## SUPPLIER QUALITY MANUAL

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FOREWORD

Customer satisfaction is at the center of Valeo-Siemens 5 AXES and the Supplier Integration and Total Quality AXES are the two pillars promoted by VALEO-SIEMENS to ensure excellence in product development and operations.

Supplier Quality continuous improvement towards excellence is mandatory to achieve our common objective of sustainable and profitable growth.

This Supplier Quality Manual sets out VALEO-SIEMENS policy and procedures to support our supplier partners in their quest for EXCELLENCE from the selection and nomination to the management of development and production.

Strict enforcement of the policies and procedures included in this manual is a mandatory condition to the relationship between VALEO-SIEMENS and its Suppliers partners.

VSeA Purchasing Director
Frank UNFRIED

VSeA Quality Director
Jean-Michel RAMPINI
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I - ADVANCED QUALITY PLANNING for Product & Process (AQP.pp)

Advanced Quality Planning for product and process is a structured method of defining and establishing the necessary steps, which supplements supplier quality policy and rules implemented to ensure that a component will comply with VALEO-SIEMENS requirements.

The VALEO-SIEMENS AQP.pp is attached in the Appendix 1 (all mentioned appendix are part of the Supplier Quality Manual).

VALEO-SIEMENS AQP.pp shall apply to all VALEO-SIEMENS suppliers listed here below:

<table>
<thead>
<tr>
<th>Category of supplier</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designer</td>
<td>Design components which will be fit for VALEO-SIEMENS project specific purposes and will meet VALEO-SIEMENS specifications. The supplier-designer is responsible for the definition and as the case may be responsible for the supply of the components.</td>
</tr>
<tr>
<td>Manufacturer</td>
<td>Produces or delivers a specific or standard a component designed or selected by VALEO-SIEMENS</td>
</tr>
</tbody>
</table>

In a continuous improvement approach, Valeo-Siemens reserves the right to adapt the AQP.pp in function of the technologies.
I.1 AQP.pp Procedure

The Advance Quality Planning procedure is a process which supplements supplier quality policy and rules and aims at conducting a thorough validation of the design – product and process, in order to ensure that the supplier will be in a position to deliver, as of the Start Of Production, the expected level of quality in line with VALEO-SIEMENS requirements.

The Advance Quality Planning procedure includes the supplier pre-selection and 6 development milestones. This procedure applies to all new customer application projects and to components already used in production (product process changes).

The development process is followed-up in the Supplier Relationship Management (SRM) Portal (https://suppliers.VALEO.com/suppliers/) in the section called PQA module within scenarios adapted to each case.

The Valeo-Siemens buyer will select the supplier representative to take in charge the PQA Process initiated in the Portal. From this moment the supplier is required to fulfil the corresponding actions on the deliverables to reach the milestones within the deadlines agreed.

Concerning car-maker application projects, the milestones of PQA Process are integrated into the milestones of the VALEO-SIEMENS project development process and are planned as shown below:

The Appendix 1 describes a summary of the deliverables according to the category of component.
The AQP.pp is adapted to 2 components categories:

- First category - VALEO-SIEMENS Non-Specific Component: dedicated to validation of standard components and catalogue components – as defined in the matrix below (1):

<table>
<thead>
<tr>
<th>Type of component</th>
<th>Situation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>Raw (steel, additives, plastic granulates, etc.) and standards</td>
</tr>
<tr>
<td>Electronic components (excluding critical components)</td>
<td>Components not considered critical</td>
</tr>
<tr>
<td>Other components</td>
<td>Catalogue sold by a supplier site</td>
</tr>
<tr>
<td>Packaging</td>
<td>Safeguard product integrity (impacts, scratches, bad weather, etc.)</td>
</tr>
</tbody>
</table>

(1) Suppliers for this Category of Components having only an ISO 9000 certification have to have a plan to certify the quality system according to IATF 16949

- Second category - VALEO-SIEMENS Specific Component: dedicated to validation of components that are specifically developed to satisfy VALEO-SIEMENS needs – as defined in the matrix below:

<table>
<thead>
<tr>
<th>Type of component</th>
<th>Situation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>Raw (steel, additives, plastic granulates, etc.) / VALEO-SIEMENS Specifications</td>
</tr>
<tr>
<td></td>
<td>Processed (semi-machined: cast components, tubes, etc)</td>
</tr>
<tr>
<td>Safety / regulatory components</td>
<td>Non catalogue Electronic or Non Electronic sold by a supplier site</td>
</tr>
<tr>
<td>Specific components</td>
<td>Non catalogue Electronic or Non Electronic sold by a supplier site</td>
</tr>
<tr>
<td>Critical* standard components</td>
<td>Catalogue Electronic or Non Electronic sold by a supplier site</td>
</tr>
<tr>
<td>* Critical component = component with at least one safety or regulatory characteristic</td>
<td></td>
</tr>
<tr>
<td>Other components</td>
<td>Non catalogue sold by a supplier site</td>
</tr>
<tr>
<td>Packaging</td>
<td>Following VALEO-SIEMENS specifications and delivered to the customer</td>
</tr>
</tbody>
</table>
► Specific Case - Component belonging to a Technology Family
A Technology Family is a set of components manufactured for VALEO-SIEMENS by the same supplier site achieving the same technical function, and which rigorously follow the same flow using same specific tooling. The list of components belonging to a Technology Family shall be provided by supplier to VALEO-SIEMENS for validation.

► Specific Case – Any component delivered as Pass-thru
Any component delivered as Pass-thru will be managed as a VALEO-SIEMENS specific component and therefore shall follow the VALEO-SIEMENS Specific Component AQP.pp category.

► Specific Case - Safety / regulatory components
For all Safety / Regulatory components, purchasing from distributors is prohibited.

► Specific Case - Other components
For components manufactured by a sub supplier of the Valeo-Siemens supplier, the AQP.pp approach has to be deployed by the Valeo-Siemens supplier, unless otherwise specified.

► Specific Case – Standard components requiring a specific validation
These components will follow the VALEO-SIEMENS Specific Component AQP.pp category.

The following pages are describing the content and the specificity of each PQA Approach. The list of deliverables of AQP.pp is detailed in Appendix 1.
I.2 Supplier pre selection

The purpose of this process is to validate that the performance of a potential supplier complies with VALEO-SIEMENS expectations.

Supplier must:

- guarantee the reliability of processes and keep records
- have a process of continuous improvement
- have a process to continuously capture what has been learned

It is based on:

- a clearly defined quality policy
- an organization capable of assuring quality at all stages of the component life, in line with VALEO-SIEMENS project development phases
- the willingness to work with VALEO-SIEMENS in a spirit of partnership and continuous improvement and problem solving attitude

Assessment of potential suppliers

A Supplier intending to be part of VALEO-SIEMENS panel has to meet the following conditions for each and every new supplier, for any new production site of a supplier already belonging to VALEO-SIEMENS panel or for a Supplier intending to deliver components for a different segment than previously validated by VALEO-SIEMENS.

- **IATF 16949 certification** obtained through a certification office, with a valid date.

- **EVAL assessment** conducted by VALEO according to the EVAL procedure with a score of at least 80%, and with each of the mandatory questions qualified.

  The purpose of the EVAL is to identify all process management related risks at the potential supplier, along a supplier shop floor evaluation (of its current processes) – this assessment will be conducted by Group Purchasing and SQA Segment representatives.

