



WESCAST HUNGARY AUTÓIPARI ZRT.

SUPPLIER REQUIREMENTS / EXPECTATIONS
MANUAL



SUPPLIER REQUIREMENTS / EXPECTATIONS MANUAL

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PRINCIPLE STATEMENT

Suppliers and their sub-suppliers are one of the most important keys to the success of Wescast Hungary Autóipari Zrt.'s and are an integral part of the products that are delivered to Wescast's customers.

Purpose: The purpose of this document is to define, standardize and communicate Wescast Hungary Autóipari Zrt.'s expectations towards its suppliers.

Scope: The rules and expectations laid down in this Manual are effective to all suppliers/sub-contractors who are currently supplying, or intend to supply parts/services to Wescast Hungary Autóipari Zrt.

These supplied parts include, but are not limited to: exhaust manifold castings, turbine housing castings, integrated exhaust manifold castings, heat shields, studs, screws, bushings, flap plates, flap arms, pins, fittings, spacers, external machining service providers, etc.

This Supplier Manual is the integral part of Wescast's general purchase terms and conditions.

It is important that the supplier - as part of Wescast's supply base - displays the willingness to work towards the common goals outlined in this document, therefore Wescast requests that it is signed by the Chief Executive of the supplier and the "Acknowledgement Signatures"-page is returned to Wescast's Supplier Development Engineer.

CONFLICT MINERALS STATEMENT

Use increased awareness of violence and human rights violations in the mining of certain minerals (gold, tantalum, tin and tungsten) from an area in central Africa.

Wescast is committed to continuing to operate in a socially responsible manner and expects suppliers throughout our supply chain to supply products and materials from socially responsible sources.

We inform our suppliers on the Conflict Minerals Rule and reporting requirements. Suppliers have been directed that they must continually undertake practical due diligence within their supply chains to identify the sources of these minerals contained in the products they supply to Wescast. If we learn that supplied products contain Conflict Minerals, we will report in accordance with the law and work with our suppliers and customers to determine the best course of action.



1.0 Wescast Hungary Quality Requirements / Expectations

Quality Policy

Wescast European Business Unit (EBU) casts and machines high quality turbocharger housing, turbo manifolds and exhaust manifolds for the global automotive industry.

Our goal is to be the leading supplier of our business, an attractive employer and an excellent investment opportunity. Focusing on the "Zero defect", we are committed to meet the requirements of customers and applicable legal regulations, concentrating on key areas by applying the method of continuous improvement we ensure customer satisfaction, to reduce variation and to waste within our systems, processes and products.

In order to share our quality philosophy, the supplier is expected to:

- Have Quality levels at 0 PPM for all supplies provided to Wescast Hungary
- Ensure 100% on-time deliveries based on Wescast Hungary's purchasing needs
- Cooperate with Wescast Hungary Supplier Development / Supplier Quality Improvement staff,
- Continually improve processes to raise quality level and reduce costs

1.1 General

- The supplier must comply with Wescast Hungary's quality expectations defined in this Manual
- Suppliers are fully responsible for the quality of their products. In order to ensure "Zero Defect", an effective Quality Management System must be in place. Suppliers are expected to work in accordance with the requirements described in ISO 9001:2015 and be working toward IATF 16949:2016 and all AIAG & VDA reference documents, including: Production Part Approval Process, Failure Mode and Effects Analysis, Advanced Product Quality Planning, Measurement Systems Analysis, and Statistical Process Control
- Supplier have to ensure that the latest QMS certificates are available and updated at Wescast.
- Above requirements are mandatory unless otherwise agreed to in writing by Wescast or by written permission from the Customer given to Wescast. In some cases Wescast can provide 2nd party certification through the annual Supplier audit process. In this case, Wescast reserves the right to charge the Supplier for this certification. Suppliers are also responsible for assuring their subcontractor's PPAPs are approved and are under a controlled system of evaluation and review. These records must be made available for Wescast examination when



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requested.

