



Supplier Requirements Manual

CONTENTS

<u>Subject</u>	<u>Page #</u>
Introduction	3
1. Supplier Communication	4
2. Supplier Selection	4
3. Purchasing	5
4. Supplier Performance Monitoring	5
5. Supplier Continuous Improvement	6
6. Tooling	6
7. Control of Fixtures & Test Equipment	6
8. Packaging & Labeling	7
9. APQP/PPAP	8
10. Prototype Supplier Requirements	11
11. Early Production Containment	12
12. CQI Process Assessments	13
13. Materials Planning	13
14. Transportation	14
15. Problem Solving/Corrective Action Reporting	15
16. Engineering Changes	17
17. Lot Traceability	17
18. General Tolerances	18
19. Confidentiality & Non-Disclosure	18
20. Safety and Environment	18
21. Preventive and Predictive Maintenance	18
22. Miscellaneous Requirements	18
Record of Revision	19
Acronyms	20
Appendix A – Forms	20

Introduction

This Supplier Requirements Manual is intended to assist suppliers in understanding Kenona Industries requirements. While all attempts have been made to be thorough as to content, you are encouraged to contact your Kenona Purchasing, Quality or Engineering representative with any additional questions. Kenona expects all suppliers to embrace the highest level of commitment to ethical business practices, compliance to all regulatory and legal requirements as well as providing safe work-conditions for its employees

Kenona Quality Policy

Kenona Industries is committed to meeting or exceeding our customers' expectations. We accomplish this by:

- *Communicating those expectations to our employees*
- *Providing the tools and processes required to meet those expectations*
- *Providing the training for our employees to meet those expectations*
- *Providing an environment of continuous improvement.*

Kenona Core Values

- *We will treat our customers, suppliers and employees with humility, respect and honesty*
- *We will foster a positive and open working environment*
- *We will recognize, reward and provide opportunity for employees who embrace responsibility and achieve desired results*
- *We will ethically pursue profitable growth*
- *We will have fun*

1) Supplier Communication

Kenona Industries communicates to its suppliers in a variety of ways.

An essential ingredient to a successful partnership is clear, concise communication. At Kenona Industries, our means of communicating direction, expectations and guidelines may include, but not be limited to:

- Purchase Orders
- Purchasing Terms and Conditions
- Supplier Performance Data
- Letter of Intent
- Sourcing Commitment Documentation
- Statement of Work
- Memos
- Scheduled Meetings
- Supplier Manual

We encourage suppliers to engage in open dialogue with Kenona Industries at all times.

1.1 Code of conduct

Kenona expects our supplier partners to adhere to the highest standards of ethical practices when doing business with Kenona. Kenona maintains corporate responsibility policies including anti-bribery, code of conduct, and an ethics escalation policy and promote that our suppliers implement similar policies.

2) Supplier Selection

To become a supplier to Kenona Industries, direct production material suppliers must gain acceptance to the Kenona Approved Source List (ASL). To be placed on the ASL, a Confidentiality Agreement and Self-Assessment must be completed. Once these documents have been completed, Kenona Industries will complete the "*Supplier Assessment*" if appropriate. Business cannot be awarded to a potential new supplier to Kenona Industries unless the supplier has been placed on the ASL.

Kenona may waive the Supplier Assessment requirement in lieu of a current accredited third party QMS registration certificate and review of latest third-party audit findings.

In those cases where sources are directed by Kenona Industries Customer, for a specific part or commodity, any and all directed sources shall be obliged to meet all requirements as detailed within this Supplier Manual.

ISO9001/16949 / ISO14001 (latest revisions) Certification

As specified by IATF16949 "Latest Revision", Kenona Industries shall perform supplier quality management system development with the goal of supplier conformity to

IATF16949 (latest revision). At a minimum, Kenona Industries requires suppliers be registered to ISO9001 (latest revision) by an accredited IAF MLA third-party certification body, meeting the industry recognized dates.

Customer directed suppliers may have the above requirement waived:

- If authorized in writing by Kenona customer
- If company size, resources or commodity-based products does not lend themselves to the registration process

Current active suppliers are responsible for providing updated registration certification copies to Kenona by uploading to the Kenona Supplier Portal at <https://sp.kenona.com>. Portal accounts must use an email address linked with an internal distribution list. Suppliers can contact IT@kenona.com for help with account access.

