BOCAR GROUP®

Quality System
Requirements Manual For Suppliers

INDEX

INTRODUCTION

1.1 INTRODUCTION

At the Bocar Group, suppliers are considered an integral part of the Quality System.

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

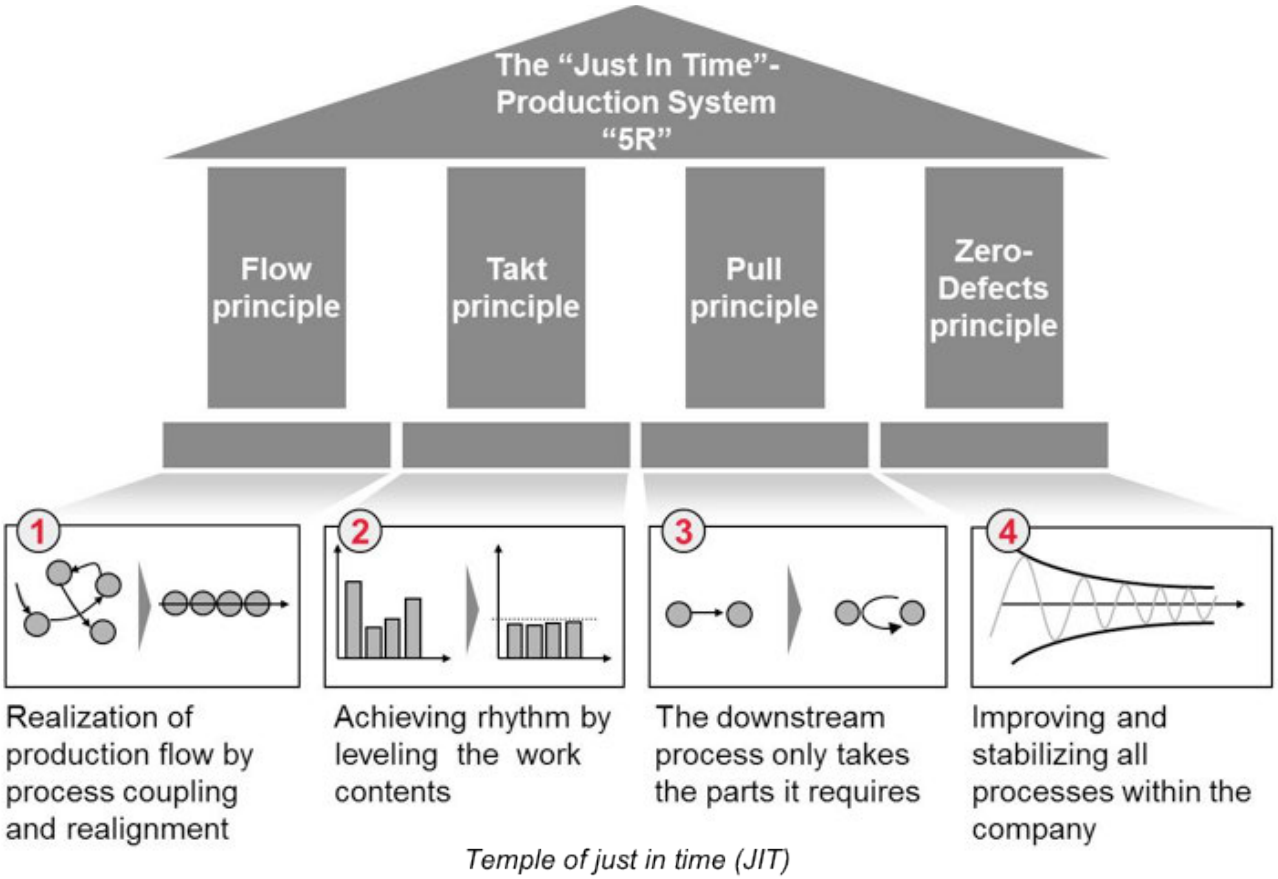
Upon selecting only those suppliers who can comply with the quality requirements established in this manual, the Bocar Group can maintain that the materials and services supplied will be world class in quality, value and capacity for response. This will contribute to the achievement of our fundamental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

1.2.- QUALITY POLICY FOR SUPPLIERS

The Bocar Group requires that all their suppliers consistently strive for quality improvement, Supply zero defects and 100% on-time delivery, as well as cost reduction by the implementation of lean manufacturing and the application of Kaizen (Continuous Improvement) as a work philosophy.

