4.4 PACKAGING

The supplier must develop the packaging that guarantees the integrity of the product supplied and that facilitates handling and storage. The use of returnable and recyclable materials is recommended.

For wooden packaging, the supplier must meet the requirements of ISPM 15 - International Standard for Phytosanitary Measures - and carry out phytosanitary treatment.

5. TREATMENT OF NON-CONFORMITIES

When a Non-Conformity occurs, the supplier receives a Corrective and Preventive Action Report (RACP) to determine the root cause of the problem and establish the definitive corrective actions.

The following are considered Non-Conformities subject to the issuance of RACP and penalty in the supplier performance indicator:

- Documentation related to products sent incorrectly or not sent as requested (See items 4.2 and 4.3);
- Material sent with some characteristic that does not meet the technical specifications;
- Overdue materials;
- Mixed products;
- Damaged packaging;
- Non-compliance with agreements made with Ilpea do Brasil.

The opening of RACP regarding the aforementioned problems automatically puts the supplier in Containment (see item 5.1) and if there is a recurrence in the problem, the supplier will automatically be placed in Controlled Shipment (see item 5.2).

The following non-conformities are not subject to RNC, but are subject to an action plan and a penalty in the performance indicator.

- Early / late delivery;
- Too much / too little.

The RACP must be answered within the following deadlines:

- 24 hours for the definition of containment actions
- 15 calendar days for complete response of the RACP.

The delay in response leads to demerit in the Supplier Quality Index.

In the analysis of the RACs sent to Ilpea do Brasil in the event of any non-compliance in the products received, Ilpea do Brasil:

- It will not accept as root cause lack of operator training, nor as corrective action re-training operator, awareness etc. These are indicative of lack of depth in the analysis. They may be complementary actions, but not the main one.
- It will not accept as a corrective action to study, verify, analyze, revision etc. These are necessary steps to arrive at corrective actions and should not be confused with them.
- Defines that Containment Actions are those that ensure that other defective parts do not reach Ilpea do Brasil until the implementation and verification of corrective actions. For this it is not enough to review stocks – this is only a first step. All other batches MUST be inspected and properly identified, maintained for a minimum period of 3 months, which start counting after the completion of the actions accepted by Ilpea, as agreed with the Supplier Quality Management area, to facilitate handling at the Ilpea do Brasil plant.
- It stipulates that for each RNC the root cause (source of the problem) and the cause of the non-detection (because the problem was not detected) must be analyzed, as well as corrective actions for both.

5.1 CONTAINMENT ACTIONS

If there is a need for containment actions due to Non-Conformities in the products supplied to Ilpea do Brasil, it is the responsibility of the Supplier:

- Collection, re-inspection and replacement of non-conforming Material delivered to Ilpea do Brasil;
- Retention and re-inspection of non-compliant material, in transit or at the supplier's premises;
- Rapid response process to solve the problem;
- Reimbursement of breakdowns, line stops and quality and/or environmental deviations caused by failures.

5.1.1 Containment of Materials at Ilpea do Brasil

In the event of problems in the application of the material supplied, the supplier may be summoned, according to the decision of Ilpea do Brasil, to carry out the immediate containment or to hire a third-party company approved by Ilpea do Brasil to carry out 100% inspection.

If, after the 100% inspection, a recurrence is detected, the Supplier will enter the Controlled Shipment Level I status (see item 5.2.3).

5.1.2 Containment of Materials at the Supplier's Plant

The supplier, when being notified about the detection of a nonconforming product, with stock in its plant, must perform 100% inspection. These products must be identified by the supplier as "100% Inspected" batches, as shown in Figure 01.

Figure 01: Material under Containment Label – Inspection 100%.

5.1.3 Disposition of Materials

In case of need, the scrapping of non-compliant material can be carried out in Ilpea do Brasil itself. This should be negotiated with the Quality Assurance area contacts.

Ilpea do Brasil reserves the right to return, at the supplier's freight costs, or dispose of the non-compliant material in the manner that presents the best cost/benefit when this is not done by the supplier in a timely manner, for example, due to return costs.

5.2 CONTROLLED SHIPMENT

It is an additional inspection process, judicious, preferably performed in a specific location, separate from the production line, where the characteristics involved in the problem must be inspected ensuring that non-conforming parts are detected, segregated and scrapped until it is certain that the actions taken will act directly on the cause generating the problem.