3) Purchasing

Request for Quotation

Kenona Industries utilizes a variety of methods and templates to request quotations from suppliers such as formal RFQ forms and e-mail requests. It is vital that the quote due date be met to be considered for the purchase.

All quotations must be in writing and include:

- All associated costs for tooling, piece price including metal market surcharges, and any additional costs required
- AIAG Team Feasibility Commitment detailing all exceptions being taken by the supplier. Must be specific and not refer to a “standard industry guideline or practice” Exceptions can be placed in quote in lieu of the feasibility form.
- List lead times for tooling, PPAP and ongoing orders
- Marked up prints if necessary
- Packaging costs including seasonal rust prevention if necessary and applicable

Purchase Order

Kenona Industries will issue purchase orders to suppliers for awarded programs or product purchases. In advance of receipt of purchase orders, suppliers to Kenona Industries may receive a letter of intent (LOI) providing information pertaining to supplier conditions, requirements, and responsibilities:

Tooling Invoices

Suppliers will be required to provide proof of PPAP approval and conform to Kenona Industries and/or customer tooling documentation and audit requirements before tooling invoices will be paid.

Terms and Conditions

Terms and conditions are available on the Kenona website at <http://www.kenona.com>.

4) Supplier Performance Monitoring

Supplier performance is monitored via Kenona Industries *Supplier Performance Review Report*. Performance ratings are based on the following criteria:

- a) Monthly Scrap
- b) Delivery Performance
- c) Quality performance including lot rejections, unresolved SCAR's, supplier caused Kenona customer disruptions, Kenona customer special ship status, dealer and/or warranty returns and field actions as applicable.

Reports will be distributed to suppliers at appropriate intervals

Negative trends in performance, scrap >2%, delivery performance <95% or others as applicable may warrant the issuance of a SCAR to engage the supplier in the corrective action process and/or cost recovery.

Supplier performance data is monitored closely and is integral to sourcing decisions. In the event a supplier exhibits chronic performance issues, or systemic deterioration of key performance metrics, they may be placed on probationary status on the ASL. Probationary status typically will limit a supplier's access to new business opportunities with Kenona Industries. Chronic supplier negative trends may initiate development activities to help the supplier recover acceptable performance. Such support typically involves an on-sit visit and supplier audit and/or survey to identify areas for improvement.

5) *Supplier Continuous Improvement*

Kenona Industries promotes a culture of continuous improvement and the effective use of statistical tools. We promote that suppliers monitor the performance of their manufacturing processes, through appropriate techniques including capability studies, SPC, and other statistical tools. This, when combined with process audits, shall provide the data necessary to support continuous improvement.

6) *Tooling*

Tooling design and build is generally the responsibility of the supplier; however, Kenona Industries reserves the right to review suppliers tooling standards to ensure supplier's manufactured tools will provide high quality parts throughout the life of the tooling. Suppliers are responsible for the maintenance of all tooling, testing and inspection equipment. All tooling must be identified with the appropriate Asset Tag(s) or tooling asset information. The tooling identification information is provided by Kenona Industries. Kenona Industries reserves the right to complete on-site inspection of tooling owned by Kenona Industries or our customer.

7) *Control of Inspection Fixtures, Measuring/Test Equipment*

Monitoring

The supplier must have a documented system in place to control, calibrate, and maintain the proper function and accepted level of gage repeatability and reproducibility of all inspection fixtures, measuring / testing instruments and equipment. Reference the AIAG MSA manual for accepted levels.

Calibration

Measuring equipment shall be calibrated or verified at specified intervals. The calibration certificate must be on file at the supplier's facility and be traceable to the actual gage identification information. Internal and external calibration services must meet the requirements of the latest released edition of the QMS standard to which the facility is registered. It is required that the calibration will be performed using NIST traceable standards.

Equipment Identification

All gages and test equipment must have identification information affixed clearly & permanently to the gage. The information must be traceable to the gage identification number, the gage revision level, the last calibration date, the calibration expiration date.

Inspection, Measuring, and Test Equipment Records

Records must include any revision information, traceable to the part revision level, demonstrating conformance to the latest released edition of the QMS standard to which the facility is registered, the OEM customer specific requirements, and any corrective action taken where applicable.

Measurement System Analysis

Gage R&R acceptance criteria must conform to the requirements of the latest released edition of the AIAG Measurement System Analysis manual. Variable data gages are expected to have an Anova method analysis performed on a minimum of 10 parts by three operators measuring each part three times each. Data must be calculated and displayed as both percentage of total tolerance variation (TV) and percentage of study variation (SV). Attribute must have an agreement analysis performed. It is recommended that supplier use the Kappa analysis method in Minitab software. Contact your Kenona APQP contact for gage/program specific requirements.