- Supplier is expected to implement a robust quality management system that promotes defect free products through prevention, monitoring and on-going improvement.
- Wescast prefers certification to IATF 16949:2016 for its suppliers, but will accept certification to ISO 9001:2015 and the supplier be working toward IATF 16949:2016 in conjunction with Wescast's specific requirements (the contents of the Wescast Supplier Management System) as a minimum for supplier selection and in meeting IATF 16949:2016 section 8.4 as well as 10.2.
- Suppliers who are not registered must either:
 - Submit a detailed implementation plan defining their path to registration to Wescast Hungary Supplier Development Engineer
 - Have and respond to the findings identified during a full IATF 16949:2016 quality management system audit conducted by Wescast Hungary
- Suppliers registered to ISO 9001:2015 or IATF 16949:2016 must notify Wescast Hungary Supplier Development Engineer of certificates being revoked or placed on probation.
- Supplier must notify Wescast Hungary if plan to change registrar
- The supplier shall meet with Wescast Hungary on a continual basis. Topics to be discussed, but are not limited to, include:
 - Quality and delivery performance
 - Trends in the market
 - Potential continuous improvement initiatives



2.0 Wescast Hungary Environmental Requirements / Expectations

Environmental Policy

The primary objective of Wescast Hungary Zrt. is to ensure the continuous production and product of perfect environmental performance by applying the environmental management system, named as ISO 14001: 2015.

In order to achieve our environmental goals we word the proper action in our Environmental Poily as follows - without being exhaustive:

The company determines its objects in connection with the environment policy during the management audits and evaluates their fulfilment. Its objectives are continuously updated according to the requirements of the customers and other interested partners.

The company is constantly striving to reduce environmental pollution to the lowest possible extent with the use of appropriate technologies while using resources efficiently. It continuously monitors and measures its impact to the environment so that it can prevent the environmental pollution or damage.

During the course of its activity the company continuously monitors the aspects of environmental protection and the environmental impacts especially in the introduction of new activities and products. It pays attention to the acquisition and application of modern professional and environmental knowledge as well as the best available techniques and technologies, which less pollute the environment.

2.1 General

In order to share our environmental, health and safety attitude, the supplier is requested to:

- Provide proper information on supplies having a negative environmental impact or endangering human health and safety, to prevent environmental damage and human injury,
- Always comply with national environmental legal rules and regulations when providing supplies to Wescast Hungary,
- Make sustained efforts to continuously improve their environmental performance through improvements in processes and materials,
- Wescast Hungary is striving to purchase non-hazardous materials therefore we expect from our Suppliers to reduce the using rate of dangerous materials.
- Wescast Hungary needs suppliers who have ISO 14001 or comparable registered Environmental Management System in place. It is expected



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that compliance with the requirements of this standard will be achieved within a 3 year period from acceptance of the terms and conditions of this document.

2.2 IMDS

The supplier shall complete information requested within the International Material Data System (IMDS) as per AQP/PPAP requirements.
Wescast's ID number in the IMDS system: 1294.

For further information, please go to www.mdsystem.com

3.0 Purchase Process and Requirements

3.1 RFQ process

Wescast Hungary seeks suppliers who offer the most comprehensive cost, design, manufacture and service support, including:

- Full compliance to this document
- Quality and technical support on site at Wescast Hungary's plant, as required
- Warranty responsibility shall be defined within the Purchasing Contract/Agreement

Wescast Hungary sends out a Supplier profile to the supplier which must be completed and sent back by the supplier. If the supplier does not fill it out until the given dead-line then the supplier is no longer considered and Wescast Hungary starts to search for a new supplier.

After receiving the Supplier profile the SD/SQ Engineer evaluates it together with the responsible Buyer. If the supplier's answers are not acceptable then the SD/SQ Engineer puts the supplier into the Supplier Inventory List in Forbidden status, in "C" grading. If the supplier's answers are acceptable then the SD/SQ Engineer puts the supplier into the Supplier Inventory List in Possible status, in "A" grading.

Wescast Hungary will issue an RFQ package to potential suppliers, including:

- Request for Quotation (RFQ)
- Drawings, specifications
- Request for feasibility review
- Request for MSDS, technical data sheets, etc., if applicable

If the supplier is not able to meet all the specifications as detailed in the technical documentation, any deviation required must be agreed upon in writing with Wescast Hungary.



Evaluation of the quotation is the responsibility of the Buyer. If the quotation is not acceptable then we do not make business with the supplier in the actual matter, but we keep the supplier on the Supplier Inventory List in Possible status for future business chance.

If the purchased goods have a significant effect on Wescast Hungary's finished products and/or production processes then the SD/SQ Engineer can decide to conduct an on-site audit at the supplier's premises prior to the production part approval process.

After the assessment the SD/SQ Engineer evaluates the audit and prepares the audit report.

If the audit result is not acceptable, and the SD/SQI Engineer does not consider the supplier to be improvable then we put the supplier into Forbidden status on the Supplier Inventory List.

If the audit result is acceptable after the audit or after certain actions then the production part approval process can be started.

Wescast Hungary is committed to preventing acts of modern slavery and human trafficking from occurring within it's business and supply chain and imposes the same high standards on it's suppliers.

