Supplier Quality Manual
Authorization

AUTHORIZATION

This AFX Industries Supplier Quality Assurance Manual, is approved for use by Suppliers to AFX Industries. This Supplier Quality Manual is a mutual agreement between the AFX Industries issuing company and the Supplier. Compliance to these requirements will be audited and reviewed in accordance with the procedures contained herein.

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This Supplier Quality Manual is a controlled document.

ASSIGNED TO:

SUPPLIER NAME: _____

ISSUED TO: _____

SUPPLIER SIGNATURE: _____

RECEIPT DATE: _____

PLEASE RETURN THIS PAGE TO THE FOLLOWING ADDRESS:

via email to szavala@afxindustries.com scaudillo@afxindustries.com or lsantos@afxindustries.com

SECTION 1
INTRODUCTION

1.1 Purpose, Policy, Vision and Mission.

The purpose of this manual is to provide suppliers with expectations for quality excellence. This manual has been written to cover the general requirements of AFX Industries companies all of which shall herein after be referred to as AFX.

It is the policy of AFX to select as sources of parts and material only those suppliers who meet our performance standards on Quality, Technology, Delivery, Management, and Cost.
As a measure of quality, only those suppliers who can comply with all sections of the Supplier Quality Assurance Manual will be considered as potential suppliers. All AFX suppliers shall take steps to attain compliance to IATF16949:2016 or ISO 9001:2015 Standards. Products shall not be recommended by Quality for sourcing to any new suppliers without a Suppliers System Audit having been performed by AFX. Acceptance of a purchase order after the date of issuance of this standard constitutes acceptance of all requirements within the body of this document.

Should the supplier have questions, comments or concerns regarding the requirements set forth in this document, or suggested improvements, AFX encourages open communications in the interest of continuous improvement and successful partnerships.

Quality Policy

The commitment of AFX Industries is focused on satisfying our customer expectations through the quality objectives from the different processes, the compliance of the regulatory requirements, and through a continual improvement that enable us to achieve growth and profit.

Vision

Position AFX Industries to be the **Selected Source** for our product.

Mission

AFX Industries continuously improves in all areas of our business enabling us to achieve and enhance the **Select Source** status while providing a growing environment for our employees.

1.2 Definitions

All Definitions shall be interpreted per the most recent AIAG IATF16949:2016 or ISO 9001:2015 manuals unless otherwise specified in this document.

1.3 Company Overview

AFX offers a complete range of leather wrapped products for the automotive industry. Our main products varies from steering wheels, interior trim components, seating leather cutting and preparation, component assembly and testing, manufactured to the highest quality, reliability and performance specifications. Our global resources include facilities, engineering expertise and manufacturing operations. These permit us to deliver exceptionally qualified products.
It is our behavior to be focused on satisfying our customer expectations. We pride ourselves in our superb quality, customer service and delivery.

1.4 Suppliers Approval Review

In accordance with AIAG-Quality System Requirements / IATF16949:2016 or ISO 9001:2015 Suppliers will be evaluated and selected on their ability to meet AFX quality requirements and other requirements such as a risk assessment. Prior to initial (new Suppliers) approval, a formal data collection and evaluation should be conducted by a multidisciplinary team / committee, internal to AFX. During the approval process, AFX may request conference(s), either face to face and/or via telephone.

Some sections or requirements of IATF16949:2016 or ISO 9001:2015 may be waived for suppliers with low volume or small companies with limited resources. Distributors providing "off-the-shelf material" will be considered for this classification, as will suppliers who ship minimum volumes. The status of these suppliers will be reviewed periodically.

This Manual is an extension of the commercial terms and conditions unless specifically exempted by contractual agreement. Acceptance of a purchase order after issue date of this manual constitute acceptance of all the requirements.

Once approved, quality performance will be monitored and evaluated. The supplier approval status shall be based upon complying with quality system requirements outlined throughout this manual including Production Part Approval Process and sustained high quality performance.

1.5 Associated Materials

SUPPLIER MUST MEET AFX QUALITY STANDARDS AS OUTLINED IN THIS SUPPLIER QUALITY ASSURANCE MANUAL, IN COMPLIANCE WITH THE FOLLOWING MANUALS:

- ✓ AIAG Automotive Industry Action Group, Quality System Requirements IATF 16949:2016
- ✓ International Organization for Standardization ISO 9001:2015
- ✓ AIAG Measurement System Analysis (MSA).
- ✓ AIAG Quality System Assessment (QSA).
- ✓ AIAG Advanced Product Planning and Control Plan (APQP).

