



# **Quality System Requirements Manual For Suppliers**

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# INTRODUCTION

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## 1.1 Introduction

At the Bocar Group, suppliers are considered an integral part of the Quality System and one link in the supply chain.

The purpose of this manual is to describe the management procedures and the evaluation requirements needed to assure the quality of the suppliers used, in order to contribute to the achievement of the Bocar Group's Supplier Quality Policy.

Upon selecting only those suppliers who can comply with the quality requirements established in this manual, Bocar Group can continue trusting that the materials and services supplied will be world class in quality, value and responsiveness. This will contribute to the achievement of our fundamental objective which is Total Customer Satisfaction.

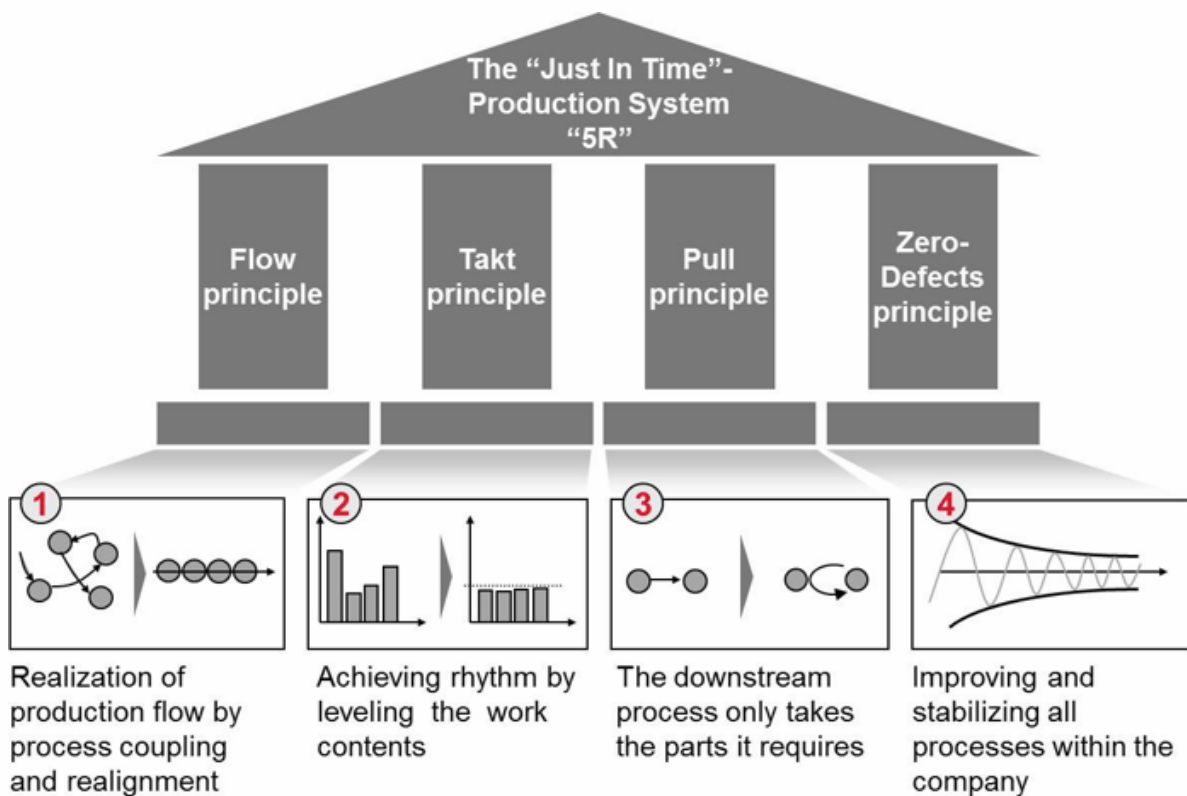
# INTRODUCTION

## 1.2 Quality policy for suppliers

Bocar Group requires that all their suppliers consistently strive for quality improvement, supply with zero defects, meet the highest safety standards in the supply chain and comply 100% with on-time deliveries, as well as cost reduction by the implementation of the Lean Manufacturing and the application of Kaizen (Continuous Improvement) as a work philosophy.

The 4 pillars of Lean Manufacturing are the basis to achieve the Just In Time Production System, which is also called the 5R's principle; that is to say:

The right **Part**  
with the right **Quality**  
at the right **Moment**  
in the right **Quantity**  
in the right **Place**



Within their organizations, all suppliers must implement strategies that seek to improve the products, processes or services offered to Bocar Group.

# SCOPE

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General application to Bocar Group suppliers.

# VALITY

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Since the assignment of a new supplier of direct/indirect material mentioned on this manual or an existing supplier for new projects until the end of the product life cycle.

# POTENTIAL SUPPLIER

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## 4.1 Definition of a potential supplier

A potential supplier is one who is interested in doing business with his products at one or more of the Bocar Group plants, who offers a competitive advantage in quality, technology, service, price, reliability and complies with the initial approval requirements to be considered a supplier for Bocar Group.

Supplier Development will carry out the monitoring of the potential suppliers, aided when necessary by Corporate Purchasing, Quality Assurance, Security and Technical Development. Each unit will receive follow-up until they are approved or rejected as potential suppliers.

The development of a potential supplier will be considered for the following cases:

- a) Replacement of Supplier
- b) Alternative Supplier
- c) New Products or Installations

If the potential supplier is a production material distributor, he is not exempt from this nor is the Sub-Supplier exempt from undergoing the part release process.

## 4.2 Selection and development of potential suppliers

The selection of suppliers is carried out considering, among other things, the capacity the supplier has to comply with the requirements of the Bocar Group, according to the needs of the good or service required.

As part of the process of potential evaluation, the supplier is contacted to request information in advance and to schedule a validation visit where the feasibility for covering the requirements of the Bocar Group and the supplier's manufacturing capacity is evaluated directly on site.

Within the selection process of a potential supplier four types of analyses are carried out: potential evaluation of the productive processes, financial, commercial and safety analyses in the supply chain.