This system is part of the problem solving process, as the data obtained during this inspection will serve for Ilpea do Brasil and for the supplier itself to evaluate the results of the manufacturing process and the effectiveness of the action implemented.

5.2.1 Determination of the Need for Controlled Shipment

If the organization's corrective actions are not effective, Ilpea do Brasil determines the need for controlled shipment. One or more of the following issues may be considered in determining the implementation of the controlled shipment:

- Defect(s) detected in Ilpea do Brasil;
- Recurrent failures;
- Line stops and/or important interruptions;
- Severity of the problem;
- Inadequate containment action causing non-compliant parts to reach Ilpea do Brasil or its customers.

- Production process not able.

Based on the severity of the problem, Ilpea do Brasil will decide whether Level I or Level II will be more appropriate.

5.2.2 Communication of Entry into Controlled Shipment

The Quality Assurance of Ilpea do Brasil notifies the responsible person of the supplier, by e-mail and requesting their agreement.

5.2.3 Controlled Shipment Level I

It is a reinspection process made by the supplier's employees, at the supplier's location, to isolate Ilpea do Brasil from receiving non-compliant material.

5.2.4 Controlled Shipment Level II

If non-conforming parts are identified in the Level I shipment regime at Ilpea do Brasil, the supplier will be placed in Level II shipment automatically.

In this case, the inspection of the products is carried out at the premises of the supplier or Ilpea do Brasil, by an outsourced company that will represent the interests of Ilpea do Brasil specific to the containment activity.

The third party is approved by Ilpea do Brasil and paid by the supplier.

5.2.5 Identification Label

The supplier must identify each of the packages sent with products under controlled shipment with Identification Label according to Figure 01.

5.2.6 Submission of Results

Records of these inspections must be kept and the supplier must send a weekly spreadsheet filled with the results of the inspection.

5.2.7 Controlled Shipment Exit Criteria

The period of stay in this regime will be linked to the criteria listed below:

- Inspection data without any record of non-compliant material in the inspection area for a minimum of 60 days after the implementation of the action plan.
- Evidence that a complete problem solving process was used, that the root cause of the problem was discovered, and that corrective actions were implemented and validated.

Note I: The supplier must remain in controlled shipment until receiving an authorization from Ilpea do Brasil for its departure from controlled shipment.

Note II: Statistical Process Control shall be used, where appropriate, to confirm the stability and capability of the process for 60 days after the implementation of the corrective action plan.

5.2.8 Supplier's Responsibilities

When notified of the entry into controlled shipment, Level I or II, the supplier must take the following measures:

- Control all non-conforming parts at the supplier, in the warehouses, in transit and at Ilpea do Brasil.
- Provide a redundant/additional inspection area, separate from the normal production area.
- Review all required PPAP documentation and submit to Ilpea do Brasil again.
- Plan and implement corrective action plan.

- Do not perform repairs and rework in the containment area, the containment process must be conducted regardless of the production process, and, when possible, a containment can be applied to the process generating the defect.
- Store all necessary information in charts and tables. These must be updated and continuously reviewed by the supervision. This information should be used to guide troubleshooting, establish controls, and block errors.
- Clearly define an efficient flow of the material in the containment area, avoiding the mixing of defective materials with approved materials (define areas for entry and exit of part materials).

5.3. CONSEQUENCE/COST MANAGEMENT

The supplier of Ilpea do Brasil is hereby informed that the costs related to direct losses, generated by Non-Conformities in the products supplied, will be passed on to the suppliers after due evaluation of joint responsibilities, whether they are:

- Delays in delivery at Ilpea do Brasil;
- Delays in delivery to Ilpea do Brasil customers caused by Non-Conformities in products supplied;
- Delay in production Ilpea do Brasil and/or loss of productivity;
- Losses in Ilpea do Brasil processing ;
- Losses in Ilpea do Brasil customer processing ;
- Field problems;
- Inspection cost, using Ilpea do Brasil internal personnel ;

The amounts to be charged due to direct losses generated by Non-Conformities in the products supplied are described in Annex III - Consequence Management Agreement.

6. SUPPLIER PERFORMANCE MONITORING

The supplier must establish a continuous improvement process whose objective is to achieve zero defect for the quality of the products delivered, seeking to minimize/zero possible environmental impacts.