Record Retention

Suppliers are expected to maintain applicable retention periods as specified in IATF16949 (latest edition), unless superseded by legal, governmental, Kenona Industries or Customer Specific Requirements. Contact your Kenona representative for further guidance if needed.

8) Packaging & Labeling

Suppliers are required to adhere to Packaging Guidelines as defined by the AIAG Standards, unless superseded by Kenona Industries. Special packaging and labeling requirements, in support of specific Product Launch activity, may be requested by Kenona Industries. In the event that special packaging is required, design and approval will be managed as part of our overall APQP Program Delivery Process.

Expendable packaging maximum weight limit is 2500 pounds.

Upon launch of a new product, the supplier must receive approval from the Engineering and Manufacturing Departments at Kenona Industries prior to Run @ Rate, in order to ensure planned packaging fits with the manufacturing cell practices. Suppliers must seek approval of all new packaging or proposed changes to existing packaging. Approval must be granted prior to the first production shipment. Packaging and labelling is also a requirement of the PPAP Submission package.

All suppliers supplying goods to Kenona Industries that are considered to be “controlled” under the Workplace Hazardous Material Information System (WHMIS) must comply with appropriate, legislated regulations for packaging and shipping. All solid wood packaging/pallets and crates must comply with the International Plant Protection Convention Standard.

Returnable Containers

Returnable containers are the primary packaging method considered on new programs if volume and supplier’s proximity warrant. On an individual basis, Engineering will assess current production part packaging feasibility using returnable containers. Kenona Industries has developed and implemented returnable containers with many suppliers. As a result, specific styles of containers best suited to shipping, storage and manufacturing requirements have been identified.

Kenona owned returnable containers are to be clearly marked “Kenona” and only be used to ship product to Kenona Industries and not in-process activities within the supplier facility.

Kenona owned packaging is to be stored in a dry safe environment and is never to be used wet. All prior labels are to be removed prior to use by the supplier.

Any damaged containers are to be taken out of service and reported to the Kenona materials group

Any inquiries regarding packaging may be submitted to the Program Manager or buyer at Kenona Industries. Any deviation from agreed upon packaging shall be signed off by Kenona Industries Purchasing and Materials Department.

Labeling

All materials for production consumption, shipped to Kenona Industries must be identified with labeling containing both human-readable text / graphics and machine-readable, bar coded symbols.

All labels to AIAG Standard or standard designated by Kenona Industries.

Labels shall comply with Kenona Industries requirements and the AIAG, B-10 standard – Quality Assurance Guide for Shipping Labels and Other Bar Code Applications and must be legible and be scannable.

Label placement, orientation, quality and quantities shall follow the guidelines contained in the AIAG, B10 standard – Trading Partner Labels Implementation Guide, unless otherwise specified by Kenona.

Before implementation, suppliers must review and obtain approval of newly introduced label formats from Kenona Industries.

9) APQP/PPAP

Kenona Industries requires all direct production material suppliers to comply with all AIAG APQP and PPAP requirements including document formatting.

An APQP kick-off/design review meeting will be scheduled upon business award. Personnel representing supplier program management and quality assurance functions shall participate to establish and outline APQP requirements, timetables, and contacts. All immediate technical concerns including any quoting exceptions must be addressed at this time.

The Kenona Program Team will generate a Key Contacts list and PPAP Checklist and send to the supplier.

A Process Flow Diagram is to be developed that depicts the flow of material from receipt through shipment. It is a requirement that the steps and characteristics used will link directly to the FMEA and Control Plan.

Kenona Industries promotes the effective use of the AIAG FMEA process to manage risk and to drive an effective inspection strategy. It is encouraged that the supplier engage the Kenona Advanced Quality Engineer upon development of the first FMEA drafts for analysis and input. This typically will prevent last minute issues deriving from improper assumptions made during the FMEA process and then cascading into other APQP documents and events.

Kenona Industries requires the effective use of AIAG compliant Control Plans derived from the process flow diagram and FMEA processes.

Kenona will accept process specific or family control plans where either a process dictates specification conformance or many similar parts follow identical processing steps. It is advisable that this be discussed with the Kenona Advanced Quality Engineer prior to PPAP submission.