- ✓ AIAG Potential Failure Mode and Effect Analysis (FMEA).
- ✓ AIAG Statistical Process Control (SPC).

Note: Copies of Automotive Industry Action Group (AIAG) manuals are the responsibility of the supplier and may be obtained by contacting them directly. Suppliers are responsible for maintaining the latest edition of these documents.

1.6 Confidentiality

AFX recognizes that its suppliers may be exposed to data and/or knowledge, which is sensitive in nature. The supplier shall treat all data and/or knowledge in strict confidence and report any intentional or non-intentional breach of confidentiality to AFX management or executive level personnel immediately. Prior to AFX approval, a formal confidentiality agreement shall be required.
It is the supplier's responsibility to maintain control of all drawings and specifications given by AFX. All drawings and specifications should be treated as "propriety" and should only be distributed with written permission from AFX.

1.7 Materials in conflict (3TG)

All companies not only exist in a physical space, but they also exist in communities of people. As such, all AFX Industries is committed to sourcing components and materials from companies that share our values around human rights, ethics and environmental responsibility. AFX Industries expects all our suppliers to abide by the requirements of our Supplier Code of Conduct, which prohibits human rights abuses and unethical practices, and requires all suppliers to comply with applicable legal standards and requirements.

On August 22, 2012, the U.S. Securities and Exchange Commission ("SEC") issued the final conflict minerals rule under Section 1502 the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Conflict Minerals Rule"). The Conflict Minerals Rule requires companies to report annually the presence of conflict minerals (tin, tungsten, tantalum and gold, or "3TG") originating in the Democratic Republic of the Congo or adjoining countries ("Covered Countries").

AFX Industries requires all our suppliers to provide us with completed conflict minerals declarations using the Conflict Minerals Reporting Template where 3TG minerals are used. The template can be found on the to http://www.responsiblemineralsinitiative.org/conflict-minerals-reporting-template/This form is to be completed annually starting from January 1st and completely turned in by March 1st. It is the duty of each supplier to be aware and responsible for where the Minerals are coming from. Failure to comply with the request can result in the loss of potential or existing business.

1.8 Supplier Contingency Plans

Suppliers shall have a documented contingency plan and shall retain as documented information describing any revision(s), Suppliers shall identify and evaluate internal and external risks to all manufacturing processes and infrastructure equipment essential to maintain production output and to

ensure that customer requirements are meet and define contingency plans according to risks and impact to the customer.

The Contingency plan shall include provisions to validate that the manufactured product continues to meet customer specifications after the re-start of production following an emergency in which production was stopped and if the regular shutdown processes were not followed.

At a minimum, suppliers shall perform a review of the Contingency Plan annually by a multidisciplinary team including top management. Documented evidence of Contingency Plan reviews shall be retained also Contingency plans must be tested to validate the Contingency plan.

Documented Evidence of tests shall be retained.

The contingency plan shall include but is not limited the following events to ensure the continuity of supply of productions and services:

- ✓ Labor shortage
- ✓ Critical equipment failures
- ✓ Supplier Interruption (process or services)
- ✓ Natural Disasters (Hurricane, Floods, Twister, Freezing)
- ✓ Fire
- ✓ Utilities interruptions
- ✓ Field Returns
- ✓ Transportation
- ✓ Infrastructure disruptions
- ✓ Electronic Data
- ✓ Packaging
- ✓ Emergency Contacts

The supplier shall have a documented process to notify the customer or other interested parties of the extent and duration of nay situation impacting customer operations.

Suppliers are also required to ensure that their sub-suppliers are maintaining a Contingency Plan.

S E C T I O N 2
GUIDELINES FOR AFX SPECIFIC REQUIREMENTS

2.1 Contract Review

Supplier Responsibilities:

a. The supplier shall have a documented process for ensuring that systematic, multi-disciplinary activities are carried out by the supplier to ensure that all customer requirements are clearly defined, documented, and to ensure that the supplier has the capability to meet said requirements, prior any formal production build commitment.

b. Amendments to existing contracts shall be documented and communicated to all affected suppliers' personnel.

c. Production changes and/or delivery date changes may occur during the normal flow of business, and in these cases, AFX shall typically request these changes in writing.

d. The supplier should avoid verbal change orders, unless in urgent circumstances, however, in these cases shall summarize and record the nature or the request, including the time, date, name, title and phone number of the person making the request.

e. With all good intent implicit of the elements above, there may be circumstances, which prevent the supplier from meeting the agreed to requirements. In the event the supplier cannot meet any of their contractual obligations including quality specifications, quantity, delivery dates or other, the supplier shall notify appropriate AFX personnel immediately for further direction.