The Supplier Development area, with support from Technical Development and/or Quality Assurance personnel carries out a potential evaluation of the supplier at his installations, based on the VDA 6.3 process audit or [IATF 16949](#) Requirements; In the case of Critical Suppliers within the Supply Chain (chapter 5), a risk assessment is applied with participation of Bocar Group Security personnel.



# POTENTIAL SUPPLIER

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The Corporate Purchasing area will request the supplier provide information necessary to carry out the financial and commercial analyses.

Potential suppliers are required to have at least an ISO 9001 Quality Management System in force by an IAF MLA recognized organization, or to be certified in IATF 16949 by an organization recognized by the International Automotive Task Force (IATF). The supplier must deliver a copy of its certificate to the corresponding buyer.

Likewise, if the supplier has another certification such as C-TPAT, BASC, OEA or supply chain safety, a copy of the corresponding certificate must be sent to the buyer.

The result of the Potential Assessment must be "Green/Approved". In case the result is "Yellow" due to non-conformities identified in the potential audit, the supplier must make a corrective action plan, which should be delivered to the Supplier Development area within a period of no more than 15 calendar days for its review. The closure of the corrective actions must not exceed 3 months.

The Supplier Development area will monitor the supplier to verify compliance with the corrective actions established and jointly with the Purchasing, Quality Assurance, Logistics, Property Security and Technical Development areas will determine the acceptance or refusal of the supplier as a supplier for the Bocar Group.

## **4.3 Suppliers directed by the customer**

If the supplier is assigned and authorized by the customer, Sales and Purchasing areas must reach a responsibility agreement with the client and the supplier concerning the project, schedule of activities for the release of material, approval as a supplier by Bocar Group, as well as aspects of costs for guarantees, quality claims to the supplier, material supply, packaging, etc.; which must be in writing by the different organizations.

# DIRECT MATERIAL SUPPLIERS

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## 5.1 Definition of direct material

Direct material is understood as the supplies, raw materials, components and special processes that make up the finished product.

Bocar Group requires 100% compliance from its suppliers in what refers to quality specifications and 100% compliance in what refers to on-time delivery and correct quantity. For the allocation of new projects, preference will be given to series suppliers that have the best performance in their evaluations. Corporate Purchasing area will not assign new projects to series suppliers that are in an escalation process (see Chapter 5).

## 5.2 Advanced planning of quality and initial samples

Corporate Purchasing area will coordinate a meeting with Quality Assurance, Technical Development and Supplier Development and Logistics in which the supplier will be informed what level of approval must be achieved for the presentation of samples, defining the documents that must be delivered, the dates and the requirements for their approval.

Advanced Product Quality Planning is the key process for the prevention of defects and continuous improvement, therefore the supplier must demonstrate his compliance in the following cases:

- During the development of new processes and products.
- Before making changes to processes and products.
- When reacting due to quality or process problems.
- Prior to the transfer of tooling to new manufacturers or to new premises.
- Before making changes to the process or product that affect vehicle safety or compliance with governmental regulations.

### 5.2.1 Parts that require initial simple documentation (PPAP)

Documentation for approval of initial samples is necessary for all parts delivered to clients who are original equipment manufacturers in the automobile industry, as well as for service parts. Documentation must be properly approved by the user plant representative before the first shipment of products for mass production is sent in order that they may be used at the Bocar Group facilities.

The PPAP documentation will also be necessary for any commercial party specifically modified to be adjusted to the Bocar Group requirements, such as the part number, process, material, or specific requirements if they are determined by a Bocar Group purchase order.

# DIRECT MATERIAL SUPPLIERS

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In the case of customer-directed and/or approved components, a Level 1 PSW is required, addressed to the user plant and, as a backup, the customer's approval with the respective support information according to the level presented.

## Exceptions

**Black Box Products.**- Parts that are bought for a Bocar Group customer in which the production diagrams and specifications are controlled by the supplier, that is to say, the drawings that control the design are the supplier's property, as for example the injectors, kite body motors, etc., which due to commercial or know-how reasons are not provided with all the documentation normally required. In this case, as in the customer-directed products or suppliers, the level of the documentation required for approval of the product (e.g.: PSW signed by the customer, agreed support documents, etc.) must be agreed with the customer and supplier.

The use of quality certificates may be necessary for the validation of compliance with specifications.

**Parts and/or materials, that are controlled by industry specifications.**- These are products manufactured on the basis of formally established international standards (for example: Military standards, UL laboratory accreditations, etc.), as in the case of wires, metal plates, etc.

### 5.2.2 Parts that do not require initial simple documentation (PPAP)

**Non-manufactured materials or materials used to support the production process that are not part of the final product** that is delivered to the user, that is to say, packing material (for example: Bubble wrap or plastic bags), blank labels, sand, filter netting, etc.

**Chemicals and Adhesives.** – These may require approval certificates, the technical and safety sheet for verification of compliance with the specifications upon delivery at the Bocar Group's facilities.

### 5.2.3 Advanced quality planning meeting with the supplier

Once the supplier for the project is selected, the Bocar Group's Corporate Purchasing calls for a "kick-off" meeting with Technical Development, Quality Assurance, Supplier Development, Logistics and the supplier; to analyze the specific requirements for advanced quality planning, drawing specifications, materials, measurement methods, tests, test runs, pre-series approval, specific customer requirements etc., of the corresponding project. Supplier Development will organize the subsequent meetings of Advanced Planning with the supplier according to the complexity of the products and schedules of the different projects.

# DIRECT MATERIAL SUPPLIERS

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## 5.2.4 Documentation

The generation of project documentation and its approval is carried out according to the Specific Requirements of Grupo Bocar and/or its Clients, and may be based on the APQP and PPAP of the AIAG, Manual 2 of the VDA, Formel Q, ANPQP, BIQS, MSA, Special Processes (CQI- 9, 11, 12, 14, 23 etc...), [Early Containment at the start of the project and/or applicable changes](#) or any other methodology.

For the case where there is no methodology requested by the client, Bocar Group requires suppliers to establish advanced quality planning from the outset and submit the following technical documentation for the submission and approval of initial samples, plus what was specifically requested at the kick-off meeting.

