SUPPLIER QUALITY ASSURANCE MANUAL

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Introduction to AUTOCAR, LLC:

AUTOCAR, LLC (AUTOCAR) is the oldest vehicle nameplate in the United States and continues to represent the spirit of pioneering innovation in the North American transportation industry. Over the years, AUTOCAR Trucks have become iconic symbols to veterans of the trucking industry and are recognized as “The World’s Finest”.

To maintain this reputation, AUTOCAR’s effort is invested in selecting the best suppliers based on their ability to provide service, capability, and performance. AUTOCAR is committed to a customer-focused approach and quality excellence. The supply base is expected to be likewise committed to the same customer focused principles and provide desirable and durable components, on time and to agreed specification. To achieve this all suppliers will be uniformly measured on these main factors, as well as others:

- Quality Performance:
  - Achievement of 0 reportable defects
  - Compliance
  - Issue Resolution
- Delivery Performance
  - On Time
  - Correct Quantity
  - Packaging and Labeling
- Service Performance:
  - PPAP Commitment
  - Warranty and Field Support

The purpose of AUTOCAR’s Supplier Quality Assurance Manual (SQAM) is to provide an overview of AUTOCAR’s expectations to supplier stakeholders and to reinforce the supplier’s commitment required to do business with AUTOCAR.

The goal is to communicate AUTOCAR’s engagement in partnering with suppliers for the mutual benefit of all stakeholders. In doing so, AUTOCAR will assure the future of our customers, our company, and the entire supply chain.

AUTOCAR welcomes you to its family of suppliers. We pledge our support to our mutual success and will work hard to build a strong, long lasting, and mutually beneficial relationship.

Welcome aboard!!

Acknowledgement of the Supplier Quality Assurance Manual (SQAM):

Important document availability and access:
The latest versions of the following documents are available for each supplier:

- Supplier Quality Assurance Manual (SQAM)
- Packaging, Labeling and Traceability Requirements
- Supplier Corrective Action Report (SCAR) User's Manual
    - Includes directions for accessing the supplier scorecard

These documents are accessible at the following locations:

- Supplier Corrective Action Report (SCAR): https://scar.autocartruck.com/
    - Requires supplier logon and password
- The AUTOCAR Supplier Portal https://www.autocartruck.com/supplier-portal/
    - Accessible by any prospective supplier

Each supplier is expected to access these locations at least semiannually to ensure they have the latest documents on hand. Suppliers will be responsible to comply with any changes made for revisions of the documents.

The purpose and scope of the SQAM:
This document is to be considered by all suppliers as a clarification of the requirements concerning quality expectations not otherwise listed in the terms and agreements or other documents used to assure the supply of materials to AUTOCAR. As such, it shall be enforced as a requirement to do business with AUTOCAR, unless otherwise amended through documentation and approved directly by the Quality Management Function of AUTOCAR.

Requirement of SQAM acknowledgement:
AUTOCAR may require the supplier to acknowledge the SQAM when establishing contact to a supplier quality portal. Acknowledgement of the SQAM is made through the Supplier Corrective Action Report (SCAR) portal. scar.autocartruck.com. The supplier account manager must log in and acknowledge the SQAM before any other supplier employees can access the SCAR system. To add a Supplier Account Manager to the system, reach out to the Supplier Quality Engineer, or reach out to the AUTOCAR buyer for help in locating the appropriate Quality Engineer. Send the Supplier Quality Engineer (SQE) following information:

Supplier Account Manager:

1. Full name
2. Complete email address
3. Contact phone number

After this information is entered into the system, the Account Manager will be able to set a password and acknowledge the SQAM.

Supplier feedback concerning this document or any other aspect of quality within AUTOCAR is welcomed and encouraged. Please send an email to your AUTOCAR SQE.

Supplier understands that it is their responsibility to ensure that only the latest revision of this manual is used. Supplier will periodically check the AUTOCAR Supplier Portal website for revisions and updates. Supplier confirms they have email and internet access capability. Supplier will comply with this manual in their current and future facilities when manufacturing, assembling and/or distributing products for AUTOCAR.