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

The **R**ight Part
with the **R**ight Quality
at the **R**ight Moment
in the **R**ight Quantity
in the **R**ight Place



Temple of just in time (JIT)

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

POTENTIAL SUPPLIERS

2.1.- DEFINITION OF A POTENTIAL SUPPLIER

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

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

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

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

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

2.2.- SELECTION AND DEVELOPMENT OF POTENTIAL SUPPLIERS

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

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

Within the selection process of a potential supplier three types of analyses are carried out: potential evaluation of the production processes, financial and commercial analyses.

Supplier Development, with support from Technical Development and Quality Assurance personnel carries out a potential evaluation of the supplier at the manufacturing installations, based on the VDA 6,3 auditing process, to determine whether the supplier has the capacity to manufacture the requested material.

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

If the potential supplier is certified in ISO 9001 or ISO TS 16949 quality standards, this does not exempt the supplier from the potential audit. The supplier must send a copy of their certificate to the Corporate Purchasing area.

The minimum approving status for new suppliers should be Green and 90% or greater according to the result of the potential audit.

In the event there are non-conformities in the initial potential or subsequent supplier audits, the supplier must undertake a corrective action plan to address the non-conformities found. This plan must be delivered within a time limit no greater than 15 calendar days for its review by Supplier Development. Corrective actions must be closed in no more than three months.

Corporate Purchasing and Supplier Development will monitor the supplier to verify compliance with the established corrective actions. Corporate Purchasing, Supplier Development, Quality Assurance and Technical Development will determine the acceptance or refusal of the supplier as a supplier for the Bocar Group.

In summary supplier development will be carried out according to the following chart:

Type of audit	Application	Frequency	Minimum grade required	Actions in case of obtaining a grade lower than what is required	Person responsible for activity and retention
Potential	New suppliers	In case it is required	90% / Green	Documentary monitoring and visits until the closing of actions	SQA / Purchasing
Process Auditing	Classification as a critical supplier	In case it is required	90%	Documentary monitoring and visits until the closing of actions	SQA / Purchasing

Suppliers directed by the customer:

If the supplier is assigned and authorized by the customer, Sales must coordinate activities necessary to reach a responsibility agreement with the client and the supplier concerning the project, program of activities for the release of material, approval as a supplier for the Bocar Group, as well as aspects of costs for warranties, quality claims to the supplier, material supply, packing, etc. This must be in writing by each organization.

DIRECT MATERIAL SUPPLIERS

3.1.- DEFINITION OF DIRECT MATERIAL

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

The Bocar Group requires 100% compliance from its suppliers in what refers to quality specifications and 100% compliance in what refers to delivery of material. For the allocation of new projects, preference will be given to current suppliers who have demonstrated high level of performance.

3.2.- ADVANCED PLANNING OF QUALITY AND INITIAL SAMPLES

Corporate Purchasing will coordinate a meeting with Quality Assurance, Technical Development and Supplier Development in which the supplier will be informed what level of approval must be achieved for the presentation of samples (see appendix A, format titled "Parts Presentation Certificate"), defining the documents that must be delivered, the dates and the requirements for their approval.

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

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

3.2.1 PARTS THAT REQUIRE INITIAL SAMPLE DOCUMENTATION (PPAP)

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

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

3.2.1.1 EXCEPTIONS

Black Box Products.- Parts that are bought for a Bocar Group Client in which the production diagrams and specifications are controlled by the supplier, that is to say, the drawings that control the design are the supplier's property, such as for example the injectors, kite body motors, etc., which due to commercial or know-how reasons do not need to provide documentation normally required. In this case, as in the case of directed products or suppliers, an agreement must be reached with the client and the supplier concerning the amount of documentation necessary for the approval of the product (for example:. PSW signed by the client, backup documents agreed to etc.).

