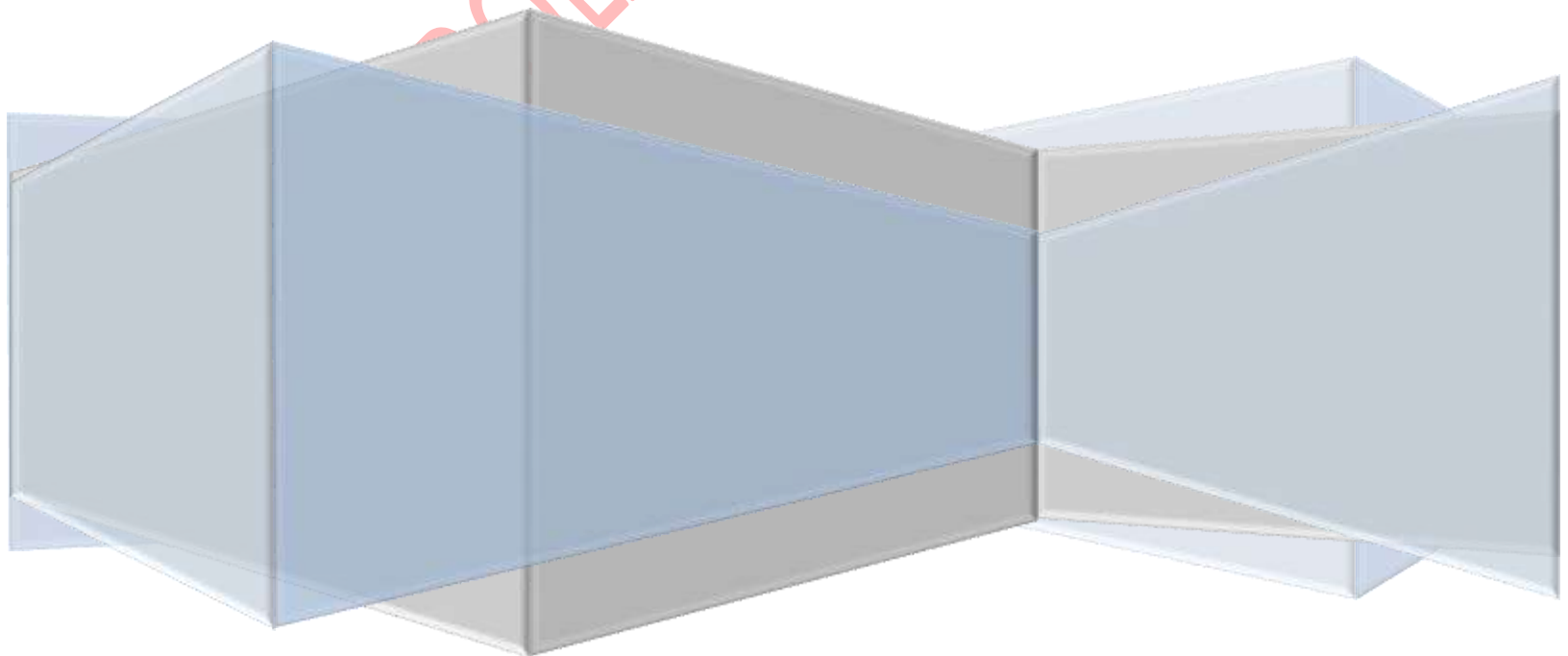


DayStar Trim Systems, S. de R.L. de C.V.

Supplier Guidelines





**SUPPLIER QUALITY
MANUAL
MC-AC-002**

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DayStar Supplier Guidelines

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QUALITY POLICY

We are determined, dedicated and reliable when it comes to meeting our customer requirements, through the continuous improvement and the progress of our trends in our key indicators, making an effort to achieve world-class performance.

1 INTRODUCTION

1.1 The purpose of this manual is to communicate the requirements and expectations for all suppliers that deliver parts and materials to DayStar Trim Systems (DSTS). This manual reinforces the DayStar Purchase Order Terms and Conditions and defines DayStar and customer specific requirements.

2 GENERAL REQUIREMENTS

2.1 All DayStar suppliers should be IATF 16949:2016 or ISO 9001:2015 compliant or be working to that goal. Requirements of ISO and AIAG standards are not repeated in this manual but form the basis for many of its requirements.

