

Lear Corporation

Global Requirements Manual for Suppliers

Updated October 2015
Printed Copy for Reference Only

Table of Contents

- 1.0 Introduction
- 2.0 Vision & Mission
- 3.0 Lear Quality Policy
- 4.0 Lear Minority Procurement Policy
- 5.0 Environmental, Health and Safety Policy
- 6.0 Conflict Minerals Policy
- 7.0 Scope

PURCHASING

- 8.0 Registration to Lear Corporate Purchasing Applications and Supplier Tracking (eSRM)
- 9.0 Supplier Diversity Reporting Requirements—Cascaded
- 10.0 Ethics
- 11.0 Cost Recovery Policy
- 12.0 Supplier Cost/Technical Optimization (SCTO)

QUALITY

- 13.0 Supplier Quality Registration
- 14.0 Pre-production and New Product Launch Requirements (APQP)
- 15.0 Launch Readiness Measures
- 16.0 Production Phase/Manufacturing
- 17.0 Supplier Communications to Lear
- 18.0 Supplier Quality Tracking System (SQTS)
- 19.0 External Production Supplier Performance
- 20.0 External Production Supplier Controlled Shipping Status
- 21.0 ISO 26262
- 22.0 Heat-treating
- 23.0 Welded Assemblies
- 24.0 Plating
- 25.0 Coating
- 26.0 Injection Molding
- 27.0 Soldering

OPERATIONS

- 28.0 Electronic Data Interchange Requirements (EDI)
- 29.0 Other Logistic Requirements
- 30.0 Packaging
- 31.0 Customs Requirements
- 32.0 Customs Trade Partnership Against Terrorism (C-TPAT)

ENVIRONMENTAL

- 33.0 Environmental Registration Requirements
- 34.0 Product Material and Substance Reporting (IMDS)
- 35.0 Registration, Evaluation, Authorization of Chemicals (REACH)
- 36.0 Conflict Minerals

GENERAL

- 37.0 Traceability
- 38.0 Records Retention
- 39.0 Help
- 40.0 Change Control

1.0 Introduction

Lear Corporation is committed to being supplier of choice, by providing superior products while displaying excellence in quality, innovation, delivery, service and competitiveness. As an extension of our operations, we expect our supply base to share this commitment and to drive toward a culture of zero defects. Only this commitment will allow all of us to successfully operate in today's automotive environment.

It is our intent to establish strong supplier relationships with a high degree of integrity and corporate ethics. In return, our intention is to operate fairly and to make decisions based solely on overall value to Lear. We will not allow any inappropriate influence to compromise or sway our decisions. It is expected that this commitment also be made to your suppliers and throughout the supply chain.

The requirements laid out in this Global Requirements Manual for Suppliers (Manual) are a minimum to doing business with Lear. It is your responsibility to understand these requirements and any additional requirements communicated to you.



Todd Glance
Vice President, Supply Chain Management
Electrical



Eric Schwarz
Vice President, Global Purchasing
Seating

2.0 Vision and Mission



VISION

To be consistently recognized as:

- A Supplier of choice;
- An Employer of choice;
- The Investment of choice; and
- A Company that supports the communities where we do business.

MISSION STATEMENT

Exceed our customers' needs and expectations by:

- delivering the highest quality products and services
- providing low-cost and high-value added solutions
- continually improving our operating efficiency
- conducting our business with integrity

Provide our employees, our most valuable resource, with an environment that:

- values each employee's unique experience, diversity and contribution
- treats all individuals with dignity and respect
- allows everyone to reach their full potential
- encourages inclusion and active participation
- nurtures the 'can-do' spirit of the Lear team

Maximize value for our shareholders

Treat our suppliers with respect and foster mutually beneficial relationships

Support the communities where we do business and **protect the environment**

A handwritten signature in black ink, appearing to read 'M. Simoncini'.

Matthew J. Simoncini
President and Chief Executive Officer

3.0 Lear Quality Policy



QUALITY POLICY

"Through a strategy of continuous improvement and teamwork, Lear Corporation is dedicated to establishing the highest industry standards for quality, value, service and technology."

The foundation for achieving our commitment is based upon:

- Recognizing and understanding the requirements of our internal and external customers;
- Developing and implementing processes for Design, Engineering, Manufacturing, Administration and Quality that support the elimination of waste and the prevention of problems; and
- Effectively utilizing the creative talents of our employees and suppliers.

A handwritten signature in black ink, appearing to read 'M. Simoncini'.

Matthew J. Simoncini
President and Chief Executive Officer

4.0 Lear Minority Procurement Policy



MINORITY PROCUREMENT POLICY

It is the policy of Lear Corporation to provide opportunities for minority enterprises to ensure their fair consideration as vendors of our goods and services. In establishing this policy, Lear is recognizing its responsibilities to the communities that it serves and the society in which it conducts business.

The use of minority business enterprises must be a function of our routine purchasing procedures. No potential supplier will be precluded from consideration on the basis of race, color, religion, sex, age, or national origin. Lear firmly believes that in a free enterprise system every attempt must be made to fully utilize all of our resources.

The term “minority business enterprise” means a business at least 51 percent of which is owned by minority group members, or the stock of which is owned by minority group members. For purposes of definition, minority group members are African-Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, and Asian-Indian Americans. In addition, because Lear’s intent is to economically benefit minority communities, minority and women owned business enterprises should establish as their goal substantial minority employment in all phases of their business.

Every employee delegated the responsibility to either directly or indirectly commit the expenditure of corporate funds for the purchase of goods and services is charged with the task of making this corporate objective a reality. The Vice Presidents of Purchasing are charged with the specific responsibility of administering the Supplier Diversity and Development Program for Lear Corporation. The Director of Supplier Diversity and Development will monitor and report at established intervals on our progress under this program.

A handwritten signature in black ink, appearing to read 'M. Simoncini'.

Matthew J. Simoncini
President and Chief Executive Officer

5.0 Environmental, Health and Safety Policy



ENVIRONMENTAL, HEALTH AND SAFETY POLICY

"Lear Corporation is dedicated to environmental protection, employee health and safety, regulatory compliance and pollution prevention through a strategy of continual improvement and teamwork."

The foundation for achieving our commitment is based upon:

- Striving for the prevention of pollution and the elimination of health and safety hazards by maintaining environmental, health and safety management as core values;
- Providing leadership for environmental, health and safety improvement through management example and employee involvement and empowerment; and
- Developing and utilizing environmentally acceptable, safe, sustainable and efficient production methods and processes.

A handwritten signature in black ink, appearing to read 'M. Simoncini'.

Matthew J. Simoncini
President and Chief Executive Officer

6.0 Conflict Minerals Policy



CONFLICT MINERALS SOURCING POLICY

On August 22, 2012, under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the U.S. Securities and Exchange Commission (SEC) approved the final rule to impose disclosure and reporting requirements related to conflict minerals (tin, tungsten, tantalum, and gold). The rule requires U. S. publicly traded companies to disclose the presence of conflict minerals originating in the Democratic Republic of the Congo (DRC) or adjoining countries in the products they manufacture, if the conflict minerals are necessary to the functionality or production of such products.

As a supplier in the automotive and non-automotive industries, Lear uses a variety of materials in the products it manufactures. The supply chain for these materials is complex.

It is Lear's policy to comply with the disclosure and reporting requirements of Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as all rules of the SEC promulgated under such Act. Lear requires legal and ethical sourcing of materials in our supply chain and, as part of our Conflict Minerals Sourcing Policy, Lear requires its suppliers to engage in due diligence of their supply chain to understand and report the content and country of origin of their parts supplied to Lear.

A handwritten signature in black ink, appearing to read 'M. Simoncini', with a long horizontal flourish extending to the right.

