



**Cleveland-Cliffs Tooling and Stamping
Supplier Quality Requirements Manual**

Current Revision Level	Description of Changes	Date
0.0	First Edition	April 2, 2020
0.1	New CCTS format and removal of all PPHC references, Table of Contents, Added Appendix A & B	June 30, 2021
.2		

Table of Contents

Preface	5
1 Introduction	5
2 Purpose	6
3 Scope of Application	6
4 Distribution	6
5 Documents, Documentation, and Records	6
6 Supplier Initiated Process Changes	6
7 Supplier Evaluation	7
7.1 Quality System Requirements.....	7
7.2 Supplier On-site Audits.....	7
7.3 Supplier Performance Monitoring & Development.....	7
7.4 Management of Sub-suppliers	8
8 PPAP requirements	8
8.1 General.....	8
8.2 Quality Planning and Change Control.....	9
8.3 Initial Shipment of Parts (New or Revised)	10
8.4 Test Planning (Product/Process)	10
9 Measurement and Test Equipment	10
10 Annual Part Verification/Validation	11
11 Material Certifications	11
12 Suppliers of Special Processes	11
13 Unauthorized Changes	11
14 Product Containment	12
15 Product Inspection and Process Control	12
16 Reference Parts/Samples	12
17 Handling/Storage/Packaging and Delivery	13
18 Barcode Approval	13
19 CCTS or CCTS Customer owned Tooling & Equipment	13

20	<i>Non-Conforming (Discrepant) Product Containment</i>	13
20.1	Managing Discrepant Product.....	13
20.2	Processing of Supplier Non-Conformance Report	14
20.3	Corrective Action Report	15
20.4	Supplier Charge Back.....	15
21	<i>Materials Management</i>	15
21.1	Material Management Operation Guideline.....	15
21.2	Material Releasing and Authorization	16
21.3	Missed Shipments	16
21.4	Safety Stock & Change Responsiveness	16
22	<i>Supplier Communication</i>	16
23	<i>Contingency Plans</i>	17
24	<i>Continual Improvement</i>	17
25	<i>Environmental Protection and Hazardous Materials</i>	17
26	<i>Validity period of the Supplier Quality Requirements Manual</i>	17
27	<i>Supplier Acknowledgement</i>	18
Appendix A	<i>Conflict Minerals Policy</i>	19

Preface

Between Cleveland-Cliffs Tooling and Stamping (“CCTS”), and any of CCTS’s Subsidiaries, and its Suppliers.

“CCTS’s Subsidiaries” means any one of the following:

1. The Electromac Group Inc., also operating under the following trade names:
 - a) Cannon Automotive Solutions
 - b) Electromac Tool
 - c) H Beck Machinery
2. Cannon Automotive Solutions Bowling Green-Inc.
3. Cannon Automotive Solutions - Cleveland
4. Continental Tool & Die Inc
5. Fleetwood Metal Industries Inc.
6. Fleetwood Metal Industries, LLC

1 Introduction

CCTS’s philosophy is to build a Partnership between CCTS, and its Suppliers as our Suppliers are a the most critical element of our Supply Chain Network.

This Supplier Quality Requirements Manual (“SQM”) is provided to outline Supplier’s responsibilities pursuant to the contractual obligations between CCTS and its Suppliers (for both products and services).

Our Suppliers are expected to provide Products or Services with:

- Zero Quality defects,
- 100 % on time Delivery performance with zero disruptions, and
- On time responsiveness to issues

This SQM is based on ISO 9001, IATF 16949 and the Automotive Industry Action Group (“AIAG”) specifications. CCTS expects its Suppliers to fully implement the processes and methods set forth in the SQM, as well as full compliance with the requirements described within.

CCTS expects its Suppliers to develop and maintain a registered Quality System that strives to meet the requirements of the current version of ISO 9001 and a goal of achieving registration to the current version of IATF16949.

Acceptance of CCTS’s Purchase Order, or first shipment of product, constitutes acceptance of the requirements set forth in this manual as well as Terms and Conditions set forth in CCTS’s Purchase Order.

Rick Uszynski
Vice-President
Manufacturing and Engineering

2 Purpose

This SQM describes the basic Supplier Management guidelines between the Supplier and CCTS regarding product and process related quality data, proper corrective measure, and change management.

3 Scope of Application

This SQM applies to all current and future suppliers who provide direct supplies (raw materials, purchased parts / components and sub-contracted services) incorporated into the final product and in-direct supplies to CCTS. These suppliers are listed on CCTS's Key Supplier List.

