



GLOBAL

SUPPLIER POLICY MANUAL

The name Dayco is used throughout this manual. The following facilities are included within the context of Dayco and Dayco Products, LLC:

Manufacturing Locations

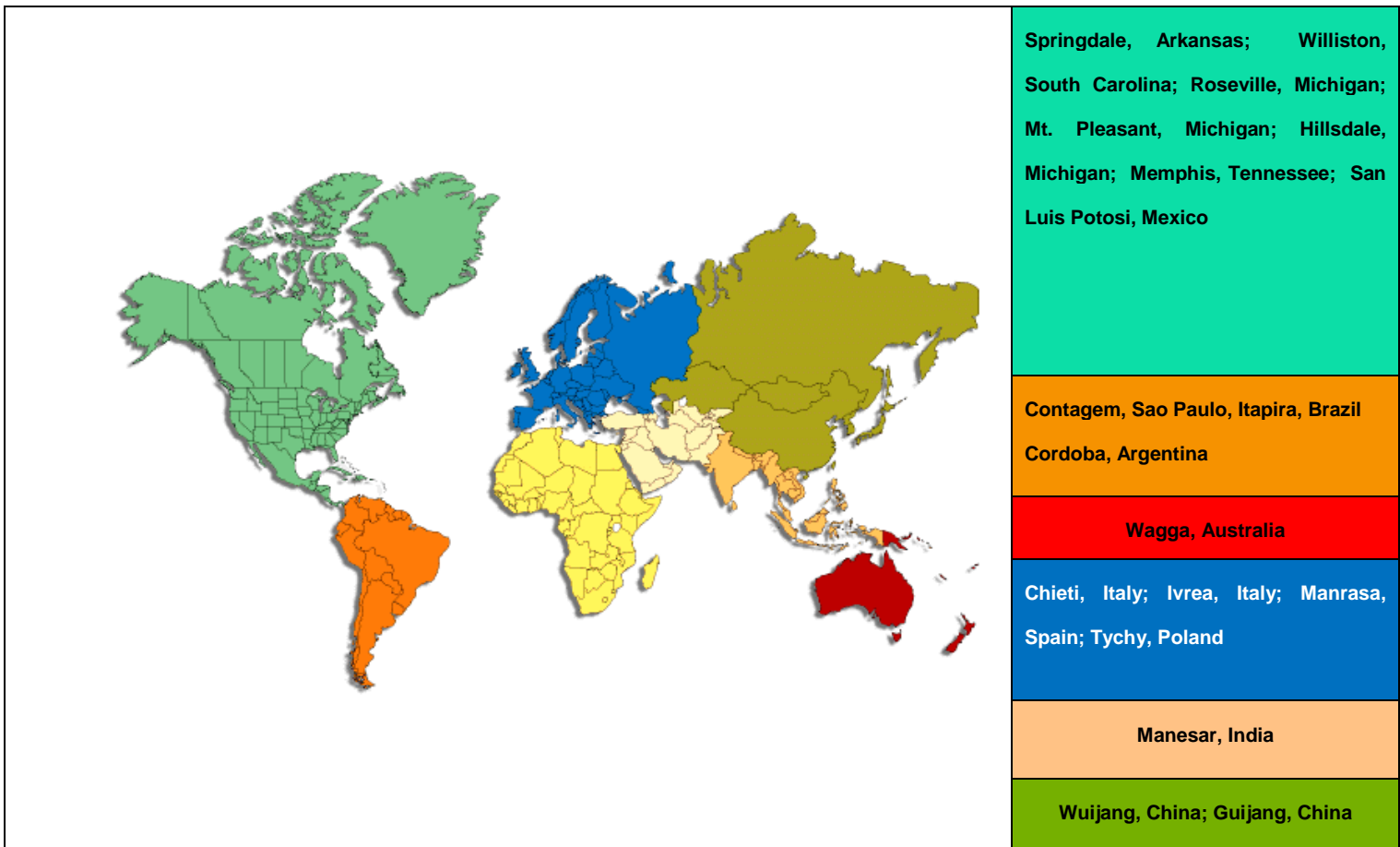


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August 10, 2017

Dear Supplier:

The ***Dayco Supplier Performance Requirements Policy Manual*** is an integral part of Dayco's supply base development. It is our expectation that the materials entering our manufacturing locations satisfy the needs of our internal processes and our external customers. The intent of this manual is to ensure that we are selecting and maintaining a supply base capable of meeting this expectation.

Our long term relationship with our supply base will be dependent upon our cooperative efforts in meeting Dayco's expectations as well as the demands of our customers. Dayco has made a commitment to be a leading supplier to our customer base. As a result of the desire to be a competitive force in the markets we serve, ***Dayco requests the commitment of our suppliers' top management to pledge their organizations support in meeting the requirements contained within this manual.***

Kath Vigars
Chief Procurement Officer

1. Purpose

The purpose of this manual is to introduce, define, and clarify the quality, performance, and **general business requirements** for suppliers to Dayco. The Supply Management Group has the responsibility for maintenance of this policy manual. It is posted at www.daycosupplier.com for NA or <https://suppliers.daycoeurope.com/InternetWeb/Login.jsp> for Europe.

The requirements contained herein are supplemental to, and are not intended to supersede any purchase order, engineering, or material specification requirements.

2. Objectives

Dayco is dedicated to providing world-class quality and service to its customers. As the Dayco manufacturing facilities are largely dependent on their suppliers for the quality of their process outputs, the following five objectives must be met in the supply base:

- On-time delivery of defect-free product;
- Continual improvement;
- Reduction of cost in the value stream;
- Support of customer business initiatives;
- Support of Dayco Engineering innovative projects.

Achievement of these objectives makes it possible for the suppliers' products to flow directly into Dayco manufacturing facilities without the added costs of inspection and other non value-added activities related to nonconformity. Additionally, successful achievement of the above objectives permits both suppliers and Dayco to meet other business goals related to cost, productivity, and competitive position in the marketplace.

3. Scope

3.1 General

The requirements contained within this manual apply to all production suppliers of materials, components, or services incorporated into Dayco products, including related processes and management systems. This may include products processed at one Dayco location and shipped to another. Some Dayco locations may expand the scope to include indirect items and services, such as transportation and processing equipment, etc.

3.2 Subcontractors

Dayco Suppliers, to the extent practicable, should implement the requirements contained in this manual with their sub-tier suppliers. Suppliers should follow AIAG guidelines for CQI-19; Sub-Tier Supplier Management.

4. Supplier Sourcing and Selection

4.1 General

Sourcing of new suppliers for Dayco is a cross-functional activity. Sourcing activities are led by Purchasing Functions, and are supported by other functions, as are appropriate to the locations. This *Supplier Performance Requirements Manual* will be made available to the supplier as a guide to the Dayco expectations. Suppliers that meet all defined criteria and agree to all terms, quality, security guidelines and business requirements will be considered for Approved Supplier status.

Terms and conditions are posted for supplier review at www.daycosupplier.com or <https://suppliers.daycoeurope.com/InternetWeb/Login.jsp>

4.2 Criteria

Approved suppliers must hold an acceptable quality system registration (i.e., ISO9001 or TS16949). New suppliers must pass an initial quality evaluation before final approval. As above, this requirement may be modified for customer-specified suppliers or Dayco locations. Suppliers that have been approved by other divisions of Dayco shall be considered acceptable unless the quality system registration requirement is not met. The appropriate Purchasing, Quality, Engineering, Logistics, and Supply Management functions have the final authority over the sourcing decisions and addition of the suppliers to the Approved Supplier List(s). Additional requirements and/or differing responsibilities for the qualification of new suppliers, if applicable for specific regions and/or receiving locations, may be found in the *Location Specific Requirements* and/or local procedures.

General Criteria for Prospective Suppliers

- Quality Management System Registration;
- Acceptable Risk Assessment, as may be required by the receiving location(s);
- Acceptable Site Quality Assessment by Dayco including C-TPAT compliance;
- Mutual site visit(s) as appropriate;
- Acceptance of Dayco terms and conditions of business, including the contents of this manual.

5. Auditing

5.1 General

Given reasonable advance notice, Dayco is entitled to, during regular business hours, perform, or contract, process or product audits at suppliers', or their subcontractors' locations. This requirement may include special process audits. The Audits may be performed in concert with customer personnel, if such need shall arise. Before every initial qualification, the potential supplier shall complete a self-assessment using the Dayco audit checklist. Audits of suppliers and/or subcontractors would typically be performed under the following circumstances:

- As part of sourcing activities;
- As part of supplier development activities;
- To assist suppliers and/or subcontractors in improvement when repeated serious problems occur, and to verify corrective action implementation;
- Periodic requalification, according to customer specific requirements and/or local procedures.

In general, subcontractor audits, when performed, should be the responsibility of Dayco's Suppliers.

5.2 Corrective actions

Suppliers shall provide adequate evidence of completion of the requisite audit corrective actions within the time frames specified by the receiving location(s).

6. Supplier Quality System Requirements

6.1 General

Key OEM production suppliers to Dayco are expected to be working toward compliance with ISO/TS 16949. **The minimum requirement for inclusion in Dayco supply base is registration to ISO9001:2008.** The scope of registration shall contain the type of product or service supplied to Dayco. Development activities will be conducted with key suppliers not holding ISO/TS16949 registration with the goal of conformity to the applicable automotive-specific requirements of the standard. Prioritization of development activities will be determined by the appropriate Purchasing and/or Supply Management functions and may be based on supplier performance, commodity type, dollar spend, or supplier size. Some Dayco locations may require that suppliers be TS16949 registered, or have an approved plan for achieving registration status, in order to be included in their supply bases. All suppliers are expected to provide the latest copies of their registration certificates to Supply Management, and to keep them current on an ongoing basis.

Note: Suppliers are required to notify Dayco Purchasing and/or Supply management immediately if their quality system registration status is suspended, placed on probation, or terminated.

6.2 Automotive-Specific Requirements

ISO 9001 registered suppliers, in addition to maintaining their registration status, are expected to have an understanding of, and/or ability to use the following automotive-specific requirements:

Quality planning (APQP) & PFMEA	Verification of job setups
Manufacturing process design	Laboratory requirements
Change control	Measurement system analysis
PPAP	Calibration/verification records
Management of production tooling	Control of nonconforming product
Engineering specifications	Problem solving methods
Product identification and traceability	Customer packaging and labeling standards
Cleanliness of premises	Record retention
Designation and control of special characteristics	Incoming product conformity to requirements
Work instructions	Customer waiver
Preventive and predictive maintenance	Tier 2 Suppliers Approval
Monitoring and measurement of manufacturing processes	Rework and repair
	IMDS
	US Customs C-TPAT Guidelines

When questions arise relative to specific requirements and procedures concerning the applicable above-listed QMS elements, the suppliers must contact the receiving plant's Quality and/or Purchasing personnel for direction and clarification.