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

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

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

3.2.2 PARTS THAT DO NOT REQUIRE INITIAL SAMPLE DOCUMENTATION (PPAP)

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

Adhesive and chemical products. These may require approval certificates, the technical and safety sheet for the verification of compliance with specifications on delivery at the Bocar Group's facilities.

3.2.3 ADVANCED QUALITY PLANNING MEETING WITH THE SUPPLIER

Once the supplier for the project is selected, the Bocar Group's Corporate Purchasing Department summons a "kick-off" meeting with Technical Development, Quality Assurance, Supplier Development and the supplier; in order to analyze the specific requirements for advanced quality planning, drawing specifications, materials, measurement methods, tests, test runs, approval of pre-series, specific client requirements etc., for the corresponding project. Corporate Purchasing will establish the execution of said meetings according to the complexity of the products and schedules for the different projects.

3.2.4 DOCUMENTATION

The generation of project documentation and its approval is carried out according to the specific requirements of the Bocar Group and its clients, with the possibility of being based on the APQP and PPAP of the AIAG, Manual 2 of VDA, ANPQP or any another methodology to which the supplier must adhere due to the Bocar Group client's requirements.

In the event the client has not requested a certain methodology, the Bocar Group requires that from the beginning the suppliers establish their advanced quality planning and send the corresponding technical documentation for the presentation and approval of initial samples, plus what was specifically requested in the Kick-off meeting.

a) Activity Program.

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

b) Feasibility and Risk Analysis Evaluation

This document shows the evaluation of the possibility that a design, process or material for production, complies with all engineering requirements with the minimum capability required (Cp greater than 1.67, Cpk greater than 1.33) for those characteristics in which it is required by the Bocar Group that the volumes be established.

The feasibility evaluations or manufacturing capacity analysis on the part of the supplier are required for new products, product or process changes, as well as for changes to greater volumes. The product and process risk analysis for the product must be in evidence.

c) Flow Charts.

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

d) Failure Mode and Effects Analysis (FMEA).

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

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

e) Control Plans.

Control plans must be developed for the control of relevant process parameters, for all the product characteristics indicated on the drawing guaranteeing their compliance within specifications and tests or verifications must be documented. All the special characteristics appointed in formally established drawings and specifications or by request of Bocar Group personnel must also appear in the supplier's control plans (live documents), identifying them with a symbol signifying mutual consent.

f) Instructions for Process Monitoring and Control.

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

g) Special Characteristics.

These are product characteristics that may affect user safety, compliance with government regulations, or the product's function or performance. These characteristics must be identified with the required client symbol or one agreed to by mutual consent in all documentation where it is mentioned. Records must be put in safekeeping for at least of 3 years or 15 years as of the last sales date if they are product safety characteristics.

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

h) Packaging Standard.

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

i) Registry in the IMDS System (International Material Data System).

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

j) Delivery of Initial Samples.

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

k) Preliminary Process Studies.

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

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

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

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

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

I) Report of Initial Samples.

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

1. Dimensional. Measurement of the quantity of samples requested by the Technical Development and Quality Assurance engineer for all the dimensions specified in the part diagram. The number of samples to be measured will depend on the type of process or if the manufacturer uses several similar production lines or has multiple tooling sets for the manufacture of the same part (for example: cavities, dies or machining stations), at least one sample from each line, tooling or cavity must be measured. All dimensions or specifications requested on the drawing must be listed in a document with the corresponding results and the measurement method used in each case must be specified. The dimensional report must be signed by the person responsible for the quality area on the part of the supplier; in addition to the report being sent as part of the product reassessment tests.

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

The material report must be signed by the person responsible for the quality area on the part of the supplier; in addition to the report being sent as part of the product assessment tests.

3. Functional Tests. This is the evaluation of the product in what refers to functionality, durability and other tests described in the guidelines or specifications indicated on the part drawing, which will be the responsibility of the supplier. An agreement must be reached with the Technical Development Department at the Bocar Group regarding the frequency of verification and size of the sample for the execution of these tests.

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

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

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

m) Contingency Plans.

