

SUPPLIER QUALITY MANUAL
GRUPO SESÉ



Review 02
08-02-19

LIST OF REVIEWS

Rev.	Date	Modifications
00	24.01.17	Original issuance.
01	04.09.17	Modification of the annual assessment system of suppliers, as well as the requalification of the supplier management systems
02	08.02.19	Include explanation of annual objectives for suppliers. Include information / notification of management expenses in provider charges. Update the supplier evaluation criteria for line stoppages and downgrade rules. Include ISO 45001. Include requirement for software suppliers for automotive products.

This document, which is part of the contract, will be delivered via email at the start of the contractual relationship. From that moment on it will only be provided to the supplier electronically, in its most recent version, at the company website of Grupo Sesé, at the following web address www.gruposese.com.

Changes from the previous edition are marked in blue and labelled [Mod.] in the contents.

In the event of any difference, the Spanish version is the contractually binding version.

This review cancels out any another previous version that may have been distributed. If you have any copies, please destroy them. Please contact Grupo Sesé if you require any addition clarification.

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Zaragoza, 08 February 2019,
GRUPO SESÉ



SUPPLIER QUALITY MANUAL

CONTENTS

0.	OUTLINE	3
1.	CORPORATE SOCIAL RESPONSIBILITY OF SUPPLIERS	4
2.	FRAMEWORK AGREEMENT FOR QUALITY ASSURANCE	5
3.	ADVANCED PRODUCT QUALITY PLANNING (APQP)	6
[Mod.]	3.1. Quality system requirements	6
	3.2. Supplier's quality system rating	6
	3.3. Advanced quality planning	8
	3.4. Special release	9
	3.5. Product traceability	9
4.	REQUIREMENTS FOR PRODUCTION PART APPROVAL PROCESS (PPAP)	10
	4.1. Requirements relating to product definition	10
	4.2. Submission of first samples	10
	4.3. Material requirements	13
	4.4. Reassessment of parts provided by the supplier	14
5.	MANAGEMENT OF PRODUCTION RESOURCES	15
6.	LOGISTICAL CONDITIONS FOR SERIAL SUPPLY	16
	6.1. Packaging and labelling	16
	6.2. Safety stock	17
	6.3. Delivery compliance	17
	6.4. Logistics contract	18
7.	CONTINUOUS ASSURANCE OF CAPACITY	19
	7.1. Product safety, product responsibility	20
	7.2. Containment / non-conformant material	21
	7.3. Contingency plans	21
	7.4. Communication. Alert and scaling system	21
	7.5. Change management	22
	7.6. Safety components / regulations	23
	7.7. Replacement management	23
	7.8. Documentation and archiving	23
8.	ONGOING IMPROVEMENT	24
	8.1. Problem management	24
	8.2. Lessons learnt	25
[Mod]	8.3. Assessment and development of suppliers	26
[New]	8.4. Annual quality objectives for suppliers	28
	8.5. Audits	29
[Mod]	8.6. Supplier charges	32
9.	GUARANTEE AGREEMENT	34
10.	CONFIDENTIALITY	36
11.	GLOSSARY, ABBREVIATIONS	37
12.	COMPLIANCE AGREEMENT	38



0. OUTLINE

The issuance of this manual is aimed at establishing a trusting relationship with the supplier and thus guaranteeing the establishment of bases of action aimed at quality assurance and ongoing performance improvement.

This manual describes the minimum expected requirements and it applies to all the direct production Suppliers and production Sub-suppliers that do business with Grupo Sesé, such as:

- Production material: raw materials, pieces and components.
- Investments: capital goods and tools directly related to production.
- Design and development.
- Testing and/or calibration of control and testing methods.

This manual does not alter or replace any other contractual requirement covered by the purchase documents or the requirements of technical drawings or specifications.

Acceptance from the supplier of a purchase order involves compliance, in practice, of what is outlined in this manual, as well as compliance with all of the quality specifications required by Grupo Sesé.

None of what is outlined in this manual can be interpreted as an exemption for the Supplier from any of their obligations in relation to Grupo Sesé.



1. CORPORATE SOCIAL RESPONSIBILITY OF SUPPLIERS

Grupo Sesé is a signatory of the **United Nations Global Compact** on both the European and Spanish networks. As a member of that Initiative, it promotes compliance with the 10 principles in all of its groups of interest and expects its suppliers to undertake to respect those principles and to take them into account in all the spheres of their business activity.

Thus, by signing this manual the Supplier undertakes to respect said principles:

1. *Support and respect the protection of fundamental human rights within their scope of influence. Establish mechanisms that ensure that the company is not complicit in the violation of said Human Rights.*
2. *Recognise and respect workers' rights of freedom of association, organisation and collective negotiation in compliance with the legislation of the country they work in and basic agreements.*
3. *Eliminate all forms of forced or compulsory labour from their activities, with a focus on protecting childhood and the most disadvantaged groups.*
4. *Have clear policies and guidelines regarding the prohibition of child labour that it openly communicates, and carry out periodic controls in order to guarantee the non-use of a child workforce.*
5. *Do not discriminate in relation to sex, ethnicity, language, religion, nationality, affiliation or any other condition and support equality and the fundamental freedoms of individuals. Do not discriminate in any way, and similarly, reject discrimination in contracting and employment practices, as well as when in relation to accessing training, promotion and incentives. Promote the talent of employees through Education and Training in their work roles.*
6. *Adopt a preventive approach that contributes to the environment, and aim to attain sustainable business through the use of environmentally friendly technologies. Aim for economic prosperity without losing sight of social justice and environmental protection.*
7. *Assess the social, ethical, labour and environmental impacts of products, services, and commercial operations and take appropriate measures in compliance with the legislation of the country of operations, while encouraging the development and dissemination of environmentally friendly technologies.*
8. *Encourage initiatives for Safety, Protection and the Prevention of Occupational Risks. The consumption of or being under the influence of drugs, narcotics and/or alcohol is prohibited during work hours.*
9. *Respect and comply with standard of moral and ethical conduct and abstain from any form of corrupt practices, including extortion, fraud, and bribery. Advocate transparency in business practices and prevent all forms of corruption.*
10. *Require the company's own suppliers to comply with social, labour, environmental and ethical standards, and verify that suppliers and subcontractors have specific policies aligned with these principles.*



2. FRAMEWORK AGREEMENT FOR QUALITY ASSURANCE

The Supplier, a professional in their field, is perfectly aware of the requirements of the Automotive Industry, especially in terms of quality, costs and deadlines. They are obliged to deliver supplies in compliance with the standards and procedures of said Industry, especially the VDA standard "*General Terms and Conditions for the purchase of production material and spare parts which are destined for the automobile*", the current laws, regulations and standards applicable to quality, hygiene, security, environmental protection and labour legislation, particularly in each of the countries where the supplies are produced and where the vehicles they are used in are sold.

The Supplier shall exonerate and ensure that Grupo Sesé remains undamaged by any action resulting from the inobservance of these provisions and they shall assume all the consequences, direct or indirect, even fully assuming those where applicable legislation establishes the joint or subsidiary liability of Grupo Sesé, if the incompliance was exclusively by the Supplier.

Grupo Sesé establishes a zero fault strategy aligned with the strategies of its OEM clients. That is why, based on an agreed quality agreement, the supplier assumes the target of zero defects and undertakes to apply ongoing improvements to their processes in order to achieve that.

In the event of defects, the Supplier should, in addition to their guarantee responsibility and due to other motives covered by the supplier contract, agree to a written quality improvement program with the Grupo Sesé Quality department. While there is no written agreement in place, the Supplier must reduce the defect rate by half each year.

The Supplier is responsible for the quality of the pieces / modules / systems / components, etc supplied to Grupo Sesé. The supplier manages and coordinates the sub-suppliers on the production and supply chain. The Supplier guarantees that the applicable documentation between the Supplier and Grupo Sesé is also taken into account by the Sub-suppliers in the production and supply chain, and that it is detailed in the relevant contractual terms.



3. ADVANCED PRODUCT QUALITY PLANNING (APQP)



3.1. QUALITY SYSTEM REQUIREMENTS

The Supplier has implemented an effective quality system that shows the capacity of their production processes. As a minimum it needs to be based on the latest version of the ISO 9001 norm.

This system should guarantee that the client requirements are determined and fulfilled in order to increase their satisfaction. Likewise, this management system should be targeted at applying the valid version of the IATF 16949 norm at all times (known as IATF 16949 since October 2016).

In the event of not having this certification, the supplier undertakes to implement specific automobile requirements VDA 6.1 or IATF 16949 (known as IATF 16949 since October 2016) up until certification in a period that cannot exceed 2 years from the start of the contractual relationship with Grupo Sesé.