Wescast Hungary enforce a strict act and do not tolerate slavery and human trafficking within our supply chain. For example, if we find evidence of a failure to comply our policies or where a potential negative human rights impact has been identified we will require the supplier to immediately comply or we terminate our relationship with the relevant supplier and seek an alternative source.

3.2 Purchase Orders

Wescast Hungary will issue purchase order to the supplier based on the successful evaluation and approval of sample parts. No work should commence without written authorization from Wescast Hungary.

A written confirmation of the order must be sent each time by fax or e-mail that the supplier is able to meet with the specified quantities and dates defined on the order.

3.3 Service and Replacement

Purchase order requirements apply for a minimum of fifteen (15) years of service after production has ceased or as otherwise stated in writing by Wescast Hungary.



3.4 Traceability

Having a strong traceability system is a key component to overall success, with the focus on improving quality, reducing costs, optimizing processes, and ultimately improving time to-customer throughout our supply chain. Visibility of data is vital for our supply base who make, store, or move components through the supply chain because the data is used in production output calculations, quality control and process capability calculation, inventory management, revenue forecasting, warranty, repair, and other business operations. It's also critical to increasing throughput and lowering production costs. Lack of individual traceability significantly increases the time for root cause analysis and identification of the source of a defect, as well as increased financial impact in the event of a quality incident.

With that in mind, Wescast Hungary has specific traceability requirements outlined below:

The supplier need to put a VDA label on each box delivered to Wescast and will indicate the following data on the labels:

- Supplier name
- Product description
- Each batch numbers included in the box
- Wescast's internal ID part number (8 digits)
- Drawing number with actual index
- Quantity/box

The supplier must operate FIFO system on all lots delivered.

4.0 Advanced Quality Planning (AQP)

4.1 General

Suppliers supplying automotive components (castings, assembly parts) are required to conform to the AIAG PPAP, AIAG APQP & Wescast AQP requirements defined below.

The Wescast Supplier AQP Tracking Checklist reference several different documents as reference documents. The AIAG documents are available for purchase directly from the AIAG website (www.AIAG.org).

The completion of the output's (requirements and documentation) of each AQP phase is the responsibility of the supplier. The supplier is required to maintain documentation to demonstrate the completion of each AQP activity. Many documents generated in the AQP process are considered dynamic and should be updated as changes occur. The supplier MUST make documentation available to Wescast representatives as requested.

In support of a flawless launch, Wescast Hungary's SD/SQ Engineer will:



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- Verify the completion of the required tasks
- Assess production readiness by evaluating the supplier's AQP progress
- Assist and present (if appropriate) engineering changes to the customer
- Immediately alert Wescast Hungary Senior Management if a program is at risk for issues that occur at the supplier location

4.2 Advanced Quality Planning Process

4.2.1 Phase I – Plan and Define

During this phase the supplier and Wescast will work together to plan and define the launch. The supplier is to learn details of the program and build detailed plans on how they will meet them.

4.2.2 Phase II – Product Design and Development

During this phase the supplier and Wescast will work together to design and develop the product, if Wescast is design responsible. The goal of this phase is to ensure that Wescast's products and components meet their customer needs, are delivered and launched as scheduled and that they are developed in a structured and analytical manner.

4.2.3 Phase III – Process Design and Development

During this phase, a collaborative relationship must be formed between the supplier and Wescast to develop a manufacturing process that will produce quality parts. To accomplish this task, the input from phases one and two are critical. Creating and developing a highly capable and productive process takes input from numerous resources and significant tenacity.

4.2.4 Phase IV – Product and Process Validations

This section deals with the necessary requirements for validating the manufacturing process and product design. Manufacturing instructions and tooling/gauges are completed in preparation for the production trial run. A preliminary production run (Production Part Approval Process (PPAP) level as per AIAG requirements – to be defined by Wescast Hungary Supplier Development Engineer) is performed to validate that the production process (equipment and personnel) is capable of manufacturing product that meets Wescast's and the end customer's requirements.

NOTE: If production parts are to be produced from more than one cavity, mould, tool, die or pattern a PPAP submission is required from each one.



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Any open issues that are identified during this phase must have action items defined and corrective action generated. The goal is to have processes that are capable, meet Wescast's production capacity requirements, parts are manufactured to specifications and/or print and that the supplier will be able to generate an approved PPAP warrant.

A successful completion of PPAP demonstrates supplier capability using the production machinery, tooling and facilities with the trained personnel at the intended production rate that is capable of meeting the Wescast/OEM required volumes (as specified on the Request for Quote (RFQ)).