Supplier Representative: Printed Name	
Supplier Signature:	
Date:	
Note any exceptions to the Supplier Quality Assurance Manual:	

Supplier Quality and Core Management Systems Expectations:

Suppliers are expected to maintain their quality systems by a documented process. At a minimum, AUTOCAR requires its suppliers to be compliant to any of the Automotive Industry Recognized Standards. Compliance can be demonstrated in these ways:

- Presentation of an active and current of certification document from an accredited registrar.
- Audit results deemed acceptable by AUTOCAR.
- Submitting other evidence of compliance at the time of supplier evaluation.

If a supplier has a proprietary product needed by AUTOCAR or is a current supplier, compliance may be waived. Acceptable standard examples include, but not limited to the latest revisions of:

- ISO 9000
- IATF / TS 16949
- VDA 6.3

A supplier's management process will need to support the AIAG core tools for quality:

- PPAP
- Control Plan
- MSA
- PFMEA
- APQP
- SPC

A supplier's business management process must support the following critical activities:

- Internal tracking of performance to the supplier scorecard.
- Continuous improvement.
- Part traceability, including through Tier 2 suppliers as necessary, from delivered final customer vehicle back to raw material as required.
- Internal review of AUTOCAR reports of non-conformance.
- Acquiring AUTOCAR approval for any changes outlined by the PPAP requirements.
- Acquiring AUTOCAR approval for product or process deviations prior to making changes.

Suppliers are expected to hold the same requirements of Tier 2 supplied parts as AUTOCAR requires for the tier 1 supplier. In addition, AUTOCAR highly encourages all Tier 2 suppliers to be compliant to ISO9001 and ISO14001.

AUTOCAR approach to supply base continuous improvement:

Supplier basic quality system requirements:
Each supplier is expected to continually monitor AUTOCAR metrics and report to management internally concerning the health of their relationship with AUTOCAR. AUTOCAR will uniformly monitor the performance of each supplier on the following factors:

- Quality: PPM and SCAR accumulation.
- Cost: Cost associated with rejected material, correction and return of goods.
- Delivery: Delivery on time, to schedule.
- Service: Dedication to support processes which provide value to the product.

Supplier basic performance requirements:
Accessible systems have been developed to allow suppliers to monitor their status, communicate corrective action and track cost of non-quality.

The objective measures AUTOCAR will be tracking for each supplier are as follows:

- Supplier Quality Score Goal: < 500 PPM (100%)
- Supplier SCAR Aging Goal: 30 Days or less
- Delivery on time and to schedule Goal: > 98.5%
- Composite Report Card Quality and Delivery Goal: > 95%
    - Composite Scorecard = the average of delivery and quality scores
- Count of opened SCARS 3 Months Running Goal: < 2

Other factors contributing to supplier performance evaluation:

- SCARs aging > 30 days: Target 0
- Supplier responsivity:
    - Reports of suppliers late to close PPAP: Per agreed upon plan
    - Reports of suppliers late to close SCAR stages:
        - Containment and interim countermeasure > 24 hours.
        - Root cause > 15 calendar days.
        - Permanent corrective action > 30 calendar days.

Suppliers and AUTOCAR must work closely together to achieve our respective objectives. Alignment of goals can be evaluated. AUTOCAR performs site and process audits of the supplier as detailed below. A score is assigned which helps identify areas where the companies may develop better alignment. The goal is mutual improvement of corporate relationships. Suppliers must maintain processes as audited to assure a stable supply of products and services.

Services expected as part of the price of product delivered include:

- APQP.
- Participation in cost reduction projects.
- PPAP.
- Warranty.
- Continuous Improvement.
- Product and process development.
- On-site support at AUTOCAR plants and customers.
- Deviation for temporary changes / Correctional Change Request (CCR).
- Root cause and corrective and preventive action reports.
- On-time response to reports of non-conformance.
- Service recall and field campaign support.

Auditing Supplier, and Sub-supplier locations:

As part of the on-boarding and performance assurance process, all supplier sites are subject to an onsite audit.

Auditing as part of the on-boarding process:
This process will utilize the following steps:

1. Notification / Supplier Self-Audit.
2. On-site validation of the audit results based on criticality of the supplier or part.
3. Supplier development step to close noted nonconformities.
4. Audit closure.

