QUALITY REQUIREMENTS FOR SUPPLIERS

Rev. 12 --- 12th January 2023

Issued by: E. Arnaiz

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INTRODUCTION

Integrated in a high competitive market is **MCG** intention to consolidate its position as a strong and reliable partner. Therefore, the continuous improvement is the basis of our management system.

The relationship with suppliers is the key for success; this success will depend on the effectiveness of the communication between both parties in order to guarantee and exceed customer expectations.

This document establishes the necessary quality requirements to assure an effective and profitable business relationship between **MCG**, and its Suppliers. All requirements in this manual are to be considered “Customer Specific Requirements”. Its application is mandatory and any deviation must be waived by **MCG** prior to implementation.

It is the supplier’s responsibility to check at regular intervals for updates to this Manual at www.mcgauto.com.
These requirements are part of the purchasing contract and must be signed from both parties.
Changes from last revision are identified in light blue.

MCG expects suppliers to establish processes and designs with the goal of achieving zero defects, 100% on time delivery, and annual score A. Suppliers are also expected to strive for continuous improvement in quality, innovation, delivery, service and competitiveness.

GENERAL REQUIREMENTS

The implementation of a Quality Management System that meets customer requirements and fulfils the supplier needs is the basis of a profitable relationship between companies. **MCG** Policy can be downloaded from website: www.mcgauto.com

MCG policy is to acquire raw materials and components from suppliers that are 3rd party certified, ISO 9001:2015 minimum (*), given preference to those registered according to ISO IATF 16949:2016.

Supplier shall demonstrate conformity to ISO 9001:2015 by maintaining a third-party certification issued by a certification body bearing the accreditation mark of a recognized IAF MLA (International Accreditation Forum Multilateral Recognition Arrangement) member and where the accreditation body´s main scope includes management system certification to ISO/IEC 17021.

The suppliers with only certification according to ISO 9001 must also comply with requirements MAQMSR (Minimum Automotive Quality Management System Requirements). MAQMSR can be found through IATF website: http://www.iatfglobaloversight.org/wp/wp-content/uploads/2016/12/Minimum-Automotive-Quality-Management-System-Requirements-for-Sub-tier-suppliers-2nd-Ed.pdf

The implementation of Environmental and Health & Safety management systems according to ISO 14001 and OHSAS 18001 standards is strongly recommended. As a minimum, suppliers must keep a waste management system and follow the applicable legal requirements.

MCG reserves the right to conduct audits at suppliers' location or request self assessments to suppliers even when they are 3rd party certified.

SCOPE

This manual is mandatory for all MCG direct material suppliers as well as suppliers of manufacturing processes services like e-coating, laser cutting...

Directed-buy suppliers are also requested to comply with the requirements included on this Manual. The escalation of the problems that may arise includes a direct customer communication. (Refer to IATF 16949 chapter 8.4.1.3)

(*) Certification to ISO 9001 through third-party audits; unless otherwise specified by customer.

CODE OF CONDUCT

MCG inform the principles of this code of conduct also to the supplier, requiring and promoting the accomplishment of the content of this code of conduct.

This Code of Conduct defines the set of rules and principles for an acceptable behavior within MCG and SUPPLIERS.

I. Business Ethics

a) Human Rights
MCG and SUPPLIERS respects and supports the compliance with the international acknowledged Human Rights.

b) Prohibition of corruption and bribery
The highest standards of integrity and ethics are to be expected in all business interactions. Any and all forms of corruption, bribery, extortion and embezzlement are strictly prohibited. This includes any payment, gifts or other form of benefit in violation of government regulations or internal standards and procedures for the purpose of influencing decision making.

c) Non-Discrimination
Harassment or discrimination against employees in any form is not acceptable. MCG and SUPPLIERS defends the right to equal access to opportunities with regard to employment, training and promotion, working conditions of employees. This includes but is not limited to gender, ethnic origin or race, color, caste, disability, chronic illness, union membership, political or ideological beliefs, religion, origin or social status, age, marital status, pregnancy or sexual orientation.

d) Business Secrets
MCG and SUPPLIERS requires its employees to comply with corporate and business secrets. Confidentiality information and documents shall not be disclosed or made accessible unauthorized to third parties, unless such authorization has been granted previously or it is public accessible information. The legal principles for protecting personal data of employees, customers and investors will be considered.

e) Integrity in competition
Unfair competition is not accepted in any business interaction. Competition laws must be respected.

f) Preventing the Flow of Funds to Armed Groups and Conflicts
MCG strives to use only components with raw materials where extraction, transport, trade, processing and export are obtained from validated sources as a matter of principle, wherever practicable. We ask our suppliers to source responsibly and endeavor to understand that sourcing of their materials neither directly nor indirectly provides funding to conflicts and human rights abuses.

