



FEDERAL-MOGUL MOTORPARTS

Supplier Requirements Manual February 2018

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Federal-Mogul Supply Chain Vision

"Be the benchmark global Supply Chain organization within our Industry as recognized by our Customers, Operations, and Suppliers. We are a center-led organization which adds value through innovation, quality, delivery performance, and cost reduction."

Gifts and Entertainment

Summary

Federal-Mogul recognizes there are times when suppliers or customers will offer gifts or entertainment opportunities to our employees and when our employees may want to offer the same to our suppliers or customers. Pursuant to Federal-Mogul's Integrity Policy, Federal-Mogul wants all relationships with suppliers and customers be based entirely on sound business decisions and fair dealing and to avoid even the appearance of impropriety, regardless of the customs and practices in a particular region. Business gifts and entertainment can build goodwill, but they can also make it harder for the recipient to be objective about the person providing them. In short, gifts and entertainment can create their own "conflicts of interest". Business gifts can also give the appearance of unduly influencing the business decisions or activities of the recipient and in such cases could be considered a "bribe"; any such activity is strictly prohibited by Federal-Mogul.

II. Definitions

This policy applies to all Federal-Mogul operations globally. The terms "suppliers" and "customers" are used in this policy in the broadest possible sense. A supplier is any person or organization who furnishes goods or services to Federal-Mogul. A customer is any person or organization who receives goods or services from Federal-Mogul. Person and organization includes its employees, agents or designees.

III. Policy/Scope

Federal-Mogul prohibits offering, promising, giving, soliciting or accepting any bribes or other improper payments. This prohibition applies to any person or company, whether a public or government official or a private person.

A. Accepting/Providing Gifts or Entertainment From/To Suppliers and Customers - As a general guideline you are prohibited from accepting/providing anything that:

- Compromises, or appears to compromise, the integrity of the business relationship,
- including obtaining, or creating the potential for obtaining, undue advantage;
- Is given or received with the intent of influencing a decision by the recipient or rewarding the recipient for improper performance;
- Places you or others in an unsafe or potentially unsafe environment (e.g., gifts of alcohol, or alcohol-related activities); or
- Potentially embarrasses or damages your reputation or the reputation of Federal-Mogul (e.g., brothels, erotic dancing establishments or sex clubs).

Acceptance or provision of gifts or entertainment from or to suppliers, customers, or potential suppliers or customers should be infrequent, freely offered, consistent with the customer or supplier's policy or practice, reasonable and customary in scope, legal, and should impose no sense of obligation on the giver or recipient, should not result in any special or favored treatment between the giver and recipient, and should occur in a business-related context. Infrequent is defined as uncommon, or occurring at widely separate intervals. Employees

around the world are to apply this standard prior to accepting or providing gifts or entertainment. Employees should take great care to avoid accepting even nominal gifts at critical times in the business relationship with a supplier, including, and by way of example only, prior to contract renewal. Similarly, employees should take great care to avoid the appearance of impropriety by not offering gifts to customers at critical times in the business relationship, such as, and by way of example only, prior to the award of new business. Furthermore, all employees must take great care to ensure that all gifts are properly documented and accounted for in the books and records of the Federal-Mogul Company. If you have any questions regarding how to document a gift under this policy, please contact the Federal-Mogul Legal Staff in your region or the Federal-Mogul Company Controller.

B. Gift Policies - Gifts must not be lavish and should be nominal in value. For purposes of this policy, nominal is defined as having a value equivalent to US\$50.00 or less. Cash gifts or cash equivalents, whether in the form of gift certificates, gift cards, prepaid debit cards, or consumption cards, shall not be accepted or provided under any circumstances. All gifts provided must be disclosed on an expense report. Depending on the country in which we are doing business, appropriate gifts may vary. Certain exceptions to these guidelines, including offering gifts in excess of US\$50.00 (or such other value determined for a country by the Federal-Mogul Human Resources Department based on local law, custom, and practice), may be made in countries where differing practices are customary, with the prior approval of the relevant Business Unit Senior Vice President or a member of the Federal-Mogul Strategy Board, in consultation with the senior member of the Federal-Mogul Legal Staff in your region. If an employee receives any gift in excess of US\$50.00 (or such other value determined for a country by the Federal-Mogul Human Resources Department based on local law, custom, and practice) and such gift cannot be rejected because it may potentially damage Federal-Mogul's business relations with the customer or supplier or under local customs and practices it is unacceptable to reject such gift in such circumstances, then such gift shall (a) be accepted by an employee on behalf of Federal-Mogul, (b) immediately be turned over to the Human Resources Director in the country, and (c) if deemed appropriate, be publicly displayed in the lobby or other public area of a Federal-Mogul office designated by such Human Resources Director.

All employees should take great care to ensure that no supplier provides and no customer receives from Federal-Mogul repeat gifts in excess of a total value of \$150 in any 12-month period.