Reference Manuals:

Suppliers are expected to obtain and use the latest copies of the following AIAG reference manuals: *Advanced Product Quality Planning and Control Plan*, *Potential Failure Mode and Effects Analysis*, *Production Part Approval Process*, *Measurement Systems Analysis*, and *Statistical Process Control*.

Note: Further explanations and clarifications of the Automotive-Specific Requirements can be found in the "Quality System Requirements", section 8, and in "Location-Specific Requirements", as are needed by the individual receiving locations or regions.

Note: The reference manuals listed above may be purchased at: Automotive Industry Action Group (AIAG), www.aiag.org

6.3 Continual Improvement

Dayco suppliers are expected to implement zero defect strategies, and to continually improve in quality, delivery, service, and cost. Continual improvement activities should be data driven and include trend analysis and prioritized action plans. Dayco and its suppliers are competing in an environment where the customers' expectations are constantly rising. Those organizations that do not continually improve are at risk of diminishing profitability and future business opportunities. Dayco desires to do business with suppliers who can demonstrate ongoing improvement. In this way, both parties help assure themselves future positions in the automotive and heavy-duty industries. Dayco reserves the right to review continual improvement activities to assess their effectiveness.

6.4 Special Processes

Suppliers to Dayco who provide materials that have had special processing applied anywhere in the supply chain (i.e., heat treating, plating, coating, welding, and/or molding), must provide completed AIAG CQI-9, CQI-11, CQI-12, CQI-15, CQI-23 and/or CQI-27 special process surveys, including corrective action plans, as applicable. Specific Dayco and/or OEM customer requirements must be addressed. Dayco reserves the right to perform or contract these surveys out to a 3rd party. Special process surveys shall be kept current on an annual basis. Updated surveys must be submitted no later than the end of the month following the anniversary date of the survey on record. The special process surveys may be obtained from the Automotive Industry Action Group as listed below. Exceptions may be made only for suppliers who provide products exclusively used in Aftermarket applications.

6.5 Government Regulations, Environmental protection, Health and Safety Policy

Dayco is committed to being an environmentally responsible company and to providing a safe and healthful workplace for all employees and stakeholders. We comply with all applicable (EHS) environmental, health and safety laws and regulations in every country where Dayco does business. All purchased materials shall satisfy current local and foreign governmental and safety constraints on restricted, toxic and hazardous materials as well as environmental, electrical and electromagnetic considerations applicable to the country of manufacture or sale. Dayco suppliers must follow REACH, IMDS, Conflict Minerals and U.S. Customs freight security C-TPAT guidelines if involved in importing goods to the United States of America from foreign countries that utilize US Customs ports of entry.

The U.S Customs C-TPAT is a joint initiative of the US Customs and Border Protection and the trade community that was established in 2002 (and revised in 2005) to reduce the threat of terrorism by means of protecting the integrity of cargo imported into, further processed or warehoused in, and or exported from

the United States. As part of the global supply chain for numerous industries, Dayco Products LLC communicates with its supply chain partners to determine whether each partner meets the C-TPAT security criteria. All suppliers to Dayco Products LLC are required to adhere to C-TPAT requirements in accordance with the criteria identified on <https://www.cbp.gov/border-security/ports-entry/cargo-security/c-tpat-customs-trade-partnership-against-terrorism> website.

6.6 Conflict Minerals Policy

Pursuant to the laws and the regulations of the United States, and/or regions in which it *operates*, it is Dayco's policy to be fully compliant in reporting of any content of its products relative to conflict minerals. These are currently identified as columbite-tantalite (tantalum), cassiterite (tin), wolframite (tungsten), and Gold, or any derivatives thereof, originating in the Democratic Republic of the Congo (DRC), or any adjoining country, the proceeds of the trading of which, benefits or finances armed groups directly, or indirectly. In order to establish full compliance with the various laws and regulations, all direct material suppliers to Dayco must establish policies, management systems, and due diligence frameworks consistent with the OECD *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*.

Guidance for suppliers can be found at the website: <http://www.oecd.org/daf/inv/mne/mining.htm>. Furthermore, Dayco suppliers are required to report compliance to the relevant Dayco materials management authorities. The current Conflict Minerals Reporting Template is recommended for suppliers. The Template can be downloaded from the website: <http://www.conflictreesourcing.org/conflict-minerals-reporting-template/>. Reporting formats and requirements may vary by country and /or region. Suppliers must contact the relevant Dayco authorities to determine the exact local reporting requirements.

7. Global Dayco Supplier Performance Requirements and Rating Systems

7.1 General

Dayco suppliers will be rated on their overall performance. *Supplier performance is monitored through the following major indicators: delivered product quality and delivery schedule performance. Other indicators, such as customer service and support, PPAP sample performance, EDI, C-TPAT compliance etc., may also be included, either as subcomponents of the major indicators or separately.* This section provides a general description of the generic performance requirements and the major supplier performance rating system elements. Suppliers must be aware that different locations may choose to add to, or modify, the contents and constructions of the performance requirement elements. Detailed descriptions of the rating systems applicable to the different regions and/or receiving locations

may be found, or referenced, in the *Location Specific Requirements* section of this policy manual.

Each supplier will have a scorecard with performance ratings. The ratings will be calculated using scores derived from the key elements of supplier performance: Quality Performance and Delivery Performance, and others, *as defined by the receiving location(s)*. The weighting and reporting of the overall scores, using the key elements, will be as determined by the performance scoring requirements of the individual regions and/or receiving locations.

7.2 Quality Performance:

7.2.1 Quality Expectations

Dayco's expectation is that its suppliers will deliver conforming product 100% of the time. Delivery of product meeting the quality requirements of the Dayco locations is necessary for maintenance of uninterrupted flow of product through our manufacturing facilities and to our customers. This includes appearance, functionality, conformance to specification requirements, and statistical capability of critical characteristics. In order to assure that it meets the needs of its customers, Dayco demands the highest levels of quality in products purchased from its Suppliers.

7.2.2 Packaging and Labeling

It is also Dayco's expectation that its suppliers package and label their products correctly. Packaging guidelines should be available either on the website *daycosupplier.com*, or through the receiving location's Purchasing function. Suppliers are expected to submit labels in the Dayco-required format to the receiving locations for approval. After the receiving location approves the suppliers' labels, all subsequent shipments must contain conforming labels. Properly labeled parts facilitate the receiving process and the flow of part-related information at the receiving locations. Any failure to provide conforming packaging, including unapproved labels, improperly formatted, or unreadable labels may result in a shipment quality rejection (QR) for the affected shipment.

7.2.3 Costs of Nonconformity

Suppliers may be required to bear expenses resulting from the shipment of nonconforming material. Such costs would include, but not necessarily be limited to:

- Non-standard freight and expediting charges;
- Plant overtime costs;
- Processing and material handling costs;
- Sorting and rework charges;
- Scrap, in-process or finished goods;
- Travel costs of Dayco personnel to resolve concerns;
- Customer plant shutdown charges;
- Field action (recall) charges;

- Chargebacks for improper labeling.
- Warranty costs

The receiving location will debit suppliers for nonconformance-related costs as deemed necessary by Dayco management.

7.2.4 Certified Stock and Support

Additionally, suppliers will be required to produce and/or certify stock to replace rejected material. Suppliers, if required by the receiving location, must provide personnel to sort product at Dayco and/or Dayco's customer location(s). The providing of on-site personnel can be invaluable in understanding, communicating, and resolution of problems and is highly recommended whether requested or not.

7.2.5 Corrective Action

When the receiving Dayco plant requests corrective action, the supplier is required to give an initial response within one business day. Permanent corrective action is expected to be implemented 20 working days from the initial notification. If flexibility is needed in the timing for permanent corrective action, the receiving plant Quality Assurance Manager or Supplier Quality Assurance personnel must be contacted for approval. Corrective actions must be provided in the proper format, providing an Action Plan with timing for short term and long term solutions, as required by the receiving location(s).

7.2.6 Shipment of Nonconforming or Suspect Product

In the event that nonconforming or suspect product may have been shipped, the supplier must contact the Dayco facility Quality Assurance Manager, Supplier Quality Assurance personnel, and/or the Logistics/Materials Manager, as applicable, for disposition of the affected material.

7.2.7 Quality Performance Scoring (Vendor Rating)

Generally, supplier quality performance will be rated using a parts per million (PPM) score, a shipment quality reject (QR) score, or some calculated composite of the two. Some locations may include a scoring deduction, or other method, to account for major disruptions caused by supplier quality failures.

PPM will be calculated with the following formula:

$$\text{PPM} = (\text{total rejected parts} / \text{total parts received}) \times 1,000,000$$

The PPM score may be reported directly as a PPM number or as a derived numerical percentage.

Typically, if a QR score is used, the number of shipment QRs for a supplier during the rating period is subtracted from the total number of shipments during the rating period to get the number of shipments accepted. The number of shipments accepted is then divided by the total number of shipments received and multiplied by 100 to calculate the QR score, as in the following formula:

QR score = 100 x (shipments accepted/total shipments).

In the above example, the QR score is reported as a percentage.

Receiving locations may also alter Quality Scores due to events, caused by poor supplier quality, that have larger negative impact on Dayco than simple QRs. Such events could include, but are not limited to, rejection and sorting of finished goods at Dayco locations, customer quality rejects, returns and/or sorts, warranty issues, field returns, customer field actions, etc. Dayco takes these quality issues seriously, and suppliers may be penalized heavily for such events.

To arrive at the supplier quality scores, the receiving locations will calculate the quality scores using the appropriate measurables, (e.g., PPM scores, QR scores, PPAP rejections, and/or audit scores, etc., as are used by the receiving locations) and report them either as individual or composite scores as their procedures dictate, including any other necessary adjustments.

Details of the individual regional and/or receiving location quality scoring methods may be found, or referenced, in the *Location Specific Requirements* section of this manual.

7.3 Delivery Performance:

7.3.1 Delivery Performance Expectations

Dayco expects 100% on time delivery of the correct amount of material from its Suppliers. This expectation also extends to management of consignment inventories, when applicable. Failure of suppliers to meet delivery and quantity targets not only increases costs for Dayco, but also causes potential scheduling and delivery problems elsewhere in the parallel supply chains. Additionally, untimely delivery of purchased materials may jeopardize Dayco facilities' ability to meet their customers' requirements. While premium freight may allow suppliers to meet their expected delivery schedules, the charges represent undesirable additional costs in the supply chain. When Dayco locations control the means of transport, suppliers are required to use the designated carriers.

7.3.2 Delivery Failure Costs

Suppliers are expected to bear reasonable costs resulting from delivery failures. Such costs would include, but not be limited to:

- Non-standard freight charges and expediting costs (customer or Supplier related);
- Plant overtime costs;
- Customer plant shutdown charges;
- Dayco line downtime costs.

The Dayco locations' Logistics and plant purchasing functions may, at their discretion, debit suppliers for costs incurred from their failures to deliver materials when scheduled.

