

SUPPLIERS' GUIDE

MANUAL FOR THE DEVELOPMENT OF SUPPLIERS

The manual has been read and understood.

Location, Date, Company Stamp, Signature

| Commitment / Release | | |
|---|---------------|------------|
| <p>The following department responsible persons have given their commitment to the process description in the available format. Simultaneously they have obliged to use the entire process description in their departments. Changes have to be applied by the Process-Owner, have to be discussed with the Process-Owner and if necessary have to be implemented due to a re-release of the process description.</p> | | |
| Function | Name / Sign | Date |
| L&P AE/ Purchasing | Veit Stößel | 30.03.2007 |
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The user shall be responsible for ensuring that only the current version is used. All earlier versions shall be obsolete.

Revisions and additions compared to the previous Suppliers' Guide are documented in the revision legend or outlined in the appendix.

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Section V: DOCUMENTS AND DIRECTIVES

- Pullmaflex contact list for suppliers
- Doc. „PPAP Checklist“
- Doc. “Commitment to Quality”
- Doc. “Request for Responsiveness: Logistics”
- Doc. “Deviation Concession”
- Doc. “Packaging Information”
- Doc. “Galia Label”
- Doc. “Report on the Evaluation of Suppliers”
- Doc. “Terms and Conditions for Tool Purchases”

INTRODUCTION

1.1. The company

L&P Automotive Group Europe (hereinafter referred to as L&P AE)

We are the leading manufacturer of seating suspension systems and adjustable lumbar support systems for the automotive industry. With approximately 550 employees in five European locations, **L&P AE** produces annual sales of approximately 100 million euros.

Our patented products are known worldwide by the registered trade names of Pullmaflex and Schukra. As a tier -2 supplier to the automotive industry, we supply nearly all automobile manufacturers with these products.

We are part of the:

L&P Automotive Group

within

Leggett & Platt Incorporated

a Fortune 500 company, headquartered in Carthage, MO, USA.

Primary activities: Furniture, bedding and automotive components (approximately 33,000 employees in 360 locations; annual sales over 5 billion U.S. dollars).

For further information visit us at: <http://www.leggett.com/>

1.2. Purpose

The purpose of this Suppliers' Guide (Manual for the Development of Suppliers) is to guarantee the suppliers consistency, so that suppliers are able to meet the requirements of **L&P AE**

This Manual should not be considered separately from the stipulations outlined in other standards such as ISO 9001, QS 9000, ISO/TS 16949 etc., but as an additional resource to clarify our requirements.

1.3 Scope of Application

The information listed in this Manual shall apply to all products, including materials, semi-finished products, tools, machinery, standard and standardized parts, individual components, assemblies and services used at all locations of **L&P AE** for the development and manufacture of products. These shall be referred to hereinafter as "**(the) products.**"

GENERAL EXPECTATIONS

As a supplier of automotive seats, airplane seats and office chairs, it is our vision to continuously improve sitting comfort and ergonomics. To accomplish this goal, close cooperation with our direct customers as well as our end customers is crucial. For this reason, we largely deduce our strategic purchasing objectives from our customer focus. In addition, these objectives are determined by the strict standards and high delivery expectations of the automobile manufacturers and other seat manufacturers.

Customer satisfaction is one of the highest goals of **L&P AE**. To be able to meet the expectations of our customers, our suppliers must also be able to meet our expectations and visions.

2.1 Language

L&P AE is part of a U.S. company. Our international customers correspond with us in **English**. For this reason, we have decided to conduct our entire business correspondence in **English**.

From our suppliers, we expect the ability to correspond in English. In the event that the meaning or content of our documents should be unclear, we expect our suppliers to promptly contact us to eliminate any misunderstandings.

If, in isolated cases, translations of the Guide and/or associated documents should be used, the English versions shall be binding in case of doubt.

2.2 Contact list

As an enhancement to this Manual, **L&P AE** shall provide contact lists (see Doc. in Section V). These lists are intended to ensure contact and communication with the correct **L&P AE** staff in various situations.

The contact lists will differ from one another, depending on the **L&P AE** locations you deliver to. Upon inquiry, we will provide you with the respective updated lists.

We expect that our suppliers provide us with a similar list of contact persons for initial distribution, and always when personnel changes occur.

2.3 Management system

The management systems integrated at **L&P AE** are based on **ISO/TS16949: 2002, ISO 14001 and OHSAS18001**.

Our certificates relate to the design, development, production and sale of seating suspension systems (including sub-components thereof) for the automotive industry.

L&P AE seeks collaboration with only those suppliers which are capable and motivated to apply and further develop relevant standards to maintain absolute quality and achieve continuous improvement.

We expect that our suppliers have introduced a quality management system, apply it actively, and undergo further development towards certification based on one of the internationally recognized standards (ISO 9001, TS 16949).

Suppliers shall be selected based on the fulfillment of these expectations. Suppliers that can offer proof of ISO/TS16949 (and/or QS9000/VDA 6) certification shall be given preference over those suppliers that can offer proof of the ISO-9001 standard, which, in turn, shall be given preference over those with a different or internal quality management system.

New suppliers of **L&P AE** must undergo a prequalification process by **L&P AE** Purchasing, regardless of any substantiated quality management system.

2.4 Collaboration with the supplier

L&P AE considers its suppliers as a valuable extension of its own business. Our ability to collaborate with our suppliers has a crucial effect on achieving true overall quality.

Hence, it is our objective to establish long-term relations with a select group of suppliers, which share our notion of quality (with respect to product specifications as well as logistics services and customer service).