2.2 AFX Supplied Material

Supplier Responsibilities:

a. In the event AFX provides materials to the supplier for any purpose, the supplier shall provide for adequate care of these materials.

b. Any such product that is lost, damaged or otherwise unsuitable for use shall be reported to AFX immediately for further direction.

c. The supplier shall be responsible for the outgoing quality of AFX supplied materials.

2.2.1 Design Control of Tooling

Supplier Responsibilities:

a. The supplier shall establish and maintain a documented procedure to control and verify the design
b. of any tool to ensure the characteristics specified on AFX drawing.
c. All drawing or Cad Data will be associated to the AFX drawing by part number and revision level. Asuitable system must ensure that countermeasures taken during the life of the tool are reflected in the drawing or Cad Data.

2.2.2 AFX Supplied Tooling

Supplier Responsibilities:

a. AFX tools and components are considered proprietary, and the supplier will maintain such control to ensure that no information or components are provided to anyone except AFX.

b. AFX tools and fixtures will only be used to manufacture AFX product.

c. The supplier is responsible for all tools and fixtures used for manufacturing AFX product.

d. Preventative Maintenance
The supplier shall execute routing maintenance that extends the life of the tool i.e. Lubrication, sharpening, cleaning.

e. General Maintenance will be carried out at the expense of the supplier i.e. spring replacement.

f. Major Repairs. When major repairs are needed, the supplier will notify AFX Purchasing and Supplier Quality before a problem with production is experienced. The supplier must explain in writing what tool, what happened, where in the tool the problem is, how it was detected, what are the inventories, and details on the repair that is needed ,as well as the cost if readily available.

g. AFX can audit a tool, fixture and all related documents without notice to the supplier. In such a case where this type of inspection is executed, the supplier will support such review with the appropriate personnel. AFX will try and give appropriate notice to the supplier prior to any inspection.

h. All AFX tools and fixtures are to be identified as specified by AFX.

i. The supplier will maintain proper documentation related to the maintenance history and repair of the tool. Maintenance records must be available to AFX upon request

2.3 Product Identification

Supplier Responsibilities:

a. The supplier shall have system in place to ensure consistent and proper identification of components, subassemblies, or products through all process phases and activities.

b. In some cases, detailed product identification requirements will be communicated via other official means such as product specifications, drawings, purchase orders or AFX correspondence.

c. The supplier shall ship material to AFX on a First-In-First-Out basis.

For further clarification of section 2.9 reference the AIAG Manual "Quality System Requirements IATF16949:2016 or ISO 9001:2015 "

2.4 Operation Standards

Supplier Responsibilities:

a. The supplier shall establish and maintain a documented quality system for floor operations. These documented operation procedures shall specify the objectives and requirements of the various activities having an impact on quality.

b. The operation standards shall include proper identification, distribution, collection and maintenance of all documents and records relevant to quality.

c. WORKMANSHIP. The supplier shall incorporate within the operation standards, criteria for quality workmanship. Quality workmanship standards shall be defined in a clear practical manner and be available for use by employees in the work area.

a. Supplier shall maintain or exceed process capability/performance characteristics as included in the AFX approved PPAP.

b. Special process

In all special process, i.e. paint process, supplier must meet with final customer CQI requirements as applicable. additional assessments may be required per customer-specific requirement or based on risk assessment.

2.5 Inspection and Testing [top]

Supplier Responsibilities:

The supplier shall ensure that systematic processes are established and documented to ensure effective implementation of material and product inspection and approval. This shall cover from material receipt to final product shipment to AFX.

a. Receiving Inspection and testing records must be kept for a specified time period, as objective evidence to show compliance with IATF16949:2016 or ISO 9001:2015 requirements. When product must be released for urgent production purposes, prior to verification, it shall be identified, recorded and tracked in order to permit immediate retrieval from all points of storage or distribution.

b. In-process inspection and testing will be carried out as described in the Control Plan as previously approved by AFX.

c. Final Inspection and testing will be carried out as described in the Control Plan as previously approved by AFX, including the annual validation testing.

d. Inspection and Test Records must be kept for a specified time period, as objective evidence to show compliance with IATF16949:2016 or ISO 9001:2015 requirements.