4.2.5 Phase V – Approval

The following levels of approval may be granted by Wescast Hungary's SD/SQ Engineer:

- a) Production Approval
The supplier is authorized to ship production quantities of the part subject to releases from the customer scheduling activity
- b) Interim Approval
Permits shipment of the material for production requirements on a limited time or piece quantity basis
- c) Rejected
The submission, the production lot from which it was taken, and accompanying documentation do not meet customer requirements. Corrective product and documentation must be approved before production quantities are shipped

4.2.6 Phase VI – Lessons Learned

Lessons Learned is the final stage of AQP. Using a multi-disciplinary approach with the Supplier AQP team, it is the supplier's responsibility to review and document the Lessons Learned associated with the product launch. Evidence of this event should be in the form of an action plan outlining the Lessons Learned and how these instances will be prevented from reoccurring in the future.

4.3 Prototype Part Submission Requirement

Prototype parts are to be made to authorized part number and revision level drawings, bill of materials, templates, models and/or other engineering documentation using specified materials.

Supplier is required to complete the following documentation with each prototype submission:



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- Inspection records (dimensional results etc.)
- Material certification
- Part weights
- Prototype control plan

Details regarding each requirement are to be agreed to in writing (email is accepted) with Wescast Hungary's SD/SQI Engineer.

4.4 Production Part Approval Process (PPAP)

The product approval process is done according to the AIAG's PPAP manual (4th edition). Wescast Hungary's requirement is the submission of PPAP package as defined within the WHA PPAP Submission Checklist. It is allowed to submit the PPAP package on a different level solely with the written permission of Wescast Hungary's SD/SQ Engineer.

PPAP samples must be submitted in the following cases:

- Delivery of a new product
- After correction resulting from PPAP rejection
- After drawing amendments where applicable
- Following a tool/process change
- Following the introduction of new machines/equipment
- Following a change in manufacturing location

Before initiating a change on an already approved product or process the supplier must obtain written approval using Wescast Hungary's Supplier Change Request (SCR) form.

The appropriate form has to be sent to Wescast Hungary's SD/SQ Engineer. All Initial Samples must be produced and tested from production tooling and be submitted prior to the start of serial production or before introducing a product or process change.

4.5 Process/Product Capability and Monitoring

Supplier is encouraged to use Statistical Process Control (SPC) system wherever possible with minimum acceptance values of 1.33 Cpk for monitoring of ongoing production process and product capability (for all parameters).

Supplier may be requested to submit on a regular basis Cpk statistical data for all customer designated and process special characteristics to Wescast Hungary's SD/SQ Engineer.

Supplier may be requested to submit Product Audit results on a half-yearly basis.

If the process does not meet the Cpk capability target or the Product Audit requirements, the supplier must get approval from the SD/SQ Engineer for



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the following:

- The containment plan describing the 100% inspection method or the appropriate sampling method that prevents out of specification parts/materials being shipped to Wescast Hungary.
- The Corrective Action Plan for capability improvement.

Special Characteristics (KCC, SCC, CAP) & Pass Through Characteristics (PTC)

- During the APQP phase Wescast Hungary's SD/SQ Engineer informs the supplier about the supplied part's Special and Pass Through Chars. These characteristics shall be identified in the supplier's Control Plan, Process Flow Chart and p-FMEA.
- Spec Chars shall be monitored by the supplier by SPC. SPC data for these features from PPAP run shall be included in the PPAP documentation. The minimum acceptance value for Special Characteristics during the PPAP run is 1.67 Cpk.
- PTC means those features of a product which are not used and/or checked by Wescast Hungary during the machining/assembly process therefore only Wescast Hungary's customers will recognize if these features are out of the specification.
- The supplier shall apply poke-yoke or SPC method to monitor all PTC features. If poke-yoke is not applied, then the minimum acceptance value for PTC features is 1.33 Cpk.
- The supplier will measure the KCC, SCC, CAP & PTC features on 2 pcs from each pattern cavity with the following frequency and send the Cpk results to Wescast accordingly:
 - ✓ 1-3 month after SOP: monthly
 - ✓ 4-9 month after SOP: quarterly
 - ✓ From 10th month after SOP: half-yearly

4.6 CQI requirements (CQI-9, CQI-11, CQI-15, CQI-19)

- Unless otherwise agreed to in writing all Wescast suppliers of heat treated components and services are required to comply to AIAG CQI-9. The goal of this standard is the development of a heat treat management system providing continual improvement, defect prevention and reduction of variation and waste in the supply chain. Suppliers may be expected to perform annual self assessments, including a job audit as defined in the CQI-9 Manual. The CQI9 Manual can be obtained at AIAG.org, listed under Products and Publications. Wescast reserves the right to complete its own on site heat treating assessment.
- Wescast may require compliance to AIAG CQI-11. As with CQI-9, the goal of this standard is the development of a plating management system providing continual improvement, defect prevention and reduction of variation and waste in the supply chain. Suppliers may be expected to perform annual self assessments, including a job audit as defined in the CQI-11 Manual. The CQI-11 Manual can be obtained at AIAG.org, listed



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under Products and Publications. Wescast reserves the right to complete its own on site plating assessment.