The responsibility to deliver quality purchased parts and services on time lies with the Supplier.

Equally, the supplier is obliged to assure adherence to the requirements stated in the SQM by its own sub-suppliers.

4 Distribution

A copy of this manual and related supplier forms are available and readily accessible through the CCTS homepage at www.pphc.com

5 Documents, Documentation, and Records

Upon receiving any documents (e.g., product specifications, technical specification, drawings, parts lists, CAD data), required for development and planning, the supplier is to check them for completeness, possible contradictions in general, and regarding their application. Concerns must be communicated to CCTS immediately for clarification.

The supplier is responsible for the active procurement of missing documents.

Unless additional requirements have been set forth by CCTS and the supplier, specifications and supporting quality records must be retained and stored for at least one year after service requirements terminate. Upon request, CCTS has the right to review supplier documents and records at the supplier's site.

The suppliers' documents are to include at a minimum: -

- Lot Traceability information specific to raw material and purchased parts heat or lots.
- Test results for products and services.
- Test equipment and calibration records.
- Training records for personnel to show qualification.
- Process and product change records.
- Job setups

6 Supplier Initiated Process Changes

Supplier shall not make any type of change without prior written notification and approval from CCTS.

CCTS must be informed immediately when the supplier does not comply with the specifications agreed upon (e.g., test procedures, test equipment, process sequence, deadlines, quantities, packaging, drawings, and agreements pertaining to product and process quality). In addition, a written approval by CCTS Quality Management is required for any change.

The Supplier shall inform the Purchasing and Quality Departments of CCTS 60 days prior to:

- Making changes to the production/manufacturing process.
- Making changes to materials or vendors parts.
- Use of new or modified tools.
- Moving manufacturing locations.
- A change of test equipment or procedures.
- Changing sub-suppliers and suppliers of primary and interim products.
- Packaging and labelling changes.

This will allow CCTS to examine the impacts to CCTS and its customers prior to changes being implemented. Appropriate measures may be taken (e.g., renewed sampling, auditing of new or changed processes or manufacturing locations). In addition, PPAP submission and approval is required.

7 Supplier Evaluation

7.1 Quality System Requirements

The Supplier must provide proof of a 3rd Party certified Quality Management System that meets or exceed the requirements set forth in ISO 9001 (current version). CCTS has a goal to develop its suppliers to meet the requirements of IATF 16949 (current version) including any CCTS customer-specific requirement as documented in this manual. All suppliers should have ability to demonstrate compliance towards ISO 14001 standard.

7.2 Supplier On-site Audits

CCTS reserves the right to perform an onsite process / system audit at any time when selecting a supplier or to verify effectiveness regarding corrective and preventive actions. Advance notices will be given prior to such a visit.

CCTS may forgo audits in the following cases:

- Proof of a current 3rd Party certificate (by an Accredited Certification Authority).
- Proof of an effective implementation of measures specified during a previous auditing process and/or proof of an actively pursued implementation plan.

Suppliers shall inform CCTS about intended changes (re-certification, higher qualifications, expiration of certificates or loss of certification) must do so within (30) days.

In addition, Suppliers shall inform CCTS of special status conditions such as New Business Hold, Quality-Needs Improvement Status or Q1 revocation by Ford, GM, Chrysler, or any other automotive OEM.

CCTS may schedule process/product or QMS audits where:

- Supplier performance for quality or delivery does not meet CCTS expectations.
- New or changed processes are being implemented.
- Significant changes in suppliers' management, or mergers or affiliations have taken place.

7.3 Supplier Performance Monitoring & Development

CCTS measures the Key Suppliers' performance as follows:

- Product Quality.
- Cost Increases / Decreases
- Delivery Schedule Performance (including incidents of premium freight).
 - Customer Disruptions and Field Failures>Returns.
 - Occurrence of Premium Freight.
 - Special status Customer notifications incurred by the supplier i.e. (GM CS1 or CS2).

Monthly Supplier Performance Scorecards reports are published and sent to our suppliers detailing Quality, Delivery Performance, and Cost Control.

Suppliers are required to maintain a 100% Quality and Delivery Rating. Suppliers falling below 90% shall be required to provide a documented Scorecard Recovery – Corrective Action Plan. . Supplier plant representative shall work as a team member to achieve green status.

During the sourcing and quoting process for further potential business, supplier Performance Ratings shall be considered as part of the review.

Failure to implement effective corrective action with supporting performance improvements may lead to the supplier being de-certified from the CCTS Key Suppliers lists.