Examples of generally acceptable gifts, assuming they do not exceed the generally acceptable maximum, include:

- Fruit baskets and other foods
- Flowers
- Standard sales promotion, advertising or publicity items

C. Entertainment Policies - Business-related entertainment or social contact may be appropriate

when properly conducted on a non-lavish, limited basis not involving inappropriate adult entertainment (e.g., brothels, erotic dancing establishments, sex clubs or unlicensed establishments serving alcohol), regardless of whether or not it is an acceptable practice in a particular part of the world. Employees should make every effort to ensure that the nature of entertainment would withstand public scrutiny. Business-related entertainment and social contact must never give the appearance of impropriety. Further, no gifts of entertainment should be provided to a customer or received from a supplier when the Federal-Mogul employee is not present (i.e., providing two tickets to an event for use by the customer representative and his/her spouse is not permitted).

Examples of permissible entertainment include:

- Refreshments before, during, or after a business meeting
 - Meals before, during, or after business meetings or when otherwise business-related
- If an overnight stay is involved, the employee should give consideration to the nature of the business purpose in relation to the entertainment provided. In any case, the employee must advise his or her supervisor that an overnight stay is involved and obtain approval prior to accepting.

D. Soliciting Gifts, Cash, Cash Equivalents or Entertainment - Employees shall not solicit gifts, cash, cash equivalents or entertainment from anyone. Soliciting gifts, cash, cash equivalents or entertainment, either directly or indirectly for yourself or family members, is strictly prohibited (and, in some countries, may be a criminal offense). The size of the gift, cash, cash equivalent or entertainment is irrelevant.

E. Avoiding Improper Payments or Gifts to Government Officials - We believe in promoting good governance and the fair and impartial administration of laws. Under applicable laws, bribery, improper payments or gifts to government officials, political party officials, or employees of state-owned or controlled entities (collectively "Government Officials") by any Federal-Mogul employee or agent are illegal. Under these laws, Federal-Mogul is accountable for the actions of its employees, including employees of all its subsidiaries, controlled joint ventures and agents throughout the world.

It is, therefore, strictly prohibited for any Federal-Mogul employee to give, offer or promise to give a Government Official anything of value (including cash or cash equivalents, whether in the form of gift certificates, gift cards, prepaid debit cards or consumption cards), directly or indirectly, to influence his or her judgment in the performance of official duties, in order to obtain or retain business, to secure any improper advantage or to induce a designated outcome. Employees that are interacting with Government Officials, whether lobbying or in other related activities, should notify the Legal Staff in your region in advance and seek prior approval relating to such activities.

Additionally, Federal-Mogul's policy on interacting with Government Officials recognizes and reflects local law, custom and practice in the countries in which we operate. Make sure you understand and follow such a law, custom and/or practice while interacting with Government Officials.

Facilitation payments or nominal gifts, even if customary in a given jurisdiction, may be prohibited by law. All employees should use extreme caution in these scenarios and any such instances must be reviewed and discussed with the Senior Vice President and General Counsel, along with the Business Unit Senior Vice President.

F. Personal Responsibility

Violations of this policy not only create undo risk and liability for Federal-Mogul, but legal systems around the World also provide for personal criminal responsibility for both the giver and recipient of an improper gift or entertainment under locally applicable criminal law.

V. Administration/Responsibilities

This policy is administered and interpreted by the Legal Department. Please direct any comments or questions to the Legal Staff in your jurisdiction or directly to the Senior Vice President and General Counsel.

Addendum I - Applicable to China Only

A. In light of the fact that many Chinese OE customers, suppliers and JV partners are commercial ventures owned wholly or partially by the Chinese State, gifts with a nominal value of ¥350 or less may be given to important contacts of OE customers, suppliers and JV partners of Federal-Mogul in China, if prior approval of the Vice President, Asia Pacific and the General Counsel, Asia Pacific has been provided. However, the following provisions apply:

- In the case of nominal gifts, the provisions of Sections A, B and E of this policy, FMGEG003, Anti-bribery, Gifts, Entertainment and Lobbying.
- In the case of entertainment, the provisions of Sections C and E of this policy FMGEG003, Anti-bribery, Gifts, Entertainment and Lobbying.
- All such nominal gifts or entertainment must be appropriately disclosed on an expense report and properly reported in our accounting records.

B. Prepaid designated food certificates (i.e., moon-cake vouchers) which cannot be exchanged into cash are permitted to be given and/or received provided they are nominal in value, (i.e., not in excess of ¥350 in value) and approved by the manager of the employee requesting the food certificate.

C. If an employee receives a gift certificate, other cash equivalent or any other gift, in each case, in excess of ¥350, which is not suitable for public display and such gift cannot be rejected because it may potentially damage Federal-Mogul's business relations with the customer or supplier or under local customs and practices it is unacceptable to reject such gift in such circumstances, then such gift shall immediately be turned over to the senior Human Resources executive in Asia Pacific who will be responsible for arranging for such gift to be donated to a charity organization or otherwise appropriately disposed of in the best interests of Federal-Mogul.

D. The practice of giving consumption cards to customers in lieu of a formal dinner where Federal-Mogul management has a conflict of schedule is forbidden. Dinners should be appropriately scheduled to avoid such conflicts.

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Introduction

Realizing that communication and cooperation are key elements in maintaining high quality standards, this manual has been developed as a guide for aiding suppliers to understand Federal-Mogul requirements. The Supplier Requirements Manual outlines the minimum practices that must be effectively implemented at your facility. By outlining common global policies, Federal-Mogul hopes to simplify procedures for suppliers.

