GLOBAL SUPPLIER EXPECTATIONS MANUAL

Electrical Components International

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Table of contents

PURPOSE

Electrical Components International, Inc. and its subsidiaries and affiliates (collectively “ECI”) are continually striving to improve the quality of its products; this requires a corresponding level of improvement in the quality of the components, parts, and materials provided by its suppliers. ECI’s goal is to produce products with no defects, hence Suppliers are expected to provide defect-free components in a timely manner to fully support production schedules.

The purpose of this Global Supplier Expectations Manual (“the Manual”) is to provide clear expectations for all current suppliers to ECI. Suppliers are expected to acknowledge receipt and compliance with this procedure on an annual basis.

No statement in the Manual is meant to imply that ECI will accept anything less than 100% defect-free components. The Manual must be used as a guide for supplier expectations in all situations.

The current version of the Manual can be downloaded from our website at https://www.ecintl.com/supplier-portal/

The Manual supplements ECI’s Purchase Order Terms and Conditions and other agreements with ECI but is not meant to supersede them. In the event of conflict between the terms of the Manual and other agreements with ECI, such other agreements prevail.

If a situation is not covered by the Manual, the responsible Supplier Quality Engineer (“SQE”) will be the main point of contact for getting questions answered and situations resolved. The SQE has the authority to request information, including process data, above and beyond the stated requirements in the Manual if it is deemed pertinent to protect the interests of ECI.

SCOPE

This manual applies to all current suppliers of purchased components or materials to ECI.

SECTION 1: PURCHASING AND DELIVERY EXPECTATIONS

1.1 Responsiveness: Suppliers are expected to be responsive and flexible when responding to fluctuations in demand and production changes. Suppliers must provide excellent and timely communication, service, and resolution as is necessary.

1.2 Flexibility: Suppliers are expected to be agile and adaptable to respond to short term changes in demand or supply situations of other external disruptions, and to align within the supply chain for better overall performance. Being willing to negotiate, granting reasonable time, and offering supplier's input is critical for resolution. Supplier should be willing and able to provide additional effort or support whenever unusual circumstances arise.

1.3 Responsibility: ECI evaluates Supplier to ensure proper contract performance and to create performance improvement plans to ensure continuous progress.

1.4 Competitiveness: Overall contribution of the cost competitiveness or financial impact of the product to the finished good selling price.

1.5 Service: Accurate and quick responses, value-added activities, information turnaround, meeting promised dates, flexibility.

1.6 Contracts: Contracts are in place, agreements are followed, adherence to the Manual.

1.7 Billing Accuracy: Accuracy on billing both in time (agreed payment terms) and money (agreed price).

Notes: Requested information in this section of the booklet is meant to include quotes, approvals, samples, tracking numbers, (P)PAP, UL/CSA and/or ISO certifications, product drawings and specifications, packaging drawings and specifications, labeling instructions, certificates of origin and/or environmental (RML, RoHS, REACH) documents. Anyone at ECI may make these requests.

SECTION 2: SUPPLIER MANAGEMENT

2.1 Quality Management System

Current and potential suppliers must demonstrate their financial viability and that its facilities, processes, and Quality Management System ("QMS") meet the standards required to deliver quality components and products.

Current and potential suppliers to ECI must operate within a comprehensive and properly implemented QMS. Suppliers shall provide written confirmation and objective evidence of third-party certification to an active version of IATF 16949 for ECI's automotive customers, and ISO:9001 or other similar certifications for non-automotive customers. Suppliers (for ECIs automotive customers) who are not IATF 16949 (latest issued) certified must have a working plan to become compliant to IATF 16949 available for review unless the Supplier has an approved Supplier Quality Certification Exemption from ECI waiving such plan. Certified suppliers up for ISO:9001 or IATF 16949 certification renewal must submit current certificates to ECI once available and upon request. Also, Suppliers must notify ECI in writing within 24 hours if their certificate will be suspended for whatever reason. Distributors must obtain ISO:9001 or IATF 16949 certificates from their manufacturers and submit them to ECI as stated above.