As a result, **L&P AE** continuously selects fewer, but better suppliers.

Suppliers must be able to respond to short-term changes in the design and production strategies of the automotive industry. The speed at which technologies and designs change determines our need for faster prototyping, shorter turnaround times, shorter lead times, 100% flawless materials, and timely deliveries.

Our products consist of many different materials (primarily synthetics and metals), which undergo various value added processes. We place great emphasis on the know-how of our suppliers and expect their feedback from the experience they have gained. We are looking for partners that assume leading positions in their respective product range and offer innovative technology.

In this respect, **L&P AE** would like to be informed, at all times, about new products, current research, and innovations that could potentially improve our product quality, productivity and competitiveness.

We also expect our suppliers' feedback regarding improved product documentation, suggestions for alternatives, greater performance or longer product service lives, or if cost savings can be achieved.

2.4.1 R&D support

To achieve a co-development process, we expect our suppliers to guarantee sufficient and qualified R&D capacity and, if necessary, project management resources.

The resources must be available as support for the initial design until the first sampling has been released.

We use 3D CAD systems (Catia V4 + V5, UG) for the design of our systems and components. We expect those suppliers who do not use an identical system to convert the data, with no loss of data, at their own expense.

The use and availability of modern, fast, and state of the art electronic communications media is mandatory.

If necessary, the supplier must be able to conduct, or have conducted, mold flow, FEM, acoustics, material, or other analyses. We expect that the results of the analyses be provided to **L&P AE** upon request. If external providers are to be used, their suitability must be demonstrated (e.g. by accreditation according to ISO 17025 for test labs).

2.5 Supplier visits to L&P AE

In general, we appreciate visits from our suppliers and consider them an effective means for the constant optimization of our collaboration. The appropriate frequency of such visits shall be determined by several factors (for example: business volume, project status, quality performance, etc.).

In all instances, the Purchasing Department of the respective **L&P AE** location must be informed about all planned visits with adequate notice.

During a visit to **L&P AE** plants and **L&P AE** locations, guidelines and security regulations of the respective location shall fully apply to visitors.

To record and acknowledge corresponding regulations, visitors must report to the front desk of the respective **L&P AE** location.

In principle, it is prohibited to take photographs or films on the premises of **L&P AE**. The front desk must be informed if you have brought any visual recording devices (camera, video camera, wireless telephone with camera function, etc.). In the event of damage, violations may be subject to claims for compensation or refused access.

2.6 Quotations and competitiveness

The Purchasing Departments of the different **L&P AE** plants operate in a matrix organization. In general, this means that while local requirements for the operation are purchased independently from one another, Commodity (common products and materials) strategies are defined and implemented jointly.

2.6.1 Procurement strategies

The fierce competition in the automotive industry necessitates continuous optimization and cost reductions. In this context, a clear alignment is required in order to optimize labor-intensive value added processes.

For this reason, and also due to direct demands by our customers, **L&P AE** is accelerating a shift for outsourced contract manufacturing to LCC (low cost countries) and ULCC (ultra low cost countries).

Suppliers that meet this challenge and are able not only to supply **L&P AE** from such countries, but also procure from LCC/ULCC, shall be given preferential treatment when it comes to requests for quotations.

Upon request, the supplier must be able to disclose the procurement strategy to **L&P AE**.

2.6.2 Quotations for parts (and components)

Following the positive conclusion of the prequalification process of a (potential) supplier and the associated status change to ACTIVE in the supplier database ("bid list") of **L&P AE**, suppliers shall be taken into consideration when it comes to requests for quotations for projects as well as for ongoing production.

Quotations are subject to the following rules:

- Timely responses are required (quotations received too late shall not be considered)
- The information must be complete
- The quotation structure must be easily understood. The objective is cost transparency by using QAFs (Quotation Analysis Forms)
- The first quotation must be based on the best price
- Quotations shall be valid for the duration of a project
- Price quotes must be submitted in euros (including packaging), DDP to the inquiring **L&P AE** location or alternatively EXW of the producing location.
- LTA (Long Term Agreement, see 2.7.3) proposals must be included (starting with the second year of delivery for production purposes)
- Potential material and labor cost inflation must be absorbed without price changes;
- the submission and the quality of quotations shall be taken into consideration in the supplier evaluation;

- the submission of a quotation shall be considered as a confirmation of the technical, logistical and qualitative feasibility within the defined price limit;
- the submission of a quotation does not constitute entitlement to an order.

2.6.3 Quotations for tools (tools and molds)

Effective at the time in which the order for the provision of tools and molds is placed, the prices shall be fixed prices. Even in the event of unforeseen or unexpected additional costs during the tool development and manufacturing processes, prices shall not be renegotiated. In an effort to minimize the risk of misunderstandings during the bidding process, quotations must include the following information:

- Costs associated with the conversion of our part definitions (3D CAD models and design drawings) into the corresponding formats required by the tool maker
- Comments, remarks or objections regarding our drawing information (the absence of remarks at the time of the order shall be considered as acceptance of the drawing as inquired)
- Set-up costs for the commissioning of the tool
- Potential costs associated with changes following the initial tool order
- Costs associated with part labeling, with material codes according to the ISO 11469 standard
- Tooling bills of materials, including information about the tool components with respect to their description, costs, guaranteed number of shots, material and weight
- Costs associated with regular maintenance of the tools during the guaranteed service life
- Production location (country).