7.3.3 Scheduling Information

Dayco Purchasing and Logistics will strive to provide the most accurate information available to the suppliers in order to facilitate the suppliers' forecasting and scheduling activities. Suppliers are expected to report problems or inaccuracies in the provided data back to the relevant purchasing and/or logistics functions to assist in problem solving. Suppliers must exhaust all reasonable options available to meet delivery requirements. If a supplier should realize that it will be impossible to meet any delivery date or quantity target, the receiving location purchasing function must be notified immediately in order to minimize the effects of the failure for Dayco and the other suppliers that may be affected.

7.3.4 Delivery Performance Scoring (Vendor Rating)

Delivery performance may be a receipt or ship-based measure (as determined by the receiving locations) and will be scored on a hit or miss basis. A hit will be an on-time receipt (shipment) of the correct amount of product. A miss will be a receipt (shipment), which deviates from the expected timing or quantity targets.

The receiving locations may establish individual targets and tolerances that they use to determine conformity of deliveries to expectations. Additionally, receiving locations may penalize suppliers for instances where premium freight becomes necessary. The respective Dayco Logistics and Purchasing functions have the discretionary authority to adjust individual delivery hits or misses (including premium freight) based on circumstances.

As in the quality scoring section, the receiving locations may calculate either composite scores or separate delivery performance ratings. The delivery performance scores may be calculated as the percentage of total shipments falling within both the timing and quantity tolerance ranges. Receiving locations may also assign numerical or percentage scale ratings based on the magnitudes of the departures from the target values.

The number(s) derived from the calculations are recorded as the supplier's delivery performance score(s) in the scorecard.

Details of the individual regional and/or receiving location delivery scoring methods may be found, or referenced, in the *Location Specific Requirements* section of this manual.

7.4 Additional Performance Measures

In addition to quality and delivery performance, some locations may separately rate suppliers on how well they support their Dayco receiving locations in other key areas. Examples of some of these measurables are PPAP performance, responsiveness, EDI compliance, NAFTA compliance, and ASN accuracy. Other measurables may also be used to rate suppliers, as determined by the individual

regions and/or receiving locations. If rated separately, the receiving locations will assign scoring and weighting criteria, and will include the resultant score(s) in the suppliers' scorecards. The rating criteria, and/or whether these additional measurables are reported separately, can be found in the *Location Specific Requirements* section of this document.

7.5 Overall Performance Scorecard Rating Calculation

The Dayco receiving locations will calculate either composite and/or individual ratings for their suppliers, depending upon their individual methodologies.

Based on the results of the calculations, the performance rating is reported as a numerical value, typically with 100 as the maximum achievable score. Based on the requirements of the individual regions/receiving locations, they will assign rating categories attached to the numerical scores. The rating categories may come with recommended status and/or actions required, based on the score achieved over the rating time period.

The details of the regional/receiving locations' summary score reporting, classifications, and resultant activities can be found, or referenced, in the *Location Specific Requirements*.

7.6 Disputing Ratings

Dayco will strive to be fair and accurate in calculating and determining its Suppliers' performance ratings. There may be times, however, when a supplier believes that the assigned rating is incorrect or unfair. Suppliers will generally have 30 days from the time of issue of the latest ratings to dispute scores. Suppliers should contact the appropriate Dayco Quality, Purchasing or Logistics authority to attempt to have a score changed. Suppliers should present documented evidence to show that the awarded score was unfair or incorrect

Based on the evidence presented, Dayco may revise the supplier's disputed rating. Dayco will attempt to resolve the issue within 10 working days from the date of the initial contact by the supplier.

8. Quality System Requirements

The following section contains information designed to assist suppliers in understanding and meeting the requirements of the specific quality system elements listed after paragraph two on page 6.

8.1 Quality Planning (APQP), FMEA, and Manufacturing Process Design

All Dayco suppliers are required to implement advanced quality planning processes (APQP), and to design manufacturing processes suitable for meeting

designated quality, productivity, and cost goals. Dayco believes that good delivered quality is the result of effective advanced planning as opposed to trial and error after production has begun.

The quality planning process should consider potential product safety and environmental hazards. Suppliers shall notify Dayco immediately when product hazards are identified, either in the process planning phase, or in subsequent production.

8.1.1

A team effort between Dayco and the suppliers is encouraged to achieve compatibility between design specifications and the manufacturing processes. By properly addressing potential issues early in the process, and developing mutually agreed upon specifications, both Dayco and the Suppliers will avoid waste.

8.1.2

Initially, design specifications will be issued by Dayco Engineering these specifications will emphasize characteristics which will require special control to ensure product function, customer satisfaction, adherence to regulatory and safety requirements, and/or efficient allocation of planning and control resources. These special characteristics will be designated on the specifications by using applicable symbols as defined by the appropriate engineering functions. The design specifications also will contain the requisite material, engineering, and performance testing specifications and/or references.

8.1.3

Once the specification is communicated to the supplier, it becomes the supplier's responsibility to plan, design, and implement processes capable of manufacturing the product, meeting all of Dayco's requirements. Suppliers are strongly encouraged to participate in design reviews with the appropriate Dayco Engineering and Quality personnel in order to enhance manufacturability and minimize waste. To document specification-process compatibility, suppliers should complete and submit the "Team Feasibility Commitment" form contained in Appendix D of the AIAG APQP Manual referenced on page 7. This commitment should be returned to the appropriate Dayco facility purchasing personnel and should be completed before or at the time of quote submission.

8.1.4

A cross-functional team effort is required during supplier implementation of the APQP and Manufacturing Process Design activities. The team should include members from all key areas affecting manufacturing and quality. The team is expected to clearly define the required processing steps and key process/product control parameters, determine what can go wrong with the processes, and to provide for (and document) all controls, procedures, and work instructions necessary to ensure that Dayco's requirements are all met. These activities should also include manufacturing equipment, required tooling, optimized process layout, gaging and testing equipment, material handling, and packaging requirements.

8.1.5

As evidence of an effective process planning and design activity, suppliers are expected, at a minimum, to develop, implement, and maintain (including review and updating) the following listed documents. Documents such as Flowchart, Control Plan, Process FMEA and Drawings shall be mutually signed by Supplier and Dayco. Process control documents shall include identification of Dayco special characteristics.

Process Flow Chart

- A graphic illustration showing each step of the manufacturing process and the locations of all controls designed to assure that the process yields quality products. A Process Flow Chart may take many forms, but it must include all processing steps and contain numbers which key it to the appropriate steps/elements of the other process planning and control documents. It may be useful to include expected process outcomes and potential sources of variation as part of the flow chart as an aid to the downstream planning and design processes.

Process Failure Mode and Effects Analysis (PFMEA)

- A tabulated, detailed description of processing steps, listing all reasonable potential failures, downstream effects of each failure, and potential causes for each failure. Numerical values are assigned to each of three categories: severity of the failure, likelihood of the failure occurring, and likelihood of detection of the failure mode. Using these assigned numbers, a risk priority number (RPN) is calculated. The RPNs should then be used as tools to prioritize prevention and detection activities in order to minimize risks of “things gone wrong” in the processes. All special characteristics must be addressed in the PFMEA. Poke-yoke, or mistake proofing activities, should always take precedence over ordinary traditional sampling and detection activities. PFMEAs should be numerically keyed to the appropriate steps/elements of the other process planning and control documents. Detailed guidance for implementing PFMEAs can be found in the reference manual listed on page 7.

Process Control Plan

- A summary tabulated description of the processing steps, which details required equipment/tooling, control characteristics, acceptance criteria (specification limits), measurement/evaluation methods, sampling criteria, control methods, and reaction plans for nonconforming and/or out-of-control processes. All special characteristics must be addressed in the Control Plan. Control plans should be numerically keyed to the appropriate steps/elements of the other process planning and control documents. If controls are of such complexity that they cannot be included directly on the Control Plan, the supplier should reference the document(s) or work instruction number(s) that apply to that particular process. Suppliers should use the recommended AIAG control plan format, though other methods of documenting the process control strategy may be acceptable, if approved by the Dayco receiving location(s). Guidance for completing control plans

may be found in the *Advanced Product Quality Planning and Control Plan* manual referenced on page 7.

8.2 Work Instructions

Suppliers to Dayco are required to provide work instructions to personnel who operate and set up processing equipment, who perform manual process operations, and who perform quality inspections. This requirement also applies to rework and re-inspection of nonconforming product. Work instructions shall be readily available to the relevant personnel at the location where the work is performed. Work instructions should be in sufficient detail that the job requirements are clear and unambiguous. The work instructions for process operators should also contain the relevant quality requirements, i.e., inspection/gaging methods and acceptance criteria for both objective and subjective characteristics (including boundary samples), as are applicable to the work to be performed. For visual defects, acceptance criteria and levels must be mutually defined and agreed upon through pictures and/or sample masters. Work instructions should be numerically keyed to the appropriate steps/elements of the other process control planning documents. Dayco recommends the use of visual work instructions, as properly made photographs and good illustrations have relatively high impact as methods of documenting how work steps are to be performed. Dayco's designated special characteristics must be identified on the suppliers' work instructions, when appropriate. Dayco encourages suppliers to educate operators in order that they understand the impacts of their process outputs on downstream processes and the end users, whenever possible.

8.3 Change Management

8.3.1

All product design, process, source, location and material changes and/or requests for deviation from the current PPAP approved level are required to be submitted for formal approval through a *Supplier Generated Request for Change*, or a *deviation request*, this includes any and all sub-tier supplier changes and/or deviations. This requirement also applies to changes resulting from process or product improvement activity, or from previous product nonconformity. Suppliers using permanent tooling, either not owned by Dayco, or subject to a perpetual replacement agreement, shall notify the applicable Commodity Manager or Dayco location Purchasing authority, using the *Supplier Generated Request for Change*, when tooling replacement is required. Notification shall occur before the start of the tool work. The change request also shall include the expected lead time(s) and PPAP date(s). The *Supplier Generated Request for Change* form may be found on the website daycosupplier.com. Deviation requests are addressed in section 8.21 of this manual.

Suppliers must obtain written approval from Dayco prior to implementation of any requested change or shipment of any product containing deviations to Dayco specifications.

Suppliers will be responsible for the costs of any testing required by Dayco or Dayco's end customer to validate the change/deviation, requested by a supplier, ensuring that it will not negatively impact the performance of the Dayco or Dayco's end customer's product. Any testing costs related to the supplier's change/deviation request incurred by Dayco and/or Dayco's end customer(s) will be communicated to the supplier by their Purchasing Management Representative.

Upon receipt of written Dayco approval of a change request, the supplier is required to submit a new Level 3 PPAP, unless the written approval specifies otherwise. The receiving Dayco facility will advise the supplier if it will require a production trial run and/or any special change management lot control or identification. No production shipments should begin until the supplier has received the approved PSW from the receiving Dayco facility.

Suppliers are responsible for any and all damages or costs incurred by Dayco and/or Dayco's end customers for the suppliers' failure to comply completely with the Dayco Change Management requirements.