The Quality Goals established by Ilpea do Brasil are described in Annex II – Quality Agreement.

The qualification and maintenance of suppliers, or reassessment, are carried out monthly by the Quality Assurance, Supplies and Logistics sectors.

To obtain the Supplier Quality Index (IQF) score for suppliers, the procedure described in item 6.1 will be used.

From the score achieved, a classification is assigned to the supplier according to Table 02.

Table 02: Supplier Classification Table.

Score	Classification	Notes
Greater than 90	**A**	Meets expectations.
Between 70 and 90	**B**	Good supplier, but still not ideal and can be improved.
Less than 70	**C**	Does not meet expectations, and it is necessary to send an action plan within a maximum of five business days.

After evaluation, the result will be sent to the supplier in a specific form, according to the rules below:

- Supplier A: The result will be sent quarterly;
- Supplier B and C: The result will be sent monthly.
- Supplier B and C with a recurrence of two or more months with the indicator off target : The result will be sent monthly.

Extraordinary qualifications may be carried out in the event of problems with any supplier.

6.1 SUPPLIER IQF

To obtain the Supplier Quality Index (IQF) score, the following equation will be used:

$$IQF = PQ*7 + PL*2 + PC*1$$

Where:

IQF: Supplier Quality Index

PQ: Quality Performance

PL: Logistics Performance

PC: Certifications Performance

To obtain the PQ, PL and PC values, the criteria described in items 4.1.1 to 4.1.3 of this Manual will be adopted.

6.1.1 Quality Performance

In this requirement, the PPM, Severity of Nonconformities, Nonconformity Recurrences and RACP Response Deadline will be evaluated, as described below.

The score of this requirement will be obtained through the equation:

$$PQ = PPM + CNS + NNC + PRR$$

Where:

PQ: Quality Performance

PPM: Parts per Million (See Item 6.1.1.1)

CNS: Severity of Non-Conformities (See Item 6.1.1.2)

NNC: Number of Non-Conformities (See Item 6.1.1.3)

PRR: RACP Response Deadline (See Item 6.1.1.4)

6.1.1.1 PPM

The PPM scores will be assigned based on the rejects of parts in Ilpea do Brasil, according to Table 03.

Table 03: Score for PPM.

Criteria	Score
0 PPM	3
0 < PPM ≤ 70	1.5
PPM > 70	0

6.1.1.2 Severity of Non-Conformities

The Non-Conformity Severity (SNC) scores will be assigned according to Table 04, adding the points assigned to Non-Conformities recorded during the month, according to Table 05.

Table 04: Score for Severity of Nonconformities.

Criteria	Score
0 Points	4
0 < CNS ≤ 10	3
10 < CNS ≤ 30	2
30 < CNS ≤ 80	1
80 < CNS	0

Table 05: Score for Non-Conformities.

Severity	Points
NC triggered a conditional release or return to supplier after receiving inspection	10
The NC provoked inspection in the blocked batch at the Ilpea plant before use in the production process	20
NC provoked inspection and/or rework in the final products of Ilpea do Brasil	30
NC caused product scrap with no influence on productivity	60
NC caused interruption in the production process and/or change in production schedule of Ilpea do Brasil	80
NC caused an impact on an Ilpea do Brasil customer	100

6.1.1.3 Number of Non-Conformities

The Number of Non-Conformities (NNC) scores will be assigned according to Table 06.

Table 06: Score for Severity of Nonconformities.

Number of NC	Score
NNC = 0	1.5
NNC > 0	0

6.1.1.4 RACP Response Deadline

RACP Response Time (RRP) scores will be assigned as per Table 07.

Table 07: Score for Severity of Nonconformities.

Response Deadline	Score
Less than 15 calendar days	1.5
Greater than 15 calendar days	0

6.1.2 Logistics Performance

In this requirement, the fulfillment of the quantity of deliveries as agreed in order, the punctuality of deliveries and the need for Extra Freight will be evaluated.

The score of this requirement will be obtained through the equation:

$$PL = \frac{QE + PE + FE}{3}$$

Where:

PL: Logistics Performance

QE: Delivery Quantity (See Item 4.1.2.1)

PE: Delivery Punctuality (See Item 4.1.2.2)

FE: Extra Freight (See Item 4.1.2.3)

6.1.2.1 Delivery Quantity

For calculation the Delivery Quantity will be verified all the deliveries of the orders, according to the equation below:

$$QE = \frac{Total\ Order\ Delivered}{Total\ Scheduled\ Order}\ x\ 10$$

If the total Order Delivered is greater than the Scheduled Order and there was no acceptance from Ilpea do Brasil for delivery above the scheduled, the Delivery Quantity score will be 0 (Zero).