2.2 Some elements of IATF 16949:2016 or ISO 9001:2015 maybe waived for supplier with low automotive volume or very small companies with limited resources. Distributors providing “Off-the-shelf material” will be considered for this classification, as will supplier who ship minimum volumes. The status for these suppliers will be revised periodically.

2.3 This document is an extension of the commercial terms and conditions unless specifically exempted by contractual agreement. Acceptance of a Purchase Order after the date of this standard constitutes acceptance of all requirements.

2.4 DSTS should communicate to the suppliers all legal requirements and regulatory that apply and the special characteristics from the product and process and require the supplier that key information is being cascade down in all the supply chain.

The supplier will have to maintain a constant communication about the laboratory results of the regulatory requirements of each lot or shipment and send by email to the Quality Manager of DSTS (ESPECIALLY WHERE THE FMVSS 302 STANDARD APPLIES).

2.5 Product and approval requirements. Suppliers must send with shipment certificate of conformity.

2.6 Release of products. Supplier’s material will be released upon receipt if the vendor has the following documentation up to date:

- a) ISO or IATF certificate
- b) Annual validation PPAP
- c) Certificate of conformity

If supplier does not have these three requirements, material/components will pass through incoming inspection under a sampling plan

Certificate of conformity requirement is considered beginning December 2023

2.7 Supplier's personnel must be trained and qualified according to competencies of their organization. Daystar may request evidence of this requirement at any given time.

2.8 Interaction with supplier organization. All quality issues must be addressed with Daystar Quality Manager : ivon.coti@daystartrimsystems.com . All shipment or materials related issue must be addressed with Materials Manager : jc.villarreal@daystartrimsystems.com. Quotes and engineering topics must be addressed with Engineering Manager : ana.tron@daystartrimsystems.com

2.9 Supplier performance. The supplier's performance will be monitored through a monthly scorecard which considers the following:

- a) Quality – potentially worth 70 points
- b) Materials – potentially worth 30 points

The lower rating acceptable performance will be 90 points

Each supplier's rating will be judged on a three month rolling average. If the three month average score drops below 90, the Suppliers may be subject to one or both of the following:

- A formal Quality Improvement Program
- 3rd Party containment

If the three month average drops below 80, suppliers may additionally be subject to:

- A full site quality audit
- New Business Hold

SCORECARD CRITERIA

The quality section subcategories have the following criteria:

PART PERFORMANCE: 30 possible points



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One point will be deducted from your score for each 10 PPM. Rejection rate based off of total monthly receipts. Example, if 20,000 parts are received from your facility and 2 parts are unacceptable, your rejection rate equals 100 PPM. 20 points will be awarded out of a possible 30 points assigned to this subcategory. A rejection rate of 300 PPM or more means that no points will be awarded.

LATE / REPEAT PROBLEMS: 20 possible points

Five points will be deducted for each overdue (Late) or Repeat corrective action problem.

Broken containment will result in the loss of 10 points.

CORRECTIVE ACTION PERFORMANCE: 10 possible points

Two points will be deducted for the first 2 corrective actions in a month. Each corrective action after 2 will result in a deduction of 3 points each. Once a supplier hits 4 corrective actions in a given month, all points will be lost.

SUPPLIER SORT/REPAIR AT DS: 5 possible points

Suppliers who must visit DS to sort and/or repair discrepant product will be deducted one point per calendar day. Suppliers will also lose one point for each calendar day that DS personnel sort and/or repair discrepant product.

SERVICE: 5 possible points

The score is based on: prompt responses to requests for information, sort reaction times, willingness to cooperate, etc.

- Containment action must be implemented within 24 hours.
- Temporary corrective action to be in place within 72 hours.
- Permanent corrective actions to be in place within 10 days. (DS may extend upon request)

If supplier complies with the updated certificate of conformity, annual PPAP validation and ISO or IATF certificate and has no non-conforming quality issues the 30 points will be awarded under the quality 70 points section.

The "MATERIALS" section subcategories have the following criteria:

DELIVERY: 20 possible points.

To receive the full 20 points in this category the supplier must be 100% on time with all deliveries. Percentage points will be lost in direct correlation to the number of missed shipments. As an example, if your deliveries are 90% on time you will receive 18 points.

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LABELING: 5 possible points.

To receive the entire 10 points in this category the supplier must comply with the following labeling criteria: Proper Part Number Identification, Proper Standard Pack Quantity, and Proper Packaging. If this criterion is not met your score will be adjusted accordingly.

