1. PURPOSE

The specifications contained in this document serve to:

1. Define the principles that govern the relations between Tekspan Automotive (and associated companies) (hereinafter referred to as "TA") and the Suppliers, with regard to the required quality and reliability for the supplied products
2. Clarify what is required of the Supplier for the development of tools necessary to manage, plan, verify and document product control, including through process control.
3. Define the requirements and flows necessary for the QUALIFICATION/APPROVAL of the product, consisting in the ascertainment of compliance in full with the technical specifications, including the performance and reliability of the samples made ready at the start of supply, in order to enable authorization of delivery before it is shipped to TA.
4. Ensure that all suppliers have the means and resources necessary to reach SELF-CERTIFICATION, which will assure product compliance so that the systematic checking of the batches supplied to TA may be eliminated.
5. Create the conditions for there to be a guarantee that all batches shipped are free from defects.
6. Define responsibilities regarding economic deductions, in respect of non-compliant materials and/or service.

2. GENERALITIES

The quality and reliability of a product are the result of the coordinated action of all the bodies that make up a company, including Suppliers and Sub-suppliers.
The principal activities that contribute to obtaining these are: the project, the definition of processing and control cycles, the choice of machinery (work equipment, control instrumentation, test equipment etc.), the training of staff, the control of Suppliers, the collection and dissemination of information, and any necessary corrective actions.

Other Applicable Documents

· ISO 9001 Quality management system,
· ISO/TS 16949 Quality management system
· Automotive Industry Association (VDA)
volumes
· Customer-specific requirements (including latest revision of OEM requirements available on IATF website)
· AIAG reference handbooks (APQP, PPAP, MSA, FMEA, SPC)
· Order specification
· Drawings
· Test specifications
· Other product-specific specifications (e.g. packaging data sheet)
· Basic Contract
· Technical Delivery Specifications / functional specification documents
· Other contracts
· Price and purchasing agreements

3. REQUIREMENTS AND RESPONSIBILITIES OF THE SUPPLIER

3.1. Technical documentation of the Supplier

The Supplier must have written, updated specifications for the type of product supplied, regarding assurance of the quality and reliability requirements of the products destined for TA (technical drawings, manufacturing and inspection cycles, materials specifications, test reports etc.).
These specifications must be made available to TA or supplied on request.

3.2. Documentation of substances present in the materials/products supplied to TA

The Supplier undertakes, in addition to all the tests and controls specified in the technical documentation, to certify and guarantee that the product is compliant with current applicable statutory and regulatory requirements in the country of receipt, the country of shipment, and the customer-identified country of destination, if provided.
For substances and mixtures (where applicable), ensure compliance with Regulation (EC) no. 1907/2006. Any pre-registration or registration numbers must be supplied (on request), as well as per tonnage band of imported substances.
For all products, the corresponding Safety Data Sheet (SDS) must be supplied, in accordance with the standards imposed by applicable local laws and in the language of the country of the applicant or of the end customer who requires this product documentation.
The Supplier must also indicate if any "conflict minerals", as defined by the US Securities and Exchange Commission (SEC), are used. As of the date of this document, these conflict minerals are: gold, tungsten, tantalum, and tin.
The Supplier must declare and provide advice for any problem that may arise during the disposal of the product.
The Supplier undertakes to promptly send any and all updates to the aforementioned documentation.

The Supplier must provide, in summary, the following documentation:
a) The elementary composition of the materials constituting the products/components so as to comply with the EC Directive on End-of-life vehicles (2000/53/EC) and subsequent modifications and updates.
NB: Unless otherwise agreed, this information must be entered by the Supplier directly into the I.M.D.S. (International Material Data System).
b) Conflict Mineral declaration as provided for by the U.S. Securities and Exchange Commission (SEC).

3.3. Technical information from TA

The Supplier must keep any and all technical documentation received from TA (regulations, specifications, tables etc.), and promptly implement any updates that it receives.
Should the Supplier lack any of these documents, it must request them.
On the basis of the documentation received, the Supplier must proceed, if necessary, to update the internal documents used in its quality assurance system.