  EVAL is dedicated to assess new suppliers. EVAL assessment is not scheduled periodically with all VALEO-SIEMENS panel suppliers. There are other programs (RSQ, SD&P, YIS) assessing current suppliers.

- Commodity Check List assessment conducted by VALEO-SIEMENS SQA – performed for each and every new supplier as well as current suppliers intended to deliver components for segment not previously assessed – with a minimum score of 80% and all Critical Questions conform (CQ). Any supplier rated below will be requested to submit an action plan (with responsible & due date) to achieve a full compliance with the requirements checklist.

- The signature of the **Supplier Release File** (Appendix 2.1)

  For each project and each component to be purchased, VALEO-SIEMENS Purchasing will define the list of approved suppliers which will receive the RFQ for such business.
I.3 PQA Activities to be completed before “Sourcing Committee (SoCo) Completed” milestone

The purpose of this milestone is to select the best supplier in accordance with Segment strategy.

Definition of VALEO-SIEMENS requirements

Valeo-Siemens requirements and specifications specific to the parts, components, systems or material purchased are detailed in the Specific Valeo-Siemens Requirement File (S-VRF) and includes:

- the product specifications: set of functional, technical and general released specifications and drawings including the SPPC (SPECIAL PRODUCT and PROCESS CHARACTERISTICS) and Customer Specific requirements
- the applicable Commodity Check List (CCL)
- the quality and logistics requirements
- Standard Control Plan when applicable

Supplier Design review is organized by Valeo-Siemens Buyer and chaired by Valeo-Siemens R&D to clarify technical requirements or take into account possible Supplier improvement suggestions.

Following the above Supplier Design Review, S-VSRF shall be updated and released to each Supplier participating to the RFQ.

Valeo-Siemens Sourcing Committee will then:

- compare pre-selected supplier’s performance and answers vs. the latest released version of S-VRF, including CCL and preliminary design review
- review quality of the answers, dates and robustness of the quotation received
- analyze strengths and weaknesses of the suppliers
- select the supplier representing the best choice

Based on the Specific Valeo-Siemens Requirements File released, requests for quotations are sent out and retrieved by Suppliers from Valeo-Siemens Purchasing Management tool (PuMa).

Both Quotations (including Cost Breakdown) and S-VRF are to be signed by the Supplier and uploaded on Valeo-Siemens Purchasing Management Portal (PuMa).

MILESTONE: SoCo Completed

All Suppliers have to name and formalize a Product Safety Representative according to the requirements of IATF 16949 – 4.4.1.2

Valeo-Siemens can possibly use auction process to make final Supplier Selection.
I.4 - PQA Activities to be completed before “Signed SVRF Uploaded” milestone

The purpose of this milestone is to put available the Specific VALEO-SIEMENS Requirement File (Appendix 2.2) signed by the Supplier for the development of the component.

As soon as supplier selection is decided by VALEO-SIEMENS, then and only then the Nomination Letter can be sent to the selected supplier with reference to S-VSRF signed by both parties.

MILESTONE  Signed Specific VALEO-SIEMENS Requirement Uploaded

I.5 - PQA Activities to be completed before “Component Design Validated” milestone

The purpose of the milestone Component Design Validated is to ensure that product and process quality requirements are met (Quality Assurance File validated) before launching the tool.

Design Validation Review:
Suppliers are responsible to conduct the Design Review with VALEO-SIEMENS following the VALEO-SIEMENS standards (Design Review Checklist -Supplier, attached in Appendix 13) to ensure the robustness of the Design with regards to the Supplier manufacturing constraints, the VALEO-SIEMENS & Customer interfaces, Customer specifications and SPPC requirements.

► FMEA study – Special Product Process Characteristic (SPPC) management
Supplier will have to follow the SPPC rules for FMEA (design and process) according to Appendix 3.

For each Special Product Process Characteristic (SPPC) identified after FMEA review, the supplier will have to implement the relevant control according to the above referenced rule.

The supplier will have to list both:

- Customer SPPC characteristics: either customer interfaces or characteristics impacting VALEO-SIEMENS or / and OEM assembly – visual aspect – product performance and / or reliability (the aim is to ensure common understanding between Supplier and VALEO-SIEMENS)

- Internal SPPC characteristics: fundamental supplier product characteristics that could impact supplier manufacturing process and / or non respect of supplier internal standards

►► This list will be approved and signed by VALEO-SIEMENS

► Design validation results:
The supplier will conduct the design validation on prototypes (if applicable).
The validation results compliant with the approved plan will be reviewed and signed at least by the:

- quality representative of the supplier
- engineering representative of the supplier
- project coordinator of the supplier
- VALEO-SIEMENS R&D

► Validation plan:
The validation plan template to be used by the supplier is attached in Appendix 4. The validation plan is completed with the supplier on the basis of:

- the VSRF requirement
- the DFMEA analysis (in case of Designer Supplier)
- the lessons learned.

This validation plan will list all the testing required:
- to validate the component along the development and ensure the validation of the design.
- on the initial samples collected during the Full Day Production Run and approved by VALEO-SIEMENS, in order to validate the process impacts on the product.

This validation plan will be reviewed and signed at least by the:

- quality representative of the supplier
- engineering representative of the supplier
- project coordinator of the supplier
- VALEO-SIEMENS R&D

Once these documents have been examined and approved by VALEO-SIEMENS, the supplier undertakes to comply with them. Any proposal for modifying or improving the product or process, including proposal related to transfer of production or move or relocation of the production equipments, must be approved by VALEO-SIEMENS on the basis of the documents modified by the Supplier respecting the Product and Process modification section of the present manual.

► Control plan:
The Supplier has to develop a control plan in line with IATF 16949 requirements and covering the phases of Prototypes (if applicable), Pre-launch and Production showing the link, and incorporating information from the design risk analysis (DFMEA, including input provided by the customer), process flow diagram, and manufacturing process risk analysis outputs (PFMEA).

**MILESTONE**

Component Design Validated

Upon validation of the Quality Assurance File by supplier and VALEO-SIEMENS, the supplier shall be authorized to kick-off tooling.
I.6 - PQA Activities to be completed before “Supplier Process Validated” milestone

The purpose of the milestone Supplier Process Validated is to ensure that the process developed by supplier is capable to produce the defined components in compliance with VALEO-SIEMENS requirements, that the targets are defined for the Full Production Day, and consequently to demonstrate the following:

- run at rate: proving that all committed volumes for VALEO-SIEMENS and other customers can be met on shared equipments at all operations of the process
- capability of the process
- validation of the product/processes of sub-suppliers (Appendix 14 – SQA Tier N management fulfilled)
- build correct product in accordance with approved work instructions and control plan in line with IATF 16949 and VALEO-SIEMENS requirements.

► Off tool: the component produced out of the off tool has to be evaluated and approved by VALEO-SIEMENS in terms of dimensional and assembling. If the component is approved at this stage of the project phase, it is not a final approval of the component: the final approval will be given after Initial Samples submission (to satisfy the milestone Supplier Initial Samples validated), out of the Full Day Production Run in serial conditions.

► Preparation of VALEO-SIEMENS FDPR at supplier plant:
The supplier is required to perform a preliminary Full Day Production Run (Appendix 5)

The FDPR readiness matrix (Appendix 6) shall be used and the supplier will need to fully comply with the requirements in order to schedule the Full Day Production Run performed by VALEO-SIEMENS Team.

► Preparation of VALEO-SIEMENS process audit at supplier plant:
The supplier is required to perform a self process audit evaluation based on the VALEO-SIEMENS standard (Valeo-Siemens procedure - SQ 2102 and Appendix 7 of this manual) and CCLs self-audit prior to VALEO-SIEMENS official audit.