In any case, the Supplier is responsible for knowing and fulfilling the specific requirements of Grupo Sesé as well as its OEM clients.

Although it is not an essential requirement, ISO 14001 and [ISO 45001](#) certifications are very valuable due to its alignment with the Global Compact principles that Grupo Sesé supports.

The Supplier also undertakes to ensure that their suppliers comply with the same requirements that Grupo Sesé demands from the Supplier. Grupo Sesé reserves the right to request documents from the Supplier reflecting the compliance of said suppliers.



3.2. SUPPLIER'S QUALITY SYSTEM RATING

Grupo Sesé has a panel of approved suppliers in accordance with their type, criticality and associated impacts (see detail in IT-11-01 Selection and assessment of critical suppliers and in IT-11-04 Selection and evaluation of productive material suppliers).

In order for a supplier to be able to supply a product, service or capital resources to Grupo Sesé, they should be included in the list of approved suppliers. For that purpose, the supplier needs to comply with the requirements outlined in the attached table:

REQUIREMENTS ASSOCIATED WITH MANAGEMENT SYSTEM								
TYPE OF SUPPLIER	MINIMUM					DESIRABLE		
	ISO 9001	ISO 17025	REACH (1)	Financial Capacity (2)	Signing of GCP and Manual (3)	ISO 9001	IATF 16949 (4)	ISO 14001
Production material: raw materials, pieces and components.	X		X	X	X		X (5)	X
Capital resources directly linked to production	X			X	X			
Simple tools (6)						X		
Complex tools directly related to production	X			X	X			
Design and development	X			X	X		X	
Tests		X						X
Calibration of control and testing methods.		X						X

- (1) Compliance with the EU regulation REACH for products manufactured and/or sold in the European Union.
- (2) Provision of samples of their financial capacity (Accreditation of financial capacity).
- (3) Acceptance of the General Conditions of Purchase and of this Supplier Quality Manual.
- (4) Certification according to norm VDA 6.1 is also considered valid.
- (5) The commitment must be certification within a period of 2 years from the start of the contractual relationship.
- (6) Hooks and tools of a simple nature that do not involve mechanisms, Poka-Yokes or anything similar.

All the certificates should be issued through third-party audits, by entities accredited by ENAC (Spanish National Accreditation Body) or an equivalent (Dakks for instance in Germany). They should all come under the standard in force at that time.

The Supplier should also have Civil Liability Insurance in compliance with the Insurance clause included in the General Purchase Conditions.

UPDATE TO THE DOCUMENTATION OF THE SUPPLIER'S QUALITY SYSTEM

The Supplier of **production materials** undertakes to sending Grupo Sesé Purchasing department yearly a copy of the certificates corresponding to all the pieces they supply.

- Self-auditing of D / TLD (see section 8.5).
- IATF 16949 Certificate and other certificates required by their activity.
- Product safety manager in the supply chain (PSB).

The Supplier of **production materials** undertakes to sending Grupo Sesé Purchasing department upon request a copy of the certificates corresponding to all the pieces they supply.

- Self-auditing of process according to VDA 6.3 standard (see section 8.5).
- Self-auditing of product according to VDA 6.5 standard (see section 8.5).

- Compliance assessment for the requirements of Grupo Sesé and the OEMs that they work for.
- Information on the use of conflict minerals.
- Self-assessment of software development capability, exclusive for software suppliers for automotive products or products with integrated software.

For the other categories, **Suppliers that do not supply production materials, but that are certified with IATF 16949** or equivalent, undertake to send a copy of said certificate **each year** to the Grupo Sesé Purchasing department.

In the **other cases** the Supplier undertakes to send the Grupo Sesé Purchasing department a copy of the certificates corresponding to the services / products they supply, **every 3 years**.

A Supplier can be excluded from the Grupo Sesé's Supplier Panel as a result of failing to comply with its obligations, this includes:

- Incompliance with any of the selection criteria.
- Non-satisfactory results in the periodic assessment carried out by Grupo Sesé after repeatedly seeing that the action plans launched by the Supplier have not been effective or when they are absent (see section 8).
- Incompliance with economic commitments.

It will be raised for guided/mandatory suppliers an escalation to the OEM.



3.3. ADVANCED QUALITY PLANNING

As outlined in the framework quality agreement establishes as an Objective: "Zero Defects", therefore all the products and services provided by the Supplier must comply 100% with the requirements outlined by Grupo Sesé (Quality, Technicians, Logistics, etc.)

The Supplier should develop and plan necessary actions with the aim of preventing possible defects in their processes, therefore they should create a plan that establishes significant project dates:

- Creation of documentation.
- Carrying out trials and tests.
- Delivery of first samples.
- Delivery of series parts.
- Review and validation of the process.
- Retraining, etc.

Among others, development should include the following documents:

- Feasibility analysis.
- Process definition:
 - Process summary.
 - Process instructions.
 - Layout.
- FMEA of the process (and the product if applicable).
- Control plan.
- Plan of machines, matrices and specific resources.
- Preventive maintenance plan.
- Calibres and control measures plan.
- Packaging and identification plan.
- Acceptance of machines, resources, tools, etc.
- Contingency plans.

- Securization plan.
- Safety stock.



3.4. SPECIAL RELEASE

All products must comply with the requirements established, however, the Supplier can request a special release from Grupo Sesé due to an isolated or accidental non-conformity or due to a definitive or systematic non-conformity.

In the cases of non-conformity, the supplier should submit samples and send a request for derogation to Grupo Sesé.

Grupo Sesé will determine whether derogation is possible or not, and inform the Supplier of the decision through the Purchasing Department.

In the case of acceptance, the Supplier should send the material or pieces, identifying them, especially while the derogation lasts. In the event of definitive repeal only the first two shipments will be identified.



3.5. PRODUCT TRACEABILITY

The Supplier should have a system that makes it possible, in the case of anomalies, to know the following information about a specific piece / component at all times:

- Production date.
- Quantity of pieces produced.
- Raw materials used.
- Results of tests and controls.
- Date of the first and last dispatch of pieces from each batch.
- Development of corrective actions.

The Supplier undertakes to ensure the traceability of their products and the material supplied by their suppliers. The system to guarantee this traceability should ensure that the impact of the defects is limited when they do occur.



4. REQUIREMENTS FOR PRODUCTION PART APPROVAL PROCESS (PPAP)

The Supplier should provide the data of a contact person or Project Manager from their organisation, who will serve as a contact with Grupo Sesé for each project.

This person should have the necessary capacity to deliver all the elements needed to cover the Product - Process Quality Assurance process and to transmit complementary data from their company.

Likewise, they will be responsible for maintaining contact with the Grupo Sesé Project Team.

The Supplier is requested to provide in situ support during the launch of a new product, especially during the production of pre-series products. The person designated by the Supplier must have a precise knowledge of the Supplier's pieces and manufacturing processes.



4.1. REQUIREMENTS RELATING TO PRODUCT DEFINITION

The suppliers responsible for the design and development of pieces have to put the product definitions on KVS in the client's platform.

The Supplier should provide information about pieces in the CAD system.

It is obligatory for the supplier to keep the successive levels of engineering up to date.

In the event of a modification request by the OEM, the supplier must systematically inform Grupo Sesé before carrying out said modification, in order for Grupo Sesé to be able to evaluate and quantify the potential impact on their production processes.

Once those impacts have been assessed, Grupo Sesé will notify the supplier of the scope so that they can take it into account in the design modification. Once these aspects have been validated and there is acceptance from the OEM of the possible costs that this modification could generate on Grupo Sesé's production processes, the supplier will carry out the aforementioned modification.



4.2. SUBMISSION OF FIRST SAMPLES

Grupo Sesé requires a complete submission of PPAP unless otherwise specified in the Purchase Order. As standard, the predetermined level for all the PPAP is Level 3, unless, Grupo Sesé's OEM client requires at their discretion a level 4 or 5 based on priority, risks or a new supplier.

The PPAP should adjust to the latest specific requirements of the OEM end client. If the Supplier does not know the OEM end client or the specific requirements of the client, it is the Supplier's responsibility to get in contact with Grupo Sesé in order to clarify this.

Grupo Sesé will review the presentation and give them one of three statuses:

1. COMPLETE APPROVAL. Indicate that the piece or material complies with all the specifications and requirements. The supplier is authorised to send the product. Unless agreed otherwise, the supplier can only bill for tools when they attain the complete approval of the PPAP.
2. PROVISIONAL APPROVAL. This allows for dispatch over a limited amount of time or pieces. At the time of the PPAP, the supplier must submit an action plan for tackling issues that prevent the PPAP from obtaining complete approval.
3. REJECTION. This means that it does not comply with the specifications and requirements. Grupo Sesé will indicate the reasons why the request was rejected. The Supplier must submit a corrected PPAP in order for it to be submitted to a new review.