### a) Activity Program

An activity program is required (Gantt Diagram) to define all the activities with commitment dates to be carried out in the different stages of project development which, depending on the client can involve: APQP, Formel Q, 2DP, Run & Rate, etc. This program must be sent to Corporate Purchasing and must be jointly reviewed with the supplier for its OK by Corporate Purchasing, Technical Development, Quality Assurance, Logistics and Supplier Development areas.

### b) Feasibility and Risk Analysis Evaluation

This document shows the evaluation of the possibility that a design, process or material for production, meets all the engineering requirements with the minimum capability index required at the beginning of the project (Cpk greater than 1.67) for those characteristics in which it is required by Bocar Group. For values between 1.33 and 1.67, it should be reviewed with Supplier Development.

Feasibility Analysis or manufacturing capacity analysis by the supplier is required for new products, product or process changes, as well as for changes to volumes greater than contracted. The risk analysis of the project must be evidenced. The supplier must complete and deliver the format provided by Corporate Purchasing.

### c) Flow Charts

The document that shows the relation between production operations and checkpoints is required. Additionally it provides essential information for other advanced quality planning techniques such as PFMEA or Control Plan, helping to identify the relevant characteristics that must be verified during the process.

### d) Failure Mode and Effects Analysis (AMEF)

This document is necessary for the prevention of problems through a structured analysis of the potential modes of failure. The PFMEA should be utilized in the planning of the design of the manufacturing product and process, they are required for all products; especially those that are new or modified.

# DIRECT MATERIAL SUPPLIERS

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The PFMEA is a live document and must be updated when there are design or process changes and/or quality or delivery problems, etc. Throughout the product's life cycle according to PFMEA methodology, and continuously updated due to the implementation of improvements according to methodology described in the harmonized PFMEA Manual of AIAG and VDA.

## e) Control Plans

Control Plans must be developed for the control of relevant process parameters and comply with all product features call in the drawing, documenting the tests and checks.

All the special characteristics appointed in formally established drawings and specifications or by request of Bocar Group personnel must also appear in the supplier's control plans (live documents), identifying them with a symbol signifying mutual consent.

## f) Instructions for process monitoring and control

The supplier must prepare written instructions for process control and monitoring to be used by people who have responsibility for the process operation, for example: process and inspection instructions, laboratory tests, traveling cards, tests and procedures, etc.

## g) Special Characteristics

These are product characteristics that may affect user safety, compliance with government regulations, or the product's function or performance. These characteristics must be identified with the required client symbol or one agreed to by mutual consent in all documentation where it is mentioned. Safeguarding the records must be at least 3 years or safety parts features 15 years from last date of sale.

It must be shown that these characteristics are controlled in a special manner (for example: statistical techniques and/or Poka Yoke), this will be specified directly on the drawings or will be defined in the Kick-Off meeting with the supplier. It is necessary to establish traceability of the product by mutual agreement with the Bocar Group (for example: marking of tests or inspections, identification of material by piece: mold, month, day, hour, etc.).

## h) Packing Guidelines

The selection of the packing material has a significant effect on the final quality of the product; the supplier must deliver a packaging proposal which requires approval from Technical Development and Logistics at the Bocar Group. This is something which must be taken into account at the time of the feasibility evaluation. The approval of the packaging guidelines must take place before the issue of the PPAP and must be included as an appendix to this document. Suppliers must use appropriate packing, considering the different methods of transportation and routes employed, in order to assure that all the products arrive at their point of use without damage or deterioration and that they can be transported, stored, unpacked and used efficiently. Shipping tests simulating real conditions should be undertaken with the purpose of evaluating the packaging's ability to preserve the product's quality. Another thing that must be considered and evaluated is that the packaging be returnable and/or disposable, including aspects of identification with master or individual bar codes.

# DIRECT MATERIAL SUPPLIERS

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## i) Registry in the IMDS system (International Material Data System)

All productive suppliers must register the composition of the material they are producing in the IMDS system (International Material Data System) and should deliver evidence of the registry to the Technical Development area at the plant that will receive the material in order to verify compliance and to release them from the requirement.

## j) Delivery of Initial Samples

The supplier must deliver initial production samples from a significant production run, these will be verified against each dimensional and test requirement according to the part drawing and/or corresponding specifications. The initial samples must be manufactured using the tooling, process and normal cycle for mass production. The supplier must deliver representative samples of his production process for approval according to what was requested by the Bocar Group at the Kick-Off meeting.

## k) Preliminary Process Studies

Preliminary process studies must be carried out by the supplier for all the dimensions indicated in the drawing as special and/or relevant characteristics as indicated by Bocar Group personnel or by its customers.

Preliminary process studies of the process are short-term studies evaluated through control charts, which allow for the determination of the stability and ability of the process.

The samples used to carry out the preliminary process studies must be taken as a minimum from a 300 piece production run. The potential preliminary ability (Pp) and the real preliminary ability (Ppk) must be evaluated and the information must be attached as part of the documentation needed to release the product and process.

The Cp and Cpk studies should be run under mass production conditions and the Quality Engineer must be informed yearly concerning the special or relevant product characteristics.

A result of  $Ppk > 1.67$  and  $Cpk > 1.33$  must be achieved. In case values beneath the aforementioned standard are achieved, the supplier must contact the Bocar Group Quality Engineer corresponding to the product and deliver corrective actions in a period no greater than 5 working days in order to determine and improve the variations. Another study must be carried out once the corrective actions are implemented.

## l) Report of Initial Samples

For the review of the initial samples, at least the following elements will be considered:

- 1. Dimensional.** Measurement of the quantity of samples requested by the Technical Development and Quality Assurance engineer for all the dimensions specified in the part diagram. The number of samples to be measured depends on the type of process or whether the manufacturer uses several similar production lines or has multiple tooling for the manufacture of the same part (e.g.: cavities, dies or multiple machining stations), at least one sample from each line, tooling or cavity must be measured.

# DIRECT MATERIAL SUPPLIERS

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All dimensions or specifications requested on the drawing must be listed in a document with the corresponding results and the measurement method used in each case must be specified. The dimensional report must be signed by the person in charge of the quality area on behalf of the supplier.