7.4 Management of Sub-suppliers

Unless otherwise stated, it is the sole responsibility of the Supplier to choose its sub-suppliers. The Supplier is responsible for any tasks related to the management of sub-supplier. The Supplier ensures early involvement of sub-suppliers in any required activity.

8 PPAP requirements

8.1 General

The purpose of the Production Part Approval Process (“PPAP”) submission is to ensure that all part requirements are understood by the Supplier and that the Supplier’s process has the potential to produce product consistently.

CCTS’s Purchasing Department initiates a Purchase Order to the Supplier when new or revised product is ordered. The Purchase Order shall list PPAP as a requirement.

Suppliers are responsible for preparing, submitting, and acquiring approval of PPAP package prior to shipping production-intent product.

Suppliers are also responsible for managing their sub-supplier part approval process, i.e., PPAP ensuring that they conform to AIAG requirements.

All suppliers of new or current products or processes must meet all requirements of AIAG’s PPAP manual.

PPAP Quality Engineer communicates and documents specific requirements to the supplier for PPAP for each part on a PPAP Checklist.

PPAP submissions shall be to AIAG Level 3 requirements, unless otherwise specified. Supplier’s PPAP must conform to the latest PPAP manual (including the latest AIAG forms). It shall be the responsibility of the Supplier to ensure that PPAP reflects the latest revision level of the controlled drawing issued by CCTS.

Suppliers are expected to submit PPAP packages, in their entirety, to the appropriate CCTS Quality Engineer before the agreed upon date. CCTS shall review the submission and give one of these statuses:

- Full approval indicates that the part or material meets all specifications and requirements. The supplier is authorized to ship product. Unless otherwise agreed on, supplier can only invoice for tooling when they achieve full PPAP approval.
- Interim approval permits shipment of product for production requirements on a limited time or piece quantity basis. The supplier must submit, at the time of PPAP, an Interim Deviation Report (IDR) stating the dimensional/capability discrepancy (s) and an action plan to address the issues preventing the PPAP from obtaining full approval.
- Rejected means, that the submission, does not meet the specifications and requirements. CCTS shall state the reasons the submission was rejected on the PPAP warrant and return the warrant to the supplier. A corrected PPAP must be submitted and approved before the supplier can ship product.

For each PPAP resubmission:

- Due to a supplier submitted deviation, an administrative charge of \$500.00 shall be charged to the Supplier.
- Due to an Interim PPAP Rejection, an administrative charge of \$250.00 shall be charged to the Supplier.

Initial sample parts must be from production tooling and environment utilizing all production materials and/or services:

- Full dimensional verification of (5) parts per tool or cavity taken from a (300-piece) production run.
- A sample bar code label meeting the requirements in section 18.
- Master sample part is to be provided to CCTS.
- Performance test results on one part for coatings; (5) parts for weld destructs on spot welds or fasteners.
- Process Capability from sampling of (100) individual pieces from 300-piece production run. Minimum PpK of 1.67 or CpK of 1.33 is required.
- Additional Tier 1 Customer specific requirements, as per the OEM SQM, shall be communicated to the supplier by the responsible CCTS Quality Engineer.
- An IMDS report is required to be submitted on MDS website (www.mdssystem.com) (30) days prior to PPAP to the CCTS Business Unit Recipient ID, as advised.

8.2 Quality Planning and Change Control

To meet the quality requirements, set forth by CCTS, comprehensive and timely quality planning is required in cooperation with the supplier.

The implementation of activities at the Supplier's location is to follow the AIAG Advance Product Quality Planning Handbook (APQP). If no comparable specifications and regulations for a quality management plan are in place, the APQP Handbook describes the minimum requirements.

The Supplier is responsible for obtaining the latest revision of the APQP standard from AIAG. The supplier is responsible for knowing this standard and applying it during product quality planning of all components.

Process Flow Charts, Process Failure Mode and Effects Analysis (PFMEA), and Control Plans are required for CCTS review. As "living documents", these documents should be reviewed for completeness and to assure they reflect the current design level.

The Supplier should make these documents available for review at the feasibility and/or kick-off meetings on the purchased material, product, or service.

The supplier is responsible to create and assemble all documentation on the PPAP Checklist and submit the PPAP package to CCTS Quality department by the agreed upon date for evaluation.

8.3 Initial Shipment of Parts (New or Revised)

The CCTS Quality Engineer shall communicate the labeling requirements for sample parts for all event builds. The CCTS Quality Department labels the parts, received from the Supplier, with a CCTS Engineering Material Tag on receipt.