SERVICE: 5 possible points.

To receive the entire 5 points in this category the supplier must comply with the following service criteria: Advance Shipping Notification via EDI, advance notice or product shortages, and proper notification for Pilot Parts. If this criterion is not met your score will be adjusted accordingly.

The monthly report will be sent to you via e-mail only.

2.10. Verification or validation activities on site. Daystar may conduct on site verification or validation in supplier facilities due to the following:

- a) Supplier performance. Three-month average of scorecard below 80
- b) Supplier self-assessment is not considered as approved

3 REFERENCES

- 3.1 Automotive Industry Action Group (AIAG) Quality Manuals –These five manuals (APQP, PFMEA, PPAP, SPC & MSA, are the core of an automotive quality system. They are available for purchase directly from AIAG. For more information contact: www.aiag.com.
- 3.2 IATF 16949 International Automotive Task Force – Certification Quality Management
- 3.3 ISO 9001:2015 International Organization for Standardization
- 3.4 ISO/IEC 17025, General Requirements for the Competence of Calibration and Testing Laboratories.

4 CONTACTS AND SUPPORT

- 4.1 Once the purchase order is released, suppliers are required to complete a “Supplier Contact List”. On a yearly basis, this information needs to be updated.
- 4.2 Please note, cell numbers are mandatory information for Management level positions. However, discretion and confidentiality will be maintained at all times.

5 PURCHASING

- 5.1 DayStar Trim System Terms and Conditions will be referenced on the purchase order. The PO may contain additional specific terms and conditions for a particular part.
- 5.2 All Purchase Orders and alterations must be acknowledged and returned to DayStar within ten working days after receipt.
- 5.3 The supplier shall establish and maintain a system for assuring that the latest applicable drawings and related specifications, and any changes are on file and in effect. Obsolete drawings and specifications shall be removed from use. Notification of these changes shall be made through the issue of DayStar Purchase Orders.
- 5.4 Changes in production material, sub-supplier sources, process, manufacturing location, etc. are not to be instituted without prior written approval from DayStar Purchasing, Engineering, and Quality. Suppliers instituting unauthorized changes shall be accountable for any financial liability incurred by DayStar that is required to meet our customers’ change request policies and requirements.
- 5.5 If production downtime or excessive freight has occurred as a result of cumulative shipping discrepancy or for any delivery failures, the supplier may be charged for down time, excessive freight or for any premium cost associated.

5.6 Supplier shall practice FIFO based inventory management. Procedures, warehousing arrangements, and visual tools shall be in place to insure the proper flow of material.

6 ADVANCED PRODUCT QUALITY PLANNING (APQP)

6.1.1 Suppliers shall implement an Advanced Product Quality Planning process involving the use of multi-disciplinary teams to support the development of new or changed products and services.

6.1.2 It is recommended that suppliers utilize disciplines and guidelines outlined in the AIAG Advanced Product Quality Planning and Control Plan reference manual to develop this process.

6.1.3 Suppliers are required to report the status of APQP plan activities as requested and must notify DayStar of any issues or problems that may result in missing planned target dates.

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7 PART SUBMISSION AND APPROVAL PROCESS (PPAP)

- 7.1.1 A PPAP submission is required for approval of all production parts and materials supplied to DayStar unless a mutual agreement for waiver is reached between purchasing, quality, and the supplier. PPAP is required to assure that the process has the potential to produce parts which meet the specified requirements during an actual production run at the quoted production rate.
- 7.1.2 All PPAP submissions to DayStar shall be prepared in conformance to the requirements outlined in the AIAG Production Part Approval Process manual. Suppliers shall by default submit Level 3 PPAP packages unless instructed otherwise.
- 7.1.3 Submissions of PPAP documentation shall be made to the appropriate DayStar buyer and Quality Manager. The PPAP package may be sent via email to DayStar buyer and Quality Manager.

7.1.3.1 The issuance of a new or updated PPAP must consider the following situations:

- A. New part or product.
- B. Correction of any discrepancies in any previously issued part.
- C. A product modified by some engineering change from design, specifications, or material records.
- D. Use of other construction or material that has been used in previously approved parts or products.
- E. Production from tools, dies, molds, patterns, etc. new or modified, including additional or replacement tools.
- F. Production followed by any upgrade, readjustment or repair of existing tools or equipment.
- G. Production of tools or equipment transferred from a different plant location to another location.
- H. Supplier changes for parts, materials, non-equivalents or services.
- I. Product manufactured after the tooling has been inactive for a production volume equivalent to twelve months or more.
- J. Change in the product and processes related to the components for the production of products manufactured in-house or manufactured by suppliers.
- K. Changes in inspection and testing methods.