The self process audit should be achieved with a score of 80% without any critical CAR (Corrective Action Request) and CCL approved prior requesting VALEO-SIEMENS SQA Engineer to attend to the Process Audit.

► VALEO-SIEMENS FDPR & process audit at supplier plant:
The audit is valid only if the process audited is the one that will be used in mass production (equipment and conditions):

- the duration must be sufficient to assess the stability of the process (minimum 3 hours of production and 300 components) – However depending on the nature of the component VALEO-SIEMENS reserve the right to require the supplier to run longer and more components than here referred.
- the FPDR must include one or several changeover of version (include change of production shift)
- for non audited shift(s), supplier will have to provide training reports and evidence of compliance at run at rate target.

Following the full day production run, the following reports must be issued:

- full production day report (Appendix 5): conditions, quantities produced and rejected, analysis of defects, speed of the production line, Total Line Reject to be calculated (Appendix 8), with decision accepted or refused
- process audit report (Appendix 7 of this manual) including capabilities for each SPPC (Cpk ≥ 1.67 / Ppk ≥ 2 / Cmk ≥ 2) and for others characteristics (if requested: Cpk ≥ 1.33 / Ppk ≥ 1.67 / Cmk ≥ 1.67).
Each SPPC will require a capability study performed according to Appendix 9.

The results will lead to:

- Confirmation of a statistically Normal distribution of the product / process parameters and Ppk results above 2 (Ppk: preliminary capability study calculated on components from the FDPR) or Cpk results above 1.67 (Cpk: capability study calculated on components when in serial production). Then process must be monitored through SPC when in production.

- In case capability is not demonstrated, supplier to implement a Poka Yoke, 100% automatic control... in order to put characteristics under control to meet specification.

- VALEO-SIEMENS SQA Engineer will check on supplier site that the control plan:
  - integrates the countermeasures listed in the PFMEA
  - is respected on the shop floor, including Reinforced Control Plan.

Attitude to be observed along the FDPR:
Supplier is expected to have a method to track issues encountered along the FDPR and a method to react to problems – Quick Response Quality Control. This method will be challenged by VALEO-SIEMENS SQA Engineer for any issues encountered.

It is expected that this method of tracking and reacting to issues will be also applied while in serial production.

The process is qualified by VALEO-SIEMENS if the FDPR is accepted, and audit results are satisfactory ("Process Audit" procedure ref. 2102). Otherwise, the supplier must draw-up an action plan and a follow-up audit will be performed by VALEO-SIEMENS.

Case of rejection of a FDPR by VALEO-SIEMENS:
An action plan will be submitted by the supplier on each opened CAR (Corrective Action Request). VALEO-SIEMENS SQA Engineer will conduct a new FDPR after release of each supplier CAR.

Action plan must be implemented within 10 days and must be sponsored by the Top Management of the supplier.

Traceability:
Supplier must have a traceability system to trace back any component to the original batch of material (raw material / primary components) used. Along the process audit, VALEO-SIEMENS SQA Engineer will verify the supplier system to control traceability and the respect of the product coding.

Production Capacity:
Suppliers must have a standard to manage on a weekly basis production and capacity planning, giving visibility on 6 months production. The standard has to:
- integrate all customer forecasts for all Valeo-Siemens lines in order to ensure no capacity issues
- Alert customers when capacity issue is detected

Contingency Plan:
Suppliers shall develop a contingency plan (IATF 16949 – 6.1.2.3) for potential catastrophes disrupting product flow to Valeo-Siemens, and advise Valeo-Siemens at the earliest in the event of an actual disaster.
In an actual catastrophe, suppliers shall provide Valeo-Siemens access to Valeo-Siemens’s tools and/or their replacements, Contingency Plan shall contain as a minimum the following items:

- Information system; breakdown problems, partial or total destruction, natural damage, central data system, CAO, productions system, etc.
- Supplying system: supplier delivery orders management, raw material stock management, supplier delivery failure (strike, disaster...), external supply quality failure, transport failure (strike, accident, ...)

Initial samples and VALEO-SIEMENS FDPR  
Initial samples must be taken during the validated full day production run and delivered in serial production packaging together with full documentation as specified in the Specific VALEO-SIEMENS Requirement File. At least 5 initial samples must be kept at the supplier for the entire life of the component plus 10 years, and must be accessible by the supplier and VALEO-SIEMENS at any time (as written in GVRF).

In the case of several processes at the supplier (e.g.: several cavities inside a plastic injection tool) – the supplier is requested to keep 5 initial samples per process and have them properly saved and identified.

VALEO-SIEMENS validation on Initial Samples:  
VALEO-SIEMENS will perform a production trial along with the VALEO-SIEMENS FDPR approved initial samples in order to measure the conformance of the supplier components in the VALEO-SIEMENS manufacturing process. The validation results, in compliance with the approved validation plan defined to satisfy the milestone Component Design Validated, will be reviewed and signed at least by the:

- quality representative of the supplier  
- engineering representative of the supplier  
- project coordinator of the supplier  
- VALEO-SIEMENS Quality PTM  
- VALEO-SIEMENS R&D PTM  
- VALEO-SIEMENS SQA Engineer

The supplier validation plan is considered completely executed when VALEO-SIEMENS have completed their share of the validation respectively of the VALEO-SIEMENS product and of the vehicle utilizing a component supplied by VALEO-SIEMENS supplier.

Therefore the supplier validation is deemed to be successful when VALEO-SIEMENS and VALEO-SIEMENS customer have passed their share of the validation respectively of the VALEO-SIEMENS product.

Process audit frequency  
While in production, periodic audits of the process must be performed by the supplier at the intervals defined in the Control Plan.

Audit reports and corrective action plans are requested to be submitted to Valeo-Siemens at least once per year in the scope of the Yearly Initial Samples approach (see Chapter I.9 – Serial Life)  
To ensure continuous validity of the process audit, VALEO-SIEMENS reserves the right to perform process audits every 2 years and to carry out new audits whenever VALEO-SIEMENS consider the need.

| MILESTONE | Supplier Process Validated |
I.7 - PQA Activities to be completed before “Supplier Initial Samples Validated” milestone

The purpose of the milestone Supplier Initial Samples (IS) validated is (i) to check that the component (performance, characteristics, reliability, capability, etc) comply with VALEO-SIEMENS requirements and (ii) that the process developed by supplier is capable to produce the defined components in compliance with VALEO-SIEMENS requirements.

Mass production components must be in compliance with Initial Samples approved by VALEO-SIEMENS: no change on product, process or packaging.

Master samples and initial samples file will be archived at the supplier plant during 10 years after the end of lifetime of the manufactured product.
They will be used as reference for comparison on the YIS report

► Condition of initial sample acceptance

Initial sample report is validated by VALEO-SIEMENS team (SQA – R&D – Project Quality) if at least the items listed below are approved:

- Process audit (including Reinforced Control Plan) and CCL, – validated by VALEO-SIEMENS
- Full Day Production Run validation – validated by VALEO-SIEMENS
- Dimensional report
- SPPC Characteristics capability
- Raw material Conformity
- Test on VALEO-SIEMENS production Line to confirm no assembly issue on VALEO-SIEMENS line
- Functional tests
- Packaging validation
- Report on subjective requirements (appearance – aspect – Buzz Squeak and Rattle noise) if applicable
- IMDS Database data entry completed

If all the initial sample deliverables have been qualified, VALEO-SIEMENS SQA will release the ISR signed (Appendix 10 Initial Sample Report – ISR).
The initial sample approval decision will be communicated to the supplier by sending the VALEO-SIEMENS approved ISR.