Except for the purposes of carrying out the order, the Supplier may not transmit TA technical documentation to or permit the use thereof by third parties, without written authorization from TA.
The TA technical bodies, through TA Purchasing, are also available to provide further information or clarifications regarding documents, regulations, processing technologies, equipment, tests, and means and methods of control.
The Supplier must guarantee that the TA documentation and its own documentation are available when and where production and quality control are carried out.
The material must be supplied in compliance with all the characteristics defined by the technical specifications and must be free from damage, foreign bodies and pollution that could compromise the processability of the material.

3.4. Feasibility

The Supplier of new products must provide guarantees in advance to TA of its capacity to make and industrialize the product, in compliance with all the technical specifications and with the production volumes envisaged. This demonstration must be formalized to TA before shipment to TA of the sample for approval and/or qualification.
Modifications to the products and/or processes must be notified in writing to TA at least 9 months before their implementation.
In the absence of formal communications by the Supplier and consequent agreements from TA, it is understood that ALL characteristics given in the technical documentation are ACHIEVABLE and that the Supplier guarantees the observance thereof both in the samples and in mass production.
It is the responsibility of the Supplier to discuss the use and application of its component with TA.

3.5. Quality Management System

The Supplier, without prejudice to its absolute independence in the choice and development of the industrial system and of the production means necessary, must as a minimum have the following tools for ensuring the quality of the supplies:

3.5.1. F.M.E.A.

The Supplier of products of its own design and/or of critical or complex products must evaluate the potential causes and effects of defects deriving from the design/process.
To analyse these potential defects, the Supplier must use the F.M.E.A. method as a tool suitable for contributing to the elimination of risk via a systematic analysis of possible failure modes categorized according to their seriousness, probability and possibility of identification.
Since F.M.E.A. is a tool that can be applied both at the design stage and in the manufacturing process, it should be noted that TA requires process F.M.E.A. for all products purchased.
If the process F.M.E.A. indicates critical processing cycles that require the execution of “ancillary” operations, the Supplier must bear in mind the necessity, during qualification, to also certify the components produced with these operations.
For commercial products, the Supplier must require the maker to observe process F.M.E.A.. The reference methodology for adopting this prevention tool must comply with what is specified in the standards recognized by the automobile industry (F.M.E.A. Manual of QS9000, VDA etc.).

3.5.2. Planning of production systems

The Supplier, in its independence in the choice and development of the industrial system and of the production means necessary, must have means adapted to guarantee the quality and reliability requirements of the product. It must ascertain in advance the suitability thereof and its constancy over time, by measuring the capability of the process for the Key Characteristics identified in the Supplier's technical documentation or in the documentation of TA, if supplied.
The methods that, through measurement of the process capability, make it possible to assess whether a means inserted in a production process is adapted to execute the characteristics of the element to be produced within the specified tolerance, must be comparable to those given in the SPC Manual of the QS 9000 or VDA or in any case recognized by the automobile industry.

3.5.3. Planning of controls on the production process

The Supplier must guarantee excellent management of the manufacturing and assembly processes, by means of ongoing controls of the production process parameters.
The Supplier must therefore keep all the critical characteristics of the production process under control.
The tools necessary for verifying that the production process maintains the initial conditions throughout production can be:
Controls by variables: these use control charts (X-R) to identify factors that result in the variability of a process and consequently to activate the best corrective measures on that process to prevent the production of non-compliant products;
Controls by attributes: these use other types of charts (P, C etc.) to make rational use of the information gathered using normal controls by attributes carried out (P, NP) in order to adopt corrective actions adapted to systematically reduce the defects that have emerged.
These controls must be carried out when, following analysis, it is found that they are not attributable to controls by variables.