Following completion and/or tool revisions, the bills of materials must be reviewed and, if necessary, updated. Updates shall be submitted, unsolicited, to the ordering **L&P AE** location.

Finally, we would like to point out our General Terms and Conditions regarding the purchase of tools. These define aspects such as payment terms, proprietary and protected designations, project planning, a maintenance schedule, an evacuation layout, etc.

The document can be found in Section V of this guide.

2.7 Quality

In order to achieve outstanding productivity and customer satisfaction worldwide, we must always focus on maintaining and improving the quality of all our products, the methods employed, and the services provided.

The initial production of high-quality products can be achieved through **L&P AE's** plans to develop its suppliers into an integral part of its overall quality process.

L&P AE and its suppliers must continuously analyze, assess, and improve all systems to achieve these goals.

All suppliers shall be assessed for their level of quality. Products and deliveries that unexpectedly deviate from the specifications shall be subject to complaints, and these complaints shall be considered in the overall evaluation of the supplier. Furthermore, a supplier may be held accountable for downtimes, line shutdowns, replacement and recall campaigns, and other costs caused by non-compliant products, both by **L&P AE** and also by our customers.

2.7.1 Quality goal 0 PPM

Based on the quality goals of the automotive industry, we require our suppliers to commit to the “zero defect philosophy,” meaning a long-term quality level of

0 PPM (parts per million) scrap.

With this goal in mind, our suppliers shall be responsible for continuously and consistently monitoring, reviewing, optimizing, and developing all processes, procedures, tools and products intended for **L&P AE**

We expect our suppliers to be in a position to inform us or our customers about ongoing measures aimed at achieving the “0 PPM” goal and to proactively work on such activities, without the express request by **L&P AE**, at all times.

2.7.2 Continuous improvements

While working toward the “0 PPM” goal, we expect our suppliers to take all factors into consideration, which represent the true value of the purchased materials, equipment and services.

As a result of continuous improvement activities relating to materials, processes, and procedures, we and our customers expect decreased overall costs. Joint efforts aimed at the identification of value and the maximization of results shall be the basis for intelligent purchasing decisions and guarantee better quality at lower overall costs.

2.7.3 LTA – Long Term Agreements

As the result of our improvement efforts, our customers expect solid, regular price decreases (LTA – Long Term Agreements), which shall be defined when the contract is awarded. We have the same expectations towards our suppliers. This results in the need to critically and continuously assess products and processes and to press ahead with cost reductions.

2.7.4 Va/Ve (value analysis and value engineering)

In addition to the LTA reductions, our customers expect that we critically assess our products, point out cost reduction potentials, and implement cost savings measures. These efforts are referred to as “VA/VE” (value analysis / value engineering) activities.

Therefore, we expect that our suppliers do the same for us. The common goal is to successfully implement product cost optimization measures.

In this respect, we ask our suppliers, starting with the first quotation and lasting throughout the entire product development process, to evaluate our drawings and specifications and feel free to continuously provide us with concept or quality improvement suggestions.

Even if we should not be able to implement some suggestions or do not accept them before the project starts, they can be reconsidered at any time during the course of the project.

In general, requests by our customers to conduct joint VA/VE exercises may also make our suppliers' participation in such a project necessary at any time.

2.8 Logistics

In addition to quality, logistics services are a crucial part of our success.

The logistics goals and specifications, which **L&P AE** agreed upon with its customers, define the requirements for our suppliers. The overall objective is comprehensive supply chain management.

The precise logistics processes shall be defined in a project-specific and product-specific manner, but fundamental objectives also exist.

2.8.1 100% delivery performance

We expect on-time deliveries.

The product order quantities must be provided on the delivery dates listed on our order documents. The products, quantity, quality, packaging, and identification must precisely correspond to the arrangements made. Ambiguities must always be clarified before the delivery.

Deliveries made too late or too early or which, due to logistical errors (packing error, quantity error, missing or incorrect related documents, etc.), cannot be used in time, may greatly interfere with our production processes.

Deviations affect the assessment of the supplier's delivery performance and, if necessary, result in appropriate measures. In addition, a supplier may be held accountable for downtimes and other associated costs, both by **L&P AE** and by our customers.

2.8.2 Orders for goods and services

In general, **L&P AE** places orders for materials by fax and mail, alternatively by e-mail; however, EDI is preferable.

Any order confirmations in contradiction to the order must be received by the ordering party in writing within two days of receipt of the order.

2.8.3 Production materials

Excess capacities

On occasion, it is possible that our customers briefly increase their production quantities on short notice. To satisfy unexpected customer release orders, every supplier must be in a position to handle a 15% increase in capacity compared to the product volume released on average per month for a limited period.

For this purpose, action plans must be developed and presented upon request.

Safety buffer

L&P AE does not expressly demand any safety buffers.

It shall be the responsibility of each supplier to determine the necessity of maintaining a safety buffer and act accordingly.

Material responsibility

L&P AE does not commit to accepting inventory quantities of products that exceed 4 weeks of our average usage according to our order schedule.

We shall notify our suppliers as soon as possible about changes in usage and the time of a production phase-out.

Flow of goods

For traceability reasons, products must be delivered in largely uniform production batches and in the order in which they are produced. All goods must be strictly handled according to FIFO (First In First Out) principles. In the event of damage, the supplier may be held accountable for additional costs (inspection and sorting costs) associated with a violation of the FIFO rules.

Delivery obligation

Upon accepting a project, a supplier is responsible for supplying **L&P AE** with products for the entire duration of a project.