MILESTONE Supplier Initial Samples Validated

In the case of IS not validated a deviation must be required to deliver components. The supplier will remain responsible of the quality of the components delivered and will submit the request to VALEO-SIEMENS through the Deviation module in SRM.

In the case that Supplier is requested to deliver components and the Initial Samples were not accepted due to a Process Audit not qualified, in addition to the deviation, a Control Shipment Level - CSL process has to be implemented with same conditions than a Probationary Period not validated (see process to satisfy the milestone PQA Status Granted).
I.8 - PQA Activities to be completed before “PQA Status granted” milestone

As soon as the Initial Samples have been accepted by VALEO-SIEMENS, the supplier is allowed to deliver components to VALEO-SIEMENS according to the needs and to the logistic protocol as well as to the requirements of this chapter. This is the serial production phase.

The supplier is fully responsible to deliver according the specifications and in line with the accepted ISR.

► Probationary period

In order to validate the effectiveness of control plan, VALEO-SIEMENS requires the implementation of a Ramp Up Control Shipment Level (RUCSL). This additional control has to be done according to the following conditions:

- Control of the characteristics of Control Plan (which must include SPPC):
  - The controls have to be done with equivalent means used on the line and a Sample Size agreed with Valeo-Siemens
  - 100% control of SPPC which are not in Green Status (this means that the Control Plan has to include a specific method with a frequency of 100% for the SPPCs which don’t have an automatic 100% control, Poka Yoke or SPC with Cpk <1.67)
  - Audit of characteristics where the 100 % control is integrated in the line and do not need to be duplicated
- Implemented Off Line, after final control and conditioning and before packaging

The zone has to be close to the line and must be designed to avoid creation of defects due to identification, handling and transport and must include QRAP Board for immediate reaction.

- Done by a certified operator
  Certified = training validated for application of Operation (start of CSL, knowledge of workflow and control Instruction, handling, packaging, labelling,....) and Quality Basics (Identification of parts, Records, Isolation, Problem Solving, ...)

- Starting with Supplier Start of Production until two months after Valeo-Siemens Customer SOP and after validating the effectiveness of Process Control Plan which is confirmed by meeting the exit criteria

The exit criteria to finalize the Probationary period are:

- Zero bad parts detected during a minimum of two consecutive months within the Ramp Up CSL period,
- All corrective actions resulting from bad parts detected during Ramp Up CSL were implemented and validated by Valeo-Siemens SQA,
- No quality incident
- All SPPCs in Green status
- TLR (Total Line Rejects) performance decreasing during the last 3 months
- Implementation of the corrective actions for non critical CARs of Valeo-Siemens Process Audit, showing Process Audit at 100%

►► If the exit criteria are not achieved after Valeo-Siemens Customer SOP + 2 months, the Ramp up CSL is renewed for one month.

►► If the exit criteria are not achieved within Valeo-Siemens Customer SOP + 3 months, a Control Shipment Level 2 (CSL2) activity must be implemented without time limit.

This activity will be handled by a sorting company contracted by the supplier and approved by Valeo-Siemens.

| MILESTONE | PQA Status granted |

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I.9 PQA Approach – Serial Life

When a component is granted the Product Quality Assurance (PQA) status, the component is no longer subjected to a probationary control period and reinforced control plan has to be stopped.

PQA Management Flow purpose is to ensure that supplier fulfils VALEO-SIEMENS requirements and supplies quality-secured purchased components along all the production period.

During serial life, the Supplier has to submit under Valeo-Siemens request the update of documents submitted for validation of IS to demonstrate that the PQA status is maintained.

Any delivery of parts without respecting the requirements agreed must be formalized by requesting a deviation. The supplier will remain responsible of the quality of the components delivered and will submit the request to VALEO-SIEMENS through the Deviation module in SRM.

Initial Samples are re-validated on a yearly basis and shall be presented by the supplier to the VALEO-SIEMENS Site at least 1 month prior the anniversary date of Initial Samples approval (the year before). The deliverables requested by VALEO-SIEMENS for the Yearly re-qualification of the initial samples are outlined below and can be found also in the AQP.pp matrix attached in the Appendix 1 of this manual.

VALEO-SIEMENS will request the submission of a report with existing data of current production, including:

- all characteristics of the control plan
- capability of each SPPC (in accordance with the control plan) (number of components measured – frequency).
- raw material report
- Subjective requirements
- Process Audit done by a certified auditor according to IATF and Customer Specific requirements

Supplier representative will take a particular care that:

- All materials used to produce this part respect the BRDS requirements of Valeo-Siemens
- The part has not undergone any product or process changes since the last Initial Sample Submission without the written approval of Valeo-Siemens
- The Sub Suppliers - manufacturing constituents of this part - have not performed any product or process changes without Supplier's validation and Valeo-Siemens written approval

In case of a non conformity situation of the items mentioned above, the supplier will request a deviation to VALEO-SIEMENS and must developed an action plan to come back to conformity.

Upon request, the supplier must provide VALEO-SIEMENS with the results of inspections carried out for each batch delivered in line with the requirements of the AQP.pp (Appendix 11 PQA Management Flow).
VALEO-SIEMENS has defined 2 different Product Quality Assurance Management flows:

- **VALEO-SIEMENS non specific component workflow:** for components such as raw materials / catalogue components / standard electronic components / non specific packaging as defined in the AQP.pp definition section of the present manual.
- **VALEO-SIEMENS Specific component workflow:** for components falling in the definition of the AQP.pp definition section of the present manual.

In addition, for Pass-Thru logistic flow (components delivered directly to Valeo-Siemens Customer), specific actions have to be implemented as per Valeo-Siemens request.

All PQA component deliveries must be identified with a PQA label on each container box. Upon request, the supplier shall inform VALEO-SIEMENS of the results of the inspections carried out for each batch delivered in line with the requirements of the PQA management flow.

►► Case of PQA status suspension
Supplier PQA status follows the rules defined in the Product Quality Assurance Management Flow (Appendix 11). After analysis of the causes, loss of PQA is confirmed for the component involved if a specific process and/or design is found to be at fault.

In all cases, VALEO-SIEMENS will give the supplier written notification of the date for resumption of PQA status after the problem has been solved.

When PQA status is lost – the supplier must take off PQA identification and when applicable identify with a label on each box and container, the level of control shipment (1 or 2) requested (Appendix 11 PQA Management Flow).

If the conditions agreed to remove the PQA suspension are achieved, the PQA status is recovered. Valeo-Siemens SQA authorize the Supplier to re identify boxes with the PQA label.

►► Case of a product or process modification or transfer of a supplier production line (see Chapter II.5) – the PQA status is therefore lost and the PQA status will need to be re-granted going through a complete PQA approach.
II - CONTINUOUS QUALITY IMPROVEMENT

This chapter will focus on:

- the incident processing
- the quality performance indicators
- the supplier Quality Improvement Plan
- the supplier development and follow up
- the product and process change management rules to be respected by the supplier
- the audits and audit schedule.
II.1 Incident processing

Supplier undertakes to use for incident treatment exclusively the PDCA / FTA methodology and answer through the IMS (Incident Management System) Module of SRM Portal (https://suppliers.VALEO.com/suppliers).