- 2. Material Tests.** The laboratory appraisal of all the characteristics included in the material specifications for the product being evaluated must be handed in along with the witnesses of the aforementioned tests. The material requirements must refer to industry standards (SAE, ASTM, ANSI, BSI, DIN, TL, JIS, etc.).

The material report must be signed by the person responsible for the quality area on the part of the supplier.

- 3. Functional Tests.** This is the evaluation of the product in what refers to functionality, durability and other tests described in the guidelines or specifications indicated on the part drawing, which will be the responsibility of the supplier. An agreement must be reached with the Technical Development area of the Bocar Group.

- 4. Validation Studies and Tests.** This is required in the control plan during the pre-launch, phase, including the preliminary statistical studies for all relevant and special characteristics. The suppliers can use their own formats to register the dimensional results, material tests and engineering specifications.

The special characteristics defined for the product must comply with all the corresponding standard requirements and the supplier must hand in the results of the tests.

In case an external laboratory is used, the supplier must make sure that said laboratory is ISO/IEC 17025 certified for the execution of the specific tests requested.

In case of using an external laboratory, the supplier must ensure that the laboratory is accredited in ISO/IEC 17025 for the specific tests requested.

## m) Contingency Plans

The supplier must submit along the PPAP documentation their Contingency Plans to assure Bocar Group that it will always have the capacity to deliver material as requested in case of any contingency in what refers to equipment, environmental or organization aspects, such as lack of electrical power, lack of personnel, lack of raw material, material rejection due to quality problems, guarantees, containments, failure of key equipment, or accidents in general.

### 5.2.5 Approval of samples

The sample approval documentation previously agreed to with quality engineering may be sent electronically as a PDF file (guaranteeing its legibility) or on paper in a folder by courier to the person defined in the Kick-Off meeting making sure it complies with all requirements established. The initial samples must be sent to the plant as requested by Purchasing Dept. personnel.

# DIRECT MATERIAL SUPPLIERS

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The samples and the documentation are reviewed and analyzed by Technical Development and Quality Assurance at the corresponding plant, verifying compliance by means of tests of the characteristics and specifications indicated on the drawing.

If the documentary information and samples are approved, Quality Assurance authorizes the use of the supplier's product by means of a signature of approval on the corresponding document. (PSW, CPM, Parts Presentation Certificate, etc.); and delivers a copy of the release to Supplier Development, Technical Development, and Corporate Purchasing which at the same time delivers a copy to the supplier. The documentation presented for the approval of samples is kept by the Quality Assurance Dept. at the plant that receives the material.

In case of rejection of the information and/or product, the supplier is asked to undertake the necessary corrections for the product to reach compliance, this is done through Supplier Development. The supplier will carry out necessary changes in order to comply with requirements and will re-deliver the requested information and/or product within the requested period of time.

In some cases, due to the complexity of the products, their behavior or when it is defined by the Bocar Group, it will be necessary for the Supplier Development area to carry out a release of the production process or product at the supplier's premises, where the abilities of the process, productive capacity, training of personnel, means of verification, process control, equipment and installation maintenance, etc. are verified.

The release date must be planned with sufficient anticipation to the start of production (SOP) in order to correct conditions that do not guarantee product quality.

**Note:** The Customer will be able to participate in the part's release process on the Supplier's premises or he may make evaluation visits throughout the life of the product. Corporate Purchasing will inform the Supplier when this is defined, and the supplier must be willing to receive Bocar Group or client personnel at any moment.

## 5.3 Charges for rejection of presentation of initial samples

The supplier shall be responsible for covering all expenses derived from the rejection of the presentation of Initial Samples, such as administrative expenses, extemporaneous transportation, rejection of material, processing of refund, as well as for other necessary additional activities caused by the repetition of approval (for example: dimensional analysis, material, tests, cause analysis, system or process audits, etc. audits to the system or process, etc. The amounts for these charges are indicated in section 3.8 of this manual.



# DIRECT MATERIAL SUPPLIERS

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## 5.4 Charges in Manufacturing and/or product

The supplier will be responsible for informing to Corporate Purchasing as soon as possible, or at least 90 days prior to the planned date of implantation of any changes that have an impact on the product, process, location, sub-suppliers, etc., which must be approved by presenting samples with all the support documentation as indicated in section 5.2.4 of this chapter. The supplier must request the change to Corporate Purchasing through the Request for Changes form, and be duly completed with all the support information.

For changes originated by Bocar Group, the Corporate Purchasing area will communicate to the supplier the related information to the required change, that change must comply with the approval based on what is established in section 5.2.4.

Transition and material delivery times must be agreed with the plant to which the product is delivered considering the requirements established by the customers.

In case of non-compliance with what is established in this point, all the material will be considered non-compliant. At the moment it is detected, the Bocar Group client will be notified and all costs derived from this situation will be charged to the supplier, including recall costs in case this were necessary.

## 5.5 Product reassessment process

Direct Material suppliers must issue a reassessment report for the parts they supply (components or raw material), this report must be issued according to Customers Specific Requirements and with the frequency required by the Quality Assurance area of the corresponding plant of Bocar Group.

1. Dimensional report. Measurement of the samples of all dimensions specified in the part drawing (dimensional 100%). The number of parts to be measured will depend on the type of process and must be agreed to with the quality engineer assigned to the product. When the manufacturer uses several similar production lines, or has multiple tooling sets for the manufacture of the same part (for example: cavities, dies or multiple machining stations), at least one sample from each line, tooling or cavity must be measured. Cp and Cpk tests should be provided for the special or relevant characteristics of the product.
2. Material tests report Material Tests Evaluation of all the characteristics included in the specifications of the materials with the product under evaluation according to the most recent level drawing The material requirements can refer to industry standards (for example: SAE, ASTM, ANSI, BSI, DIN, TL, JIS).