Subsequent delivery obligation

Upon accepting a project, a supplier must be able to deliver products and spare parts for up to 15 years after the end of a project. Exceptions must be agreed upon in writing.

Availability and emergency plans

Suppliers must be able to deliver the contractually agreed volumes of goods and services at all times. Emergency plans must be drawn up for possible emergencies (absence of personnel, downtime of machinery, equipment and tools, accidents, catastrophes etc.) and presented upon request. Furthermore, the supplier shall ensure minimal, yet acceptable availability even during plant shutdowns. Exceptions must be agreed upon in writing.

In any case, emergency contacts (telephone numbers, designated persons) must be defined and announced to **L&P AE**. These emergency contacts must in fact be available at all times, including holidays or during the supplier's plant shutdown.

If emergencies occur, these contacts shall be authorized to make all necessary decisions to maintain or re-establish delivery.

All contact data shall be treated confidentially by **L&P AE** and shall only be used by authorized employees for the intended purpose.

2.8.4 Samples and prototypes

One of the fundamental principles of quality planning according to the automotive standard is the integration of potential suppliers in projects as early as possible, with the goal of ordering the initial prototypes from this supplier.

While the product development process in the automotive industry is becoming increasingly shorter, it remains a relatively long process that may span 1 to 2 years. Within this period, we often require orders of frequently changing versions of samples and prototypes within the shortest possible time.

For this reason, during the product development phase, **L&P AE** prefers to select suppliers that offer prototyping services and are able to implement and guarantee short delivery periods for sample and prototype orders.

In addition to the ability to respond to short notices, a strict management and designation of products at the varying stages is eminently important. We expect complete traceability of all prototypes and samples.

Responsiveness, when it comes to the submission of quotations for prototypes and sample series, as well as flexibility in the delivery of prototypes and sample orders within the requested timeframe, are factors that carry significant weight in the supplier evaluation.

2.9 Packaging and product identification

Packaging and the composition of packaging units shall be defined in a product-specific manner between the customer, supplier, and **L&P AE**, and shall be established no later than the PPAP. A product-specific packaging specification shall be part of every order and must always be taken into consideration when preparing the quotation.

In the event that reusable packing units (small part containers) are made available by the customer, the supplier shall also take their handling and storage at the supplier's site into consideration.

The defined objective is the use of small packing units (< 12 kg) and reusable packaging or circulating containers. Deviations from this procedure are not common and require separate approval by **L&P AE**. With respect to the disposal of single-use packaging materials, **L&P AE** reserves the right to charge the supplier for disposal costs.

With respect to the specific instructions regarding packaging, presentation, and product identification, we would like to refer to Section IV of this Suppliers' Guide and to our product specification sheets.

2.10 Deviating deliveries

In the event that an exceptional circumstance requires a supplier to provide deliveries not compliant with the specifications, it is essential that a "Request for Concession" (deviation permit) release has been granted by the corresponding **L&P AE** Quality Department before arrival of the delivery. (see document in Section V).

For example, releasable concessions include:

- Non-critical quality concessions
- Delivery quantity concessions
- Delivery time concessions
- Packaging concessions

A Request for Concession shall only be released for a limited time or for a certain quantity. The supplier is obligated to take immediate action to prevent additional deviating deliveries.

2.10.1 Request for Concession procedure

- a) Verbal information in advance. The contact person to be informed shall be defined in the respective order documents.
- b) Written confirmation of the telephone call using the "Request for Concession" (deviation permit) form by fax or e-mail.

Form content:

- Requesting supplier
- Description of the concession
- Expected deviating quantity
- Action plan to return to planned state

c) Notification by **L&P AE** contact person of whether the Request for Concession can be approved. The duration required for issuing the notification depends on the quality of the information provided on the form that is submitted to **L&P AE**

Execution of the delivery shall only be permitted if **L&P AE** has provided its consent in advance.

Parts released under a Request for Concession must be clearly identified (special identification, nameplates, delivery documents, etc.).

In the event of a deviation without prior consent, **L&P AE** reserves the right to return the deliveries at the expense of the supplier and issue a complaint about the incident.

2.11 Environment, health and safety

The manufacturing locations of L&P AE are certified according to ISO 14001 (environmental management) and some according to OHSAS18001 (occupational safety). This is associated with various goals and requirements for ourselves and our business partners:

During visits to **L&P AE** locations or when performing work on the premises of **L&P AE**, the safety regulations of the respective **L&P AE** location shall apply. Compliance with these regulations is essential.

2.11.1 Laws and regulations

In principle, **L&P AE** expects that its suppliers are familiar with, understand, and unconditionally comply with all international, European and national laws, regulations and decrees.

In particular, we expect familiarity and compliance with all laws and regulations relevant for the business relation with the respective **L&P AE** locations, such as environmental, health and safety legislation, but also internal and/or location-specific regulations. It shall be the responsibility of each partner to independently obtain information about applicable regulations and take measures for compliance, without the express request by **L&P AE**

In particular, this applies to hazardous materials at the locations and premises of **L&P AE**. Hazardous products or contents shall be avoided in general. If necessary, proof regarding the risk potential must be provided in the form of a safety data sheet and must be documented before the first delivery. These safety data sheets must be presented upon request. Suppliers must guarantee that they understand the risks that are associated with the use, handling and transport of these materials. Suppliers furthermore undertake to take full responsibility for the use, handling or the transport of hazardous materials and to define processes for effectively handling the product safety of such materials and for continuously reducing the risks.