II. Working conditions / Labor

a) Child labor

Child labor must not be utilized in any stage of manufacturing. MCG and SUPPLIERS follows the applicable regulations of each country where is located respecting also the ILO conventions recommendation of a minimum age for admission to employment. Working schedules and age of employee must also be respected in accordance with local regulation.

b) Forced or compulsory labor, Human Trafficking

Any work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily must not be used. The supplier will not use forced or involuntary labor of any kind or tolerate physically abusive disciplinary practices.

c) Wages, benefits and working hours

Compensation, benefits and working hours must comply with local applicable regulation, respecting ILO conventions and industrial standards. Minimum wages, working hours, breaks and other rights must be respected. Overtime must be voluntary and be in accordance with legal regulations. Employees must be aware of rights and duties and a systematic payroll system must be in place.

d) Freedom of association and Collective Bargaining

Freedom of association is supported by MCG and SUPPLIERS. Employees are free to join any union, association, representation or similar without any fear of reprisal. Communication with management in regard to working conditions or labor issues is encouraged.

e) Health and safety

Employees must have access to a safe and healthy work environment that accomplishes all legal requirements. Organization must provide all the necessary protection to employees in the scope of periodical risk assessments.

f) Legal Compliance

MCG is committed to complying with all applicable legal requirements. Suppliers are expected to comply with all applicable legal requirements and prevent incidents or conditions that might result in a violation of law. All purchased materials used in manufacture of goods shall satisfy current governmental and safety constraints on restricted, toxic and hazardous materials as well as environmental, electrical and electromagnetic considerations applicable to the country of manufacture and sale. All suppliers must be in compliance with ISO14001, IATF 16949 and ELV (End-of-Life) Directive, or their successors, as amended from time to time.

g) Coercion, Harassment and Discipline

MCG expects its suppliers to treat their employees with dignity and respect. Suppliers are expected to have systems in place to prevent, detect, and resolve unacceptable worker treatment such as harassment, inappropriate use of discipline, discrimination, physical or mental punishment, or other forms of intimidation or abuse (e.g., physical abuse, threat of abuse, sexual or other harassment, verbal abuse, any type of corporal punishment, or other forms of mental and/or physical coercion as a form of discipline).

III. Environment Protection

The environment protection is required for all activities and processes done within MCG and SUPPLIERS. This includes not only the commercial operations, but also the supplied products and the interaction with local interested parts. The legal requirements must be accomplished wherein the company has the responsibility to act in order to provide environmental sustainability. The management system focused on the environment matter must be present in order to ensure the satisfaction of all stakeholders and pollution prevention.

The supplier shall have a corporate responsibility policy which shall include at a minimum the following principles:

a) Anti-bribery policy

b) An employee code of conduct

c) An ethics escalation policy (“whistle-blowing policy”)

The supplier undertakes to make available to MCG all details and information required.

 Refer to IATF 16949 chapter 5.1.1.1

ZERO DEFECT POLICY

Within the supply chain, customers and Suppliers (free sourced or mandated) are interdependent upon each other's performance. Our target is to ensure customer satisfaction for Quality, Cost and Delivery (QCD).

To enable us to achieve this, we must have as Objectives:

- Class A Suppliers
- 100% of initial samples delivered right first time and on time
- 0 customer complaint strategy
- 0 Tolerance on Safety- and Regulation Alerts
- 0 Warranty Case/Cost
- 0 MPM strategy (Miss-Delivery per Million)

MCG expects a commitment from the suppliers to achieve a Zero-Defects approach. To do that, the suppliers shall implement all possible actions in accordance with the state-of-the-art.

The fulfillment of these objectives does not relieve the supplier from its obligation and liability in case of defects, which can lead to claims from MCG or MCG customers.

CONTINUOUS IMPROVEMENT

The suppliers shall have a documented process for continual improvement of product and manufacturing processes.

Typical continuous improvement activities are focus on:

- Wastes reduction: overproduction, unnecessary movements, delays, transport, over-processing, quality costs, overstock, environment wastes.
- Use of statistical methodologies to reduce process variation.
- Risk analysis. The supplier shall include lessons learned, product audits, product recalls,field returns and repairs, complaints, scrap and rework.

Note: In some cases, the measures defined within the framework of a continuous improvement can suppose a change on the product or process. In the chapter "4.9 Control of changes on the product or process" is described what is considered as a change and the requirements that must be met in these cases.

 Refer to IATF 16949 chapter 10.3.1

OTHER REQUIREMENTS

MCG strongly recommends that suppliers implement Lean Manufacturing practices in their organization. At any time, supplier may be contacted to implement specific practices in accordance with **MCG** special requirements.

PARTS AND PROCESS APPROVAL

SPECIAL REQUIREMENTS / SPECIAL CHARACTERISTICS

There are characteristics with higher risks which require special consideration. These are the “Special Characteristics” which can be defined by MCG or end customers of MCG

Deviations in these characteristics can seriously affect product safety, product lifetime, assembly capability, product functionality, quality and can violate official or legal regulations

The supplier must meet the special requirements of our customers, which must be provided by MCG purchases. The supplier has the obligation to request them in all new requests and include them in its management system.