Along with the documentation for the first samples, the supplier must deliver his Contingency Plans in order to assure the Bocar Group that he will always have the capacity to deliver material according to what has been requested. In the event of a contingency in what refers to teams, environmental or organizational aspects, such as a lack of electrical power, lack of personnel, lack of raw material, refusal of material due to quality problems, guarantees, recalls, key equipment failure or accidents in general.

3.2.5 APPROVAL OF SAMPLES.

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

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

If the documentary information and samples are approved, Quality Assurance authorizes the use of the supplier's product by means of a signature of approval on the corresponding document. (PSW, CPM, format FO.PR.AC.IC.002.02 – "Parts Presentation Certificate" etc.); and delivers a copy of the release to the Technical Development and Corporate Purchasing areas; which at the same time delivers a copy to the supplier. The documentation presented for the approval of samples is kept by the Quality Assurance Dept. at the plant that receives the material.

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

In some cases, due to the complexity of the products, their behavior or when it is thus defined by the Bocar Group, it will be necessary for the Supplier Development area to carry out a release of the production process or product at the supplier's premises, where the abilities of the process, productive capacity, training of personnel, means of verification, process control, equipment and installation maintenance, etc. are verified. The release date must be planned with sufficient anticipation to the start of production (SOP) in order to correct conditions that do not guarantee product quality.

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

3.2.6 CHARGES FOR REJECTION OF PRESENTATION OF INITIAL SAMPLES.

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

3.3.- CHANGES IN MANUFACTURING AND/OR PRODUCT

The supplier will be responsible for reporting in advance to Corporate Purchasing when the products, manufacturing processes or materials for manufacturing require any changes, which should be approved by presenting samples with all backup documentation as is indicated in point 3.2.4 in this chapter.

The transition and delivery times for material must be agreed to with the plant to which the product will be delivered considering the requirements established by the clients.

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

3.4.- PRODUCT REASSESSMENT PROCESS

Direct Material suppliers must issue a reassessment report for the parts they supply, this report must be issued and sent along with the samples used in the dimensional test on an annual basis without it needing to be requested, or it must be presented with the frequency requested by the Quality Assurance area at the plant to which the product is delivered as applies to the component, raw material or service as follows:

1. Dimensional. Measurement of the samples of all dimensions specified in the part diagram, (dimensional 100%). The number of parts to be measured will depend on the type of process and must be agreed to with the quality engineer assigned to the product. When the manufacturer uses several similar production lines, or has multiple tooling sets for the manufacture of the same part (for example: cavities, dies or multiple machining stations), at least one sample from each line, tooling or cavity must be measured. Cp and Cpk tests should be provided for the special or relevant characteristics of the product.

2. Material Tests. Evaluation of all the characteristics included in the specifications of the materials with the product under evaluation according to the most recent level drawing The material requirements can refer to industry standards (for example: SAE, ASTM, ANSI, BSI, DIN, TL, JIS).

3. Evaluation of Special Processes. In the cases in which it applies, annual submission of the self-evaluation of special processes, such as for example: the heat treatment, to demonstrate compliance with automobile industry requirements (for example: AIAG CQI-9 HTSA Heat Treat System Assessment).

3.5.- REQUIREMENTS FOR SAFETY PARTS SUPPLIERS

If the supplier supplies materials for safety parts or parts that bear civil liability, he must undertake a yearly self-assessment to be filled in on the formats requested by the plant to which the product is delivered. The report and its results must be sent to the Quality Assurance area of the corresponding plant.

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

Classified documentation, such as a special file for safety products must be kept by the manufacturing plant for the period required by the manufacturing plant to which the aforementioned product is supplied. (for example:. Volkswagen: 15 years as of the last sales day for the product).

3.6.- EVALUATION OF PERFORMANCE OF APPROVED SUPPLIERS

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

An approved supplier must maintain a minimum score of 90 points. The results of the Evaluation of Global Performance will be relesed every 3 months and communicated to the suppliers through the Corporate Purchasing. Suppliers that are below a score of 90 points in the Global evaluation will be considered unsatisfactory suppliers and they must provide an improvement plan. In case of recurrence, these suppliers will be subject to an escalation plan as critical suppliers as indicated in point 3.7 of this chapter.