► Definition of Quality incidents

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>CP1</td>
<td>Any line, end of line reject at the customer or any reject occurring “in the field” that is caused by a non-conformity on a component delivered by a supplier without Initial Samples validated and with Deviation Request approved is recorded as a CP1 incident.</td>
<td>Non-conformity on a component under development is detected by the car maker.</td>
</tr>
<tr>
<td>CP2</td>
<td>Any component rejected on VALEO-SIEMENS production line that is caused by a non-conformity on a component delivered by a supplier without Initial Samples validated and with Deviation Request approved is recorded as a CP2 incident.</td>
<td>Non-conformity on a component under development is detected by Valeo-Siemens Project team or in VALEO-SIEMENS Process.</td>
</tr>
<tr>
<td>C1</td>
<td>Any line or end of line reject at the customer or customer complaint that is caused by a component delivered by a supplier is recorded as a C1 incident. Any reject occurring “in the field” that is caused by a non-conformity on a component delivered by a supplier is recorded as a C1WR incident.</td>
<td>Car makers line or end of line rejects (C1). Warranty return (C1WR).</td>
</tr>
<tr>
<td>C2</td>
<td>Any single component rejected from VALEO-SIEMENS plant that is caused by a component delivered by a supplier is recorded as a C2 incident.</td>
<td>VALEO-SIEMENS end-of-line rejects. Sorting, rework, and line disruption. Non-conformance identified in the manufacturing process.</td>
</tr>
<tr>
<td>CA</td>
<td>Perturbations in VALEO-SIEMENS plant that are caused by a suspected component delivered by a supplier is recorded as a CA incident. Based on analysis, this Alert should be transformed either in C2/CP1/CP2, closed or cancelled.</td>
<td>Valeo-Siemens or Customer parts rejected and linked with a suspected component delivered by a supplier. Root cause and responsibility need to be determined between Customer, Valeo-Siemens &amp; Supplier.</td>
</tr>
</tbody>
</table>
Recurrent incident:

►►► CP1, CP2, C1 or C2: a recurrent incident is the same failure mode and the same suspected or identified root cause coming from parts belonging to a batch produced after implementation of the corrective actions of a previous incident.

►►► C1WR recurrent incident: occurs on the same component number, the same failure mode, and the same suspected or identified root cause and for which production date is after implementation of the corrective actions.

Definition of Logistic incidents

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
<th>Location of the logistic perturbation and example of incidents</th>
</tr>
</thead>
<tbody>
<tr>
<td>L1</td>
<td>The logistic incident affects the VALEO-SIEMENS external customers or end users</td>
<td>Customer Service Rate impacted due to shortage of part deliveries leading to have a risk of line customer shutdown</td>
</tr>
<tr>
<td>L2</td>
<td>The logistic incident affects the VALEO-SIEMENS production lines</td>
<td>Production line shutdown at VALEO-SIEMENS due to shortage of part deliveries</td>
</tr>
</tbody>
</table>
| L3       | The logistic incident affects the Incoming Logistics (Receiving/Warehouse) organization | Perturbation detected at VALEO-SIEMENS receiving:  
- Parts received at VALEO-SIEMENS plant are not compliant with supplier’s promise, according to the VALEO-SIEMENS Pick-Up Order (VRO: Visual ReOrder)  
- No respect of delivery window.  
- Errors on delivery documents or missing (written or electronic information (ASN), handling unit identification  
- Damaged delivery |
Incident processing

When a defective component is identified, VALEO-SIEMENS will notify the supplier responsible of the incident using the IMS (Incident Management System) Module of SRM Portal. No other notification will be issued.

All suppliers are required to install broadband Internet and to systematically consult and make use of the SRM tool and associated documents. Their response time is measured and recorded by SRM according to VALEO-SIEMENS Reactivity requirements:

- **Within 24 hours** of the notification: **Quick Response**
- **Within 5 days** of the notification: **Plan Do**
- **Within 10 days** of the notification: **Check Act**
- **After LLC and Genba check submission:** **Closure**

In the case of a C1 and C1WR, the supplier is required to present to VALEO-SIEMENS plant the analysis. Physical presence will be required when necessary. All answers (QR, PD, CA & LLC) must be formalized in English.

A Genba Check and CCL assessment will be conducted by VALEO-SIEMENS supplier quality prior to incident closure.

Each category of incident shall not be closed without submission of LLC and verification on genba. The Category Alerts shall not be closed without submission of agreed actions between Valeo-Siemens & the supplier. Documented analysis will be required when necessary.

- **Cancelled incident:**
  If the Plan Do analysis concludes the supplier non-responsibility then the supplier incident is cancelled.

 Sorting activity:

For any sorting activity requiring a sub-contractor, the Supplier will have to select a sorting company approved by VALEO-SIEMENS. Supplier shall ensure that the organization of the sorting shall enable an immediate communication of any relevant information (including especially the sorting results) obtained by the supplier and/or the sub-contractor during the sorting. All costs linked with the sorting, including costs to be paid to the subcontractor, will be borne by the Supplier.

- **Sorting at VALEO-SIEMENS plant:** the Supplier shall mandate a sorting company within the first 2 hours following the incident notification in order to ensure that VALEO-SIEMENS is secured latest 4 hours following the incident notification to the Supplier. In case of delay VALEO-SIEMENS will contract directly a sorting company and shall charge back to the supplier all related costs.

 Supplier Liability

Supplier remains liable for all direct and indirect costs caused by any non conformity to contractual specifications or applicable regulations.
II.2 Quality and Logistic performance indicators

► Quality indicators

Among other, the Quality performance of suppliers will be measured with the following indicators based on 3 months rolling \((M + (M-1) + (M-2))\):

**IPB – 3 Months:**

1. **DEFINITION**
   
   Incidents per Billion: This indicator measures the total number of quality incidents which are the responsibility of external suppliers (Category 1, Category 2), related to one billion parts delivered by the suppliers to Valeo.

   The purpose of this indicator is to measure the quality performance in proportion to the quantities received by reference from our suppliers.

2. **CALCULATION FORMULA**

   \[
   IPB = \frac{(C1 + C2 + C1WR) \text{ [3 Months]}}{(\text{Quantity Received}) \text{ [3 Months]}} \times 10^9
   \]

**Quality**

- Number of total incidents \((C1+C1WR+C2)\)

- Number of incidents \(C1\) and \(C1WR\)

- % of Reactivity: QR within 24 hours & PD within 5 days & CA within 10 days

- Number of incidents \(CP1\)

- Initial Samples Right First Time and On Time (M)
Logistic indicators

The Supplier Service Rate (SSR) indicator measures the level of delivery performance of a supplier to Valeo-Siemens sites.