The acceptance or return of the initial samples presented by the supplier will be carried out by the Quality Department and the Engineering Department, and the Supplier will be notified through the Purchasing Department.

The approval samples must be manufactured with resources that are definitive and/or representative of the series conditions.

The Supplier must as a minimum submit the following documentation along with the samples, (see increased detail in annexed table):

- First samples report.
- IMDS Number.
- Certificate of Origin.
- APQP Copy.

Before supplying the first consignment of a product, the Supplier will present a declaration of conformity (Certificate of Origin) that is binding with EU regulations. The Supplier is responsible for all setbacks that may result from the invalid or delayed provision of the Supplier's declaration.

Trials, testing and measurements should be carried out in an accredited laboratory:

- Internal laboratory facilities should have a defined scope that includes their capacity to carry out the required inspection, testing or calibration services. This laboratory scope will be included in the documentation of the quality management system. The laboratory should comply with the requirements outlined in 7.3.6.1 of the IATF norms.
- External laboratory facilities (commercial / independent) used for inspection, testing or calibration services should have a defined laboratory scope that includes the capacity to carry out the required inspection, testing or calibration, and accredited according to ISO / IEC 17025 or a national equivalent norm.

The annexed table lists details of the additional documents to those already mentioned that must be submitted for each presentation level.

LEVEL 1	Send certificate (and for products designated as appearance products, an appearance approval report).
LEVEL 2	Send certificate along with product samples, quantity to be determined, and some supporting data according to table.
LEVEL 3	Send certificate along with product samples, quantity to be determined, and all the supporting data according to table.
LEVEL 4	Send certificate without product samples and all the supporting data according to table.
LEVEL 5	The certificate, as well as samples of the pieces and all of the supporting data are reviewed at the supplier's plant.

ITEM / DOCUMENTARY REQUIREMENT	PRESENTATION LEVELS				
	Level 1	Level 2	Level 3	Level 4	Level 5
Presentation certificate of production pieces	Send. + R	Send. + R	Send. + R	Send. + R	Send. + R
Appearance approval report for pieces with colour, grain or texture requirements	Send. + R	Send. + R	Send. + R	Send. + R	Send. + R
Product sample	R	Send. + R	Send. + R	R	R
Results of dimensional control (according to drawings)	R	Send. + R	Send. + R	Send. + R	R
Specific verification instruments for the piece submitted for approval and that are used for inspection or tests	R	R	R	R	R
Process definition (Summary, working instructions and Layout)	R	R	Send. + R	Send. + R	R
FMEA of process	R	R	R	R	R
Preventive maintenance plans for machinery and specific measures	R	R	R	R	R
Control plans that include all the significant or key characteristics of the process and the measurement / control systems used	R	R	Send. + R	Send. + R	R
Capacity results of the process that show conformity with the requirements for the key, significant, security and critical characteristics and others linked to compliance of these requirements.	R	R	Send. + R	Send. + R	R

ITEM / DOCUMENTARY REQUIREMENT	PRESENTATION LEVELS				
	Level 1	Level 2	Level 3	Level 4	Level 5
Planning with relevant project dates	R	R	Send. + R	Send. + R	R
Contingency plans	R	R	R	R	R
Securization plan	R	R	R	R	R
Product definition: a) Control of the evolution of engineering levels definition b) Documentary level on the OEM platform. c) Updating on KVS of the corresponding plans.	R	R	R	R	R

LEGEND:

- **Send. + R:** Send to Grupo Sesé and keep internal record at premises of Supplier.
- **R:** Keep internal record at premises of Supplier. A copy will be sent to Grupo Sesé if requested.

Grupo Sesé requires Suppliers to provide early notification of and prior consent for any changes to the product definition (for development suppliers), process, or materials. In the event of changes initiated by the Supplier, it is the Supplier's responsibility to notify Grupo Sesé and subject the piece for approval before the first production dispatch (further detail in section 7.5.)

The Supplier must submit first samples, before series supply, in any of the following cases:

- New product.
- Modified product (new engineering level).
- Change of manufacturing site.
- Process change.



4.3. MATERIAL REQUIREMENTS

The European Directive "REACH" relating to the registration, evaluation, authorisation and restriction of substances and chemicals, for products manufactured and/or sold in the European Union, has extended the prohibition of heavy metals and other dangerous chemical substances to a larger number of sectors.

In order to guarantee compliance with this EC directive in the future, it is essential that all the reports on first samples include confirmation that the components delivered to Grupo Sesé comply with the most recent requirements of IMDS / Reach.

The Supplier must register in the IMDS (International Material Data System) at www.mdssystem.com. The Supplier is responsible for obtaining a reference number from the IMDS module for each part number supplied to Grupo Sesé.

The Supplier must upload all relevant information relating to the materials used on their product 30 days before the PPAP. The IMDS reference number must be included with the presentation of the PPAP in the PPAP form. A PPAP packet from the Supplier will not be approved without this reference number included in the presentation.

The Supplier is responsible for ensuring that all the materials and processes used for the sale and manufacture of products to Grupo Sesé comply with all of the federal, state and local requirements relating to environmental, toxic and dangerous waste, mechanical, electrical and electromagnetic devices. For that purpose, it undertakes to ensure that its materials, components, products and services complies with laws, regulations and directives applicable in the countries of manufacture, transport of goods, or destination of supplies and the sale of product delivered to the OEM.

Grupo Sesé is committed to avoiding the purchase of Conflicting Materials of the Democratic Republic of the Congo that could finance or benefit the armed groups of the Democratic Republic of the Congo or of any neighboring country, directly or indirectly from any source. It is our requirement that suppliers do not deliver to Grupo Sesé products that the supplier can not certify as "free of conflicts with the Democratic Republic of the Congo" within the meaning of the conflicting Mineral Rules.

Grupo Sesé requires that its suppliers establish their due revision programs to guarantee a supply chain that is reflected in products that are "free of conflicts with the Democratic Republic of the Congo". Suppliers must guarantee to Grupo Sesé that all products supplied to Grupo Sesé are "free of conflicts with the Democratic Republic of the Congo" in accordance with the Conflicting Minerals Rules, for which they will send the format of Conflict Minerals Report (CMRT).



4.4. Reassessment of parts provided by the supplier

Each Supplier is required by Grupo Sesé to periodically send a series of documentation:

- In section 3.2. Supplier's quality system rating, indicating the certificates that each type of Supplier should send to Grupo Sesé and the periodicity.
- In section 8.5. Audits, indicating the self-auditing reports required the periodicity of sending them.
- Additionally, Suppliers that provide Grupo Sesé with parts or components should send its Purchasing Department the following documentation each year:
 - All suppliers who annually provided parts with special characteristics (D/TLD) must submit the completed PPAP [*] in accordance with the table given in section 4.2.
 - All other suppliers must submit these same documents [*] once every three years.

[*] Depending on the presentation level being used.

In cases of suppliers that do not comply with annual validation, a corrective action will be undertaken and the Supplier will have five days to present and close the corrective action. An



administrative fee of €250 will be charged if the Supplier does not present the complete corrective action within a period of five days.



5. MANAGEMENT OF PRODUCTION RESOURCES

All of the production resources owned by Grupo Sesé that are at the facilities of the Supplier should be permanently identified to ensure that the property of Grupo Sesé is easily visible. When there is no future need of these assets, the Supplier will return them to Grupo Sesé.

