

I. PURPOSE

This manual is to assist our supply base in understanding Nitto, Inc.'s ongoing needs and requirements. The SQAM is posted at http://www.nitto.com/us/en/about_us/Americas/Suppliers for review by Nitto Kansas City raw material vendors, purchased finished goods vendors, packaging material vendors and product subcontractors who are monitored in the vendor rating program. It is the vendor's responsibility to assure they are using the latest version of the SQAM. Any questions or requests for clarification should be directed to our purchasing department at 248-449-2300 X 2352.

I.1. Quality Management System Development.

This manual reflects our philosophy to always deliver high quality performance and consistency to our customers at a fair price. The development of a supply base capable of providing excellence in quality, service and value is an integral part of our continuous improvement efforts. At a minimum, we require that material be manufactured by personnel trained and qualified for the job according to the supplier's internal qualification procedures.

I.1.1 Third Party Certification: Nitto, Inc. expects raw material and purchased finished goods suppliers and subcontractors to achieve ISO 9001 third party certification at a minimum. Nitto, Inc. may waive this requirement for non-automotive suppliers after assessment of potential risk with related Department Managers.

- Material supplier certificates must be from an accreditation body that can be validated through the International Accreditation Forum www.IAF.nu database.
- Calibration and testing providers must achieve ISO 17025 third party certification with certificates from a recognized accreditation body (i.e. A2LA, ANSI, NVLAP) unless otherwise specified, i.e. FAA certified for flammability testing of aerospace products. For automotive products, calibration must be performed against the ISO 17025 requirements, and Calibration Certificates must include the Accreditation Body logo.
- Packaging and Logistics suppliers may subscribe to other industry-based certifications, but they are not required to be third party ISO 9001 certified.

Suppliers of automotive materials: are expected to show progression towards compliance with IATF 16949 starting with the Minimum Automotive Quality Management System Requirement for Sub-tier Suppliers for IATF 16949 (MAQMSR) at www.iafglobaloversight.org/oem-requirements/customer-specific-requirements/ and to extend the requirements to sub-tier suppliers. Vendors not familiar with the requirements can obtain copies from the American National Standards Institute (www.ANSI.org) at 212-642-4900 for ISO 9001, the American Society of Automotive Engineers (www.SAE.org) at 1-877-606-7323 for the Aerospace Standard or the Automotive Industry Action Group (www.AIAG.org) at (248) 358-3003 for IATF 16949.

I.1.1. Product Safety: Suppliers must have a documented process to manage product safety related issues during the entire product life including the identification of statutory and regulatory product safety requirements; identification and controls of safety-related characteristics of the product; hazard assessment, safety critical items analysis and reporting of events affecting safety; training of personnel and communication regarding their contribution to product conformity and product safety and the transfer of product safety related requirements throughout the supply chain.

I.1.2 Counterfeit: Suppliers must identify and manage the risks associated with the provision of materials or products, as well as their selection and use of sub-tier providers. At a minimum, flow down requirements that all providers apply appropriate controls to ensure that customer requirements are met; this includes a Management System addressing the prevention of counterfeit materials through training; monitoring of obsolete parts; controls to use only authorized suppliers;

traceability to original/authorized manufacturers and test to detect counterfeit parts; flow down of applicable requirements to sub-tier providers and the right of access at any level of the supply chain

I.1.3 Contamination: Suppliers must have a contamination control procedure in place to protect Nitto from defective or contaminated material. The procedure must address general plant cleaning policies including 5S, cleaning frequency, material storage, building access points, calibration, and PM schedules with record of cleaning belts and filters, prevention of cross contamination among raw materials/chemicals, inclusion of contamination points on control plans, FMEAs and work instructions, contamination audits and corrective actions.

Contamination control requirements must be extended to sub-tier suppliers.

I.1.4. Product and Service Conformity: Suppliers must provide training and ensure that all personnel are aware of their contribution to product and service conformity. This requirement must be extended to sub-tier suppliers.

I.2. Corporate Responsibility, Sustainability, Ethical Behavior.