Once the PPAP Approval has been granted, the initial shipment of new or changed parts to each of CCTS's manufacturing locations must be identified with a bright colored 8 ½" x 11". Label stating

"1st Shipment of New Parts"

Or

"1st Shipment of Revised Parts"

Revised parts (due to process, material, location, or tooling changes) require that the Supplier notify CCTS Purchasing prior to the change implemented.

Change control is agreed on between the Supplier and CCTS. The first shipment of revised parts shall be tagged as noted in this section.

8.4 Test Planning (Product/Process)

The Supplier coordinates the production and test requirements, as well as any check fixture concept with CCTS. This applies to prototype, pre-production, and production parts. In addition, the Supplier is to provide proof of compliance with test specifications.

The test planning is to be based on the technical requirements. The tests are documented in production process control plans or others agreed upon format with CCTS.

Control Plan contains important characteristics pertaining to product and process. In addition to the specifications set forth by CCTS, including the supplier's own inputs.

Within the scope of the approval process (AIAG PPAP Manual), the results must be reviewed by the responsible CCTS Quality Engineer.

If visual, boundary or limit samples are required to make quality check decisions, then the Supplier is to submit those samples to the CCTS Quality Engineer for approval.

9 Measurement and Test Equipment

When selecting the test equipment for the respective measuring purposes/processes, the Supplier is to comply with the specifications set forth in the AIAG Measurement System Analysis Manual.

The Supplier is required to prove reliability and accuracy of the measuring and test equipment used.

In addition, the Supplier is to show that the test process is suitable for the respective test purpose.

Unauthorized changes to the test equipment (by the supplier) are not permitted.

The test equipment must be included in the Supplier's test equipment monitoring and calibration process.

10 Annual Part Verification/Validation

Suppliers shall provide an annual layout (Level 3 submission minimum or as specified by the PPAP requirements) for all CCTS released parts or components as detailed in customer-specific requirements (per the program being supported).

11 Material Certifications

A completed Certificate of Analysis (COA) which includes the engineering specification number, must be provided prior to the shipment for each lot. The COA must contain the actual physical or testing measurements per the specified OEM customer engineering specification for the key parameters as detailed on the contract or amendments to the contract. SPC data, when required, must be provided with each shipment. A copy of the actual physical or testing measurements detailed in the OEM specification must be maintained on file at the production location and available upon request.

Reference examples:

Metals

- Material Spec
- Material Description (dimension, tolerance and unit of measure)
- Heat Number
- Mechanical properties (if applicable)
- Chemistry
- Coating Weight per side (if applicable)
- Conflict Mineral Reporting (see Appendix A)

For components, a certificate must be maintained on file at the production location and available upon request.

12 Suppliers of Special Processes

Suppliers that provide special processing that fall under the directives identified in AIAG CQI Assessments (at all tier levels) to the latest edition (available from AIAG) are required to complete and submit to the proper CCTS location. The assessment shall be performed annually on the anniversary date. Failure to submit a requested deliverable shall result in the supplier's PPAP being rejected.

Additional assessments may be required per customer-specific requirements. Suppliers are required to maintain onsite records of compliance for a time specified by CCTS plant representative.

13 Unauthorized Changes

In cases where a Supplier has implemented an unauthorized change or has failed to deliver contracted products in accordance with the specifications and terms of a CCTS order, all cost that are incurred by CCTS and/or its customers shall be the sole responsibility of the Supplier.

14 Product Containment

Product Containment is requirement by CCTS for a Supplier to add a redundant inspection process for sorting of specific non-conformities. The redundant inspection is in addition to normal controls and should be completed in a controlled area. Submission of the sorting data showing inspection results is required. The data obtained from the redundant inspection process is critical as both measure of the effectiveness of the secondary inspection process and the corrective actions taken to eliminate the initial non-conformities.

CCTS shall notify the Supplier that they have been placed on Containment. Examples of criteria for a supplier being placed on Containment may include the following:

- Repeat quantity performance issues.
- Critical launches.
- New Suppliers.
- Customer-specific requirements such as, GP-12 and FPSC.

This list is not all encompassing and additional items may be determined by CCTS.

For severe/critical failures (Criteria: repeated occurrence and/or risk of production disruption and/or customer complaint), CCTS reserves the right to place the supplier on Level 1 or Level 2 Containment as noted below:

Level 1:	100% inspection of outgoing goods at the supplier's facility for a minimum of 20 days (or a minimum of 3 consecutive shipments) without defect. Supplier is to maintain inspection records and provide those records to CCTS.
Level 2:	100% inspection of outgoing goods at the supplier's facility utilizing supplier funded certified Third -Party provider a minimum of 20 days (or a minimum of 3 consecutive shipments) without defect. Supplier is to maintain inspection records and provide those records to CCTS.