2.11.2 Substance use restrictions and the International Material Data System (IMDS)

We expect that all parts and materials delivered to us, which are defined by **L&P AE** by drawings, standards, specifications or other documents, meet the Directives 2000/53/EC ELV (End of Life Vehicle), 2002/95/EC RoHS (Reduction of Hazardous Substances) and possible customer-specific requirements regarding the restriction of hazardous substances.

In an effort to support their suppliers, many automobile manufacturers decided to employ the International Material Data System (IMDS) for the compilation and reporting of material composition data.

This database summarizes all materials, their compositions and quantities for all products and individual components. We provide this data to our customers for further processing.

To ensure that **L&P AE** can implement this process, it is also necessary that our suppliers gather the required part/material/substance information and enter it independently into the IMDS.

In general, all substance restrictions, including customer-specific ones, are available in the IMDS.

Please visit the website <http://www.mdsystem.com> for information about the IMDS or to request access or book training sessions on this topic.

2.11.3 Sustainability

In agreement with general social developments, **L&P AE** has an express interest in contributing to environmental and social sustainability through short-term and long-term measures.

We expect that our suppliers inform their employees about these objectives and train them accordingly to ensure active participation by all parties.

Protection of the environment

All products and processes must be developed with the goal of avoiding environmental and health hazards and conserving resources.

We expect that our suppliers proactively and single-mindedly look for solutions to ecological challenges.

The avoidance of waste and the adaptation of methods to valid environmental and safety regulations must be rooted in the general corporate goals of our suppliers:

- All products must be optimized regarding the ability to be disassembled and recycled.
- All plastic components must be designed and labeled in accordance with ISO 11469.
- All processes must be continuously optimized regarding the generation of waste.
- The packing concepts and suggestions of our suppliers must seek to avoid, or at least reduce, the quantity of non-recyclable packaging and the quantity of dispensable packaging materials.

In principle, we expect that our suppliers' goal is to define the development of an environmental management system of their own (preferably based on the ISO 14001 standard) and to implement recognizable measures to meet this goal.

Social justice

To support sustainability in business, **L&P AE** expects that suppliers be committed to several generally recognized social standards, despite increased price or cost pressure and the shift towards LCC/ULCC. In particular, we expect that they recognize and demand social rights such as

- The freedom of association
- No discrimination
- Free choice of occupation
- No child labor
- Remuneration
- Working hours
- Occupational health and safety

2.12 Payment of invoices

2.12.1 Timely and accurate payments

Payments shall be made by **L&P AE** upon the submission of invoices and in accordance with the information and conditions outlined on the order. Discrepancies between the order and the invoice result in undesirable expenses and, under certain circumstances, the rejection of your invoice.

Agreements with respect to price reductions (discount) shall not be affected if payments are late due to discrepancies that are the fault of the supplier.

The following information must be provided on your invoice:

- The complete **L&P AE** order number (PO number, master contract number & call-off number)
- Information regarding individual order items :
 - The complete **L&P AE** product number (consisting of part code + revision index)
 - The complete **L&P AE** product description
 - Unit price and currency
 - Delivery terms
 - Units of measure and quantity
 - Packaging information

The Purchasing Department, which sent the order, must be notified of changes or deviations before invoicing so that, if necessary, the order process can be amended in the **L&P AE** MRP systems before receipt of the delivery.

2.12.2 Payment terms

L&P AE shall pay its invoices under the payment terms outlined in the business relations or order documents, but generally net 60 days, effective the end of the current month.

2.13 Supplier evaluation process

L&P AE shall evaluate the performance of its suppliers at regular intervals (see "Supplier Evaluation Report" in Section V).

The results of these evaluations shall be provided to each supplier in order to allow the supplier to take appropriate measures.

The results shall also dictate the further collaboration of **L&P AE** with its suppliers, both negatively and positively.

The evaluation criteria are:

- Scrap (PPM),
- Quality complaints regarding delivery products,
- Delivery performance,
- Packaging and identification,
- Discount (LTA = Long Term Agreements) and
- Service (support with product development, Va/Ve, improvements etc.).

Suppliers shall be graded using the categories A, AB, B and C. Category A includes the preferred suppliers, while category C includes suppliers which will not be considered for future projects without further review.

L&P AE expects all suppliers that are not considered preferred suppliers (category A) to initiate appropriate corrective action in order to improve their evaluation.

Suppliers in a category lower than B must present a convincing action plan within 10 business days, outlining which measures will be implemented to achieve continuous improvements regarding supplier performance.

Suppliers ranking in category C in several evaluations shall be barred from additional orders in the **L&P AE** supplier database, and a decision about future collaboration shall be made.

2.14 Ethics

All **L&P AE** employees have agreed to comply with the L&P Company Policy by signing the annual confirmation. In principle, **L&P AE** employees pledge, among other things, not to accept any valuable gifts or inappropriate entertainment from suppliers.

We prefer that incentives be manifested by product quality, excellent delivery performance, outstanding service, and competitive quotations.

We appreciate your support in complying with these policies.

3 Specific provisions - quality

3.1 APQP / PPAP / product introduction

In an effort to prevent or avoid defects when introducing a product, the automotive industry usually requests and uses process APQP (Advance Product Quality Planning). The APQP process in turn includes PPAP (Production Part Approval Process), FMEA (Failure Mode and Effect Analysis) and MSA (Measurement Systems Analysis) requirements.