As Nitto Group companies, we operate with integrity and in accordance with “Open, Fair, Best” practices. To pass this principle onto suppliers, we have incorporated conditions of corporate social responsibility in the **Nitto, Inc. Purchase Terms and Conditions for Goods and Services** agreement (Sections 24 and 25) to assure the integrity and sustainability of the companies from which we procure.

We expect that all suppliers understand the importance of ethical behavior, and corporate social responsibility is practiced not only by direct suppliers, but throughout your supply chain.

I.3. Environmental Management System Development.

We are committed to pollution prevention and a safe, friendly environment. Our environmental programs ensure that we perform beyond the requirements of federal, state and local regulations, and we are certified to the Environmental Management System Standard, ISO 14001. We encourage all vendors to support our Environmental Management System initiatives through waste and pollution reduction, by complying with all local, state and federal regulations to minimize our impact on the environment by supplying us with environmentally friendly materials.

II. VENDOR ASSESSMENT & MONITORING

II.1. Initial Assessment:

- 1) A General Assessment is conducted prior to the award of any business. In addition to reviewing a vendor’s ability to provide the required material or service, Purchasing will conduct background checks and review credit references to confirm vendor stability and reliability to assure continuity in our operations.

- 2) A Quality Self-Assessment will be required to confirm general quality system status and certification to a recognized standard. Nitto will forward a copy of the Supplier Self-Assessment Checklist as part of the Initial Supplier Assessment Necessary Document List:

- TAX ID Form (W-9 Form – Domestic / W-8BEN-E – Outside US)
- Purchase Agreement (mandatory)
- Certificate of Insurance (COI)
- Green Procurement – Supplier Checklist
- Supplier Quality Self-Assessment
- ISO 9001, IATF 16949, AS9100 certification (as applicable)
- Audit Results (if audit is required)
- SQM/SQAM (Supplier Quality Assurance Manual)
- Supplier Change Notification and other surveys

II.2. Audits:

Audits on-site or remote may be conducted as part of the initial assessment, as a result of a non-conformance or as part of our periodic vendor audit program. All suppliers are included in the periodic audit pool, however priority will be given to suppliers determined to be critical for that audit period based on the criteria listed in V1.2. Supplier audits will be conducted by trained, qualified auditors listed on the Internal Auditor Qualification List.

If specified in our customer contracts, customers must be afforded the right to audit our vendors. Our right or customers' right to audit is printed on every purchase order. This right must also be extended to regulatory agencies if required. In addition to conducting audits, we, our customers or regulatory agencies must also be given access to inspect or verify the quality of purchased material at the vendor's facility.

NOTE: If this becomes necessary, the vendor will receive advanced notice regarding the scope and reason for the audit or inspection. Audit checklists or other materials available to us will be forwarded to our vendors

II.3. Ongoing Assessment and Development:

In addition to the ongoing performance rating in sect. VI, we ask automotive suppliers to complete Supplier Self-Assessments as requested in response to updated customer or QMS requirements, or at a minimum every three years in order that we can continue to monitor suppliers' progress towards meeting the requirements of IATF 16949. Action plan will be requested from vendors who fall below the stated minimum requirement.

III PART APPROVAL REQUIREMENTS: Please provide documents and completed forms when required for each of the categories below:

III.1 Raw Materials and Finished Goods for Non-Automotive Applications: Vendor will work with R&D, Purchasing and/or Quality as appropriate to qualify the new material including all chemicals, backings, glass fibers and liners.

III.1.1 Materials Ordered for Trials Runs:

- Safety Data Sheet
- Technical Data Sheet
- Chemical Survey Forms at https://www.nitto.com/us/en/about_us/Americas/Suppliers/

III.1.2 Materials Ordered as Standard Parts or Converted to Standard Parts:

- **All items in Section III.1.1**
- Process Capability Studies/Historical Data for Certified Properties

- Material Certification with both Lot# and DOM
- Signed Part Submission Warrant (PSW)
- Signed Nitto Material Specification

III.1 Finished Goods for Automotive Applications (or Other Applications if Required by Nitto Customers):

PPAP will be required per AIAG guidelines and according to our customers' additional requirements including material and logistics such as MMOG/LE (Materials Management Operations Guidelines/Logistics Evaluation), EDI if applicable, etc.