# DIRECT MATERIAL SUPPLIERS

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3. Evaluation of special processes. If applicable, annual submission of self-evaluation of special processes, for example: Heat treatment, to demonstrate compliance with automotive industry requirements (AIAG CQI-9 HTSA Heat Treat System Assessment), CQI-11 (Plating System Assessment), CQI-12 (Coating System Assessment), CQI-15 (Welding System Assessment), CQI-17 (Soldering System Assessment), CQI-23 (Molding System Assessment).

## 5.6 Requirements for safety parts suppliers

If the supplier supplies materials for safety parts (e.g.: D/TLD), he must annually carry out a self-assessment in the formats requested by the plant to which the product is delivered, sending the report and results to the Quality Assurance area of the corresponding plant. The supplier must also provide the contact of the PSCR (Product Safety and Conformity Representative) of the manufacturing site.

If there are quality problems in the field due to special characteristics that are out of specification or safety parts that are the responsibility of the supplier, Bocar Group and/or the affected manufacturing plant may carry out an audit of the supplier's premises to determine the level of responsibility, root cause and to take the actions pertinent to the case, all charges derived from this process will be transferred to the supplier.

Documentation classifies as a special file for safety products must be kept by the manufacturing plant for the period required by the manufacturing plant to which the mentioned product is supplied. (For example Vo- lkswagen: 15 years as of the last sales day for the product).

## 5.7 Evaluation of performance of approved suppliers

An approved supplier is one who has complied with all guidelines stipulated in the previous chapter as a potential supplier, in addition to having been released to provide material directly to one or more of the Bocar Groups plants, in addition to the fact that the Corporate Purchasing area has issued the framework contract through which the parties may require material orders or delivery according to its internal requirements.

An approved supplier must maintain a minimum score of 90 points. The Performance Evaluation will be carried out on a **monthly** basis and communicated to the suppliers by the Supplier Development area.

Suppliers identified as critical "C" must submit an improvement plan in accordance to the problems presented during the period or an Action Plan and Countermeasures in case of an specific problem.

The supplier performance evaluation is applied to all suppliers considering all the products they deliver to the Bocar Group plants. If the supplier delivers to several Bocar Group plants, individual evaluations are considered for the determination of the suppliers performance.

# DIRECT MATERIAL SUPPLIERS

The supplier's performance is evaluated by means of a score that is divided into 2 criterion:

- 1) Quality performance
- 2) Delivery performance

The sum of the points assigned in the criterion mentioned is 100 points and it is explained according to the following schedule.

| SUPPLIER PERFORMANCE EVALUATION CRITERIA  |        |   |                          |        |
|---|--------|---|--------------------------|--------|
|   |        |   |                          |        |
| QUALITY (50 points)                       |        | + | DELIVERY (50 Points)     |        |
| Sub-Criteria                              | Points |   | Sub-Criteria             | Points |
| - PPM's                                   | 15     |   | - On Time Delivery       | 15     |
| - Quality Claims                          | 15     |   | - Quantity               | 15     |
| - Corrective Actions                      | 10     |   | - Required Documentation | 10     |
| - Quality System<br>IATF 16949 / ISO 9001 | 10 / 5 |   | - Premium Freights       | 10     |

Additional penalizations will be applied to the Final Score (Quality + Delivery) for affectations to Bocar Group's and/or its customer's processes.

| Affectations (Claims)                      | Points |
|--|--------|
| At Incoming Area of Bocar Group's Customer | -10    |
| At Assembly Line of Bocar Group's Customer | -25    |
| At Shipment Area of Bocar Group's Customer | -25    |
| Customer of Bocar Group's Customer         | -25    |
| Dock Hold of Bocar Group's Customer        | -25    |
| Guarantees                                 | -10    |
| Recall / Field actions                     | -50    |

| Affectations (Delivery)                          | Points |
|--|--------|
| Disruption to Bocar Group's production           | -10    |
| Disruption to Bocar Group's Customer production  | -25    |
| Premium Freight from Bocar Group to its Customer | -5     |

# DIRECT MATERIAL SUPPLIERS

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The score is used to assess the supplier for the allocation of new products.

| Clasification | Score                    | Designation |
|---------------|--------------------------|-------------|
| A             | $X \geq 90$ pts.         | Approved    |
| B             | $75 \geq X \leq 89$ pts. | Regular     |
| C             | $X \leq 74$ pts.         | Critical    |

The performance goal for all Bocar Group suppliers is to be classified as “A”.

## Quality performance (50 points)

### 1) PPM's (15 points)

Quality performance is evaluated depending on the product rejection rate and the material delivered during the period evaluated (defective parts quantity VS total quantity received at the plant).

If the supplier provides several materials, the evaluation considers the total rejection of all products from the total amount of products received during the course of the period evaluated by the plant.

A score is awarded depending on the number of PPM's obtained as illustrated on the following chart:

| PPM's     | Points |
|-----------|--------|
| 0         | 15     |
| 1 a 50    | 11     |
| 51 a 100  | 7      |
| 101 a 150 | 3      |
| > 150     | 0      |

In the event of serious quality problems illustrated by a low score on PPM's and depending on the criticality of the problem, the possibility of paying a visit to the supplier will be evaluated. The visit will have the purpose of reviewing the process and jointly defining corrective actions which will be reviewed and approved by the SQA assigned to the supplier.

If the problem is repeated consecutively, independently of the criterion for acceptance and the number of PPM's, a review of the supplier's plant will be made by the SQA and if necessary the supplier's continuity within the Bocar Group will be evaluated by Corporate Purchasing, Supplier Development, Technical Development and Quality Assurance of the corresponding unit.

# DIRECT MATERIAL SUPPLIERS

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If the supplier is assigned source / approved by the customer, before replacing the suppliers for recurrence non-passing grade, must to notify to the customer and get an agreement through the sales area.

## 2) Quality claims (15 points)

The quantity of quality claims issued to the supplier is evaluated. For each claim, either at Bocar Group plant or its customers, there will be a 5 point demerit.

## 3) Corrective Actions (10 points)

If the supplier has had a quality claim, a corrective action plan must be made and must be delivered within a period of no more than 9 working days or within a period agreed with Incoming Inspection personnel, from the day the supplier is notified.