The audit process will consist of an advance notification followed by a planning meeting to agree on the scope and areas to be reviewed. During the audit suppliers' senior management must be available should critical issues arise. The duration of a site audit is approximately 5 business days from first plant tour through closing meeting. Typically, it will take 4 to 6 months to complete and verify all corrective actions and update scores.

A supplier audit is a comprehensive process of evaluating a supplier's ability to mitigate risk associated with the following systemic disciplines, and others:

- Health, safety, and security.
- Product or process development (APQP).
- Product or process capability (SPC).
- Process or tooling care and maintenance.
- Control of suppliers or contracted services.
- Product or process validation (PPAP).
- Management of critical characteristics (PFMEA and Control Plan).
- Management of non-conformances (Continuous Improvement).
- Shop floor maintenance (Process Flow and 5S).

The questions and scoring are contained in the Supplier Quality Audit Template. Questions are uniform for all suppliers. An acceptable score is based on criticality of the issues found, maturity of the standards presented, and discipline displayed to deploy and maintain standards.

Reasons for audits after on-boarding process:
AUTOCAR reserves the right to directly review Tier 2 processes and sites which have a significant impact on the end quality of the supplier's product. This may include processes like forging, casting, fabrication, assembly, surface treatment, or other processes critical to the safety or compliance of the vehicles produced by AUTOCAR.

Supplier sites might also be audited for the following reasons:

- New or Change of supplier and/or location.
- Change in ownership.
- Sustained poor performance.
- Loss of site accreditations or credentials.
- Following a site temporary closing and reopening.
- Delivery of non-conforming parts.
- Failure to support:
    - The Correctional Change Request (CCR) process
    - Production Part Approval Process (PPAP)
    - Field customer service
    - Supplier Request for Corrective Actions (SCAR)
- Supplier re-organization.
- Change of sub-supplied or contracted critical services or processes.
- Repetitive or habitual delivery of non-conforming product.
- Systemic failures to communicate, respond to inquiries or address issues.

Production Part Approval Process (PPAP):

PPAP establishes confidence in suppliers and their production processes. Suppliers must demonstrate that AUTOCAR engineering design and specification requirements are understood and, that the supplier production process has the capability to produce product consistently meeting these requirements during an actual production run at the quoted production rate plus excess capacity.

Whether requested for presentation, or not, it is the obligation for each supplier to complete all PPAP documentation per the latest revision of the IATF/AIAG core tools reference manuals. Under certain circumstances, agreement to follow an alternative process may be granted at the time of contract for standard or items described in the “Defined Products” Section or other specific circumstances. PPAP requirements are set by the quality function within AUTOCAR.

Suppliers are responsible to ensure that the PPAP documents and sample submissions are in accordance with the AUTOCAR PPAP Submission Requirements, located in the links tab located on the SCAR website scar.autocartruck.com.

AUTOCAR retains the right to request any level of PPAP review, at any time during or after the product and process development phases or during OEM normal production. This also applies to service parts which may be used to replace an OEM part in the field.

Each supplier must acquire the necessary expertise, resources, copies of required documents and manuals, necessary forms and training required to comply with the AIAG core tools reference manuals, or to contract the documentation completion within the program timeline.

AUTOCAR maintains a formatted template for the required PPAP documentation. Suppliers with their own templates may substitute any document required by AUTOCAR for PPAP given they provide the same information as the AUTOCAR or AIAG templates. The supplier is responsible for all expenses and resources required to complete the PPAP submission.

When to submit PPAP:
PPAP submission is required when one or more of the following conditions apply:

- New parts
- Product design change request
- Sub-supplier change affecting fit, form or function of product
- Business Management Systems change
- Parts produced at additional location
- Outsourcing part of production to a sub-supplier or sub-contractor
- Sub-supplier changes of process such as surface treatment, machining, warehousing, paint shop, etc.
- Raw material change
- New internal production layout
- Raw material sub-supplier change
- Current tooling renewal
- Packaging change or repackaging
- Transfer of production line (part or all) within or without the same building or location
- Tooling: Transfer, replacement, refurbishment, or additional tooling added
- Other as required from AUTOCAR

PPAP timing, submission levels and planning:

It is expected that PPAP might occur in several steps. Setting PPAP requirements are the responsibility of the Supplier Quality Engineer. PPAP may be requested by any person employed by AUTOCAR. To define PPAP requirements it is important to use the following sections as a guide. However, it is required for the supplier to contact the Supplier Quality Engineer for the specific requirements.