In support of these assessments, Suppliers are expected to actively manage the quality of their sub-tier suppliers. Suppliers should allow and facilitate ECI visits and audits of sub-tier suppliers when required.

2.2 Sub-Supplier Control

1. Suppliers must obtain written authorization from ECI Supplier Quality before changing any sub-supplier or material via the ECI supplier change request process.
2. Suppliers shall ensure all sub-suppliers comply with ISOTS:16949 (for Automotive products) or ISO:9001 (for non-Automotive products) requirements and all ECI specific expectations as applicable.
3. Suppliers shall ensure ECI has access to sub-supplier facilities, working areas, and records as applicable to investigate and enable verification that sub-suppliers are complying with item 2.
4. Suppliers are fully responsible for the quality and delivery of materials they purchase from sub-suppliers to provide to ECI.
5. Each Supplier is responsible for the control and continuous improvement efforts of sub-suppliers, including sub-suppliers nominated or directed by ECI.

2.3 Audits

Upon request of ECI, an approved third party representative, agreeable to Supplier, Customers and/or ECI will be entitled to visit any product related location of the Supplier and to conduct audits based on IATF 16949 and VDA standards (in the case of suppliers for ECI's automotive customers) and ISO:9001 for ECI's non-automotive customer base. This right shall also include audits at the Supplier's sub-supplier's locations. The Supplier shall provide the necessary resources for the performance of this task. Supplier will be given adequate advanced notice of audits, and some processes may be considered proprietary to Supplier.

2.4 Supplier Code of Conduct

As a global company powering smart, connected, and electrified solutions to solve the most complex challenges, ECI values safety, integrity, empathy and accountability. These values also apply to our Suppliers, including contractors and consultants. The principles contained in ECI's Supplier Code of Conduct ("Code" are essential to ensure that ECI's dealings with its Suppliers are ethical, compliant, and trustworthy. It is crucial that every Supplier understand and agree to the principles outlined in the Code, which can be found at ECI's website at [https://www.ecintl.com/]

2.5 Record of Retention

Supplier is obligated to document and maintain Production Part Approval Process ("PPAP")/PAP/FPA packages, annual layout and validation records, tooling records, traceability records, engineering records, corrective action records, quality performance records, and inspection and test results. At minimum, the listed documents shall be archived over at least 15 years after the production has been terminated for automotive products and 5 years for general market products and tooling scrap authorization has been granted. Records shall be available to ECI upon request.

The above time periods are considered "minimum." All retention times established by Suppliers shall meet or exceed the above requirements and any governmental requirements.

2.6 Annual Re-Qualification (Components and Suppliers)

Supplier shall re-qualify its components in case of changes and regularly at least once a year. A qualification-monitoring program must be maintained to ensure and demonstrate that the delivered components meet all the agreed requirements. Re-qualification documentation shall be archived by Supplier and shall be made available to ECI upon request.

If Supplier does not have design responsibility, Supplier shall perform a layout inspection, verifying all characteristics as specified in the respective drawing or specification regularly, at least once a year.

Suppliers with PPAP documentation over one year old are required to re-PPAP as directed by the Supplier Quality department at ECI's receiving site. Supplier will provide annual PPAP documents upon request per a Supplier product family part number schedule.

Suppliers who once were approved by ECI but with no activity for 12 months or more (from last shipment received at ECI) shall be re-qualified (as new supplier) and sent through the appropriate approval process.

2.7 Production Approval Process Package (PAP (FPA)) / Production Part Approval Process (PPAP)

ECI requires its Suppliers and Distributors to use PAP (FPA)/PPAP and maintain quality historical records of their processes and products. The part must receive PAP (FPA)/PPAP approval before shipments are received at ECI. If the Supplier does not submit the PAP (FPA)/PPAP, material will be rejected, and the corresponding charges will be made. For all automotive components PPAP Package must be submitted per PPAP AIAG Guideline at current edition.

Note: Suppliers and Distributors must be able to provide PPAP in the different levels as stated in the AIAG PPAP requirements. The PPAP level will be indicated in the PO submitted by ECI Purchasing.