The Supplier Requirements Manual applies to all suppliers to Distribution Centers, internal and external suppliers of production materials, production or service parts, and manufacturers of machinery or any component thereof.

Supplier Type	Supplier Service	Certification & Qualification Requirements
Calibration Services / Gage Suppliers	Supplier who provides calibration services/equipment for test and inspection	Accredited to ISO/IEC 17025 or national equivalent or written end customer approval of the external laboratory.
Chemical Suppliers - direct material	Supplier of chemicals that are direct inputs into the final product. Examples - anodizing chemicals, plating chemicals, etc.	Current ISO 9001 and/or TS or IATF 16949 certification. Supplier shipping chemicals to EU must comply with REACH requirements.
Chemical Suppliers - others	Supplier of chemicals that are not used in the final product. Examples - cleaning supplies, hydraulic oil, other chemicals used in the maintenance of equipment	No QMS certification required. Supplier shipping chemicals to EU must comply with REACH requirements.
Direct Material Supplier	Supplier of materials that are direct inputs into the final product. Examples include suppliers of raw material, purchased components; suppliers of heat-treating, painting, plating, or other finishing services.	Current ISO 9001 and/or TS/IATF 16949 certification. Supplier shipping chemicals to EU must comply with REACH requirements.
Prototype and Pre-production Suppliers	Supplier who provides samples for prototype and pre-production testing. No production saleable parts are allowed from this supplier.	No QMS certification required.
Distributors/Agents/ Brokers/Warehouse	Supplier who warehouses, distributes, and/or purchases product that has been manufactured by another organization. The purchased product is a direct input into the final product.	No QMS certification required. A copy of their manufacturer's certification is preferred to be on file in the ASL.
External Laboratories	Supplier who provides inspection or testing services performed outside of Federal-Mogul.	Accredited to ISO/IEC 17025 or national equivalent or written end customer approval of the external laboratory.
Dealership	Supplier that provides OEM certified parts. This supplier shall only purchase parts from an OE organization	No QMS certification required. Need statement from supplier that they are only to ship OES certified parts on company letterhead.
Quality inspection/sorting/re-work/sequencing	Supplier that performs quality inspection, rework sequencing of product. This includes all 3 rd party sorting companies that are not mandated by our customer.	Self-assessment only.
Other Maintenance, Repair, and Operating Supplies	Suppliers of materials and/or services that are required to run daily business activities. Examples: paper products, office supplies, outside cleaning services, uniforms, etc.	No QMS certification required.
Packaging – printed corrugated -	Supplier who provides e.g. blister cards, or other non-returnable packaging included in sale of the	Direct qualification. No QMS certification

Supplier Type	Supplier Service	Certification & Qualification Requirements
cardboard boxes	final product. Examples include product boxes and folding cartons.	required.
Packaging - dunnage	A supplier who provides items for packaging for transporting the final product such as plastic bags, cardboard separators, labels, internal dunnage, ink, Inserts/dividers, wooden pallets, shrink wrap, WIP racks, etc.	No QMS certification required. Heat Treated Wooden pallets: Require Phytosanitary compliance (ISPM-15)
Packaging - returnable	A supplier who provides returnable packaging for the final product.	No QMS certification required.
Tooling Suppliers	A supplier providing tooling for the manufacture of direct materials into the final product, and which has an immediate impact upon final product characteristics; including specialty tool and die shops.	No QMS certification required. Tooling purchases must comply with local site tooling approval process.
Freight/Transportation Companies	A supplier who provides transportation of product.	No QMS certification required. Indirect qualification.

There may be additional requirements set by the business unit or plant. Suppliers are expected to comply with all global, business unit, and facility specific requirements.

Suppliers are expected to manage their sub-suppliers of products and services to ensure compliance to the requirements defined within this manual.

Increasing quality and delivery expectations, on time delivery, cost reduction pressures from auto-makers, and globalization of markets are putting tremendous pressures on our business to identify new ways to deliver high quality products and systems and to continually improve on our processes.

It is Federal-Mogul Motorparts mission to supply our customer with zero defects, supply them this product globally and at the lowest total cost. The goal is simple – be the benchmark supplier in every market we participate. This goal can only be achieved with the support and commitment of you, our supplier. Clear and concise expectations and requirements should make the supplier customer relationship more productive.

Quality Systems

As a global manufacturer of automotive components and sub-systems to original equipment manufacturers and the aftermarket, Federal-Mogul Motorparts must meet the requirements set forth by the current IATF 16949 Quality System. This system is based on the process approach of ISO 9001.

Potential new suppliers are required to complete a Federal-Mogul Supplier Profile and provide a copy of their quality and/or environmental management certificates (if necessary per above table) to Purchasing. Certification will be current version of ISO 9001, IATF 16949, AS9100, ISO 14001, and ISO 17025 as applicable. In addition, new suppliers to Federal-Mogul will be required to undergo an Initial Supplier Qualification Assessment. The goal is to better understand the capabilities and systems of each supplier. This information will assist Federal-Mogul in determining each supplier's ability to provide quality products and services necessary to remain an industry leader.