PPAP Level Definitions:
S = Submit for review * = Maintained @ supplier AR = Submit as required per AUTOCAR QE

	Submission Level			
PPAP Submission Requirements and Description	**1**	**2**	**3**	**4**
1) Part Submission Warrant (PSW)	S	S	S	S
2) Initial Sample Inspection Report (ISIR) *(with ballooned drawing)*	*	S	S	S
3) PPAP Samples - Development / First Production Order	*	S	S	S
4) Engineering Change Documents (CCRs / deviations)	*	S	S	AR
5) Print Notes / Performance Tests: Examples: (Material Certs, Surface Finish Certs, Paint/Plating Tests Results, Welding, DVP&R results)	*	S	S	AR
6) Design Failure Modes Effects Analysis (DFMEA)	*	*	S	AR
7) Process Flow Diagram	*	*	S	AR
8) Process Failure Modes Effects Analysis (PFMEA)	*	*	S	AR
9) Initial Process Capability Study - *for major / critical characteristics*	*	*	S	AR
10) Measurement System Analysis (MSA) - *for major / critical characteristics*	*	*	S	AR
11) Process Control Plan	*	*	S	AR
12) Appearance Approval Report (AAR)	*	*	S	AR
13) Checking Aids / Fixtures / Tooling	*	*	S	AR
14) Master Sample "Picture" Document	*	*	S	AR
15) Qualified Laboratory Documentation	*	*	S	AR
16) Emissions Critical Parts Testing	*	*	S	AR

Suppliers alternative documents to the AUTOCAR template are permitted if it contains the same information

During the Prototype Phase: The prototype phase of a project includes all phases where the following conditions apply:

- Design is incomplete, or not released.
- Parts will not be used on a production vehicle (not sellable to the public).
- Parts will be disposed of after their intended use.

Examples include:

- Engineering fit or form testing.
- Engineering testing for durability or suitability.
- Parts made to print but with alternate materials for the purpose of rapid prototyping.

The typical PPAP requirement for such parts is PPAP Level 2: PSW with measurement results and material certification and / or test results. A prototype control plan may be required where a prototype might be safety critical and used on a test vehicle.

During the Pre-production Phase: The pre-production phase of a project occurs when the following conditions apply:

- The design intent drawings are released.
- The supplier has production intent tooling in place.
- The parts are intended to be used to produce sellable pilot vehicles.

The typical PPAP requirement for such parts is PPAP level 4. PSW along with all documents required by the using site quality engineer.

During the Production Launch Phase: The production launch phase of a project occurs when the following conditions apply:

- Parts are being produced at AUTOCAR's line rate.
- Parts are being produced to the design intent releases.
- Parts are ordered through production scheduling.
- All tools and checking devices are design intent.

The typical PPAP requirement for such parts is Level 3 (full document submission) or Level 5 (on site PPAP validation). The exact requirements are to be provided by the Supplier Quality Engineer.

PPAP types and defined products:

PPAP types generally fall into 1 of 3 categories. Interim Approval, and Full Approval and Family PPAP.

Interim Approval:
Interim approval is given when not all the requirements for a full approval can be met. Potential reasons for the need for interim approval may include, but is not limited to the following:

- Some or all the production process is temporary or not to production level.
- There are active Correctional Change Requests (CCR's) which apply to the part.
- A known design change is in process.
- Part dimensional stability has not yet been established.

If an Interim approval is necessary, it can only be approved when the following criterion are met:

- A plan to end production of the part number is established.
- A plan to correct the reasons for the interim is established and approved by the Supplier Quality Engineer.
- The conditions for the interim are communicated and agreed to in writing.
- Each affected document within the PPAP submitted has a plan for update and resubmission.

Full Approval:
Full approval is given when the plan agreed upon between the supplier and the Supplier Quality Engineer has been fulfilled.

At a minimum:

- The part and product must fully meet all design requirements.
- The part and product must meet all applicable regulatory requirements.
- The product must meet all testing, including aesthetic qualities.
- The parts must have been run at production rate.
- Production packaging and standard pack quantities will be evaluated as part of PPAP
    - Parts submitted as Full PPAP samples must arrive labeled and packaged as quoted production parts, per APS00001.
    - This is important as the packaging must protect the parts to the point of use thus must be evaluated as part of delivered product.