Unless otherwise stated, the default PPAP is a Level 3 to include IMDS submission, PSW, material certs, dimensional capability, control plan, FMEA, capacity verification, etc. and Chemical Substance Control Forms.

III.2 Packaging Materials:

Confirmation of compliance or applicable chemical content in accordance with the Coalition of Northeast Governor's (CONEG/ROHS) Toxics in Packaging Law must be provided by vendor if requested.

IV. MATERIAL SPECIFICATIONS, DOCUMENTATION.

Purchasing and/or R&D will work with the vendor to establish a specification for the new material in the instance that a supplier does not already have a defined material specification. In the event a supplier has an established specification (via COA, COC, etc), this form is considered to be the specification unless otherwise agreed with Nitto. Specifications assure that critical requirements are understood, and that the vendor is capable of meeting those requirements including testing, packaging and labeling, safety and storage conditions, samples and certification or test data requirements, lot number definition, shelf life and change notification. Once all elements are agreed upon, the spec is finalized, signed off by R&D for submission with the Supplier Approval Documentation.

The specification establishes a contract between us and our vendors. If vendors do not sign and return, we will assume acceptance if the vendor supplies at least one shipment against the spec. Non-response may also trigger other actions such as audits. Every specification has an effective date and a Spec Revision letter that prints on the purchase orders. In the event that the specification changes, the supplier is required to submit a notification to Nitto, in writing, via email to gr-aus-quality-kc@nitto.com. Failure to notify and receive approval for specification changes may result in loss of business as a supplier.

Once a specification is issued to a supplier, Nitto Automotive, Inc. expects the supplier to have contingency plans in place to assure continuity of supply for the specified material. This includes but is not limited to transportation, packaging, equipment failure, maintenance and utility systems, labor control, internal or external work stoppages, natural disasters, IT system failures, sub-supplier work stoppages, volume increases, etc.

Contingency Planning: Once a specification is issued to a supplier, Nitto, Inc. expects the supplier to have contingency plans in place to assure continuity of supply for the specified material. Areas to consider include but are not limited to: transportation, packaging, equipment failure, maintenance and utility systems, labor controls, internal or external work stoppages, natural disasters, epidemic/pandemic, cyber security failures in IT systems or manufacturing equipment, sub-supplier work stoppages, volume increases, etc.

All material vendors must have a method to positively control, distribute, maintain and dispose of the specifications. When specs are updated, it is the vendor's responsibility to remove old versions from work areas, distribute the updates and assure that affected personnel are aware of all changes.

Records relating to the purchased materials must be maintained and controlled. Minimum records requirements: 1) Nitto PO, 2) specification 3) production data including control items, 4) test data including sub-supplier data and 5) Copies of submitted C of As. These must be available for review by Nitto, our customers or regulatory authorities for as long as the product is active plus 10 years.

Packaging Materials Vendors: Specifications will be provided as needed, on an exception basis.

Calibration and Testing: suppliers must assure that they are using the latest revision of applicable industry and/or regulatory requirements unless otherwise stated on the PO, and provide proper documentation as required on the PO.

V. MATERIAL CLASSIFICATION/CERTIFICATION.

Each material has an internal classification or Inspection Code that defines incoming testing and release criteria. Codes are established during qualification and upgraded or downgraded based on ongoing material performance.

- 1) If pre-shipment samples are required, please submit with enough lead time to allow for QC testing and release of the material prior to delivery.
- 2) If Certificates of Analyses or Test Reports are required, and aren't included with the shipment, please assure that the data is emailed timely to gr-aus-quality-kc@nitto.com and aligned with the Properties Testing Requirements on the material spec.
- 3) Please assure that lot numbers on certs or samples are consistent with lot numbers on the incoming shipment. This will allow our receiving department to verify QC release when material is delivered.
- 4) For each property reported, please quote your internal or standard Test Method used to release, the material, together with a Revision or Effective date: i.e. ASTM D-1777-96 or internal method.