The PAP (FPA)/PPAP is required under the following circumstances:

- New part for an ECI facility
- Revision change
- Manufacturing facilities change, process change
- If ECI has not received material from a particular manufacturing location for more than one calendar year.
- Regulatory at least once a year

PAP (FPA)/PPAP package to include:

a) Certified Print: The print must be a released drawing signed and dated by the Supplier. Actual layout measurements will be clearly marked alongside the corresponding print dimension. The sample part used for the layout must be identified.

b) Dimensional Report (FPR): The FPR must be filled out with the dimensional / appearance data obtained out of 3 pieces sample, randomly selected from your first pre-pilot run, including all the characteristics mentioned in the certified print.

c) Gauge R&R: Percentage value for the Gauge R&R study must be < 20%

d) CPKs for critical to quality characteristics (CTQs):

Supplier must submit evidence of CPK index of 1.67 or greater for all CTQs.

e) Process flow chart:

A process flow chart must be submitted for each part.

f) Process Failure Mode and Effect Analysis:

A PFMEA must be submitted for each process, part or family of parts, all the higher RPNs shall have recommended actions to reduce risk.

g) Process Control Plan:

A Control Plan must be submitted for each part or family of parts, which require different control methods.

h) Part Submission Warrant (PSW):

Per AIAG guidelines at PPA 4th edition, Part Submission Warrant shall be prepared and submitted for approval.

i) UL & CSA Approvals (if applicable)
j) Odor and taste test (when requested)
k) Or comply with customer specific requirements
l) List of manufacturing partners (In case of Distributors) and submit required paperwork from those manufacturers (example; ISO certificates/self-risk assessments). Also, change in manufacturing facility must be noted to ECI and no material should be sent prior to approval.

Note: Any other requirement not included in this list will be notified through ECI Purchasing or by Supplier Quality.

SECTION 3: CHANGE CONTROL (Supplier Change Request):

3.1 Change Control

After PPAP approval, the Supplier shall not make any changes to the part design or manufacturing process without prior written change request notification and approval from ECI.

Suppliers shall submit a written formal request including all the items listed in the 4th edition of the AIAG PPAP Manual or equivalent. Suppliers are also required to submit all supporting validation data, including necessary dimensional reports, performance testing, before/after process parameters, updated APQP documentation (PFMEA/Control Plan), and a detailed timeline demonstrating proper change control that identifies necessary safety stock/bank requirements including timing for ECI/Customer validation timing and designated resources to manage the change.

ECI must act in accordance with ALL customer requirements for change notification, and as such, ECI expects Suppliers to comply accordingly. Change approval may take an extended period of time when ECI customer approval is required. Changes shall not be implemented before the receipt of written approval from ECI. VERBAL REQUESTS ARE NOT ACCEPTED.

Suppliers that provide products for ECI customers should notify a minimum of 6 months before the projected effective date. Any Product or process change notice (PCN) must be emailed ECI at PCNDistribution@ecintl.com

Examples of changes include, but are not limited to:

- Change in Supplier Quality Management System, Part Quality Control Plan attributes
- Change in material of the product
- Change to tooling or tooling replacement
- Change in manufacturing process
- Change sub-tier suppliers or their process
- Change in packaging (design and or supplier)
- Add a new sub-tier supplier
- Change in design
- Moving manufacturing location
- Restructuring existing manufacturing locations
- Request changes to product specifications
- Use of out-of-specification parts
- Reworking/Repair of products for ECI use (regardless of location)

3.2 Risk Assessment & Contingency Planning

Supplier shall conduct a risk assessment of their operations that support ECI's production facilities, quality requirements and delivery schedules. Each assessment should consider, at a minimum, the impact arising from:

- Natural disasters
- Geo-political hazards
- Supply chain disruptions
- Intellectual property claims
- Personal concerns
- Equipment problems
- Facility or system issues

Supplier shall prepare contingency plans to ensure continued operations to support supply of products needed by ECI.

Supplier shall communicate any critical risk scenario without a contingency plan that may result in a major disruption. Supplier shall provide the contingency plans to ECI when requested.