- Wescast may require compliance to AIAG CQI-15. The goal of this standard is the development of a welding management system providing continual improvement, defect prevention and reduction of variation and waste in the supply chain. Suppliers may be expected to perform annual self assessments, including a job audit as defined in the CQI-15 Manual. The CQI-15 Manual can be obtained at AIAG.org, listed under Products and Publications. Wescast reserves the right to complete its own on site welding system assessment.
- Wescast may require compliance to AIAG CQI-19. The goal of this standard is the development of a sub-tier supplier management system providing continual improvement, defect prevention and reduction of variation and waste in the supply chain. Suppliers may be expected to perform annual self assessments, including a job audit as defined in the CQI-19 Manual. The CQI-19 Manual can be obtained at AIAG.org, listed under Products and Publications. Wescast reserves the right to complete its own on site sub-tier Supplier management assessment.

5.0 Engineering Changes

5.1 General

If the supplier intend to change any of the followings of an already approved product then he must require an approval from Wescast Hungary prior to any actions taken:

- Change of manufacturing technology
- Change in part/material processing
- Restart of production after 12 months
- Due to corrective actions
- Change to optional construction or material
- Change of manufacturing location
- Parts/material produced at additional location
- Tooling: transfer, replacement, refurbishment.

Suppliers requiring changes must send the request in writing by using Wescast Hungary's SCR form (F-6-0014) to the SD/SQ Engineer.

Deliveries will not start prior to a written approval from the SD/SQ Engineer. Pending the approval the non-changed version must be delivered.

Major changes shall be forwarded to Wescast Hungary Supplier Development Engineer as they occur. The following changes are considered major, but are not limited to:

- Loss of critical supplier
- Loss of 3rd party registration
- Loss of customer certification



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- Change in the 24 hour contact list of key personnel
- Ownership change and major organizational restructuring
- Pending strike / labour dispute
- Process change
- When placed on probation by another customer, to include controlled shipping (CSL1/CSL2) due to quality spills

5.2 Supplier Deviation Request (SDR)

The supplier must obtain written permission prior to shipping product/material that is out of the specification and carry out the following:

- Submit Wescast's SDR form (F-6-0015) to Wescast Hungary Supplier Development Engineer
- Track the SDR expiration date and applicable quantity of product/material
- Ship product/material within the scope of the SDR
- Obtain authorization for additional shipments beyond the agreed limit

6.0 Complaint Handling Process

All articles received by Wescast Hungary may be subject to inspection.

At Wescast Hungary's discretion, any or all of the goods in a lot, in which there are article(s) which do not conform to the specification may be:

- returned to the supplier at the supplier's expense
- sorted 100% at the supplier's expense
- reworked (if possible) by the supplier at the supplier's expense
- scrapped at Wescast Hungary at the supplier's expense

If Wescast Hungary's customer and/or Wescast Hungary requires a sort due to a quality issue caused by non-conforming products supplied by the supplier, then the supplier must immediately sort the stocks at all premises at its own expense (at Wescast Hungary's customer, at Wescast Hungary and at the supplier's premise).

If any quality problem occurs with the received materials during the incoming inspection or on the production line, it is Wescast Hungary's SD/SQ Engineer's responsibility to prepare and send the quality complaint to the supplier. It can be done via e-mail or fax, in each case in written form.

It is the SD/SQ Engineer's liberty to decide whether he/she asks 8D report from the supplier for the complaint or not. If he/she requires 8D report from the supplier, then the supplier must use Wescast Hungary's 8D report form (F-5-0024). If he/she does not require 8D report from the supplier, then the supplier has to send the corrective/preventive actions using his own form.

NOTE – At the time of the issue of 8D, Wescast may also decide to place the supplier under CSL as described in section 6.1.

The next 3 shipments, after a complaint, have to be labelled by using Wescast Hungary's „Green Tag” (F-6-0017). Where feasible additional marking of each part



may be requested.