For further clarification reference the AIAG Manual "Quality System Requirements IATF16949:2016 *or ISO 9001:2015"*

2.6 Metrology [top]

Supplier Responsibilities:

a. The supplier is required to have an adequate means to test and measure any dimension and perform accurate analysis of dimensions. In any case where the supplier cannot perform such measurement, an accredited measurement facility must be on contract to execute the requirements of the supplier at the supplier's expense. **External laboratory shall be accredited to ISO/IEC 17025 or national equivalent.**

b. The supplier shall maintain control over all measurement system used in the development, manufacture and servicing of products to AFX. Control shall be exercised over gages, instruments, sensors, special test equipment, and related computer software and process instrumentation. Procedures shall be established and documented to monitor and maintain this control. Appropriate equipment, operator qualifications and statistical control, shall be established, maintained and addressed within the documented procedures.

c. The supplier shall test all production equipment and process instrumentation or calibration and repeatability prior to use.

d. The supplier control of measuring and test equipment shall be in total compliance IATF16949:2016 or ISO 9001:2015 requirements, unless otherwise specified by AFX.

e. Records are required to show that appropriate statistical studies have been conducted reference MSA in Associated Materials section to analyze the variation presents in results of each type of measuring and test equipment system.

f. Suppliers are responsible for ensuring that measuring and test equipment and test methods of all Sub-Suppliers in charge of AFX products meet AFX requirements.

g. Where measuring processes are found to be out of control or where measuring and test equipment is found to be outside the required calibration limits, corrective action is required. Evaluation shall be made to determine the effects on completed processed material.

For further clarification reference the AIAG" Quality System Requirements IATF16949:2016 or ISO 9001:2015

2.7 Handling, Packaging and Delivery

Supplier Responsibilities:

a. The supplier shall define, document and implement effective handling and packaging procedures which provide for satisfactory protection of products against damage, deterioration or contamination during storage, transportation or any later period until the supplier's responsibility ceases.

b. When defining packaging, labeling, handling and/or delivery methods, the supplier shall give consideration to common types of delivery, transportation, storage, industry practices and variations in environmental conditions that may be encountered.

c. The supplier shall provide methods for verifying the effectiveness of the packaging.

e. Products with limited shelf-life or requiring special protection during transportation or storage shall be identified, and procedures shall be maintained to ensure that outdated products are not utilized.

2.7.1 Suppliers shall provide evidence of an internal or external MMOG or equivalent audit to AFX when required.

2.8 Training

Supplier Responsibilities:

a. The supplier shall define, document and implement an effective training program.

b. Periodic training should be given to the technical personnel to enhance their contribution to the success of the quality system.

c. All supervisors and operators should be thoroughly trained in the methods and skills required to perform their tasks including effecting quality.

f. Operators should be certified in their skills, as appropriate.

2.9 Statistical Methods

Purpose: To ensure that the supplier has adequate methods of data collection and analysis.

Supplier Responsibilities:

a. The supplier is to use statistical methods including data collection and analysis. Evidence of statistical conformance may be required per individual AFX drawing or specification.

b. Quality improvement decisions should be based on numerical data.

c. Statistical methods should be used for product, service and process design, in-process control, non-conformity evidence, problem analysis, risk determination, finding root causes, establishing product and process limits, forecasting, verification and measurement or assessment of quality characteristics. The supplier shall utilize all statistical methods mandated by AFX.

d. The documentation resulting from the application of statistical methods shall be used to demonstrate conformance to the requirements of AFX.

2.10 Advanced Product Quality Planning (APQP)

AFX is committed to flawless launches 100% on time, for this reason suppliers are expected to use systematic planning for new products.

Advanced Product Quality Planning (APQP) has become the industry standard by which new products are introduced into the automotive market. APQP will be the tool used to monitor launch activities for all suppliers.

AFX utilizes a Product Quality Planning activity as described in the Automotive Industry Action Group (AIAG) and Control Plan Manual. The manual provides general guidelines for preparing plans and checklists for ensuring that proper planning is being utilized. The supplier must demonstrate progress and

the current status of all projects through the application of Advanced Quality Planning techniques. This is achieved by using the above-mentioned manual or similar approved format.

APQP meetings are held for all new products, this is considered by AFX to be critical to the success of any product launch. Meetings consist of AFX and when required supplier representative who meet to review and assess the progress of the product quality planning process for the subject product and to address any open issues, preventing successful and timely product launch.

It is still possible that we may require some unique customer specific processes or documents. If this is the case, you will be notified accordingly.

You will need to determine a representative to be the main contact throughout the launch.