Matthew J. Simoncini
President and Chief Executive Officer

7.0 Scope

The Manual applies to all Lear approved production part & material suppliers globally. For purposes of this manual, “Lear” refers to Lear Corporation and its affiliates and subsidiaries. All requirements in this manual are to be considered “Customer Specific Requirements”¹.

Compliance to the requirements within this Manual, as well as to the Lear Corporation Purchase Order Terms and Conditions is mandatory.

It is the supplier’s responsibility to check at regular intervals for updates to this Manual at <https://access2.lear.com> (eSRM) or www.lear.com. Subsequent Supplier Bulletins will continue to be published to communicate all updates and changes. New bulletins are communicated at time of log-in to the eSRM supplier web page.

If for any reason, the above web-sites cannot be accessed, it is your responsibility to contact your assigned Lear buyer for a copy.

This Manual has been developed to describe and define the requirements and expectations of Lear. It is intended to drive consistency on a global basis in Lear’s sourcing, procurement and operating activities. Our aim is to create a favorable business atmosphere for both Lear and our suppliers that strives for customer satisfaction in an environment that supports continuously improving costs, quality, efficiencies, productivity and ultimately profits.

The value of the supply chain is fully recognized at Lear. Continuous improvement can only be attained through effective communications, documentation of quality expectations and the successful implementation of action plans that support long-term customer loyalty and satisfaction. Globalization at Lear will be achieved through the penetration of existing and emerging markets with breakthrough technologies and extensive supplier/customer relationships on a global basis.

Lear expects all suppliers to provide Zero Defect material delivered on-time, and to strive for continuous improvement in quality, innovation, delivery, service and competitiveness.

¹ Reference TS 16949 § 7.2.

PURCHASING

8.0 Registration to Lear Corporate Purchasing Applications and Supplier Tracking (eSRM)

All suppliers are required to register a supplier administrator for access to the Lear eSRM applications at <https://access2.lear.com>.

Your Supplier Administrator is responsible for assigning user access IDs and passwords for others in your company to access the Lear Purchasing applications, which include:

- Online Quote System
- Supplier Rating System (SRS)
- Purchase Order Retrieval
- Supply Viz
- ProFile (Supplier APQP/PPAP and Supplier SCTO Ideas)
- Diversity Reporting (North America only)
- Supplier Quality Tracking System (SQTS)

To register a Supplier Administrator for your company, access www.lear.com, go to the Web Applications Tab and complete the form entitled “Request Web Application Access.” The Supplier Administrator “Supplier User Enrollment Manual” is available on <https://access2.lear.com> and details the responsibilities of the administrator and instructions for adding and deleting users to the applications.

All suppliers are expected to maintain an up to date Supplier Information Sheet with their Buyer. At a minimum, this must be reviewed annually. The Supplier Information Sheet can be found at www.lear.com.

9.0 Supplier Diversity Reporting Requirements—Cascaded

At Lear, Diversity is an integral part of our global business strategy and we are committed to pursuing a diverse supplier base that reflects the growth of minority, veteran-owned and women-owned businesses.

Our policy is to provide opportunities for such enterprises to ensure fair consideration as vendors of goods and services. We support the surrounding communities in which we do business and recognize that partnering with diverse businesses is an important part of our purchasing processes.

All North American suppliers are required to purchase 5% of their North American purchases from *certified*, Minority Business Entities (MBEs), Veteran Business Entities (VBEs) or Women Business Entities (WBEs). Certification for MBEs, VBEs and WBEs is required through the following agencies:

- MBE (African, Asian Indian, Asian Pacific, Hispanic, Native American and Canadian Aboriginals) – **National Minority Supplier Development Council**
- WBE – **Women’s Business Enterprise National Council**
- VBE – **Veteran Roundtable**

Validation of Purchases from certified MBEs, VBEs and WBEs are subject to an audit.

10.0 Ethics

Lear is committed to conducting business ethically and with integrity throughout the global supply chain. It is required for all suppliers to have an ethics program in place consistent with Lear’s “Code of Business Conduct and Ethics” and must adhere to all applicable Lear Compliance Policies as set forth at <https://www.lear.com>.

Additionally, we require that global working conditions and standards be maintained with a respectful treatment of all suppliers’ employees.

11.0 Cost Recovery Policy

Suppliers are liable for all costs incurred by Lear per the Lear Purchase Order Terms and Conditions. Charges to external production suppliers will be based on local rates of the affected Lear manufacturing location but will not exceed \$75.00 (U.S.) or €75.00 (Euro) per hour, as applicable in the region.

Suppliers may contact their Lear Buyer for the rate in a specific Lear location. Lear reserves the right to debit all charges after 90 days with no dispute.

Potential charge-backs to external suppliers include but are not limited to:

Rework/Repair	Premium Freight Costs including Air Charter
Overtime to Avoid Production Interruption	Production Downtime for Lear and End Customer
Disposition of Scrap	Sorting of Suspect Material In-House, at Customer Location or Third Party Warehouse
On-Line Containment	Contractor Costs
Tear-Down (Minor, Major or Complete)	Customer Returns including hourly charges
Outside Lab Testing	Receiving Inspection, Material Handling, Freight
Delays in Complete PPAP Submission	Salaried Employee Expenses (above and beyond)
Delays in IMDS Submission	Travel
Presence of a Forbidden Substance	

Administrative Charge - Each Quality Notice (QN) will have an administrative charge of 2 hours minimum covering the collection of data and documentation of the quality incident/spill.

12.0 Supplier Cost/Technical Optimization (SCTO)

SCTO is a process used on current production parts, which seeks to reduce the cost of a part without impact to performance, eliminates features that add no true value but incur cost, and/or yields improvements in quality and/or eliminate waste in the value stream.

Ideas shall be submitted via ProFile, Lear's web-based global project management software system that includes Supplier APQP/PPAP status, timing and supporting documentation, and Supplier Cost/Technical Optimization Ideas.

Examples of Ideas include:

- Change materials or specifications of materials
- Change dimensions or tolerances
- Reduce unnecessary test requirements
- Logistics or packaging improvements
- Manufacturing process improvements or elimination
- Improvements that reduce warranty costs
- Changes that improve manufacturing costs at Lear
- Inventory management improvements
- Alternate component and/or construction

Lear's SCTO process with suppliers includes:

- Lear/Supplier CTO workshops
 - Conduct system level tear downs
 - Invite key suppliers to that system
- Lear Manufacturing Facility Tour
 - Walk suppliers through Lear manufacturing facility to see how their parts are presented to the line and assembled in final product
- Competitive Benchmarking
 - Conduct teardowns of competitor products
 - Parts room – place similar product parts side-by-side
 - Invite suppliers in to view and analyze

QUALITY

13.0 Supplier Quality Registration

All approved Lear suppliers are required to establish adequate documentation and implement effective production, quality and management systems compliant with at least these outlined requirements; including all Lear customer specified requirements and OEM customer requirements.

Suppliers are expected to implement all necessary controls to achieve the delivery of zero defects to Lear.

- 13.1** Lear Corporation is registered to ISO/TS 16949:2009. **Lear's Quality Certification Requirements for all approved production supplier manufacturing locations is 3rd party Registration to ISO/TS 16949:2009 or ISO 9001:2008.** Lear also expects its production suppliers to cascade this requirement throughout the supply chain.

IMPORTANT NOTE:

Registration to ISO 9001:2008 may be acceptable in lieu of TS 16949 for those suppliers that do not meet the applicability requirements of ISO/TS 16949:2009 as described below or as an interim step to achieving TS 16949 certification. Lack of ISO/TS 16949:2009 registration must be approved in writing by Lear.

It is the supplier's responsibility to submit copies of both their Quality and Environmental certificates for each manufacturing location. Information on all certificates must match the name and address on file in the Lear system for the manufacturing location.