IMPORTANT: We must have the complete document, approved with the signed PSW in order to proceed with the production of our products. There will be no production without PPAP.

7.1.4 Daystar shall notify the supplier of the PPAP submission status as follows:

- *Full Approval:* PPAP submission meets all DayStar specifications and requirements and authorizes the supplier to begin production shipments of the part to DayStar material releases.
- *Interim Approval:* Authorizes the supplier to begin production shipments of the part on a limited time and/or piece quantity basis. Supplier must submit action plan with timing for achieving full approval that is agreed upon by DayStar to qualify for interim approval status. Any material shipped after the action plan expiration date or in excess of the specified quantity will be rejected. No additional shipments can be made unless an extension of the interim approval or written deviation is granted.

Note: Suppliers are responsible for tracking interim approval status and initiating all corrective actions and follow-up activities required to obtain full PPAP approval.

- *Rejected:* PPAP submission fails to meet DayStar specifications and requirements. Supplier is not authorized to make any production shipments. Corrected PPAP must be submitted and approved before production shipments are authorized.
- DayStar will notify supplier of PPAP status by returning a signed copy of the PSW Warrant Cover Page with the PPAP status notated on it.
 - Process Capability Studies
 - Process Capability (Cpk) is a comparison of the inherent variability of a process output to specification limits under statistically stable conditions. There are a number of techniques for assessing the capability of processes. Daystar suppliers must use methods defined in Statistical Process Control (SPC) published by AIAG for determining process capability and process performance, unless an alternate method is approved in writing.

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A Cpk of at least 1.66 is required for DayStar critical dimensions.

8 SUPPLIER PERFORMANCE AND DEVELOPMENT

- 8.1.1 The supplier must submit a corrective action response for unsatisfactory performance on a three-month rolling average during the same year (less than 90 points for overall composite score) addressing root cause and corrective actions which will be implemented to achieve an acceptable rating. The corrective action report shall be submitted to the Quality Manager by the end of the month in which the scorecard was issued. Failure to provide an on-time corrective action report for sub-standard performance will affect the next month's customer support rating.
- 8.1.2 If a supplier has three consecutive months in which its' overall composite score falls below 90 points, that supplier will not be allowed to quote or obtain new business from Daystar. The supplier's "no quote" status will be indicated on the approved suppliers list. The supplier will remain on probation until the conditions below are met at which time their approved status will again be recognized on the approved supplier list.
- 8.1.3 Other circumstances that may result in a supplier's approval status to be changed to "no quote" status include:
- Continuous noncompliance to any requirements outlined in the Supplier Guidelines Manual
 - Continuous performance issues in the areas of quality or delivery
 - Suspension of Quality System Certificate or unacceptable assessment performed by DayStar
 - Unresolved commercial issues
 - Financial risk

9 SUPPLIER ASSESSMENT

- 9.1.1 DSTS reserves the right to perform supplier system surveys at any current or potential new suppliers (and/or at their sub suppliers) to evaluate their quality and management systems and assess their ability to meet DSTS requirements. This will be determined on a case by case basis and typically will be reserved for identified "High Risk" suppliers or in the interest of continuous improvement opportunities.
- 9.1.2 DayStar conducts Supplier Performance Assessment with selected suppliers at the manufacturing facility or if approved by video call. Top problem suppliers are selected to attend these assessments and required to present action plans which will result in problem resolution.
- 9.1.3 Top problem suppliers are identified and may be required to attend a Supplier Performance Assessment based on the following:
- Unacceptable or deteriorating supplier scorecard ratings
 - Major quality spill requiring sorts or rework at DayStar or its customer

- High PPM or deteriorating PPM trend
- Controlled Shipping status
- Production interruption due to quality issue or parts shortage
- Lack of responsiveness

9.1.4 Supplier Performance Assessment will be conducted at the supplier manufacturing facility or if approved by video call. Formal notification will be provided to the selected suppliers via letter, fax, or E-mail and will detail the date, time, and DayStar required actions in preparation for the Supplier Performance Assessment. Failure of the supplier to attend or properly support assessment will negatively affect its monthly scorecard rating.

