

SUPPLIER PERFORMANCE MANUAL

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1.0 Purpose

This Supplier Performance Manual (the “Manual”) is a guideline to the Supplier Performance System used by AM General LLC Commercial Assembly Plant (the “Customer”) to evaluate Supplier Quality for Commercial Vehicle Programs. The Supplier Performance System identifies and measures the processes, roles, responsibilities, and requirements for Problem Resolution Reporting and Supplier monitoring. This Manual is intended as a guideline and does not limit the Customer's legal rights under the applicable purchase orders or its Terms and Conditions of Purchase for Commercial Material.

2.0 Scope

2.1 This Manual applies to all suppliers that provide parts, materials, or logistical services to the AM General Commercial Assembly Plant.-

3.0 Terms and Definitions

3.1 Duns Number

A “Duns Number” is a unique identification number issued by Dun & Bradstreet, which identifies a Supplier’s contract location (e.g., manufacturing, sales, ship from, remit to, etc...)

4.3 Control and Rework Company

A “Control and Rework Company” is a company approved by the Customer to perform Controlled Shipping Level 2 inspections or other work necessary to ensure product quality. Control and Rework Companies work directly with and are the responsibility of the Supplier.

4.4 Closure Time

The “Closure Time” is the time beginning when a Supplier responds to a PRR and ending when the applicable Customer approves the response in the PRR System.

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4.5 **Controlled Shipping**

“Controlled Shipping” is when a Supplier is required to have a product or products go through an additional inspection, after the normal process flow, to ensure quality requirements are met.

4.5.1 CS Level 1 can be done by the Suppliers own staff, but must be in addition and after the normal process flow.

4.5.2 CS Level 2 must be done by a third party Control and Rework Company, and it must be after normal process flow.

4.6 **Customer Location**

A “Customer Location” is the location of any of the Customer’s facilities that receive parts from a Supplier.

4.7 **Field Action**

A “Field Action” is a special-cause product deficiency that occurs in the field, results in a field campaign or recall, and for which the Customer finds a Supplier to be more than 50% responsible.

4.8 **Implementation Time**

The “Implementation Time” is the time beginning when a PRR is issued to a Supplier and ending when the Supplier implements the corrective action.

4.9 **Launch Downtime**

A “Launch Downtime” is a Production Downtime that occurs between Start of Saleable and Ship to Commerce and impacts the launch of new product.

4.10 **Launch Major Disruption**

A “Launch Major Disruption” is a Major Disruption that occurs between Start of Salable and Ship to Commerce and impacts the launch of new product.

4.11 **Launch Stock Out**

A “Launch Stock Out” is a Production Stock Out that occurs between Start of Salable and Ship to Commerce and impacts the launch of new product.

4.12 **Line Accumulations**

“Line Accumulations” are unavoidable Nonconformances. They will be communicated during scrap-walk reviews. They will require only an initial response. Line accumulations include parts scrapped on the line due to issues not detectable by the Supplier at their facility (for example, issues discoverable only by internal Customer processes)

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4.13 Major Disruption

A Major Disruption” is a Supplier- “responsible incident that causes severe negative impact on the Customer’s ability to launch product programs or manufacture products.

There are 5 types of Major Disruptions:

Premium Transportation;
Downtime;
Assembly and Manufacturing;
Stock Out; and
Field Actions

A problem that could be classified as more than one type of Major Disruption may be issued under a one PRR as one Major Disruption type.

Major Disruptions can include the following incident types:

Launch Downtime;
Launch Major Disruption;
Launch Stock Out;
Production Downtime;
Production Premium Transportation;
Production Major Disruption;
Production Major Stock Out;
Field Action; and
Any problem that affects multiple Customer Locations

4.15 New Business Hold

A “New Business Hold” is when a Supplier is not allowed to quote on new business or be awarded new contracts.

4.16 Production Downtime

A “Production Downtime” is an incident that:

- has been verified as Supplier caused;
- requires a plant to stop production of its products ;
- results in a downtime of 5 minutes or longer; and
- results in production stoppage on a plant’s “main production” line.