Copies of a supplier's renewal certificates must be submitted on or before the expiration date of the certificate. Customer Satisfaction QNs will be issued to suppliers with missing or expired certificates.

Applicability Requirements:

TS 16949:2009 applies to organizations that manufacture product that ends up in the final vehicle assembly, including:

- Production Materials
- Production or Service Parts
- Assemblies
- Heat treating, Welding, Painting, Plating or other Finishing Services

All Quality certificates, transition plans and Environmental Certificates (ISO 14001 or Responsible Care Management Systems, (RCMS) Technical Spec. RC 101.02) must be submitted via Supply Viz Self Service Option.

A supplier's failure to submit a valid timeline and transition plan or a copy of its renewal certificate will have a negative impact on the supplier's monthly scorecard and potentially jeopardize future business with Lear.

- 13.2** Lear reserves the right to verify a supplier's manufacturing location for site compliance to these standards by performing site audits by a designated Lear representative.
- 13.3** Third party certification does not relieve the supplier of the full responsibility for the quality of the product supplied.
- 13.4** Lear requires all production suppliers to:
- 13.4.1** Verify sub-suppliers 3rd party certification – including obtaining a copy of the valid registration certificate and receiving updates as their certificates expire.
- 13.4.2** Maintain documented evidence of sub-supplier compliance must be available for review upon the request of Lear.
- 13.4.3** In the event that a sub-supplier provides a proprietary material, is not registered and/or on-site verification is very impractical (limited resources and/or location), exceptions to the certification requirement must be documented and approved by an authorized representative of Lear.

13.4.4 Monitor the production development and ongoing quality of sub-suppliers.

14.0 Pre-production and New Product Launch Requirements (APQP)

All approved production suppliers involved in pre-production and new product launches are required to formulate advanced quality plans to support the development of new products and/or services in accordance with the guidelines in the *Advanced Product Quality Planning and Control Plan (APQP)* manual published by the Automotive Industry Action Group (AIAG).

14.1 Quality Management System (QMS) requirements

Suppliers are required to:

14.1.1 Download the ProFile User Guide and communicate the requirements throughout their organization and manufacturing facilities.

14.1.2 Utilize ProFile. ProFile is a web-based global project management software system that includes Supplier APQP/PPAP status, timing and supporting documentation, and Supplier Cost/Technical Optimization (SCTO) Ideas. If the Lear program is not in ProFile, the supplier must contact its Lear Buyer to ascertain where to submit the required timing and forms. ProFile can be accessed at www.lear.com.

14.1.3 Enter Supplier APQP/PPAP status, timing and supporting documentation for each program in ProFile.

14.1.4 In addition, all suppliers shipping product that undergoes a “Special Process” as defined by AIAG, must adhere to the guidelines provided in the appropriate AIAG assessment.

- a. Suppliers shipping heat treated parts are considered high risk and are required to submit a completed AIAG CQI-9 Special Process: Heat Treat System Assessment Form as an attachment in ProFile to document the status of all in-house heat treat processes, all out-sourced heat treated parts and/or all out-sourced heat treat services for all purchased and overseas components that are heat treated (reference Section 22.0).
- b. Suppliers shipping welded assemblies are considered high risk and are required to submit a completed AIAG CQI-15 Special Process: Welding System Assessment Form as an attachment in ProFile to document the status of all in-house or outsourced welding processes. (Reference Section 23.0).

Suppliers may be required to complete additional audits and/or documentation at the request of Lear or Lear’s customer(s).

15.0 Launch Readiness Measures

New product/process launch, tool kick-off approval and readiness measures must be implemented to ensure that the supplier is able to produce in accordance with all requirements of Lear’s Purchase Order, automotive standards, other Lear requirements and applicable OEM requirements.

15.1 Component Review Meeting (CRM)

Component Review Meetings are held with selected suppliers to identify key product/process characteristics (dimensional or performance) that are to be statistically monitored to ensure stability and ongoing compliance. If Lear does not identify specific key characteristics, suppliers are expected to identify key characteristics for on-going statistical monitoring.

Suppliers are required to conduct CRMs with their own sub-suppliers to highlight and identify customer specific requirements, i.e. part branding/identification. With sufficient notice, Lear and/or the OEM may participate in sub-supplier reviews. The supplier is to use OEM specific documentation when requested by Lear. All components with pass-through characteristics to Lear’s customer should have a CRM conducted.

15.2 *Supplier Document and Process Review (DPR)*

All production suppliers should complete and return a Supplier Document and Process Review (DPR) sheet for each representative part number that is scheduled to launch for the current year at the supplier's manufacturing location.

It is the supplier's responsibility to obtain this information package from www.lear.com under Purchasing Downloads and Web Guides, Supplier Development—Information and Forms. Specific OEM documentation may also be required and will be communicated to the supplier by Lear Purchasing. It is a Lear requirement that the supplier will perform similar DPR audits with their sub-suppliers and provide that information to Lear upon request.

Lear has the authority to conduct an on-site DPR audit at any time for parts produced by a supplier or sub-supplier for Lear. When requested by Lear, the supplier shall permit reviews at the supplier's or sub-supplier's site with Lear (and OEM if required).

Compliance with the DPR does not relieve the supplier of its responsibilities to comply with other specified AIAG requirements.

15.3 *Run at Rate*

All suppliers are required to perform a Run at Rate to verify that the actual production process is able to meet 115% of quoted program volumes at an acceptable quality level and required capacity.

Lear may require that the supplier complete OEM specific documentation and this will be communicated by Lear Purchasing. When requested, Lear and/or the OEM may participate in the Run at Rate at the supplier's site.

The intent of a Run at Rate is demonstrate that the normal production process, operators, and equipment with normal production support levels can produce at least 115% of 24 hours of consumption within 24 hours of production. The supplier's process must be able to produce 115% of the quoted volume using production tools and equipment and within the actual manufacturing site and process, unless otherwise specified in writing by Lear. Lear may request repeated Run at Rates if the supplier's process does not meet the requirement.

A staggered Run at Rate may be permissible if approved (or requested) by Lear Supplier Quality. A staggered Run at Rate allows for a supplier to ramp up their capacity based on Lear's or the OEM's ramp-up plan. A staggered Run at Rate will demonstrate that the normal process can produce the planned customer consumption level at least three months prior to the actual need.

It is the responsibility of the supplier to enter the completed Run at Rate documents and Open Issues list as an attachment in ProFile (see Section 14.1).

In the event issues are identified during the Run at Rate, the supplier will create an Open Issues list which will be tracked by Lear until closure.

Suppliers are required to ensure that a Run at Rate is conducted for all sub-suppliers and provide supporting documentation to Lear upon request. When requested, Lear and/or the OEM may participate in the Run at Rate at the sub-supplier's site. Capacity Planning for the supplier and all sub-tiers is the responsibility of the supplier.

15.4 *Production Trial Run*

Lear may require advanced shipment of a quantity of new material to assure there is no adverse impact on subsequent processing at Lear or our customers. Suppliers are expected to produce, package, label and ship parts for trial runs as directed by Lear.

15.5 *Launch Support*

During any program launch at a Lear production facility, a supplier may be required to provide on-site representation. The supplier's launch support representative(s) must be knowledgeable, capable and empowered to make decisions. Coverage must be provided for all shifts as required.

Suppliers may be required to attend key event builds prior to production launch.

15.6 *Safe Launch Containment*

Temporary and extraordinary controls shall be put in place to absolutely guarantee no non-conformances are received by Lear during the launch time-frame. All new components or assemblies, as well as all carry-over components or assemblies that are identified as a safety or critical item, or those that contain any special record retention requirements must have additional production controls and/or inspection implemented prior to Lear receiving the component or assembly for launch. Each component or assembly shipment must be certified for the identified period. Exit criteria must be approved by Lear.

