

# SUPPLIER REQUIREMENTS MANUAL

**Printed copies of this manual are considered to be an "Uncontrolled Document". The most current update can be accessed from the Cadence Innovation website at: [www.cadenceinnovation.com](http://www.cadenceinnovation.com).**



## TABLE OF CONTENTS

<b>1.0 INTRODUCTION</b> .....	3
<b>2.0 CADENCE QUALITY POLICY</b> .....	4
<b>3.0 ENVIRONMENTAL, HEALTH &amp; SAFETY POLICY</b> .....	5
<b>4.0 SCOPE</b> .....	6
<b>5.0 SUPPLIER COMMUNICATION TO CADENCE</b> .....	7
<b>6.0 ELECTRONIC DATA INTERCHANGE REQUIREMENTS (EDI):</b> .....	8
<b>7.0 SUPPLIER DIVERSITY REPORTING REQUIREMENTS – TIER II</b> .....	9
<b>8.0 CUSTOMS TRADE PARTNERSHIP AGAINST TERRORISM (C-TPAT)</b> .....	10
<b>9.0 SUPPLIER QUALITY REGISTRATION REQUIREMENTS AND 2<sup>nd</sup> PARTY CUSTOMER APPROVAL GUIDELINES</b> .....	13
<b>10.0 ENVIRONMENTAL REQUIREMENTS:</b> .....	15
<b>11.0 PRODUCT MATERIALS CONTENT RECYCLABILITY REPORTING</b> .....	16
<b>12.0 SUPPLIER QUALITY TRACKING SYSTEM (SQTS)</b> .....	17
<b>13.0 SUPPLIER PERFORMANCE</b> .....	18
<b>14.0 PRE-PRODUCTION &amp; NEW PRODUCT LAUNCH REQUIREMENTS (APQP)</b> .....	19
<b>15.0 LAUNCH READINESS MEASURES:</b> .....	20
<b>16.0 PRODUCTION PHASE / MANUFACTURING</b> .....	23
<b>17.0 SUB-CONTRACTOR DEVELOPMENT</b> .....	25
<b>18.0 CONTROLLED SHIPPING STATUS:</b> .....	26
<b>19.0 COST RECOVERY POLICY:</b> .....	30



## **1.0 INTRODUCTION**

Welcome to the Cadence Innovation Supplier Requirements Manual. This manual has been developed to communicate the Cadence Supplier requirements to all suppliers, and provide a common process that includes all phases of APQP, Launch and continued Supplier Quality Support. Should you have any questions about our Manual, please contact your Cadence Innovation Purchasing Agent or Supplier Quality Representative.

Cadence Innovation LLC  
P.O. Box 5905  
977 East Fourteen Mile Road  
Troy, MI 48083  
Phone: 248-457-4400  
FAX: 248-585-1688

**Effective March 1, 2008, this release replaces all previous editions.**

---

**John B. Butler**  
Executive Director  
Supply Chain Management

---

**Dana Leavitt**  
Vice President  
Manufacturing Operations

---

**Fred Conkey**  
Director  
Production Purchasing Operations

---

**Chris Oxley**  
Vice President  
Corporate Quality



## **2.0 CADENCE QUALITY POLICY**

*"To satisfy our customers through an organizational product focus, disciplined processes and engaged people. Always striving to be better; being the best isn't good enough."*

### 3.0 ENVIRONMENTAL, HEALTH & SAFETY POLICY



## Environmental, Health and Safety Policy

Our Environmental, Health and Safety Policy reflects the core principles of our company. Decisions and actions that may create significant impacts are based on these key elements:

- We have a proactive, as well as comprehensive EHS Management System throughout all areas of our manufacturing facilities.
- We are committed to comply with all legal and industry standards, and where appropriate, move beyond regulatory requirements to reduce risk from our processes.
- It is everyone's responsibility to participate in our activities as we continually improve our efforts in waste reduction, energy conservation, recycling and the prevention of pollution.
- We are committed to training employees so they can make informed decisions regarding our continual improvement efforts and understand how their activities impact the environment, and their safety.
- By evaluating and monitoring our processes and equipment, we avoid accidents and emergencies. However, we are prepared to handle emergencies through contingency planning efforts at each facility.
- We are committed to developing production processes incorporating the best available technology to minimize environmental impact.
- We shall minimize the environmental impacts our suppliers and contractors have on the activities of our facilities.
- Facility Management shall review their activities on a regular basis to determine the need to redefine EHS Objectives and the effectiveness of current projects to achieve targets.
- We communicate our efforts and achievements to interested parties.

Cadence Innovation's Environmental, Health and Safety Policy is based on our commitment to maintain our position as a leader of our industry in maintaining an effective operations management system.



Jerry Mosingh - CEO



Dana Leavitt - VP



Jerry Alexis - EHS



#### **4.0 SCOPE**

This manual applies to all Cadence approved, suppliers. Compliance to the requirements within this manual as well as to the general terms and conditions of the purchase order is mandatory.

**It is the supplier's responsibility to check at regular intervals for updates to this manual at <http://www.CadenceInnovation.com/>. Subsequent Supplier Bulletins will be published to communicate updates and changes. If for any reason, the web-site cannot be accessed, it is your responsibility to contact your assigned Cadence buyer for a copy.**

This Supplier Requirements Manual has been developed to describe and define the requirements and expectations of Cadence Innovation. It is intended to drive consistency in Cadence's sourcing and procurement activities, and aims to create a favorable business environment for both Cadence and our suppliers that strive for customer satisfaction in an environment that supports continuous improvement in cost, quality, timing, productivity and ultimately, profits.

The value of the supply chain is fully recognized at Cadence Innovation. Continuous improvement can only be attained through effective communications, documentation of quality expectations, and the successful implementation of supportive action plans that support long-term customer loyalty and satisfaction.

Cadence's leadership position is supported by a flexible, cross-functional organization that responds quickly to customers and market requirements, and that successfully leverages our manufacturing, distribution and supply chain abilities. Cadence recognizes its external production supply base as an extension of its business and the need for consistent material supply.



## **5.0 SUPPLIER COMMUNICATION TO CADENCE**

**Cadence's expectations are that all suppliers meet or exceed the following requirements:**

- Supplier communication to Cadence will be pro-active and will include notification of any and all sub-contractor issues that could affect Cadence or its customers.
- All requests for authorization of any proposed material or process changes or moves of production locations are submitted in advance with regard to timing of all issues. These changes will require Cadence approval 4 weeks prior to change. Requests are to be made utilizing the ultimate OEM's process (e.g., Forever Requirements, SREA, BTAB, etc.)
- Early notification of any potential supply / capacity issues are communicated to your Cadence Buyer and affected Cadence manufacturing facility.
- Contingency planning strategies are in place for all manufacturing facilities that ship to Cadence.
- Upon completion of a program, the supplier will ensure tooling is properly stored to prevent damage and is readily available for service requirements.
- Suppliers must acknowledge that achievement of ZERO DEFECTS is a fundamental objective for Quality **and** 100% on time Delivery performance **and** monitor their performance as reported through the Cadence Supply Rating System and SCR's / DMR's issued.
- All suppliers are expected to be compliant with the environmental directives of our customers and applicable legal requirements including Product Material Content and Recyclability Reporting (PMCR-IMDS).



## **6.0 ELECTRONIC DATA INTERCHANGE REQUIREMENTS (EDI):**

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

For additional information on EDI requirements and contacts, refer to the Cadence Website at <http://www.CadenceInnovation.com/>, or email to [EDI@CadenceInnovation.com](mailto:EDI@CadenceInnovation.com).



## **7.0 SUPPLIER DIVERSITY REPORTING REQUIREMENTS – TIER II**

Quarterly reporting of this information is a requirement and is handled through the Supply Chain Management function. Information should be reported via e-mail at [Purchasing@CadenceInnovation.com](mailto:Purchasing@CadenceInnovation.com).