NOTE: Our continuous improvement goal is to minimize receiving inspection by upgrading raw material classification from testing to acceptance based on vendor test reports or vendor process capability. This flow down of verification activities will require total commitment from our vendors to assure that we receive high quality material. Occasionally, we may require vendors to perform blind testing on a returned sample.

VI. VENDOR PERFORMANCE RATING.

VI.1 Approved Vendor Log.

Approved Vendors must have $\geq 80\%$ on the Vendor Log that tracks overall Performance Ratings. If vendors fall below 80%, the Purchasing Manager or Quality designee will communicate that we expect to see measurable improvements in performance and request that suppliers complete a Non-Conformance Report. Search for an alternate source may be initiated or an on-site or remote audit may be performed. Approved status will be restored when non-conformances are addressed to Nitto's satisfaction and if new shipments do not show repeat problems.

If problems continue, Nitto will make a decision regarding possible disqualification and notify the vendor accordingly.

Additional Risk factors not included in the Vendor Log calculations:

- Purchasing Spend.
- Risk Management including contingency response or plan.
- Responsiveness/Communication including Supplier Assessment Checklists, Non-conformance reports, etc.

Supplier score cards are generated & distributed monthly or quarterly based on supplier utilization, QMS certification, and assessed supplier risk.

VI.2 Scorecards

Scorecards will be calculated for all suppliers and distributed monthly to critical suppliers identified based on the following risk factors: direct automotive or aerospace OEM, high volume with low storage capability, long lead time, single source, material ratio, quality or delivery concerns, communication and response. For suppliers who fall below 85 pts total score, Procurement will review the reason for the miss and issue a Non-Conformance Report if not already completed for the specific incident(s) affecting the score.

The Performance Rating is a weighted average of Quality (65%) + Delivery (30%) + Premium freight (2.5%) + customer disruption (2.5%).

* Non-conformances include all defective materials, whether returned, destroyed or consumed under a deviation.

* We define on time as received within: - 4 days + 0 days of the due date.

* Shipment will be accepted within: -5% +10% of ordered quantity.

- Quality =
$$\frac{\text{total \$\$ nonconforming} \times 100}{\text{total \$\$ purchased}}$$
- Delivery =
$$\frac{\# \text{ of deliveries on time} \times 100}{\text{total \# of deliveries}}$$
- Premium Freight =
$$\frac{\# \text{ of instances} \times 100}{\text{total \# of deliveries}}$$
- Customer Disruption =
$$\frac{\# \text{ of instances} \times 100}{\text{total \# of deliveries}}$$

VII. NON-CONFORMANCE AND CORRECTIVE ACTION.

Initial notification of a discrepancy can be by phone / email, via a Non-Conformance Report (NCR) or customer specific form. The NCR will state the problem(s) in detail and specify whether a written is required. Suppliers are expected to have a Fast Response system in place to quickly review customer complaints and follow-up on requested actions including a supplier authorization of Material disposition once problem is confirmed.

If required, corrective actions must be submitted in writing within requested time. At a minimum, the following information must be included: Root cause analysis, short term containment and long-term actions to prevent reoccurrence: Why did the problem occur? Was it due to an isolated process failure or a system failure? What change in practice or system is implemented to prevent reoccurrence? Use of Q7, N7, 5-Why and other Quality Tools is recommended to help in the investigation and find a solution.

Quality will review returned NCRs and assess whether submitted actions will effectively solve the problem. If not acceptable, the report will be returned for resubmission. Supplier will be liable for any quality or delivery interruption for which they are responsible. We will charge back 100% of the costs associated with the non-conformance.