15.7 *Production Part Approval*

15.7.1 Suppliers are not authorized to begin production or ship material to Lear prior to obtaining approval from the Lear receiving facility per the requirements of the AIAG Production Part Approval Process (PPAP) Manual, according to the latest revision level. Any deviation to this requirement must be approved in advance and agreed by Lear in writing.

15.7.2 All sample submissions are to be Level 3 unless otherwise specified. Lear may require that the supplier complete OEM specific documentation and this will be communicated by Lear Purchasing.

15.7.3 Annual Layouts are required to verify continuing conformance on all parts and components.

- If a Lear Plant is required to submit PPAP to its customer, all supplier PPAP documentation must be updated if more than one year old.
- Suppliers are responsible to proactively send PPAP and/or Annual Validation information to the Lear Plant as per AIAG requirements. A definition of retention/submission requirements for Level 3 PPAP submission is outlined in Table 4.2 of the 4th Edition of the AIAG PPAP Handbook.

15.7.4 PMCRR-IMDS data must be updated per IMDS and customer requirements (see Section 34.0). PMCRR-IMDS must be accepted by Lear and the IMDS approval number MUST be included on the Part Submission Warrant.

15.7.5 PPAP samples shall serve as "Master Samples." When cosmetic issues arise that cannot be addressed by the use of the master samples, the supplier is responsible for establishing approved boundary samples with Lear prior to shipping. All boundary samples that clarify upper and lower specifications require the approval of Lear.

15.7.6 Test labs must be accredited and meet Lear's and its customers' requirements.

15.7.7 A Customer Satisfaction Quality Notice may be issued for missing PPAP or expired Annual Validation information (see Section 18).

15.8 *Lear Supplier Risk Assessment*

Lear Purchasing, Quality and Program Management will conduct a Supplier Risk Assessment to determine those suppliers deemed "High Impact." Those suppliers will have product and process development and validation (APQP) activities tracked and monitored by Lear.

15.9 *Supplier Day*

Suppliers are expected to support all Lear Supplier Day activities that they are invited to whether they are held in conjunction to a specific program or a general review of requirements.

16.0 **Production Phase/Manufacturing**

16.1 *External Production Supplier Extended Shutdown/Start-Up Audit (SESSA):*

Lear Purchasing, Quality and ALL receiving Lear facilities must be notified in writing prior to a supplier's extended production shutdown and must submit a completed SESSA audit that covers all products at each of their manufacturing locations that ship to Lear.

Copies of the "External Supplier Notification of Extended Shutdown/Start-Up Audit" document can be downloaded from www.lear.com under Purchasing Downloads and Web Guides, Supplier Development—Information & Forms, Supplier Extended Shutdown/Start-up Audit Requirements.

- Examples of Extended Shutdown/Start-up periods include customer change-over, unscheduled preventive maintenance, extended holiday closings, or the anticipation of a work stoppage due to union contract negotiations.
- SESSA audits submitted for Union facilities that manufacture and ship product to a Lear facility must be submitted six (6) months prior to the actual union contract expiration date.
- All questions that are answered as "NO" on the SESSA require an action plan and the action plan must in place prior to the shutdown period to insure compliance.

16.2 *Sub-Contractor Development*

With the increasing demands of Lear's customers for higher quality at a lower cost, the entire supply chain is responsible for increasing quality while contributing to a lower overall cost. By developing and improving sub-contractors, Lear's external production suppliers should obtain substantial savings to themselves and ultimately to Lear.

It is Lear's expectation that all Lear production suppliers work closely with their supply base to ensure that the quality level of received product meets our requirements and expectations. Should a supplier contract a component or assembly, the supplier maintains the ultimate responsibility for the quality and delivery of the parts purchased by Lear, even if those parts are shipped directly from the sub-contractor. Note—all sub-contracting must be approved in writing by Lear.

The primary area of focus is in the communication and documentation of customer requirements, which is achieved through APQP (Advanced Product Quality Planning) and should include:

- Risk Assessments
- Component Review Meetings
- Supplier Audits
- Document and Process Reviews (PPAP Readiness)
- Run @ Rate Procedures
- Safe Launch Containment

17.0 **Supplier Communications to Lear**

17.1 *All Product / Process Changes*

Advance written approval from Lear is required for all changes to a supplier's product and/or process.

- It is the supplier's responsibility to obtain the appropriate documentation from www.lear.com under Purchasing Downloads and Web Guides, Supplier Development—Information and Forms.
- Supplier shall submit any change request with adequate timing prior to implementation.
- Samples may be required for review and to evaluate any potential impact on Lear's manufacturing processes.
- All validation costs associated with any supplier change will be at the expense of the supplier.
- Supplier Change Requests and PPAP approval is required unless specifically waived in writing.
- Raw material changes must have completed validation testing and IMDS submission.
- Refer to Section 3.1 of the latest edition AIAG PPAP Manual for "Examples of Changes Requiring Notification."

17.2 *Production Location Changes*

- Production Suppliers must obtain advance written approval from Lear for ALL production location changes from Lear as required in the most current edition of the AIAG, Production Part Approval Process (PPAP) under “Customer Notification & Submission Requirements.”
- Suppliers are to submit a completed “Request for Written Approval for Global External Production Suppliers to Change/Move Production Location” form to their Lear corporate buyer. Copies of the form are available at www.lear.com under Supplier Downloads—Supplier Notification of Production Location Change/Move.
- Input from Lear Purchasing, Lear Program Management (for customer specific requirements) and the receiving Lear plant(s) may be required for obtaining approval for the supplier location change.
- Any Tool Move Plan must include a production bank to ensure Lear’s production and service requirements are not affected.
- Additionally, all shared tooling must be called out and identified in the Tool Move Plan.
- An approved PPAP (Level 3 unless otherwise directed) is required prior to the shipment of production material from the new location. An Exit PPAP from the prior facility may be required and must be submitted as requested.

17.3 *Other Communications*

It is the supplier’s responsibility to obtain all required documentation from www.lear.com under Purchasing Downloads and Web Guides, Supplier Development—Information and Forms.

The supplier must communicate:

17.3.1 All changes in supplier’s “Remit To” information

17.3.2 Copies of all updated Third Party Quality Certification with expiration dates for each manufacturing site that ships to Lear

17.3.3 Any changes in ownership of the supplier or executive management

17.3.4 Copies of Notification of Third Party Containment

17.3.5 Proactive notification of potential quality issues or concerns about the product’s ability to meet performance expectations

18.0 **Supplier Quality Tracking System (SQTS)**

Supplier Quality Tracking System (SQTS) is Lear’s global system for reporting and resolving supplier quality, delivery, customer satisfaction and warranty issues. It is an online problem-solving system that provides a standardized method of issuing Quality Notices (QNs) to all suppliers.

Suppliers must respond to QNs by entering data in the system fields that follow a disciplined problem-solving approach. Data collected in the SQTS database is sent to the Lear Supplier Rating System (SRS) which populates the Supplier Corporate and Common Vendor SRS Scorecards and Metric Charts.

The number of rejects reported in a Quality QN is used in the calculation of a supplier’s Rejected Parts Per Million (RPPM) that is on each supplier’s scorecard.

For additional information and instructions on SQTS, download the Supplier User Manual at <https://access2.lear.com>.

For those Lear facilities not currently using SQTS, suppliers should contact the responsible Lear Quality Engineer or Buyer for the correct procedure.

Requirements:

The supplier's system administrator must enroll a minimum of two supplier contacts (i.e. Quality and Logistics representative) with access to SQTS at each supplier locations that ship to Lear in order to respond to any QNs that are issued against the supplier's manufacturing location.