8.4 PPAP

8.4.1

The ability of the supplier's processes and equipment to make conforming product shall be verified and documented per requirements set forth in the *Production Part Approval Process* reference manual listed on page 7. Other arrangements and modifications to these requirements may be made by agreement between the suppliers and the individual receiving locations. This requirement includes process and tooling changes, and other situations as defined in sections 3.1 and 3.2 of the PPAP manual. Copies of the agreed-upon PPAP records must be maintained by the supplier and will be submitted as required by the receiving locations. Documentation submitted by the suppliers to demonstrate conformity to material requirements (e.g. material certifications and/or certificates of analysis) must be issued by an accredited laboratory and must include the test laboratory's certificate of accreditation and laboratory scope. The submitted test results shall be current, as defined by the receiving location.

8.4.2

Suppliers shall conform to Dayco requirements for process capability of designated special characteristics, and for optimization of manufacturing processes. For initial capability studies, the default requirement is a Ppk of 1.67, unless otherwise specified by the receiving location or the customer. The default sample size is 50, unless otherwise agreed upon. Capability should be assessed for all process streams, if there are more than one. All laboratory, dimensional, and functional test results must be reported in the same units as are on the specification.

8.4.3

There are five levels of PPAP submission. For Dayco part submissions, the default level is level 3. In addition to the agreed-upon number of production part samples, the following documents shall be submitted to the Dayco receiving location:

1. Design specification;
2. Engineering change documentation, if applicable;
3. Process Flow Diagram;
4. Process FMEA;
5. Process Control Plan;
6. Measurement system analysis studies for special characteristics;
7. Dimensional layout results for the designated number of samples; including numbered specification and dimensional results sheets;
8. Material performance test results;
9. Material analysis test results;
10. Records of compliance with customer specific requirements;
11. Engineering drawings and photographs for Dayco gaging and tooling;
12. Completed and signed Part Submission Warrant, including IMDS number;
13. REACH declaration, if required by the customer;
14. Accreditations and scopes for external test laboratories (8.13);
15. Packaging specifications, if required by the receiving location or the customer.

Suppliers shall retain a designated part master sample, if it is not perishable. Suppliers shall also make any required part inspection checking fixtures available for Dayco review upon request.

8.4.4

Dayco suppliers are also required to provide, as part of the PPAP package, tooling drawings for, and photographs of, any Dayco-owned tooling and/or inspection fixtures, including clear photos of the affixed asset tags or other required tooling identification markings. For example, in the case of injection molding and die casting tooling, the photographs, in addition to showing the exterior of the tooling, should show the cavities in both halves in such detail that the parts to be produced are identifiable. Photos of additional cavities, inserts, etc. shall also be included.

8.4.5

As a part of the PPAP run, suppliers will be required to conduct a significant production run, which is sometimes referred to as a “*Run at Rate*”. The purpose of this activity is to verify that the production process is capable of meeting production requirements over an extended period of time.

Any process change at the supplier must be re-verified starting with the first Production Run of the change. The PPAP must be updated and approved before any product can be shipped to a DAYCO facility or supplier.

The supplier's management is required to certify that the production process has been demonstrated capable of producing the product at a rate sufficient to meet the quoted volumes. The certification shall include the part number or RM code, date(s) of the run, applicable equipment identification, the length of the run, and the necessary calculations and results to demonstrate compliance. The length of the run shall be dependent on the type of product and agreement between the supplier and the receiving location. Dayco reserves the right to do an on-site verification of the production run. The default minimum run for PPAP is 300 pieces for rigid parts while for flexible components it is according to quantity put in PPAP order. Suppliers must contact the receiving locations to make sure that production run requirements relative to timing and production quantities are met.

8.4.6

After receipt and review of the PPAP samples and documentation, Dayco will either accept the PPAP, fully or conditionally, or reject the PPAP. A reject or conditional approval will require a resubmission. Deviations and/or corrective actions may be required, as directed by the receiving location(s).

8.4.7

It is Dayco's expectation that its Suppliers will extend the PPAP process requirements to qualification of incoming tier 2 components from tier 2 suppliers.

8.5 Management of Production Tooling

8.5.1

Dayco suppliers are expected to implement systems for tooling management, including systems for control of design, fabrication, storage, setup, maintenance, and repair. If tooling fabrication, modification, or repairs are outsourced, the suppliers shall provide systems to monitor the work performed. Suppliers shall provide systems for management of perishable tooling. Suppliers utilizing Dayco permanent tooling, such as die casting molds, molds for plastic injection molding, or stamping tools, etc., shall provide reports of tool condition to the appropriate Dayco receiving locations' purchasing functions at intervals defined by those locations. If no reporting interval is specified, then the reports shall be submitted quarterly by default. The reports shall contain, at a minimum, the following information (or as required by the receiving location(s)):

1. Part number and description, including engineering change level;
2. Number of cavities (as appropriate);
3. Dayco asset tag number and/or serial number;
4. Number of parts produced and/or total shots;
5. Statement of tooling condition (i.e., good, fair, poor, etc.);
6. Estimate of remaining tool life;
7. Estimated cost of any projected repairs or maintenance;
8. A report on the condition of any customer-owned gaging or fixturing, if applicable.

8.5.2

Suppliers should also report if tools are not capable of producing parts having the required capability (Cpk) values. Timeliness and completeness of the tooling reports may be considered in the suppliers' scorecards.

8.6 Engineering Specifications

8.6.1

Suppliers are expected to conform with all requirements of Engineering specifications and technical documentation relevant to products and services supplied to Dayco. Timely review, distribution, and implementation of Dayco Engineering Standards and changes are required. Timely shall mean no longer than two working weeks, unless otherwise specified by the receiving location(s). Suppliers are expected to maintain records of effective dates of engineering changes in production, and all PPAP requirements must be met.

8.6.2

Suppliers shall notify the appropriate Dayco receiving location personnel immediately if the review(s) identify any missing materials, inconsistencies and/or requirements in the technical documentation that need correction, or cannot be met. Supporting data should be provided.

8.7 Product Identification and Traceability

Dayco suppliers are required to maintain product identification throughout all stages of processing. This identification shall include the applicable part numbers or RM codes and discreet lot or batch numbers, in addition to any other information required by the Dayco receiving locations. Lot numbers may be defined by changes in raw materials, changes in processing equipment, number or parts produced, and/or periods of time. If time is used to define lot size, the default lot run length shall be no longer than eight hours. The status of materials and products relative to quality requirements shall be clearly evident. Material location alone does not meet this requirement. Unless waived by the Dayco receiving locations, Suppliers are required to maintain traceability of product to raw materials and the relevant incoming materials and manufacturing inspection data.

8.8 Cleanliness of Premises

Dayco's suppliers are expected to maintain work areas that are clean, well-organized, well-lit, and conducive to high operator morale and the production of quality products. Work area cleanliness shall be in line with expectations for the types of operations and products produced. One methodology recommended by Dayco for meeting this requirement is '5S' principles. Dayco believes that discipline in the work area improves the process flow and reduces the opportunities for contamination, missed operations, and inspections.

8.9 Designation and Control of Special Characteristics

Suppliers shall comply with all Dayco requirements for documentation and control of special characteristics. Particular attention shall be paid to meeting control requirements relative to safety, regulatory requirements, and process capability indices. These requirements may include, but are not limited to, increased capability, continual improvement of key process factors affecting the special characteristics, increased or special reporting, SPC, etc. Suppliers shall include Dayco-designated special characteristics on their process documentation. Dayco receiving locations may have different symbols for marking the special characteristics, and may also have different capability and/or reporting requirements. When capability of a special characteristic is required, the defaults are Ppks of greater than or equal to 1.67 for initial process evaluations, and Cpk of greater than or equal to 1.33 on an ongoing basis. When SPC monitoring of a characteristic is required, the process should be charted and a state of control maintained. For guidance, Suppliers should reference the AIAG *SPC* Manual, or other specifically-required customer materials. The Suppliers shall establish valid statistical control limits for the controlled parameters and they shall react in a timely manner when parameters go out of control. Out of control processes, in addition to the actions necessary to re-establish control, may also require containment and 100% inspection of the product to ensure that conforming product is shipped to Dayco. Suppliers are required to report statistical capability performance indices periodically to the receiving locations. The default reporting frequency is quarterly. Suppliers must contact their respective receiving locations to make sure that all specific requirements for control and reporting of conformity of special characteristics are understood and met.

8.10 Preventive and Predictive Maintenance

In order to maximize productivity and minimize negative impacts of equipment performance on product quality, Dayco expects its suppliers to develop and implement effective documented equipment preventive maintenance programs. Suppliers shall identify key manufacturing equipment and provide for the performance of specified maintenance activities at appropriate intervals. Sources of information relating to the maintenance activities could be, but would not be limited to, manufacturers' recommendations, employee experience, internal equipment performance history, and quality data. Suppliers are also responsible for identification, and ready availability, of key spare parts to minimize downtime. Dayco suppliers' management teams are also expected to establish measures and objectives for equipment performance, and to use the data to prevent failures and continually improve equipment performance. This requirement shall also extend to any equipment affecting safety.

8.11 Monitoring and Measurement of Manufacturing Processes

8.11.1

Dayco's suppliers are required to monitor and maintain the performance and capability of their manufacturing processes as established during the PPAP process and pursuant to the requirements noted in the *Designation and Control of Special Characteristics* section above. Suppliers shall ensure that the process flows and control plans established during APQP and process design activities are implemented and followed, especially as they relate to measurement and testing methods, the defined acceptance criteria, and the reaction plans that are implemented when the acceptance criteria are not met. Process control adjustments and tooling changes shall be recorded. Reaction plans shall provide for containment and 100% inspection of the product, if appropriate. Suppliers shall maintain records of process changes (see *Change Control* section above). *Inspections for characteristics having variable data shall have the actual data recorded. Recording of "pass" or "fail" for variable data is not acceptable.*

8.11.2

Also, as required by the receiving locations, Suppliers shall periodically produce, record, and maintain data as evidence of ongoing product conformity to all Dayco dimensional, chemical, physical, and performance specifications (layout inspection). Usage of data generated during routine production product inspection and testing is permitted.

8.12 Verification of Job Setups

Dayco's suppliers shall provide job setup instructions and shall perform job setup verification whenever setups are performed. Setups will be verified using statistical methods, where applicable. Setup instructions shall include or provide for the following, as appropriate:

1. Tools, equipment, and gages required;
2. Process operating parameters and limits;
3. Special instructions for tooling hookups (e.g., coolant hoses, etc.), and machine adjustments.
4. Requirements for the determination of acceptability, and disposition, of product before release to production;
5. Limit condition masters for poke yokes, and verification of automated inspection equipment.

Note: Dayco encourages suppliers to conduct operator reviews of visual standards and previous failure modes before the beginning of production.