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4.17 **Parts Per Million (“PPM”)**

“Parts Per Million” is the number of defective parts compared to the total number of parts shipped or consumed, as a ratio applied to a million parts.

4.18 **Production Premium Transportation**

“Production Premium Transportation” is any special transportation that is needed to ship material to a plant on time, which is necessitated by delays caused by a Supplier incident. Supplier incidents causing such delays could include shipping, packaging, or quality PRR-type problems. For logistical service providers, incidents causing such delays could include failure to provide quality of service as described in the service contract (e.g., late delivery, wrong sequence, damaged parts, etc.)

4.19 **Production Major Disruption**

A “Production Major Disruption” can be either an Engineering Major Disruption or a Quality Major Disruption.

4.20.1 **Engineering Major Disruption**

An “Engineering Major Disruption” is a design or function problem that causes a Major Disruption at a plant. If the Supplier is responsible for design, then the issue should be documented as an Engineering PRR.

4.20.2 **Quality Major Disruption**

“Quality Major Disruptions” are any of the following:

- an assembly plant disruption (including a part quality issue, a design issue, or a plant-process issue such as welding, torque, or misbuilds) that is a special-cause disruption that drives operations outside of standardized work and ultimately impacts quality, cost, or throughput;
- a significant alteration of plant daily production mix;
- assembly-plant final line, or pay -point cumulative downtime of **20 minutes** or more in a single shift;
- a verified quality concern or nonconformance that impacts non -standard labor for a **minimum of 25 hours** (including for repair and /or reconfirmation);
- cessation of finished -goods shipments due to a significant quality concern, ultimately resulting in repairs by and/or costs to the Customer;
- a single issue that causes an increase of on-hand float by **2 hours worth of vehicles at standard takt time**.

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4.21 **Production Stock Out**

A “Production Stock Out” is a shortage of plant inventory that has been verified as Supplier caused, for which the plant continues production excluding the missing part and is required to rework the finished product to install or include the delayed part or material.

Note: Production Stock Out does not occur from a sudden schedule change for which a Supplier did not have adequate time to adjust its schedule.

4.22 **Nonconformance**

A “Nonconformance” is a Part or Material, or logistical service that does not conform to Customer requirements or specifications. A Part that is subject to a Non-conformance may be referred to as a “Nonconforming Part”, and material that is subject to a Non-conformance may be referred to as “Nonconforming Material”.

4.23 **Nonconformity**

“Nonconformity” is a process that does not conform to a quality system requirement.

4.24 **PRR (Problem Resolution Report)**

A “Problem Resolution Report” (or “PRR”) is a record issued in a standard format to:

- quantify and describe the problems encountered by the Customer;
- define the magnitude of the problem;
- identify the Supplier Duns Number;
- identify the part number, if applicable;
- identify key Customer contacts’ name and phone numbers;
- identify the phase of vehicle build (production, prototype, pilot)
- quantify and request reimbursement for costs incurred due to problems encountered;
- define status and material disposition;
- record corrective action plan;
- record timing of updates to FMEAs and control plans;
- identify how the solution will be institutionalized across the Supplier’s facility;
- identify where the defect was found; and

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- identify tier -2 or direct -buy Suppliers involved in the identified issues.

4.25 **Quality Alert**

A “Quality Alert” is a notification of a quality issue, or potential issue from a Supplier to the Customer.

Some of these data elements are also itemized by PRR type to identify Supplier quality issues.

4.26 **Service Downtime**

A “Service Downtime” is a downtime condition with the service-parts inventory system. A Service Downtime is a Major Disruption when (i) a severe shortage of service inventory is verified as Supplier caused, (ii) causes one or more service-part locations to operate below planned levels, (iii) persists despite the use of expedited handling activities within the service supply chain, and (iv) results in an unshipped Customer order.

4.27 **Service Stock Out**

A “Service Stock Out” is a stock-out condition within the service-parts system.