6.1.2.2 Punctuality of Delivery

Delivery Punctuality (PE) scores will be assigned according to Table 08 for domestic suppliers and Table 09 for foreign suppliers.

Table 08: PE score of national suppliers.

Days Overdue	Score
Less than 3	10
Greater than 3 and less than 6	8
Greater than 6 and less than 9	6
Greater than 9 and less than 12	4
Greater than 12	0

Table 09: PE Score from foreign suppliers.

Days Overdue	Score
Less than 5	10
Greater than 5 and less than 15	8
Greater than 15 and less than 20	6
Greater than 20 and less than 30	4
Greater than 30	0

For orders delivered more than 5 days in advance, the delivery score will be 0.

6.1.2.3 Extra Freight

The Extra Freight scores will be assigned according to Table 10.

Table 10: Extra Freight Score.

Need for Extra Freight	Score
No	10
Yes	0

6.1.3 Performance Certifications

In this requirement, the supplier's quality certifications and the supplier's IQF history will be evaluated.

The score of this requirement will be obtained through the equation:

$$PC = CQ + HIQF$$

Where:

PC: Certifications Performance

QC: Quality and Environmental Certifications (See Item 6.1.3.1)

HIQF: IQF score history (See Item 6.1.3.2)

6.1.3.1 Quality and Environmental Certifications

A score will be assigned according to the criteria described in Table 11.

Table 11: Quality and Environmental Certifications Score.

Certification	Score	
	White Line	Auto Line
IATF 16949:2016	n/a	4
ISO 9001:2015	4	2.5
ISO 14001:2015	1	1
No Certification	0	0

6.1.3.2 IQF History

A score will be assigned according to the supplier's IQF score history, as described in Table 12.

Table 12: Quality History Score.

IQF Score (Average of the last 12 months)	Score
Above 90	5
Between 70 and 90	4
Between 50 and 70	2
Less than 50	0

7. SUPPLIER AUDITS

The suppliers of Ilpea do Brasil will be audited at least once in the period of three (3) years on at least one of the following topics:

- Self-Assessment;
- Quality and Environmental System (Documental);
- Product Audit;
- Process Audit, depending on the OEM may be:
  - General Motors: BIQ's + CQI applicable,
  - Volkswagen: VDA 6.3.

The supplier must allow Ilpea do Brasil access on its premises and that of its sub-suppliers to verify that the product complies with the specified requirements.

The 2nd party Audits will be valid for three (3) years and the frequency of the audits is defined by the supplier's risk classification, according to Table 17.

Table 17: Frequency of supplier audits.

Supplier Risk Class	***Audit Frequency***	***Audit frequency of suppliers General Motors Chain***	***Audit frequency suppliers Volkswagen Chain***
A	Self-Assessment every 3 years	Self-Assessment every 3 years and BIQ's + applicable CQI	Self-Assessment every 3 years and VDA 6.3
B	Audit every 3 years + Annual Self-Assessment	Audit every 3 years + Annual Self-Assessment and BIQ's + applicable CQI	Audit every 3 years + Annual Self-Assessment VDA 6.3
C	Audit every 2 years + Annual Self-Assessment	Audit every 2 years + Annual Self-Assessment and BIQ's + applicable CQI	Audit every 2 years + Annual Self-Assessment VDA 6.3

D	Annual Self-Assessment	Annual Self-Assessment and BIQ's + applicable CQI	Annual Self-Assessment VDA 6.3
E	Semi-Annual Audit + Semi-Annual Self-Assessment	Semi-Annual Audit + Semi-Annual Self-Assessment and BIQ's + applicable CQI	Semi-Annual Audit + Semi-Annual Self VDA 6.3

In case the audits score is below 80, the supplier must send an Action Plan to improve the score and after the implementation of the actions the supplier must redo a new self-assessment.

The new suppliers will be evaluated at the beginning of the supply and, if approved, follow the frequency of audits according to Table 17.

For suppliers whose materials or components are applicable in the General Motors or Volkswagen supply chain: Apply the specific requirements as per table 17.