9.1.5 DayStar works with suppliers for the purpose of improving their overall quality management systems to insure delivery of on-time, cost competitive, and high quality products and services. A primary goal is for suppliers to be third party registered to ISO 9001:2015, minimum and ultimately to IATF 16949:2016. The prioritization of suppliers for development is based on the supplier's performance, as well as the degree of importance of the product and/or service being supplied.

9.1.6 DayStar requires all suppliers to establish and maintain documented procedures to insure that parts, materials and services received from their sub-suppliers meet all necessary requirements. Suppliers are required to have systems in place and shall apply adequate controls to effectively manage their supply base to insure sub-supplier products and services conform to DayStar requirements.

10 NOTIFICATION OF DISCREPANCY MATERIAL DETECTED

10.1.1 Delivery issues detected at DayStar facilities that are determined to be supplier related will be communicated to the supplier through issuance of a Delivery Material Report (DPR). This report assigns a tracking number for the supplier concern and provides contact information and concern description details. (For situations requiring immediate response the supplier will be notified by phone, fax, or e-mail with formal issuance of the DPR to follow).

10.1.2 Quality issues detected at DayStar facilities that are determined to be supplier related will be communicated to the supplier through issuance of a Defective Material Report (DMR). This report provides details or description of the defect detected. (For situations requiring immediate response the supplier will be notified by phone or e-mail with formal issuance of the DMR to follow).

10.1.3 In addition, the DPR/**DMR** report is formal notification to the supplier to initiate the following activities:

- Implement immediate containment activities at the supplier's facility to prevent escape of additional nonconforming material and appropriately identify the certified material for the next shipment.
- Initiate immediate contact with DayStar facility to determine severity of concern and level of response required. Supplier must verify impact of rejected materials and arrange for replacement of rejected materials as required.
- Initiate the appropriate activities required to resolve the concern.
- Provide acceptable resolution for disposition of the discrepant material within 48 hours of receipt of the DPR.
- For defective material, the non-conforming material will be disposed of until physical replacement of the material or a refund confirmation.

Note: Discrepant material will be returned or scrapped at supplier expense if an acceptable resolution for disposition of material is not received within 48 hours (excluding weekends). If requested, as indicated on the DPR, submit corrective action response:

Initial response for corrective action is due within 24 hours of receipt of the DPR (excluding weekends). At a minimum the initial corrective action report shall define the problem description and detail all containment activities implemented.

Completed response for corrective action is due within 10 calendar days of receipt of the DPR or as directed by the issuing DayStar plant. In those instances where the quality issue cannot be resolved in 14 days, the supplier shall provide a weekly updated 8D until closure.

11 SUPPLIER SUPPORT

11.1.1 Once a supplier related issue is identified the supplier must be proactive in taking the actions necessary to resolve the concern. This involves establishing communication with the Daystar facility to determine the support activities that will be necessary to protect against the production and shipment of nonconforming material by either Daystar or the supplier and insuring on-time deliveries.

11.1.2 In those instances that on-site sorting and certification of suspect material at Daystar facilities is necessary, the following actions are required:

- Supplier is responsible for the immediate coordination of the sorting activities required. Supplier's lack of immediate coordination/containment will require Daystar implementation at supplier expense.
- Supplier is responsible for the supervision, selection, and training of sort personnel to the acceptance/rejection criteria.
- Supplier may utilize their employees, company representatives, and/or 3rd party sorting companies to perform the necessary sorting activities. It is supplier's responsibility to insure on-site supervision of any 3rd party sorting personnel.
- Supplier must ensure that sort personnel selected understand any Daystar facility specific requirements (i.e. safety requirements, procedures for entering/exiting plants, identification requirements, methods of identifying rejected and certified material, etc.). Any questions regarding facility specific requirements should be addressed through that facility's Incoming Quality department.
- On occasion, due to space restrictions at Daystar facilities, supplier may be required to seek alternate Daystar approved sorting sites.
- DayStar reserves the right to send the appropriate DayStar representative(s) to the supplier's facility or its sub-supplier facilities to verify effective corrective actions are in place or where necessary to assist the supplier in the problem resolution process.
- Daystar's customer representatives shall also have the right to accompany DayStar representatives to the supplier's facility or its sub supplier facilities to verify corrective actions are in place and systems are compliant.