2.11 Process Failure Mode and Effects Analysis (PFMEA) [top]

AFX requires format and development as per the FMEA AIAG manual last edition

2.12 Process Flow Diagram (PFD) and Process Control Plan

AFX requires format and development as per the APQP and Control Plan AIAG manual last edition

2.13 Production Part Approval Process (PPAP)

a. All Suppliers are required to submit Level Three (3) Production Part Approval process package per the latest revision AIAG/PPAP manual or per the "Vendor PPAP Notification email" unless written direction is received from AFX stating otherwise. Refer to AIAG PPAP Manual for further reference. **Supplier must ensure that all PPAP documentation is submitted and conforms to standards outlined in AIAG manuals**, unless exceptions have been outlined in Purchase Agreement.

b. The PPAP package shall be submitted to AFX Quality department for approval. Supplier Quality Engineer is responsible for reviewing supplier PPAP package and providing approval once is in conformance with AFX requirements.

c. Interim PPAP may be granted only in special cases to support mass production. Interim PPAP will be granted only with corrective actions and due dates listed. PPAP will be revoked if corrective actions are not completed by the due dates agreed upon. Refer to PPAP AIAG Manual for the appropriate format.

d. Starting mass production, the PPAP shall be submitted on a yearly basis unless waived by AFX.

2.13.1 Appearance Approval Activity

Color / Grain / Gloss appearance reviews typically used by AFX's customers to be used as an initial target reference. These may also be used as color standards once properly approved. The following shall be considered by the supplier:

a. The supplier shall submit the Appearance Approval Report properly filled out

along with color readings and any other important reference information, with any appearance submission.

b. AFX requires 3 pieces for appearance review. Material or parts must be identified individually with supplier name, lot number and submission date.

c. Approval is based on visual and numerical evaluation of component parts. Emphasis is on visual evaluation to the master and mating components. Since AFX customer approval is required for final component approval, supplier appearance approval will be given after material has been processed by AFX and approved by AFX's customer.

d. Supplier must document all processing parameters used to create the color/ Grain Sample, as well as visual and numerical data (e.g., L, a, b readings). The parameters must be tightly controlled and reproduced. Supplier must request AFX approved master sample for production reference as well as AAR document written approval.

2.13.2 Boundary Sample Submission and Approval

Boundary samples must be prepared for items stated "as per boundary sample" as noted on the control plan or operation instructions.

Boundary samples may be created to define problems discovered in pre-production and /or mass production stages. This may include things such as color limits, product characteristic limits, physical property limits such as density or performance limits.

Boundary sample submission requirements shall be negotiated between the suppliers and AFX and shall meet AFX's requirements. The number of submission samples is negotiable.

a. Consider the following for boundary sample submission:

1. Collect the necessary number of samples with similar levels of quality.

2. Complete and attach the Boundary Sample Tag to each sample

(Boundary Sample Label QF-7-012-4)

3. Submit the samples according to the requirements agreed to by AFX.

b. Upon submittal of temporary boundary samples, a countermeasure plan detailing the root cause, countermeasure and recurrence prevention activities should be included when so directed by AFX.

2.14 Packaging and Handling Requirements *[top]*

The supplier shall comply with AFX packaging and labeling specifications and shall submit examples and / or recommendations with the initial sample submission. It is the supplier's responsibility to obtain AFX approval.

The outer packaging shall provide a clear description of the contents. Labels shall include AFX part numbers. A lot number must be present on packaging and should comply with AFX requirements. Bar coding is a requirement for our labels must comply with AIAG B-10 Standard and code 39 format.

All wood pallets must comply with NOM-144-SEMARNAT-2012 and must be received in good conditions (no broken, damaged or incomplete). If wood pallets do not comply with these requirements, they will be replaced at supplier expenses.

2.15 Supplier Deviation Request *[top]*

Deviation Authorization Request (Deviation Form QOP-7-011) is used for temporary approval to build and / or ship product that does not conform to the AFX drawing, process and /or Inspection Standard. The following must be considered:

a. Whenever the product or process is different from which is currently approved, the supplier shall submit the "Deviation Authorization Requests (DAR)" and ***obtain written approval from AFX prior to proceed to produce or ship any product.***

b. The deviation must have a signed approval by AFX Supplier Quality Engineer to be accepted. Approval may be granted ONLY if the deviated product does not jeopardize AFX customer requirements.

2.16 Supplier Pre-Production Sample Requirements *[top]*

Pre-Production Samples have a very important roll in the developing, inspecting, and approving of materials or parts which feedback will be used to make decisions in a final product appearance, characteristics, packaging, dimensions or design. Parts or Materials are not at production level at this point.
In AFX we have a dedicated process to handle pre-production samples, reason why we request our suppliers to properly identify the material and include inspection reports as applicable for each sample type.

a. The Supplier sample part container should be properly identified to insure correct part usage. (Pre-Production label)

f. Partial verification of pre-production sample parts to the AFX Standards is typically required for some samples. This may include verification to drawings, inspection standards or other requirements.