Please refer to the QS 9000 "APQP", "FMEA" and "MSA" Manuals in the respectively valid versions for the precise provisions. (Note: The Manuals are still valid, although QS 9000 has been replaced with ISO TS 16949). **L&P AE** expects all suppliers that deliver parts for automotive applications to be familiar with and use these Manuals.

3.1.1 APQP timeline

In the event that delays occurring on the part of the supplier compromise defined project milestones, the supplier shall be obligated to inform **L&P AE**.

The supplier must normally provide representatives of **L&P AE** Purchasing with an update of the tool tracking / APQP planning schedules for program introductions or technical changes every two weeks (or as needed by the customers of **L&P AE**).

If necessary, **L&P AE** may conduct a process review at the supplier's operation to assess the initial sampling step. In isolated cases, additional customer requirements may necessitate further action.

In addition, when necessary, suppliers must participate in **L&P AE** internal/external APQP/design assessments to guarantee the successful market introduction of new products and a transition from existing products.

3.1.2 PPAP

According to the provisions in the QS 9000 Manuals, samplings with PPAP documents may be requested, if necessary. Depending on the submission level, the necessary documents must be delivered or supplied in a suitable form.

In general, all deliveries of prototypes and preseries runs must be accompanied by representative reports detailing the dimensional accuracy of the components and by material certificates (unless expressly agreed otherwise with **L&P AE**).

The quantity of PPAP samples that is required shall be apparent from the order. The samples must be clearly labeled.

PPAP for automotive products

In general, a PPAP requires submission level 3. The submission level may be adjusted, if needed (particularly at the request of the customer).

PPAP for non-automotive products

Parts, which are intended for non-automotive products or customers (e.g. AFSP parts), also must be sampled in accordance with the PPAP. For this, the minimum submission level is 4, with the sampling being required to include the following:

- Measured sample parts
- Measurement report
- Material certificates (if necessary)

Additional supporting documents shall not be necessary unless specifically requested, neither as part of the PPAP package, nor stored at the supplier's location.

Due to deviating requests on the part of the customer, additional documents may be required; this will be noted in the order documents.

Non-automotive products may also be sampled at any time in accordance with PPAP submission level 3, and this is expressly recommended.

PPAP scheduling

The supplier must present its complete PPAP package, with samples, by the deadline listed on the order, but before the first delivery, for production purposes. If the supplier does not meet the deadline, any costs associated with this shall be charged to the supplier.

3.1.3 Product introduction

When introducing a new or considerably modified product in production, special measures may become necessary to additionally safeguard the quality of products from processes that are not yet precisely adjusted for production. Such measures will typically include additional testing and similar validation activities. **L&P AE** expects all its suppliers to be proactively involved in safeguarding productions start-ups and to prepare suggestions to guarantee quality work during this phase.

3.2 Volume production

3.2.1 Quality guarantee for volume production

Our suppliers must guarantee that products from their (sub-)contractors also meet specified quality requirements. We expect that they take suitable measures, including their own samplings in accordance with PPAP, to guarantee the quality of sub-contracted products. We likewise expect that suitable quality control mechanisms have been implemented and that regular sub-contractor evaluations are conducted.

3.2.2 Incoming inspection

In general, we expect that delivered products are flawless and almost entirely dispensable with any incoming inspections. At the beginning of a delivery phase, the initial deliveries of a product shall undergo incoming inspections. If these deliveries are free from defects, the product shall be assigned the “released” status and additional incoming inspections shall be eliminated.

In the event that problems or defects occur in production or during subsequent deliveries, the responsible quality employee may decide at any time whether the “released” status should be upheld, or to require incoming inspections for future deliveries.

The costs associated with additional controls attributable to one or more quality defects of the product shall be charged to the supplier.

3.2.3 Material certificates and test reports

In general, the PPAP documents must include the corresponding material certificates.

In addition, our suppliers should provide the appropriate relevant material certificates for each product delivery that was produced with a new material batch.

In the event of continuing product problems, **L&P A E** can demand that test certificates and representative test reports be attached to the conventional delivery documents within a defined period.

In the case of wire deliveries, the documents for each delivery must be accompanied by a test report in accordance with EN 10204 – 3.1B.

3.2.4 Traceability

We expect full traceability for all products, individual components, and materials.

Delivery notes and packaging labels (Galia, Odette and VDA labels) must list the supplier's production lot number to guarantee traceability of the raw material lot(s).

If a delivery contains products from different production lots, the delivery papers must identify the different lots.

L&P A E expects that its suppliers change their production lot numbers with every change of material lot and every new machine adjustment.

3.2.5 Process capability

To safeguard the quality of volume processes, we generally expect a process capability index of $C_{pk} > 1.67$ for all processes.

Our suppliers must employ statistical methods at all times to monitor and control process capability.

The supplier must be able to provide **L&P A E** with capability studies, material reports and dimensional reports upon request.

3.2.6 Verification of sub-contracted products

To ensure product and process quality, it is common practice in the automotive industry that our customers, in particular our end customers (OEMs) reserve the right, in their contracts, to ascertain at any time, either personally or through a representative, at the operation of a sub-contractor, that the manufacture of sub-contracted products meets the specific requirements.

To guarantee this process, **L&P AE** likewise demands from its suppliers that, following acceptance of an order, the supplier allows **L&P AE** to conduct an inspection at the supplier's operation at any time to ensure that the specified requirements are indeed met in production. Such inspections may take on an informal or formal form (audit). You will be notified in a timely manner about the schedule, the possible effects and the results of such inspections.