The tools produced for the delivery of Supplies that belong with full rights to Grupo Sesé or the End Client and that are freely assigned to the Supplier, will be subject to the following stipulations:

- Maintain a control list of all the assets provided by Grupo Sesé, where the assets can be easily traced.
- Sign the assignment of resources contract issued by Grupo Sesé and send a signed copy of that contract to the Purchasing Department of Grupo Sesé.
- Identify those assets visibly, unless their size and use prohibits that, with identification labels that ensure legibility and retention, and that declare them to be the property of Grupo Sesé.
- Use the assets supplied by Grupo Sesé only for Grupo Sesé purchase orders and only for the purchase orders for which the items were supplied.
- Obtain written approval from Grupo Sesé before making any changes or modification to assets.
- Guarantee the maintenance, preservation, safekeeping and replacement of those tools. The lifespan of the tools will be at least the same as the lifespan of their pieces.
- Report all cases of loss, damage or destruction of Grupo Sesé's property within a period of 72 hours from when those events become known.
- The Supplier is obliged to insure, to the satisfaction of Grupo Sesé, the tools assigned via gratuitous loan for their replacement value, provide a copy of that insurance to Grupo Sesé and sign up Grupo Sesé as a beneficiary of that insurance.
- The tools cannot be transferred, transformed or destroyed without written authorisation of Grupo Sesé. When Grupo Sesé requests so, the Supplier should outline their location, and they should at all times be available to Grupo Sesé and they will be delivered in the event of a request on first demand.
- Faced with any attachment proceedings against the Supplier by a third party aiming to involve the tools assigned via the gratuitous loan, the Supplier must make this situation known. In the event that the attachment proceedings go ahead despite its opposition, the Supplier will immediately inform Grupo Sesé, in order for it to exercise the defence of its rights. Under no circumstances should these tools be included in the Supplier's assets as their personal property, especially in the event of the filing of the suspension of payments or bankruptcy.

Tool standards: All production resources should be manufactured in accordance with the standards and specification defined by Grupo Sesé.

Preventive maintenance: The manufacturer of the resource will identify the appropriate maintenance standards in the corresponding documentation.



6. LOGISTICAL CONDITIONS FOR SERIAL SUPPLY



6.1. PACKAGING AND LABELLING

But for a written agreement between the Supplier and Grupo Sesé through the Packaging Guidelines, specifying the requirements agreed between Grupo Sesé and Supplier in relation to packaging, the Supplier shall deliver supplies with packaging suitable for their nature, the form of transport and storage, in order to ensure delivery in perfect condition.

Without prejudice to the agreements between the Supplier and Grupo Sesé regarding the remaining packing conditions of supplies, it will in any case be the exclusive responsibility of the Supplier, as an expert in the material, to determine the packaging that, based on the characteristics of the Supplies, is optimal for guaranteeing its functionality and the agreed quality, in a manner so that the supplies do not suffer any damage during transport to the Grupo Sesé facilities. The definition of the packaging and their functionality is for all purposes, the responsibility of the Supplier.

Each packaging unit should bear, legibly, on its outside the instructions demanded by the applicable norm relating to transport, as well as the instructions, relating to possible special conditions for storing or handling the packaging.

Any damage (breakage, losses, damage, etc.) suffered by Supplies, or any type of cost resulting from them, and that results from unsuitable or inappropriate preparation of the packaging will be incurred by the Supplier, who shall hold Grupo Sesé harmless in this regard in all cases.

In the event of using specific containers (supplied by Grupo Sesé), the Supplier will produce the detailed inventory of them at their facilities, including non-conformant ones if there are any, as well as their arrivals and dispatches. In the event of not receiving this information monthly, the possible loss of those containers shall be charged to the Supplier.

Some addition guidelines to consider in relation to packaging and labelling:

- The Supplier undertakes to not use packaging that is damaging for the Environment,
- The Supplier has to ensure the correct identification of each of the packaging units via a label that complies with ODETTE standards or similar, placed on the outside of the packaging in a visible zone that guarantees the identification and traceability of the product throughout all stages of production.
 - All material sent must be identified with a label. All cardboard boxes / containers / frames shall be identified.
 - A master label is required for several containers of the same piece number on a single pallet.
- The Supplier must have a process for scanning all of the barcode labels in order to create delivery documents.
- The products affected by Regulation requirements should also bear the identification established in said Regulation.

Grupo Sesé reserves the right to carry out a Logistical Audit based on the Odette Global MMOG/LE standard, on Suppliers that are not supplying in compliance with the agreed conditions. If the material is not correctly labelled, Grupo Sesé reserves the right to issue administrative charges to the Supplier.



6.2. SAFETY STOCK

The Supplier must be prepared to respond to fluctuations in demand, which are usual in the automobile industry. Grupo Sesé expects the supplier to be able to assume increases or decreases in demand of up to 15%. The Supplier is required to keep a sufficient inventory of the product in order to protect Grupo Sesé from shortages. The Supplier must establish the minimum inventory required as protection and they should be prepared to provide this information to Grupo Sesé upon request.

In order to prevent stoppages on Grupo Sesé's production line, the Supplier must ensure that they have the capacity to maintain a continuous flow of material despite possible interruptions that involve:

- Labour interruptions
- Defects / malfunctions with machinery
- Lack of materials
- Insufficient capacity

The Supplier is required to maintain an appropriate safety stock for the needs and demands of Grupo Sesé. This stock will form an explicit part of the logistics contract.



6.3. DELIVERY COMPLIANCE

All deliveries will be accompanied by a delivery note on, at least two specimens that makes it possible to identify the supplies and their quantitative control, attaching where necessary, a safety data sheet (chemical products, ADR, etc.). The material quality certificates will remain under the property of the Supplier and will be available to Grupo Sesé if requested by it.

The Supplier is responsible for complying with the delivery plan established by Grupo Sesé. In the event of any possible incidents or risk of incompliance, the Supplier should immediately inform Grupo Sesé's Logistics and Procurement Department in order to establish the relevant corrective and/or contingency measures.

In the event that a Supplier needs to modify the delivery time agreed with Grupo Sesé it must make the request via email to the Grupo Sesé's Logistics and Procurement Department at least 24 hours in advance of the agreed delivery date.

The failure to deliver any order on time, including, for clarification purposes, deliveries that come under the framework of a Delivery Program, will empower Grupo Sesé to charge the Supplier for all damage, cost overruns and penalties that the delayed delivery may cause, including in particular, but not limited to, the penalties for delay that the End Client can impose on Grupo Sesé.

In addition to what has been outlined, a Supplier that does not issue the warnings / notifications mentioned in the above paragraphs:

- Will be required to complete a corrective action.
- Aside from the already mentioned costs that this non-compliance can cause to the production of Grupo Sesé and that they will be charged, they may incur administrative charges worth €150.
- When repetitiveness and recurrence by the Supplier is detected (5 or more times in a quarter), the Supplier will be required to present a formal 8D Report.

In any case, Grupo Sesé will have the right to reject any deliveries that the Supplier makes, and that do not correspond in terms of quality or quantity to what is listed in the Order or in the Delivery Program. Any Order or delivery that is rejected will be considered as an Order or delivery that was not made, for the purposes outlined in the above paragraphs.



6.4. LOGISTICS CONTRACT

A logistics contract will be signed between the Supplier and Grupo Sesé, and it will unequivocally specify the following aspects, among others:

- Safety stock.
- Frequency of deliveries.
- Type of packaging.
- Penalties for non-compliance with supply plan.
- Technical factors for rejection and client guarantees.



7. CONTINUOUS ASSURANCE OF CAPACITY

The capacity of a process evaluates a process' level of competence in terms of complying with the desired technical specifications.

The minimum scope of the special characteristics that are measured in order to determine the value of Cp and Cpk and should be defined in the FMEA for the product and process. Grupo Sesé reserves the right to inspect these documents at any time.

The Supplier must identify the critical attributive characteristics and have a prevention plan (Control Plan) relating to these characteristics. This can be achieved through the implementation of effective safeguards (for example, through Poka-Yoke, measures for the organisation of work, line measurements, audits, etc.). For each product process or risk identified, it is at least necessary to apply a method as described in VDA vol. 4 and 14 in order to attain the quality objectives in accordance with the state of the art.

The Supplier is obliged to supervise and manage all the functional dimensions defined, which will be established in the aforementioned Control Plan. The control of functional dimensions is an important element for ensuring the capacity of the process. The measurement data of the Supplier in defined functional dimensions should be provided to Grupo Sesé upon request.

The Supplier is obliged to document a tool management system, as well as the programmed and preventive maintenance for machinery and tools.

The periodic calibration of all the testing and measurement equipment used should be documented.

The Supplier should be familiar with the use and application of Core Tools, tools needed to implement a Quality Management System in the Automobile Industry.

- FMEA: Failure Mode and Effects Analysis.
- MSA: Measurement System Analysis.
- SPC: Statistical Process Control.
- APQP: Advanced Product Quality Planning.
- PPAP: Production Part Approval Process.

In addition to the considerations outlined in other sections, the Supplier should comply with the following requirements:

- Have the regulations applicable in the country where the product is manufactured, the country of delivery and countries where the delivered product is sold.
- Have a list of applicable norms or regulations.
- Have a list of products affected by safety and regulation characteristics.



7.1. PRODUCT SAFETY, PRODUCT RESPONSIBILITY

The OEM is responsible for the end assembly, as well as general responsibility for the finished product, the vehicle. This includes all the purchased pieces.