SECTION 4: NON-CONFORMANCE

Shipping non-conforming components or raw materials to ECI is not acceptable; likewise failing to adhere to the deadlines set forth in ECI's orders (delivery problems) or shipping late is not acceptable. All such incidents will negatively affect Supplier's performance metrics, which are monitored in the Supplier Scorecard.

Supplier is expected to proactively notify the ECI Supplier Quality teams of non-conforming product if Supplier becomes aware of a Quality spills issue before ECI personnel discover the non-conformance. Similarly, it is expected that Suppliers will proactively communicate to the materials planner contact if any missed shipment or late shipment condition will impact a an ECI plant.

Discovery by ECI of non-conforming components or raw material and any delivery problem (Supplier related) will result in a reject notification and typically also result in the issuance of a Supplier Corrective Action Report through our SQICS system.

Suppliers must have an established Root Cause Analysis ("RCA") process with clearly assigned roles and responsibilities for managing non-conformances. The RCA process must include test procedures, quarantine methods, Returned Material Authorization (RMA) process, results documentation, problem solving tools, escalation methods, etc. The RCA findings should be documented by Supplier and reported out periodically or upon request.

Non-conforming parts that are the result of Supplier's failure to adhere to an approved control plan or due to a violation of change control results in a completely non-value-added activity for ECI personnel to contain and correct the issue. As such, any SCARs that are issued because of this type of failure will be assessed a billback charge. See Section 4.5.

4.1 Containment (Parts)

ECI requires Suppliers to implement containment actions necessary to maintain production delivery schedules within 24 hours from the time such an incident is reported to the Supplier as a SCAR. Supplier shall submit a documented containment plan within 24 hours of notification of non-conformity. Supplier's containment process must cover all possible areas of finding potential defects including:

1. Supplier's manufacturing location.
2. All potential transportation links (e.g. Supplier stock waiting to ship, shipping to warehouse, warehouse to manufacturing facility, etc.).
3. All warehousing operations from the Supplier through the ECI facility.
4. Any other potentially impacted ECI facilities.
5. Material in ECI's Customer in case there is risk of impact or confirmed impact.

Containment actions may consist of quarantine, sort, and/or rework of product at all product locations, including by third party quality as detailed below. Supplier must provide on-site support or coordination for all containment actions if requested by ECI. Such support is expected on-site within 48 hours from the time such support is requested.

Any rework proposed as part of the containment plan should be assessed and approved in writing by ECI's supplier quality representative before its execution.

Supplier is responsible for all expenses incurred during a nonconforming component or raw material incident. If possible, Supplier will be offered the opportunity to replace non-conforming product to reduce expense liability.

4.2 Root Cause

Root cause analysis must begin within 48 hours of non-conformance notification from ECI, and the expectation is three days to complete such analysis. If a component or material is required to complete the root cause analysis, the 48 hours begin when Supplier receives the part or product. However, all attempts shall be made to complete the root cause analysis without having a component physically in hand. Photographs, measurement data and defect descriptions are usually sufficient for this purpose.

4.3 Corrective Action

A long-term corrective action plan must be submitted within 14 days and implemented within 30 days of receipt of SCAR. The corrective action plan must be based on the root cause determination from a thorough root cause analysis.

Suppliers are expected to submit evidence of problem-solving tools used during root cause investigation of the issue using 8D methodology or similar. Unacceptable responses will be returned to Supplier for further work. Suppliers are required to use the defined SQICS system to formally submit the actions of the SCAR for SQE review.

PFMEAs and Control Plans are to be reviewed and revisions made as part of the problem-solving process. The expectation is that these documents will be submitted as part of the completed SCAR response.

Proprietary process documentation requires evidence that the review has been completed by the SQE.

Any changes required for the corrective action implementation are expected to be submitted to ECI for review using the Change Control process.

Past Due SCARs will be escalated to ECI management for further review. Effectiveness and timeliness of Supplier responses to these due dates are measured and included in the Supplier Scorecard.