**Supplier Service Rate: SSR**

It measures the ratio of the Number of "pick-up order" Lines On Time In Full against the Number of "pick-up order" Lines Requested;

This indicator is measured in % at each delivery, so against each pick-up order, and calculated as following:

\[
SSR = \frac{\text{NLOTIF}}{\text{NLR}} \quad \text{in} \% 
\]

**Logistic**

NLOTIF : Number of "pick-up order" Lines On Time In Full:
- Right quantity: quantity delivered/picked-up = quantity ordered
- Right time: at the time slot defined in the pick-up order
- Right place: at the place defined in the pick-up order

NLR : Number of pick-up order Lines Requested by VALEO-SIEMENS
- A pick-up order line is: 1 supplier, 1 pick-up order, 1 part number, 1 quantity ordered, 1 time slot (date/hour);

The service rate indicator for a Supplier over a period (for example a month) is the rating of cumulative NLOTIF divided by the cumulative NLR.

\[
\text{SSR consolidated} = \frac{\Sigma \text{all NLOTIF}}{\Sigma \text{all NLR}} \quad \text{in} \% 
\]

Every month, the Supplier Delivery Performance is published as part of the supplier QCD performance. A continuous improvement plan is requested, and its progress followed up.
II.3 Systemic Recovery Plan

Valeo-Siemens supplier, drifting from quality performance has to define action plan to identify systemic weaknesses and propose corrective actions – Systemic Recovery Plan

Systemic Recovery Plan contains:

- Systemic/management weaknesses list based on findings from Genba and 5Whys
- Root-causes
- Corrective actions
- Standards definitions, deployment and enforcement as output of actions
- KPIs defined to track efficiency of actions

Systemic Recovery Plan is led by supplier top management and submitted to Valeo-Siemens on regular basis.
II.4 Supplier development & follow-up

Valeo-Siemens makes available to each Supplier a set of tools (tool box) applicable according to Supplier Quality Performance level:

- Supportively, when the supplier Quality performance is stagnating, the following activities: QRQC Deployment, Fundamentals of Quality may be launched by VALEO-SIEMENS.

- Pro-actively, when the supplier Quality performance is identified at risk to drift, the following activities: Supplier Development & Preventive (SD&P) program may be launched by VALEO-SIEMENS.

- Reactively, when the supplier Quality performance is worsening, the following activities: Recover Supplier Quality (RSQ) program, NBOH Alert / NBOH Status may be launched by VALEO-SIEMENS.

► Quick Response Quality Control (QRQC) deployment:
VALEO-SIEMENS may propose to support supplier improvement activity by sharing the QRQC / PDCA Methodology which is based on 4 principles:

- Detection: ability to self-detect the problem.
- Communication: ability to communicate in the right manner (simpler & quicker).
- Analysis: ability to analyze the problem by comparing good & bad.
- Verification: ability to check and to learn from your experience.
Supplier follow up

VALEO-SIEMENS has deployed a SQA Strategy to support the supplier improvement activity by deploying 2 different programs:

- Program to **prevent** named Supplier Development & Preventive (SD&P) dedicated to suppliers starting to drift – support will be given by focusing on Production, Project and Logistics

- Program to **repair** named Recover Supplier Quality (RSQ) dedicated to top contributing suppliers to help them to recover quality level.

Based on the Suppliers Quality performance level, VALEO-SIEMENS identifies RSQ and SD&P suppliers.

**Supplier Development & Preventive (SD&P)**

Valeo-Siemens assesses and monitors regularly suppliers’ quality performance in order to prevent potential risk. Supplier assessment is based on criteria covering project development, production quality and logistics results. There are 4 Risk Levels: HR+ (High Risk Plus), HR (High Risk), MR (Medium Risk), NR (No Risk). Suppliers being assessed with risk are requested to select quality tools to perform self assessment and start to mitigate risk. Valeo-Siemens will audit selected quality tools and re-assess risk level at the end of program in order to confirm effectiveness of supplier actions.

**Recover Supplier Quality (RSQ)**

The suppliers are ranked among 3 Recover Supplier Quality (RSQ) categories: RSQ1 – RSQ2 – RSQ3. RSQ1 being the category most critical.

---

**RSQ levels objectives & differentiation**

- **RSQ 1** to address systemic supplier management root-causes (12 months)
- **RSQ 2** to address commodity/segment generic issues (6 months)
- **RSQ 3** to address specific product issues & improve supplier product knowledge (3 months)
Recover Supplier Quality Levels

RSQ # 3

- RSQ #3 level involves Supplier Production Team
- Monthly follow-up on Genba addresses supplier product issues and knowledge with verification of PDCA actions on Genba and Lessons Learnt Card cross fertilization. Yearly Initial Sample and Project Management are also addressed.
- This program will last 3 consecutive months.

RSQ # 2

- In addition to RSQ 3 activities, RSQ 2 level involves Supplier Plant Management
- Monthly follow-up on Genba addresses supplier ability to improve process knowledge support by StEDE activities leading to Systemic Weaknesses on Plant level.
- This program will last 6 consecutive months in order to ensure a sustainable improvement

RSQ # 1

- In addition to RSQ 2&3 activities, RSQ 1 level involves Supplier Top Management (Group Senior Management or Chief Executive Officer)
- Bi-Monthly follow-up addresses Systemic Weaknesses of Organization leading to changes in management, system and organization.
- This is the highest level of escalation, this program will last 12 consecutive months in order to ensure a sustainable improvement with strict follow up of defined exit criteria

The exit of RSQ Program or escalation to the next RSQ category will be decided by VALEO-SIEMENS upon satisfactory achievement of the targets agreed at the beginning of the program with the supplier.
Control Shipment Level 1 and 2 (CSL1 and CSL2):

CSL1 and CSL2 will be required to the supplier in order to assure certified deliveries while awaiting the full recovery of the conformance on the production process or /and the product.

- CSL1 – Following a request from VALEO-SIEMENS, the supplier will implement a CSL1 in addition to the sorting of his production.
  
  The CSL1 and the sorting activity will be operated out of the production line in a dedicated zone and in accordance with a specific control instruction approved by VALEO-SIEMENS. Supplier will make available the evidence that sorting operators have been trained to the sorting and CSL1 Instructions – the performance of the sorting activity will be monitored on a daily basis by the supplier. The supplier formally guarantees the conformance of goods delivered for each delivery that takes place while CSL1 is in the process of implementation. The cost of sorting will be borne by the supplier.
  
  When the supplier fails to meet the commitments stipulated by CSL1 period, CSL2 is then required to be implemented.

- CSL2 – the supplier is required to put in place a sorting activity by an external company, validated by VALEO-SIEMENS, in line with criteria defined along the CSL1. The cost of sorting will be borne by the supplier. Sorting results will be communicated to both VALEO-SIEMENS and the supplier. VALEO-SIEMENS has developed a panel of sorting companies that VALEO-SIEMENS suppliers will be required to work with.

- Exit of CSL1 or CSL2: status can be lifted only after formal acceptance from VALEO-SIEMENS in accordance with exit criteria defined in the CSL notification letter.

- In case of recurrent non-conformance, where the supplier clearly does not have sufficient control of his production process, the Control Shipment Level (CSL) procedure will be applied.

Alert NBOH and NBOH (NEW BUSINESS ON HOLD):

In case of continuous drift (RSQ program) or potential risk at Valeo-Siemens or its Customers, Valeo-Siemens will send a notification letter to request further investigation or assessment at corresponding level.

If there is no appropriate reaction from the supplier, Valeo-Siemens may decide to apply a NBOH process.

Phase OUT:

If the supplier is not showing improvements, VALEO-SIEMENS may decide to end the relationship with the Supplier.
II.5 Product & Process Change Management

When an engineering standard/specification change results in a product design change, Supplier has to refer to the requirements in ISO 9001, Section 8.3.6.

When an engineering standard/specification change results in a product realization process change, refer to the requirements in IATF 16949 Section 8.5.6.1.

The supplier has the obligation to communicate to VALEO-SIEMENS Project / Productivity Buyer and in a written form, any product or process change intention (design, manufacturing process, material, colour ...) prior to its implementation, in order to obtain a written approval or a deviation from VALEO-SIEMENS relevant people.