12 CONTROLLED SHIPPING

- 12.1.1 DayStar shall place a supplier in Controlled Shipping status in those instances where the supplier's problem resolution process is ineffective and its current controls are not sufficient to prevent the shipment of nonconforming material. Controlled shipping requires the implementation of additional controls which will prevent the shipment of nonconforming material and drive problem resolution.
- 12.1.2 The supplier will be formally notified of Controlled Shipping status via a notification letter detailing the specific nonconformance(s), the controlled shipping level imposed (CS1 or CS2), and the required supplier actions, including inspection and exit criteria.
- 12.1.3 The supplier is required to return a signed copy of the notification letter to confirm receipt and understanding of the containment requirements. Regardless of the containment level imposed the supplier should utilize the controlled shipping activity as a part of its data driven problem resolution process. The supplier is required to document all controlled shipping inspection results, maintain these records on file, and forward them to DayStar on request.
- 12.1.4 Controlled Shipping Level 1 Containment (CS1): Supplier shall implement additional controls and inspection process for 90 days at its facility utilizing its own employees to 100% inspect for the nonconformance(s) identified. Guidelines for setting up the containment shall include:
- Containment area to be separate from production area
 - Containment area must be highly visible, properly lighted and adequately equipped for the inspection/testing being performed
 - Containment area material flow to be well defined with clearly identified areas for incoming, outgoing and rejected materials
 - Parts certified as approved after inspection through the controlled shipping containment process to be identified as specified in the Controlled Shipping notification letter
 - No rework to be performed in containment area
 - Containment personnel to be properly trained with work instructions, quality standards and boundary samples readily assessable in the containment area
 - Containment inspection results to be updated daily to expedite data driven problem resolution

12.1.5 Controlled Shipping Level 2 Containment (CS2): CS2 will be imposed when the supplier's CS1 activity fails to protect DayStar facilities from the receipt of nonconforming material. CS2 may also be imposed (without CS1 notification) directly if warranted due to considerations such as lack of supplier controls, repeat issues, problem duration or severity, etc. In this case an independent 3rd party source will be required to implement additional controls and inspection process to 100% inspect for the nonconformance(s) identified.

The 3rd party inspection source shall be a certified inspection firm or approved for use by DayStar.

Guidelines for setting up CS2 containment are same as listed above for CS1 containment except that the 3rd party inspection source is responsible for performing the containment function and providing the inspection results to both the supplier and DayStar

12.1.6 Removal from Controlled Shipping status: Suppliers are responsible for petitioning for removal from Controlled Shipping status after permanent corrective actions have been implemented and verified. Suppliers are responsible for providing all supporting documentation required to demonstrate that the established exit criteria has been satisfied. Formal petitions for removal from Controlled Shipping status along with all supporting documentation shall be made to the issuing plant. The supplier's request will then be evaluated to determine whether the Controlled Shipping exit criteria has been met and that all supporting documentation provided is adequate to close the concern. Once these conditions are confirmed DayStar will formally notify the supplier that Controlled Shipping status has been removed.

13 SUPPLIER DELIVERY

13.1.1 The supplier's monthly delivery rating in the Supplier Scorecard will be affected by late deliveries, shipping discrepancies, or incorrect documentation, labeling and service. The DayStar Quality Superintendent will notify the supplier in those instances that a formal corrective action response is required.

14 DOCUMENTATION REQUIRED WITH SHIPMENTS

14.1.1 Material Certifications: Unless otherwise specified material certifications must accompany every shipment to the "ship to" location. Supplier is required to maintain a copy of all certifications for shipments and have this information readily available. All material certifications must be current within a year.

14.1.2 Material Safety Data Sheets (MSDS): When making the initial shipment for a product, or the product properties have changed, the supplier must email the MSDS to the DayStar using facility's procurement analyst prior to shipping.

14.1.3 Certificate of Origin: DayStar is required to complete Certificates of Origin per the Initialism of United States–Mexico–Canada Agreement (USMCA). Certificates are valid for one calendar year only (January 1 – December 31) and are required to be updated on an annual basis or if the origin of the part being shipped changes. Suppliers are required to submit a Certificate of Origin for each part prior to its initial shipment and must also resubmit updated certificates to DayStar on an annual basis by December 15th for any parts shipped in the following year.

15 OBSOLENCE CLAIMS

15.1.1 Obsolescence claims must be filed within 21 days of the final shipment. Claims submitted after that time period will not be acknowledged.