VII.1 Automotive Finished good suppliers: are held responsible for any liabilities or costs that result from formal quality and/or delivery complaints by Nitto, Inc. customers. This includes, but is not limited to, warranty claims, sort activity, re-inspection costs, product replacement and/or recall costs and supplemental testing/technical analysis/failure investigation as a result of a supplier-caused issue. Customers require interim containment measures to be executed rapidly, typically within 24 hours, and root cause analysis with robust corrective action within 10 business days.

In the event of a confirmed quality defect, the supplier is responsible to deliver replacement product immediately after notification and verification of the defect. This includes replacements for actual defective product(s) or material as well as temporary replacements for any product(s) placed in our quarantine areas as a containment measure.

The Supplier will also provide on-site support, either at Nitto, Inc. or at any Nitto, Inc. customer, if requested, immediately after notification of any incident with the potential to impact our customer.

VIII. RISK MANAGEMENT, PREVENTIVE ACTION AND CONTINUOUS IMPROVEMENT.

All vendors shall consider the following to continually enhance their system and request the same from sub-suppliers:

- A process for managing Quality Management System and Operational risks with defined responsibilities, risk assessment criteria and actions to mitigate or eliminate the risks.
- Establishing goals towards overall improvement including manufacturing process performance
- Tracking and reviewing performance against the goals and have a system for taking action to improve.
- A prevention rather than detection approach through:
 - * Expanded use of statistical tools and techniques to control process variability and achieve a Cpk > 1.33.
 - * Use of Mistake Proofing/Fail Safe methodologies such as FMEA to eliminate potential causes of failure.
- Developing sub-tier suppliers and encouraging them to improve their quality system to ensure that properties and characteristics not verified in your operations upon receipt are adequately controlled.

IX. COMMUNICATION

IX.1. Communication of Product, Process or Raw Material Change.

Vendors must notify us of any change that has the potential to affect our final products or processes and seek approval at least twelve months prior to the change. Our definition of change includes but is not limited to:

- Product formulation
- Change in appearance
- Raw material formulation
- Raw material supplier
- Manufacturing process
- Manufacturing location
- Change of process subcontractor

Configuration Management: once product is launched, ensure identification and revision control for all attributes through the product lifecycle to prevent unauthorized changes.

IX. 2. Communication of a Change in Status

It is the vendor’s responsibility to inform us of any change in status to help us keep our vendor database current. Included in this category will be change of ownership, name change, change in supplier’s quality or environmental system status such as achieving ISO 9001, AS 9100 or IATF 16949 certification or updates to an existing certificate.

IX. 3. Communication of Non-conformances.

Vendors must contact our Purchasing Department if a non-conformance is detected after shipment. Purchasing will provide a waiver to the vendor if the material can be accepted and run under deviation. The vendor must ensure that the lot is tagged and segregated to prevent additional shipment of non-conforming material to our warehouses.

IX. 4. Special Status Notification:

Vendors are required to notify us of all potential quality or delivery issue that could affect us or our customers.

IX. 5. Communication of Impending Product Obsolescence

Vendors must advise us of any impending product obsolescence within sufficient time to enable us to qualify a new material or seek alternate solutions. Vendor must hold a minimum of 12 months of inventory (or an amount mutually agreed upon) during the qualification process.

VI. REVISION HISTORY

Rev.	Eff. Date	Description of Changes.	Approver
Original	10/01/17	Original Issue.	BH
A	01/08/19	Sec II.2.a : Added section for Second party audits Sec VI : added section for non-ISO supplier score cards	BH
B	02/16/21	Misc. formatting Removed all references to ISO/TS 16949 Sec. I: specified KC location Sec I.1: Updated TS to IATF16949, added statement that requirements may be waived with risk assessment Sec. I.2: Addition of verbiage encouraging development to ISO 14001 Sec II.2.a: Clarified requirements for second party audit frequency, scope, and type, addition of possibility for remote auditing Sec II.3: Updated form name	CJ

C	11/19/21	Clarified I.1 Added I.1.1 Product Safety Added I.1.2 Counterfeit Added I.1.3 Contamination Added I.1.4 Product and Service Conformity Added 1.2 Ethical Behavior Modified II.3 Modified V1	LA
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