3.5.4. Sub-supplies

The Supplier is directly responsible for the acceptable level of quality of the products purchased from its suppliers (Sub-suppliers) or entrusted thereto for processing and/or treatments.
The Supplier must therefore have detailed documentation regarding the acceptance controls with associated inspection cycles, the corrective actions and the modifications authorized by TA.
It should be noted that the Supplier, having first ascertained the suitability of its sub-supplier, must ensure that the Sub-supplier plans its Quality Management System equivalently to that planned by the Supplier, in accordance with the prescriptions contained herein.
The Supplier must involve its Sub-suppliers in the I.M.D.S. and will be responsible for the information entered therein (except where formally agreed otherwise).
Whatever system is adopted, TA must in any case always be guaranteed that prompt corrective intervention will be taken against Sub-suppliers in the event of non-compliant products, and the evaluation criteria and any interventions against Sub-suppliers must be reported to TA.
Over the course of the supply, any substitution of sub-suppliers must be reported to TA in cases where such substitution could imply variations in the production cycle and/or materials. Reporting of such variations must be in writing.

3.5.5. Planning of product controls (Control Plan, Control Grid)

The Supplier is required to draw up and present to TA, before the start of regular supplies, a plan showing all the programmed controls for the product it supplies, accompanied with studies and analyses to show the suitability of the production process and the suitability of the measures adopted, in order to keep product compliance constant over time.

Control Plan shall as minimum include the following contents:

a. Control plan number
b. Issue date and revision date, if any
c. Customer information (see customer requirements)
d. Organization's name/site designation
e. Part number(s)
f. Part name/description
g. Engineering change level
h. Phase covered (prototype, pre-lunch, production)
i. Key contact
j. Part/Process step number
k. Process name/operation description
l. Functional group/area responsible

This plan must also comprise functional, performance and reliability controls to be carried out on the finished product before shipment to TA.
If the manufacturing cycle entails "ancillary" operations added to the normal base cycle, these must be included in the control plan.
TA reserves the right to evaluate it and share it, both the original version and any versions with subsequent modifications.

3.5.6. Means of control

The Supplier must have adequate means of control/test equipment, in sufficient quantity to ensure the carrying out of all controls and tests, which are adapted to guarantee compliance with the product characteristics in all phases of the production process.
In the event it does not have suitable means for directly and independently carrying out some of the planned controls and tests, the Supplier must:

1. Notify TA of the characteristics that the Supplier is not capable of verifying, indicating the qualified laboratory to which it intends to entrust the execution thereof;
2. File and keep the original test documentation for the prescribed time.

3.5.7. System of collection/packaging/transporting the product

The choice of means of collection/packaging can have a significant effect on product quality.
It is the responsibility of the Supplier to adopt a packaging that is suitable and possibly agreed with TA, in order to guarantee that all products arrive at the point of use undamaged.
Any changes in the methods defined must be notified/authorized in writing.

3.5.8. Product identification

The Supplier must have a system that guarantees:

1. The identification of the raw materials and of the semi-processed materials in stock in its warehouses;
2. The distinction of a product as "compliant" and "non-compliant" during the entire production cycle;
3. The identification of the finished and approved.

When shipping, the Supplier must apply, to each container of the batch, a Product Identification Sheet that contains as a minimum:

4. Supplier Product Code + TA Product Code
5. Product Description
6. Quantity
7. Modification index (if applicable)
8. Batch number
9. Production date
10. Expiry date (if applicable)

For samples, of a modified product or of a product with deviation, in addition to the Product Identification Sheet, the products must be properly marked with an additional placard, coloured orange or another conspicuous colour, indicating:
SAMPLES
MODIFIED PRODUCT (indicating the nature of the modification)
DEVIATION (indicating the nature of the deviation)

3.5.9. Modifications

Any change that affects the product requirements requires notification of a written agreement between the parties and the authorization of TA to carry out the change.
In addition the Supplier must have control over any and every change generated by the supply chain that could influence the quality of the homologated product in terms of both the technical characteristics and the processability by TA factories. The Supplier must provide evidence of such control via the stipulation of agreements and via audits carried out on its suppliers.
Any significant changes in the supply chain must be evaluated and authorized by TA before their implementation.
If the Supplier makes any change to the product, it must notify same in advance to TA at least 9 months beforehand.
The Supplier must continue to supply the non-modified product to TA until the new Approval of Supply is obtained.
The Supplier is required to advise every TA factory affected by the supply of the initial shipments of modified product, indicating, as specified in section 3.5.8, the wording MODIFIED PRODUCT on the shipping documents and documents accompanying the batch (Delivery Note or Accompanying Document, Product Identification Sheet and C.Q.C.).
NOTE: Sub-supplier variations must also be included in process changes.