The main responsibility of the OEM for the purchased pieces installed in the end product resides with the Supplier or Sub-supplier. Therefore the Supplier must implement all feasible organisational and technical measures to ensure the product safety of their parts and those of their sub-suppliers and minimise the product's liability risks.

The Supplier shall guarantee and will demand their Sub-suppliers ensure the following:

- that there is a highly developed appreciation of the importance of quality, right throughout the organisation,
- that the product safety required is guaranteed in the development stage of the component,
- that special attention is paid to the safety of products in the quality planning process,
- that the quality capacity of production processes is guaranteed and documented,
- that appropriate measures are implemented to assure production quality in order to minimise the risk of defective products,
- that the timely identification of the defective products takes place as soon as possible in the production process,
- that the quality data and the compliance tests legally required are documented in sufficient detail in order to prove that the products have been manufactured in accordance with the law and applicable safety regulations,
- that there is a system for tracking materials and manufacturing lots in order to limit the consequences of any defect that takes place (traceability),
- that all relevant staff receive detailed information and training about questions of product safety,
- that a product safety representative (PSB) has been appointed at each stage of the supply chain (Grupo Sesé must be informed of the identity of this representative),
- that the components with a limited useful life comply with all the special requirements of labelling, in particular, those required by the Genuine Parts Supplier manual.



7.2. CONTAINMENT / NON-CONFORMANT MATERIAL

The Supplier must have implemented a system in order to ensure that the non-conformant articles are identified and quarantined in order to prevent them entering production consignments.

If the Supplier detects that the products do not comply with what is defined in the requirements specified by Grupo Sesé, the Supplier must immediately inform Grupo Sesé's Purchasing and Quality Departments about the scope of the incident.

If the Supplier detects that it has sent non-conformant material to a Grupo Sesé facility, the Supplier will immediately alert the Purchasing and Quality Departments of Grupo Sesé and indicate the affected items in a traceable way (delivery note, batch, etc.).

The Supplier will have to present a corrective action indicating its containment plan within the following 24 hours. The Containment plan must include material in transit.



7.3. CONTINGENCY PLANS

Grupo Sesé requires its Supplier to have appropriate contingency plans in order to avoid infringement of the requirements specified by Grupo Sesé, and to prevent interruptions to supplies, or avoid the production of Grupo Sesé being affected by internal issues that apply exclusively to the Supplier.

Among others, the Supplier must have plants that guarantee a continuous supply when faced with unforeseen circumstances or reasons of force majeure.

Likewise, the Supplier must have securization and business continuity plans.



7.4. COMMUNICATION. ALERT AND SCALING SYSTEM

The Supplier will give Grupo Sesé an updated copy of the scaling protocol as well as the hierarchical Organisation chart that applies to such scaling. This Organization chart should be accompanied with the relevant contact data.

The Supplier must inform Grupo Sesé of any exceptional circumstances that can have a direct or indirect impact on the quality of the products that Grupo Sesé supplies to its clients.

- **Production risks:** The Supplier must notify Grupo Sesé with 24 hours following any interruption to production. The nature of the problem will be reported to Grupo Sesé and the immediate measures will be applied to ensure a continuous supply of the product to Grupo Sesé.

- **Quality risks:** The Supplier must notify Grupo Sesé within 24 hours after any deterioration of quality detected in their standard processes for the tracking and measurement of processes. The nature of the problem will be reported to Grupo Sesé and the immediate measures will be applied to ensure a continuous supply of the product to Grupo Sesé.
If the Supplier detects a deviation in the metrics of their production processes or the functionality of the product, the Supplier must immediately inform the Client.
- **Approval risk:** The Supplier must inform Grupo Sesé within 1 week if its receives a major non-conformity in a IATF 16949 or ISO 9001 audit. Likewise, it is necessary to provide this notification if they receive a letter indicating that they have special status.
- **Financial risk:** If there are reasonable risks, the Supplier undertakes to report them to Grupo Sesé with sufficient notice in order to implement an action plan that minimizes this risk.

In the event of not providing notification about the risk correctly and on time, Grupo Sesé reserves the right to block the Supplier and even to remove them from its list of approved suppliers.



7.5. CHANGE MANAGEMENT

Before implementing any changes to production, material or component processes, the Supplier will inform Grupo Sesé of this change in writing, in order for Grupo Sesé to examine whether the changes could have adverse effects. These changes should be governed by what is described in VDA Volume 2 "Quality Assurance of Suppliers".

The engineering changes established between the End Client and Supplier must be reported by the latter to Grupo Sesé as soon as they are aware of them. Grupo Sesé will not assume obsolescences or price increases not agreed with the End Client that result from such changes.

Any unplanned additional cost that is due to the changes will be borne by the Supplier.

The Supplier must keep a record of the pieces. The record of pieces must show the effective date of each change in the process chain and refer to the delivery number of the initial delivery in order to guarantee traceability.

In cases where a Supplier has implemented a non-authorized change or has not delivered the products contracted in accordance with the specification and terms of Grupo Sesé's Purchase Order, all the costs incurred by Grupo Sesé and/or its OEM clients will be the Supplier's exclusive responsibility.

Additionally, the implementation of a significant Product or Process change by the Supplier without the written agreement of Grupo Sesé or its OEM clients will be reported to the IATF.



7.6. SAFETY COMPONENTS / REGULATIONS

The handling of safety components / regulation shall be in accordance with the standards established at any time. The Supplier must guarantee the definition and application of a program that makes it possible to ensure the conformity of products in relation to safety / regulations, and it is responsible for the design and application of the procedures used.

It must clearly and unequivocally identify the pieces as well as all the documentation used for such safety components / regulations.



7.7. REPLACEMENT MANAGEMENT

The Supplier must have a Management System for the supply of Replacements that guarantees compliance with the needs demanded by the OEM clients of Grupo Sesé.

The conditions for the quality, cost and duration of materials, components and products supplied for replacements are the same as those of the series.

The packaging used in order to supply replacement must preserve the quality of the materials, components and products until their delivery, and comply with the same requirement outlined in section 6 of this Manual.

The production resources (equipment and tools) should be preserved during the time planned for the supply of replacements (minimum: 20 years).



7.8. DOCUMENTATION AND ARCHIVING

The documentation provided by Grupo Sesé, as well as that generated as a consequence of projects awarded by Grupo Sesé to the Supplier will be the property of Grupo Sesé and should be handled as such.

In addition to the general requirements of the Quality Management System, the Supplier must keep a control record (on obligatory documentation) for specific quality for obligatory D/TLD documentation and it must archive these records for a minimum of 15 years following the last production date (see details of VDA 1).

A part of these records can be technical documents and drawings identified with a "D" or "TLD", lists, releases for production, technical conditions for dispatch, reports of initial samples and other quality records.

If requested, these documents serve as evidence and lead to responsibility being determined. The Supplier must send a copy to Grupo Sesé upon request.



8. ONGOING IMPROVEMENT

The Supplier shall work actively to attain the improvement targets that allow both companies to maintain competitiveness on the market and satisfy the requirements of End Clients.

For that purpose, the Supplier must maintain and document an ongoing improvement process in compliance with IATF 16949 (section 8.5). The supplier shall reduce their internal rejection and rework rated by introducing the relevant measures.

The Supplier should implement statistical control processes during the entire production process in order to verify the capacity of said process and ensure that it complies with the quality targets established and with the 0 defects strategy.

If the established process capacity cannot be attained by the Supplier, the Supplier must implement 100% checks that guarantee the suitability of the product supplied.

The Supplier guarantees that the products covered by the contract will be defect-free and conformant with the agreed specifications.

The Supplier undertakes to maintain, at least, the following indicators relating to their production processes and to constantly improve their results.

- PPM.
- Delivery compliance.
- Communication.
- Client claims.

This information must be submitted to Grupo Sesé upon request.



8.1. PROBLEM MANAGEMENT

The goods entry inspection at Grupo Sesé is limited to a visual check of the transport packages with visible damage, such as transport damage, and the quantity, as well as identity checks through comparison of delivery notes. Grupo Sesé will carry out production inspections in accordance with the requirements of their quality system.

If, at any point of its production chain Grupo Sesé detects a defective or broken piece, or a piece of a lower quality, in a way that means it does not comply with the quality standards required by Grupo Sesé's End Client, the Supplier will be informed via email or any other electronic medium agreed with the supplier within 48 hours following detection.