2.17 Supplier Process Change Request *[top]*

In order to have proper control of process and design changes from suppliers, AFX requires the following be considered:

a. All requests shall be made using the supplier Process Change Request format (Supplier Process Change Request QF-8-003-5). The Supplier Process Change Request shall be submitted in writing to Quality Engineering. This will be returned by AFX with approval or rejection notice.
Approval allows supplier to proceed with proposed change, but not to proceed with production. Production approval is given by PPAP process, unless waived by AFX.

b. The supplier shall avoid low confidence or high-risk proposals and provide sufficient data to support the request.

c. Design Changes request shall be negotiated with the proper AFX Engineering and Supplier Quality Engineering Departments.

d. Any cost changes shall be approved by AFX Purchasing, in writing, prior to Engineering Change Notification Request submission to AFX Quality organization.

e. The supplier shall not proceed with any change in production unless that PPAP is approved by AFX. Supplier shall use the IPP label for the first production shipment (IPP Label Format).

2.18 Initial Production Part (IPP) *[top]*

Initial Production Part Labels are used at AFX to acknowledge the receipt of new program parts or parts where the design or process has changed.

a. It is absolutely critical that the supplier and sub-supplier work in tandem to maintain a First-In / First-Out (FIFO) system, which is combined with an effective method for purging the supply stream of all material that was produced prior to any change.

b. Once the IPP procedure is initiated and the new labeling is utilized, the supplier shall not ship any of the original / older material to AFX, unless approved with deviations. Any original / older material received by AFX will be classified as non-conforming and counted against the supplier's quality rating.

c. The IPP label (IPP Label Format) or comparable must be submitted by the supplier shipping new product or making a change. The background color for the label should be orange or very distinctive. An IPP tag must be affixed to individual boxes /containers.

2.19 Complaint Notification and Corrective/Preventive Action Report [top]

When a nonconformance is reported to supplier, AFX must be obtain response in 24 hrs. with disposition of the material. Otherwise, the material rejected, and suspect will must be scrap.

Suppliers are notified of non-conforming material through a phone call or email from the plant quality group and/or through a "Corrective Action Report" (Corrective Action Format QF-10-002-2) This document is issued whenever purchased material is identified which does not conform to quality requirements.
Non-conforming material may be identified during incoming inspection, assembly, processing, audit, reliability testing or Customer notification. A Return Material Authorization Number (RMA#) will be requested to the supplier for debit authorization of on-site scrap, rework, sort or return of material.

The Rejection document serves for the following functions:
- Accounting Debit Memo
- Quality Record for Generating PPM
- Problem Effective Solving & Analysis Report
- Communication of issues to Purchasing
- Record to Support Adjustment of Suppliers Cumulative Shipment History

General guidance notes:

a. Under no circumstances shall non-conforming material be shipped to AFX without approved deviation from AFX. If non-conforming material is received in AFX, supplier could be penalized with 500 USD.

b. If a supplier discovers or suspects that non-conforming material has been shipped to AFX facility, the supplier shall immediately notify that facility's Quality Engineer.

c. Any non-conforming material found at the supplier's facility shall be immediately contained, identified and properly disposed.

d. Any suspect material shall be quarantined and sorted.

e. Non-conforming material received at AFX facility that requires sorting or special handling to support production needs shall be the responsibility of the supplier. The supplier is expected to support these activities in an urgent manner. If supplier support is not received as required, AFX has the right to take actions as it best interest.

g. Any cost incurred by AFX due to non-conforming parts will be billed back to the supplier.

h. *Following fees will apply when rejected material has to be returned to supplier or disposed at AFX facilities:*

Mexican custom fee	*1000.00 MX or equivalent in USD*
American custom fee	*45 USD*
Taxes applicable per number of parts	*16% from material value*
Disposition container per cubic yard	*Raw material 40 USD*
Or fraction	*Raw material with chemicals 80 USD*
Destruction fees (minimum 4 hours)	*20 USD per hour/man*
Transportation fee	*as quoted*

Supplier's Reply to AFX

When a supplier receives a "Corrective/Preventive Action Notification", the supplier must send to AFX Supplier Quality contact a written interim containment plan within 1 working day of problem notification using the "Corrective Action Format" (Corrective Action Format QF-10-002-2) or any other format used by our customer. Within ten working days, the supplier is expected to communicate in writing the problem-solving results.