A Service Stock Out is a Major Disruption when:

- the service-inventory shortage is verified as Supplier caused; and
- one or more of the service-parts locations are operating below planned inventory levels, resulting in an expedited shipment, transfer of inventory, referral of Customer orders, or Customer order upgrades to remedy the shortage.

4.28 **Sourcing Metrics**

“Sourcing Metrics” are a Supplier evaluation system that ranks each Supplier manufacturing location in terms of overall quality in one of three categories: red, yellow, and green. The ranking criteria are based on historical commodity performance.

4.29 **Supplier (Outside)**

A “Supplier (Outside)” is a Supplier that provides the following directly to a Customer Location:

- production parts and materials;
- pre-production or service parts and materials;

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- heat-treated plating, painting, or other finishing processes or services; or
- logistical services such as repacking, labeling, conveyancing, warehousing, sequencing, transportation, or controlling empty containers.

4.30 **Supplier Caused**

“Supplier Caused” means that the Customer has determined the Supplier to be at least 50% responsible for a Nonconformance.

4.31 **Suspect Material**

“Suspect Material” is any material that may be subject to a nonconformance.

4.0 **General Expectations**

4.1 **Supplier Representatives**

Suppliers and their representatives working in Customer facilities must support the Customer’s expectations.

4.2 **Quality Alerts**

This section describes AM General’s expectations from Suppliers when there is a potential quality disruption to AM General’s facilities. Please see Exhibit 5.2 below.

If suspect material may have been shipped or a concern regarding certification methods arises:

- Either Customer or the Supplier must immediately initiate a Quality Alert by providing notice to or from the Supplier and issuing an appropriate PRR.
- When a Quality Alert notice is received, all locations in the part-delivery pipeline (including facilities of the Supplier, finisher, sequencer, and Customer) must initiate containment actions.

5.0 **Problem Resolution Report (PRR)**

5.1 **General**

A PRR may be issued for Supplier Caused:

- Parts or Materials Nonconformance at any time through the life of the part;
- Packaging Nonconformance (including labeling problems)

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- Shipping problems;
- Quality of service problems (as described in the applicable service contract);
- Warranty claims made for a special cause;
- Engineering problems (for Suppliers that are design responsible);
- Process Nonconformities (including failure to communicate -timely, failure to follow Customer-prescribed procedures, or failure to meet deadlines);

5.1.1 Supplier Initiated PRR

The Customer may categorize a PRR as “Supplier Initiated” if the Supplier notified the **Customer** of a possible Nonconformance before the Customer identified the problem.

If parts or materials have not entered or affected the Customer’s production process, and have not impacted the workstation no PRR is required.

5.1.1.1 Ramifications of Supplier Initiated PRRs

Costs incurred by the Customer (e.g., sorting, reworking) may be charged to the Supplier.

The Supplier’s PPM calculation will include only the actual quantity of Nonconforming parts identified on a Supplier Initiated PRR.

5.1.2 Lot Audit/Lot Acceptance Process PRR

A Quality PRR should not be issued when a nonconformance has been detected and reported by the Supplier or a third party during the Lot Audit/Lot Acceptance process. A Quality PRR and Controlled Shipping may be issued, however, for: (i) repeat nonconformances detected during the Lot Audit/Lot Acceptance Process; or (ii) nonconformances that are built into vehicles or -that cause a Major Disruption.

Costs incurred by the Customer (e.g. sorting, rework) may be charged to the Supplier in any instance.

5.2 PRR Types

5.2.1 Customer Satisfaction PRR

A “Customer Satisfaction PRR” may be issued when the Customer detects any Nonconformity caused by a Suppliers action or inaction (excluding pricing or commercial issues).

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Note: A Customer Satisfaction PRR may be issued with or without reference to a part number.

Nonconformances that may result in a Customer Satisfaction PRR include without limitation:

- Failure to make required communications
- Failure to meet deadlines or other responsiveness and timeliness issues (i.e. APQP Program Management)
- Failure to follow required procedures
- Failure to honor promised corrective action

5.2.2 Engineering PRR

An “Engineering PRR” may be issued to design -responsible Suppliers to document design -related concerns. Customer design -responsible concerns should be documented in Team Track.