Family PPAP:
Family PPAPs are meant to minimize PPAP submissions for parts which are similar and produced by the same processes within the same supplier location. To qualify as a family submission the following must be true:

- The agreement of a family PPAP must be made with the AUTOCAR Quality Engineer Responsible.
- 1 Part number must be chosen as the head part number.
- At least 1 level 3 PPAP must be submitted for the chosen head part number.
- The remaining family parts are kept on a list and are submitted as a level 2 PPAP.

Examples of typical family PPAP parts:

- Standard brackets that vary by length
- LH and RH parts mirror image made from the same tools
- Wiring harnesses that vary only by length

Defined Products:
Certain products will have a specific PPAP requirement set forth by their nature and the nature of the supply base:

Standard and Bulk components:
Examples of these products:

Shelf or catalog parts:

- Fasteners
- Wire ties
- Wire
- Tires
- Wheels
- Chemicals
- Lubricants
- Fluids

For these items the PPAP required will be a PSW, layout if there are dimensional requirements, and a material certification.

Safety Critical Components:
Safety critical components are those which are part of a safety feature, attach safety critical equipment of affect the function of safety critical equipment or which may render a vehicle unsafe to operate if a failure occurs. Examples of these are not limited to the below list:

- Brakes and braking components
- Steering and steering components
- Cab and cab safety restraint systems
- Electrical and electronic components installed to support a safety feature such as ABS
- Some items with a severity of 9 and all items scoring a severity of 10 severity according to a DFMEA

Safety critical PPAPs will be level 3 and in addition to the normal PPAP documents the following must also be presented.

- Application approval documents
- DVP&R results documents approved by both AUTOCAR and the supplier
- Registration and serialization methods (proof of traceability)

Compliance Critical Components:
Compliance critical components are those which are part of a legally regulated feature or which may render a vehicle out of compliance if a failure occurs. Examples of these are not limited to the below list:

- Cabs, seat mounting and safety restraint mounting
- Brake and braking systems
- Emissions control equipment
- Wheels and tire components
- Electrical and electronic equipment and programs which support compliance items
- Any item scoring an 8 or 9 severity according to a DFMEA

Compliance critical PPAPs will be a level 3 and in addition to the normal PPAP documents the following must also be presented.

- Specific testing to prove compliance to the applicable FMVSS or regulatory standards
- DVP&R documents approved by both AUTOCAR and the supplier
- Registration and serialization methods (proof of traceability)

Supplier Corrective Action Request (SCAR) & Supplier Report Card:

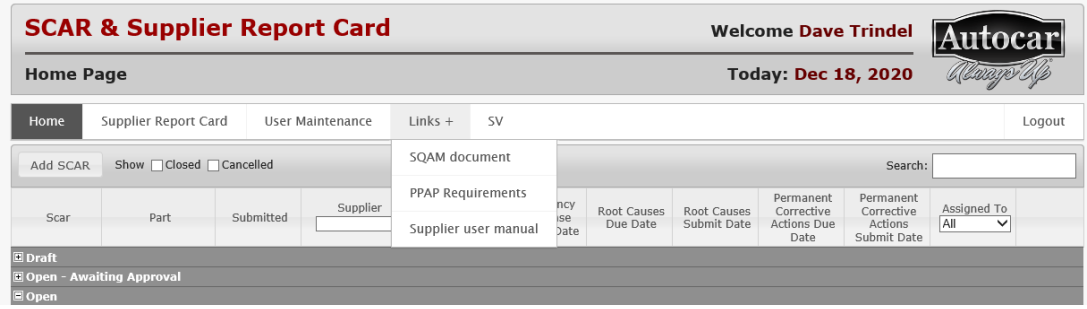
Once a supplier has access to the SCAR portal (as described in at the beginning of this SQAM), the SCAR & Supplier Report Card system can be accessed by navigating to this website: https://scar.autocartruck.com/ . Located at this site are the following:

- Access to SCARS issued by AUTOCAR to the supplier
- Current Score of the supplier according to Quality and Delivery
- Access to important documents
    - System user's manual
    - PPAP manual
    - Supplier Quality Assurance Manual (SQAM)
    - Packaging, Labeling, and Traceability Requirements

When a Supplier Account Manager has accessed the SCAR system for the first time, the below dialog box will appear. If the Supplier Account Manager presses cancel at this point, other employees from the same supplier code will not be able to access the system.