The supplier shall identify and mark them in all relevant in all relevant product and process documents.

ADVANCED PRODUCT QUALITY PLANNING

Supplier must apply the advanced quality planning procedure according to AIAG´s APQP (Advanced Product Quality Planning) manual. **MCG** may ask for evidence of this procedure implementation even during serial production stage.
Supplier must authorize the presence of **MCG** during APQP activities, if requested.

PPAP/ PPF (Production Process and Product Approval-VDA 2)

For each new part or material, the supplier must submit initial samples for approval and the complete package of support documentation according to the latest edition of PPAP (Production Part Approval Process) manual (available from AIAG) or **PPF** according to VDA 2. Unless otherwise specified the **submission, level is 3**. Any exemption to this requirement will be agreed before conclusion of contract or before initial samples production.

For raw materials (rubber compound) PPAP level 2 is required. The minimum documentation is:

- PSW (Part Submission Warrant)
- Material report

Additional documentation can be defined by **MCG** if necessary.

Samples for approval must be submitted at the agreed date and always before the start of serial production. Support documentation must be complete and make reference to all required measurements and tests. **MCG** will not accept incomplete documentation and will not start the approval process in this condition.

If samples are not approved the supplier must implement all the necessary corrective actions in order to correct the discrepancy and submit new samples following the above-mentioned procedure.

ENGINEERING CHANGES

After initial samples approval, the supplier is responsible for assuring that all components / materials supplied to **MCG** are produced under the same conditions and with the same material of the approved initial samples. Supplier can not make any change to components / materials without a **MCG** written authorization. This authorization must be issued before the first delivery of modified components / materials.
A modification can be:

- Component / material modifications (dimensions, raw material, functionality, tests)
- New supplier for raw material, parts or services
- Process change (new tools, changed tools, changed process, new process or new technology)
- Plant change (production transfer to a different location)

Supplier is responsible for any modifications that affect component / material and must inform **MCG** when subcontracting occurs.

For any supplier proposed modification on part / material a written description of the proposed change and details (costs, effects) must be presented to **MCG**. If accepted, conditions for modification will be determined (new PPAP submission, implementations dates, safety stock, special identification).

MCG will provide all the necessary information to the supplier whenever a modification is required and the conditions for change will be agreed between both parties (new PPAP **/ PPF** submission, implementation dates, safety stock, special identification).

DEVIATION REQUEST

Deviations/ concessions can be considered for a specific quantity or a specific time frame. Deviation requests must be written addressed to **MCG** and contain the following information:

- Supplier identification
- Contact person
- Component/ material identification, including reference to the applicable engineering level or equivalent
- Complete description of deviation (non-conformity) with suppliers opinion on potential effects on fit, form and functionality
- Quantity or time frame

MCG will give a written answer to the supplier who is not allowed to supply any components / material without previous approval.

All deliveries under a special acceptance must be identified with a copy of the concession approval. All packaging must be identified with “Shipment under concession”.

REGULATED SUBSTANCES

It is mandatory, the supplier will comply with all existing, modified and upcoming Environmental Regulations and Conventions on a worldwide scale. The supplier must fulfill all resulting obligations such as the restriction and forbiddance of substances and their certain uses.

The following list shows some key Regulations and Conventions covered in this chapter:

• Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH)

• RoHS (Directive 2011/65/EU Restriction of Hazardous Substances)

• Biocidal Products Regulation (BPR, Regulation (EU) 528/2012)

• Regulation (EC) No 850/2004 of the European Parliament and of the Council of 29 April 2004 on persistent organic pollutants and amending Directive 79/117/EEC (POP)

• Stockholm Convention to protect human health and the environment from persistent organic pollutants

• U.S. Toxic Substances Control Act (TSCA) and its amendment, Frank R. Lautenberg Chemical Safety for the 21st Century Act.

• Directive 2000/53/EC of the European Parliament and of the Council of 18 September 2000 on end-of life vehicles (ELV)

• Wall Street Reform and Consumer Protection Act; July 2010, U.S. law H.R. 4173 incl. Dodd-Frank passage – section 1502 (Conflict Minerals)

MANDATORY REQUIREMENTS OF SUBSTANCES OF VERY HIGH CONCERNS

Concerning REACH (Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals). The Supplier must fulfill all obligations due to Registration, Evaluation, Authorization and Restriction of Chemicals.

MCG is committed to ensuring compliance with all sections of the latest European Parliament Directive regarding the Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS). In relation to the legal requirements established by the European Community regarding restrictions on the use of certain Hazardous substances RoHs Directive 2015/863/UE. It also requires heavy metals such as lead, mercury, cadmium, and hexavalent chromium.