When a QN is generated, the supplier must respond to the QN by the close of business the following day—this is referred to in the system as the initial response and must include containment actions to protect Lear from receiving any further defective parts (i.e. supplier must certify product). The supplier will continue to receive email notifications if the 24 hour response is not submitted on time. The supplier contacts should monitor their email notifications daily.

The supplier must provide permanent corrective action implementation and verification of effectiveness. Target timing to close all QN's is 30 days. The supplier may be issued a Customer Satisfaction QN by the Lear receiving plant or quality group if they are delinquent in answering QNs in a timely manner or for other repeated or chronic concerns in general.

A Repeat QN may be issued if the supplier exhibits either a failure of containment or effective implementation of permanent corrective action.

Supplier QN performance will be measured on

- Repeat QNs
- Customer Incidents
- Plant Disruptions
- Parts Per Million (PPM) rejected

Suppliers may risk being awarded new business and/or losing existing business if adherence to SQTS is not followed.

Suppliers are also required to monitor chargeback notices within SQTS. Lear reserves the right to debit all non-disputed charges after 90 days.

19.0 External Production Supplier Performance

To meet the ISO/TS 16949:2009 requirement of measuring supplier performance, the Lear Supplier Rating System (SRS) Monthly Scorecard utilizes composite measures, which cover various aspects of supplier performance. It provides a monthly and year to date record of a supplier's quality, delivery, written complaints, customer satisfaction and warranty ratings along with competitive performance and scores.

These performance metrics also provide:

- Recognition of exceptional supplier performance
- Improved communication on performance issues
- Objective data for use in supplier management and sourcing decisions
- Opportunities for continuous improvement

The SRS Scorecards and the Supplier SRS User Manual which includes the scoring criteria for each of the categories are available at <https://access2.lear.com> or by using the following link: www.lear.com.

Supplier representatives at both the corporate and manufacturing level are required to download their corporate and common scorecard data each month. Any discrepancies or disputes in data must be addressed to the individual Lear Plant providing the data.

Scorecards are available for download on the 12th day of the following month (example; March scorecards will be available on April 12).

A Quality Improvement Plan should be developed and submitted as requested by any Lear personnel.

20.0 External Production Supplier Controlled Shipping Status

When a supplier is issued a QN in SQTS (See Section 16.0) and a greater level of containment is required, the Lear manufacturing plant may require a supplier to ship parts under a Controlled Shipping Status, Level 1, Level 2 or Level 3.

20.1 *Controlled Shipping, Level 1 (CS1)*

CS1 is required when extraordinary inspections are mandated due to quality issues which have been detected by Lear or major discrepancies have been identified during a product or process audit conducted by Lear.

The supplier must:

- Verify that the actions taken meet all Lear requirements. Inspections and methods must be approved by the receiving Lear production facility. All containment actions must be documented according to Lear's requirements.
- Immediately establish a containment process at its location. Containment can be placed in line after final inspection or may be located off line in a separate area.
- Ensure an understanding of the nonconformance.
- Purge the pipeline of suspect material.
- Commence the sort activities and display the results in a public and visible location.
- Track the clean point of non-conforming and conforming material, e.g. material in transit, storage, at a Lear production facility, etc.
- Notify all additional Lear facilities or customer facilities that receive the same part of the nonconformance and provide containment activities as required.
- Mark all parts, material and containers as agreed with the Lear production facility to identify parts certified for production.
- Perform corrective actions including all steps of the 8D process.
- Review corrective actions for effectiveness and take further actions if required to eliminate issue long term.
- Report results and findings to the Lear receiving plant(s) on a daily basis.
- Meet defined exit criteria as agreed by the Lear production facility.

20.2 *Controlled Shipping, Level 2 (CS2)*

CS2 requires the supplier to contract a third party to inspect all suspect parts in an area separate from their normal production process (unless otherwise specified by Lear) prior to shipment to Lear. The third party inspection source and contact details must be included in the initial response and be approved by the responsible Lear Quality Engineer.

CS2 may be initiated if:

- The supplier has failed to contain non-conforming products in Launch Containment and/or CS1,
- There is safety-related, FMVSS or local regulation issues,
- There is a risk in the field with a Customer, or
- There are other issues deemed by Lear to require heightened containment.

The supplier must verify that all actions taken meet all Lear requirements. Inspections and methods must be approved by the receiving Lear production facility. All containment actions must be documented in SQTS.

In addition to maintaining the requirements of CS1 activities, the supplier is immediately required to:

- Contact a third party inspection source for the controlled shipping inspection.
- Issue a purchase order to the controlled shipping third party inspection source within 24 hours of receiving the CS2 notification and attach to the QN.
- Provide adequate trained resources to continue with CS1 inspections.

- If requested by Lear, the supplier must submit corrective action plans to its Quality Registrar for review and/or assessment and authorize its registrar to submit the review and/or assessment findings to the customer.

To protect the supply of conforming material, Lear may contract a third party resource and charge-back the actual costs and management fees (see Section 10).

20.3 *Controlled Shipping, Level 3 (CS3)*

CS3 requires the supplier to hire a third-party quality engineer/consultant approved by Lear to provide 6 weeks of continuous support (review issues at production line, develop an action plan and attend weekly meetings with Lear)

CS3 may be initiated if:

- The supplier has failed to contain non-conforming products under CS1 and CS2 and
- Supplier and/or product is critical or high risk

All additional actions and the plan must be documented in SQTS.

In addition to maintaining the requirements of CS1 and CS2 activities, the supplier is immediately required to:

- Nominate a third party quality engineer/consultant approved by Lear and notify Lear of the implementation details.
- With the help of the third party quality engineer continue with CS1 and CS2 inspections
- Implement weekly meetings between supplier, third party and Lear to review the current action plan.

Exit Criteria for CS3

- The Exit Criteria is based on long-term corrective actions and results by the supplier and must be approved by the Lear production facility.
- De-escalation or exit of CS3 must be clearly defined and agreed upon with the Supplier, Lear JIT Plant and if necessary the OEM. All numbers, data and facts must be in accordance with the corrective actions before de-escalating.

21.0 **ISO 26262**

For any components with requirements under ISO 26262, the supplier must put special controls in place to ensure adherence to specifications. These requirements and controls must be cascaded throughout the supplier's supply chain.

22.0 **Heat-Treating**

All suppliers shipping heat treated parts are required to submit a completed AIAG CQI-9 Special Process: Heat Treat System Assessment Form as an attachment in ProFile to document the status of all in-house heat treated processes, all out-sourced heat treated parts and/or all out-sourced heat treated services for all purchased and overseas components that are heat treated.

23.0 **Welded Assemblies**

All suppliers shipping welded assembly parts are required to submit a completed AIAG CQI-15 Special Process: Welding System Assessment Form as an attachment in ProFile to document the status of all in-house or outsourced welding processes.

24.0 **Plating**

All suppliers shipping parts that go through a plating process are required to submit a completed AIAG CQI-11 Special Process: Plating System Assessment Form as an attachment in ProFile to document the status of all in-house or outsourced plating processes.

25.0 Coating

All suppliers shipping parts that go through a coating process are required to submit a completed AIAG CQI-12 Special Process: Coating System Assessment Form as an attachment in ProFile to document the status of all in-house or outsourced coating processes.

26.0 Injection Molding

All suppliers shipping molded parts (Injection Molded, Blow Molded, Vacuum Formed, Compression Molded, Transfer Molded, Extrusions) are required to submit a completed AIAG CQI-23 Special Process: Molding System Assessment Form as an attachment in ProFile to document the status of all in-house or outsourced molding processes.

27.0 Soldering

All suppliers shipping soldered parts are required to submit a completed AIAG CQI-17 Special Process: Soldering System Assessment Form as an attachment in ProFile to document the status of all in-house soldering processes, all out-sourced soldered parts and/or all out-sourced soldering services for all purchased and overseas components that are soldered.