Supplier at Level 2 Containment is not permitted to bid for new, existing or transfer business until otherwise notified by either the plant or Purchasing. Other measures may be required if Level 2 controls are not effective.

15 Product Inspection and Process Control

Records of ongoing process and product control must be available to CCTS on request. The Supplier must immediately analyze possible causes, take corrective measures, and prove effectiveness of such measures in case of failure.

Suppliers shall allow CCTS, its customers, or customer representatives the right to verify at the Supplier's premises that the purchased product or service meet specified requirements.

The Supplier is obliged to have a system in place that covers tool management for regular and preventive maintenance/repair for equipment and tools. Tool management and tool changes are expected to be documented.

16 Reference Parts/Samples

Upon completion of a production lot, one Lot-off piece is to be retained as a reference sample. The quality of the last production parts is to be compared to the quality set forth in the specifications and Control Plans.

17 Handling/Storage/Packaging and Delivery

The Supplier is obliged to use appropriate means and methods of handling, storage, packaging, and delivery methods to avoid adverse effects on product quality. Unless otherwise specified, packaging is the responsibility of the Supplier. CCTS approval is required before Mass Production.

All material shipped by the Supplier shall be identified with a label that shall ensure product identification and traceability throughout all stages of production. All cartons/containers/racks/bins shall be identified. Labeling should adhere to CCTS labeling standards. The Labeling requirement may be dictated by the product being shipped or the facility that the product is being shipped to.

The identification method shall meet the specifications provided by CCTS. A Master Label is required for multiple containers of the same part on a single pallet. The supplier should ship one-part number per skid unless approved otherwise by the Materials Department.

The Supplier should have a process in place for scanning all bar code labels to create shipping documents and the Advance Shipping Notice. Failure to label correctly may result in administrative charges.

All product shipped to CCTS requires an AIAG approved, legible barcode label containing at a minimum:

- Part Number - must be scannable barcode.
- CCTS Item Number - must be scannable barcode.
- Engineering Level.
- Manufacturing / Ship Date.
- Lot Number / Heat Number – required.
- Quantity – storage location (to be supplied by CCTS).

The Bill of Lading shall contain the above information including quantities per Lot number for traceability purposes.

18 Barcode Approval

Barcode approval is required ahead of initial shipment.

19 CCTS or CCTS Customer owned Tooling & Equipment

In case the Supplier has received CCTS or CCTS's customers tooling and equipment for parts production, it is the Supplier's responsibility to keep the tooling and equipment preventive maintenance and UpToDate calibration, if applicable. All costs for the product nonconformities and miss delivery due to poor tooling and equipment maintenance and outdated calibration shall be charged to the Supplier.

20 Non-Conforming (Discrepant) Product Containment

The supplier must have a system implemented to ensure that nonconformity (Discrepant) Product is identified and quarantined to prevent introduction into production shipment.

20.1 Managing Discrepant Product

Non-conforming or discrepant product is defined as a deviation from drawing or purchase order requirements such as quality, appearance, packaging, material, labeling, quantity, handling, shipping, delivery, cleanliness, dimensional or performance issues.

Upon detection of defects, the supplier must determine the affected quantity, contain the part and rework and/or scrap them. Rework procedure must be available at the Rework station. A test of the parts, equivalent to the one carried out during the normal production process, is done after the rework to ensure acceptable quality level.

Where there is the possibility that defective product has been shipped to CCTS, the Supplier is expected to notify CCTS and provide containment. This includes but is not limited to products in transit, work in progress, and finished goods.

Products, which have been deemed defective at the Supplier's facility, including those caused by a sub-supplier, must be managed appropriately to protect CCTS from receiving discrepant material.

Unless it can be ruled out that defective parts have been delivered to CCTS, CCTS's Quality Department must be informed immediately to determine suitable measures, containment, and product identification. This also applies to defects detected after delivery. Instructions by the CCTS Quality Department concerning containment and repair are to be followed. To allow traceability, the Supplier must submit supporting data to CCTS.

The CCTS Engineering and Quality Departments may approve deviations from specifications, where adverse effects for function, durability, or safety are not to be expected. These special releases are only valid for a limited delivery period or quantity and must be documented properly between the Supplier and CCTS.