5.2.3 Indirect PRR

An “Indirect PRR” may be issued to document a problem caused by a non -production Supplier (e.g., Suppliers of tooling, equipment, or repair parts) at the Customer plant, including scheduled work activities that cannot be completed due to the Supplier’s failure to meet delivery requirements.

5.2.4 Packaging PRR

A “Packaging PRR” may be issued for a Supplier Caused packaging nonconformance that does not result in part damage or affect part salability.

Nonconformances that may result in a Packaging PRR include, without limitation:

- Failure to secure part material in a container;
- Failure to adequately secure a container in a carrier vehicle;
- Inadequate container design or fabrication;
- Damage to a container by improper handling;
- Incorrectly built mixed pallets; or
- Failure to properly label that does not affect part identification.

See 3.1, 3.2, for related requirements

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For packaging issues that **do** cause part damage or affect part salability, a Quality PRR may be issued instead of a Packaging PRR.

5.2.4.1 Containerization Responsible Packaging

A Packaging PRR may be issued to a container designer or builder if:

- Parts or materials are damaged as a result of container design.
- Parts or materials are damaged as a result of an improperly fabricated container.

5.2.5 Quality PRR

A Quality PRR may be issued for a Supplier Caused nonconformance.

Non-conformances that may result in a Quality PRR include, without limitation, problems with:

- Appearance;
- Dimensions;
- Welds;
- Finish, (e.g., burrs or flash);
- Contamination;
- Coating;
- Part or container labeling issues that affect part identification;
- Laboratory and metallurgy specifications;
- Machining;
- Functions; or
- Part packing.

5.2.6 Shipping PRR

A "Shipping PRR" may be issued for Supplier Caused shipping or a schedule related nonconformance.

Non-conformances that may result in a Shipping PRR include, without limitation:

- Failure to meet schedule requirements:

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- Failure to meet documentation requirements (e.g., missing or inaccurate shipping documents);
- Nonconformity or nonconformance caused by transportation carrier
- Nonconformity or nonconformance caused by logistical provider
- Problems with electronic communications
- Premium shipment issues, (e.g., prepayment, coordination, excessive use)

5.2.7 Warranty PRR

A “Warranty PRR” may be issued for Supplier Caused Non-conformances detected after parts are shipped to commerce.

6.3 PRR Issuance

6.3.1 Supplier Performance Notification

Suppliers are notified of performance discrepancies. A formal PRR may be issued by the Customer as soon as possible after a Supplier Caused Non-conformance is verified.

English is the preferred language for all fields in the PRR.

For recurring line Accumulation discrepancies a formal PRR may be issued capturing the full impact and quantities.

6.3.2 Problem Identification

PRRs will be described in sufficient detail on the PRR form. Each PRR will include the following information where applicable:

- Duns Number;
- Part Number or “NPN”, if applicable;
- Problem magnitude (e.g. Major Disruption) and reason for classification;
- Whether Supplier notified Customer before material was received by Customer;
- Quantity of problem parts found;
- Area/Shop/Line Location of problem parts found (e.g., Audit, Dept); and

6.3.3 Verification of Responsibility

The Customer will verify that the nonconformance was Supplier Caused before issuing a PRR and should use appropriate expertise

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and resources (e.g., lab test results, dimensional checks) to verify the nonconformance. If possible, the Customer will attempt to contact the Supplier by telephone or email before issuing a PRR. The Customer should notify the Supplier of the nonconformance and discuss immediate containment actions.

The Customer should issue the PRR to the Supplier's manufacturing Duns Number for that contract.

Whenever possible, the Supplier must participate in identifying and verifying nonconformances. If relevant evidence to support problem solving such as the part, photograph, sketch, or marked drawing is not available, the PRR should be deleted.