OPERATIONS

28.0 Electronic Data Interchange Requirements (EDI)

All external suppliers supplying production parts, assemblies, components and production materials to Lear plants are required to have EDI capabilities.

For EDI instructions refer to the Supplier EDI Guidelines at http://lear.com/en/supplier_info/edi.aspx.

29.0 Other Logistics Requirements

All logistics requirements are to be reviewed and followed by all suppliers shipping to any Lear facility or designated 3rd party location. Logistics Requirements for Suppliers can be found at http://lear.com/user_area/extranet_files/lear-163-SupplierComplianceTrainingPresentation.pdf. Failure to comply may affect the supplier's delivery rating (see Sections 18.0 and 19.0).

30.0 Packaging and Labeling

For packaging and labeling requirements refer to the Supplier Packaging Requirements at http://lear.com/user_area/extranet_files/lear-163-SupplierComplianceTrainingPresentation.pdf.

31.0 Customs Requirements

In accordance with our U.S. Customs' obligation to exercise "reasonable care"², Lear's corporate policy is for all U.S. domestic operations, foreign "related" and "unrelated" suppliers to comply with the import laws of U.S. Customs. Lear requires its suppliers to be familiar with the relevant provisions of the laws, regulations, rulings, tariff schedules, and decisions applicable to Lear's import operations. Furthermore, Lear expects its suppliers to be familiar with and comply with all Purchase Order terms and conditions as well as any additional instructions provided by Lear personnel, such as the ones set forth herein.

These requirements apply to all commercial and non-commercial goods that are imported into the U.S., including finished products, raw materials, equipment, research components, product returns, etc, from either intercompany or third party suppliers.

Compliance Instructions

31.1 *Language*

All commercial documentation is required to be provided to Lear in English, or must include an accurate and complete translation of all required information.

² Section 509(a)(1)(A) of the Tariff Act of 1930, as amended by Title VI of Public Law 103-182, commonly referred to as the Customs Modernization Act.

31.2 *Designated Point of Contact*

Please designate one individual at your company to serve as a point of contact for Lear's Customs Department. This person should be knowledgeable about the materials and components sourced by your manufacturing company; products manufactured at your company; country of origin determinations; and the shipment of such products to Lear. This person should also be knowledgeable about the rules governing transshipment (see the below explanation). Finally, this person should have access to personnel at your company in the accounting, procurement, shipping and receiving departments in order to facilitate communication between Lear and the company for customs purposes.

31.3 *Invoice Content Requirements*

As a supplier of merchandise to Lear, it is critical that the information on the commercial and shipping documentation that is provided by the supplier be accurate and complete. Lear's Customs Department relies on the accuracy of this information in order to be compliant with U.S. Customs laws and regulations. Lear is required to maintain this documentation in accordance with the requirements set forth in Customs' (a)(1)(A) list³.

When preparing commercial documents for merchandise to be sold and exported to Lear U.S., the supplier must provide the following information on the commercial invoice and packing lists:

Invoice requirements

- Date of shipment
- Name and address of shipper
- Name and address of consignee
- Consignee IRS#—Mandatory for all shipments arriving in the U.S.
- Name and address of "Sold To" party
- Detailed description of the product—A detailed description of the imported merchandise, including the commercial name by which it is known, its grade or quality, and the marks, number or symbols under which it is sold by the seller or manufacturer; (Note: 'automotive parts' is not an acceptable description)
- Lear part numbers (if applicable)
- Quantity—The quantities imported in weights and measures
- Unit price—The purchase price in the currency where the merchandise was purchased. This amount is generally the basis for determining the merchandise's dutiable value.
- Total price per line
- Total invoice cost – Please note that all items require a value for Customs purposes. Even if the shipment contains no-charge items, samples, returnable containers, or returned goods, etc. there MUST be a value for Customs. The invoice should be marked "Value for Customs Purposes Only."
- Type of currency
- Lear Purchase Order number
- Country of origin—This is generally the country of manufacture
- Shipping terms (e.g., Ex-Works, Free-On-Board, Cost of Insurance & Freight, etc.)
- Name of the Customs broker responsible to clear the cargo
- Assists—A statement of all goods or services the buyer furnished to the manufacturer for producing the merchandise, the cost of which is not included in the invoice price
- Harmonized Tariff Code (If known, the appropriate eight-digit Harmonized Tariff Schedule (HTS) classification)

Packing list

- All information shown on commercial invoice (see above) except for value
- Gross and net weights of products
- Total number of cartons shipped

³ 19U.S.C 1509 (a)(1)(A)

31.4 *Valuation*

The price stated on the commercial invoice should reflect the price paid or payable by Lear for the merchandise being purchased. The price actually paid or payable for the imported merchandise is the total payment, excluding international freight, insurance, and other incidental costs, if applicable, that Lear pays to the supplier for the merchandise.

31.4.1 Assists: If a supplier becomes aware that Lear provided it with an “assist,” then the supplier should contact Lear’s Customs Department to inform it of the type of “assist” prior to shipment of merchandise to Lear U.S. This information is necessary for Lear to determine how to report the value of the assist to U.S. Customs. An “assist” is any item provided to you by Lear free of charge or at a reduced cost, for use by the supplier in the production or sale of merchandise to be sent to Lear U.S.

Examples of “assists” are:

- Materials, components, parts, and similar items incorporated in the imported merchandise
- Tools, dies, molds, and similar items used in producing the imported merchandise
- Merchandise consumed in producing the imported merchandise
- Engineering, development, artwork, design work, and plans and sketches that are undertaken outside the United States and are necessary for the production of the imported merchandise

31.4.2 Additional Payments: If the supplier knows that Lear made any additional payments to it related to the importation of the merchandise to the United States, the supplier should contact Lear’s Customs Department prior to shipment of merchandise to the United States. Lear will need to determine if and how the value of such payments should be reported to U.S. Customs. These types of payments include, but are not limited to, payments for packing costs, selling commissions, royalties or licensing fees; payments to reimburse the supplier for overhead or tooling charges; nonrecurring engineering charges; research and development reimbursement; and any other payment which relates in any way to the manufacture of imported products.

31.4.3 Repairs/Alterations: If the supplier did not manufacture the merchandise to be sent to the United States, but performed “Repairs” or “Alterations” only, then the supplier should identify on the invoice to Lear the value of the foreign repair or alteration.

31.4.4 Assembly: Alternatively, if the supplier assembled merchandise from goods sourced in the United States, the supplier should identify which portion of the value of the merchandise resulted from the advancements or improvements made by the supplier.

31.5 *Special Trade Preferences*

It is Lear’s policy not to claim preferential tariff treatment under any special trade program for merchandise imported into the United States until Lear determines that the merchandise qualifies for the special trade program. This determination is done with the assistance of its foreign suppliers. At the time of entry, Lear must have in its possession the required documentation needed to support a claim for preferential tariff treatment.

31.5.1 Generalized System of Preferences (GSP)

If the supplier is located in a GSP country⁴ and it has determined, in accordance with the applicable U.S. Customs Regulations that the product manufactured by it is eligible for entry into the United States under the GSP program, then provide the following documents to Lear:

Statement on the Commercial Invoice: For items wholly grown, produced, or manufactured in the GSP country, a statement to that effect must be on the commercial invoice.

⁴ General Note 4(a) of the Harmonized Tariff Schedule of the U.S. lists each country, territory and “association of countries” that is eligible for GSP benefits (“GSP country”).

GSP Declaration: For products not “wholly” from the GSP country, a GSP Declaration should be obtained from the exporter or other party having knowledge of the relevant facts. The GSP Declaration shall include all relevant detailed information about the manufacture of the product.