This includes communication obligations of SVHC in articles; even for spare parts and packaging.

In the case of importing substances, mixtures or articles, the Supplier takes the role of an importer and needs to comply with all resulting obligations.

The supplier is requested not to use SVHC (Substances of very high Concern) in articles and mixtures delivered to **MCG**.

Therefore, the use of substances which are listed in Annex XIV and XVII of REACH and the candidate list are not permitted.

If the supplier intends to use a SVHC they must contact Faurecia in time to negotiate and recommend further actions, risks and substitution options.

Further information could be found while following the listed links:
www.acea.be
www.clepa.be
https://echa.europa.eu/home

CONFLIT MINERALS

Conflict Minerals (Tantalum, Tungsten, Tin and Gold) are natural resources mined in a conflict zone and sold to support the fighting. The most prominent example has been the Democratic Republic of Congo (DRC), where various armies, rebel groups, and outside actors have profited from mining with supporting wars in the region.
This requirement comes from the section 1502 of the "Dodd-Frank Wall Street Reform and Consumer Protection Act", similar regulation is in preparation in the EU and China.
Supplier has to apply for a Code of Conduct Sourcing & Supply Chain approach and in addition to fill the related form to ensure compliance with this requirement.

IMDS

In addition to the demonstration that all engineering requirements and specifications are met, initial samples documentation must show evidence of the conformance to Directive 2000/53/EC, applicable environmental & safety regulation and customer requirements.

Supplier must show evidence that all customer requirements are met including the applicable lists of reportable or prohibited substances.

For this purpose, it is required the supplier record in the IMDS (International Material Data System) and the delivery of the MDS (Material Data Sheet) through IMDS to **MCG.**

- MCG Auto Portugal Company ID: 48936;
- MCG Stamping Company ID: 195115.

The Material Safety Data Sheet (MSDS) according to Directive 2001/58/CE must be delivered with samples.

PACKAGING

The optimization of the packaging that is used for delivering materials to **MCG**, namely the standardization of materials, dimensions and quantities, allows:

- Content preservation
- Storage optimization
- Safety during transportation
- Safety during motion

Seeking for a higher environmental performance **MCG** prefers the usage of containers material recyclable.

Each individual container must be identified.

The packaging specification must be defined prior to raw material or component approval. Packaging specification must be submitted together with PPAP documentation.

QUALITY DURING SERIAL PRODUCTION

PROCESS MONITORING

Supplier process monitoring conditions for serial production will be defined during the APQP process. Supplier control plan must be approved by **MCG**.

MCGAuto may require the periodic delivery of documentation concerning product or process, schedule visits or other monitoring actions. The requirements will be communicated to supplier.

A layout inspection and a functional verification to applicable customer engineering material and performance standards shall be performed for each product annually. Supplier must keep all associated records and make them available to **MCG** upon request.

Supplier is responsible for establishing a monitoring system that allows a timely detection of tools wear out. In case that tool wear out is detected, supplier is not allowed to proceed with corrections without prior warning to **MCG**. The procedure for parts approval after correction must be agreed between parties.

INCOMING INSPECTION

The supplier is responsible for the quality of delivered components / materials. Therefore, **MCG** has no responsibility for controlling material at incoming stage and material can be delivered directly to production line. Randomly or whenever **MCG** considers necessary, qualitative control can be made at incoming stage and a claim will be issued if deviations are found.

Supplier is responsible for any non-conformity detected either at **MCG** or at final customer originated by supplier's defective material.

TREATMENT OF NON-CONFORMITIES

The supplier is responsible for the quality of delivered components / materials at any time. He is also responsible for delivering components and materials within the agreed date and quantities. **MCG** requires 100% delivery performance (delivery dates and quantity).

Supplier responsibility does not end after delivery of components / materials to **MCG**; any customer concerns, rejections or recalls related with supplier defective or suspect component / material will be supplier's responsibility.

Claim administrative costs

For each claim issued 75 € of administrative costs will be charged to the supplier.

Non-conformity management

The supplier shall apply the 8 disciplines problem solving methodology for non-conformities treatment and display knowledge and training on the technical solving of problems.

For claims answer the supplier must use an 8D. (An 8D report must be issued in English whenever requested).

MCG considers the tool "5 Why´s" a good practice for root causes identification. This tool may be required together with 8D report. The supplier shall provide the evidence of the corrective/preventive actions implemented (for example. updated Control Plan, FMEA, Work instructions, new C_{pk}'s, etc, …).

8D Methodology

1. Establish team

Establish a small group of people that has the authority, knowledge, skills and time to solve the problem and implement corrective actions.

2. Describe the problem

Describe the problem by identifying what is not conform to specifications and quantifying to the extent needed. Seek for questions such as What? Where? When? How many? How big?