4.4 Controlled Shipment

The Controlled Shipment ("CS") is a strict inspection process that is put into place to protect ECI plants from receiving non-conforming components or raw material that are not consistent with ECI's specification. CS is a requirement from ECI for Supplier to implement additional containment by introducing additional inspection before the shipment of components or raw material to ECI. The data obtained from this rigorous inspection process is critical to measure the effectiveness of containment and corrective actions taken to eliminate the root cause of nonconformances. This process protects ECI and Customers from receiving non-conforming material and protects Supplier from the cost of potential failures passed on to our customers. Supplier is liable and
responsible for the cost generated to reduce or mitigate the impacts of non-conforming product passed on to customers and consumers in the field. This process does not change any terms of ECI's purchase orders or a signed supply agreement, nor modifies or limits in any way ECI's remedies or rights of recovery.

Controlled Shipment Levels (CSI/ CSII)
If a CS is required, ECI will determine if CS Level I or Level II would be more appropriate for the situation; additionally, a formal letter describing the reason to place Supplier in CS status, the description of the issue(s), exit criteria and other important aspects of this process will be formally communicated to Supplier in a that letter to be signed by ECI's supplier quality leadership.

Level I Controlled Shipment (CS-I)
Requires Supplier to implement an additional inspection process at Supplier's manufacturing facility, protecting ECI from receiving further non-conforming components. CS-I is invoked when there is evidence Supplier is not able to effectively resolve an issue, or to provide an effective containment and corrective action plan to ECI.

Level II Controlled Shipment (CS-II)
Requires Supplier to implement an additional inspection process at Supplier's manufacturing facility performed by an independent third party, protecting ECI from receiving further non-conforming Parts. Supplier is responsible for paying the third party. . Any Supplier placed on CS-II will also be placed on new business hold until Supplier has successfully completed the CS-II process. CSII is instated when there is evidence Supplier is not able to effectively contain and isolate the issue within Supplier's facility when in CS-I activities.

4.5 Bill Back process

All costs incurred by ECI due to Supplier not adhering to ECI quality and delivery requirements may be charged back to the responsible Supplier. This includes customer issues, scrap or other in-process waste, warranty and other any process fall out.

Examples of events typically associated with Supplier caused Bill Backs:

- Rework, sort, and disposition of suspect and non-conforming product
- Premium freight
- Down time/over time/line speed reduction
- Increased inspection
- Late Delivery
- Shipping errors
- Additional manpower
- Product or equipment damage
- Replacement materials/costs
- Reimbursement of all charges from a customer
- Violation of change control process

A SCAR will be issued to Supplier describing in detail the problem, the associated costs, and the evidence of the expenses incurred to be reimbursed by Supplier. In most cases ECI may also include an “administration” cost of $500 USD to address the costs for ECI to administer and manage the problems.

The downtime charges will vary depending on the location of the plant and the labor costs for the people involved. ECI will only charge actual costs when recovering expenses incurred.

Suppliers will be notified of billback and provided with an itemized list of charges along with the applicable evidence of the costs incurred.

Supplier has five calendar days to respond to the Bill Back with a Credit Note regarding the charges communicated; if Supplier does not respond during this time, ECI will debit Supplier’s account.

SECTION 5: SUPPLIER PERFORMANCE PROGRAM/SUPPLIER SCORECARD

Supplier performance is measured on an ongoing basis by the Supplier Scorecard. The Supplier Scorecard will be published in ECI's SQICS system and updated every month, and it is Supplier's responsibility to actively monitor its performance with ECI.

Suppliers will be evaluated and reported monthly as per the factors listed below:

5.1 Quality & Delivery Metrics

Quality Metrics:

- PPMs
- SCARs
- Responsiveness/Customer Interruptions/Recalls
- PPAP/FPA on time- first time approved

PPMs (expectation is 0)	
PPMs	Score
0	30
1-75	25
76-150	15
151-250	5
>250	0

Formal Complaints (SCARs) (expectation is 0 SCARs)	
SCARs	Score
0	15
1	10
2	5
3	0

Customer Interruptions (expectation is 0 events)	
Events	Score
0	15
1	5
2	0

SCARs responded on time (expectation is 0 SCARs late)	
Late	Score
0	20
1	0

PPAPs submited on time & manner (expectation is 0 PPAPs late & 0 rejected)	
Late	Score
0	20
1	0