The score obtained for the delivery of corrective actions is based on the following criteria:

- Action plan delivered on time = 10 points
- Action plan delivered late = 0 points

If the supplier had more than one claim in the evaluation period, the score will be the average of the corrective actions score delivered on time.

## 4) Quality System (10 Points)

The quality system evaluation is based on the level of maturity of your quality system, the lack of the certification will be the reason no points will be added to the score.

- IATF 16949 Certificate = 10 Pointss
- ISO 9001 Certificate = 5 Points

## 5) Demerits for Affection

In the event of affectations to Bocar Group's Customers caused by the supplier (quality claims), points will be reduced to the supplier's score by event according to the following table:

| Affectations (Claims)                      | Demerit |
|--|---------|
| At Incoming Area of Bocar Group's Customer | - 10    |
| At Assembly Line of Bocar Group's Customer | - 25    |
| At Shipment Area of Bocar Group's Customer | - 25    |
| Customer of Bocar Group's Customer         | - 25    |
| Dock Hold of Bocar Group's Customer        | - 25    |
| Guarantees                                 | - 10    |
| Recall / Field Actions                     | - 50    |

# DIRECT MATERIAL SUPPLIERS

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## Delivery performance (50 points)

### 1) Quality (15 points)

The quantity delivered and the quantity required for each shipment delivered are evaluated. If there is any variation, either greater (overshipment) or minor (undershipment), the shipment will obtain a score according to the following table:

| Concept                                     | Score |
|---|-------|
| Quantity Delivered = Quantity Required      | 15    |
| Quantity Delivered $\neq$ Quantity Required | 0     |

The score will be obtained from the average of all the shipments delivered in the period.

### 2) On Time Delivery (15 points)

The delivery date and the scheduled delivery date are evaluated. If there is any variation, either for advancement or delay, the shipment will obtain a score according to the following table:

| Concept                        | Score |
|--------------------------------|-------|
| Delivery according to schedule | 15    |
| Early or Late delivery         | 0     |

The score will be obtained from the average of all the shipments delivered in the period.

### 3) Documentation (10 points)

It is evaluated that the supplier delivers the requested documentation, for example, product quality certificate, invoice, etc. If there is any missing document, the shipment will obtain a score according to the following table:

| Concept                  | Score |
|--------------------------|-------|
| Complete documentation   | 10    |
| Incomplete documentation | 0     |

The score will be obtained from the average of all the shipments delivered in the period.

### 4) Premium Freights (10 points)

Refers to materials delivered in a transportation other than the regular one, which require a shorter delivery time than agreed, for reasons imputable to the supplier of the material, for example: dual operator service, air freight, dedicated unit, etc. The economic impact can be to Bocar Group or the supplier itself.

# DIRECT MATERIAL SUPPLIERS

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For each event (premium freight), will be detrimental to the supplier by 5 points.

## 5) Demerits for Affectations

In the event that Bocar Group and/or its customers are affected due to non-compliance with the delivery criteria, points will be reduced to the supplier's score by event according to the following table:

| Affectations (Delivery)                          | Demerit |
|--|---------|
| Disruption to Bocar Group's production           | - 10    |
| Disruption to Bocar Group's Customer production  | - 25    |
| Premium Freight from Bocar Group to its Customer | -5      |

## 5.8 Low Performance Suppliers

### What happens to Suppliers who do not meet the required score?

Suppliers with a performance lower than 75 points during the month will be classified as critical suppliers to Bocar Group and must deliver their respective action plans associated with the non-compliant material reports issued by the plants.

In case of being a critical supplier for two consecutive months, an escalation process will be initiated with the Supplier Development area. In the event of being a critical supplier for three consecutive months an escalation process will be initiated with Corporate Purchasing area.

The escalation process involves different organizational levels of the supplier and Bocar Group, with the purpose of solving recurrent problems and consists of the following steps:

1. In case of an escalation process with the Supplier Development area, the supplier's Quality Manager or Management Representative must present an action plan that guarantees the elimination of the root cause of the problems that are causing his low performance. This proposal will be evaluated by the productive plants (where the material is supplied), the Supplier Development and Corporate Purchasing areas.
2. If necessary, due to problems with the products, the supplier will be placed in containment through a certification company (at the supplier's cost), such containment will be carried out at the supplier's premises until there is no recurrence for at least 30 days.

# DIRECT MATERIAL SUPPLIERS

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3. If at the end of the next evaluation period the corrective actions have not proved to be effective or again the score is lower than 75, Supplier Development will escalate it with the Corporate Purchasing area and the supplier's General Manager and/or Plant Manager who must present an integral program to improve its performance as a supplier and to avoid the recurrence of the problems that have taken place. Corporate Purchasing area will not assign new projects to series suppliers that are in an escalation process.

In case this last improvement program is not effective the buyer, along with Supplier Development, Quality Assurance, Technical Development of the plants and the client will define the actions to be taken with the afore mentioned supplier, as well as the continuity of the supplier in the Bocar Group or whether an orderly exit plan should be implemented.

## **Responsibility of the Supplier in the event of non-compliant products**

In case non-compliant products are delivered to any of the Bocar Group plants or to any of our clients, this will be deemed to be the supplier's responsibility:

- a) Hire the company for the selection or rework of material immediately.
- b) Provide selection criteria according to drawing's specifications.
- c) Supervising the correct execution of the selection or re-work with its personnel.
- d) Follow up the selection or rework so that the customer receives the material according to what is specified on time and form.

When non-compliant material is detected at Receiving, during the process or with the client, the procedure will be as follows:

Quality Assurance issues a document titled: "Report of defective Material" with which it notifies the supplier of the non-compliant material. The supplier must send an immediate response, with a maximum time limit of 2 working days to dispose of the non-compliant material, if not this material will be disposed as is convenient to the Bocar Group. Applicable for foreign and national suppliers.

The supplier must send a response to avoid the recurrence of the problem by means of the "Report of Actions and Countermeasures" in a period no greater than 9 working days. The time for the implementation of the corrective actions that will eliminate the root cause of the problem should be no greater than 30 days.

It is responsibility of the supplier to select and certificate 100% of the subsequent shipments to the report of defective material. That certification can only be stopped by common agreement, until Bocar Group confirms the effectiveness of the corrective actions.