3.5.10. Variations from the technical specifications

Products with variations from the technical specifications or subject to legal restrictions may in no case be supplied to TA.
For products other than those described above, if the Supplier should find variations from the technical specifications, it must ask TA (Quality Assurance) for authorization to ship such products, specifying:

1. Code and name of the particular product;
2. Nature and characteristics of the variation;

3. Number of pieces affected by the variation (or the duration thereof).

For products sent to more than one TA factory, the quantities must be specified for each individual site.
TA, having evaluated the equivalence of the product, will grant the authorization to ship, highlighting any restrictions for the Supplier and any increased application charges to be borne by the Supplier (costs incurred).
The Product Identification Sheet must contain the wording DEVIATION for all containers of pieces affected by the variation.

3.5.11. Registration and retention of control and test results

The Supplier must maintain an adequate system for registration of the results obtained by applying specific controls to its production, and provide for the retention of these registrations for the specified time: 15 years for the characteristics of products subject to ministerial and/or legal restrictions and for functional or safety characteristics (REPORT) and 5 years for all other controlled characteristics
The Supplier must also engage with its Sub-suppliers (if any) to guarantee that they conduct themselves in the same way for the characteristics produced by them.
All documentation, including that of Sub-suppliers, must be available upon request from TA.

3.5.12. Product traceability

For all products, the Supplier must have a system that makes it possible to identify every production batch and unequivocally retrieve its date of manufacture, the results of controls and tests to which the product was subjected, and any corrective actions. This system must be submitted to TA upon request.
The Supplier must guarantee the same undertaking for products/characteristics provided by Sub-suppliers.
Unless otherwise authorized in writing by TA, the materials shipped must originate from homogeneous production batches. If the quantity to be shipped is larger than the production batch, the supply must be of consecutive batches.

3.6 Yearly requalification

Supplier must plan and perform periodical requalification to guarantee the conformity specifications of the Products over the time; periodical re-qualification is the regular and planned repetition of PPAP qualification test contents, including dimensional, Cpk measurement and verification of reliability features and parameters, unless for different agreement between TA and Supplier; the activity shall be formalized in the related Control Plan and result shall be submitted to the TA; minimum frequency for periodical re-qualification is one year, unless otherwise agreed with the TA.

4. METHODS AND REQUIREMENTS OF THE SUPPLY

4.1. Start of the supply

The supply of a newly-designed product, of a product supplied for the first time, and/or of modified products must always be formally authorized in writing by TA Quality via Approval of Supply. Supplier have to name and formalize a Product Safety Representative according to the requirements of IATF 16949 – 4.4.1.2
The Approval is granted based on the results of controls and of tests, certified by the Supplier via the P.P.A.P. which the Supplier must submit to TA.

4.2. Grant of Approval of Supply and grant of qualification of the product (if applicable)

The samples must be products taken from the Supplier's production line using the final means and equipment that will be adopted for standard mass production and accompanied by the documentation required by the P.P.A.P. (VDA 2).
It is the responsibility of the Supplier to ascertain, via appropriate controls and tests, the compliance in full with the technical specifications of the samples prepared, before they are sent to TA.
TA may ask to be present, with its staff, at the execution of such controls and tests at the Supplier's factory.
These samples must be submitted to the appointed TA Central Quality Bodies, in order to be subjected to controls and tests aimed at obtaining the Authorization to Supply and data on the capacity of the production process adopted for the Key Characteristics.
The Supplier is required to guarantee the compliance of the products to the technical specifications (Specifications, Standards, Tables etc.), both when starting supplies and afterward in any new sample campaigns for new qualifications of same (e.g. modifications).