7.1 EXTRA AUDITS

The occurrence of one of the following items will be considered inputs for extra audits at suppliers:

- IQF below 90 in the quarterly assessment: Self-Assessment;
- IQF below 70 in the quarterly assessment: Self-Assessment + Process Audit;
- Supply of new products: Self-Assessment + Product Audit;
- Occurrences of Non-Conformities in the customer Ilpea do Brasil due to supplier failure: Self Evaluation + Product Audit + Quality System.

For chain suppliers for Volkswagen and General Motors, audits will be applied according to specific requirements of the automakers.

7.2 CUSTOMER REQUIREMENTS

To meet the Specific Requirements of Ilpea do Brasil customers, suppliers may be evaluated as follows:

- ***Chain suppliers for Volkswagen:*** It is necessary to use the VDA 6.3 standard, and the audits must be conducted by a qualified professional, with a valid Auditor's License issued by the IQA. They must also conduct D/TLD Product Audits annually.
- ***Chain suppliers for General Motors:*** It is necessary to use the BIQ's and apply the CQI (when and if applicable) to each specific scope of supply.

8. RESPONSIBILITIES OF SUPPLIERS

8.1 REGULATIONS

All suppliers and their products supplied must meet the applicable regulatory requirements and it is the responsibility of the supplier to indicate to Ilpea do Brasil what these requirements are.

All products supplied to Ilpea do Brasil must meet the following conditions:

- **White Line:**
  - Meet the requirements of the European Directive 2002/95/EU - RoHS;
  - Meet the requirements of the European Reach Regulation;
  - Meet the requirements of the European Conflict Minerals Regulation;
  - Meet the applicable regulatory requirements.

- **Automotive Line:**
  - Be registered and approved in the IMDS system;
  - Meet the requirements of the European Directive End of Life Vehicles - ELV (2000/53/EC);

- Meet the requirements of the European Reach Regulation;
- Meet the requirements of the European Conflict Minerals Regulation;
- Meet the applicable regulatory requirements.

Compliance with the specific requirements of Ilpea do Brasil does not exempt and/or exempt the supplier from compliance with the regulations in force in the country.

8.2 CONFIDENTIALITY

The supplier undertakes to maintain confidentiality regarding all information related to the contracted services, technical information or not, patentable or not and other data that may compose the works analyzed, executed or monitored, during and after the term of this convention, under the penalties of the legislation applicable to the matter.

The parties may not, directly or indirectly, disclose or make available to third parties or use outside the companies, during or after the term, any information obtained by any form of communication, directly or indirectly, established between the parties, without the prior written authorization of the Coordinator indicated by the parties.

8.3 CONTINGENCY PLANS

Suppliers must have Contingency Plans (e.g., alternative manufacturing, packaging, transportation, use of third-party capacity in cases of power interruption, failures in critical equipment and product returns) in order to guarantee the supply of products and/or services in emergency events, excluding weather or other reasons of force majeure.

8.4 APPROVED PRODUCT AND / OR PROCESS CHANGES

Modifications to the manufacturing process, product design, components, packaging, subcontractors or changes to the manufacturing site of previously approved products shall follow the recommendations of the most recent edition of the PPAP Manual and / or as defined by Ilpea do Brasil in section 3.2 of this Manual.

No technical modification is permitted without the prior consent of Ilpea do Brasil. The Supplier has the obligation to inform the Supplier Development Department and the Engineering Department of Ilpea do Brasil of any modification in the manufacturing process in relation to the approved one, when this means any change in the performance of the supplied product. For this, the supplier must request and complete the Deviation Request form, described in 4.4 of this Manual.

8.5 CERTIFICATIONS UPDATES

It is the responsibility of the supplier to keep Ilpea do Brasil informed about the updates in the certifications of its Quality, Safety and Environmental System. After the expiration date of the certificates, if we have not received the updated certificates, they will be considered invalid which, depending on the impact of the product supplied in the Ilpea do Brasil product, will prevent the acquisition of the material.

Suppliers with expired ISO 9001 and/or IATF 196949 certificates will be considered non-compliant if the updated certificate is not presented by the due date, and the supply may be suspended.

8.6 COMPLIANCE WITH GOVERNMENT REQUIREMENTS

All suppliers must meet the governmental requirements applicable to the materials, products, components and services provided by them. Government requirements include aspects related to the health and safety of workers, protection of the environment, toxic and/or hazardous materials and/or restricted use and free trade.