Part layouts are to be performed on a minimum 2 pieces from each cavity or value stream (6 minimum total). All print dimensions and notes are to be ballooned on the print and identified on the AIAG compliant dimensional report. The specification and tolerances are to be listed along with actual measurements and method used. Each line item is to be checked as either pass or fail and the document signed and dated. Layout parts are to be provided to Kenona as part of the PPAP submission package.

Material/Performance testing is to be performed on a quantity as specified by the Kenona AQE, material specification or surrogate panel or bar if the specification allows. All print specifications and notes are to be ballooned on the print and identified on the AIAG compliant report. The specification number and revision are to be listed along with actual measurements and method used. Each line item is to be checked as either pass or fail and the document signed and dated.

The PPAP submission is a validation of the production process; it is not a one-day event. Suppliers are expected to submit PPAP APQP documentation in accordance with the sequential development of their manufacturing process. This will ensure proactive resolution of issues prior to the required final PPAP submission date. The expectation is that by the PPAP date all issues are resolved. PPAP dates are determined between the supplier and Kenona Industries. If the supplier is unable to meet the PPAP date determined, the supplier is required to notify the Kenona Industries Program Manager or Advanced Quality Engineer one week prior to due date.

It is the responsibility of all suppliers to ensure that their subcontractors (Tier 2 and Tier 3 suppliers to Kenona Industries) are meeting similar expectations and requirements.

Suppliers are to use their manufacturing DUNS number as supplier code in all relevant documents.

It is a generally unacceptable practice to leave blank fields in any APQP/PPAP document. Please use N/A in the field if not applicable.

Suppliers must submit PPAP packages utilizing AIAG Level 3 PPAP requirements, unless specifically directed otherwise in writing by Kenona Industries.

Suppliers and their sub-contractors are not to make changes to design, material content or part processing without consulting with Kenona Industries Engineering to assess risk and any relevant PPAP activities required. Reference AIAG PPAP (latest revision) manual for guidance. Normal tooling and equipment maintenance would not be a cause for re-submission.

For customer directed suppliers, prior OEM approval does not negate the need for initial submission or annual validation to Kenona Industries.

All suppliers shall be prepared to submit annual validation PPAP, as determined by the date of the original PPAP submission, not the original approval date. The validation is to be on file if requested by Kenona. This will consist of a full part layout in the same quantity as the original PPAP and all material qualification activities.

Level 2 PPAP must be submitted for service components that have not been in production for a period of greater than 12 months, unless otherwise directed by Kenona Industries in writing.

Prototype PPAP will be submitted to meet all Level 2 requirements as defined in the AIAG PPAP Manual, unless otherwise directed by Kenona Industries. This will include, at a minimum, a ballooned print, and dimensional layout of all print dimensions, material certificate of analysis and a control plan.

For suppliers with reporting requirements as defined by IMDS Standards, IMDS documentation shall be part of the Supplier's PPAP requirement. The IMDS number should be included on the Warrant at time of submission. Failure to comply will result in rejection of the PPAP Submission. Kenona IMDS ID# is 40126

For dimension or product requirements that do not meet specification, the Supplier shall obtain approval as documented on a "*Kenona Request for Deviation*" prior to submitting PPAP. The signed authorization must be included in the submission. Failure to comply

can result in rejection of the PPAP Submission. Suppliers are not to submit a PPAP submission to Kenona that does not meet specification without discussion and authorization in writing from the Kenona Program Manager or Advanced Quality Engineer.

A Supplier Corrective Action Report may result for PPAP submissions that are:

- Rejected for non-compliance
- Rejected for non-conformance
- Late

Critical or significant characteristics shall be identified either on the part drawing or on separate documents as detailed in the kick off/design review. Suppliers shall be required to establish, validate and maintain acceptable short ($Ppk > 1.67$) and long-term ($Cpk > 1.33$) capability on all critical characteristics. Significant characteristics are expected to show acceptable short-term capability at PPAP. Kenona Industries will communicate the appropriate method of critical characteristic designation (SC, CC, etc.).

- Run-at-Rate (R@R)

If Kenona Industries customer requires, all production processes may be required to have a completed Run-at-Rate package submitted with the PPAP. Depending upon the level of risk associated with the Supplier and Part Number, the R@R may be observed on site, by Kenona Industries or Kenona Industries customer. If deemed to be low risk by Kenona Industries. The Supplier will be notified of this requirement waiver during the kick-off meeting.

Run-at-Rates must be conducted on the production process and parts made from the R@R shall be PPAP approved and salable to Kenona Industries.