4.3. Authorization to supply the product

(APPROVAL or QUALIFICATION OF THE PRODUC)
The Authorization to Supply by TA is formalized:

1. Based on the certification of the controls/tests carried out by the Supplier via P.P.A.P. and on the test reports;
2. Based on any controls/tests that TA has deemed it necessary to carry out;
3. Based on the sending of information about the chemical composition of the product and, if envisaged, on the sending of the data via I.M.D.S.

4.3.1. P.P.A.P. (Production Part Approval Process)

The P.P.A.P. (Production Part Approval Process) is a method used in presenting samples of automotive components (VDA 2).
Its purpose is to ensure that all the requirements of the client have been properly understood by the supplier and that the supplier's process is capable of maintaining, over time, the quality and quantity defined by the contractual documentation.

4.3.2. Approval Procedure Levels

TA will decide the appropriate level for the Approval Procedure, specifically for the product that is to be supplied.
The decision does not make the level chosen for other samples of other codes automatic.
The choice of level made by TA will be based on factors that include:

1. Compliance of the Supplier with the ISO/TS 16949 requirements or similar;
2. The result of the most recent process audit carried out;
3. The criticality of the component;
4. Past experience of previous approvals;
5. Experience of the Supplier regarding a specific component.

4.3.3. Certificate of Quality and Compliance (C.Q.C.)

The C.Q.C., duly completed and signed, is the document that contains all the technical characteristics set out by the technical specifications and by the associated documents and which must be enclosed (in addition to the normal shipping documents) with the samples of product (new or modified), for every homogenous batch of the supply at mass production capacity.

With the C.Q.C., the Supplier assumes responsibility for certifying the quality of the product shipped, by declaring that the compliance of the supplies to the required specifications is guaranteed by systematic controls to which the project is subjected, addressing dimensions, performance levels, materials etc. and, for each characteristic controlled, giving both the prescribed values and the measured values (the limit values found on the entire sample controlled and any values obtained on certain elements of the sample submitted).
During mass production, the Supplier is permitted, with the prior formal agreement of TA, to certify only the Key Characteristics, while assuming responsibility for maintaining all the other control outcomes at its factory, for the various homogeneous production batches.
If the Supplier has entrusted the execution of some controls to other qualified bodies, then a copy of the test reports issued by those bodies must be enclosed with the C.Q.C..
NB: Variations from the prescribed specifications MUST be clearly highlighted in the document.

4.4. Information about the chemical composition of the product

Except where otherwise agreed, the Supplier must enter this information into the International Materials Data System **(I.M.D.S., http://www.mdsystem.com).**
The purpose of information sent through I.M.D.S. is twofold: to certify the absence in the product of prohibited substances (SVHC, substances of very high concern) and to demonstrate the compliance of vehicles to the prescriptions of European Directive 2000/53 EC on End-of-life vehicles.

5. RESPONSIBILITIES OF TA

5.1. Supplier suitability assessment

Before stipulating a supply agreement with a new Supplier or extending the supply for a new product line to an existing Supplier, or in any case during the course of the supply owing to variations in the structure of the Supplier (technology, staff organization) or **QUALITY OF PRODUCT SUPPLIES**, TA subjects the Supplier to an audit in order to assess the suitability of its organizational and manufacturing structure to meet the quality and reliability requirements of the product supplied or to be supplied. This activity is conducted in accordance with the provisions of the TA procedures (process audit in accordance with VDA 6.3 and periodic monitoring of supplier performance).

5.2. Supplier compliance verification

TA reserves the right to carry out conformance controls on supplied batches of products both at delivery and during the production process at its factories and/or at the factories of the Customers.
It remains understood that the entire batch shipped may be refused if, at TA's factory, any of the following are found in the sample subjected to controls:
a) A physical reject having at least one of the controlled characteristics outside the prescribed limits;
b) A statistical reject, on at least one Key Characteristic/significant characteristic analysed for variables, which is higher than that defined as acceptable.
In the event of dispute regarding the results of the analyses, TA reserves the right to appoint a certified laboratory to carry out the necessary verifications, the costs of which shall be borne by the party in the wrong.