It should be understood by all suppliers that the governmental requirements applicable to their business, processes, products and materials must be recognized and adopted by them, and include not only the requirements applicable to the countries where the product is manufactured, but also to the countries where the product is marketed.

For automotive suppliers, considering the new practices associated with Risk Management in the Automotive Industry Supply chain, Ilpea do Brasil establishes that its

suppliers must formally appoint their "Responsible for Product Safety", being the name designated by the supplier whose responsibility to be transmitted and kept updated with the Quality Department of Suppliers of Ilpea do Brasil is of each supplier, so that it is registered and updated for any future need.

8.7 SOCIAL RESPONSIBILITY

Ilpea do Brasil expects its suppliers to have a minimum standard of social responsibility in accordance with applicable laws, and its service is a mandatory component of all Ilpea do Brasil's business, covering the following aspects:

- ***Respect for your employees:*** The Supplier must always act in accordance with all labor laws applicable to its activity, including those related to the freedom to remain in employment, remuneration of working hours and limits of working hours (regulated and overtime), freedom of association of its employees, as well as maintaining salary levels and benefits satisfactory to the basic needs of its employees. Ilpea do Brasil will not maintain a commercial relationship with any identity that uses forced, slave or similar labor.
- ***Maintaining a safe and healthy workplace:*** The Supplier shall maintain a safe and healthy working environment, not tolerating harassment (moral and sexual), discrimination (race, color, religion, sex, age or physical conditions), fostering creativity and enthusiasm, in accordance with applicable health and safety laws.
- ***Environmental protection:*** The Supplier must always develop its activities in accordance with applicable environmental laws and regulations, avoiding waste in any way, preventing pollution and conserving energy. We encourage the search for external verifications of its environmental performance, for example, ISO 14001 certification.
- ***Security in the supply of products and services:*** The Supplier shall apply all security measures under reasonable minimum conditions to the design, execution and supply of products and / or services. It is mandatory to report any deviation related to the safety of a service and / or product offered to Ilpea do Brasil.

9. BRAZILIAN ILPEA CUSTOMER REQUIREMENTS

Ilpea do Brasil is committed to serving its customers and unfolds through this manual the link containing the specific requirements of each one of them.

https://www.iatfglobaloversight.org/oem-requirements/customer-specific-requirements/

Suppliers need to meet the Specific Requirements of Customers, where the same criteria must be applied to sub-suppliers.

The Supplier will be subject to proof of compliance with these requirements, in a timely manner or through the VDA 6.3 Process Audit.

Change Control

Person Responsible	Date	Revision	Proposed Change
G. Oliveira	06/10/09	Rev. 01	* Changed the editor, changed revision of ISO and ISO/TS standards * Inclusion of item 3.3.
G. Lazarotti	10/17/12	Rev. 02	* Changed the writer and approver; * 1.9 - Changed form SAC to RACP * 1.10 - Inserted classification criteria for suppliers with a score lower than desired in the evaluation of suppliers * 1.11 - Changed scoring system for Qualitative Evaluation, Logistics and Suppliers Materials.
Bruno M. Santos	03/03/17	Rev. 03	* Amended writer and approver; * Evaluation of supplier qualification changed related to scoring.
Bruno M. Santos	08/09/17	Rev. 04	* Change to change manual to procedure 2.100.07-P07; * Included item 4.0
Denise Lima	12/21/17	Rev. 05	* Definition of criteria for conducting an audit, including item 5.0.
Maicon de Mello	04/11/18	Rev. 06	* Amended writer and approver; * Included information from the Q Volkswagen Manual in item 2.1; * Changed document formatting.
Maicon de Mello	02/20/19	Rev. 07	* Included items 1.1, 2, 4 and 9; * Included Tables 5, 6 and 7; * General revision of the texts; * Included Annexes I, II and III.

Maicon de Mello	11/04/19	Rev. 08	* Revision of IQF Calculations; * Inclusion of items 4.1; 4.2 and 4.3; * Item numbering revision.
Maicon de Mello	03/02/20	Rev. 09	* Inclusion of IQF Calculations for Service Providers; * Revision of the Frequency of Audits (Table 17); * Item Numbering revision; * Inclusion of Item 9.4.
Maicon de Mello	11/03/22	Rev. 10	* General revision of the document.
Bruno M. Santos	14/04/23	Rev. 11	* Review for adequacy of ISO14001 environmental requirements / Suitability for TISAX certification * Change PSB nomenclature to PSCR * Review submission of indicator suppliers B and C. * Including table 17 schedule for GM and VW chain suppliers.