Certified MBEs are those companies that are certified by the National Minority Supplier Development Council or one of its affiliates. Additional reporting information may be obtained from the Cadence website at <http://www.CadenceInnovation.com/>.



## **8.0 CUSTOMS TRADE PARTNERSHIP AGAINST TERRORISM (C-TPAT)**

In support of C-TPAT, Cadence continuously strives to improve security within our supply chain, which will ensure timely delivery of shipments through expedited clearance at U.S. border crossings and ports of entry. Cadence expects that all suppliers outside of the USA educate themselves on the requirements of Customs and Border Protection (CBP-formerly U.S. Customs Service).

### **8.1 CADENCE CUSTOMS IMPORT DOCUMENT REQUIREMENTS**

#### ***Basic Invoice Requirements:***

- Date of shipment
- Name and address of shipper
- Name and address of consignee
- Consignee IRS# - mandatory for shipments arriving in the U.S.
- Name and address of sold to party
- Country of Origin (this is the country of manufacture).
- Terms of Sale (ex-works, FOB, CIF, etc...)
- Name of the Customs broker responsible for clearing the cargo.
- Detailed description of the product in English including:
  - Cadence part numbers with description
  - Description of each item (“automotive parts” is **NOT** acceptable)
  - Quantity
  - Unit price
  - Total price per line
  - Total invoice cost\*
  - Type of Currency
  - Cadence Purchase Order number

#### ***Important Notes:***

**Cadence shall not be the importer of record for any chemicals.**

Please Note: All items require a value for Customs purposes. Even if the shipment contains no-charge items, samples, returnable containers, or returned goods, etc. documentation **MUST** have a fair market value for Customs. The invoice should be marked “Value for Customs Purposes Only”.

## **8.2 Other Requirements**

### **8.2.1 NAFTA\*\***

Canadian or Mexican origin goods that qualify for NAFTA and are shipped to the United States, Canada, or Mexico must be accompanied by a NAFTA Certificate of Origin or have a blanket NAFTA Certificate of Origin on file with the broker.

NAFTA Certificates should only be completed by someone with proper training including knowledge of tariff classification, tariff shifts, bill of material analysis, regional value calculations and automotive tracing requirements.

### **8.2.2 Country of Origin Marking**

Section 304 of the Tariff Act of 1930, as amended (19 U.S.C. 1304) requires, unless excepted, every article of foreign origin imported into the U.S. shall be marked in a conspicuous place in English, permanently and legibly, the nature of the article (or container). This should be identified in such a manner as to indicate to the ultimate purchaser in the U.S. the country of origin of the article.

### **8.2.3 U.S. Goods Returned (HTS 9801)**

U.S. origin goods returning to the United States having not been advanced in value or improved in condition require the following documentation:

- Manufacturer's Affidavit
- Foreign Shippers Declaration

### **8.2.3 Articles Exported and Returned, Advanced or Improved Abroad (HTS 9802)**

Articles exported for repair or alteration (under HTSUS 9802.00.40 or 9802.00.50), must clearly state the value of the repair or alteration on the invoice **and** the following documentation has been provided at the time of entry:

- Declaration from the person who performed the repairs
- Declaration by the owner, importer, consignee or agent U.S.

Goods Assembled Abroad - For articles assembled abroad with U.S. components, HTSUS 9802.00.80 can be claimed only when the following documents are provided at the time of entry:

- Assembler's Declaration
- Endorsement by the Importer

#### **8.2.4 Special Classes of Merchandise**

Textile Shipments require a notation on the documents indicating the name and address of the company who performed the processing that gave the product its country of origin.