3. Containment actions

Define, verify and implement containment actions to isolate the effects of the problem until permanent corrective actions are implemented. Validate the effectiveness of those actions.

4. Root causes

Identify all potential causes that might have originated the problem. Test any of them individually in order to isolate the root cause.

5. Permanent corrective action

Select the appropriate and permanent corrective action to eliminate the root cause. Assess if the selected corrective actions will resolve the problem for the customer and will not cause undesirable side effects.

6. Validation of permanent corrective actions

Establish and implement plans for the selected permanent corrective actions and define controls to assure that the root cause has been eliminated. Monitor the long-term results and implement containment actions if necessary.

7. Prevent recurrence

Modify the necessary systems, including policies, practices or procedures to prevent recurrence of the problem or other similar problems.

8. Congratulate the team

Recognize the team effort and members contribution for problem solving.

Containment actions

When non-conformities occur, supplier must provide containment actions that do not interrupt production flow. These can include sorting / rework of parts, immediate replacement of defectives and identification with “parts / material OK”, or other agreed with **MCG**.

Containment actions may include the presence of the supplier at **MCG** for a better problem analysis.

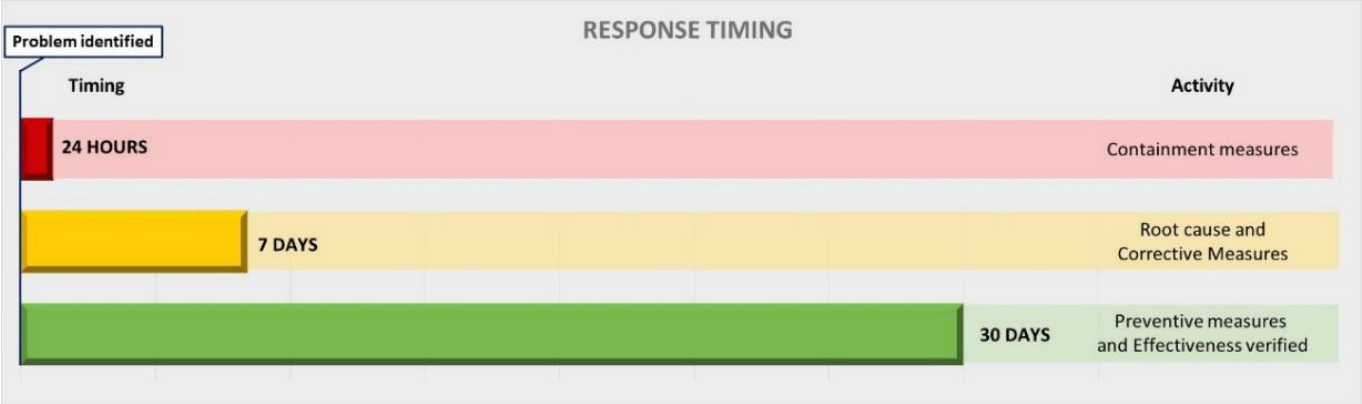
The 8D report identifying containment actions (3D) must be provided in **24 hours** after claim is issued.

Suspect material that exists in **MCG** facilities will also be submitted to containment actions. Supplier must support all related costs, including inspections or reworks performed by 3rd party companies that cooperate with **MCG**. In this case, supplier will receive from **MCG** the contacts of the 3rd party company and is responsible to coordinate directly the containment process together with that company though keeping **MCG** informed about the progress of actions.

Permanent corrective actions

Suppliers must provide **MCG** with 8D report root cause analysis within **7 days** after claim is issued and sent to supplier.

The complete 8D report must be provided within **30 days** including improvement actions and validation.



Recurrence

A recurrence of a non-conformity means that either the corrective action was not effective or put in place. This also demonstrates that the effectiveness was not validated.

In case of repetitive problems **MCG** can ask supplier management to visit **MCG** and agree on an action plan.

Supplier shall perform 100% inspection, at his expense, until problem is solved; if required, supplier must also accept an audit from **MCG**.

WARRANTY RETURNS

Warranty terms, conditions and reimbursement are applicable for the supplier in the same terms as applied to **MCG** by their customers. For warranty claims, within the warranty period, for which is clearly identified supplier's responsibility, the supplier shall accept the claim and analyse the returned product together with **MCG**.

For these claims **MCG** will also charge the 75€ for administrative costs.

SUPPLIER RATING

To improve the communication and suppliers performance **MCG** has developed a system of suppliers evaluation.

PERFORMANCE INDICATORS OF DIRECT MATERIAL SUPPLIERS

The instruction defines the indicators used by MCG to monitor the suppliers performance during serial life.

The objective is:

- To follow-up of suppliers regarding MCG requirements and performance criteria.
- To ensure the quality of all purchased parts delivered to MCG.
- To provide ongoing feedback to suppliers.
- To allow the early identification of quality issues.
- To promote a continuous improvement policy along every supply chain in order to contribute to Zero-defects objective.