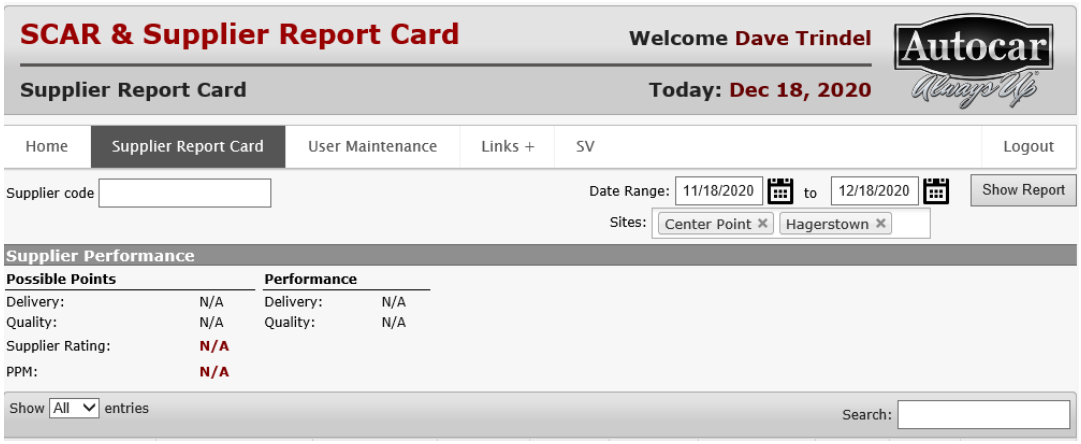
- Whenever a Supplier Account Manager changes at a supplier, the SQAM acknowledgement must be performed again to prevent locking out the other supplier employees.
- If a Supplier Account Manager is representing more than one supplier site, they will need 1 unique logon for each site. If they have 3 sites, they will need 3 logons and must complete 3 SQAM acknowledgments.

The latest revision of the released supplier documents can be accessed in the “Links +” tab.



Supplier Report Card:

The current report card is accessible by each supplier using the SCAR website. Simply log on and select the Supplier Report Card tab. Choose the time frame for the report and your score will appear along with your quality and delivery scores.



Response time to SCARs:
Standard response times are:

- Emergency Response and Containment Report: 1 business day
- Root Cause Analysis (RCA): 15 calendar days
- Permanent Corrective Action (PCA): 30 calendar days
- Non-response of the supplier: Unless the supplier has requested an extension and set up an alternative plan, and no action towards closing the PCA is made within 10 business days, the issue will be automatically closed, and the fees and reimbursements will be automatically applied.

Supplier improvement programs:

Supplier Improvement Council:
The council is a cross functional team of procurement, planning and quality managers responsible to assure supplier performance.

Each suppler is ranked monthly based on performance metrics. Suppliers showing high effect to AUTOCAR based on the review may be selected for a focused supplier continuous improvement program by the Supplier Improvement Council.

A notice of issues will be sent to the supplier account representative. The supplier account representative and supplier management will present formal answers and corrective and preventive actions. Meetings are held monthly until the supplier has presented verifiable corrective actions and preventions.

The following are the factors which may nominate any supplier for the Supplier Improvement Council Process:

- Delivery Performance
    - Line stoppage or supply disruption
    - Chronic sub-standard Delivery scores
- Report Card Performance
    - Chronic sub-standard Report Card Scores
- Quality Performance
    - Containment failure
    - Slow response to reports of non-conformance
    - Chronic sub-standard Quality Scores
- Support Services Performance
    - Reports of deficient PPAP support
    - Reports of deficient SCAR support
    - Reports of deficient product development support

To exit the program, supplier executive leadership must present that the issues which have been documented are permanently corrected and prevented from happening in the future. This will be accomplished through a final exit meeting where the AUTOCAR Strategic Sourcing Leader and supplier executive management agree and sign a closing meeting document describing the exact circumstances and agreements between AUTOCAR and the supplier.