Note: Suppliers will be notified by their procurement analyst of build out requirements and final ship date requirements.

15.1.2 If an on-site audit is required, DayStar personnel will visit your facility within 90 days from receipt of claim. A materials representative will notify you at least 15 days prior to the audit.

15.1.3 Payment will be made 60-90 days after the audit, unless an outstanding payment to DayStar is pending by our customer. If this is the case, payment will be made to the supplier 60-90 days after payment to DayStar is received.

15.1.4 Claim forms are available from your procurement analyst. Any questions regarding the obsolescence claims procedure should be addressed to your procurement analyst

16 DEVIATION

16.1.1 The supplier must obtain DayStar authorization prior to shipping any parts or material that deviate from the drawings, specifications, appearance standards, PPAP requirements, etc. Any authorized shipments under deviation shall be of a specified quantity of pieces and/or time frame.

16.1.2 All shipments of deviated product must be identified by the supplier as follows.

- A copy of the signed off deviation form must accompany each shipment.
- Each shipping container shall be identified with the DayStar Deviation Control # that is assigned. A sticker, tag, label, etc. must be applied to each shipping container that identifies the deviated product as follows:

DEVIATION CONTROL # XXXX

Note: Shipments are subject to rejection if deviated product is not identified properly as specified above or if shipments are made in excess of the authorized quantity or timeframe.

17 LABELING REQUIREMENTS

- 17.1.1 It is mandatory that all incoming production material be identified in conformance with the AIAG bar code labeling standard. Labels must be affixed to the package unit per the AIAG standard. No other means of identification will be acceptable and shall submit the material to rejection.
- 17.1.2 Labeling must also identify the product if it is special (i.e., first part, engineering change level, process change or other). This special labeling should be in the first 2 shipments of the product in a different color label.

18 LOT TRACEABILITY AND INVENTORY MANAGEMENT

- 18.1.1 Suppliers shall establish and maintain documented procedures for product identification and traceability from receipt of material throughout all stages of production, warehousing, and delivery. Parts manufactured by the supplier shall be traceable to the raw materials used including services provided by sub-suppliers.
- 18.1.2 An effective traceability system serves to minimize costs incurred in the event a recall (or containment) is issued and enables more efficient and effective segregation and containment of suspect material for quality concerns. In addition the traceability system (via documented records for production line, shifts, manufacture dates, inspection records, etc.) can be used to simplify and assist in root cause investigations and expedite completion of the problem solving process for quality concerns.
- 18.1.3 Traceability records shall be properly maintained by the supplier in a manner that makes them readily assessable when required. Suppliers shall be capable of supplying traceability records within 48 hours of a request for a particular event.
- 18.1.4 Suppliers are required to immediately respond and contain suspect parts and defects, expedite implementation of design or process changes as requested, minimize exposure for obsolescence claims, and prevent the quality deterioration of their products as a result of excessive shelf life or exposure to elements. To achieve these requirements suppliers are expected to practice a first in – first out inventory management method.
- 18.1.5 First in – first out practices should apply throughout the supplier’s entire process from incoming warehousing, in-process/line side storage, finished goods warehousing, through shipping and delivery.

19 DSTS RELEASES

- 19.1.1. Daystar Trim Systems supports the industry initiative of inventory reduction, recognizing the importance this places on accurate and timely delivery of quality product. It is our expectation that suppliers will have shipment ready for pick up every week there is requirement requested by DSTS.
- 19.1.2. Material releases are the mechanism used to communicate Daystar Trim Systems material requirements – Suppliers are responsible for ensuring that they ship and/or are able to ship to these requirements based upon authorizations provided (including meeting date, time, quantity per part number and proper labeling.)
- 19.1.3. Suppliers are responsible to “reconcile their shipping accums” with what Daystar Trim Systems reflects per release on an ongoing basis and communicate any discrepancies. Following our releases, and notification of concerns if releases change.
- 19.1.4. All costs incurred as a result of missed or late, under or over shipments, which are clearly the responsibility of the supplier, shall be recovered from the supplier.

20 DSTS SUPPLY CHAIN EXPECTATION

- 20.1.1. Deliver on time, all the time.
- 20.1.2. Zero Quality Defects.
- 20.1.3. Achieve PPAP approval as per program timing.
- 20.1.4. Proactive approach to resolve product issue's.
- 20.1.5. Ensure all components have lot traceability.
- 20.1.6. Communicate..... No surprises!