- Lubricants

Any lubricant used by the supplier during their process must be compatible with Kenona Industries processes and E-coating processes. Excessive lubricant which is determined to be “running”, “dripping”, or “pooling” on component parts and/or raw material is unacceptable, only a light coat of lubricant is permissible. All lubricants are to be water soluble.

The presence of oxidation, resulting in rust on any raw material and/or component part is unacceptable unless an acceptable boundary sample has been approved by Kenona Industries. Suppliers are expected to utilize appropriate rust prevention methods for all product shipped to Kenona Industries. Such measures should be discussed and agreed upon during the kick off/design review meeting.

- Material Certifications

Material certifications are to be maintained at the supplier’s facility unless requested by Kenona Industries to be sent with product shipments. Certifications are to be provided within 24 hours of Kenona request.

Certifications of Compliance (C of C) or blanket statements of compliance are not acceptable and will be rejected.

Only Certifications of Analysis (C of A) with data will be accepted.

10) Prototype Supplier Requirements

Suppliers of prototype parts or material shall submit to Kenona Industries the following documentation:

- Inspection and findings for all features, dimensions and specifications shown on the print. A Deviation Request must be submitted to the Engineering team for any nonconforming dimensions. Failure to do so could result in excessive process / product cost associated with the defect
- Other inspection or testing as required in writing
- Control Plan
- Material certifications for each lot of material & 3rd party material certifications

Prototype parts shipped to Kenona Industries shall have the following:

- An AIAG Part Submission Warrant for each part number electronically mailed to Kenona Industries Program Manager
- Prototype Part Identification placard attached to each container utilizing orange paper. For tag details contact the Engineering Launch Team
- Part number, engineering level and program must be listed on all shipping papers and container labels

NOTE:

Supplier of prototype parts that will be supplying the part in full production may be asked to also comply with the requirements of the AIAG Advanced Product Quality Planning (APQP) manual.

OEM Customer Specific Requirements for prototypes may be stipulated by Kenona Industries Program Management and quality activities and will be communicated in writing to the supplier as necessary.

11) Early Production Containment

The purpose of Early Production Containment (EPC) is to document the supplier's efforts to gain control of its processes during start-up and acceleration, so that any quality issues that may arise are quickly identified and corrected at the supplier's location. This process will also validate whether the supplier inspection strategy identified during APQP is robust and effective at screening defects from reaching Kenona Industries.

Along with the PPAP submission the supplier must develop and submit a pre-launch control plan, which is a significant enhancement to the supplier's production control plan, consisting of additional controls, inspection, and audits and testing. The supplier **MUST** develop a system to verify and certify every shipment during the launch period which will be defined during the kick off/design review stage. This may include, but not be limited to:

- Visual (100%) – part stamp, hole presence, splits, burrs, general appearance

- Dimensional – Supplier shall define characteristics & method
- Past Issues – all past issues must be identified and actions put in place to prevent recurrence
- Containment Records – must be maintained throughout the launch and be available upon request
- Testing – if required, suppliers to define characteristics & method
- Package – containers must meet Kenona Industries packaging requirements. Any deviation requires written approval from the Kenona Industries Materials Group
- Labels & Mixed Parts – parts verified as correct, while container label meets Kenona Industries label requirements

EPC is a controlled inspection, completely separate from the normal process stream contained in the pre-launch control plan. Documents from these verifications shall be maintained by the supplier and available within 24 hours upon request. Product during the launch period will be classified as “Certified Material” and shall be identified with two labels attached to the container beside each bar code label, including at a minimum the words “EPC Certified”. Other form of identification may be used only if written permission is obtained from Kenona Industries.

Issues during this period as well as regular production activities shall be controlled by a Supplier Corrective Action Report (SCAR). If the supplier is issued a SCAR during the launch period, the particular issue shall be added to the containment inspection criteria. The SCAR number and brief description shall be added to the certified material tag. With each SCAR a Corrective Action shall be completed using the 8D format. All Corrective Actions during the launch period will require the 8D to be presented to the Kenona Industries Engineering/Quality Team for approval.

Failure to contain issues during the launch period will result in immediate 200% containment at the Suppliers expense. Failure to resolve nonconforming product issues which result in recurrences and/or process downtime could result in 3rd party containment in the Suppliers facility at the Suppliers expense. The 3rd party would certify product before shipment to Kenona Industries until permanent countermeasures are proven effective.