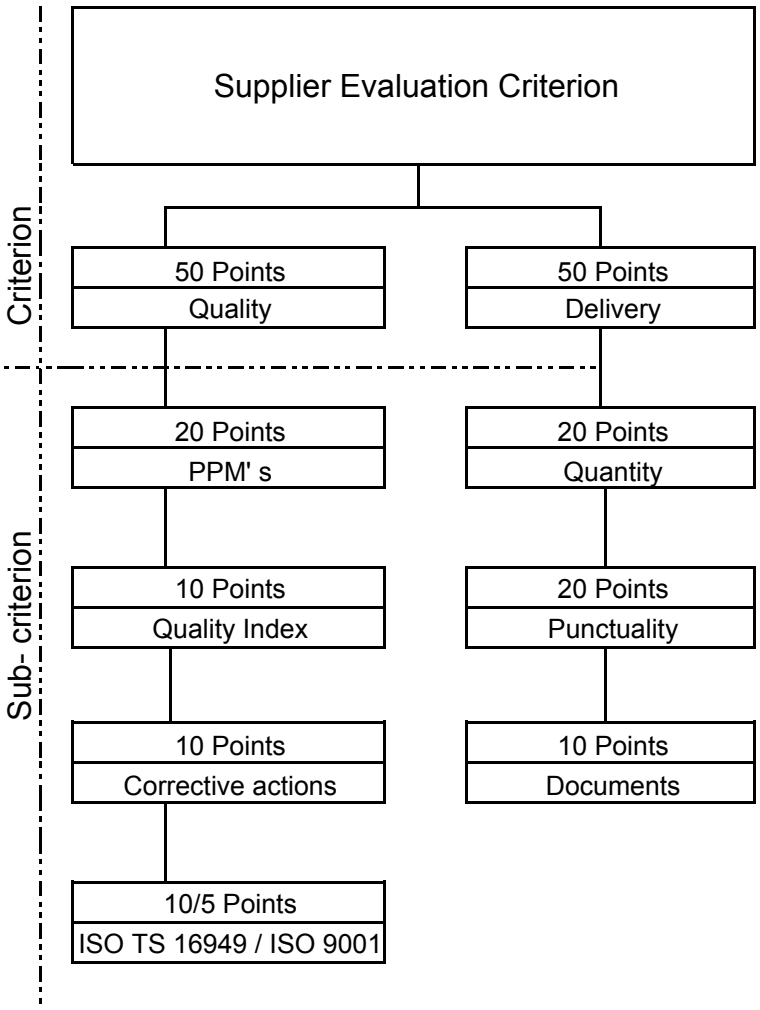
If the supplier is a source assigned/approved by the client, before replacing the supplier due to recurrence of non-passing score, the client must be notified and an agreement must be reached through the sales area.

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

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

1) Quality performance
2) Delivery performance

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



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

Classification	Score	Designation
A	X 90 pts.	Preferential
B	75 ≤ X ≤ 89 pts.	Probation
C	X ≤ 74 pts.	New Business Hold

3.6.1 QUALITY PERFORMANCE (50 Points)

1) PPM' s (20 points).

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

If the supplier supplies various materials, the total rate of rejection is evaluated for all the products from the total amount of products received during the course of the period evaluated by the plant.

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

	PPM	
0	PPM´s	= 20
1-50	PPM´s	= 16
51-100	PPM´s	= 12
101-150	PPM´s	= 8
151-200	PPM´s	= 4
201-... ..	PPM´s	= 0

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

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

2) Quality Index (10 points).

This is the evaluation that is carried out by lot on the inspection receipt where the material is accepted or rejected. If it is approved 10 points will be assigned to every approved shipment. If it is approved conditionally or if it is rejected a score of 0 points will be assigned to each shipment. The result for the period is the average of the shipment scores.

3) Corrective Actions (10 points).

When the supplier has not complied with the quality index, a corrective action plan must be devised and delivered within a period no greater than nine working days as of the day on which the supplier is notified.