8.13 Laboratory Requirements

Suppliers shall use accredited laboratories for independent testing and for the periodic certification of the required chemical, physical, and performance properties of their products and/or raw materials, as applicable. The laboratories

shall have a scope which includes the tests to be performed, and an accreditation to ISO/IEC 17025, or the national equivalent (e.g., A2LA). Dayco suppliers shall keep the current required laboratory documentation on file and shall submit it when requested by the receiving locations. Dayco suppliers, after PPAP approval, shall recertify conformity of material properties annually, at a minimum, unless otherwise specified by the receiving location. Certifications shall include test results and statements of conformity for all material chemistry and/or performance testing requirements listed on the material specification(s).

8.14 Measurement System Analysis

Suppliers are expected to perform appropriate statistical studies to verify the suitability of measurement and test equipment. The minimum expectation is that equipment used to verify special characteristics having capability requirements will have studies performed. The studies shall be performed on an annual basis to assure continuing suitability of the measurement systems. The most commonly applied method of analysis is the gage repeatability and reproducibility (GR&R) study. Depending on the types of product and measurements performed, other methods may be more suitable and may be agreed on between the supplier and the receiving location(s). The methods found in the *AIAG MSA* reference manual listed on page 7 are recommended. The default acceptable level for measurement uncertainty is less than, or equal to, 10% of the tolerance range. Higher levels of uncertainty may be acceptable depending on the type of product, type of measurement, relative risk, and/or cost involved in reducing measurement variation. The maximum acceptable measurement system variation is generally considered to be 30%. As additional evidence of suitability of the proposed gaging equipment, suppliers should report the resolution limits of all proposed gages.

8.15 Calibration/verification Records

8.15.1

Dayco suppliers shall maintain records of all calibration/verification of measurement equipment which is used to demonstrate product conformity to specifications. This requirement extends to employee-owned and customer-owned gaging equipment. Calibration records will include, at minimum, the following:

1. Unique device identification, and the standard which is used to calibrate it;
2. Measurements made and acceptability limits;
3. Any revisions resulting from engineering changes;
4. Readings as received for calibration, including out of tolerance readings;
5. An assessment of impact if an out of tolerance condition is discovered and notification of the appropriate Dayco receiving location(s) if suspect material was shipped;
6. A statement of conformity after calibration is complete.

8.15.2

Calibration records shall be traceable back to the applicable national standards, physical constants, or accepted industry standards.

Note: Calibration of gages including indicators, or comparator-type gaging, to a single point is not acceptable. At least two points are required to establish that the gage is accurate at more than just the set point and give an indication of linearity. Dayco recommends that, at minimum, such gage types be checked at both ends and the center of the applicable measurement range.

8.16 Control of Nonconforming Product, Rework and Repair

8.16.1

Dayco suppliers are expected to implement an effective documented system for control of nonconforming product. The definition of nonconforming product shall extend to suspect or unidentified product. The system shall provide for containment and disposition of the product, and documentation of the nature of the nonconformities. Nonconforming product shall be clearly identified and shall be removed from the normal process flow to a designated area so as to prevent inadvertent usage. Disposition of nonconforming product shall occur in a timely manner and shall be recorded.

For some Specific Dayco locations, Nonconformity Management is done through Web Suppliers Portal access:

(<https://Suppliers.daycoeurope.com/InternetWeb/Login.jsp> for Europe).

8.16.2

Suppliers may not ship nonconforming product to Dayco without a written deviation. If the Dayco receiving location will not agree to a deviation, the product must be 100% inspected, scrapped, or reworked.

8.16.3

If product is to be reworked or repaired to bring it back into specification, or as agreed by Dayco, the supplier shall provide a defined process and adequate resources. This shall include written rework or repair instructions for the appropriate personnel. The reworked or repaired product will be re-inspected to ensure conformity to the specified requirements before release. Records of conformity shall be kept for reworked and repaired product.

8.16.4

Suppliers are required to notify their Dayco receiving locations when they believe nonconforming product may have been shipped to Dayco.

8.17 Problem Solving Methods

As an integral part of the corrective action process, Dayco's suppliers are expected to use disciplined problem solving methods (e.g. Ford 8-D Team Oriented Problem Solving, GM 5 Phase, Chrysler 7 Step, etc.). Dayco will make every effort to provide samples and/or other needed evidence, in a timely manner, to support the problem solving process. The problem solving methods shall provide for systematic identification, verification and elimination of root causes for the

identified problems. The problem solving effort shall also include verification of the effectiveness of the identified solution(s), and identification of other products and/or processes to which they may be applicable. As a part of the problem solving process, suppliers are expected to identify and correct the systemic reasons for the failure of the controls to detect the failure(s) that occurred. Review and revision of FMEAs and Control Plans is required. Unless otherwise specified by the receiving location(s) the default corrective action reporting format is the 8-D.

For Specific Dayco Locations where Nonconformity Management is done through the Web Suppliers Portal, 8-Ds will be loaded by suppliers inside the Portal (<https://Suppliers.daycoeuropa.com/InternetWeb/Login.jsp>).

8.18 Dayco Packaging and Labeling Standards

All Dayco suppliers are expected to conform to the receiving locations' packaging and labeling standards as stated in paragraph two in the Quality Performance rating section. Some Dayco locations may require the suppliers to submit documented and/or pictorial evidence, at PPAP, that their packaging and labeling methods meet requirements. Receiving locations also generally will have special requirements for packaging, labeling, and identification of prototype and/or PPAP parts. Suppliers must contact the individual receiving locations to determine what the specific requirements are. These special requirements may also extend to product shipped after PPAP (first production lots) or product shipped after quality rejections. In any case, packaging design should be commensurate with the types and criticality of product features, and should be adequate to protect the product against reasonably expected damage during transportation. Other considerations such as presentation of product to Dayco manufacturing processes may also apply.

8.19 Record Retention

Records of PPAPs, Dayco or Dayco's customer-owned tooling and tooling modifications shall be kept by the suppliers for the production and service lives of the parts plus one calendar year. Records of production inspections and tests shall be maintained for a minimum of one calendar year after the year in which the records were generated. Records of internal quality system audits and management reviews shall be kept for three years. Records should be disposed of in a timely manner after the required retention periods have been completed. If Dayco receiving locations have retention requirements differing from the above-listed defaults, they may be found in the Location Specific Requirements.

8.20 Incoming Product Conformity to Requirements/Tier 2 Approval

8.20.1

Dayco suppliers are expected to verify that their incoming raw materials meet specified requirements. Acceptable verification methods include receipt and analysis of statistical data, incoming materials inspection and testing, second or third party quality system assessments (along with records of acceptable

performance), evaluation of incoming product by a designated laboratory, or some other method as agreed upon with the Dayco receiving location(s).

8.20.2

As a part of the control of incoming product conformity, Dayco suppliers are expected to have documented processes for the approval of new subcontractors (Tier 2 suppliers), and addition of those subcontractors to their approved supplier lists. The approval processes must include assessments of the subcontractors' abilities to meet the suppliers', and by extension, Dayco's needs. Dayco suppliers must also have formal processes for the approval of components and/or raw materials incorporated into parts and materials purchased by Dayco. Requirements for Tier 2 supplier and component approval may vary by Dayco receiving location. The default process for component or material approval is PPAP (8.4).

8.20.3

Certificates of Analysis (COAs): Suppliers that use COAs as evidence of incoming material quality verification must have the relevant Dayco and/or supplier specification requirements on hand, and must maintain evidence that the results shown on the COAs have been reviewed for conformity to, and meet, all of the specified requirements.

8.21 Deviation (Customer Waiver)

Suppliers to Dayco must receive a written authorization before production or shipment of any product, when the product or the production process is different from that which was previously approved. The deviation shall contain the quantity of product to be manufactured and shipped, or its date of expiration. It shall also contain a description of the specific nature(s) of the change(s) that are to be allowed. Material shipped under a deviation shall be properly identified, as required by the receiving location(s). When the deviation expires, the suppliers shall ensure that the products and/or processes conform to the previously approved (or superseding) specifications. Suppliers shall keep records of deviations including traceability to the affected lot of batch numbers. Some Dayco locations require submission of corrective action reports or other documentation when deviations are issued. Suppliers must check with their receiving locations for specific requirements.

8.22 IMDS

IMDS is a system for reporting the composition of direct materials used in the automotive industry supply streams. Suppliers to Dayco are required to submit the chemical composition of all materials sold to Dayco using the IMDS system. IMDS reporting is required for all purchased parts and materials before PPAP approval can be given. Dayco provides information and assistance for meeting the IMDS submission requirements at the website daycosupplier.com. Suppliers may also contact the receiving locations for additional information and assistance.

8.23 Statement of Clarification

The quality system requirements listed in the above section are basic Dayco requirements and are not intended to supersede any government regulatory or specific requirements that any Dayco location may have. This also includes specific applicable requirements of Dayco's customers. Also, the contents of this section do not preclude the application of other requirements of ISO/TS 16949. Questions about elements, interpretations, and requirements should be directed to the locations' Quality Assurance Managers or the applicable Supplier Quality/Supplier Development functions.

9. Glossary of Acronyms and Terms

AIAG (Automotive Industry Action Group)

An automotive industry trade association dedicated to improvement of processes and productivity. The North American vehicle manufacturers and their Suppliers collaborate in this organization.

Approved Suppliers

Suppliers who have satisfied the evaluation and selection criteria as outlined in the Supplier Selection Procedure are Approved Suppliers. After final approval, the Supplier name is added to the respective Approved Supplier List. In this context, the term "list" may mean a database—as is appropriate to the regions and/or receiving locations.

APQP (Advanced Product Quality Planning)

The activities by which processes used to manufacture new (and changed) products are defined, risks are assessed, and controls are established in order to prevent nonconformities.

ASN (Advance Shipping Notice)

An electronic transmission, from the supplier to the customer, containing required information about the product shipment.

Certified Stock

Product that has been 100% inspected and/or gaged in addition to the supplier's normal manufacturing controls in order to verify conformance to requirements. Generally, DAYCO receiving locations require that certified stock be specially marked.

Cp / Cpk

Process capability indices.

CQI-9

Special process survey: Heat Treat Assessment

CQI-11

Special process survey: Plating System Assessment

CQI-12

Special process survey: Coating System Assessment

CQI-15

Special process survey: Welding System Assessment

CQI-19

Sub-Tier Supplier Management

CQI-23

Special process survey: Molding System Assessment

C-TPAT (Customs-Trade Partnership Agreement against Terrorism)

The C-TPAT program is a joint effort between U.S. Customs and the trade community to reduce the threat of terrorism by means of protecting the integrity of cargo imported into, further processed or warehoused in and or exported from the United States.

Deviation (Customer Waiver)

Written authorization by the customer allowing shipment of product that does not conform to all specifications. Deviations are typically limited in scope and duration and corrective action is required to prevent future occurrences.

EDI (Electronic Data Interchange)

A system of electronic data exchange between trading partners. EDI is used to transmit forecasting information as well as shipment information.

IMDS (International Material Data Sheet)

A system designed to collect and manage information on the chemical composition of all components used in the vehicles.

ISO (International Organization for Standardization)

An international organization of national standards bodies dedicated to the preparation of international standards. The ISO 9000 series is the international standard for quality systems and has been adopted as the American national standard, and is generally recognized globally.