20.2 Processing of Supplier Non-Conformance Report

Upon detection of defective purchased parts or service at CCTS, a Supplier Non-Conformance Report ("SNCR") is initiated and emailed to the Supplier. Phone contact is made with the Supplier and decision is made in cooperation with the Supplier, and if necessary, with the sub-supplier, regarding the handling and containment of such parts. A Return Merchandize Authorization ("RMA") number is requested at this time.

This decision may entail:

- The immediate return of the entire shipment to the Supplier (if necessary, in cooperation with a CCTS Quality Manager). Replacement certified stock is expected so as not to cause disruption to production and/or supply as per CCTS requirements.
- Sorting by a 3rd -party provider. (Rework requires CCTS Quality approval). Use of 3rd -party to sort/rework defective product does not relieve the Supplier of their responsibility for the quality or on-time delivery of product.
- Sorting measures at CCTS and possible rework by the Supplier at CCTS (with CCTS Quality concurrence). Costs incurred by CCTS shall be recovered from the supplier.

When processing a Supplier Complaint form, the Supplier must communicate with CCTS:

- Interim containment measures within (24) hours of receipt of the complaint.
- Permanent corrective measures within (15) days of receipt of the Supplier Complaint, unless otherwise agreed upon by the issuing location.

Until the corrective measures take effect, CCTS may request additional measures (e.g., increased test frequency). The Supplier is responsible for any additional expenses resulting from these measures.

Each SNCR shall carry, at a minimum, an administrative charge of \$450.00 to the Supplier.

20.3 Corrective Action Report

Suppliers receiving a SNCR shall be responsible for submitting a Corrective Action Report (“CAR”) as follows:

- a) If non-conforming material is received at CCTS from the supplier causes a major disruption (downtime) to production lines, and/or issue at CCTS, the supplier shall respond within (24) hours with a containment plan and submit an approved corrective action plan (i.e., 8d, 5P, 7-step, etc.) within (10) days. Any deviation from the requirement must be agreed to by CCTS Quality Department Within (90) days of action plans, the completed corrective action must be implemented and verified that the action taken was effective.
- b) Upon receiving a CAR from CCTS, Suppliers are required to immediately sort 100% of their product, including product at CCTS, in transit, in warehouses, at the Supplier’s production facility, etc., and to ensure that CCTS is supplied with sufficient certified stock to assure no disruptions to production. Material must be labeled as certified for the specific defect or defects for the next three shipments unless otherwise directed by CCTS.

20.4 Supplier Charge Back

Suppliers are responsible for quality, on-time delivery, and reliability of the product they supply. Product must meet the drawing and any referenced specification requirements. The Supplier accepts financial responsibility for the consequences of nonconforming product and rejected PPAP submission including, but not limited to, costs incurred for containment, sorting, premium freight, rework, repair, and replacement of defective material, resulting overtime and productivity loss incurred by CCTS or CCTS’s customers.

The schedule for charge back costs associated with nonconforming product and to CCTS can include but is not limited to:

- An administration fee of \$450.00 for each SNCR issued.
- Off-site 3rd Party Sorting-charges to be paid directly between Supplier and 3rd Party Sorting company.
- In-house 3rd Party sorting (if allowed by specific CCTS site)-charges to be paid directly between Supplier and 3rd Party Sorting company.
- In-house sorting by CCTS personnel (if required to avoid down production line-Supplier shall be responsible for actual costs incurred.
- Production Line Down Charge-Supplier shall be responsible for actual costs incurred.
- Miscellaneous fees (rework, material handling, required customer visit time and travel costs, expedites, Customer location sorting fees, tooling/machine damage, testing, etc.). Supplier shall be responsible for actual costs incurred.
- Missed shipments.
- All applicable warranty costs.

CCTS shall identify any costs associated with the SNCR using the CCTS’s SNCR (PC-QUA-F-015). The CCTS Purchasing shall review and approve the cost recovery and debit the Supplier for the appropriate costs incurred.

21 Materials Management

21.1 Material Management Operation Guideline

Some suppliers may be required to provide a copy of their Material Management Operation Guideline (“MMOG”) certification. CCTS requires its Suppliers to implement MMOG and if they fail to do so by a target date, a SNCR may be issued. For further information on receiving MMOG training, contact an AIAG/Odette representative, or CCTS Quality Department for assistance.

21.2 Material Releasing and Authorization

Authorization financial commitment for released material CCTS provides the supplier. In other words, it is how much material (measured in weeks) CCTS shall buy from the supplier if the part is no longer required. If a supplier has a raw authorization of six weeks, CCTS shall purchase no more than six weeks' worth of raw material from that supplier if CCTS decides no longer to use the part. Supplier shall monitor and follow their FIFO (First In-First Out) inventory in their storage and by reporting the sequential number of produced product as well as the date of production on supplier premises.