Grupo Sesé expects the following response from the Supplier. For that purpose, the 8D format or equivalent will be used:

- Within 24 hours following notification: analysis of causes (application of quality tools like the 5 Whys, Ishikawa or equivalent) and containment actions to be applied. Likewise, it will report whether there are more affected lots.
- Within 5 days following notification: actions taken to correct the problem and to prevent recurrence.
- Within 10 days following notification: measures planned in order to assess the effectiveness of the actions taken.

- Following the presentation of evidence of effectiveness. Closing and lessons learnt. All the corrective actions should be implemented and verified within 30 days following notification. An extension of up to 90 days can be granted with the approval of Grupo Sesé.

If requested by Grupo Sesé, qualified staff from the Supplier should come in person to the facilities of the Client and/or End Client when faced with Quality problems or any other kind of problems that require such visits.

If the Supplier provides defective goods, Grupo Sesé has the right to an immediate correction, either through a replacement supply of defect-free products, or via a correction of the defects. If this leads to an increase in costs for Grupo Sesé in relation, for example, to compliance with delivery periods, these costs will be incurred by the Supplier. This applies to any phase of the production process where Grupo Sesé detects the defect.

If a defect leads to the replacement of an entire batch already processed by Grupo Sesé, the Supplier will also be responsible for the aforementioned costs.

Please note: The defective parts that are returned to the Supplier, and subsequently reworked by the supplier and returned to Grupo Sesé must comply with the specifications at all times. The rework of rejected pieces is not permitted without prior authorisation in writing from Grupo Sesé.

If the Supplier receives defective products for analysis at its own facilities, it should send the analysis results within a period of 20 calendar days following the date on which it receives the defective products. If this period runs out before the Supplier issues its analysis and provides it to Grupo Sesé, the Supplier's degree of responsibility shall automatically be considered to be 100%.

The Supplier will incur the full return, recycling, waste management, destruction and replacement costs of the Supplies in poor condition. Likewise, the Supplier will be held responsible for any delays that take place on the Client's assembly line and/or on the End Client's production line, caused by defective supplies not rectified on time in order to prevent shortages.

The Client can compensate the penalty amount received from the End Client for this item in the payment of the Supplier's following sales invoice.

The Supplier guarantees the bearing of costs and the taking of contingency measures (Quality Walls) until the corrective actions are completely implemented and guarantee the quality of the product to be supplied to the Client.



8.2. LESSONS LEARNT

The Supplier must take the information deriving from the experience of both prior projects and those underway and apply the lessons learnt to new projects and projects being developed. The quantitative improvement with reference to previous key performance indicators should be documented for the new models.

8.3. ASSESSMENT AND DEVELOPMENT OF SUPPLIERS

Grupo Sesé carries out ongoing tracking of all its suppliers. With the suppliers of components, pieces and raw materials it carries out a performance assessment on a monthly basis. This assessment is comprised of the following parameters:

- Delivery compliance (this covers failures due to delivery delays, deliveries with damage, without documentation, that are not properly identified, etc.).
- Absence of urgent dispatches.
- Compliance with the production plan (absence of line stoppages).
- Quality (number of claims).
- PPM.
- Compliance with guarantees
- Response time for complaints.

CALCULATION METHOD FOR EVALUATING SUPPLIERS OF COMPONENTS / RAW MATERIALS

% Compliance deliveries [1]	x 0,10 +	% No Emergencies [2]	x 0,10 +	Stopped line [3]	x 0,20 +	Complaints [4]	x 0,20 +	ppm [5]	x 0,20 +	% Compliance Warranties [6]	x 0,20	-	Demerit Resp.time Complaints [7]
Evaluation Categories													

Explanatory notes for the calculation:

[1] Absence of failures caused by delayed deliveries, damaged deliveries, deliveries without documentation, incorrectly identified deliveries etc.

[2] Absence of emergencies caused by the supplier.

[3] Absence of stoppages in the client's production line caused by the supplier.

[4] No. of official complaints made on the OEM portal caused by / attributable to the supplier.

[5] Absence of failures / defects in parts, which count as failures, for example those which:

- Do not match the drawings, specifications and/or standards agreed.
- Do not meet the dimensional, functional or appearance standards as stipulated in the specifications or in the agreed sample of limitations.
- Are outside the specification and require reworking / repairs in order to be used.
- Are damaged parts / damaged materials.
- Are outside of the specification sent before the PPAP approval, without special release being signed off by the Sesé Group. Incorrect level of evaluation.

[6] Absence of warranty claims attributable to the supplier.

[7] Responsiveness. This parameter is calculated by downgrading the total accumulated rating depending on the number of days' delay until a response is given to an official complaint via the 8D tool, issued by Sesé. Expressed in days:

1	2.00%	subtracted from the total rating
2 - 5	5.00%	subtracted from the total rating
> 5	10.00%	subtracted from the total rating

The Sesé Group will also take the following aspects into consideration when calculating the overall annual assessment of the supplier:

- Process audit. If the supplier has been audited by the Sesé Group during the year, then the result will be averaged with the rating obtained via the evaluation method described here.
- The supplier's compliance with the following requirements of Formel Q:
 - SL audit (see details in section 8.5).
 - D/TLD audit (see details in section 8.5) – if applicable.
 - Marking of the applicable documentation according to D/TLD criteria – if applicable.
 - PSB contact person identified and trained.
 - Shipments identified in compliance with VDA 4902.
 - Quality agreements signed.
 - Periodic re-assessment (see frequency details in section 4.4.)

Based on this evaluation, the Supplier shall be put into in a quality category:

CLASSIFICATION	All others categories	ppm	Complaints / Stopped line	ASSESSMENT	
A	≥ 90%	≤ 200	= 0	SUITABLE	
B	≥ 80%	≤ 500	= 1	SUITABLE UNDER CERTAIN CONDITIONS	
C	< 80%	> 500	≥ 2	NOT SUITABLE	Request a Plan os Act from the supplier. Ther supplier must submit a Plan of Act within 15 days maximum.

STATEMENT OF RESULTS:

- Once a month, the Sesé Group shall send out the evaluation results that come out as a rating type B or C, [unless the B rating is downgrade for lack of IATF certificate](#).
- Once a quarter, the Sesé Group shall send out the evaluation results that come out as a rating type A.
- The Sesé Group shall also send out a statement once a year giving details of quality targets for the following financial year.

RULES FOR DOWNGRADING IN THE MONTHLY EVALUATION

A » » B	If any of the categories are rated as a C	In addition, any supplier that does not have a current IATF certification can never be rated as a type A supplier. The maximum they can be is type B.
B » » C		
A » » C	If the client notifies us of special statuses of our suppliers	A supplier notified with special status [9] by a customer can never be qualified as supplier A.
B » » C		

RULES FOR DOWNGRADING IN THE QUARTERLY CONSOLIDATION

A » » B	If any month is rated as a C
B » » C	

RULES FOR DOWNGRADING IN THE ANNUAL CONSOLIDATION

A » » B		In addition, any supplier that does not have a current IATF certification can never be rated as a type A supplier. The maximum they can be is type B.
A » » C	If 3 months or more a year is qualified as C	A supplier that does not meet the requirements Formel Q [8] can never be qualified as type A provider in the global annual valuation.
B » » C		

[8] The supplier's compliance with the obligations stipulated in Formel Q. If the supplier fails to meet the requirements of Formel Q, they will be downgraded in their annual rating.

[9] Notifications of special states issued by the customer in relation to quality problems or deliveries.



8.4. ANNUAL QUALITY OBJECTIVES FOR SUPPLIERS

Grupo Sesé will establish and communicate annual quality objectives for its suppliers.

It is about achieving a quality improvement within the strategy of 0 failures, so the result of ppm's obtained by the supplier in the previous year will be taken into account. In the case of new suppliers, the established target value will be that corresponding to a classification of supplier A in the ppm category.

The supplier's service will be verified and evaluated monthly by Grupo Sesé. In case of non-conformities, actions must be agreed and their implementation monitored.



8.5. AUDITS

The total assessment of the Supplier's quality capability, for each family of products, is the overall set of the following results:

- Auditing of process based on VDA 6.3. standard (This should involve a complete assessment of the Supplier's entire supply chain, including external processes).
- Auditing of product based on VDA 6.5. standard
- Auditing of quality control of obligatory D/TLD documentation records.
- Determining the quality capability aimed at a project, through an assessment of risks for a specific product or process (for example, through the corresponding FMEA).

The Supplier must carry out the first three assessments at least once a year (with a maximum of 12 months between self-audits). None of these assessments can be considered as a 2nd party assessment according to what is required by TS 16949 and the client requirements. [The results of audit D/ TLD must be sent yearly and the rest must be provided to Grupo Sesé upon request.](#)

The audit of the process must be carried out in accordance with the VDA 6.3 standard, especially in reference to an auditor's rating, and apply the questions of the following process elements:

- P5: Supplier management.
- P6: Analysis of production process.
- P7: Customer Service, Client satisfaction, service.
- It will also be necessary to meet the additional requirements of Grupo Sesé and/or its OEM clients.