Evidence of Direct Shipment: Products must be intended for the United States at the time of export and the product must be directly shipped to the United States from the GSP country, unless a certain exception applies (e.g., free trade zone in a GSP country). The supplier must ship all products from it directly to the United States. Please provide Lear with documentation (e.g., shipping papers or a statement on the commercial invoice) to confirm that a “direct shipment” occurred.

31.5.2 North American Free Trade Agreement (“NAFTA”)

Products manufactured in Canada or Mexico may be eligible for preferential tariff treatment under NAFTA. After having reviewed the NAFTA Rules of Origin, if the supplier has determined that the product manufactured by it is eligible for entry into the U.S. under NAFTA, please provide Lear with a NAFTA Certificate of Origin certifying the product as eligible for NAFTA. The Certificate of Origin must contain a valid preference criterion and be signed and dated.

NAFTA Certificates should only be completed by someone that understands the NAFTA Rules of Origin and that has had proper training in such areas as tariff classification, tariff shifts, bill of material analysis, regional value calculations and automotive tracing requirements.

31.5.3 U.S. Goods Returned (HTSUS 9801)

This provision applies if the supplier returns U.S. origin goods to the United States without advancing the goods in value or improving them in condition by any process of manufacture or other means. If the supplier has determined, with the assistance of Lear’s Customs Department, that the U.S. origin goods are eligible for entry into the United States under HTSUS 9801, then the supplier must provide:

- Statement on the Commercial Invoice—State that item was previously exported from the United States and imported into the supplier’s country, as supported by commercial invoice documentation
- Foreign Shipper’s Declaration
- Proof of U.S. Origin—(Manufacturers Affidavit, U.S. Certificate of Origin or NAFTA Certificate of Origin indicating the U.S. as the country of origin)

31.5.4 U.S. Goods Returned, Advanced and Improved Abroad (HTSUS 9802)

This provision applies if the supplier returns U.S. origin goods to the United States after repairing/altering them or after using the U.S. origin goods for assembly purposes. If the supplier has determined, with the assistance of Lear’s Customs Department, that the U.S. goods are eligible for entry into the United States under HTSUS 9802, then the supplier must provide: In the case of U.S. goods assembled abroad:

- Foreign Assembler’s Declaration
- Proof of U.S. Origin - (Manufacturers Affidavit: U.S. Certificate of Origin or NAFTA Certificate of Origin indicating the U.S. as the country of origin), and in the case of articles exported for repair and alteration (under HTSUS 9802.00.40 or 9802.00.50), it is Lear’s policy that the invoice clearly state the value of the repair and the following documentation be provided at the time of entry
- Declaration of the person who performed the repairs

The above list of programs represents some of the more frequently used programs under which Lear has obtained preferential tariff treatment. It is not intended to be exhaustive of all the programs available to Lear and accordingly, if Lear is seeking preferential tariff treatment under a program not listed above, Lear will expect its foreign suppliers to provide the appropriate documentation to support Lear’s claim for the preferential tariff treatment under the alternative program.

31.6 *Country of Origin Determination*

U.S. law requires that the correct country of origin be stated on the commercial invoice and packing list. In certain cases, a certificate of origin, manufacturer's affidavit, or other declaration will need to be provided to Lear with the necessary country of origin documentation for Lear to claim preferential duty treatment under a special trade program (e.g., NAFTA, GSP, HTSUS 9801 or HTSUS 9802). The country of origin must also be used for marking purposes, as described below.

For all products, the country of origin should be the country in which the product was manufactured. If the product was not wholly produced or manufactured in one country, the country of origin should be the country in which the most recent "substantial transformation" took place. This means the country in which the product was transformed into a new and different article of commerce, such that it gained a new name, character, or use. In determining whether a "substantial transformation" occurred the following should be taken into consideration: The degree and cost of processing; the increased value of product after processing; the name change after processing; and the new character or use after the processing.

In the case of textiles, textile shipments require a notation on the documents indicating the name and address of the company who performed the processing that gave the product its country of origin.

31.7 *Marking*

Unless a specific exception⁵ applies for products manufactured by the supplier (e.g., a marking exception applies to nuts, screws, staples, wires), once the country of origin is determined, the supplier must ensure that all merchandise shipped to Lear meets the marking requirements as set forth by the U.S. Customs Regulations. The regulations require that the marking must be on the outermost container; on the article itself (where physically possible, unless an exception applies); conspicuous (can be easily seen with normal handling); legible; indelible (resists fading); permanent; and in English.

31.8 *Trans-shipment*

Lear requires all suppliers to notify Lear immediately if they contemplate changing a production site for any products manufactured for sale or shipment to Lear U.S. If a change is contemplated, the supplier should contact the Manager of Lear's Customs Department to disclose the new production country and the reason for the change. Written notice should be provided to the Manager of Lear's Customs Department when production sites change. This policy exists to comply with special trade programs (e.g. GSP, NAFTA, etc.) and to prevent transshipment of merchandise (from the country of origin to an intermediary country prior to shipment to the destination country) as well as avoidance of quotas, ADD / CVD, or any other trade related restrictions. To validate this policy, Lear's management may conduct on-site supplier evaluations to assess that the supplier has implemented this policy and supporting Lear's corporate import policy.

31.9 *Antidumping Duty/Countervailing Duty (ADD/CVD)*

If a supplier becomes aware that impending shipments of merchandise produced by it may be subject to ADD/CVD, please alert Lear's Customs Department upon identification of the issue.

31.10 *Non-Production Shipments (Tooling/Machinery/Equipment)*

Due to the high value of these shipments, special care should be taken when moving tools, machinery and equipment across international borders. Please contact the Lear Customs Group, GlobalCustoms@Lear.com to obtain the detailed instructions regarding the documents required to import this type of commodity.

Note that Lear will not be the importer of record for any chemicals.

These additional items should also be kept in mind when shipping non-production goods:

- Confirm the shipping terms including who is responsible to clear the cargo through Customs.
- For shipments from a non-Lear location sent on our behalf, the shipper should be listed as: Lear Corporation, c/o (the shipping location).

⁵ See "J-list" as provided in 19 C.F.R. §134.33 for marking exceptions

- If the tooling or equipment is being sent only for alterations or repairs and will be returned, mark the invoice accordingly and include the value of the alteration or repair. Also note if the work is under warranty.
- For transfer of production equipment, values should be “fair market values.”
- If no actual sale is taking place, the invoice must be marked: “Value for Customs Purposes Only.”
- Tool/Machinery/Equipment moves from Canada to Mexico often require additional coordination due to the multiple border crossings. It is always helpful to advise Lear’s brokers in advance of the cargo arriving to ensure a smooth Customs clearance.
- Note that Lear will not be the importer of record for any chemicals.
- Supplier is required to have available at all times a complete tooling lineup that identifies location and condition of all Lear and OEM owned tools. All tools must have proper property tags located on the tools with the tags clearly visible at all times.

31.11 *Miscellaneous*

Training: Lear’s Customs Department will conduct training sessions in the appropriate delivery format, as needed, to make suppliers aware of our import policies and procedures and to answer any questions from supplier’s employees.

Employees: Be aware that Lear’s import policy extends to employees of its related and unrelated foreign suppliers. Please immediately instruct your employees whose activities impact any of the areas described above to follow this policy.

31.12 *Ramifications*

Note that a Customer Satisfaction QN will be issued against a supplier for each instance of non-compliance with the above noted requirements.

32.0 **Customs Trade Partnership Against Terrorism (C-TPAT)**

As a member of C-TPAT, Lear is constantly striving to improve security within our global supply chain, which will ensure timely delivery of shipments through expedited clearance at U.S. border crossings and ports of entry.