If a response is not received in time, a penalization fee of 500 USD will be applicable.

2.20 Supplier Performance Tracking and Reporting *[top]*

The Suppliers performance will be evaluated by AFX on a monthly basis. Supplier rating is based on the following:

1.	Non-Conforming Parts per Million (PPM)	40 points	40%
2.	On time Delivery	30 points	30%
3.	Service/ Problem Reaction	15 points	15%
4.	Documentation	15 points	15%

Parts per Million (PPM)

The Quality Performance of suppliers will be measured in defective Parts per Million (PPM), Corrective Actions responses and PPAP performance. The expectation for supplier performance is ultimately 0 PPM. The Product received into our facilities, which does not conform to the drawing, specifications, and agreed standards will be counted against a partner supplier's PPM record unless written agreement has been settle with AFX prior the shipment of such product. Quantities will be reported in the units that they are purchased. This only applies to production parts after PPAP approval.

PPM Clarification Notes:

- Supplier may sort parts at the appropriate location or at supplier premises. Parts confirmed as unacceptable, after the sort, stay on supplier PPM record. PPM will be adjusted after the sort is complete, unless sampling has predicted a % defective within the isolated lot, not the entire lot. Partner suppliers have the responsibility to execute a containment plan to assure manufacturing continuity.
- If the supplier identifies, communicates, and takes appropriate containment action for a potential problem before the problem is identified at AFX then parts will not be counted against PPM. If the problem is identified at AFX prior to contact from the supplier, then PPM count will be incurred.
- Damage resulting from inadequate packaging, from which the supplier is responsible, will result in increased PPM. Packaging standards must not be modified without prior written authorization.

Refer to the following measurable to be used for monthly supplier Quality rating evaluation:

PPM	POINTS
Up to 100	40
101 - 200	30
201 - 300	25
301 - 400	20
401 - 500	15
501 -1000	10
1001 -2000	5
2001 - +	0

Chargeback Policy:

AFX will communicate in writing when a defective/discrepant product is found through a format called Return Material Authorization and/or Charge Back to Supplier and/or Customer containing the reason of the rejection and actions in consideration needed like sorting/reworking/transportation/scrap etc. Supplier must provide Authorization immediately. Supplier response is required within 72 hours, if no response is received by supplier within that period of time, AFX has the right to take actions as it best interest.

Charges apply as follows:

a) Sort/Rework $20.00 US dlls. per man/hr., when performed or coordinated by AFX
b) Product Identification $5 US dlls. per each label placed
c) Transportation and/or Documentation each time supplier requests samples to be evaluated will be charged at the cost of the product and shipment.
d) All the scrap as results of nonconformance material will be charged to supplier.
e) Wood pallets 15 US dlls.

It is responsibility of the supplier to provide effective support to resolve any product concerns/defects found by AFX at any time, this must include immediate documented responses and onsite visits for sorting or product review. AFX requires suppliers to have a representative available at the Manufacturing plant within 24 hrs of the complaint notification unless otherwise agreed with AFX Quality Representative.

Delivery

Delivery is calculated based in the ability from the supplier to meet production release schedules, refer to the following formula used to calculate and measurable to be used for monthly supplier Delivery rating evaluation:

$$\frac{\text{Number of parts on time} * 100}{\text{Number of parts requested}}$$

DELIVERY	POINTS	
100%	30	GOOD performance
90% - 99%	15	SATISFACTORY performance
80% - 89%	7	ACCEPTABLE performance
Below 80%	0	POOR performance

Service

Customer Service/Problem Reaction is calculated based in the support, responsiveness, cost reductions, ability to resolve day to day situations, provided by the supplier. Refer to the following measurable to be used for monthly supplier Service rating evaluation:

RATING	POINTS	
5	15	GOOD performance
4	11	SATISFACTORY performance
3	7	ACEPTABLE performance
2	3	POOR performance
1	0	UNACEPTABLE performance

Documentation

Documentation is evaluated based in the ability from the supplier to provide on time and correct data like PPAP submissions, packing slips, Quality material certifications, SPC evaluations and 8D reports. Refer to the following measurable to be used for monthly supplier Documentation rating evaluation:

RATING	POINTS	
5	15	GOOD performance
4	11	SATISFACTORY performance
3	7	ACEPTABLE performance
2	3	POOR performance
1	0	UNACEPTABLE performance

General guidance information:

a. An initial and on-going Supplier Quality Assurance System Survey may be conducted by appropriate AFX representative on site-at the manufacturing location. The purpose of the survey is to verify that the minimum requirements of the Supplier Quality Manual are met and assist in supplier development.