The score obtained for the effectiveness in the implementation of corrective actions is based on the following criterion:

Without problems or applying preventive actions before impacting our processes = 10
Action plan delivered in due time and proper form / Efficient Actions = 5
Action Plan delivered late or in an incomplete manner/ incoherent Analysis / Ineffective Actions = 0

4) Quality System (10 Points).

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

ISO TS 16949 Certification = 10 Points
ISO 9001 Certification = 5 Points

3.6.2 DELIVERY PERFORMANCE (50 POINTS).

On this point the performance of the product sent is evaluated and divided by score into three subdivisions:

1) Quantity
2) Dates / Punctuality
3) Documentation

1) Quantity (20 points).

The quantity delivered is compared with the quantity specified on the delivery sheet and any variation either over-shipment or under-shipment will result in a score from the following chart:

Concept	Score
Shipment in the amount specified on the delivery sheet	20
Shipment in an amount other than what is specified on the delivery sheet.	0

This evaluation must be applied to each supplier including all his products and all the deliveries that have been carried out during the evaluation period

2) Dates / Punctuality (20 points).

The delivery date is compared with the scheduled date. If the supplier has delivered on time they will receive a score of 20 points, but if there is any variation the score will vary, either because the shipment was delivered early (before the date scheduled) or late (after the date scheduled) in accordance will the following chart:

Concept	Score
Shipment received on the date specified on the delivery sheet	20
Shipment received on a date other than what is specified on the delivery sheet.	0

This evaluation must be applied to each supplier including all the products and all the deliveries that have been carried out during the evaluation period

3) Documentation (10 points).

This sub-criterion is scored when the supplier delivers the requested documentation, such as: Product quality certificate and invoice. In the event any document or data is missing the score will be 0.

Concept	Score
Complete documents	10
Incomplete documents	0

3.7.- CRITICAL SUPPLIER

What happens to suppliers who do not achieve the required score?

Suppliers who do not score a minimum of 90 points during the quarter, must send in an improvement plan to avoid recurrence within a period no greater than 15 calendar days after receiving their score.

In case a score inferior to 90 points has been assigned for two consecutive quarters the supplier will be cataloged as a critical supplier for the Bocar Group and the process of escalation will begin

The escalation process is a series of activities that involve different organizational levels for the supplier and the Bocar Group with the purpose of solving recurrent problems and is comprised of the following steps:

1. The supplier's Quality Manager or Management Representative must present to Corporate Purchasing at the Bocar Group an action plan that will guarantee the elimination of the root cause of the problems that are causing poor performance. This proposal will be evaluated by the production plants (where the material is supplied), along with Supplier Development and Corporate Purchasing.

2. If necessary, due to problems with the products the supplier will be placed in containment through a certifying company (at the cost of the supplier), that containment will be carried out at the supplier's location until corrective actions and cero defects received for a minimum of 30 days.

3. If at the conclusion of the following evaluation period the corrective actions have not shown to be effective or a score lower than 90 has been assigned again, Supplier Development will escalate it with the supplier's General Director and/or Plant Manager who will present a comprehensive program aimed at improving the performance as a supplier and to avoid the recurrence of the problems that have taken place.

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

REPERCUSSIONS DUE TO NON-COMPLIANT PRODUCTS

Responsibility of the Supplier in the event of Non-Compliant Products

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

a) Immediately hiring the company for the selection or re-work of material.
b) Providing the sorting criteria according to the drawing's specifications.
c) Supervising the correct execution of the sorting or re-work with its personnel.
d) Providing monitoring of the sorting or re-work so that the client receives the material on time and in the proper manner.

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

Quality Assurance issues a document titled: "Report of Defective Material" (appendix C) with which it notifies the supplier of the non-compliant material. The supplier must send a response as soon as possible and has a maximum time limit of 2 working days to dispose of the non-compliant material, if not this material will be disposed as is convenient to the Bocar Group. This is applicable for foreign and national suppliers.

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

The supplier is 100% responsible for the sorting and certification of subsequent shipments. When there is a report of defective material, this certification can only be stopped by mutual agreement, once the Bocar Group can confirm the efficacy of the corrective actions.

The supplier must identify the material as 100% certified free of the defect reported as indicated by the affected Bocar Group plant. In the case of in-transit material the supplier must reach an agreement with the Bocar Group about whether the material is returned, negotiated or certified by an external company (at the cost of the supplier).