ANNEX I – COMMITMENT AGREEMENT

Dear Supplier,

This Supplier Requirements Manual presents the requirements and rules of supply for Ilpea do Brasil.

In cases where there is a contract signed by both parties, the information contained in this contract is mandatory.

It is worth mentioning that the requirement to sign commitment agreements is a usual market practice and required by our main customers as a mandatory requirement.

We request your acceptance by filling in the fields of the Term of Commitment.

Send the scanned Commitment Agreement to the following email addresses:

lnogueira@ilpea.com - Luiz Carlos Nogueira (Supply Manager)

eneto@ilpea.com - Eduardo Ferreira Neto (Engineering Coordinator and R&D)

jgoncalves@ilpea.com - Julio Cesar Gonçalves (Laboratory Analyst)

COMMITMENT AGREEMENT

The Company _____ agrees to all requirements and requirements in this Supplier Manual and undertakes to meet them in full.

I am aware of the actions and implications if these requirements are not met.

City:

Date:

_____

Name of Person Responsible:

Signature of Responsible Person:

Position:

Supplier Comments:

ANNEX II - QUALITY AGREEMENT

We confirm and agree with the Indicator Objectives required in this Quality Agreement.

INDICATORS		PURPOSE
1	Monthly PPM	< 70 PPM
2	Supplier Quality Index (IQF)	> 70%
3	Number of Complaints (Quarterly)	1
4	Number of Safety Complaints	0
5	Number of Regulatory Complaints	0

Commitments assumed:

- Controlled Shipment Level I for new projects for 3 months after SOP or transfers;
- Controlled Shipment Level I for any incident of impact on the client Ilpea do Brasil;
- Controlled Shipment Level I to PPM > 70 PPM and or IQF < 70%;
- Controlled Shipment Level II for recurrent problems in the Ilpea do Brasil customer.

ANNEX III - CONSEQUENCE MANAGEMENT AGREEMENT

	Event		Cost	Unit
A	**Ilpea Customer Manufacturing Line Stop:**		According to actual costs	
B	**Ilpea Manufacturing Line Stop:**			
	B1	• White Line	R$1000	p/ hour
	B2	• Automotive Line	R$2000	p/ hour
C	**Selection and/or rework of non-compliant products:**			
	C1	• Supplier product: Person/hour	R$45	p/ hour
	C2	• Ilpea final product: Person/hour		p/ hour
	Note: Subject to increases of 50% (3rd shift) or 130% (Sundays and Holidays), travel costs, lodging and other expenses presented with the selection or rework report.			
D	**Additional freight caused by nonconforming products or delayed delivery:**			
	D1	• Road Freight Santa Catarina	R$ 500	per case
	D2	• Road Freight other states	According to actual costs	
	D3	• Air Freight		
E	**Loss of Material resulting from the use of a non-compliant part.**		According to actual costs	
F	**Overtime caused by nonconforming products or delivery delay: Person/hour**		R$45	p/ hour
	Note: Subject to increases of 50% (3rd shift) or 130% (Sundays and Holidays) and other expenses.			
G	**Conducting Tests on Failed Material**			
	G1	• Tests at the Laboratório Ilpea do Brasil	R$ 100	p/ hour
	G2	• External Laboratory Tests	According to actual costs	
H	**Return of non-conforming product:**			
	H1	• Administrative costs for batch return	R$ 100	per batch
	H2	• PPM – If it does not reach the established goal.		
		○ 1st month off target	R$ 500	per month
		○ 2nd month off target	R$1000	per month
		○ 3rd month off target	R$2000	per month
		○ From the 4th month off target	3% of the average revenue of the last 12 months	
	H3	• IQF – If it does not reach the established goal.		
		○ 1st month off target	R$ 500	per month
		○ 2nd month off target	R$1000	per month
		○ 3rd month off target	R$2000	per month
		○ From the 4th month off target	3% of the average revenue of the last 12 months	
J	**Other**		According to actual costs	

Any and all costs arising from the process of this agreement will be taxed in its total amount, according to current taxes.