C-TPAT is a voluntary government-business initiative to build cooperative relationships that strengthen and improve overall international supply chain and U.S. border security. C-TPAT recognizes that CBP can provide the highest level of cargo security only through close cooperation with the ultimate owners of the international supply chain such as importers, carriers, consolidators, licensed customs brokers and manufacturers (suppliers). Through this initiative, CBP is asking businesses to ensure the integrity of their security practices and communicate and verify the security guidelines of their business partners within the supply chain.

As a C-TPAT importer, Lear must ensure that their business partners are either C-TPAT certified and have a valid Status Verification Interface (SVI) ID number or comply with the C-TPAT minimum security criteria.

For a supplier shipping goods to the U.S. which are to be imported by Lear, the supplier shall comply with all applicable C-TPAT security criteria.

ENVIRONMENTAL

33.0 **Environmental Registration Requirements**

All Lear suppliers are expected to work proactively with Lear to reduce the environmental footprint of Lear’s products and comply with the environmental requirements of our customers and those countries in which Lear operates.

Additionally, all Lear suppliers must have an effective environmental management program in place and 3rd party registration to the International Environmental Management Standard ISO 14001:2004 or Responsible Care Management System (RCMS) Technical Specification—RC101.02. In rare instances, Lear may grant an exemption to this requirement. An exemption may be granted only by the Vice

President of Environmental, Health, and Safety and only if the supplier provides an environmental policy on the company letterhead signed by the highest ranking official within the organization that includes:

- A commitment to continual improvement and prevention of pollution
- A commitment to comply with applicable legal requirements
- A statement that the organization utilizes environmentally acceptable, safe, sustainable and efficient production methods and processes

The supplier shall provide a statement that the policy has been communicated to all persons working for or on behalf of the organization and that it is available to the public.

Customer Satisfaction QNs will be issued to all current suppliers with missing or expired environmental certificates.

New suppliers to Lear and its affiliates have one year from the date they are added as an approved supplier to meet these requirements.

34.0 Product Material and Substance Reporting

All products supplied to Lear must comply with the latest version of this section. This section supplements but does not supersede the responsibility of each supplier to comply with laws and regulations for the receiving Lear location(s) and the markets the products are designed for. It is the duty of all suppliers to Lear to comply with these requirements.

34.1 IMDS – International Material Data System – www.mdssystem.com

Product material and substance content for all commercial products must be reported via the International Material Data System (IMDS) to **Lear IMDS Site 632** and must be in compliance with customer reporting requirements for IMDS and to IMDS Rules.

34.2 CAMDS – Chinese Automotive Material Data System – www.camds.org

In commercially agreed upon cases and when Lear is to comply with the Chinese material data reporting via CAMDS System, product suppliers are obliged to report their product material and substance content to **Lear CAMDS Site CA_3_3087** and must be in compliance with customer reporting requirements for CAMDS and to CAMDS Rules.

34.3 Products containing substances of concern that are prohibited as per current GADSL (ref. www.gadsl.org) are forbidden. The supplier's IMDS/CAMDS data must always reflect the supplier's product when delivered to Lear. All suppliers must provide evidence of product data submission acceptance by Lear with every Product Approval Process (PAP) submission, or upon special request. PAP or any other product approval will not be granted for the parts that do not comply with this requirement. Suppliers are responsible for cascading this requirement and collecting IMDS/CAMDS data from their respective sub-suppliers.

34.4 Any biocides used in Lear products and processes shall comply with the EU Biocidal Product Regulation 528/212.

34.5 All service parts identified with a Lear part number shall be reported in IMDS/CAMDS.

35.0 Registration, Evaluation and Authorization of Chemicals—REACH

All production, nonproduction part/material and packaging suppliers shipping to Lear location(s) in EU Communities must comply with REACH⁶. All REACH regulation related communication must take place through Reach@lear.com.

⁶ Regulation EC 1907/2006 on Registration, Evaluation

Lear's EU location(s) and entities do not accept direct shipments or "drop shipments" from non-EU suppliers (i.e., Lear will not act as the "importer" for non-EU suppliers) of unregistered substances including substances in preparations. Non-EU suppliers to Lear must either use EU-based distributors or appoint an "Only Representative" in the EU.

Commercial product suppliers to Lear EU location(s) must perform IMDS material data reporting as it relates to Substances of Very High Concern (SVHC) as defined by REACH.

SVHC's are those substances that are:

- Listed on the ECHA Candidate List of SVHCs;
- Listed on the Authorization List (REACH Annex XIV)
- Listed on the Restriction List (REACH Annex XVII)

More information can be found at: <http://echa.europa.eu/regulations> and <http://www.acea.be/reach>.

36.0 Conflict Minerals

As a U.S. public company, Lear is required to comply with the requirements of Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the U.S. Securities and Exchange Commission ("SEC") rules and regulations. Lear must perform due diligence on, and make disclosures concerning, its use of conflict minerals originating in the Democratic Republic of the Congo and adjoining countries. Lear requires legal and ethical sourcing of materials in our supply chain and, as part of our Conflict Minerals Sourcing Policy, Lear requires its suppliers to engage in due diligence of their supply chain to understand and report the content and country of origin of their parts supplied to Lear.

All Lear suppliers are required to respond to information requests from Lear regarding the uses and sources of conflict minerals (tin, tungsten, tantalum and gold) in their products including information about minerals that are recycled or scrap.

In order to respond to Lear's information requests, suppliers will need to make similar inquiries of their suppliers as a means to investigate the source of materials in their products, and to provide Lear the requested information based upon the results of such inquiries.

Lear may be required, and may require its suppliers, to perform due diligence on the source and chain of custody of its conflict minerals in accordance with the "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas." In addition, suppliers may be required to make certain representations/certifications with respect to the use of conflict minerals. Additional information on conflict minerals may be obtained through links on the SEC website (www.sec.gov) and at <http://conflictminerals.aiag.org/>. Suppliers may also refer to Lear's conflict minerals website at (<http://www.lear.com/supplierinformation/conflictminerals/>) for further information. Supplier questions may be emailed to (conflictminerals@lear.com).

GENERAL

37.0 Product Traceability

All components shipped to Lear shall have lot control and traceability throughout all stages of production. Suppliers must implement additional product traceability tracking as required by Lear. This traceability shall be documented at least as per TS-16949 Section 7.53. Lot size shall not exceed one shift or one production run (whichever is smaller).

Any sorted or reworked material must be traceable back to the sort or rework process.

38.0 Records Retention

All suppliers must implement a records retention policy for all records and documentation pertaining to business conducted with Lear Corporation. If you have questions about the requirement, please contact your Buyer.

39.0 Help

Expired or Missing Supplier Quality & Environmental Certificates—Upload to SupplyViz

To access the Supplier SRS scorecards at <https://access2.lear.com>, contact your supplier system administrator for a user ID and password.

No Supplier System Administrator? Sign on to www.lear.com to register an administrator for your corporate office.

Supplier SRS Issues—contact the Lear plant originating the QN.

Supplier issues with SQTS—contact: SQTSAdministrator@lear.com.

Lear’s public supplier website: www.lear.com.

40.0 Change Control

Changes

Date

Purchasing Leaders

January 2012

Revised Quality, Minority and Environmental,
Health and Safety Policies

Section 11.1.7 Marking revised to reflect updated
customs requirements

Updated links, contact and scorecard information

August 2012

Added Minority Procurement Policy, Ethics, ISO 26262,

Heat-treating, Other Logistics Requirements,
Packaging, Traceability, and Records Retention

Updated EDI and Environmental requirements

Modified formatting and order of information

Addition of the Conflict Minerals Policy

November 2013

Purchasing Leaders

July 2014

Updated Conflict Minerals Policy

October 2015

Updated Supplier Diversity Reporting Requirements

Updated Cost Recovery Policy

Added Supplier Cost/Technical Optimization requirements

Updated ProFile references

Updated Launch Readiness requirements

Updated Conflict Minerals, IMDS

Corrected email addresses, updated web links