21 DSTS SUPPLY AGREEMENT.

- 21.1.1. All suppliers are provided a copy of the DSTS supply agreement before starting business with DSTS. The DSTS supply agreement, along with any contract, sets forth the term and conditions upon which supplier provide parts to DSTS. Any modification to this agreement must be approved by DSTS materials departments.

22 DSTS PURCHASE ORDER(S)

22.1.1 A purchase order contains the name, part number, and purchase price of the parts or material purchased by DSTS from the supplier. A purchase order is issued when the supplier and DSTS agree upon the terms and conditions of the purchase of direct parts or materials. Requesting price changes, 90 day notice required and must be approved by our customer.

There are two types of purchase orders:

- **Blanket purchase order** – A blanket purchase order is issued for production parts or materials, which are purchased on a continuing basis. It includes the purchase price(s), effective date, and part number(s) and description.
- **Purchase order** – A purchase order is issued for parts that need to be ordered outside of blanket purchase order. The purchase order sets forth the agreed price(s), quantity (-ies), Delivery date(s), and delivery location(s). Once a purchase order is completed, an invoice must be sent by the supplier to DSTS accounting department, in order for the supplier to receive the payment.

23 CHARGE BACK POLICY

23.1.1 Quality issues will be reflected on the Monthly Supplier Performance Score Card.

The cost associated with Supplier quality issues or inefficient quality inspection, whether it is overtime, scrap, premium freight, sorting or any other cost from the OEM, Tier 1 & Tier 2 will be charged to the supplier responsible; Proper back up documentation will be provided upon request.

An administrative fee will be added to these charges.

There are several reasons that a Supplier Quality Issue would generate failure cost that could impact DayStar, such as and not limited to:

- Shipping parts out of spec, due to unauthorized process or product changes via PPAP.
- Incomplete/Incorrect PPAP submission that may cause parts to do not fit or function at our/customer process.
- No prior notification of Under/Over/Late Shipments.
- Lack of weekly release analysis creating a capacity or constrain issues that leave the supplier unable to meet DayStar requirements.

23.1.2 In the case that sorting is needed, we will notify our supplier immediately; we will start sorting until the supplier's sorting company shows up at the plant, sorting charges will be as follows:

- Sorting of Suspect Material:

First 24 hrs \$ 15.00 usd per hour per person

From 24 hrs to 72 hrs \$ 25.00 usd per hour per person

After 72 hrs of notification \$ 50.00 usd per hour per person

- SCAR Administration Cost \$75.00 ea
 - DMR Administration Cost \$40.00 ea
 - NHK or GraMag Complaint \$250.00 ea
 - Overtime to Avoid Production Loss \$40.00 hr/person
 - Reoccurring Issues After Containment \$250.00 ea
 - No Containment Actions within 24 hours \$500.00 ea
 - Past Due Corrective Action \$125.00 per ea month
 - Late / Incorrect PPAP Submission \$100.00 per ea week
 - Production Line Disruption \$75.00 hr
1. The Supplier will keep a representative at DayStar for the duration of all sorting and until a clean point has been determined and proven by three successive shipments of roll good into DayStar.
 2. The Supplier Rep will be responsible for the sorting and approval or rejection of all material, this includes signing for approval of roll goods, cut stock and any questionable Trim Covers.
 3. The Supplier will be responsible for the cost of:
 - a. All personnel assigned to sort pieces, both for straight time and overtime.
 - b. All cutting personnel assigned to the cutting of replacement parts, both for straight and overtime.
 - c. Machine time to cut replacement pieces at a rate of \$50.00 per hour per machine.
 - d. All material that is cut and then determined to be defective – either through replacement of the material or a credit of cost.



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- e. All material that is determined to be acceptable for use and then later rejected by Our Clients or The Supplier Representative on site.
 - f. All freight and broker cost associated with transporting defective or replacement material, as well as, replacement Trim Covers.
 - g. Disposal of cut pieces deemed to be defective
 - h. All cost associated with any shutdown of DayStar, NHK and/or SIA as a result of these defects.
 - i. Ant warranty claims in the future resulting from the use of material certified by The Supplier.
4. The Supplier will replace all defective uncut roll of material and will be responsible for the freight and broker cost to do so.
 5. Terms for payment will be net 30 from invoice date.

CONTROLADO - NO IMPRIMIR