# DIRECT MATERIAL SUPPLIERS

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The supplier must certify the material 100% free of the reported defect as directed by the affected Bocar Group plant. In the case of in-transit material, the supplier must agree with the Bocar Group whether the material is returned, sorted or certified by an external company (at the cost of the supplier).

If the supplier requests deviation, it must be in writing to the area of Corporate Purchasing, which will process the deviation document to be analyzed by Technical Development of the plant receiving the material (response time may vary depending on the tests and analyses performed).

All charges generated by the supplier are documented through a debit request notice with which the respective costs are notified, in case of any information conflict, the purchase order, the contract, as well as the Terms and conditions must be respected.

## 5.9 Implications of Non-Compliant Products

### Non Quality Costs

Non-compliant materials have a high cost for the Bocar Group. Therefore, all the expenses originated by a non-compliant product or service will be charged to the supplier, lender or provider of goods or services who provide non-compliant products.

The charges applicable to the suppliers will be as established in the following cases:

- **Administrative charges.**— These are charges for the the following concepts: drawing up of refund to suppliers, dimensional analysis, verification of the material, cause analysis, etc. which has a cost of \$ 300 USD per event.
- **Selection and/or Re-work** - This is the allocation of Bocar Group personnel, or a lot-drawing company for the selection and/or re-work of faulty materials, the cost is \$ 75.00 USD per man-hour.
- **Line Stop** - This is the lack of production of the manufacturing processes of the Bocar Group for lack of material, out-of-time deliveries or refusal of all the material existing on our premises which produces a halt in productive processes which will derive in charges for extraordinary transportation, overtime, re-programming of production, among others; which will be charged at their cost.
- **Rejection by our customer** - In case there exists a rejection of any product on the part of the client where the origin of the problem is caused by some component or material supplied by the supplier, all charges generated by the client plus the cost of regularizing the delivery of the product as requested by the client will be charged to the supplier all at their cost.
- **Rejection of material to the supplier** - Material that cannot be used due to some breach in its specification and is returned to the supplier. The corresponding invoice will not be paid. The corresponding cost from disposing of materials will be covered by the supplier.

# DIRECT MATERIAL SUPPLIERS

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- **Premium Freights.**– Material expedited by land or air, the supplier will be charged for the extraordinary costs.
- **Trials, Test and Audits due to Quality Defects** – Are all the expenses generated by tests derived from rework, verifications, trials or tests for the purpose of validating the status of a non-compliant product to be used after being reworked or selected, samples with non-compliant results or supplier audits due to quality problems will be charged at their cost.
- **Guarantees and Recalls** – All the charges derived from guarantees and recalls with responsibility of the supplier will be transferred directly at their cost, including the applicable administrative costs.
- **Process / Product Audits** – In the event there is a supplier with reoccurring low quality performance in its products or that presents a severe quality problem of high impact due to its manufacturing process, Bocar Group has the authority to carry out process and/or product audits at the supplier's premises for the purpose of establishing mutually agreed corrective action programs for the benefit of product quality and process capability.

## 5.10 Supplier Quality Management System Development

### Quality management system

It is a mandatory requirement that suppliers maintain their certification in IATF 16949 or ISO 9001 during the period in which supplies material to any Bocar Group plants. As evidence of compliance, the supplier must deliver to the Supplier Development area a copy of the new certificate in case of update or expiration. It must be delivered no later than the expiration date of the previous certificate.

Current suppliers certified in ISO 9001 must develop, implement and improve their quality management system with the final objective of obtaining the IATF 16949 certification (unless otherwise is authorized by Bocar Group and/or its Customers).

The steps to accomplish this objective are:

- ISO 9001 certificate issued by an IAF MLA accredited organization.
- ISO 9001 certification including conformance with the Minimum Automotive Quality Management System Requirements (MAQMSR), by second party audits.
- ISO 9001 certification including conformance with IATF 16949, by second party audits.
- IATF 16949 certification by an IATF accredited organization.

# DIRECT MATERIAL SUPPLIERS

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## Second-Party Audits

Bocar Group reserves the right to perform second-party audits at its suppliers' facilities for verification of compliance with the requirements of ISO 9001 or IATF 16949, and the specific requirements of its customers, based on the following criteria:

| Criteria                                 | Considerations  |
|--|---|
| 1. Performance                           | Supplier Classification C, B & A.   |
| 2. Contribution to Bocar Group plants    | Highest to Lowest   |
| 3. Purchase Percentage (%)               | 80 – 20   |
| 4. Purchasing Strategy with the Supplier | Medium/Long term purchasing vision.<br>Historic/Future productivity.<br>Supplier's consolidation. |
| 5. Quality System                        | ISO 9001, MAQMSR, IATF 16949  |
| 6. Customers                             | Supplier's audit recommended/required frequency.<br>Specific requirements: CQI's, D/TLD           |
| 7. Previous Audits Results               | Red, Yellow, Green  |
| 8. Commodities                           | Different commodities.  |
| 9. Location                              | NAFTA, EU, Asia.  |
| 10. New Suppliers                        | Potential Audit.  |
| 11. Risk Analysis                        | Identified potential risks.   |

## Bocar Group's Customer Specific Requirements

The supplier must agree with Corporate Purchasing area what Customer Specific Requirements are applicable for each project, and implement them in their organization, for example: BIQS (GM), CG4355 (GM) Formel Q (VW), MSA (Ford), ANPQP (Nissan), Special Processes (CQI-9, 11, 12, 14, 23, etc.) or any other methodology.

# INDIRECT MATERIAL SUPPLIERS

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## 6.1 Indirect material definition

Indirect material is understood to be the supplies and necessary services for the administration, operation and production of the Bocar Group, but which are not applied directly to the finished product.

For purposes of this manual, Indirect Material Suppliers are those who indirectly participate on the processes listed below.