When deviations are detected in the product audit, the Supplier is obliged to define and immediately implement the necessary corrective actions, as well as verifying the effectiveness of them within a reasonable period, for example, through a second audit.

In the event of detecting "A", "B" failures and/or "C" failure, the Supplier will have to immediately and voluntarily inform the Quality and Purchases Department of Grupo Sesé.

Type of failure	Description of the failure / defect	Immediate actions	Subsequent actions
A	The failure will certainly lead to a claim from the Client. Safety risk, infringement of law. Non-saleable product. Serious claims about surfaces.	Blocking / selection of available parts. Information to the recipient plants and risk estimation. Corrective actions in the production / testing process, eventually 100% testing.	Continue to analyse the process / testing activities. Define and implement corrective actions. Demonstrate the capability of the process and zero failures. Check the effectiveness of the implemented actions. In such a case, begin the modification of the specifications.
B	Severe inconformity, clearly outside the established standards. Unpleasant, uncomfortable, Client claims are expected. It does not comply with the specification, possible failure in the Client operation.	Intensified verification actions in the process and on the finished product. Eventually 100% verification before supply. It is necessary to request a permission for deviation from R+D/Development. Additional actions by mutual consent with the Client's plant.	
C	Only very notable nonconformities are claimed by the Client. Claims from Clients are expected if the failure is produced repeatedly or in a cumulative manner.	Information to the receiving plant in order to define actions.	

The manufacturers of automobiles are obliged by legal requirements to ensure that all of their series vehicles, comply with a series of minimum requirements. Consequently, the supplier must keep a control record (evidence) that protects the Supplier as well as the manufacturer of automobiles, against damage and losses they have as a result of the prohibition of sales and/or fines, regardless of who the responsibility lies with.

In order to verify the implementation of these requirements, the Supplier must carry out a D/TLD self-audit. The Supplier is obliged to ensure the implementation of these methods, in an analogous fashion, in all of its supply chain, purchase parts and external processes. The results of the D/TLD self-audits should be archived, for a period of 15 years at a minimum.

GRUPO SESÉ AUDITS TO SUPPLIER

Grupo Sesé reserves the right to demonstrate compliance with the requirements of their End Client through an audit at the Supplier's facilities. The audit can be of the system, process and/or product. The Supplier must grant access to Grupo Sesé's auditing team, whether their own or belonging to an auditing body, without the need for advance notice.

The Supplier will provide free access to Grupo Sesé at its own premises at any time and guarantee free access to Grupo Sesé at the premises of its subcontractors, without this right implying any diminishing of the Supplier's guarantees. If the End Client or staff from Grupo Sesé detect quality problems resulting from the service / product provided by the Supplier, the Client can demand that the Supplier repeats these auditing exercises with its suppliers.

Grupo Sesé will have the right, but not the obligation, to inspect, review the progress of the Supplier's work and test the Supplier's supplies, tools, materials, workforce, etc. No audit or

inspection by Grupo Sesé will exonerate the Supplier of their responsibility for warranties, hidden defects, blame, intent or negligence.

Criteria for conducting supplier audits in accordance with VDA 6.3

SUPPLIER RATING	FREQUENCY
Suppliers with an A rating	Triennial (1 audit every 3 years)
Suppliers with a B rating <u>only</u> because they don't have the IATF certification or don't meet the requirements of Formel Q	
Suppliers with a B rating due to failures in deliveries and/or PPM.	Annual (once a year) (if they <u>do not</u> submit PAC and are validated by Group Sesé Quality) Biennial (once every 2 years) (if they submit PAC and are validated by Group Sesé Quality)
Suppliers with a C rating due to failures in deliveries and/or PPM.	They shall be audited in the following quarter to obtain the result if: <ul style="list-style-type: none"> - they have had this rating for 2 consecutive months, - or if, in the last 6 months, they have had this rating on 3 alternate occasions.
In general, all suppliers must be audited whenever they start new projects, make changes to their process and/or their product, or changes to the organisation.	
When the rating of an A or B supplier is downgraded, the audit shall be adjusted to the new rating.	



8.6. SUPPLIER CHARGES

The supplier is responsible for the quality, timely delivery and reliability of the product that they supply. Therefore, the Supplier accepts financial responsibility resulting from non-conformant products. The Supplier will be liable to Grupo Sesé for all damages suffered by Grupo Sesé that we caused directly or indirectly by an infringement of the obligations undertaken by the Supplier.

Any responsibility, including claims for guarantees, that the End Client may attribute to the Client due to a defect or decline in the Supplier's supplies that are incorporated into the product delivered to the End Client by Grupo Sesé, will be borne by the Supplier. This assumption of responsibility shall remain in force even when the end product for the End Client is working as a finished product and in the 5 years following the end of the project.

In particular, but without limitation, the Supplier will hold Grupo Sesé harmless from any kind of penalties that the End Client could impose on Grupo Sesé and the damages that it could charge them as the direct or indirect result of quality defects in Supplies, delayed delivery of supplies, Campaigns and the result of them, or any other incompliance with the Warranty. As declared, damages linked to stoppages on the production line of Grupo Sesé or the End Client will be considered as damage eligible for compensation under this cause, as will damages linked to the recall from the market of defective products whose components include components and parts provided by the Supplier that suffer from design, quality and manufacturing defects.

Likewise, without limitation, the Supplier will be held liable to Grupo Sesé and it will hold it harmless from any claims from third parties that result from the inobservance of the obligations undertaken by the Supplier with Grupo Sesé and the Supplier shall be held liable for the consequences that result from such claims. The same proceedings will be followed when applicable legislation attributes responsibility, either shared or subsidiary, to Grupo Sesé due to the Supplier's incompliance.

The Supplier shall refund Grupo Sesé, based on the Supplier's degree of responsibility, for all the costs that Grupo Sesé incurs, including (but not limited to) the following items:

- Management costs.

Whenever non-conforming pieces of supplier are detected in our facilities, if after the analysis it is determined that the responsibility lies with the supplier, management costs of € 200 will be established.

Whenever the OEM or client of Grupo Sesé opens a claim to Grupo Sesé with responsibility of the supplier, Grupo Sesé will establish management costs of € 400.

The management costs will be established without prejudice to any other charge, direct or indirect, arising from this claim or incident (quality wall, travel, etc ...)

The amount of these management costs may be updated annually by Grupo Sesé and will be notified to the supplier in advance.

- Costs of replacement pieces.
- Transport costs.
- Costs of operations to replace and/or remove the pieces.
- Costs of physical injuries, material damages or financial damage, caused to third parties, resulting from negligence or error by the Supplier, their employees and subcontractors.
- Costs of damage caused by the infringement of any standard applicable to the Supplier's business, facilities or operations.



- Other costs incurred by Grupo Sesé as the result of claims, returns, repair campaigns for vehicles under warranty, etc. caused by the Supplier's incompliance with what is established in the GCP or in this Manual.
- Unless agreed otherwise, the costs associated (directly or indirectly) to stoppages or inefficiencies in the production processes of the Client or End Client, as a result of a lack of delivery, or lack of quality in the product or service provided by the Supplier, will be borne by the Supplier. Grupo Sesé can recall the defective product if necessary in order to guarantee the functioning of the production processes. In these cases, all the costs of said recall will be borne by the Supplier.

The Supplier shall bear the direct costs of damage that a defective piece entered on the assembly line of the End Client may cause to the functioning of the line itself or the facilities, as well as the costs resulting from possible stoppages or repairs to them, including penalties imposed by the End Client.

The actions that may correspond to Grupo Sesé in order to implement the liability provided for in this clause can be assigned to the End Client. In that case, the End Client can claim compensation from the Supplier for the damage it suffers due to, or as a result of or in relation to quality defects in the Supplies or their delayed delivery.

GRUPO SESÉ can compensate the amount for any losses and damage that the Supplier is liable for, with any amount that Grupo Sesé can then charge to the Supplier for any item.



9. GUARANTEE AGREEMENT

The Supplier guarantees that upon delivery and during the guarantee period specified below, all Supplies delivered:

- Shall comply with the requirements outlined in the Contract.
- Are free from defects to materials, implementation and design, even when the design was approved by Grupo Sesé.
- Are conformant with the designs, quality indications and specifications carried out by Grupo Sesé and/or the End Client.
- Are ideal for the intended purposes.
- Comply with all the applicable technical and regulatory specifications.
- Are free of any charges, encumbrances and third party rights.
- Do not infringe industrial or intellectual property rights of third parties in place on the delivery date, or information obtained wrongly that constitutes an industrial secret held by third parties.