Non Standard Freight

Any freight charges incurred that result from transportation outside the normally contracted delivery routing. This could include additional trucks or special courier service.

OEM

Original Equipment Manufacturer

PPAP (Production Part Approval Process)

A disciplined, documented method for verifying that new and changed processes and products meet all specified requirements-physical, chemical, dimensional,

performance, and appearance (as required). PPAP approval is required for all new and changed products. Default is level 3.

PPM (Parts Per Million)

A measure of a Supplier's product quality. It is expressed as the number of nonconforming products received per million parts shipped. PPM provides the customer with a tool with which to compare Suppliers' performance on a level playing field. PPM may also be applied, in some circumstances, to other performance categories.

QR (Quality Rejection)

A measure of a Supplier's product quality. It can be expressed as percentage either of: total accepted shipments of the total number of shipments, or total rejected shipments of the total number of Shipments

REACH

The European Community Regulation on chemicals and their safe use. It deals with the **R**egistration, **E**valuation, **A**uthorisation and **R**estriction of **C**hemical substances. Compliance to REACH may be required by some Dayco locations.

RFI

A request for information.

RFQ

A request for quotation.

Tier 2 Supplier

For the purposes of this manual, a tier 2 Supplier is a subcontractor, or a provider of materials, components, and/or services to one of Dayco's Suppliers.

Tier 2 Component

A component provided by a tier 2 Supplier.

VDA (Verband der Automobilindustrie)

The German Automotive Industry Association representing the automotive manufacturers and Suppliers to ensure continued competitive utilization of their experiences and skills.

LOCATION SPECIFIC REQUIREMENTS

Dayco North America Supplier Performance Rating System

Dayco Suppliers will be rated on their overall performance. *Supplier performance is monitored through the following indicators: delivered product quality; customer disruptions including field returns; delivery schedule performance (including incidents of premium freight); special status customer notifications related to quality or delivery issues; customer service/support.* This section details the performance requirements and the Supplier performance rating system.

Each Supplier will have a scorecard with an overall performance rating. The rating will be calculated using scores derived from the three key elements of Supplier performance, Quality, Delivery, and Service/Support. The weighting of the overall score using the key elements will be as follows:

Quality	40%
Delivery	40%
Service/Support	20%

A Supplier with perfect scores in all key elements will receive an overall score of 100.

Quality Performance Scoring:

Supplier quality performance will be rated using a composite of a parts per million (PPM) score, a quality reject (QR) score, and a Supplier quality event (SQE) score.

PPM will be calculated with the following formula:

$$\text{PPM} = (\text{total rejected parts} / \text{total parts received}) \times 1,000,000$$

Dayco will then take the calculated PPM total and, using an algorithm, assign a point score for the time period. An example of the PPMs and derived scores is shown in the table below.

PPM	Point score	PPM	Point score	PPM	Point score	PPM	Point score	PPM	Point score
0	100	51-61	89	205-257	78	788-840	67	4707-5235	55
1-6	99	62-72	88	258-310	77	841-893	66	5236-5765	54
7-11	98	73-83	87	311-363	76	894-946	65	5766-6294	53
12-17	97	84-94	86	364-416	75	1000	63	6295-6823	52
18-22	96	95-105	85	417-469	74	1001-1530	62	6824-7353	51
23-28	95	106-116	84	470-522	73	1531-2059	61	7354-7882	50
29-33	94	117-127	83	523-575	72	2060-2589	60	7883-8411	49
34-39	93	128-138	82	576-628	71	2590-3118	59	8412-8941	48
40-44	92	139-149	81	629-681	70	3119-3647	58	8942-9470	47
45-49	91	150	80	682-734	69	3648-4177	57	9471-9999	46
50	90	151-204	79	735-787	68	4178-4706	56	100000	0

Note: The table above does not contain the complete rating data. The number derived from the calculation is recorded as the Supplier's PPM score.

The number of QRs for a Supplier during the rating period will be displayed in the scorecard and is subtracted from the total number of shipments during the rating period to get the number of shipments accepted. The number of shipments accepted is divided by the total number of shipments and is multiplied by 100 to calculate the QR score.

QR score = 100 x (shipments accepted/total shipments).

SQEs are defined generally as events caused by poor Supplier quality that have larger negative impact on Dayco than simple QRs. Such events could include, but are not limited to, rejection and sorting of finished goods at Dayco locations, customer quality rejects, returns and/or sorts, warranty issues, field returns, customer field actions, etc. Dayco takes these quality issues seriously; therefore, Suppliers will be penalized twenty-five points for each SQE. Dayco receiving location Purchasing and/or Logistics functions will assign the SQE scores.

SQE score = number of SQEs x 25.

To arrive at the total Supplier quality score, the PPM score and QR scores will be added together and then divided by two. The resulting score will then have the SQE score subtracted from it.

Quality score = ((PPM score + QR score)/2)-SQE score.

The number derived from the calculation is recorded as the Supplier's quality performance score in the scorecard and is then multiplied by 0.4 to determine the quality performance contribution to the overall performance rating. No score less than zero will be awarded.

Delivery Performance Scoring:

Delivery performance is a ship-based measure and will be scored on a hit or miss basis. A hit will be an on-time delivery of the correct amount of product. A miss will

be a delivery, which is either outside of the allowed delivery or quantity tolerance limits. The delivery date will be the basis for determining a hit or miss delivery. The receiving locations will establish the delivery targets and tolerances. Any instance of a premium freight shipment will result in a one-point reduction in the delivery performance score. The respective Dayco Logistics and Purchasing functions have the discretionary authority to adjust individual delivery hits or misses (including premium freight) based on circumstances.

Supplier delivery performance will be scored as percent hits of total deliveries less premium freight occurrences. The score will be calculated using the following formula:

Delivery performance = (100 x (hits / total deliveries)) – premium freight deliveries.

The number derived from the calculation is recorded as the Supplier's delivery performance score in the scorecard and is then multiplied by 0.4 to determine the delivery performance contribution to the overall performance rating. No score less than zero will be awarded.

Service/Support Performance:

Suppliers will be rated on how well they support their Dayco receiving locations in **five** areas. The overall score for Service/Support will be the sum of the point scores weighted as follows:

1. PPAP performance	20 points
2. Responsiveness	35 points
3. EDI compliance	15 points
4. NAFTA compliance	15 points
5. ASN accuracy	15 points
Total Points Possible	100 points

PPAP Performance

It is Dayco's expectation that Suppliers will deliver PPAP packages that arrive on or before the date scheduled by the receiving location purchasing function. PPAP packages must have all required documentation and samples, and submitted materials must meet all dimensional, chemical, physical, appearance, and performance requirements. All process capability requirements must be met. All Suppliers must also submit an IMDS Substance of Concern report before, or at the time of PPAP. For IMDS information, see www.markivautoSupplier.com.

Failure of Suppliers to meet PPAP requirements can cause problems with build schedules, process validation, and the ability of Dayco to achieve on-time delivery of product samples to customers. Suppliers will be awarded a PPAP performance score between 0 and 20. PPAP performance will be scored by subtracting 5 points

for each unsuccessful PPAP. The minimum score will be zero. Suppliers having no PPAP submissions in the rating period receive a default score of 20.

Responsiveness

It is Dayco's expectation that Suppliers will respond promptly and proactively to all problems and concerns, or other needs that are identified by the Dayco receiving location(s) or their customers. Suppliers will be judged on the following:

- Reactions to complaints or requests for action;
- Timely submission of corrective actions;
- Adequacy of corrective actions;
- Adequacy of containment and stock certification activities;
- Availability of support personnel;
- Promptness and completeness of responses to RFQs;
- Early communication of potential problems.

Suppliers will be assigned a responsiveness performance score by the appropriate receiving location purchasing and quality personnel. The assigned score will be a point score between 0 and 35. Each failure in any of the above listed areas will result in a deduction of 5 points. The minimum score will be zero.

EDI Compliance

It is Dayco's expectation that Suppliers are to implement systems to support electronic interchange of data between themselves and Dayco facilities. EDI is important for reduction in time and errors during information exchange and improvement in the flow of critical information needed for forecasting and scheduling activities. Dayco may at their discretion waive this requirement for some Suppliers. EDI information may be found at www.markivautoSupplier.com.

Suppliers successfully supporting this requirement will receive a score of 15. Suppliers not meeting this requirement will receive a score of zero unless waived by Dayco. If the requirement is waived, the default score of 15 will be awarded.

NAFTA Compliance

It is Dayco's expectation that Suppliers provide NAFTA Certificates of Origin for all eligible materials and/or parts. Certificates that are valid for the applicable calendar year must be submitted to the Dayco receiving locations on or before the specified due date. Suppliers that are in full compliance with this requirement after the specified due date will receive a score of 15 points. All others will receive a score of zero.

ASN Accuracy

It is Dayco's expectation that Suppliers support the receiving locations by transmitting timely, accurate ASNs. ASNs are critical to purchasing because they provide feedback confirming that the releases or kanbans have been filled and the product is being shipped as required. Dayco receiving locations may, at their discretion, waive the ASN requirement for some Suppliers.

Purchasing at the receiving locations will award a score between zero and 15 relative to timeliness and accuracy of the Suppliers' ASNs. For Suppliers who have had the ASN requirement waived, the default score of 15 will apply. Three points will be subtracted for each ASN that fails to meet the timeliness or accuracy requirements. The minimum score will be zero.

Supplier Service/Support Rating Calculation Example:

For example, if Supplier "X" was late on one PPAP, sent two inadequate corrective action reports and a late quotation, fully supports EDI, had two noncompliant ASNs, and was late submitting NAFTA Certificates of Origin, the support overall score would be calculated as follows:

Category	(Calculation)	Score
PPAP Performance	(20-5)	15
Responsiveness	(35-15)	20
EDI Compliance	(15)	15
NAFTA Compliance	(0)	0
ASN Accuracy	(15-6)	9
Total Service/Support Score	(Sum)	59

Overall Performance Scorecard Rating Calculation Example:

The same Supplier "X" had shipped 100,000 units during a rating period containing 20 shipments, and had 50 parts rejected as nonconforming in one of the shipments (one QR). A bent part was found at a customer plant and Dayco sorted product at the customer location (one SQE). Using the formulas supplied, the PPM would be 500 and the PPM score from the table would be 73. The QR score would be 95. The overall quality score for the rating period is $((73+95)/2)-25$, which is 59. During the same period, one shipment was late and quantities shipped were all within tolerance limits, resulting in a score of 95. One premium freight shipment occurred. The delivery performance score would be $95-1$, which is 94. Taking the support score from the example above, the overall rating calculation would be as follows:

Performance Area	Area Score	Factor	Adj. Score
Quality Performance	59	.40	23.6
Delivery Performance	94	.40	37.6

Service/Support Performance	59	.20	11.8
Overall Performance Rating			73

The matrix below will be used in evaluating Suppliers with scores in the following ranges:

Point Score Range	Category	Explanation of Score
95 – 100	Excellent	Preferred candidates for additional and future business. Level needed to maintain preferred Supplier status.
85-94	Acceptable	Candidate for future business.
70 – 84	Marginal	If score is in this range for 3 consecutive monthly rating periods, the Supplier may be placed on probation and will only be considered for future business with Dayco under OE customer direction or after reinstatement criteria are met.
0 – 69	Unacceptable	Suppliers' top management may be requested to attend an inquiry where the performance will be reviewed. Market testing and re quoting activities could occur.