Suppliers of:

1. Machinery and/or equipment, tooling or devices
2. Transportation services (terrestrial, maritime and/or aerial)
3. Customs broker services
4. Warehouse services
5. Calibration for equipment services
6. Certified laboratories for the execution of specific tests
7. Chemical products (gases, hazardous waste, etc.)
8. Packing (designed for a specific product)
9. Sorting and/or re-work services

## 6.2 Quality management system

Suppliers of machinery and production equipment, tooling or devices must hold a valid ISO 9001.

The land, sea and air transport suppliers must be certified in ISO 9001, and if applicable CTPAT, OEA.

Transport service suppliers of chemicals and materials classified as hazardous must have the corresponding local SEMARNAT permits. Carriers of import/export goods from customs must maintain their CAAT (Alphanumeric Harmonized Code Carrier) in force.

For customs brokers are required to have: ISO9001, NMX-R-026-SCFI-2009, Quality Custom Brokers, OAS when the regulations are published, BASC, or C-TPAT when applicable. In case of Custom Broker has a subsidiary in the United States, it must be certified under C-TPAT, for example: Transfer services, or American Broker.

# INDIRECT MATERIAL SUPPLIERS

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Calibration suppliers for laboratory equipment and/or those that perform specific tests on raw materials, components or products must be accredited with ISO/IEC 17025 or any equivalent national regulation. In the event that there is no accredited supplier, it is acceptable for Bocar Group that the equipment manufacturers carry out the maintenance and/or calibration of the equipment, and must prove that they follow the same guidelines as an accredited company by means of an evaluation carried out by Bocar Group.

Suppliers of chemicals (gases, hazardous waste, etc.), must provide their technical and safety data sheets, ISO 9001 certificate, ensure compliance with the legal requirements for their products and/or services, as well as maintain their accreditations and permits in force according to the requirements established in the Manual of Industrial Safety, Environment and Security.

Packaging suppliers may be selected without a quality system certified in ISO 9001 if the customer agrees that such supplier develops and manufactures packaging for the product, for which must count with the customer's approval in standard packaging and / or investment for purchase. If the packaging is assigned by the customer, the customer chooses the supplier under its guidelines. However, since they are considered critical business partners within the supply chain, they are required to comply with the requirements of the OEA, according to its scope.

The suppliers of selection and/or rework must be ISO 9001 certified by a third party (certification body recognized by the IAF). Suppliers that do not have this certification may be selected when they are assigned or approved by the client. In the case of internal selections and/or re-work, they may be authorized by the Manager or Leader of Quality Assurance at the Bocar Group plant at which they will lend the service.

## 6.3 Evaluation system

The manner of evaluating indirect material suppliers will be based on the quarterly evaluation that will be carried out by the requesting area under the supervision of the buyer.

The evaluated aspects are:

- **Speed of Response:** Initial response time of the supplier according to the request of the buyer (ej. quotes, etc.).
- **Efficiency in the Requested Service:** The supplier delivered the service and met the objective according to the requirement.
- **Personnel Responsibility:** The supplier's representatives complied with Bocar Group's internal regulations during the provision of the service.
- **Satisfaction of Service:** The supplier complied with the offered guarantees (when applicable).

# INDIRECT MATERIAL SUPPLIERS

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The scale for evaluation is as follows:

- The supplier starts at 10 points, which represents good performance.
- The user will subtract 1 point for each Non-conformance report submitted to the supplier during his execution activities in Bocar Group and he must send a copy to the Buyer.
- For each Non-conformance report, the supplier must deliver a corrective action plan to the user and will also send copy to the Bocar Group Buyer, user will preserve supplier information sent by supplier.

In the event of accumulating 2 or more non-conformance reports in the evaluated period, the Buyer will request the supplier an action plan to improve its performance. In case the problem becomes recurrent, a special agreement must be established with the supplier to maintain the continuity of the service to Bocar Group. Otherwise, the Corporate Purchasing area will evaluate along with the users the possibility of using alternate suppliers.

# OTHER REQUIREMENTS

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- A. Bocar Group requires from its Critical Business Partners within the supply chain to be in compliance with security requirements in order to Bocar Group delivers to their customers products that are free of contraband that may include any weapons, money or people, in order to mitigate the risk to the security of businesses and individuals.

Suppliers considered Critical Business Partners for their participation in Bocar Group's supply chain are:

- Customs Brokers
- Packaging
- Sorting and Rework
- Security Service
- Carriers

Critical Business Partners within the supply chain must submit to a comprehensive reliability assessment process annually or earlier if there is any update in the contracting of their services. Refer to the Security Manual available at [www.bocar.com](http://www.bocar.com)

## B. Information Security

In compliance with TISAX (Trusted Information Security Assessment Exchange) VDA ISA 6.0.2 assessment in its sections number 6.1.1 and 6.1.2 related to suppliers, business partners identified as critical must perform the self-assessment and only selected suppliers will be applied an information security audit.

The self-assessment aims to identify the supplier's level of maturity in terms of information security in order to assess the viability of being a reliable supplier or generating alternatives in the supply of the services provided to Bocar Group.

The purpose of the information security audit is to validate that the minimum necessary controls are in place to reduce the risks associated with the services provided to Bocar Group.

According to the findings identified and after the information security audit, it is necessary to generate a work plan to guarantee that the actions will be carried out by the supplier in a timely manner, thus reducing the probability of the materialization of threats.

# OTHER REQUIREMENTS

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The main topics to be evaluated in the self-assessment and audit are:

1. Information Security Policies and Organization
2. Human Resources
3. Physical Security and Business Continuity
4. Identity and Access Management
5. Information Technology Security/Cybersecurity
6. Supplier Relationships
7. Prototype protection (where applicable)

## **Criteria for Identifying Critical Suppliers Based on Information Security Pillars**

Suppliers that receive and handle Confidential/Sensitive information from Bocar Group (e.g. IT, Databases, Mathematical Models), will be identified as critical suppliers based on the information security pillars indicated in the Information Classification Policy (PO.05.01.001).

## **General Requirements:**

It is required that Bocar Group suppliers meet the requirements in this manual, the Security Manual and the Industrial, Safety and Environment Manual.

These documents are available for viewing and downloading at: [www.bocar.com](http://www.bocar.com)



# DISTRIBUTION LIST

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