If a component subject to a change (previously approved by VALEO-SIEMENS) is shipped to several VALEO-SIEMENS sites – each of the sites have to be informed and each VALEO-SIEMENS site will advise the supplier on the validation to be performed by the supplier to proceed with the change – shall the validation be successful. Upon reception of written agreement from each VALEO-SIEMENS site, the supplier is authorized to implement the change.

The following chart is giving some examples of product and process changes – the list is not exhaustive:

<table>
<thead>
<tr>
<th>4M</th>
<th>Definition</th>
<th>Examples of Product Process Changes</th>
</tr>
</thead>
</table>
| Material | Changes to be made to what is used in the components or raw materials or to the component or raw material source | - Material change from Polyamide ➔ Polypropylene  
- Packaging material from 3 ply cardboard ➔ 2 plies  
- Shape of packaging  
- Label  
- Change supplier or sub-supplier  
- Packaging operation conducted at end of line ➔ packaging operation moved to the warehouse  
- Automatic process ➔ manual process  
- Single component processing ➔ batch processing  
- Temperature in heat treatment furnace  
- Control frequency change from 100% to 5 at start of production, or vice versa  
- Change layout of production line, but no change in equipment  
- Stop supplying VALEO-SIEMENS from a production site in France, and start supplying from a production site in China  
- Purchase new press in order to increase capacity  
- Renovation of old mould  
- Purchase new test equipment  |
| Method | Changes to be made in how we produce or test or control components        | - Change layout of production line, but no change in equipment  
- Stop supplying VALEO-SIEMENS from a production site in France, and start supplying from a production site in China  
- Purchase new press in order to increase capacity  
- Renovation of old mould  
- Purchase new test equipment  |
| Machine | Changes to be made in the machines, gauges or tools used to produce or test or control components | - Change layout of production line, but no change in equipment  
- Stop supplying VALEO-SIEMENS from a production site in France, and start supplying from a production site in China  
- Purchase new press in order to increase capacity  
- Renovation of old mould  
- Purchase new test equipment  |
| Man | Changes to be made in the organizational of the workforce involved in the manufacturing of the goods | - Hoshin activity of Line rebalance from 4 operators to 3 operators  
- Lower skill set of the operators to reduce direct labor costs  
- New shift has to be constituted at the supplier to extend capacity |

►► Implementation of a Product or Process change by a supplier with no VALEO-SIEMENS written agreement will be reported to the IATF certification body by VALEO-SIEMENS. VALEO-SIEMENS will require from the supplier to be placed under CSL2.
## II.6 Audits & Audit schedule

During serial production, Supplier Sites / Products must be re-evaluated on a regular basis (see chart below). A new audit may be scheduled at any time by VALEO-SIEMENS.

A Yearly Initial Sample audit will be performed by supplier in accordance with the control plan approved along the AQP.pp process developed for the validation of Initial Samples.

The product audit will include a review of:
- VALEO-SIEMENS needs and technical specification adjustment in the light of the gained field experiences
- Field performance surveys or new technology.

The quality system of the supplier will ensure that any production return of experience involving a product or process change(s) is fed-back for a post mortem analysis.

<table>
<thead>
<tr>
<th>Type of Audit</th>
<th>Validity Period</th>
<th>Leader</th>
<th>Where</th>
</tr>
</thead>
<tbody>
<tr>
<td>EVAL</td>
<td>New Suppliers, then No Limit except entering in RSQ1 Program</td>
<td>VALEO-SIEMENS and/or VALEO Purchasing and SQA</td>
<td>At supplier’s plant</td>
</tr>
<tr>
<td>Process Audit (*)</td>
<td>1 Year</td>
<td>Supplier (Self-Assessment)</td>
<td>At supplier’s plant</td>
</tr>
<tr>
<td></td>
<td>VALEO-SIEMENS reserves the right to perform process audits every 2 years (after IS validation)</td>
<td>VALEO-SIEMENS and/or VALEO SQA</td>
<td>At supplier’s plant</td>
</tr>
<tr>
<td>Product Audit / YIS (*)</td>
<td>1 Year</td>
<td>Supplier (Self-Assessment)</td>
<td>At supplier’s plant</td>
</tr>
<tr>
<td>CCL</td>
<td>No limit except in case of new incident or entering in the Supplier Quality Improvement Program or along Process Audit when it has to be re-assessed</td>
<td>VALEO-SIEMENS and/or VALEO SQA</td>
<td>At supplier’s plant</td>
</tr>
<tr>
<td>IATF 16949 (latest valid Edition)</td>
<td>3 Years (including yearly follow-up)</td>
<td>IATF 16949 Accredited bureau</td>
<td>At supplier’s plant</td>
</tr>
</tbody>
</table>

(*): Supplier to provide results of the Product / Process Audit with the Yearly Initial Sample submission to VALEO-SIEMENS.
III - END OF MASS PRODUCTION MANAGEMENT (EMP)

End of mass production life management cycle starts when the production of OEM product is stopped. Then, the production of components from Suppliers is only for OES and Aftermarket needs.

The purpose of this chapter is to define how supplier ensures that once mass production is terminated, process at Supplier is capable to provide for OES and Aftermarket.

III.1 Evaluation of potential changes

6 months before end of mass production, supplier has the responsibility to fill-in the EMP changes evaluation check list (Appendix 12 EMP – Section: Potential Changes Evaluation). This document aims at listing any process changes that are planned to be executed by the supplier before EMP.

Supplier submits the check-list to VALEO-SIEMENS Buyer and SQA in charge to obtain a formal Valeo-Siemens approval.
Supplier will execute the required modifications, in line with the Product and Process change management section and proceed with next step.

III.2 Supplier self process-assessment

One month before EMP, the supplier has the responsibility to self assess its process through EMP process assessment check list.

The EMP process assessment check list will then be submitted to VALEO-SIEMENS SQA to check respect of steps (Appendix 12 EMP - Section: Process Assessment)

PQA status has to still be managed in accordance with PQA management rules.
No more systematic yearly initial sample submission is then requested the year following the end of the OEM life and no more systematic periodical VALEO-SIEMENS process audit will be performed.

VALEO-SIEMENS process audits and initial sample submission will be nevertheless required following a product or process changes occurring at the supplier.
IV- SUPPLIER QUALITY POLICY

The supplier, a professional in its field, is perfectly aware of the demands and requirements of the Automobile Industry, in particular in terms of quality. It is supplier responsibility to define and implement a quality policy in compliance with this Industry's standards and customary practices, as well as with laws, regulations and standards in force. This SQM shall supplement supplier quality policy.

Nothing under this SQM may be interpreted as relieving the Supplier from any of its obligations towards VALEO-SIEMENS and especially its responsibility to deliver the Components in compliance with all documents that govern the relationship between VALEO-SIEMENS and the Supplier in connection with the supply of the Components.