Suppliers are fully responsible for the quality of their products, and for assuring their products and/or materials function properly as part of a system or assembly. Federal-Mogul Motorparts reserves the right to have product tested by an accredited third-party laboratory at any time.

All materials used in part manufacture shall satisfy current governmental and Federal-Mogul Motorparts constraints on restricted, toxic and hazardous materials (including the Federal-Mogul Motorparts Restricted Substances Standard); along with environmental, electrical and electromagnetic considerations applicable to the country of manufacture and/or sale. Supplier shall have a process to assure that constraints on restricted, toxic and hazardous substances are complied with relative to purchased products and the manufacturing process.

Suppliers are required to include copy of the Safety Data Sheet (or legal equivalent outside of the United States) with the shipping documents accompanying their initial shipment and with the first shipment after any of the said documents are updated. These documents must be provided in the predominant language(s) spoken in the countries where storage and transportation occurs.

Statistical Process Control (SPC) must be an integral part of the supplier's process to provide the necessary information for continual improvement in quality, productivity and cost reduction through variation reduction.

Statutory and Regulatory Requirements

Suppliers shall document their process to ensure that purchased products, processes, and services conform to the current applicable statutory and regulatory requirements in the country of receipt, in the country of shipment, and the customer identified country of destination.

Forms for requirements below are located here:

<https://www.fmmotorparts.com/suppliers/purchasing.html>

Code of Conduct and Basic Working Conditions: Federal-Mogul Corporation suppliers the protection of international human rights within the realm of its influence and is committed to the highest ethical standards. This represents the overarching principles guiding the business practices of the company and the company expects the same of its suppliers.

Restricted Substances Material: materials we must exclude from our product altogether and the limits we have on the amount of certain other materials. These restrictions are primarily based environmental or other related concerns.

Conflict Minerals: The rules require each public company for which conflict minerals are necessary to the functionality or production of one or more products that it manufactures or contracts to manufacture, to perform due diligence on its supply chain in an effort to determine how those minerals are sourced. These conflict minerals are commonly known as tin, tantalum, tungsten and gold.

C-T PAT: Federal-Mogul Corporation is a participant in Customs-Trade Partnership Against Terrorism (CTPAT), Authorized Economic Operators (AEO) and Partners-in-Protection (PIP). As a participant, we have made a firm commitment to enhance the security of goods moving through our international supply chain. To implement this commitment, we are verifying whether our suppliers, vendors, and service providers have active security programs in place. "For suppliers who are C-TPAT certified, the vendor must send a request to Federal Mogul Motorparts (Importer / Exporter) via the C-TPAT portal 2.0. Upon request, suppliers will automatically qualify for F-M MOTORPART C-TPAT requirement approval. For potential suppliers who are certified in a C-TPAT Mutual Recognition Program (Such as Partners in Protection (PIP) or Authorized Economic Operator (AEO)), the supplier is required to only fill out the cover page of the Supply Chain Security Questionnaire (See Step 6.7 for hyperlink) and provide evidence of certification in the Mutual Recognition Program. The supplier will not be required to fill out the security questions. All other potential suppliers must fill out the entire Supply Chain Security Questionnaire, including the cover page and security questions, and send that to the Customs Compliance Team (Instructions on the form). The Global Trade Compliance Manager will provide 1.) Approval, 2.) Approval with Conditions or 3.) Rejection with explanation."

CQI (Continuous Quality Improvement) surveys: Initiative is the reduction of campaigns, spills, recalls and warranty claims related to components from "Special Processes". These are self-assessments the supplier will need to complete on an annual basis. The survey shall be completed within the last 12 months from document request.

<http://www.aiag.org/quality/special-process-assessments>

REACH: If a supplier is to provide chemical products into Europe, then REACH qualifying requirements should be investigated by the Purchasing Agent at initial enquiry. This can be a few questions to test that the potential supplier complies with the regulatory requirements

- Check for REACH compliance and (pre) registration.
- Products fall into REACH category.
- Plans if not currently registered.

ISPM-15: International Phytosanitary Measure certification issued by the NPPO. International standard to reduce/eliminate pests' introduction and spread via wood packaging material. ONLY valid compliance to this standard is the certificate from NPPO.

Quality Certification

Federal-Mogul requires OE/OES suppliers to be minimally certified to the current version of ISO:9001. Based upon Federal-Mogul and customer requirements, suppliers certified to only ISO:9001 may require an audit that includes all areas in the current version of MAQMSR. The ultimate objective is for OE/OES suppliers to be certified to the current version of IATF 16949. This push to IATF certification will be based upon the risk analysis.

Aftermarket suppliers ultimate goal is certification to the current version of ISO:9001. Please talk to your purchasing person

Schedule & Delivery

Federal-Mogul requires **100% on-time delivery performance** from all its suppliers and subcontractors. It is the responsibility of the supplier to notify the affected Federal-Mogul facility of all possible delivery delays. Suppliers that ship to Distribution Centers must provide Advanced Shipping Notification (ASN's)

Federal-Mogul requires notification of the shipment of suspect material. Suppliers are to notify the Quality organization at the receiving Federal-Mogul facility.

Federal-Mogul Motorparts defines packaging and labeling requirements. The supplier must ensure satisfactory protection against damage, contamination, and corrosion during shipment. Suppliers are encouraged to consider using returnable containers, where possible, and to provide internal separation/lining, if necessary, to maintain cleanliness, integrity, and appearance requirements.