Delivery Metrics:

- On-Time Delivery
- Expedited Freight

Delivery Criteria:

On time Delivery (expectation is 100%)	
%	Score
100	80
90	72
80	64
70	56

Expedited Freights (expectation is 0 events)	
Events	Score
0	20
1	10
2	0

The result of assessing the metrics shown above will result in the monthly Scorecard which is ranked as follows:

ECI Supplier Scorecard

Acceptable Performance (>80)	Low Performance (60 - 79)	Unaceptable Performance (<59)

5.2. Top Performing Suppliers

Top performing Suppliers are those that fully meet expectations. These Suppliers are strongly encouraged to continue working with ECI to meet and exceed expectations. These Suppliers may be eligible to participate in the ECI annual recognition program.

5.3. Low Performing Suppliers

Low performing Suppliers must create a robust action plan that thoroughly addresses all the metrics highlighted in yellow and red. This action plan must be approved by the ECI SQE representative. Regular revisions are applicable to verify the evolution of this plan.
Note: High Risk Suppliers (i.e., low performing Suppliers) are automatically on a new business hold.

5.4. New Business Hold

New Business Hold prohibits a Supplier from quoting new business.
Criteria for Application

- Confirmed poor supplier quality results in performance Quality or Delivery or both.
- Unauthorized process or tool changes (resulting in major disruptions).
- Repeat major disruptions (Downtime, stockouts).
- Poor performance over time.

New Business Hold – Exit Criteria

- ECI representative monitors Supplier's progress to ensure action plan is being met.
- Supplier demonstrates acceptable performance in Quality and Delivery through the Scorecard for three consecutive months.
- The commodity team is informed that the New Business Hold status has been removed.

SECTION 6: COMPLIANCE WITH REGULATORY REQUIREMENTS

6.1 Toxicity

ECI is committed to complying with government requirements and customer expectations. All Suppliers shall comply with these same regulations, including but not limited to the ones listed below. Suppliers must submit compliance documentation when required by ECI. These documents need to be completed within two weeks of the initial request. Submitted documentation shall indicate compliance or non-compliance of the materials purchased.

Suppliers shall warrant that all products worldwide supplied to ECI follow the substance and material restrictions specified in the "Global Automotive Declarable Substances List" (GADSL). The GADSL is available under the following Internet address: http://www.gadsl.org

Supplier must declare all substances listed as "declarable" or "prohibited" like specified within the GADSL. The complete composition of components and materials shall be declared in the "International Material Data System" and must be accepted by ECI.

All suppliers are required to comply with Toxicity, RoHS, REACH & RML:

6.2 RoHS III

The European Union has enacted Directive 2015/863/EU on the Restriction of the use of certain Hazardous Substances and four phthalate plasticizers in electrical and electronic equipment ("RoHS"). RoHS adherence now transcends the EU as a global initiative.

6.3. REACH

This legislation governs the European Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals; being Regulation EC 1907/2006 and subsequent amendments. To ensure compliance with the legislation, ECI will ask Suppliers if any REACH Substances of Very High Concern (SVHC) are part of the materials purchased. This regulation is updated every 6 months. ECI will require Suppliers to update their documentation twice a year when the EU releases the new list of substances added.

6.4. Conflict Minerals

Under the Dodd-Frank Act, all publicly traded companies must report to the SEC, the origin of conflict minerals. Conflict Minerals are tantalum, tungsten, tin and gold and sometimes referred to as 3TG minerals, if they are deemed to originate from the Democratic Republic of the Congo (DRC) and surrounding area. Many different governments have adopted this standard. Generally, ECI reports using the most current version of the Responsible Minerals Reporting Template (CMRT) on the RMI website. In addition, the Responsible Materials Initiative has identified cobalt as an additional mineral of concern. The Cobalt Reporting Template (CRT) can be downloaded from RMI website if necessary.

ECI will require suppliers to update their CMRT with each revision change.

6.5. Other Regulations

- Full Material declarations; IMDS or IPC 1752
- Whirlpool RML
- GE/MABE Toxicity
- Prop 65