Suspect Material

The Customer should gather and quarantine Suspect Material. The Customer should promptly return Suspect Material if requested by the Supplier. The Supplier will have 24 hours to provide a Return Material Authorization for Suspect Material to avoid potential scrapping of the material by the plant.

6.3.3 Identification of Quantities for the PRR

When a PRR is issued to a Supplier, the Customer should accurately record on the PRR the quantity of Suspect Quantity, the Checked Quantity, and the Nonconforming Quantity (each as defined below). When sorting is performed in the plant, the Supplier, or third -party sorter should provide corrections to the quantities entered in the PRR. This correction will be entered promptly, to accurately reflect the PRR conditions.

6.3.3.1 Suspect Quantity

To determine "Suspect Quantity" on a PRR, the Customer should identify all material suspected of containing the problem. The Customer will consider the lot number, run date, ship date, or other type indicators that would help isolate the problem to its smallest logical batch. The Suspect Quantity does not include product in transit.

6.3.3.2 Checked Quantity

After discovering Nonconforming material, the Customer should inspect additional suspect parts, if possible, to allow the system to accurately calculate the percentage of defective parts in the batch.

6.3.3.3 Nonconforming Quantity

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The Customer should determine the total Nonconforming quantity from the Checked Quantity.

6.3.3.4 Estimated Nonconforming Quantity

The “Estimated Nonconforming Quantity” is calculated by applying the ratio of Nonconforming Quantity to Checked Quantity to the quantity in inventory.

6.3.3.5 Quantities for Label Issues or Bulk Materials received at Manufacturing locations

- Issues on parts shipped in bulk (e.g., fasteners, labels, clips and small stampings) or mislabeling problems will be counted using the following escalation process as long as the issue does not result in a Major Disruption.
- For the first offense in a six-month period, the Customer will count only one Nonconforming part against the Supplier (Nonconforming Quantity and Estimated Nonconforming Quantity will equal 1). The Supplier may be placed on Controlled Shipping.
- For the second offense from the same Supplier Location in a six-month period, the Customer will count only one Nonconforming part against the Supplier (Nonconforming Quantity and Estimated Nonconforming Quantity will equal 1). The Supplier may be placed on Controlled Shipping.
- For the third offense from the same Supplier Location in a six-month period, the Customer may count all Nonconforming parts against the Supplier. The Supplier may be placed on Controlled Shipping.

6.3.4 Adding Nonconforming Quantities to an Existing PRR

The Supplier Performance System will identify all issue dates of any other PRRs previously issued that match the following criteria:

- Duns Number
- “Conforming material ship date” later than the current date
- PRR less than 15 days old

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The Customer should review these PRRs. If the problem is the same, the Customer should add to the existing PRR instead of creating a new PRR.

6.3.5 PRR Resolution

A PRR is “closed” after the Customer has moved it from “open or rejected” status to approved status. The Customer should close the PRR within 15 days of receiving an acceptable final response from the Supplier and verifying the corrective action.

6.3.6 Corrections to a PRR

If any information in a PRR is found to be inaccurate, the Customer should ensure that corrections are made. Corrections may only be made while the PRR is open unless an appeal is pending. If a Supplier contests any information in a PRR, the Customer should assist in investigating the details and then entering the correct information, where applicable. Appeals by the Supplier must be directed to AMG Quality Engineering Management or Supply Chain Management.

6.4 Supplier Responsiveness Requirements

6.4.1 General

The Supplier must promptly notify the Customer whenever Suspect Material has been shipped.

6.4.2 Problem Identification

The Supplier must provide proactive participation in problem identification, if requested.

6.4.3 Initial Response

Within one business day of PRR issuance, the Supplier must provide an initial response comprised of the following:

- Initiate immediate and ongoing containment actions to prevent further shipments of Nonconforming material. Containment must be extraordinary, visible, and temporary. Containment should include data gathering and analysis.
- Initiate sorting and rework as an immediate containment action at the Customer location. Sorting or rework may be performed by the Customer, Supplier, or third-party sort/rework company, at the Supplier’s expense.