Federal-Mogul owned returnable packaging that is lost, damaged, or otherwise unsuitable for use shall be reported to the Materials Department of the Federal-Mogul location which provides the returnable packaging

The supplier shall establish and maintain documented procedures for identifying the product by suitable means to ensure full product **traceability** from receipt, through all stages of production, delivery and installation.

Safety critical component traceability requirements shall be provided by the Federal-Mogul facility.

In order to avoid premium freight charges, suppliers are required to utilize cartage companies Federal-Mogul has approved. The appropriate Federal-Mogul personnel must authorize all proposed shipping deviations and/or changes. Where extra charges or costs are incurred that exceed the norm (e.g. existing cartage contracts) the supplier shall track and keep good record of such "premium freight" costs. These may be resultant of such events as poor scheduling, quality, or production inefficiencies. The need for premium freight could be caused by the customer, Federal- Mogul or the supplier.

Zero Defects

Suppliers are required to accept 'Zero Defects' as a target, and have action plans in place to continually reduce PPM defective levels in line with the Federal-Mogul Motorparts mission to supply our customers with zero defects. Federal-Mogul Motorparts utilizes SCARs to track responses from suppliers.

Performance Measurement Criteria

To be effective, Federal-Mogul must build relationships with suppliers who can consistently meet our needs; we must give preference in source selection to suppliers who help us minimize waste.

The Federal-Mogul Global Supplier Score Card utilizes composite measures, which cover various aspects of supplier performance. It provides an on-going way to evaluate suppliers' quality and delivery. The purpose of the Supplier Score Card is:

- To recognize exceptional supplier performance
- To promote & encourage improved communication on performance issues
- To provide objective data for use in supplier management & sourcing decisions
- To identify continual improvement opportunities

Supplier quality and delivery performances are monitored regularly by Federal-Mogul manufacturing facilities. The Supplier Score Card is posted monthly through the SupplyNet portal.

Use the link below to access the scoring calculation.

<https://www.fmmotorparts.com/suppliers/supply-net/supplynet-scorecard.html>

Program Planning (APQP)

Federal-Mogul utilizes Advanced Product Quality Plan (APQP) to develop new **OE** programs. This process provides a structure to guide suppliers to the necessary program elements to be addressed when launching programs. Federal-Mogul will work with suppliers when APQP is to be utilized.

Process parameters and product characteristics shall be managed to ensure that the initial process capability is $Ppk \geq 1.67$ and then on-going process control shall be maintained. Ongoing process control is demonstrated by the application of control charts or other statistical methods that demonstrate the process has not changed.

-  **Control Characteristic:** A Control Characteristic is a product characteristic that may affect the form, fit, and/or function of the product and that require managing its variation within the specified tolerances.
-  **Safety Characteristic:** A Safety/Regulatory Characteristic is a product characteristic that the customer or Federal-Mogul Corporation has determined is impacted by that safety, environmental or other regulatory compliance requirements.

These symbols shall be used on all appropriate documentation, unless a customer requires the use of specific customer symbols. Federal-Mogul drawings issued prior to 06/27/2000, which use other symbols, are acceptable for continued use. However, future drawings shall use the symbols above.

The supplier understands that an on-site review of the production trial run

Aftermarket programs utilize the NPI process.

Production Part Approval Process (PPAP)

Suppliers of production material are required to complete a Production Part Approval Process (PPAP) submission for each part or material prior to initial shipment, unless instructed otherwise by Federal-Mogul. If requested, suppliers will provide a Layout drawing/sales print for receiving inspection purposes.

- Suppliers providing to any OE/OES market sector the default PPAP is Level 3, as defined by the Production Part Approval Process Handbook published by AIAG, unless otherwise stated or required by the receiving site. To be produced in English or as agreed with the F-M site. Suppliers should be certified or have an understanding of IATF PPAP requirements. IMDS reporting is mandatory.
- Suppliers providing to any aftermarket product line, submission content will be a minimum of:
 - Process Flow description
 - Dimensional report
 - Control Plan
 - F-M certified Print or Product description
 - Process Capability study for Critical (or Safety) Characteristics, as defined by the receiving site
 - Gauge R&R studies for above Characteristics, as defined by the receiving site
 - Material Certificate of Analysis as measured by the material manufacturer
 - Packaging specification and Shelf-life requirements as defined by the receiving siteOr as specified by the business unit

Supplier Change Notification

- **After PPAP approval ANY and ALL** permanent, temporary or emergency requests for changes to product design, process or service, including proprietary designs, must be documented and forwarded to Federal-Mogul for Approval **PRIOR** to implementation. The Supplier Change/ Deviation Request form shall be used when applying for a Change Request. Under no circumstances will verbal requests for change be accommodated.
- **PRIOR to PPAP** approval, requests for change shall be dealt with using the APQP process.

Every request for change shall include the following information:

Permanent change – detailed information of the proposed change, the timing of the changeover, and the reason for change.