Suppliers that consistently fail to achieve acceptable performance ratings may be placed on probationary status. Suppliers on probation may forfeit the right to quote new business and, if the performance problems are severe and repeated, are subject to removal from the approved Supplier list(s) of the receiving location(s). Suppliers' top management may be required to attend meetings with Dayco Quality, Purchasing, and Operations management at the Dayco receiving locations to assist in resolution of performance problems and to present action plans designed to raise performance to acceptable levels. Suppliers that have been placed on probationary status will be required to perform at acceptable levels for two consecutive rating periods before they can be removed from probation. Dayco Logistics and plant purchasing functions control Suppliers' probationary status. Improvement action will be required for *any* rating category consistently scoring below the acceptable range.

Performance rating summaries will be calculated, published, and distributed to the supply base, on a monthly basis, by the receiving location purchasing functions. The report cards will contain 12 month performance histories for all scoring categories. Distribution of the reports will be done using the Suppliers' primary contacts' email addresses. If email is not available, ratings may be faxed or sent by regular mail.

C-TPAT Foreign and Domestic Supplier Compliance questionnaire

As a member of the Customs-Trade Partnership against Terrorism (C-TPAT) Dayco Products LLC is required to certify that we are following the C-TPAT guidelines outlined by U.S. Customs and Border Protection so that Dayco remains certified and compliant to the requirements of the program. **One of the primary requirements is to have all current and future foreign and domestic suppliers complete a supplier risk assessment questionnaire. To be clear, if you are a domestic supplier and import raw materials or products used in Dayco end items to the United States through U.S. Customs, the C-TPAT requirement is mandatory.** All other suppliers are requested to complete questionnaire and report compliance to Dayco. Dayco encourages all suppliers to embrace the C-TPAT security protocol.

Full details of the C-TPAT Supply Chain Security Guidelines for Vendors, Suppliers, and Service Providers are available for download from DaycoSupplier.com in the regional procedures section. Simply click on the link C-TPAT Guidelines. The acknowledgement form must be signed by a company officer and returned to Dayco within three weeks of receipt of the guidelines.

Dayco Europe Performance Rating System

Suppliers will be rated on their overall performance and according to their Class (see Section Matrix)

DAYCO EUROPE SUPPLIER QUALIFICATION MATRIX

Dayco		RESPONSIBILITY AND APPLICATION / VERIFICATION MATRIX				
Class	1	2	3	4		5
Type	Direct material Production	Prototypes and testing	Manufacturing Investments	Indirect Labor		Auxiliary
Class of goods	Raw materials and components (except for standard products purchased on the market, not specific for Dayco, unless requested by ACQ and / or R&D)	Machinery/Tooling/Test equipment/Components	Machinery/Tooling/Test equipment/	Carriers, Packaging, manufacturing services (product selection, calibration center, laboratories, etc..)		Tools, lubricants, spare parts and small parts maintenance, maintenance services and all other types of goods not provided in previous classes
Responsibility	Purchasing	R&D (Rigid) Purchasing (Flexible)	Process Development (Rigid) Purchasing (Flexible)	Logistic (Carriers)	Purchasing (Packaging)	Quality (Production service) Purchasing, Process Development, Production, Logistic
Qualification	Stage 1	<ul style="list-style-type: none"> Certified ISO TS - ISO 9001 by recognized third party organizations Qualified by recognized customer Sample product qualified (under monopoly) Qualified by other Dayco companies 	<ul style="list-style-type: none"> Certified ISO TS - ISO 9001 by recognized third party organizations Qualified by recognized customer CE Declaration of conformity Qualified by other Dayco companies 	<ul style="list-style-type: none"> Certified ISO TS - ISO 9001 by recognized third party organizations Qualified by recognized customer Qualified by other Dayco companies Qualified by Dayco according Risk Assessment CE Declaration of conformity 	<ul style="list-style-type: none"> Certified ISO TS - ISO 9001 by recognized third party organizations Qualified by other Dayco companies Qualified by Dayco according Risk Assessment Laboratory accredited SIT / Sinal and / or conforming ISO 17005 	Not provided (only if considered necessary by Dayco and / or on specific request of customers, with the one of class 1 methodology)
	Stage 2	<ol style="list-style-type: none"> Initial Supplier Profile Survey Risk Assessment Quality Audit according to SPA form would Waive if already audited by Dayco or is Dayco BU/Plant 	<ol style="list-style-type: none"> Initial Supplier Profile Survey Risk Assessment 	<ol style="list-style-type: none"> Initial Supplier Profile Survey Risk Assessment 	Initial Supplier Profile Survey (Only for carriers, for other sectors where considered necessary)	Initial Supplier Profile Survey (when considered necessary)

Reference Document	<i>Qualified Suppliers list edited by Purchasing</i>	<i>Computerized Master List</i>	<i>Qualified Suppliers list edited by Purchasing</i>	<i>Qualified Suppliers list edited by Purchasing</i>	<i>Computerized Master List</i>
Assessment on receipt Incoming material	<i>AQP Free pass (AQP) or incoming inspection</i>	<i>Verification of correlation between: Delivered quantities/Order Identification (unless customer specific request)</i>	<i>Incoming check</i>	<i>Verification of correlation between: Delivered quantities/Order Identification (unless customer specific request)</i>	<i>Verification of correlation between: Delivered quantities/Order Identification</i>
Performance Evaluation	<i>Vendor Rating according to . Location Specific Requirements</i>	<i>Not applicable</i>	<i>Ref. Location Specific Requirements</i>	<i>Only for carriers and Production service Ref. Location Specific Requirements</i>	<i>Not applicable</i>

TOTAL INDEX- VENDOR RATING

Measures the overall performance of the Supplier .

All individual indexes are grouped and assigned a weighting (as shown below), in order to provide a single index for each Supplier.

Vendor Rating framework:

(Description)	(Weighting)
<i>(Product Quality index)</i>	70
<i>(Service index)</i>	30

Total Vendor Rating	(Class)	(Value)	(Actions)
<i>Excellent</i>	A	90-100	No
<i>Sufficient</i>	B	75-89	<i>Improvement plan with time limit (maximum 3 months)</i>
<i>Insufficient</i>	C	<75	<i>Re-entry plan and suspension of project development for 2 years</i>

Product Quality Index)

Measures capability of the Supplier to provide product conforming to DAYCO expectations and includes 4 indexes:.

PPM Index

Measure the Supplier's performance in terms of supply rejections or scraps. PPM objectives are defined and communicated to the Supplier annually by the Supplier

Quality Assurance in accordance with Purchasing.

PPM are rated using following formula:

$(\text{total rejected or scrapped parts} / \text{total parts received}) \times 1.000000$

Demerit Index

Measure the Supplier's performance in terms of total supply conformity; it is expressed as

(Total parts not conforming / total parts received) x 1000000

PPAP

It is Dayco's expectation that Suppliers will deliver PPAP packages that arrive on or before the date scheduled by the receiving location purchasing function. PPAP packages must have all required documentation and samples, and submitted materials must meet all dimensional, chemical, physical, appearance, and performance requirements. All process capability requirements must be met. Failure of Suppliers to meet PPAP requirements can cause problems with build schedules, process validation, and the ability of Dayco to achieve on-time delivery of product samples to customers. Suppliers will be awarded a PPAP performance score between 0 and 15.

Process Audit and ISO TS third party certification

DAYCO performs periodical Process Audit at Supplier's site assigning a score according to DAYCO Checklist (SPA). This score, together with presence or absence of ISO TS 16949 third party certification, is used combined in final index.

(INDEX)	(WEIGHTING)	CALCULATION FORMULA	POINTS AWARDED
PPM	30	<i>Quantity of material returned in comparison to total material received x 1,000,000</i>	< - Objective 30 Objective - 500 20 501 - 1000 15 1001 - 1500 10 1501 - 2000 5 > 2001 0
<i>Non Conformity Index Demerits</i>	15	<i>Quantity of N.C. material in comparison to total material received x 1,000,000</i>	< PPM objective x 3 15 Objective - 1000 10 1001 - 1500 8 1501 - 2000 5 2001 - 2500 3 > 2051 0
<i>Approval of PPAP</i>	15	% Positive approval compared to the total evaluated	100 % 15 95 -99 % 12 90 -94 % 9 80- 89 % 6 70 -79 % 3 < 70 % 0
<i>Process Audit If not in possession of ISO/TS certification = -1 point)</i>	10	<i>According to the score of last Process Audit</i>	4 10 3 8 2 5 1 0

▪ **Service Index**

Measures capability of the Supplier to provide service levels which meet Dayco requirements and the requirements of the automotive market, in terms of :

ACTIVITIES	INDEX	WEIGHTING	CALCULATION FORMULA			POINTS AWARDED
Shipments (all type of orders)	Capability of Supplier to provide on-time delivery and compliance to quantities requested by Dayco	30	Quantity +/- 5% 5,1% ÷ 10% 10,1% ÷ 15% 15,1% ÷ 20% 20,1% ÷ 25% > 25%	Delay -3 4 ÷ 7 8 ÷ 10 11 ÷ 12 13 ÷ 15 < 15	% Materials % tot %RC+%Q.T A' ----- - 2 < 70	on-time Weighting
	LDS = $\frac{\sum (\text{lines shipped per article})}{\sum (\text{lines ordered per article})}$					30 25 15 10 5 0
Shipments (Cons. Stock)	(Average month-end)		Final balance week (%) : $\frac{\text{Real Stock}}{\text{Target Stock}}$			% Materials on-time Weighting
						30 25 15 10 5 0

Sending Reports

The Vendor Rating is calculated/distributed/made known to each Supplier (as for PPM), by access to Web Suppliers Management Portal.

Class 4 Suppliers

Carriers

Measures the overall performance of the Supplier. All individual indexes are grouped and assigned a weighting (as shown below), in order to provide a single index for each Supplier.

The index is co-ordinate/managed by the Logistics function. It is calculated/updated annually and sent to each Supplier and the Purchasing department..

Vendor Rating - Framework:

(Description) = V	(Weighting) = P
Quality of service	60
Flexibility/timeliness	30
Evaluation of Quality System	10

Total Vendor Rating	Value	Measures
(Excellent)	90-100	-
(Good)	80-89	-
(Sufficient)	70-79	Improvement plan
(Insufficient)	<70	Cancellation of contract

$$VR = \left\{ \frac{\sum (V \times P)}{100} \right\}$$

- Quality of Service: index takes into account any irregularities in service.