The pre-launch control plan is not a substitute for the production control plan but is over and above the production control plan and is used to validate the production control plan. The pre-launch control plan must be used for all pre-production requirements and for the early production shipments.

Exiting from EPC and the pre-launch control plan is a data driven decision solely and cannot be tied to a specific time frame or number of parts produced. A general rule for assessing whether a request for EPC exit will be considered valid is that data showing zero defects at the supplier in EPC or at Kenona for a minimum quantity equal to 10% of the annual part volume. Exit from EPC must be approved by the Kenona AQE.

12) CQI Requirements

Applicable AIAG CQI process assessments relative to supplier processes must be performed on an annual basis. Updated assessments are to be uploaded to the Kenona

Supplier Portal at <https://sp.kenona.com>. Suppliers can contact IT@kenona.com for help with account access.

13) Materials Planning

Suppliers will be issued production material requirements by Kenona Industries as need dictates. Schedules will be communicated via purchase order. It is the responsibility of the Supplier to immediately contact Kenona Industries in the event the supplier is unable to meet all requirements for delivery date, time, quantity and quality or if the supplier has not received a schedule.

Suppliers must analyze all purchase orders received from Kenona Industries in order to ensure their own supply of components and materials can support Kenona Industries demands. During critical stages, such as Product Ramp or Product Launch, Suppliers shall meet all release demands necessary to support system fill and launch. If the product or component is not fully approved (PPAP) then a Special Request (under deviation) may be issued and shall suffice as authorization. If the Supplier has not received such authorization, they shall elevate the issue immediately in order to ensure support of system fill and launch.

Forecasting

Material forecasting information will be communicated to the suppliers as need dictates. While this information is an indication of future material requirements, it is not considered binding on the part of Kenona Industries, unless supported by a specific purchase order. Additional material lead times require specific approval from the Kenona Industries purchasing department.

Suppliers must maintain sufficient safety stock and finished goods inventory to accommodate 100% on-time delivery. Short shipments must be communicated immediately, along with a corrective action and recovery plan.

Suppliers must maintain an effective contingency plan, in order to mitigate undue risk to Kenona Industries, in the event of utility or labor disruption or equipment failure. The intent of the contingency plan is to reasonably protect Kenona Industries' from disruption of supply in the event of an emergency.

Service Parts Requirements

Suppliers with production contracts with Kenona Industries, must maintain the ability to provide after-market and service components for a period of ten years following the end of program or production for individual components or assemblies, or for such longer or shorter period of time as stipulated by Kenona Industries respective OEM Customer for the program, if so communicated to the Supplier. The Supplier has the responsibility to maintain any tooling and/or assembly equipment in condition sufficient to support service requirements. Service schedules and pricing shall be determined in negotiation with Kenona Industries.

14) Transportation

It is important that our suppliers are aware of transportation and delivery requirements, as it is one of the key performance metrics upon which they will be assessed. Kenona Industries supports the industry initiative of inventory reduction, recognizing however the importance this places on accurate and timely delivery of quality product. It is our expectation that suppliers will deliver 100% on time in compliance to schedules.

In an effort to support JIT delivery, we expect our suppliers to constantly strive to reduce lead times with their suppliers, improve flexibility and minimize changeover times. If necessary to support JIT schedules, the supplier may be asked to support local warehousing.

Schedules, Routings & Carriers

All trucking, routing & delivery windows will be established with Kenona Industries Materials personnel prior to first shipment.

Transportation Routing Information

All costs incurred as a result of missed or late shipments, which are clearly the responsibility of the supplier, shall be recovered from the supplier. All material entering from a foreign country must have "Country of Origin" clearly marked on the Pro forma Invoice, as well as on the original Commercial Invoice. Brokerage fees for all imported product is typically the responsibility of Kenona Industries, unless otherwise negotiated. All fees and charges resulting from the export / return of defective product shall be the responsibility of the appropriate supplier.

Packing Slips & Documentation

It is a requirement that all shipped material be identified on a Packing Slip or Bill of Lading. The information typically required includes:

- Shipment date
- Invoice/Packing Slip number
- Address Sold to
- Address Shipped to
- Individual line item for each part number shipped
- Part Number and Part Description
- Purchase Order number, for each part number
- Order release number
- Quantity ordered & Quantity shipped
- Number of cartons/skids/containers shipped
- Total number of cartons/skids/weight
- Lot number from each container

Advance Shipping Notice (ASN)

Kenona Industries will be implementing an ASN requirement to suppliers in the near future. If the Supplier is not EDI capable they can obtain a 3rd party EDI source to

transmit their data at their expense. More specific information will be released prior to implementation.