Self-Assessment

A least one time, every supplier must complete the Supplier Self-Assessment.
The Self-Assessment must be sent back by fax to Supplier Quality Engineer in AFX for review. Once the revision of Self-Assessment has been completed, a visit to the supplier's facility may be scheduled to review the supplier performance.

2.21 Environmental Requirements *[top]*

AFX is committed to minimizing any negative impact of our products on the environment. All AFX suppliers should work proactively with AFX to reduce the environmental impact of AFX's products by complying with the environmental requirements of our customers. Materials, substances, recyclables, life cycle assessment data, etc. are to be reported according to legal requirements.

IMDS Reporting Requirements: As part of the PPAP submission, the supplier shall be required to declare all substances and materials in components or raw materials supplied to AFX using IMDS (International Material Data System). IMDS is the required location for reporting material composition.

Declarable / reportable substances – chemical elements or chemical compounds as they exist naturally or are produced. This includes stabilizing agents and production-related impurities (with exception of solvents) which can be separated without any effects or stability or change in composition.

Prohibited substances – substances which are prohibited for certain application purposes by law. They cannot be contained in amounts which exceed the set limitations.

Post-Consumer Recycled – recycled material originating from products or materials that have served their intended end use, and have been recovered or otherwise diverted from the waste stream for the purpose of recycling.

Substances of Concern (SOC) - Special attention must be paid to the elimination of SOC's as defined by the ELV (End of Life Vehicle requirements) directive that has been implemented by the European Union.

These substances include lead, cadmium, mercury, and hexavalent chromium. Suppliers shall complete the Declaration of Conformance.

Environmental/ Safety Information Requirements: A completed Material Safety Data Sheet (MSDS) is required with any raw material submission or when a new submission is required due to a change in the material composition.

2.22 Balance out policy and Claim process *[top]*

AFX will notify supplier following AFX's receipt of preliminary information regarding a change in the balance-out status of a component or raw materials. The notification may be in the form of a comment on the weekly supplier schedule detailing "Watch schedules carefully, part is phasing out". This notification will be supplemented by the issuance of a balance-out memo from AFX.

Supplier is required to strictly monitor AFX's schedules as provided to supplier, particularly after receiving notification of phase-out status, to minimize any potential obsolescence. If supplier needs to produce/ purchase finished goods, material or parts in excess of authorizations, it must first receive written approval from its AFX materials contact.

Final shipments of balance-out components may require partial containers, smaller than normal lot sizes, and/or shorter lead-times with no increased cost.

Supplier is encouraged to request information regarding the potential of future service/replacement orders for its components from its AFX Materials contact. AFX is required to supply to its customers service requirements at production prices after program phase-out.

In the event that obsolescence occurs due to the discontinuation of a part, the following procedure applies:

- Supplier should submit any claim regarding obsolescence costs to the AFX Materials contact including cost breakdowns for component material.
- The claim must be delivered one week after last shipment is made at the latest.
- The claim supporting documents should contain (but not limited to): cum authorized release, cum shipments, copy of release authorizations.
- AFX Materials contact will review and advise Supplier as the validity of the claim.
- All material claimed to be obsolete must be segregated and stored at Supplier's facility pending a possible AFX audit.
- No material may be disposed of until after final settlement is achieved
- A purchase order will be issued for all valid claims to trigger the payment process when AFX customer has authorized payment.

S E C T I O N 3

RECORD OF REVISIONS AND/OR CHANGES

DATE FECHA	REVISION #	SECTIONS MODIFIED SECCIONES MODIFICADAS	DESCRIPTION OF THE CHANGE DECRIPCIÓN DEL CAMBIO	CHANGED BY CAMBIADO POR
6/14/2006	1	all	Initial Release	Aida Hernandez
11/29/2010	2	All	Changes according to ISO/TS 16949	Guillermo Lopez
10/24/2018	3	All	Changes according to IATF 16949	Hector Zuñiga
11/5/20	4	Section 2.19	When a nonconformance is reported to supplier, AFX must be obtain response in 24 hrs. with disposition of the material. Otherwise, the material rejected, and suspect will must be scrap.	Omar Garza Samuel Zavala
4/18/21	5	Authorization 1.7 1.8 3.0	Removed issue number, Added to section 1.7 Materials in conflict and 1.8 Contingency plans Section 3.0 Revision of the changes	Samuel Zavala
11/28/2023	6	Authorization	New members added	Samuel Zavala