5.2.1. Reporting the quality of supplies (Non-Compliance Report)

TA, based on the controls carried out on the product received, will notify the Supplier of any anomalies found that have resulted in the non-compliance, i.e. the non-acceptability, of the product, disruptions in the regularity of the production flow, or rejects declared by the end Customer via a Non-Compliance Report.
The Supplier must respond to the Non-Compliance Report within the following timescales:

1. Containment action within 24 hours;
2. Analysis of root cause within 5 working days;
3. Implementation of corrective actions within 10 working days;
4. Verification and validation of corrective actions within 20 working days.

Containment action: use of 5W + 2H methodology and definition of immediate containment actions required;
Analysis of root cause: use of Tree Analysis and 5WHY methodology (or similar) required.

5.3. Periodic Supplier Analysis (S.Q.P.L.)

Every year, TA sets the quality objectives for the suppliers and periodically conducts an analysis of the quality performance of the supplies in accordance with the following criteria:

S.Q.P.L. Supplier Quality Performance Level	The level of quality is calculated on the average of the values attributed to the criteria indicated in Table 1. **≥ 90: Class A** **≥ 70 < 90 : Class B** **< 70 : Class C**

Table 1

Evaluation criterion	Parameters	Value
QUALITY SYSTEM	ISO TS 16949	**100**
	ISO 9001	**80**
	TA internal classification as Class A	**60**
	TA internal classification as Class B	**40**
	TA internal classification as Class C	**0**
COMPLAINTS	No complaint	**100**
	1 - 2 complaints	**80**
	3 - 5 complaints	**60**
	6 - 8 complaints	**40**
	>8 complaints	**0**
FINAL CUSTOMER COMPLAINT	No customer complaint	**100**
	>1 customer complaint	**0**

SPECIAL STATUS CUSTOMER NOTIFICATIONS RELATED TO QUALITY OR DELIVERY ISSUES	No special status	**100**
	Special status	**0**
DEALER RETURNS, WARRANTY, FIELD ACTIONS, RECALLS	No special status	**100**
	Special status	**0**
Customer disruptions at the receiving plant, including yard holds and stop ships	No customer disruption	**100**
	≥ 1 customer disruption	**0**
DELIVERY SCHEDULE PERFORMANCE	Schedule respected	**100**
	1 delay / Quarter	**80**
	2 delays/ Quarter	**60**
	3 delays/ Quarter	**40**
	4 delays/ Quarter	**0**
OCCURRENCES OF PREMIUM FREIGHTS	No premium freights	**100**
	1 - 2 premium freights	**80**
	3 - 5 premium freights	**60**
FLEXIBILITY	Modification, changes accepted	**100**
	Delivery acc. orders / No change	**80**
PRICE REDUCTIONS	Price reduction	**100**
	No changes	**80**
	Price Increase	**60**

5.4. Actions following insufficient quality performance

If the quality performance of the product shipped results in an S.Q.P.L. lower than 90%, TA reserves the right to adopt the measures deemed most appropriate (request plan for improvement, summoning of the Supplier, qualitative/technical verification at the Supplier's factory via product/process audit, dismissal of Supplier etc.).
Other measures that TA may adopt are the following:
CSL1 = Controlled Shipping Level 1 (containment by the Supplier)
CSL2 = Controlled Shipping Level 2 (containment by third-party company)
CSL3 = Controlled Shipping Level 3 (problem resolved by third-party company)
NOTE: the above does not exclude the possibility of simultaneous application of additional penalties.