EVALUATION CRITERIA (MCGA PORTUGAL)

The results of evaluations will be communicated to the supplier annually to all suppliers with classification B or less

1. Delivery

1.1.1 Delivery performance

This criterion is calculated based on the total of deliveries with occurrences versus the total of delays during a period of time. This information is given in %.

The delivery performance is determined by the following formula:

Delivery performance = [(Quantity ordered – Quantity received/ Quantity ordered] x 100

In accordance with table.

Delivery performance	Score
≥ 0%	20
-1% -5%	15
-6% -10%	10
-11% -20%	5
≤ -20% -100%	0

1.1.2 Premium Freight

This criterion is calculated based on the total of deliveries with occurrences versus the total of “special transports” used during a period of time. This information is given in %.

The Premium Freight is determined by the quantity of special transports used by the supplier.

In accordance with table.

Premium Freight	Score
0-1	5
> 1	0

1.2 Delays performance

The delay performance is determined by the following formula:

Delay performance = [proposed date – delivery date]

In accordance with table.

Delay performance	Score
0-5	15
6-10	10
> 10	0

2. Quality

2.1 PPM

This criterion is calculated based on the amount of non conform material versus the total material delivered during a period of time. **N.º PPM = (n.º defective parts / total parts received) X 1.000.000**

In accordance with table.

PPM	Score
0-50	20
50-100	15
100-125	10
125-150	5
> 150	0

2.2 Claims and/or concerns

This criterion measures the supplier Quality performance, based on demerits…

This criterion is calculated based on the quantity of demerits during a period of time. In accordance with table.

Demerits	Score
0-5	40
6-25	30
26-50	10
> 50	0

FINAL SCORE

Total score is given by the accumulated result

Delivery performance + Delays performance + PPM + Claims and/or concerns

Three levels are defined based on the final score:

Score	Level	Status
80-100	**A**	Preferred supplier
79-60	**B**	Needs improvements
< 60	**C**	New business hold

Depending on the achieved performance, the suppliers are classified as A, B or C.

In case of a “B” scoring, MCG requires that the suppliers review their scoring and implement continuous improvement actions in order to achieve the highest performance, without explicit requirement by MCG.

If supplier has 2 consecutives “B” scores, an action plan will be requested for improvement.

If supplier is a “C” customer MCG Auto reserves the right to put supplier on “Business Hold”.

 Refer to IATF 16949 chapter 8.4.2.4

EVALUATION CRITERIA (MCG STAMPING)

The results of evaluations will be communicated to the supplier annually to all suppliers with classification B or less; the supplier shall issue an action plan whenever deviations from target occur.

1. Delivery

1.1 Delivery performance

This criterion is calculated based on the total of deliveries with occurrences versus the total of delays during a period of time. This information is given in %.

The delivery performance is determined by the following formula:

Delivery performance = [(n.º of deliveries - n.º occurences)/n.º total of deliveries] x 100

In accordance with table.

Delivery performance	Score
0-10	20
11-20	15
21-30	10
31-40	5
41-50	2.5
> 50	0

1.2 Delays performance

The delay performance is determined by the following formula:

Delay performance = [proposed date – delivery date]

In accordance with table.

Delivery performance	Score
0-5	20
6-10	10
> 10	0

2. Quality

2.1 PPM

This criterion is calculated based on the amount of non-conform material versus the total material delivered during a period of time.

N.º PPM = (n.º defective parts / total parts received) X 1.000.000

In accordance with table.

PPM	Score
0-50	20
50-100	15
100-125	10
125-150	5
> 150	0

2.2 Claims and/or concerns

This criterion measures the supplier according to the impact and risk of the claims

This criterion is calculated in accordance with table.

Demerits from Quarter		
From	To	Score
-99999	100	40
100	150	30
150	200	20
200	250	10
250	99999	0

FINAL SCORE

Total score is given by the accumulated result

Delivery performance + Delays performance + PPM + Claims and/or concerns

Three levels are defined based on the final score:

Score	Level	Status
80-100	**A**	Preferred supplier
79-60	**B**	Needs improvements
< 60	**C**	New business hold

ESCALATION PROCESS

Technical escalation is the process of involving increasing levels of technical capability in solving a problem. The goal is to ensure that the appropriate resources are involved in resolving the problem in a timely fashion. Management escalation is the process of alerting higher levels of management of the existence of a situation. The goal is to make resource owners aware of problems that may require additional resource allocation or process guidance.