3.3 Complaints

Products, processes and services that do not meet our requirements shall be subject to complaints.

Our standard complaint report has an "8D" format. We expect that our suppliers are familiar with, understand, and are able to process this format.

This report will provide the supplier with information about the classification of the failure, the description of the problem and a relevant contact person within **L&P AE**

Upon receipt of a complaint, **L&P AE** expects an initial reaction within 48 hours. Initial reactions must, at a minimum, include a confirmation of the complaint, immediate containment actions (containment, additional inspections), and relevant contact persons.

Within 5 business days, we expect a detailed root cause analysis and the definition of effective corrective and preventative actions. All measures must also be effectively verified.

In response to a complaint, **L&P AE** may additionally demand renewed sampling of a part or further activities such as product, process, or system audits.

Parts subject to complaints shall be available to the supplier one week after the complaint was sent. If we have not received a response from the supplier by that time, the products shall be scrapped at the supplier's expense. If the supplier would like the products returned, **L&P AE** can organize the transport of these parts, at the supplier's expense.

Complaints shall be considered as a criterion / negative in the assessment of the supplier's performance (see Supplier Evaluation Section II). Unexcused, late responses to complaint reports increase the significance of these criteria / negatives.

3.4 Complaint costs

The goal of this complaint process is the prompt identification and sustained elimination of all defects, so that neither **L&P AE** nor the end customer incur any financial or other damage.

However, should a complaint result in costs, these shall be charged to the supplier. In the event that costs due to supplier complaints are charged to us by our customers, we shall pass on these costs.

L&P AE waives the right to invoice complaint costs as flat amounts.

In return, we reserve the right to charge variable costs, depending on the expenses:

- | | | |
|---|--|-------------------|
| • | Additional handling, rework, sorting, *) | 40.00 euros/hour |
| • | Additional work by employees (technical dept., testing...)*) | 60.00 euros/hour |
| • | Production line shut-down at L&P AE *) | 100.00 euros/hour |
| • | Costs charged by our customers *) | effective cost |
| • | Customer's production line shut-down *) | effective cost |
| • | Preferred freight due to schedule obligations*) | effective cost |

- Rejected material *) effective cost
- Disposal effective cost

*) caused by **L&P AE** due to supplier product defects!

3.4.1 Insurance coverage for warranty cases

For financial protection for warranty cases, which verifiably are the responsibility of our suppliers, **L&P AE** recommends that suppliers take out suitable insurance coverage.

4 Specific provisions – materials/logistics

4.1 Materials Management Operations Guideline (MMOG / LE)

L&P AE uses the MMOG / LE as a tool to verify and evaluate the entire supply chain. This is a global document, which was developed by representatives of AIAG, ODETTE, various OEMs and automotive suppliers. This document inquires about common business practices for the supply chain management process of automotive suppliers. The professed goal is to establish a common definition for material processes and guarantee effective communication between supply chain partners.

4.1.1 Prerequisites for supplier self-assessment

L&P AE requires every supplier location that delivers volume products to an **L&P AE** location to use the MMOG document / tool to assess the Materials Management business processes.

The respective locations of our suppliers must provide **L&P AE** with an annual update of the self-assessment, in the form of an electronic copy, by December 31.

L&P AE reserves the right to examine the MMOG assessment by an on-site review of supplier operations.

The MMOG is part of our prequalification and assessment processes for suppliers. The goal is that each supplier achieves an assessment of at least "B." Any supplier assessed at "C" may submit a revised MMOG by September 1 of the fiscal year, if verifiable process and system improvements will raise the assessment at least to "B".

Suppliers may order a copy of the MMOG information document by contacting AIAG online at www.aiag.org. A copy of the current version is also available from **L&P AE**.

4.2 Deliveries

4.2.1 General information

Products shall only be delivered to defined and marked **L&P AE** receiving departments for goods. **L&P AE** assumes no responsibility for deliveries to other departments or to employees who are not part of these departments. Untraceable deliveries shall be considered as not delivered and must be delivered subsequently, possibly at the supplier's expense.

Please refer to the Appendix for the contact information of the different **L&P AE** locations:
Contact information L&P AE locations/ receiving department

All aspects relevant for deliveries, acknowledgements, and unloading shall be coordinated with the listed contact persons of the respective receiving departments.

All deliveries shall arrive in flawless condition. **L&P AE** reserves the right not to accept deliveries in unacceptable condition or to charge fees to the supplier due to the poor condition.

The supplier shall be responsible for ensuring that deliveries are carried out in accordance with the agreed-upon delivery terms and/or that no freight, customs, or other invoices deviating from the agreements are issued by the supplier or third parties (e.g. freight forwarder) to **L&P AE**

4.2.2 Delivery data and delivery times

Supplying **L&P AE** locations at the proper time requires adherence to the dates defined in the order as well as the delivery window.

Adherence to the specified unloading hours of the **L&P AE** locations is essential. For information about the **L&P AE** location-specific delivery times, please refer to:
Contact information L&P AE locations/ receiving department

The delivery of FTLs (full truck loads) or FCLs (full container loads) shall only be possible with 24-hour notice.

The exchange or planned pick-up of circulating containers also requires 24 hours' notice.

In the event that delivery is delayed, preferred unloading can no longer be guaranteed.

4.2.3 Forwarding agents

Forwarding agents commissioned by suppliers of **L&P AE** must be selected and evaluated with a suitable supplier evaluation system.

Furthermore, suppliers shall ensure that their forwarding agents also adhere to these guidelines.