The Guarantee shall come into force at the time the Supplies are delivered to Grupo Sesé and it shall remain in force until the end of the guarantee period granted by Grupo Sesé to the End Client in relation to the products that incorporate Supplies. For the purposes of clarity, but not limited to it, the Guarantee shall remain in force regardless of the manufacturing and commercialisation status of vehicles that supplies are built into, and it will expressly cover Campaigns and any actions, costs, damages and expenses of any kind that result from them.

The Guarantee will not become ineffective despite the fact that the Supplies have been provided to Grupo Sesé, checks, audits or inspections of the Supplies have been carried out, and even, if payment has been made for them.

The Guarantee is understood to be granted cumulatively without prejudice to any other type of legal guarantee that is compatible.

The Supplier ensures their technical and supply capability. In particular, Directed Suppliers ensure their technical and supply capability agreed with the End Client in their selection for the Project.

In the event that Grupo Sesé is not satisfied with defective Supplies, or supplies that do not comply with quality requirements and with all the characteristics outlined in the Guarantee, Grupo Sesé, at its choice, can have those Supplies repaired (by the Supplier, or at the expense of the Supplier, by a third party appointed and expressly accepted by Grupo Sesé), replaced, removed or corrected by the Supplier.

All costs to repair, replace or correct the Supplies will be borne by the Supplier, who will also be responsible for any damages, costs and associated costs, whether direct or indirect, that have been incurred by Grupo Sesé or the End Client, including, but not limited to, the costs of removal, disassembly, analysis of defects and their isolation, return costs, recycling, storage, waste management, destruction, replacement, re-installation, refurbishment and inspection. Likewise, the Supplier will hold Grupo Sesé harmless for any non-compliance of the Guarantee that leads, as the case may be, to penalties, sanctions or claims for damaged made by the End Client to Grupo Sesé.

The Supplies that have been repaired by the Supplier will be guaranteed for a new guarantee period whose duration will be established in accordance with the aforementioned sections (for the purposes of clarification, the guarantee period of the repaired Supplies will begin from scratch on the date of the repair and will not end at the point that the guarantee period of the original Supplies subjected to repair ended at).

The Supplier undertakes to not delegate or subcontract the total or partial execution of Orders or Contracts without prior authorisation in writing from Grupo Sesé.

In the event that authorisation is provided, the Supplier, alongside the corresponding subcontractor(s), will continue to be directly accountable to Grupo Sesé for compliance with the obligations covered by the Order or the Contract, and it undertakes to contractually reflect those obligations and, generally, the obligation to comply with all the obligations resulting from the General Conditions of Purchase, and where appropriate, in the Particular Conditions that apply, in their agreements with any subcontractors, all without prejudice to possible actions that could assist the Supplier against subcontractors.

For the purposes of clarification, the Supplier will be accountable under the terms of the Guarantee, in the event that the Supplies have been manufactured, produced, modified or sold through third parties by the Supplier or have been repaired by a third party designated by the Supplier, without prejudice to the actions that correspond to them in relation to said third party.

The Supplier will maintain insurance with an internationally prestigious insurer that covers all damage to people and assets, including civil liability coverage for defective products, for an amount and coverage that is, as a minimum, suitable for the circumstances of each Order.

The amount of the insurance coverage taken out in compliance with this clause shall not be considered as a limitation to or a satisfaction of the Supplier's compensations liabilities.

MANAGEMENT OF WARRANTY CLAIMS The Supplier will carry out analysis of defects in order to identify the causes and establish immediate actions and necessary corrective actions. The Supplier will document and inform Grupo Sesé of the measures planned and/or launched through 8D type Problem Solving Reports (see section 8.1 of this Manual).

WARRANTIES CRISIS - CAMPAIGNS. Grupo Sesé will determine and inform the Supplier when a warranty claim becomes a "Warranty Crisis" due to the fact that the product defect in crisis can affect the safety of people, infringes on a requirement of regulation and/or if the image of Grupo Sesé or its OEM clients could be affected. The OEM, in conjunction with Grupo Sesé will decide in each case whether to launch a "warranty campaign", which can be one of the following types:

- Replacement and/or removal of the defective product.
- Verification or repair without replacement of the defective product.

For this reason, the Supplier is obliged to immediately report the possibility that a defect in their products could cause risks for the safety of vehicle users. Grupo Sesé will inform the Supplier at what point they are launching a "warranty campaign". In this case the Supplier will bear the costs resulting from the campaign, in accordance with their level of responsibility in the defect that caused it.



10. CONFIDENTIALITY

All of the information provided to the Supplier by Grupo Sesé, through any of their subsidiaries or any of their representatives, especially, but not limited to, information of a technical, industrial, commercial or financial nature, regardless of the communication method (verbal, written or others), especially including designs, diagrams, descriptions, specifications, reports, microfilms, diskettes, software and corresponding documentation, samples, prototypes, etc. is confidential ("Information"). The term "Information" will also be used for material that dependants on the Supplier, their suppliers, sub-contractors, agents, permanent or occasional collaborators may find out as a result of implementing the Project.

The Information can only be used within the scope of the Project's implementation. The Supplier will take all of the necessary measures to ensure that none of the Information is communicated or revealed to third parties. Any infringement of this confidentiality requirement may result in relevant legal action being taken by Grupo Sesé.

Such matters cannot be made known to third parties without written consent from Grupo Sesé.

The Supplier is also responsible for having the material resources needed to ensure the Confidentiality when information and prototype pieces are dispatched, as well as the resources that make it possible to guarantee the physical protection of documentation relating to Projects.

The Supplier ratifies this Commitment by signing their agreement in this Supplier Manual.



11. GLOSSARY, ABBREVIATIONS

Quality compliance agreement	This means the agreement reached between the Parties based on the indications of the End Client, which covers the quality requirements that Supplies must comply with.
AIAG	Automotive Industry Action Group
FMEA	Failure mode and effects analysis: analysis of possible failure modes and their consequences.
APQP	Advanced Product Quality Planning
Campaign	This means any request or call to review any vehicles that have Supplies built into them, in order to examine that said automobiles and/or the Supplies that they incorporate comply with all the technical and regulatory specifications required for the purpose that they are intended for.
Attributive characteristics	Characteristics for which only the number of faults is determined: <ul style="list-style-type: none"> • Percentage of defective units (for example: 1.8% of defective screws) • Average number of faults per unit (for example: 3 painting faults per vehicle)
Special characteristics	The critical characteristics of products, processes and tests with a functional relevance should be defined in inter-departmental teams that use the "FMEA of the product". Other special characteristics may arise, for example the "FMEA of the process" that is followed. In addition to legal, safety, design and process issues, these may include key aspects relating to the client.
Cp	Capability Process Index - an indicator for the variance of a manufacturing process
Cpk	Corrected Capability Process Index - in addition to the variance of the manufacturing process, it also takes into account the position of the average value in the distribution of frequency in comparison with the upper and lower tolerance limits.
D/TLD	Dokumentationspflichtig / Technische Leitlinie Dokumentation (Obligatory documentation parts / technical documentation guide)
0 km Failure	Failures detected when the piece is delivered to the End Client or during installation of the assembly line
IATF	International Automotive Task Force
IMDS	International Material Data System
MSA	Measurement System Analysis
OEM	Original Equipment Manufacturer
Poka Yoke	System for the prevention of errors. Design and development of manufacturing products and processes in order to prevent the manufacturing of non-conformant components.
PPAP	Production Part Approval Process
ppm	Parts per million
PSB	Produktsicherheitsbeauftragter (Product safety representative)
SPC	Statistical Process Control
VDA	Verband der Automobilindustrie (Automobile Industry Association)

Source: Formel-Q, Formel-Q Konkret, IATF 16949.



12. COMPLIANCE AGREEMENT

LETTER OF ACCEPTANCE AND ACKNOWLEDGEMENT

I have reviewed this Manual, I understand its content and I completely agree with the norms and guidelines that Grupo Sesé establishes in said document.

**COMPANY
NAME**

► ACCEPTANCE BY: OPERATIONS MANAGER:

Signature: _____

Name: _____

Position: _____

↑ [Indicate operational position of signatory]

_____ Date

► ACCEPTANCE BY: QUALITY MANAGER:

Signature: _____

Name: _____

Position: _____

↑ [Indicate quality position of signatory]

_____ Date