If the supplier requests deviation, it must be in writing to Corporate Purchasing, which will process the deviation document to be analyzed by Technical Development at the respective plant (the time of response can vary depending on the tests and analyses carried out).

All charges generated by the supplier are documented with the “Debit Request Notice” (appendix D) with the respective costs. In case of any conflict of information, the purchase order, the contract, as well as the terms and conditions must be respected.

REQUIREMENTS FOR CERTIFICATION

Non-Compliant Quality Costs

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

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

• **Administrative Charges.-** These are charges for the following concepts: drawing up of refund to suppliers, dimensional analysis, verification of the material, cause analysis, etc. which has a cost of $ 300 USD per event.

• **Selection and/or Re-work.-** This is the allocation of Bocar Group personnel, or a lot-drawing company for the selection and/or re-work of faulty materials, the cost is $ 75.00 USD per man-hour.

• **Line Stop.-** This is the lack of production of the manufacturing processes of the Bocar Group for lack of material, out-of-time deliveries or refusal of all the material existing on our premises which produces a halt in production processes which will derive in charges for expedited transportation, overtime, reprogramming of production, etc; which will be charged back to the supplier.

• **Rejection from our Customer.-** In case there exists a rejection of any product on the part of the customer where the origin of the problem is caused by some component or material supplied by the supplier, all charges generated by the customer plus the cost of regulating the delivery of the product as requested by the customer will be charged to the supplier.

• **Rejection of Supplier Material .-** Material that cannot be used due to non-conformance in its specification will be returned to the supplier. The corresponding invoice will not be paid.

• **Extraordinary Transportation or Urgent Freight .-** Material shipped overland or by air, the supplier will be charged for the expedited cost.

• **Warranties and Recalls.-** All the charges derived from warranties and re-calls in which the supplier is responsible will be transferred directly at cost.

• **Trials, Tests and Audits due to Quality Faults .-** All the expenses generated by tests derived from re-work, verifications, trials or tests for the purpose of validating the status of a non-compliant product to be used after being re-worked or selected. Samples with non-compliant results or supplier audits due to quality problems will be charged at their cost.

QUALITY MANAGEMENT SYSTEM.

It is a mandatory requirement that suppliers maintain their ISO 9001 certification or ISO TS 16949 for all direct material suppliers. As evidence of compliance on this point, the supplier must deliver a copy of the current company certificate issued respectively by an IAF or IATF (third party). accredited certification body .

A material purchasing agreement cannot be established if the supplier does not have a current ISO 9001 or ISO TS 16949 certification.

ISO 9001 certified suppliers are encouraged to fulfill the requirements to become ISO TS 16949 certified according to their infrastructure and to the development of the culture of quality in their organizations.

Potential Suppliers (non certified)

In the case of suppliers who consider themselves potential suppliers but are not yet ISO TS 16949 or ISO 9001 certified, they must present a program of activities to the designated buyer, (for example: a Gantt Diagram .) with defined dates to achieve certification in a time period no greater than one year. The buyer will define, jointly with the SQA, the feasibility of the supplier's certification plan.

In the event of not achieving the certification requirement within a reasonable period, the supplier will be eliminated from the list of potential suppliers.

Current Production Suppliers

The Supplier has the responsibility of maintaining his ISO TS 16949 or ISO 9001 certification during the period in which he supplies material to any of the Bocar Group plants, and must send the corresponding buyer a copy of the new certificate in case it is updated or expires. This copy must be delivered at the latest on the expiration date of the previous certificate.

Process / Product Audits

In the event there is a supplier with recurring low quality performance in their products or who has a severe quality problem due to the manufacturing process, the Bocar Group has the right to undertake processaudits at the supplier's location, with the purpose of establishing corrective action programs by mutual consent for the benefit of product quality and the capability of the process(es).