Packaging, labeling and traceability:

Packaging, identification, and traceability of materials are important aspects of the AUTOCAR business. Therefore, it is vital that suppliers honor their obligations toward material protection, identification, and traceability and how they contribute to the quality of products sold by AUTOCAR. These aspects affect the following areas of the business, and others:

- Field Service capability
- Minimizing material handling time
- Maintaining the AUTOCAR production schedule
- On-time delivery of AUTOCAR products
- Performance of containment and root cause analysis

As such, an issue detected in a breakdown in packaging, labeling, or traceability may lead to a quality rejection. Ultimately it may even affect the end user perception of the services and products provided by AUTOCAR.

Packaging, labeling and traceability requirements:
Packaging, labeling, and traceability requirements are set forth in document APS00001 which can be accessed on the SCAR portal and the Supplier Quality Portal.

Escalation and Resolutions:

When there are reports of nonconformance, such as SCARs, the expectation is that both AUTOCAR and its suppliers work quickly to resolve the issue and close it out.

There will be key changes to the resolution process beginning with this version of the SQAM to help reinforce the need for urgency and closure to reports.

Response time to SCARS:

- Emergency Response and Containment Report: 1 business days.
- Root Cause Analysis (RCA) within 15 calendar days.
- Permanent Corrective Action (PCA) within 30 calendar days.
- Non-response of the supplier: Unless the supplier has requested an extension and set up an AUTOCAR agreed alternative plan, and no action towards closing the PCA is made within 10 business days, the fees and reimbursements will be automatically applied.
- Non-acknowledgement of the supplier (Tab 5 of the SCAR): A supplier has 1 working week to acknowledge or contest charges and actions for a SCAR. If no acknowledgment is provided, the SCAR will be closed, and the fees and reimbursements will be automatically applied.

Escalation actions associated with repeat SCARs or containment failures:

Controlled Shipping (CS)– Level 1 (CS1):

CS1 is issued with a SCAR when the supplier demonstrates a consistent inability to provide conforming product. Immediately following the issuance of a SCAR with a CS1 Level, the supplier is required to report:

- Implemented containment & inspection activities within 24 hours. AUTOCAR can request the services of a 3rd party sorting company of AUTOCAR's choice to perform on-site sorting at AUTOCAR.
- Breakdown analysis of where all parts are located and their sort results.
- Communicated to AUTOCAR before next shipment arrives at AUTOCAR.
- Root-cause analysis within 30 days.
- Permanent corrective & preventative actions verifications within 90 days.

Controlled Shipping – Level 2 (CS2):

CS2 is issued with a SCAR when the supplier has failed to correct the problem in CS1 or has had major quality problems where the supplier must be closely monitored. Immediately following the issuance of a SCAR w/ CS2 Level, the supplier is required to:

- Continue any current CS1 activities.
- Add an additional inspection process for the reported defect after the supplier's CS1 and prior to delivery to the AUTOCAR facility.
- Report implemented containment and inspection activities within 24 hours.
- Report breakdown analysis of inventories at all locations and sort results to AUTOCAR before next shipment will be allowed.
- Root Cause Analysis within 15 calendar days.
- Permanent corrective & preventative actions verifications w/1n 30 calendar days.

Enhanced Controlled Shipping Level 2 (ECS2):

If the supplier does not have the ability to identify and correct the root-cause, AUTOCAR may require the supplier to perform ECS2.

ECS2 includes elements from CS1 and CS2. The supplier is required to select a 3rd party Quality Inspection & Engineering Company to manage inspection, sorting, and detection and periodic reporting from verification of root-cause through irreversible corrective actions.

STEPS OF CS1, CS2 and ECS2:

Determining the need for CS:

AUTOCAR detects non-conforming parts. Based on past performance supplier's current controls are insufficient to protect AUTOCAR production.

AUTOCAR determines if CS level is required considering:

- 3 SCARs within the last 90 days.
- Repeat issue within same family of parts within the last 90 days.
- Major quality problems (production disruptions, line stoppages, field quality, warranty problems, safety issues).