21.3 Missed Shipments

CCTS expects all their suppliers to expedite all missed shipments the same day at the supplier's expense. All missed shipments shall be documented and shall be reflected in the quarterly Supplier Performance Rating.

21.4 Safety Stock & Change Responsiveness

Fluctuations in demand have become commonplace in the automotive industry. CCTS expects that an increase or decrease in demand of up to 20% be supported without any cost, quality, or delivery impact. Suppliers to CCTS are required to carry enough inventory of product to protect CCTS and their Customers from shortages. Suppliers should establish the minimum inventory required as protection and be prepared to provide this information to CCTS upon request.

To prevent missed deliveries to CCTS, suppliers must ensure that they have the capability to maintain inventory levels despite potential interruptions involving:

- Labor disruptions
- Material shortages
- Equipment failures
- Capacity shortfalls
- Tool transfers

Maintaining a base amount of safety stock shall be required of all CCTS suppliers. The amount of safety stock shall depend on many factors, such as, geographic proximity and manufacturing processing time, but shall typically amount to **one week's supply**, or more in the case of a new product/program launch. Overseas supplier safety stock requirements shall be determined on an individual case by case basis (Per CCTS's Requirements). Short shipment shall require a supplier action plan and shall result in delivery performance penalties.

22 Supplier Communication

Suppliers should be capable of receiving and sending electronic communication with CCTS. Suppliers must notify CCTS within 24 hours of a production interruption. The nature of the problem shall be communicated to CCTS and immediate actions taken place for continued supply of product to CCTS.

Suppliers shall inform CCTS immediately should they receive a Major Non-Conformance in IATF 16949 or ISO 9001 Audits, which put them on probation or restricted ship or hold, or if they receive a letter indicating they are on special status per section 7.3.

Suppliers with collective bargaining agreements shall be responsible for providing CCTS with an Action Plan for potential interruption six months prior to any negotiation.

Product volume change request from CCTS for increasing or decreasing volume by 25% or more over the previously verified volume capability shall require confirmation from supplier management to ensure no interruptions from the supplier to CCTS.

23 Contingency Plans

CCTS requires suppliers to establish contingency plans to prevent failure of the supplier to deliver product within the terms of the contract/purchase order/release in the event of an emergency such as utility interruptions, labor shortages, key equipment failure, and field returns.

CCTS reserves the right to review the supplier's contingency plan. If CCTS and/or its customer's production is interrupted by the failure of the supplier to deliver scheduled product within agreed to terms, all costs and/or penalties that are incurred by CCTS and/or our customers shall be the sole responsibility of the supplier.

24 Continual Improvement

Continual Improvement regarding cost reduction is an essential element of long-term business success for CCTS and its Suppliers. To remain competitive, CCTS and its Suppliers must recognize the requirement to find effective ways to eliminate waste and reduce the cost of our products.

25 Environmental Protection and Hazardous Materials

Suppliers must meet or exceed all Federal, Provincial/State, and Local statutory and regulatory requirements when operating their facilities. It is the Supplier's responsibility to determine and effectively implement appropriate measures that are required to abide by.

Records of Compliance to applicable statutory and regulatory requirements are to be provided to CCTS upon request.

26 Validity period of the Supplier Quality Requirements Manual

The SQM is valid and in effect as long as the Supplier is an approved Supplier for CCTS.

Suppliers shall be made aware of any Revisions to this document and shall be able to locate the updated document per Section 4.

27 Supplier Acknowledgement

Valued Supplier,

CCTS has developed this Supplier Quality Requirements Manual to communicate, clarify, and document all requirements to current and future suppliers. A copy can be made available upon request.

The current copy of the SQM is attached. Please review, retain, and distribute copies for reference as appropriate. Refer any questions or concerns to supplierdevelopment@pphc.com

It is requested that an Authorized Supplier Representative fully execute this acknowledgement and email the fully executed copy to:

Supplierdevelopment@pphc.com
ATTN CCTS Corporate Purchasing Department
RE: Supplier Quality Requirements Manual

We have received the CCTS Supplier Quality Requirements Manual and understand and agree to the contents and conditions specified therein:

Supplier Name: _____

Location: _____

Quality Manager: _____

Date: _____

Print Name: _____

Plant Manager: _____

Date: _____

Print Name: _____

Appendix A Conflict Minerals Policy

1. PURPOSE

The purpose of this policy is to memorialize our process to ensure compliance with the Conflict Minerals reporting rules under the Dodd-Frank Act of 2010.