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- Disposition of the Nonconforming materials at the Customer Location and in transit. The Supplier must analyze the entire delivery chain to identify any Suspect Material at any Customer Location or in transit to a Customer Location.
- Identify the date of the next shipment of conforming parts. Include how it will be identified. The conforming -material ship date should apply to all Customer Locations including service.
- Provide the name, title, and phone number of the Supplier representative providing the above information.
- Document in the containment section of the PRR every location affected by the corrective action. Include the names of people contacted.

Note: The Customer generally will not measure a Supplier on Initial Response timeliness. However, if an Initial Response is not received by the Customer within **one** business day after PRR issuance, a Customer Satisfaction PRR may be issued.

6.4.4 Problem Solving

The Supplier must promptly complete appropriate problem solving activities.

At a minimum, the Supplier must complete the AMG PRR problem solving form or equivalent.

Final Response

The Supplier must provide a final response within 15 calendar days after a PRR is issued. The final response must include, at a minimum:

- Containment actions taken;
- Methods used to evaluate the success of the containment;
- Root cause, including method used to determine root cause;
- Corrective and preventive action implemented (error proofing) including rationale used in evaluating alternatives;
- Elements of the proposed implementation process;
- Contact information for those assigned responsibility for actions taken;

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- How the success of proposed actions will be evaluated;
- How the solution will be institutionalized with respect to other similar processes.
- Dates when revised process Failure Mode and Effects Analysis (FMEA) and control plan will be available for Customer review. If no revisions were made, enter the current day's date and state "no revisions made";
- Identification of the responsible tier -2 Supplier, if applicable. This does not absolve the tier -1 Supplier of any responsibility, but documents where the issue may have originated;
- Identification of the directed -buy tier -2 Supplier, if applicable. This does not absolve the tier -1 Supplier of any responsibility, but documents where the issue may have originated;

Note: The Customer may measure a Supplier's final response for timeliness and whether adequate thought and investigation was given to the problem. If adequate response cannot be given in 15 calendar days, the Supplier must notify the Customer. Failure to respond without prior notification may result in issuance of a Customer Satisfaction PRR.

6.5 PRR Appeal Process

The Supplier may appeal the issuance of a PRR or specific information contained in a PRR. To appeal, the Supplier must provide objective evidence, in writing, to the Customer, demonstrating the rationale for the appeal. Any request to change a PRR due to error must be submitted within 15 calendar days after the PRR was issued.

If the Customer and the Supplier do not agree, and the Supplier wants to pursue further appeal, the appeal must be addressed to the Director of Quality and Director of Purchasing.

6.6 Cost Recovery Process

The Customer uses a Cost Recovery Process to recover costs incurred as a result of Supplier's Nonconformance on issues occurring before vehicles are shipped to commerce (in plant) and for issues discovered after vehicles are shipped to commerce (Warranty).

In-plant Cost Recovery requests should have adequate supporting documentation regarding the issue. Typically, man -hours,

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downtime, vehicles, or units impacted, investigation costs, and various administrative costs may be used to determine the amount of cost recovery.

Warranty Cost Recovery requests should have adequate supporting documentation regarding the issue. Typically, part cost, dealer mark-up, standard labor hours, investigative costs, and various administrative costs may be used, along with the total number of claims, to determine the amount of cost recovery. The Customer should provide, when using cost recovery request, a detailed explanation of any additional costs.