If the SD/SQ Engineer asks an 8D report for the concern then the supplier has to reach the 5th step of the 8D report (possible permanent corrective actions) within 5 working days after the complaint was sent and they have to inform the SD/SQ Engineer in written form about the actions. The 8D report has to be closed within 30 days after the complaint was sent.

If the supplier does not send the corrective actions until the defined due date, or the corrective actions were sent but prospectively they are not acceptable, the SD/SQ Engineer will follow-up the reasons of delay or the reasons of refusal with the supplier.

If an acceptable reason cannot be determined during the follow-up then Wescast Hungary can hold back the payment of supplier's outstanding invoices, furthermore the SD/SQ Engineer can visit the supplier's site and conduct an on-site audit.

If the supplier does not initiate the corrective actions after the on-site audit or the corrective actions are not acceptable then the supplier will be graded into forbidden status and Wescast Hungary will start to search for a new supplier.

Wescast Hungary and its customers reserves the right to verify product conformance to the requirements at the supplier's and their sub-supplier's sites.

6.1 Controlled Shipping

6.1.1.1 Determination Of The Need For Controlled Shipping – Level 1 / 2

Situation1: If Wescast's customer puts Wescast on CSL1 or CSL2 due to a quality issue caused by non-conforming products supplied by the supplier, then Wescast puts the supplier under the same CSL level automatically (following the rules laid down in section 6.1.2 & 6.1.4). In this case it is not a question of negotiation between the supplier & Wescast. In this case the supplier have to bear all extra costs at Wescast's customer & at Wescast (selection cost, scrap, 3rd party selection cost, line stoppage, etc.).

Situation2: If the problem arises between the supplier & Wescast (do not reach Wescast's customers) then Wescast and the supplier will enter into discussion prior to Wescast requiring CSL1 or 2:

➤ In case of the 1st complaint, Wescast asks for corrective/preventive actions (8D report) & checking its efficiency. Wescast makes the determination whether the supplier can effectively correct the non-conforming material situation through 8D process and isolate the customer from the problem.

➤ If the same problem arise within 3 months at Wescast with the same or similar duration and severity, then Wescast puts the supplier



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under CSL1 or 2 or if the same problem arise 3 times within 1 year with the same or similar duration and severity, then Wescast puts the supplier under CSL 1 or 2.

Based on consideration of the above, Wescast decides whether level 1 or level 2 would be appropriate.

6.1.2 Controlled Shipping – Level 1 Process

Wescast Supplier Development Engineer notifies the supplier by calling the appropriate staff level member of the supplying location. This is official notification of Controlled Shipping – Level 1 (CSL1) status. This notification must be live and not by voice mail or other forms of communication. Written communication confirms this conversation.

Wescast Supplier Development Engineer will then communicate to the supplier the following in writing:

- The problem
- The need for additional inspection
- Irreversible corrective action containment efforts
- Exit criteria
- Other as determined by Wescast

The supplier is required to:

- Replace defective parts with parts to an acceptable quality level with the Supplier Development Engineer's approval.
- Immediately establish a separate containment activity area at their location that is acceptable to Wescast Supplier Development.
- Commence the sort activities and display the results in a public and visible location.
- Track breakpoints of non-conforming material. (Purge pipeline of suspect material, i.e. at customer's facility, in transit and at all storage locations.)
- Individual parts, material, and containers are to be marked, as agreed upon by Wescast Supplier Development Engineer, to identify parts for production.
- Conduct a daily management review of the results and ensure that corrective actions taken are effective, or plan required changes.
- Communicate results of sort activities to Wescast in a format and with a frequency agreed to by the Wescast Supplier Development Engineer.
- Meet the defined exit criteria. Exit criteria will be established by incorporating the agreed measurements verifying that the root cause was identified and appropriate irreversible corrective action was implemented and is effective.
- Request exit from CSL1 and provide supporting documentation on



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performance and corrective actions to Wescast Supplier Development Engineer.

- Recovery plan to be communicated to Wescast Supplier Development Engineer.

Wescast Supplier Development Engineer evaluates if the exit criteria have been met and communicates, in writing, that the supplier is no longer considered to be in CSL1.