(Irregularity)
Delays in loading/unloading
Delivery of damaged material

$$100 - \frac{\text{. N.C. Deliveries Number}}{\text{Total Deliveries}}$$

- Flexibility/timeliness index: measures Supplier response.

Evaluation	Value	Evaluation	Value
(Excellent)	100	(Sufficient)	70
(Good)	80	(Insufficient)	50

- *Evaluation of quality system: index measures the adequacy of Supplier's Quality System in meeting set requirements.*

Evaluation	Value
Certif. ISO 9001/IS TS	100
Not Certified	0
<i>Note: The possible loss of certification means the immediate exclusion in Suppliers list approved</i>	

Quality control/selection of suspected non conformity materials Supplier

The index is co-ordinate/managed by the Quality Assurance function. It is calculated/updated annually and sent by mail to each Supplier and the Purchasing department.

Vendor Rating - Framework:

(Description)	(Weighting) = P
<i>Quality of service</i>	60
<i>Flexibility/timeliness</i>	30
<i>Evaluation of Quality System</i>	10

Total Vendor Rating	Value	Measures
<i>(Excellent)</i>	90-100	-
<i>(Good)</i>	80-89	-
<i>(Sufficient)</i>	70-79	<i>Improvement plan</i>
<i>(Insufficient)</i>	<70	<i>Cancellation of contract</i>

$$VR = \left\{ \frac{\Sigma P}{\dots} \right\}$$

- *Quality of Service: index takes into account any irregularities in service.*
(Rating):

$$100 - \frac{\text{Unsuccessful deliveries}}{\text{total sorting activities}} \times 100$$

100	60
99 ÷ 99.9	50
97 ÷ 98.9	40
95 ÷ 96.9	30
>95	0

- *Flexibility/timeliness index: measures Supplier response.*

Evaluation	Value	Evaluation	Value
(within) 24h	30	(within) 48h	10
(within) 36h	20	(within) 48 h	0

- *Evaluation of quality system: index measures the adequacy of Supplier's Quality System in meeting set requirements.*

Valutazione Evaluation	Valore Value
Certif. ISO 9001/IS TS	10
Not Certified	0
<i>Note: The possible loss of certification means the immediate exclusion in Suppliers list approved</i>	

Class 3 Suppliers of Machinery/Tooling)

Results of the following verifications are assessed :

Formalization of operational progress status.

Final Functional Testing on Supplier's premises (if required)

Final Functional Testing on Dayco Europe premises (in presence of the Supplier)

Verification of compliance with general safety/environmental Standards required for the supply of goods and services (during test on Supplier's premises)

Verification off all required documentation consignment.

$$VR = \frac{A + B + C + D + E + F + G}{7}$$

A <i>Verification of work progress</i>	(Compliance to Planning) 100%	(Delay - 1 week) 80%	(Delay – 2-3 weeks) 70%	(Delay ≥ 1 month) 50%	<i>Failure to meet mandatory dead-line</i> 0%
B – <i>Functional Testing on Supplier's premises</i>	(Conformity) 100%	(observation) 85%	(observation) 70%	(3 or more observations) 50%	<i>Machinery/equipm ent - out of order</i> 0%

C –Functional Testing on Dayco premises	(Conformity) 100%	(observation)n 85%	(observation) 70%	(3 or more observations)5 0%	Not in line with specifications or premature breakage due to weak design 0%
D Compliance with safety requirements	(Compliance) 100%	(observation) 85%	(observation) 70%	(3 or more observations) 50%	Non-compliance with legal requirements 0%
E –Documents provided	(Complete) 100%	(Partial) 50%		Not provided 0%	
F –. Non-conformity due to design deficiencies	i (Never) 100%	From 3 months to 1 year 50%		Within 3 months 20%	
G Non-conformity accidental or due to misinterpretation	(Never) 100%	From 3 months to 1 year 60%		Within 3 months 30%	

Assessment may be carried out on single/multiple supplies. In the case of assessment on multiple supplies, the average value of the VR is calculated.

Vendor Rating	Peso Value	Provvedimenti Measures
(Excellent)	90-100	-
(Good)	80-89	-
(Sufficient)	60-79	Improvement plan
(Insufficient)	< 60	Cancellation of contract

The index is co-ordinate/managed by the Process Development function (Rigid) e technical purchasing function (Flexible). It is calculated/updated annually and sent to each Supplier and the Purchasing department.

Dayco Mexico Quality Rating System

Supplier quality performance will be rated using a composite of a parts per million (PPM) score, a quality reject (QR) score, and a Supplier quality event (SQE) score.

PPM will be calculated with the following formula:

$$\text{PPM} = (\text{total rejected parts} / \text{total parts received}) \times 1,000,000$$

The PPM derived from the calculation will be compared with the values in the tables attached to the bottom of this section. The number associated with the PPM value in the left hand column is recorded as the Supplier's PPM score.

The number of QRs for a Supplier during the rating period will be displayed in the scorecard and is subtracted from the total number of shipments during the rating period to get the number of shipments accepted. The number of shipments accepted is divided by the total number of shipments and is multiplied by 100 to calculate the QR score.

$$\text{QR score} = 100 \times (\text{shipments accepted} / \text{total shipments}).$$

SQEs are defined generally as events caused by poor Supplier quality that have larger negative impact on Dayco than simple QRs. Such events could include, but are not limited to, rejection and sorting of finished goods at Dayco locations, customer quality rejects, returns and/or sorts, warranty issues, field returns, customer field actions, etc. Dayco takes these quality issues seriously; therefore, Suppliers will be penalized twenty-five points for each SQE. Dayco receiving location Purchasing and/or Logistics functions will assign the SQE scores.

$$\text{SQE score} = \text{number of SQEs} \times 25.$$

To arrive at the total Supplier quality score, the PPM score and QR scores will be added together and then divided by two. The resulting score will then have the SQE score subtracted from it.

$$\text{Quality score} = ((\text{PPM score} + \text{QR score}) / 2) - \text{SQE score}.$$

The number derived from the calculation is recorded as the Supplier's quality performance score in the scorecard and is then multiplied by 0.4 to determine the quality performance contribution to the overall performance rating. No score less than zero will be awarded.

The tables below will be used to derive the PPM scores.

Dayco Mexico PPM Score Tables:

PPM	Score	PPM	Score	PPM	Score	PPM	Score				
0	1000	100	10001	11000	90	20001	21000	80	30001	31000	70
1001	2000	99	11001	12000	89	21001	22000	79	31001	32000	69
2001	3000	98	12001	13000	88	22001	23000	78	32001	33000	68
3001	4000	97	13001	14000	87	23001	24000	77	33001	34000	67
4001	5000	96	14001	15000	86	24001	25000	76	34001	35000	66
5001	6000	95	15001	16000	85	25001	26000	75	35001	36000	65
6001	7000	94	16001	17000	84	26001	27000	74	36001	37000	64
7001	8000	93	17001	18000	83	27001	28000	73	37001	38000	63
8001	9000	92	18001	19000	82	28001	29000	72	38001	39000	62
9001	10000	91	19001	20000	81	29001	30000	71	39001	40000	61

PPM	Score	PPM	Score	PPM	Score	PPM	Score				
40001	41000	60	50001	51000	50	60001	61000	40	70001	71000	30
41001	42000	59	51001	52000	49	61001	62000	39	71001	72000	29
42001	43000	58	52001	53000	48	62001	63000	38	72001	73000	28
43001	44000	57	53001	54000	47	63001	64000	37	73001	74000	27
44001	45000	56	54001	55000	46	64001	65000	36	74001	75000	26
45001	46000	55	55001	56000	45	65001	66000	35	75001	76000	25
46001	47000	54	56001	57000	44	66001	67000	34	76001	77000	24
47001	48000	53	57001	58000	43	67001	68000	33	77001	78000	23
48001	49000	52	58001	59000	42	68001	69000	32	78001	79000	22
49001	50000	51	59001	60000	41	69001	70000	31	79001	80000	21

PPM	Score	PPM	Score		
80001	81000	20	90001	91000	10
81001	82000	19	91001	92000	9
82001	83000	18	92001	93000	8
83001	84000	17	93001	94000	7
84001	85000	16	94001	95000	6
85001	86000	15	95001	96000	5
86001	87000	14	96001	97000	4
87001	88000	13	97001	98000	3
88001	89000	12	98001	99000	2
89001	90000	11	99001	100000	1

>100000 **0**

CHANGE SUMMARY

1. Replaced references to Mark IV and Mark IV Automotive with Dayco references, pg. 1.
2. Reworded 3rd element paragraph from Dayco to Dayco plant location references, pg. 1.
3. Changed Dayco manufacturing location list, pg. 1.
4. Added Quality Management rep to signature on letter, pg. 3.
5. Changed wording of the Purpose paragraph to include the Supply Management responsibility for maintenance, pg. 4.
6. Added REACH to glossary.
7. Added quality requirements after end users' paragraph 1, pg. 5.
8. Added acceptance of terms and conditions/contents of manual to General Criteria statements, pg. 5.
9. Added statement about some locations requiring TS16949 registration, paragraph 1, pg. 6.
10. Added statement about provision of registration certificates, paragraph 1, pg. 6.
11. Added corrective action statement, paragraph 3, pg. 6.
12. Added OEM customer requirements to Special Processes, pg. 7.
13. Changed "Reference Documents" to "Reference Manuals", pg. 7.
14. Added Warranty costs to expense list, pg. 9.
15. Added Appendix page, pg. 19.
16. Added Quality System Requirements section, pg. 21.
17. Changed "will" to "may" 1st sentence, last paragraph, pg. 15.
18. Changed wording in Supplier Sourcing and Selection to include Prospective Supplier Quality Evaluation and to reference Suppliers approved by other divisions of Dayco, Pg. 5.
19. Added reference to the Supplier Change Request form to Change Control, pg. 23.
20. Added certification test requirements to Laboratory Requirements, pg. 28.
21. Added and subtracted wording to change document to global format.
22. Added notification requirement for replacement of tooling not owned by Dayco, Change Management section 8.3.1, pg. 16.
23. Added paragraph "Reference Manuals" under 6.2, pg. 7 to replace list removed inadvertently.
24. Added CQI-23 Molding special process survey, 6.4, pg. 8, and identification requirement for Dayco special characteristics, 8.1.5, pg. 15.
25. Added Wagga, Australia as Dayco manufacturing location to Global map, pg. 1.
26. Corrected CQI-23 identification error, pg. 27.
27. Added Dayco Mexico Quality Rating System, pg. 45.

28. Added Government Regulatory, Environmental, Health and Safety, and Conflict Minerals Policy Statements, pgs. 8-9.
29. Added C-TPAT to glossary, pg. 28.
30. Added C-TPAT compliance documentation, pgs. 37-40.
31. Revised locations pg. 1; revised opening letter pg. 3; added reference to CQI-19 ppg. 5, 29; added reference to C-TPAT guidelines on daycosupplier.com pg.37; corrected revision date in footer pg. 1