6.6.1 Cost Limits and Restrictions

- 6.6.1.1 Total actual/incremental costs will be determined by each initiating location.
- 6.6.1.2 Man-hours will be charged at a rate of \$75 dollars per hour. This does not apply to Warranty Cost Recoveries.
- 6.6.1.3 Downtime, within the main line of the Customer plant (excluding buffers, feeder lines act) that lasts for 5 minutes or longer will be charged at \$500 dollars per minute. Downtime less than 5 minutes will be recorded in a cost recovery but will not generate an actual request for payment. This does not apply to Warranty Cost Recoveries.
- 6.6.1.4 Downtime incurred in feeder lines, buffer lines, stamping presses, weld cells will be charged on the man -hours lost.
- 6.6.1.5 Stock-Out charges will be assessed based on man hours expended to retrofit vehicles or units. This does not apply to Warranty Cost Recoveries.
- 6.6.1.6 Premium freight is to be covered by the originator in the amount of costs incurred. This does not apply to Warranty Cost Recoveries.
- 6.6.1.7 Other costs associated with the impact of nonconformance including without limitation:
 - Expenses incurred by the Customer for travel to the Supplier Location;
 - Re-billing of the Supplier-caused costs attributable to Major Disruptions

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- Incidental laboratory, machining, or retrofit costs; and
- Rescheduling of vehicle orders.

6.6.1.8 Costs that are ineligible for a Cost Recovery request include, without limitation:

- Excessive or unreasonable man-hours; and
- Cost of nonconforming scrap parts

6.6.1.9 Manufacturing and Service Part Cost Recoveries less than **US \$ 50,000**, with no Supplier response, may be set off from Customer's payables to Supplier, after six **weeks** from issuance of the Cost Recovery.

6.6.1.10 For Warranty Cost Recoveries the labor rate is **\$75 US per hour and \$500 per minute** of downtime.

6.6.2 Cost Recovery Response

The Supplier must provide a response to all Customer Cost Recovery requests.

6.6.3 Appeal Process

The Supplier may appeal a Cost Recovery request as follows:

6.6.3.1 If the Customer and the Supplier do not agree, and the Supplier wants to pursue the appeal process, the appeal should be directed to the AM General Quality Director.

6.6.3.2 The appeal process should be completed within 6 weeks from the date the Cost Recovery was issued.

6.6.3.3 The Supplier shall initiate any appeal within 15 calendar days of the Cost Recovery request by contacting the Customer and providing objective evidence. Failure to reply or appeal within 15 calendar days may result in automatic debit of the Cost Recovery amount.

6.6.3.4 The Supplier must provide objective evidence that the charge is inaccurate. If the Customer and Supplier agree on the revised cost, the cost recovery request shall be amended by the Customer and the revised amount shall be debited or invoiced to the Supplier.

If no agreement is reached between the Customer and Supplier, the Supplier may then appeal to the Customer buyer. If the Customer buyer and Supplier agree on the revised cost, the Cost Recovery request shall be amended by the Customer and the revised amount will be debited or invoiced to the Supplier. If no agreement is

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reached within 6 weeks of issuance of the Cost Recovery request, and the Customer has not approved an extension, the original cost request may be debited from or invoiced to the Supplier. All Cost recovery equal to or greater than US \$50,000, where the agreement between Customer and Supplier cannot be reached, shall be approved by the requestor's Purchasing Director before debit to the Supplier.

6.0 Controlled Shipping

6.1 General

Controlled Shipping is a demand by the Customer that a Supplier implement a redundant inspection process to sort for a specific nonconformance, while implementing a root -cause problem -solving process. The redundant inspection is in addition to the normal controls. The data gathered at the redundant inspection is critical to measure the effectiveness of secondary in -system inspection, and the corrective actions that have taken place to eliminate the Non-conformance.

Two levels of Controlled Shipping exist:

6.1.1 **Controlled Shipping Level 1** includes the problem-solving and redundant inspection processes. The Supplier's employees at the Supplier's location can enact the inspection process in order to isolate the Customer from receiving any nonconforming material.

6.1.2 **Controlled Shipping Level 2** includes the same process as Level 1 with an additional third party representing the Customer's interest specific to the containment activity. The third party may be selected by the Supplier and approved by the Customer, and will be paid for by the Supplier.

6.2 Criteria for application of Controlled Shipping

The Customer makes the determination whether the Supplier can effectively correct the Nonconforming material through the normal PRR process and isolate the Customer from the problem. One or several of the following issues may be considered for the implementation of Controlled Shipping:

- Repeat PRRs;
- Supplier's current controls are not sufficient to ensure conformance;
- Duration, quantity, and severity of the problem;
- Internal or external Supplier data;
- Controlled shipping Level 1 failures;

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- Major Disruptions; and
- Quality problems in the field (Warranty).