The following events can be triggers for the escalation procedure:

- Deadlines are not being achieved
- Measures agreed upon are not implemented
- Progress is not apparent
- Deviations in the progress of the project cannot be solved on the present level of responsibility
- The quality capability / performance of the sub-suppliers is not assured
- Previous level of escalation is not efficient

The Risk (severity) of a case is mapped to one of three levels. The main decision factor is the impact of the issue on the affected process:

Risk Levels	Descriptions
Critical	Degradation of the process/project to a level that customer will be affected
Major	Partial degradation of the process/project with internal high impact and that might affect the customer
Minor	Low degradation of the process/project without impact in customer, recovery expectation can be easily achieved

As higher as the severity level is considered as much higher the problem should be escalated. In case of critical issues the management team must be notified and asked for support.
It is established three escalation levels:

Escalation Level	Descriptions
Level 1	Technical team discussion (plant organization)
Level 2	Top Management involvement need
Level 3	Customer notification and involvement

Depending on the risk of an issue and/or time to solve it and higher level of escalation will be achieved:

RISK	First Level Support		
Minor	• The team should initiate and complete an effective problem-solving process to align the process/ project with the goals. The participants are determined according to the type of problem (e.g., quality plant, logistics, production...)	Plant Quality Responsibility	Conclusion of the process or further escalation to level 2, depending on the evaluation

RISK	Second Level Support

Major	• Measures on Level 1 did not achieve the required results and it is therefore necessary to perform an analysis and track the measures and take decisions at higher level	Plant Manager	Conclusion of the process or further escalation to level 3, depending on the evaluation

RISK	**Third Level Support**		
Critical	• Customer notification • Measures at previous levels did not achieve the required results and involvement of the customer is therefore necessary. Top-level discussions between customer and MCG have to take place.	Plant Manager and Chief Executive	Top-level discussion

PRODUCT SAFETY OFFICER

The suppliers shall have documented processes for the management of products and manufacturing processes related to safety (Refer to IATF 16949 clause 4.4.1.2)

MCG requires the suppliers to define in their organization a management role known as “Product Safety Officer (PSO)”

The nomination of the PSO must communicated to MCG:
- Contact details of PSO and its deputy.
- Evidence of the qualification of the PSO, if available.

The suppliers are responsible to keep the PSO information updated.

The Product Safety Officer (PSO) is responsible of the following **tasks**:

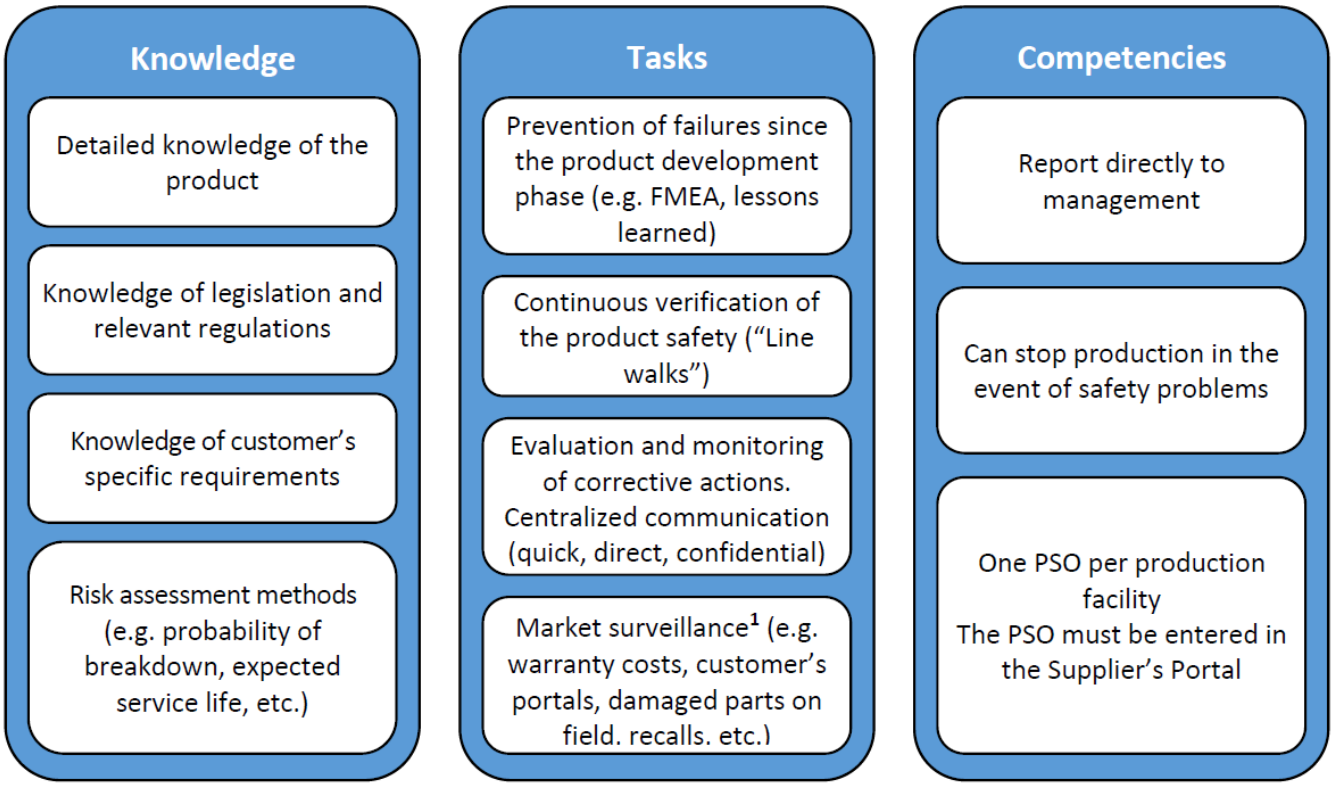
- Contributing to, developing and setting priorities for eliminating or preventing product safety-relevant defect in the product development phase (error prevention).
- Working independently, initiating and verifying product, process and engineering relevant decisions in the course of product development and additional product enhancement (e.g. FMEA or risk assessment procedures) provided that there is an impact relevant to safety.
- Preparing, maintaining, and enhancing "lessons learned" checklists for the qualified review of designs, production, processes, or for the material properties under product safety relevant aspects.
- Ensuring the training for personnel involved in product safety related products and associated manufacturing processes.
- Ensuring the transfer of requirements with regards to product safety throughout the supply chain.
- Ensuring the traceability by at minimum the manufactured lot throughout the supply chain.
- Executing or initiating and assessing component or material analyses with the goal of detecting indications of deviations relevant to product safety at an early stage.
- Independently executing or initiating regular inspections of processes, production, material and products of the current series for the confirmation of product safety for proper and predictable use or misuse and the introduction as well as tracking of (immediate) measures in the case of relevant deviations.
- Assessing the probability and frequency of failure of the affected product in the event of failure.
- In the event of a complaint, the planned corrective measures, their implementation and long-term effectiveness shall be verified. The effectiveness of the measures shall be reviewed, confirmed and documented in writing by the supplier PSO.