Notification of suppliers for CS escalation:
AUTOCAR communicates to the supplier regarding the action (CS1, CS2 or ECS2). Supplier must understand and confirm receipt of SCAR report and, if applicable, CS Level to AUTOCAR.

Containment:

- Supplier must contain all suspect products and/or components at their facilities, their supplier, their immediate customer(s), in transit, at the OEM and the end-user's site.
- A separate containment activity area for inspection providing proper layout and instruction documents, space, lighting, and gauges appropriate to the specific sort itself must be made to perform CS.
- For CS2 & ECS2 supplier contacts AUTOCAR-approved 3rd party firm and supplier is responsible for all costs of the CS 3rd party activity.
- If for any reason the AUTOCAR must perform any inspection activities the supplier will reimburse AUTOCAR per Appendix A.

Inspection, Corrective Actions:

- Establish boundary samples and/or specifications for acceptance/rejection of parts.
- After AUTOCAR approval of inspection processes is obtained, begin 100% inspection at all affected locations of all suspect N/C products.
- Document inspection results ensuring only defect-free parts are sent to AUTOCAR.
- Track breakpoints of N/C parts.
- Mark individual parts as agreed upon by AUTOCAR to identify certified parts.
- Determine and demonstrate the root-cause of N/C to the AUTOCAR Quality Engineer.
- Develop, implement, and validate the permanent corrective & preventative actions verifications along w/ improved process controls.
- Update all applicable documentation (operator instructions, flow diagram, control plan, etc.).
- Submit irreversible permanent corrective & preventative actions verifications to AUTOCAR for review.

Exiting CS:
Supplier must provide all supporting documentation demonstrating that the reason for CS has been eliminated to AUTOCAR. If AUTOCAR is satisfied that actions have been taken and are validated as effective, AUTOCAR will release the supplier from CS activity. A formal letter signed by the Strategic Sourcing Leader and Supplier Quality will be issued to the supplier.

Appendix A: Fees and Reimbursements:

Fees and reimbursements associated with non-conformance to this standard:
To ensure uniform disposition of this standard, fee and reimbursement schedules are established to recoup lost time and materials from suppliers. Standard fees and reimbursements are applied as a debit memo against AUTOCAR's accounts payable to the supplier.

Parts Per Million (PPM) effect is calculated based on the number of parts listed as REJECT in each SCAR. PPM is a 30-day rolling metric on the report card. The PPM formula is as follows:

- X = the quantity of all material shipped by a supplier (AUTOCAR supplier code specific)
- Y = the quantity of materials listed as REJECT in the SCAR system
- (Y/X) * 1,000,000 = PPM

SCAR fees and reimbursements:

- SCARs which are not cancelled will be assessed a $200.00 administrative fee.
- Per hour labor reimbursement is $55.00 in plant.
- Suppliers must own containment activity at AUTOCAR sites.
- Parts will be reimbursed at the contract rate.
- A supplier failing to arrange containment or a plan with AUTOCAR will incur fees associated with the following:
    - A sorting / rework company will be selected on behalf of the supplier
    - Reimbursement of sorting / rework will be assessed to the supplier
    - Sorting / rework continues for 90 days after the supplier takes ownership of the activity and reporting shows no incidents found

Issue	Standard Costs	Incident Impact
SCAR Administrative fee	$ 200.00	Assessed per incident
Labor reimbursement per hour (in plant)	$ 55.00	Assessed per hour
Labor reimbursement per hour (in field / dealership)	$ 120.00	Assessed per hour
Supplier arranged carrier damage	$ 200.00	Administrative charge, labor added separately
Repackaging reimbursement	$ 55.00	Assessed per hour + material
Late answers to SCARs	$ 55.00	Assessed per hour necessary to engage supplier
Rework of parts	$ 55.00	Per hour + materials
AUTOCAR arranged shipments / returns of rejected material	As charged	Charged to supplier shipping account
AUTOCAR must set up 3rd party sort on behalf of supplier	As charged	Supplier charged by sorting company + AUTOCAR labor
AUTOCAR Carrier damage	Freight Claim	Cost claimed back to carrier
Reimbursement for scrapped parts	Piece price * Qty	Debited from accounts payable to supplier

Revision history:

EDITION	REVISIONS DESCRIPTION
06-2014	REV 000
01-2015	REV 001
01-2021	REV 003