6.3 Exit Controlled shipping

The Supplier can exit Controlled Shipping by meeting the following criteria:

1. Implementing a corrective action to prevent the nonconformance
2. Document the controls in the PFMEA, control plan, and work instructions;
3. Demonstrate over 30 days that the Controlled Shipping inspection point has not received any further occurrence for 10 consecutive days; and
4. The AMG Quality Engineer has reviewed the Controlled Shipping activity, reviewed the corrective action, audited the PFMEA and control plan on the Supplier's shop floor, and found each acceptable.

7.0 New Business Hold

7.1 General

This section defines the New Business Hold process.

7.2 Placing Supplier on New Business Hold

Suppliers with ongoing quality problems, or Suppliers without ISO or TS certification, may be placed on New Business Hold. The process to place a Supplier on New Business Hold is as follows:

1. Quality Engineering recommends a hold and submits the request to Purchasing.
2. Quality Engineering solicits agreement from all Customer divisions receiving parts or quotes from Supplier in question.
3. Upon agreement, Quality Engineering and Purchasing issue a joint letter to the Supplier.
4. Quality Engineering sends a copy of the letter to the Supplier's registrar.
5. Quality Engineering issues a New Business Hold PRR.
6. Quality Engineering and Supply Chain Management review the improvement plan with the Supplier.

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7. Quality Engineering and Supply Chain Management report on progress to the plan.

7.3 Removing a Supplier from New Business Hold

Once the Supplier has met the defined exit criteria, the process to remove the Supplier from New Business Hold is as follows:

1. The Quality Engineering Department recommends removal from New Business Hold to Purchasing.
2. Quality Engineering solicits agreement from all Customer divisions.
3. Upon agreement, Quality Engineering and Supply Chain Management issue a joint letter to the Supplier.
4. Quality Engineering closes the New Business Hold PRR in the system.

8.0 Supplier Measurements

8.1 General

This section defines the Supplier Measurements used by the Customer to monitor Supplier quality. These measurements may be used in Sourcing Metrics and Quality Performance Reports to help guide future business decisions, and help direct resources to the appropriate areas that require additional focus.

8.2 Major Disruption

The Customer will track and report (based on PRR issuance) Supplier-caused Major Disruptions for each Supplier location. The number of Major Disruptions is the most important measure of Supplier quality.

8.3 Parts Per Million (PPM)

The Customer will track a PPM for each Supplier Duns Number / location.

8.4 PRR Measures

The Customer will track the number of PRRs for each Supplier location on a weekly basis.

The Customer may track the PRR "Closure Time".

9.0 References

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- 9.1 Quality System Requirements (ISO9001, TS 16949).
- 9.2 Supplier Requirements Manual FM 5184
- 9.3 Potential Failure Modes Effects and Analysis (AIAG)
- 9.4 Advanced Product Quality Planning and Control Plan (AIAG)

10.0 History of Revisions

Date	Change Description
05/5/09	New
11/11/11	Annual review
06/10/2013	Annual review
11/07/2014	Review and update to current AMG systems and terminology: "Supplier Quality Engineer" to "Quality Engineer", "Purchasing" to "Supply Chain Management", "Materials" to "Production Control". Eliminated references to QS9000, AMG Supplier Performance Tracking System (SAP), and revised the definition of "PPM" from "...total number of parts shipped..." to "...total number of parts shipped or consumed..."

11.0 NOTICE

This Supplier Performance Manual is intended as a guideline for the Customer's evaluation of Supplier Quality, using its Supplier Performance System. These guidelines are illustrative of, rather than limiting upon, the Customer's legal rights under the applicable purchase orders and AM General's Terms and Conditions of Purchase for Commercial Material. Customer reserves all of its rights under its purchase orders and applicable law. Customer may make changes to this document at any time and in any manner.