- In the event of a complaint or voluntary declaration, communication shall be directed via the person responsible for component with the client.
- The PSO shall advise with respect to the quality and confidentiality of the information (clear information regarding the error pattern, limitation, probability of failure, etc.).

Note: If sub-aspects of the described tasks are not possible or not necessarily due to the type of product (e.g. with raw material suppliers) or due to the manufacturing process, this shall be substantiated and product safety compliance shall be verified by an alternative safeguard.

The PSO **competencies** and **knowledge** required:

- **Detailed knowledge** of the manufactured product as well as its function and usage, either in their own facilities or customer´s.
- Identify **statutory and regulatory requirements** related to product-safety.
- Know the **risk assessment** methods and their application.
- **Report directly to Management**, Factory Manager and/or Quality Director for those topics concerning product safety.
- Should be empowered to **stop production** in case of problems which could affect product safety.



(1) Information for market surveillance can be found, among others, in the portals
http://ec.europa.eu/consumers/consumers_safety/safety_products/rapex/index_en.htm
http://www.nhtsa.gov/Vehicle+Safety/Recalls+&+Defects

Agreement from both parties,

Supplier name	**MCG**
Date and place	**Date and place**
Print name and signature	**Print name and signature**
Function	**Function**

Revision History

Revision 1 (R. Bastos / Petr Vodvarka -- June 2017) – Corrected Delivery rank
Revision 2 (R. Bastos – 04/01/18) – Corrected Delivery rank
Revision 3 (P. Diaz – 10/09/18) – Add a requirement for the supplier without ISO 9001 certification
Revision 4 (R. Bastos – 04/02/19) – Updated with Code of Conduct, Zero Defect Policy, Regulated Substances, Mandatory Requirements of Substances of very high Concerns and Conflict Minerals
Revision 5 (E. Arnaiz – 05/06/19) – Updated with MCG Stamping criterions
Revision 6 (R. Bastos – 12/11/19) – Clarified the minimum acceptable level for the supplier QMS
Revision 7 (R. Bastos – 08/01/20) – Updated with Premium Freight evaluation criterion
Revision 8 (P. Petrás/ R. Bastos – 24/08/20) – Updated Evaluation criteria MCGA CZ, Product Safety Officer requirements and minimum adaptation to OEMs Customer Specific Requirements (CSRs) (Changes highlighted in blue colour)
Revision 9 (R. Bastos – 09/09/20) – Updated MCGA PT Evaluation criterions (Delivery performance and Quality performance) (Changes highlighted in blue colour)
Revision 10 (E. Arnaiz – 19/10/21) – Updated with RoHS requirements and updated the communication evaluation frequently to the supplier
Revision 11 (R. Bastos – 05/12/22) – Clarified the MCGA PT criterions required for the suppliers review their scoring and implement continuous improvement (Changes highlighted in blue colour).
Revision 12 (E. Arnaiz – 12/01/23) – Elimination of MCG CZ. And included the special requirements and characteristics