Temporary change – where the change is intended for a specified period, then to return to meet the original specification. For this position:



- If an extension to the original expiry date is required, the Supplier shall submit a notification by email to the original recipients, at minimum 14 days prior to the expiry date, requesting that the existing condition continue to a new closure date.
- At minimum, 14 days prior to the date of expiry the Supplier shall communicate by email, to the original recipients, indicating that the authorized exit date will be met.

In addition to the Supplier's own Change process, documentation may be required for Federal-Mogul and/or Customer-specific requirements.

To access Supplier Change / Deviation Request form, visit:

http://www.federalmogul.com/en-US/Suppliers/Documents/SupplierChangeRequest_Motorparts.xls

Corrective Action

Response to nonconforming product requires corrective and preventive action. All root cause analysis activities shall be conducted using the Federal-Mogul-Techniques in Problem Solving (FM-TIPS) Corrective Action methodology or Effective Problem Solving (EPS) as outlined in the Supplier Corrective Action Request (SCAR) database. The process will flow as follows:

FM-TIPS

1. **Use Team Approach:** Establish a small group of people, with the process/product knowledge, allocated time, authority, and skill in the required technical disciplines to solve the problem and implement corrective actions. The group must have a designated champion.
2. **Describe the Problem:** Specify the internal/external customer problem by identifying in quantifiable terms who, what, when, where, why, how, and how many (5W2H) of the problem.
3. **Implement and validate Interim Containment Actions:** Define and implement containment actions to isolate the problem from any internal/external customer until permanent corrective action is available. Verify the effectiveness of the action.
4. **Define Root Cause(s):** Identify ALL potential causes - The FM-TIPS process requires the team to identify ALL the potential root causes BEFORE selecting and acting on the real root causes.
5. **Choose Real Root Cause and Permanent Corrective Actions:** Review ALL root causes identified and either ACCEPT or REJECT each, maintain documentation on decisions. Identify permanent corrective action for EACH root cause accepted. Through pre-production test programs quantitatively confirm that the selected corrective actions will resolve the problem for the customer and will not cause undesirable side effects. Define contingency actions, if necessary based on risk assessments.
6. **Implement Permanent Corrective Actions:** Implement the best permanent corrective actions. Choose on-going controls to ensure the root cause is eliminated. Once in production, monitor the long-term effects and implement contingency actions, if necessary.
7. **System Prevention:** Identify what management systems, if in place, would have prevented this problem. Modify the management systems, operating systems, practices, and procedures to prevent

recurrence of this and all similar problems and provide copies of updates to the customer. Apply this solution to similar processes within the organization.

8. **Congratulate Your Team:** Recognize the collective efforts of the team.

The supplier has financial responsibility for nonconforming materials and their effects, which may include warranty issues and/or cost recoveries for sorting, re-work, scrap, premium transportation, etc.

The supplier Corrective Action (SCAR) application enables interactive communication and documentation of Corrective Actions with the supplier.

The SCAR database is used as a communication tool to notify suppliers of nonconformance and track their resolution.

SCAR Response Timeline is 1-15-45, i.e. 1 day to complete Containment actions, 15 days to complete Root Cause Analysis & Permanent Corrective Action implementation, 45 days to closure (15+30 days verification).

Existing Supplier Development

Escalation levels

Level 0 Guideline

How did we get there?	Initiated by:	Who is notified?	How Communicated:	Available Tools	Exit Criteria
<ul style="list-style-type: none"> • Normal SCAR issued • <u>Possible SCAR Categories:</u> ✓ Low On-time delivery/Fill Rate ✓ Qty (over/under) ✓ Quality issue ✓ Warranty issue ✓ Packaging issue ✓ ASN ✓ Paperwork 	<ul style="list-style-type: none"> • Plant Purchasing • Supplier Quality Lead • TSC Manager • Plant Quality 	<ul style="list-style-type: none"> • Supplier • BU and Corporate Purchasing/Quality 	<ul style="list-style-type: none"> • SupplyNet • Business Unit Monthly Report 	<ul style="list-style-type: none"> • F-M Tips in SupplyNet • Effective Problem Solving Form • 5 Why • Is/Is not • Fishbone 	<ul style="list-style-type: none"> • By responding to the SCAR: • 24 hr containment • 15 day corrective action • 45 days to close

Level 1 Guideline

How did we get there?	Initiated by:	Who is notified?	How Communicated:	Available Tools	Exit Criteria
<ul style="list-style-type: none"> Repeat Issue Lack of SCAR response Customer Concern Safety Issue Significant Pricing Dispute or Breach of Contract Misaligned Corporate Strategies At Risk Labor Spill during launch 	<ul style="list-style-type: none"> Quality Lead Quality Manager Purchasing Manager 	<ul style="list-style-type: none"> Plant Manager (for manufacturing and distribution) Group Manager (for TSC's) Supplier Optional Supplier Quality Mgr BU Purchasing Director 	<ul style="list-style-type: none"> SupplyNet Business Unit Monthly Report Corporate Quality Monthly Report 	<ul style="list-style-type: none"> Effective Problem Solving (EPS) Convergent Problem Solving (CPS) Controlled Shipping 1 Product Audit Process Audit 	<ul style="list-style-type: none"> SCAR Closure Closure of all corrective actions during audit Written confirmation of exit from controlled shipping