5.4.1. CSL1 = Controlled Shipping Level 1

CSL1 is applied to a Supplier for a specific product line and entails, among other things, suspension of the Supplier's right to self-certification of supplies.
The aim is to protect TA's factories from the arrival of supplies of non-compliant products and to enact corrective actions at the Supplier's factory.
In the event of a serious anomaly repeated more than once within a short period, the Factory Director and the Factory Quality Manager will place the Supplier in CSL1 status in order to control one or more specific defects.
Once the necessity has arisen to place a Supplier in CSL1 status, the Supplier is formally notified by sending a letter from the TA Central Quality and Central Purchasing departments assigning CSL1 status.
Among other information, the letter indicates the characteristics to be 100% controlled, the start date, and the criteria for removing the CSL1 status, including the period or the number of batches for which the CSL1 status will last.
CSL1 is carried out with a control conducted by the Supplier itself on 100% of the products shipped from the Supplier's factory to TA, and the Supplier must inform the TA factory concerned of the outcomes of this control on a weekly basis.

Criteria for removal: the necessary condition for TA to consider revoking the containment is the non-repetition of one or more specific defect for which the Supplier was placed in CSL1 status, for a duration of at least 90 working days without defects (for productions of fewer than 2 batches/month, CSL1 status is maintained for at least 8 different batches).

Longer durations of CSL1 status than the above are at the discretion of the TA factory concerned.
The decision to suspend CSL1 status will be taken by the management of the factory, having heard the opinion of the Central Quality department.
TA reserves the right to request/carry out a Process Audit with a positive result before revoking CSL1 status.
Once the decision has been taken, the TA Central Quality and Central Purchasing departments will send a letter to the Supplier and a copy to the TA Central Bodies.

5.4.2. CSL2 = Controlled Shipping Level 2

CSL2 is similar to CSL1, but is implemented with a number of fundamental differences.
If it is found that the previous actions undertaken by a Supplier have been shown to be inefficient or if the Supplier is considered “untrustworthy” as a result of repeated anomalies or following negative audits/visits, the action will be implemented more heavily, requiring the Supplier to have the control conducted by an external company at its site.
The Supplier is formally informed jointly by the TA Central Quality and Central Purchasing departments with a letter to the management of the Supplier and a copy to the TA Central Bodies.
The Supplier is required to sign a Record of Agreement.
In this case it will not be the Supplier, but the external, third-party company that will periodically send TA reports of the results of the controls carried out.
The qualified external company must be paid directly by the Supplier.

5.4.3. CSL3 = Controlled Shipping Level 3

CSL3 is applied, in addition to CSL2, when the Supplier displays inadequacy in problem solving and in eradicating the defect.
For CSL3, the Supplier must again use a certified external body which, in addition to the activities required by CLS2, provides the necessary support to the Supplier over the entire process, in order to identify the root causes, define corrective action plans, and eradicate the defects.

5.4.4. Notes on the methods of application

During all phases of containment, the Supplier is required to report all batches shipped to TA, enclosing the C.Q.C. with the values for the characteristics of the supplied product, highlighting the characteristic(s) that led to the activation of containment.

If the Supplier does not attend the meeting to sign the Record of Agreement for CSL2, the TA Central Quality and Central Purchasing departments will in any case send a report to the Supplier and send a copy thereof to the factories concerned.
Over the course of the period of application of CSL, the TA Factory Quality or other TA Body has the right to verify the validity of the intervention, recording comments and/or conclusions for the purposes of possible inspection visits.
Ending the CSL period must be sanctioned by a letter to the Supplier, sent by TA Factory Purchasing and by TA Central Quality.
When the Supplier is subjected to CSL2, it must inform its certifying company, and notify TA of same.
If the Supplier does not do this, TA is authorized to inform the Supplier's certifying company of the repeated non-reliability.

6. CHARGES AND DEDUCTIONS

6.1. Costs incurred in production

Supplies must be free from defects and delivered within the agreed timescales.
Every non-compliance in this respect may generate unbudgeted costs, and the Supplier that generated these costs is economically responsible for them.
Definition of these phases enables the factory to recover therefrom the costs incurred resulting from the use of components found to be anomalous during or after use in production (e.g.: reconditioning, selections, dismantling etc.) or from missing or late shipments.