6.1.3 Controlled Shipping – Level 1 – Containment Area Design Requirements

The intent of the controlled shipping containment guidelines is to outline and describe a rigorous process that insulates Wescast from the receipt of non-conforming parts and material. The CSL1 containment guidelines are as follows:

- Containment area must be highly visible and properly lighted, equipped, etc.
- Containment area must have well defined efficient material flow including clearly identified areas for incoming and outgoing parts/material.
- Repairs will not be done in the containment area.
- Containment area must be independent of the supplier production process.
- Information boards must prominently display non-conformances, measures, action plans, status, and results of the containment activity.
- Charts must be updated on a daily basis and reviewed by supplier management. Problem solving must be formal, data driven and documented.
- Containment operators must have available to them proper job instructions, quality standards, boundary samples, tools, and equipment, etc.
- Operators must be properly trained and training records maintained.
- Preventive maintenance must be employed, if required.

6.1.4 Controlled Shipping – Level 2 Process

Wescast Supplier Development Engineer with input as required analyzes the non-conformance situation and determines if Controlled Shipping – Level 2 (CSL2) is required.

Wescast Supplier Development Engineer notifies the supplier of CSL2 by calling the appropriate staff level member of the supplying location. This is official notification of CSL2 status. This notification must be live



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and not by voice mail or other forms of communication. Written communication confirms this conversation.

Written by the Wescast Supplier Development Engineer or the other appropriate management sends communication, to the supplier's top management. The letter will describe:

- The action being undertaken
- The non-conformance(s)
- The inspection checks required
- Exit criteria required to be achieved
- Request a date for formal implementation and name of CSL2 provider

A supplier written confirmation reply must be submitted to the Wescast Supplier Development Engineer.

An implementation meeting is scheduled and facilitated by Wescast Supplier Development Engineer which will review the following:

- Review the process CSL2 flow diagram
- Describe the problem(s)
- Define the roles and responsibilities of every party
- Establish the controlled shipping plan details
- Define the exit criteria
- Define the communication plan
- Name the Wescast person who will receive the information and return any feedback
- Name the supplier person who will send the information
- Definition of the information that will be sent and the format (corrective action and containment status, at a minimum)
- Frequency the information will be sent
- Method for information transmission and feedback

Attendees for this meeting should include the following at a minimum:

- Wescast Supplier Development Engineer
- Third party CSL2 company representative
- Wescast's Program Manager
- If additional assistance is needed it will be requested by the Wescast Supplier Development Engineer

The following lists describe the roles, responsibilities and authorities of the mentioned parties:

Wescast Supplier Development Engineer

- Approves which third party will conduct the CSL2 containment activities. This decision will include input from the appropriate management
- Reviews, verifies, and approves the containment plan
- Reviews, verifies, and approves the corrective action plan



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- Facilitates definition of the exit criteria
- Drives resolution of all issues
- Assumes responsibility for resolution of all commercial and financial issues surrounding CSL2 activity
- Co-ordinates recovery plan
- Communicates with OEM's through Wescast's Program Manager

Controlled Shipping Third Party

- Provides people to perform the re-inspection, and records results
- Provides proper instruction, documents and gauges (if required) for re-inspection activity
- Provide documented CSL2 activity updates to both the supplier and Wescast Hungary's SD/SQ Engineer (frequency to be determined by Wescast)
- Ensures that the required data is properly collected
- Manages all activities including, but not limited to data collection, personnel attendance, etc.

6.1.5 Controlled Shipping Production Supplier Responsibilities

The supplier is responsible for the following:

- Replace defective parts with parts to an acceptable quality level with Wescast Supplier Development Engineer's approval
- Contacting and issuing a purchase order to the controlled shipping third party for CSL2 activities
- Communicating results of sort activities to the customer in a format and with a frequency agreed to by the Wescast Supplier Development Engineer
- Individual parts, material, and containers are to be marked, as agreed upon by Wescast Supplier Development Engineer, to identify parts for production

6.1.6 Information Boards

Information boards should prominently display the following:

- Quality standards such as boundary samples, technical specifications, drawings, etc.
- Non-conformance descriptions and resolution action plans
- Process control plan highlighted to show where in the process the non-conformance occurred
- Operator instructions
- Trend charts, to include Product Capability (Cpk) assessment
- Statistical Process Control charts (SPC), if applicable

6.1.7 Tracking

Problem resolution and containment progress will be tracked using an



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agreed upon report format. Information is to be sent as directed to the Wescast Supplier Development Engineer. The report should include the following as a minimum:

Inspection Results			Disposition of Material				
Inspected #	Conformed #	Non-conformed #	# Reworked	# Repaired	# Scrapped	Name	Shift

6.1.8 Exit Criteria

A supplier cannot self-exit from Controlled Shipping Level 1 or Level 2. In order to exit, the following must occur:

- Perform containment activities for the specified amount of time indicated on the controlled shipping notification letter
- Contact Wescast Supplier Development Engineer of the root cause corrective action and confirm that the corrective action was effective.
- Corrective action was implemented and validated
- Process documentation has been revised (Control Plan, Process Failure Mode Effectiveness Analysis (PFMEA), Instructions etc.) PFMEA RPN reduction action must be documented
- Process capability (Ppk/Cpk) was assessed for conformance
- Indicate if efforts were taken to implement error proofing
- Request removal, in writing, from controlled shipping

6.1.9 Removal from Controlled Shipping Status

Wescast Supplier Development Engineer evaluates if the exit criteria have been met. If the exit criteria have been satisfied, Wescast Supplier Development Engineer communicates in writing that the supplier is no longer considered to be in controlled shipping and controlled shipping activities can cease.

Suppliers cannot be removed from controlled shipping status or cease the controlled shipping activities without documentation from Wescast Supplier Development Engineer that authorizes the removal.

7.0 Supplier Charge Back

As described in section 1.0, 6.0 and 9.0 suppliers are responsible for the quality, on-



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time delivery, and reliability of the product they supply. Product must meet the drawing and any referenced specifications. Suppliers accept financial responsibility for the consequences of non-conforming product and rejected PPAP submissions including, but not limited to, costs incurred for containment, sorting, premium freight, rework, repair costs of Wescast value add processing, and replacement of defective material, resulting overtime, and productivity loss incurred by Wescast or by Wescast's Customers.

Following is the charge back costs associated with non-conforming product sent to Wescast Hungary site:

- Administration fee for each complaint issued.
- Off-site 3rd Party Sorting charges to be paid directly between Supplier and 3rd Party Sorting Company.
- In-house sorting by 3rd Party Sorting Company charges to be paid directly between Supplier and 3rd Party Sorting Company.
- In-house sorting by Wescast Hungary personnel (if required to avoid down production line) Supplier will be responsible for actual costs incurred.
- Production Line Down Charge. Supplier will 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 will be responsible for actual costs incurred.
- Supplier will be responsible for all applicable warranty complaint related costs.

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 the Wescast Purchase Order, all cost that are incurred by Wescast and/or its Customers will be the sole responsibility of the Supplier.

Charge Back Debit:

- The method of charge back will be by debit memo, processed by Wescast.

8.0 Quality system improvement funds

Quality system improvement funds are the set of basic quality initiatives that when successfully implemented will improve the current management system. It is intended to strengthen the existing Quality management system of suppliers. Experiences have demonstrated some direct correlations between Quality system improvement funds implementation and improved Supplier performance metrics. For this reason, it is Wescast expectation that Suppliers will incorporate this set of quality principles.

Supplier's commitment to the below Quality system improvement funds will be considered during nomination:

- Quality awareness
- Layered process audits (AIAG CQI-8)
- Error proofing verification



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- Fast response
- Control of non-conforming goods
- Standardized work
- RPN reduction
- Lessons Learnt

9.0 Supplier Performance Monitoring

Wescast Hungary continuously monitors and measures supplier performance on the following important areas:

- Delivery performance
- Quality performance
- Price
- Cooperation

The supplier performance evaluation of delivery, quality and cooperation is summarized monthly and the supplier is informed about the result within the following month.

The supplier performance evaluation of price is summarized yearly and it includes yearly audit result and 60% of monthly results. Supplier is informed about the annual result within every January.

The performance is recognized as criterion for continuous relationship.

Details of the supplier performance rating are outlined in the Supplier Performance Evaluation procedure (Wi-5-0032).

10.0 Supplier Development Expectations

Wescast expects the supplier continual improvement (CI) process to be driven by the following factors:

- Supplier's internal focus on product and process improvement
- Wescast Supplier Critical Few
- Supplier's input to internal product or process improvement at Wescast
- Improvements to quality, delivery, and price

The Continuous Improvement initiatives are to be communicated to Wescast Supplier Development Engineer. Supplier Development Engineer will document these initiatives.

11.0 Enclosures

F-5-0024 Supplier 8D Report form
F-6-0014 Supplier Change Request form (SCR)
F-6-0015 Supplier Deviation Request form (SDR)
F-6-0017 Supplier Green Tag
Wi-5-0032 Supplier Performance Evaluation procedure



Acknowledgement Signatures

The following company executives understand and acknowledge the principles stated in this document. By signing it they show their support to successfully achieve Wescast Hungary's quality and business goals. This agreement is a mandatory part of Wescast Hungary's purchase contract terms and conditions.

Signature:

Signature:

Date / Wescast Hungary Autóipari Zrt.

Date / Supplier Representative