Level 2 Guideline

How did we get there?	Initiated by:	Who is notified?	How Communicated:	Available Tools	Exit Criteria
<ul style="list-style-type: none"> SCAR open for >90 days Broken containment while in CS1 Financially troubled Misaligned Corporate Strategies Large customer concern Line stoppage Large safety concern 	<ul style="list-style-type: none"> Facility Quality Manger Business Unit Quality Manager/ Director Purchasing Director 	<ul style="list-style-type: none"> Supplier Sales BU/Regional Quality Director BU/Regional Purchasing 	<ul style="list-style-type: none"> SupplyNet Monthly Business Unit Report Corporate Quality Monthly Report 	<ul style="list-style-type: none"> EPS CPS CS1 CS2 Product Audit Process Audit New Business Hold Resource 	<ul style="list-style-type: none"> SCAR Closure Closure of all corrective actions during audit Written confirmation of exit from controlled shipping Supplier assessed to be financially stable based on BU Commodity Director and Purchasing Controller approval Corporate strategy alignment obtained based on BU director approval Labor Risk resolved based on Commodity Director approval

Controlled Shipping

When directed by Federal-Mogul Motorparts, suppliers can be placed on controlled shipping. FMMP will notify the quality manager at the supplier in writing of controlled shipping. All controlled shipping activities are the responsibility of the supplier to coordinate and manage.

CS1: Managed by the supplier in a controlled area outside the normal process

CS2: If CS1 is not effective, the supplier will be placed on CS2. This requires a 3rd party inspection company.

Instructions will be sent in writing at each level. The supplier has 24 hours to comply in writing to controlled shipping.

Cyber Security

A robust cyber security program will ensure continued operations at the suppliers' location and at Federal-Mogul. By implementing cyber security practices throughout the organization, suppliers can safeguard their information and data.

Suppliers are expected to have the following minimum documented information:

- Cyber security practices and policies
- Disaster recovery plan
- Contingency plan
- Critical information back-up plan
- Antivirus and antispyware
- A plan to keep their PCs and computer systems updated and patched
- Education of employees about cyber threats and how to protect the organizations data

On-Site Contractor Services

All contractors working in or on Federal-Mogul premises are responsible for themselves, their employees and any sub-contractors employed by them for the following:

- Complying with all legal or Federal-Mogul EHS requirements
- Complying with all health, safety, fire security and site instruction requirements
- Ensuring that all equipment brought onto the site, including any borrowed or hired, is safe and only used in accordance with legal requirements.
- Indemnifying the company against any and all loss, injury, damage or claim which may arise directly or indirectly as a result of any EHS acts or omissions on the part of the contractor. The contractor must prove adequate insurance covering this liability.
- Reporting all accidents and occurrences, as required by law, to the EHS Coordinator and Site Manager employing their services, and any other such accidents or occurrences that pose a hazard to Federal-Mogul employees and/or property.
- Reporting any unsafe act or conditions that may affect the ability to meet the contract.
- Wearing appropriate safety equipment on-site
- Notifying Federal-Mogul personnel of any chemicals to be brought on-site and disposition of any waste generated

Continual Improvement & Risk

Suppliers shall establish continual improvement and risk as part of their management systems and business planning process. These activities shall be documented and tracked.

Glossary

Acceptance Criteria:	Specified limits placed on characteristics of an item, process, or service defined in codes, standards, or other requirement documents.
Accreditation:	Certification by a duly recognized body of the facilities, capability, objectivity, competence and integrity of an agency, service or operational group or individual to provide the specific service(s) or operations(s) needed.
Accredited Laboratory	Accredited Laboratory is one that has been reviewed and approved by a nationally recognized accreditation body [e.g. American Association for Laboratory Accreditation (A2LA), the Standards Council of Canada (SCC), United Kingdom Accreditation Service (UKAS), the LRCCP, or the AINF].
Accuracy	The extent to which the measured value of a quantity with the accepted value for that quantity.
Advanced Product Quality Planning (APQP)	The basis for program management for Federal-Mogul Corporation. (See AIAG <u>Advanced Product Quality Planning and Control Plan</u> reference manual).
ASN's (Advanced Shipping Notifications)	Required document for proper identification of inbound material. The preferred method is electronic notification.
Approval	An act of endorsing or adding positive authorization.
Assessment	An evaluation process including a document review, on-site initial qualification and/or product process assessment and report.
Attribute	A characteristic or property of a product.
Audit	A structured and documented on-site verification activity used to determine the effective implementation of a supplier's documented quality system.
Awareness	Personal understanding of the interrelationship of quality and productivity, directing attention to the requirement for management commitment and statistical thinking to achieve never-ending improvement.
Benchmark Data	The results of an investigation to determine how competitors and/or best-in-class companies achieve their level of performance.
Bill of Material	Total list of all components/materials to manufacture the product.
CAD/CAM Data	A form of design record by which all dimensional information necessary to define a product is conveyed electronically.