Handling costs	**C1** Non-compliance found during controls in Goods Inward Acceptance	**100 €**
	C2 Non-compliance found during processing of the material	**300 €**
	C3 Non-compliance found by the end Customer	**500 €**

Reprocessing and selection costs	Hourly cost of specialist labour	**€ 35.00/hour**
Warehouse area occupation	Daily cost of space occupied in the warehouse by suspended or discarded batches awaiting action from the Supplier.	**€ 20.00/sq.m./day**
Scrappage of components	Scrappage of non-reusable components	**Final costs**
Stoppages/Delays/Lost productivity		**Final cost according to type of production on the line**
Extra transport costs	Transport costs for returning non-compliant components, substitutions, additional shipments	**Final costs**
Charges and penalties from our End Customers		**Final costs**
Recall Campaigns	These activities are carried out by the end customer, by TA, or by a third party body agreed by the parties, with the aim of overcoming a critical quality situation on all products potentially involved: - in the vehicle before shipment to the dealer - in the field: recall campaign	**Final costs**
Audits at or visits to the Supplier	Audits of or visits to the factories of the Supplier as a result of critical situations or deteriorations in the production process.	**Final costs**

7. SUPPLIER GUARANTEE

The Supplier must maintain production methods, processes and controls that are adapted to guarantee the compliance of the product at any time. In addition, the Supplier must permit persons or bodies authorized by TA to carry out inspections, checks and controls of the manufacturing processes and the methods of production, processing, control and/or testing used by the Supplier, with the prior agreement of the Supplier.

The Supplier furthermore guarantees the compliance of the material supplied at the time of shipment, during production, and at the time of handover to the end Customer.
The Supplier is answerable to TA for any non-compliance of the materials including the lack of documentation, even if the non-compliance is ascertained after the shipment.
Each time any material shipped by the Supplier is declared defective, TA has the right, at its discretion, to require:
(i) substitution of the materials, at no cost
(ii) appropriate reduction of the price or the termination of the contract.
TA must also have the right to require the analysis of the materials of any subsequent supply. If the defect emerges during the manufacture of the product, the Supplier, once responsibility is ascertained, will reimburse the costs deriving from discards, reprocessing and repairs owing to the use of the defective materials in production.

The Supplier guarantees that the quantity of the material shipped corresponds to the specification in the order.
Each time the quantity of material shipped does not comply with that required, TA may, at its discretion:
a) accept the quantities actually shipped and change the quantities of the subsequent supplies;
b) ask the Supplier to collect the quantities of material over and above those ordered, with the right to ship them directly at the Supplier's cost and risk and to charge all costs following any payments already made in addition to fees for storage between the delivery and the collection;
c) require the Supplier to immediately send the missing quantities, with transport costs to be borne by the Supplier.

If required, in order to guarantee the shipment of the quantities in compliance with those specified in the orders, the Supplier may set up a sufficient stock of material, to allow for the possibility to substitute materials found to be non-compliant.

8. CONFIDENTIALITY, DATA PROTECTION

The supplier is obliged to maintain confidentiality regarding any information gained about the object of the contract in connection with the contract, unless they are generally known or he gained knowledge legally from other sources, or of the results and partial results acquired by himself. The supplier must protect all information and results specifically from third-party access and arrange for all of its involved employees and sub-contractors to also adhere to the respective confidentiality requirements.

Tekspan Automotive CEO
Daniele MONTI

Group Quality Manager
Michał Kurowski

Doc revision	Date	Description of change	Created by	Validated by	Related page
20161215	15.12.2016	Creation	RB	RB	Whole Doc
B	24.04.2018	Yearly requalification + Update of tale 1 due to changed of supplier monitoring format	MKu	MKu	4, 6
C	24.05.2018	Update of item 3.2 of IATF requirement 8.4.2.2., Adding item of other applicable documents, update elements of contriol plan accc. IATF 16949 Annex A, Adding information about nomination of PSB, Adding information about evaluation based on customer disruptions at the receiving plant, including yard holds and stop ships, Adding requirement about confidentiality and data protection	MKu	MKu	2, 3, 5, 6, 8