Activities performed by each Party under this SQM and especially, inspection, audit, validation, testing and/or approval made or granted by VALEO-SIEMENS under this SQM as well as VALEO-SIEMENS decision not to enforce all or part of this SQM shall not affect Supplier responsibility concerning the quality and reliability of the Component and compliance with its contractual obligation.
## V- ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>AQP.pp</td>
<td>ADVANCED QUALITY PLANNING for product and process: aim of AQP.pp is provide VALEO-SIEMENS with all the guarantees concerning the means to achieve product quality. The AQP.pp includes: VALEO-SIEMENS Requirements File (VRF), Quality Assurance File (QAF), Initial Samples File (ISF) and a Quality Monitoring File (QMF).</td>
</tr>
<tr>
<td>CAR</td>
<td>CORRECTIVE ACTION REQUEST</td>
</tr>
<tr>
<td>CARRY OVER</td>
<td>Part already validated and used with same revision level in a project of any Valeo-Siemens Site in current or stopped mass production</td>
</tr>
<tr>
<td>CCL</td>
<td>COMMODITY CHECK LIST</td>
</tr>
<tr>
<td>CERTIFICATION</td>
<td>Notice given by an OFFICIAL organization on the basis of the appropriate procedures or documents by which the component is recognized as being in compliance with STATUTORY requirements</td>
</tr>
<tr>
<td>CONFORMITY</td>
<td>Fulfilment of a requirement. Note: The term ”CONFORMANCE” is a synonymous but deprecated. (ISO 9000 - 2000)</td>
</tr>
<tr>
<td>CONTROL PLAN</td>
<td>Documented description of the systems and processes required for controlling the manufacturing of a product. (IATF 16949)</td>
</tr>
<tr>
<td>CSL</td>
<td>CONTROLLED SHIPMENT LEVEL 1 and 2: CSL1 and CSL2 are provisional procedures implemented with a view to guaranteeing certified deliveries while awaiting the re-establishment of the conformance of the production process.</td>
</tr>
<tr>
<td>EVAL</td>
<td>VALEO-SIEMENS supplier evaluation tool taking into account 8 key criteria concerning operational and strategic performances of the suppliers. This grid is used to select as well as to evaluate suppliers (present and potential suppliers).</td>
</tr>
<tr>
<td>FDPR</td>
<td>FULL DAY PRODUCTION RUN: Production run to validate the &quot;full capacity / quoted rate&quot; conditions. A sufficient quantity of components shall be manufactured during this day to be considered statistically significant. It shall extend for a period between 1 hour and 8 hours (one shift). At least 300 components shall be manufactured unless a specific quantity is specified in relation to the rate of manufacture.</td>
</tr>
<tr>
<td>FMEA</td>
<td>FAILURE MODE and EFFECT ANALYSIS: Deductive method and tools used to identify potential failure modes, their causes and effects, and assess criticality of these failure modes, based on severity, occurrence and detection probability criteria. Generic FMEA is applied on Product Design (DFMEA), Process Design (PFMEA), and Equipment. It can also be applied on Product functions (Concept FMEA)</td>
</tr>
<tr>
<td>Genba Check</td>
<td>Physical verification on the process to check if corrective actions from PDCA are implemented in &quot;real place&quot;</td>
</tr>
<tr>
<td>HOSHIN</td>
<td>A VPS tool for identifying simple solutions which can be applied immediately, to eliminate waste and produce just-in-time, carried out with the involvement of personnel in all the areas concerned.</td>
</tr>
<tr>
<td>IMS</td>
<td>INCIDENTS MANAGEMENT SYSTEM: Incident Management System (IMS) enables to notify quality incidents to suppliers and to receive and approve their Quick Response PDCA (launching an alert after 24 hrs) and their Analysis PDCA and Factor Tree Analysis (5 days to submit, 10 days to implement).</td>
</tr>
<tr>
<td>IS</td>
<td>INITIAL SAMPLES: Units manufactured by final production methods and under &quot;full production conditions&quot;. IS approval shall validate the production equipment. After approval, they are used as reference for the volume production.</td>
</tr>
<tr>
<td>ISR</td>
<td>INITIAL SAMPLE REPORT</td>
</tr>
<tr>
<td>LLC</td>
<td>Lesson Learned Card: used to capitalize acquired knowledge and experience</td>
</tr>
<tr>
<td>KOSU</td>
<td>The actual direct labor time needed to produce one good part</td>
</tr>
<tr>
<td>PASS THRU</td>
<td>A pass thru component corresponds to a part produced by a Supplier of Valeo-Siemens who delivers this very part directly to Valeo-Siemens Customer</td>
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<td>PDCA</td>
<td>PDCA (PLAN, DO, CHECK, ACT): is a methodology to settle and solve problems effectively. Based on continuous improvement, PDCA comprises four different steps: Plan: grasp the problem, analyze causes and effects and set objectives. Do: investigate solutions, identify the most effective one and implement it. Check: check the result in comparison to the objectives. Act: set a new standard to consolidate the result and take action to prevent the re-occurrence of the problem.</td>
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<td><strong>POKA YOKE</strong></td>
<td>ERROR PROOFING (POKA YOKE): Product and manufacturing process design and development to prevent manufacture of non-conforming components. (ISO TS 16949)</td>
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| **PPB**       | PARTS PER BILLION: measures the ratio of defective supplier production parts detected at reception, in production and at the customer. It includes technical defects as well as packaging and labelling errors.  

\[
PPB \, C3M = \frac{\text{Number of nonconforming parts} \times (3 \text{ months to date sliding})}{\text{Total number of parts received} \times (3 \text{ months to date sliding})} \times 10^9 
\]

* Only parts that have entered the site; consignment stocks awaiting reception are not included.  
** For raw materials, replace number of parts by number of delivery units, i.e. unit of weight in most cases.  
Non-conformance is determined in terms of specifications: identification, size, aspect, function, mix, error in quantity, etc. Non conforming parts formally accepted by VALEO-SIEMENS are not included in the measurement of defective parts; batches of products that have been destroyed or returned will be recorded as non-conforming. In the event that sorting operations have to be carried out at VALEO-SIEMENS to which the supplier has agreed and paid for, only the defective parts will be recorded as non-conforming. In all other cases, the whole batch is recorded as being defective. |
| **RSQ**       | Recover Supplier Quality – Program dedicated to top contributing suppliers to help them to recover quality level. |
| **QRQC**      | QUICK RESPONSE QUALITY CONTROL: It is a way of management of problems applicable in every area: Production, Projects, Logistics, Purchasing, etc |
| **SD&P**      | Supplier Development Program dedicated to suppliers starting to drift – support will be given by focusing on Production, Project and Logistics |
| **SPC**       | STATISTICAL PROCESS CONTROL: Consists of monitoring a process by the statistical measurement of key parameters to detect process variations that impact the components ability to meet a required function.  
The use of this method of control can therefore prevent the production of non-conforming products. SPC can only be used for capable processes (see also "capability"). |
<p>| <strong>SPPC</strong>      | SPECIAL PRODUCT and PROCESS CHARACTERISTICS: and measurable characteristics of a component, System or assembly which may have an adverse or degrading effect on the function, quality or reliability if an out of tolerance condition occurs, Measurable elements of the process used to manufacture or assemble a component that have significant impact on the function, quality or reliability of that components. |
| <strong>SRM</strong>       | SUPPLIER RELATIONSHIP MANAGEMENT: It is an Internet secured portal used to communicate with suppliers, through which, we can exchange several kinds of information (as for example: Quality incidents, performances, standards, suggestion, etc.). (<a href="https://suppliers.VALEO-SIEMENS.com/suppliers/">https://suppliers.VALEO-SIEMENS.com/suppliers/</a>) |
| <strong>TOOLING LOAN AGREEMENTS</strong> | A document attesting to VALEO-SIEMENS ownership when tooling has been placed at supplier premises for the production of components. This document must be signed by the supplier receiving the tooling or equipment. This agreement addresses the following major aspects: Ownership of tooling, term and termination of the agreement, conditions on the use of the tooling, maintenance and insurance. |
| <strong>YIS</strong>       | Yearly Initial Samples (see PQA Approach 7 – Product Quality Assurance management) |</p>
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