Calibration	The comparison of measuring and test equipment or a measurement standard of unknown accuracy to a measurement standard of known accuracy in order to detect, correlate, report, or eliminate by adjustment any variation in accuracy of the measuring and test equipment or measurement standard being compared.
Characteristic	Any property or attribute of an item, process, or service that is distinct, describable, and measurable, as conforming or nonconforming to specified quality requirements.
Control Characteristic	Those characteristics or process parameters where any slight variation will cause potential hazard to the end user.
Control Chart	A graphic representation of a characteristic of a process, showing plotted values of some statistic gathered from that characteristic, a central line, and one or two control limits. It minimizes the net economic loss from Type I & Type II errors. It has two basic uses: as a judgement to determine if a process has been operating in statistical control, and to aid in maintaining statistical control.
Control Limit	A line (or lines) on a control chart used as a basis for judging the stability of a process. Variation beyond a control limit is evidence that special causes are affecting the process. Control limits are calculated from process data and are not to be confused with engineering specifications.
Control Plan	A phase of quality planning that involves the development of a written, summary description of the system for controlling all significant characteristics of a specific product. A single control plan may apply to a group or family of products that are produced by the same process.
Corrective Action	Action taken to eliminate the causes of an exiting nonconformity, defect or other undesirable situation, in order to prevent recurrence.
Design of Experiment	A plan to conduct tests that involves all of the pre-work that must be accomplished before any test is conducted. Pre-work requirements are that: questions are written, data collection sheets are prepared, analysis of data is laid out, and the limitations of the test are known.
F-M TiPS (Federal-Mogul Technique in Problem Solving)	FM-TIPS is an 8-step process to ensure that all problems affecting quality and productivity are thoroughly analyzed, with the root cause of the problem being found, eliminated and verified for effectiveness.
Flow Chart	A visual map or graphical representation depicting the steps or activities which constitute a process. The flow chart is constructed from standardized symbols that include inputs, outputs, activities and decisions.
Kaizen	Taken from the Japanese word <i>kai</i> and <i>zen</i> where <i>kai</i>

	means change and <i>zen</i> means good . The popular meaning is continual improvement of all areas of a company, not just quality.
Layout Drawing/Sales Print	Drawing that shows all projected views, key measurements and special characteristics of the received manufactured part for receiving verification.
Material Certification	A document demonstrating compliance to requirements, signed by an authorized supplier representative, which states test results for all special characteristics established in the standard or on the print.
PPM (Parts Per Million)	PPM is a way of stating the performance of a process in terms of actual or projected defective material. PPM data can be used to indicate areas of variation requiring attention.
PPAP (Production Part Approval Process)	Generic requirements for the production part approval for all production and service commodities, including bulk materials. (See AIAG <u>production Part Approval Process</u> reference manual.)
Quality Assurance	A planned and systematic pattern of all actions necessary to provide adequate confidence that a product or service will satisfy given needs. This includes a continuing evaluation of adequacy and effectiveness with a view to having timely corrective measures and feedback where necessary.
Quality Planning	Activities that establish the objectives and requirements for quality and for the application of quality system elements. Note: quality planning covers product planning, managerial and operational planning and the preparation of quality plans and the making of provisions for quality improvement such as business plans. (See AIAG <u>Advanced Product Quality Planning and Control Plan</u> reference manual.)
Quality Management System (QMS)	The organizational structure, responsibilities, procedures, processes and resources for implementing quality management. This includes the collective plans, activities and events that are provided to ensure that a product, process or service will satisfy given needs. Management system to direct and control an organization with regard to quality.
Quality	The totality of the characteristics of a product or service that affect its ability to satisfy specified requirements.
Safety Characteristic	§ A product characteristic or process parameter where significant variation will impact the form, fit, and function of the product.
SCAR (Supplier Corrective Action Report)	The SCAR application enables interactive communication and documentation of Corrective Actions with Suppliers.
Six Sigma	A disciplined methodology for reducing process variability to make a significant impact to the bottom line of the business. The Six Sigma methodology uses numerous problem solving, design of experiments, and control tools to achieve long-lasting process

	improvement to meet strategic objectives & customer needs.
Special Characteristic	A product characteristic for which reasonably anticipated variation is likely to significantly affect customer satisfaction, fit/function, or compliance to government regulations.
Specification	A precise statement of a set of requirements to be satisfied by a material, product, system or service that indicates the procedures for determining whether each of the requirements is satisfied. Specifications should not be confused with control limits, which represent the “voice of the process”.
SPC (Statistical Process Control)	Use of statistical techniques such as control charts to analyze a process or its outputs so as to take appropriate actions to achieve and maintain a state of statistical control and to improve the process capability.
Testing	Verification of the capability of an item or product to meet specified requirements.
Tooling Maintenance	Tooling maintenance is the periodic sharpening, polishing, or other servicing of a tool. This maintenance will not significantly affect the dimensions or other characteristics of the product produced by the tool.
Tooling Refurbishment	Tooling refurbishment is the major overhaul of a tool. Refurbishment can affect dimensions or other characteristics of the product produced by the tool.
Traceability	The ability to trace the specific history, application, or location of an item and like items or activities by means of documented identification.
Variation	The inevitable differences among individual outputs of a process; the sources of variation can be grouped into two major classes: common causes and special causes.
Verification	The act of reviewing, inspecting, testing, checking, auditing, or otherwise determining and documenting whether items, processes, services, systems or documents conform to specified requirements.
Waiver/Deviation	Documented authorization to deviate from specified requirements.