The supplier shall maintain a third-party contingency to facilitate scheduling and ASN communication in the event of a system failure at their location

15) Problem Solving/Corrective Action Reporting.

Kenona Industries promotes the training and use of disciplined problem-solving methods at all suppliers. These systems are effective at identifying and eliminating non-conformances.

Kenona utilizes a Supplier Corrective Action Report (SCAR) system to document supplier non-conformances. This system is designed to prevent the use of suspect and/or nonconforming purchased material. Purchased components found to be nonconforming through either line rejections, testing failures, failed inspection results, customer concerns, warranty and customer returns or obsolete material are handled through the following procedure:

- Supplier will be notified of the concern via telephone and/or electronically. All relevant containment actions will be handled within twenty-four (24) hours at supplier cost
- Supplier will receive a Supplier Corrective Action Report (SCAR) at this time and is required to return a signed copy (acknowledging receipt) of the notice within twenty-four (24) hours including, at a minimum, a documented containment response

(Note: Should a response not be received from a supplier, any stated charges associated with the notice will be considered accepted by the supplier)

- A supplier corrective action (SCAR's) report is required to address the concern and must be received within the following time frames:
 - Initial response within 24 hours describing containment
 - 10-working days (unless otherwise approved) for completed SCAR's

Suppliers are strongly urged to utilize the Kenona SCAR checklists to better understand Kenona Industries' requirements for each of the sections of the SCAR. The requirements of this document will be used by Kenona Industries personnel as a guide to make disposition of the SCAR contents.

Kenona Industries will make all good faith attempts to minimize costs associated with rejections. In the case that charges are necessary, the supplier will be notified so they have an ability to fully understand the impact at Kenona Industries that necessitates these charges.

Charges that could be applied to a quality concern are as follows:

- Kenona Industries sort of supplier product on production line until certified stock arrives
- Production line shutdown
- Finished product sort and/or scrap of material
- Any material transfer of nonconforming supplier product
- Quality Department time for problem investigation

- Testing if required
- Any sort/rework charges incurred by Kenona Industries
- Related transportation expenses
- Any costs incurred by the Kenona Industries for disruption of customers

All charges incurred by the supplier will be discussed and approved through the Materials personnel of Kenona Industries and the designated personnel of the supplier facility. If mutual agreement cannot be reached the issue will be directed to the appropriate Kenona Industries Senior Manager within 30 days of final notice of issuance.

It is the responsibility of the supplier to notify Kenona Industries in the event there is reason to believe that a nonconforming condition of supplier components exists in Quality, Delivery, Warranty or other.

Notification must be followed by:

- Immediate action within 24 hours (e.g., new materials, etc.)
- Interim corrective action, containment; response time of 24 hours

Supplier initiated advanced notification of non-conformances is very effective at minimizing costs associated with potential SCAR events. Kenona Industries is committed to working with our suppliers to resolve these situations effectively.

Controlled Shipping

When directed by Kenona Industries in writing, suppliers may need to certify product after a lot rejection has occurred, at the Supplier's Expense. Usually, two types of controlled shipping actions are employed when this situation occurs:

- CS-1, Supplier conducted sort and certification of subsequent part shipments, and
- CS-2, 3rd party sorting and certification

All controlled shipping actions are the responsibility of the supplier to coordinate and follow-up on. Parts supplied to Kenona Industries must meet released quantities without supply interruption.

The supplier and Kenona Industries will mutually define the certified material identification.

Supplier Corrective Action Reports may be issued for both non-complying material as well as non-compliance to requirements and standards. Repeat Non-Compliance Reports for the same failure modes may require controlled shipping designation.

Deviations

If product is found to be out of specification and Kenona Industries Quality and Engineering departments have evaluated and agreed to accept this product, a Kenona deviation request is to be initiated by the supplier and submitted for approval. Product may be shipped with an approved deviation, with all containers labelled with an orange placard identifying product shipped under deviation and including the approved deviation number.

16) Engineering Changes

Suppliers must have the capability of receiving and reading Math Data or to use an outside source for Math Data interpretation.

Suppliers are required to maintain an effective change management system in the event of any engineering changes.

No changes shall be implemented without consultation with Kenona Industries and an appropriate PPAP plan being developed.