INDIRECT MATERIAL SUPPLIERS

Definition and Classification:

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

Suppliers are considered to be the providers of indirect materials to the items in the following classification:

1.- Suppliers of machinery and/or equipment for production, tooling or devices
2.- Suppliers of transportation and storage (terrestrial, maritime and air)
3.- Suppliers of calibration for equipment.
4.- Suppliers of certified laboratories for the execution of specific tests.
5.- Suppliers of chemical products (gases, hazardous waste, etc.)
6.- Suppliers of packing (designed for a specific product).
7.- Suppliers of sorting and/or re-work.

Quality Management System:

The suppliers of calibration for laboratory equipment and/or those that carry out specific tests on raw materials, components or products must be certified under ISO IEC 17025 or another current equivalent national regulation. It is acceptable on the part of the Bocar Group that the manufacturers of equipment carry out the maintenance and/or calibration of their equipment through their personnel or by means of a company formally approved by them. The provider of calibration or maintenance services must demonstrate that the applied procedures are adequate for the services provided, works with competent personnel, possesses traceability to a pertinent international standard and keeps the corresponding records.

The suppliers of machinery and production equipment, tooling or devices must be ISO 9001 certified by a third party, with the exception of those assigned by the client that are due to a transfer or allocation of tooling.

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

Packaging suppliers may be selected without having an ISO 9001 certified Quality System if the customer accepts that the supplier develop or manufacture the packaging for their product, for which the supplier must have the approval of the customer in the packaging guidelines and/or the investment for its purchase. If the packaging is assigned by the customer, the customer chooses the supplier under his own guidelines.

Transportation and storage suppliers may be selected without having an ISO 9001 certification from a third party if, the customer and corresponding Bocar Group plant, establish that the supplier complies with the necessary requirements for the management of the products and/or services they offer.

Suppliers of chemical products (gases, hazardous waste, etc.), must provide their technical and safety sheets, assure their compliance with the legal requirements for their products and/or services, as well as maintain their accreditations and permits.

Depending on the cost and the quality impact on the product, the Management or Head of Quality Assurance may exonerate a supplier of some requirement, this consent must be obtained in writing in order to be considered valid by the Bocar Group..

Evaluation System:

The manner of evaluating non-productive or indirect material suppliers will be based on the quarterly evaluation that will be carried out by the requesting area under the supervision of indirect purchasing.

The aspects evaluated are:

Speed of response
Efficiency of the requested service
Responsibility of personnel
Satisfaction with the service

The scale for evaluation is the following:

Poor (6 Points) Did not comply or complied partially with what was requested
Average (8 Points) Under monitoring was limited to complying with what was requested.
Good (10 Points) Delivered on time and in the manner requested.

In the event of obtaining an average evaluation lower than 8 the supplier will be asked to draw up corrective measures by Corporate Purchasing in order to improve the performance. If the problem is recurrent a special agreement must be reached with the supplier to continue providing service to the Bocar Group. Otherwise Corporate Purchasing will jointly with the key stakeholders evaluate using alternative non-productive suppliers.

APPENDICES

The appendices referred to in the manual appear in this section

APPENDIX A Part presentation certificate

APPENDIX B Packaging Standard

APPENDIX C Report of defective material

APPENDIX D Debit notice request

APPENDIX E Report of actions and countermeasures

DISTRIBUTION LIST

COPY	DEPARTMENT / AREA	ASSIGNED TO
1	Purchasing	Purchasing Manager
2	Direct Material Purchases	Head Of Direct Material Purchases
3	Supplier Development	Supplier Development Manager

CHANGE CONTROL

REVIEW	DATE	CHANGE OR MODIFICATION
0	10/10/03	Structuring of the evaluation system for Suppliers in the Manual.
1	04/03/04	Review of chapters 4, 6 and 7 referring to the evaluation of suppliers for delivery performance.
2	17/03/04	Modification of the factors and weighting for supplier's evaluation
3	30/03/05	New checklist for audit of potential suppliers.
4	07/04/06	Integration of the escalation process and client requirements.
5	31/03/08	Definition of Purchasing as a corporate area of the Bocar Group
6	30/09/11	Integration of new aspects of evaluation of suppliers and integration of the process audits as potential audits..
7	12/12/12	Re-structuring of content, incorporation of the Supplier Development area, updating of costs for non-quality, changes in the weighting of supplier evaluation, among others.