4.2.4 Delivery documents

Delivery documents must include the following information at all times:

- The complete **L&P AE** order number (PO number, master contract number & call-off number)
- The complete **L&P AE** product number (consisting of part code + revision index)
- The complete **L&P AE** product description
- The supplier's contact information
- The quantity delivered per **L&P AE** product number
- Lot numbers
- Quantity of packaging units delivered by type (pallets, cartons).

Please ensure that a copy of the delivery note is attached to one of the pallets to be delivered or the consignment note.

Only one part number must be shipped per packaging unit. For pallet units it is also desirable if only one part number per pallet is shipped.

Multiple containers

In the case of multiple pallets or containers, a clear assignment of the individual containers to a delivery note must be possible.

Multiple orders

If multiple orders are combined into one delivery, the delivery documents must still include a clear assignment for each individual order.

Packaging units with different items on one pallet must be marked by a special label indicating "Mixed Shipment."

Special cases

For the special cases listed below, combined deliveries are strictly prohibited, particularly in conjunction with a production delivery.

- Submission of PPAP parts
- Deliveries under special release
- Initial deliveries of new releases status
- Sample orders
- Submission of packaging proposals

In the event of deviations, **L&P AE** reserves the right to return the deliveries at the expense of the supplier and to issue a complaint about the incident.

4.2.5 Advanced Shipping Note (ASN)

In an effort to guarantee an optimized flow of goods, **L&P AE** generally uses Advanced Shipping Notes (ASN) as soon as the goods have left the supplier's location.

The process shall be coordinated between the respective **L&P AE** locations (Materials Management) and the suppliers.

4.3 Packaging information

4.3.1 General information

Packaging materials and systems shall be selected based on the following criteria:

- Accommodation and protection of the products
- Efficient packing and unpacking of the products
- Maximized number of parts for each packaging unit selected
- Maximum packaged weight of 12 kg
- Guaranteed efficient handling of the packaging unit (warehouse and production)
- Optimized loading of the next larger packaging unit (e.g. container)
- Support of efficient and environmentally friendly delivery systems
- Reusability

L&P AE uses only approved packaging types and quantities. The packaging definition shall be established in a release process. Following the release of a packaging type and the associated packaging quantity, products for **L&P AE** must be packaged and delivered as defined.

In the event of deviations, **L&P AE** reserves the right to return the deliveries at the expense of the supplier and issue a complaint about the incident.

Also with respect to the agreed-upon packaging, **L&P AE** expects that its suppliers strive for continuous improvement. Like potential product changes, the standardized release process also applies in this respect.

Suppliers must have a suitable tracking system so that they can record the quantity of packaging materials (carton, foil, ...) they provided. The information must be provided upon request. In general, the information about quantities used is reconciled once a year.

4.3.2 Reusable packaging

Also with respect to reusable packaging, it shall be the responsibility of the supplier to ensure sufficient supply of packaging. This must be done through a suitable tracking system, to allow the supplier to confirm the exchange of packaging units with **L&P AE** on a regular basis.

It shall be the responsibility of the supplier to use only suitable packaging. Soiled packaging and such in need of repair shall not be used for shipping purposes.

In general, **L&P AE** expects its suppliers to consciously handle reusable packaging. Additionally, the packaging shall not be used improperly. Packaging that has become unsuitable due to soiling or damage as a result of improper use by the supplier must be repaired at the supplier's expense.

Examples of reusable packaging are: wire crates, Euro-pallets, plastic containers, KLTs (small part containers), etc.

4.3.3 Request for Concession regarding defined packaging

The packaging definition is part of the PPAP. After the PPAP has been released, the delivery of products shall only be permitted in the released packaging.

When a new packaging sample is delivered after consultation with **L&P AE**, and also for the first volume delivery, the shipments on the pallet and on the delivery note shall be clearly labeled with the note "PACKAGING SUGGESTION."

In the event that deviating packaging or packaging materials must be used, an advance written release shall be obtained from **L&P AE** using the Request for Concession form.

In the event of a deviation without prior consent, **L&P AE** reserves the right to return the deliveries at the expense of the supplier and issue a complaint about the incident.

4.4 Identification of products

Unless agreed otherwise at the time of the PPAP, all delivered volume products must be identified with Galia, Odette or VDA 4902 labels. This applies both to the identification of the pallet units and to the identification of the packaging units.

4.4.1 Label information

The following information must be clearly applied to the label in bar code format:

- Delivery note number
- Supplier name
- Number of boxes
- Product quantity (per box or per pallet)
- Name of the **L&P AE** location
- The complete **L&P AE** product number (consisting of part code + revision index)
- The complete **L&P AE** product description
- Production date
- Net weight
- Gross weight
- Supplier's part description
- Supplier's part number
- Lot number

4.4.2 Additional requirements

Due to the warning function associated with red or reddish labels within the automotive industry, the use of such labels shall be prohibited.

In the following cases, goods shall be identified with an eye-catching colored label:

- Delivery under special release
- Delivery of a new revision index
- Submission of PPAP parts
- Packaging suggestion
- Mixed shipment
- Sample orders

The colors shall be coordinated in each case with the corresponding **L&P AE** contact persons. In addition, the delivery documents shall contain a clear reference to the special circumstance.

5 SECTION V. Other applicable DIRECTIVES AND DOCUMENTS

Contact list
Request for Concession
Quality Commitment
Packaging sheet
Terms & conditions tooling
Galia, Odette, VDA label
Delivery Guidelines for Forwarding Agents