Any supplier-initiated requests for change are to be approved by the Kenona Engineering Team. Formal written requests can be sent electronically to engineering@kenona.com

17) Lot Traceability

All material received by Kenona Industries must contain a lot code, or serial number, clearly identified on each label and container, ensuring full traceability of all material. Material must be traceable from receipt of raw material, to each processing stage and through final assembly and shipping to Kenona Industries.

A lot should contain a specific quantity of parts, and should not exceed eight hours or one day of production, at a maximum. In the event of certain commodity-based material, methods such as "heat lots" or steel coils will be acceptable. Other documented methods of lot control may be submitted for Kenona Industries approval. The supplier shall ensure implementation and management of an effective FIFO method of stock rotation.

Traceability Records shall be maintained and accessible for the life of the product, including Service, plus one year. Certain traceability record retention deviations can be obtained only if received in writing from Kenona Industries.

18) General Tolerances

It is expected that suppliers will quote utilizing the specifications and tolerances supplied with the blueprint or other documentation in the RFQ.

Specific exceptions, if any, are to be detailed in the quote package. Generic exception statements such as "standard foundry tolerances" is not allowed and all attempts need to be made to be specific as this can effect Kenona Industries ability to submit a competitive quote package to our customer.

19) Confidentiality and Non-Disclosure

Suppliers are reminded that all engineering and purchasing information generated as a result of business with Kenona Industries is strictly confidential. Suppliers are prohibited from sharing any Kenona Industries technical or cost data without prior written authorization from their Purchasing Agent or Buyer.

Suppliers are required to sign the Kenona Industries Confidentiality Agreement prior to business award.

20) Safety and Environment

Kenona expects all suppliers to take appropriate measures to safeguard their employees and the environment.

Kenona requires all supplier to be compliant to any regulatory requirements.

All visitors to a Kenona facility are expected to use the front entrance and be escorted at all times. It is mandatory that safety glasses with side shields be worn on the shop floor at all times and the utmost awareness as to the presence of material handling equipment and other equipment movement.

21) Preventive and Predictive Maintenance

It is expected that all suppliers will have a documented and effective preventive and predictive maintenance system to prevent unplanned equipment and tooling downtime.

22) Miscellaneous Requirements

Additional situations may arise, from time to time that are not specifically addressed in other sections of this manual. They will be noted in this section.

- Kenona Industries and its customers expect to have access to supplier facilities and records at reasonable times for the purposes of surveys, assessments, inspection of goods and associated control systems.
- Suppliers are expected to share with Kenona Industries detailed cost data breakdowns if requested. Suppliers are also expected to use a fair and consistent method of applying the profit factor and distribution of overhead expenses in support of Kenona Industries requirements, consistent with goals of long-term financial viability.
- Suppliers must be willing to extend the benefits of cost reduction efforts with Kenona Industries.
- It is expected that a target for compliance of zero discrepancies be set for all goods and services to be supplied to Kenona Industries.
- Adherence to these requirements of this manual will be stated on Kenona Industries purchase orders.
- Independent annual validations for raw material are to be carried out by an accredited testing facility and be independent of the supplier structure if required by Kenona Industries.
- Suppliers must provide Country of Origin Certification and other documentation required under the US/Canada Free Trade Agreement and the North American Free Trade Agreement. All customs requirements must be met in a timely manner to ensure efficient transportation of goods.

ACRONYMS

LOI	LETTER OF INTENT
SOW	STATEMENT OF WORK
OEM	ORIGINAL EQUIPMENT MANUFACTURER
RFQ	REQUEST FOR QUOTE
SCAR	SUPPLIER CORRECTIVE ACTION REPORT
APQP	ADVANCED PRODUCT QUALITY PLANNING
PPAP	PRODUCTION PART APPROVAL PROCESS
EDI	ELECTRONIC DATA EXCHANGE
AIAG	AUTOMOTIVE INDUSTRY ACTION GROUP
R@R	RUN-AT-RATE
IMDS	INTERNATIONAL MATERIAL DATA SYSTEM
JIT	JUST IN TIME
ASN	ADVANCED SHIPPING NOTICE
FIFO	FIRST IN, FIRST OUT
WHMIS	WORKPLACE HAZERDOUS MATERIAL INFORMATION SYSTEM

APPENDIX A – FORMS

FORM TITLE	PAGE
1. SCAR	22
2. SCAR CHECKLIST	23
3. DEVIATION REQUEST	26
4. PPAP CHECKLIST	27