2. POLICY STATEMENT

CCTS supports the goal of the conflict minerals reporting rules under the Dodd-Frank Act of 2010 and will comply with its rules.

CCTS endeavors to refrain from purchasing products or materials for use in our products that contain any Conflict Minerals (as defined below) which originate in the Democratic Republic of the Congo or an adjoining country (“DRC”). In addition, CCTS seeks to source its purchases of such minerals from smelters that have been audited as “conflict-free smelters.” The requirements do not extend to any Conflict Minerals that are obtained from recycled or scrap sources.

We expect our suppliers whose materials remain in our finished product to (1) ensure that the products they sell to us will not contain any DRC-sourced Conflict Minerals and (2) establish appropriate due diligence programs to ensure compliance with this requirement through their own supply chains. Upon request, we expect our suppliers to provide us with reasonable and appropriate information regarding the source and chain of custody of any Conflict Minerals they sell to us.

“Conflict Minerals” means (1) columbite-tantalite (coltan), cassiterite, gold and wolframite, (2) their derivatives, which are limited to tantalum, tin, and tungsten, and (3) any other minerals or derivatives which the U.S. Secretary of State determines to be financing conflict in the Democratic Republic of the Congo or an adjoining country.

For purposes of this policy, the term “CCTS” and, when capitalized, the term “Company,” refer to CCTS Holdings, LLC, as well as its wholly owned subsidiaries.

3. PROCEDURE

As required by law, the Company must conduct an annual review of the specifications of our products and confirm whether any Conflict Minerals were necessary to the functionality or production of such products and remain in our finished product. This process is led by the Legal Department. In order to appropriately fulfill this review obligation, the Legal Department will ensure cross-functional collaboration among the relevant departments—including without limitation Research and Development, Quality and Procurement. These efforts will also cover diligence into third-party materials purchased by the Company (such as coatings and oils) that remain in or on finished product to determine whether the chemical composition of such materials includes any Conflict Minerals.

If such Conflict Minerals are in our final products and necessary to the products, we must annually conduct a detailed review of the ways in which such applicable Conflict Minerals enter our supply chain and are used. This review may establish that such applicable Conflict Minerals come from either mined or scrap sources. If purchased in scrap form, such Conflict Mineral is considered “conflict free” under the Conflict Minerals rules. However, if less than all of the Conflict Mineral comes from scrap sources, we must then undertake in good faith a reasonable country of origin inquiry to determine the ultimate source of the non-scrap Conflict Mineral, if any, used in our production and whether any of it originated or was processed in the DRC.

To complete such inquiry, we must annually engage in a country-of-origin inquiry of our supply chain to determine from which mines and smelters our non-scrap Conflict Minerals, if any, originated and the various points of custody prior to being incorporated into our product. In executing this inquiry, we must.

- i. contact the suppliers from whom we purchase non-scrap sources of Conflict Minerals (or other potential Conflict Mineral-containing materials) and discuss periodically with such suppliers' relevant personnel source and custody of such Conflict Minerals prior to its delivery to the supplier.
- ii. receive a certification or other form of reasonable assurance from each relevant supplier that the materials delivered to us during the calendar year did not originate in the DRC or contain Conflict Minerals from the DRC and agreeing not to supply such materials in the future without our prior consent.
- iii. send a letter to each supplier from whom we purchase non-scrap Conflict Minerals requesting completion of the Conflict Mineral Reporting Template of the Electric Industry Citizenship Coalition® and the Global e-Sustainability Initiative ("EEIC-GeSI"), which includes disclosure as to any mine and/or smelter from which any applicable Conflict Minerals originated or were processed.
- iv. perform independent diligence on the parties we determined were in our Conflict Minerals supply chain in an effort to determine whether any "red flag" factors were present that could indicate that such suppliers may procure applicable Conflict Minerals from the DRC; and
- v. review the relevant Conflict Mineral suppliers included in the CFR Conflict-Free Smelter List maintained by EEIC-GeSI and compare those parties to our suppliers to determine whether the Company's sources of applicable Conflict Minerals have been audited and are considered to be "conflict-free".

Any questions regarding this Policy or the applicable procedures or requirements set forth above should be directed to the CCTS Legal Department.

PREPARED BY:

APPROVED BY:

/s/ Simon Hughes

/s/ Rick Uszynski

Corporate Business Development Manager

Vice President – Manufacturing Engineering