#### **8.2.5 Tooling / Machinery / Equipment Shipments**

Due to the value of these shipments, special care should be taken when moving tools, machinery, and equipment across international borders. The basic invoice requirements should be followed keeping in mind the following:

- Confirm shipping terms, including responsible party to clear the cargo through Customs.
- For shipments from a non-Cadence location sent on our behalf, the shipper should be listed as: Cadence Innovation, c/o (the shipping location).
- If the tooling or equipment is being sent only for alterations or repairs and will be returned, please mark the invoice accordingly, noting if the work is under warranty.
- For transfer of production equipment, values should be “fair market values”.
- If no actual sale is taking place, the invoice must be marked: “Value for Customs Purposes Only”.
- Tooling/Machinery/Equipment moves from Canada to Mexico often require additional coordination due to the multiple border crossings. Suppliers are required to advise Cadence’s brokers in advance of the cargo arriving to ensure a smooth clearance.



## **9.0 SUPPLIER QUALITY REGISTRATION REQUIREMENTS AND 2<sup>nd</sup> PARTY CUSTOMER APPROVAL GUIDELINES**

Cadence Innovation is certified to ISO/TS 16949:2002 and applicable Customer Specific Requirements as they apply to automotive production and relevant service part organizations.

**The Cadence Quality Certification Requirements for all approved production supplier manufacturing locations is 3rd party Certification to TS 16949:2002 or ISO 9001:2000**

### ***IMPORTANT NOTE:***

Registration to ISO 9001:2000 is only acceptable for those suppliers that do not meet the applicability requirements of TS 16949:2002 as described below or as an interim step to achieving TS 16949 certification.

- Suppliers are also required to submit renewed certificates for each manufacturing location at time of renewal.
- Information on all certificates **must match** the name and address of record of the manufacturing location. See submission information below

### **Applicability Requirements:**

TS 16949:2002 applies to organizations manufacturing products that end up in the final vehicle assembly, including:

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

### **For all Supplier Manufacturing locations currently registered to QS 9000:**

All QS 9000 certifications expired on December 14, 2006. As a result, if you are currently registered to QS 9000 you must notify Cadence Corporate Purchasing immediately by sending a detailed transition plan for each of your manufacturing locations that ship to Cadence plants.

The plan must include the following:

- The quality system that plant will be registered to, either TS 16949 or ISO 9001
- Target Timing
- Facility contact name for implementation



## **Submission of quality system certificates and transition plans:**

Email: [SupplierQuality@CadenceInnovation.com](mailto:SupplierQuality@CadenceInnovation.com)

Fax: (248) 585-1673

**9.1 All Approved** Cadence production suppliers are required to establish documents and implement effective production, quality and management systems compliant with the above outlined requirements, including all customer specified requirements.

**9.2** Cadence Innovation reserves the right to verify a supplier's manufacturing location for site compliance to these standards by performing site audits through a designated Cadence representative for those suppliers identified as having a high impact to safety, fit, form function, quality and or Customer down-time. The duration of the audit will conform to the full application of the Audit Day requirements table of the "Automotive Certification Scheme for ISO/TS 16949:2002."

**9.3** Third party certification does not relieve the supplier of the full responsibility of the quality of the product supplied.

**9.4** Cadence Innovation requires all approved external production suppliers to monitor their sub-suppliers quality management systems per TS clause 7.4.1.2.

**9.4.1** Verification of sub-suppliers 3rd party certification – includes obtaining a copy of the valid registration certificate and receiving updates as certificates expire.

**9.4.2** Documented evidence of sub-supplier compliance must be available for review upon request of Cadence Innovation.

**9.4.3** In the event that a sub-supplier provides a proprietary material, is not registered and/or on-site verification is very impractical (limited resources and/or location), exceptions must be documented and approved by an authorized representative of Cadence.



## **10.0 ENVIRONMENTAL REQUIREMENTS:**

All Cadence suppliers are expected to work proactively with Cadence Innovation to reduce the environmental footprint of Cadence's products and comply with the environmental requirements of our customers and those countries in which Cadence operates. Additionally, all Cadence suppliers must have an effective environmental management program in place **and** 3rd party registration to the International Environmental Management Standard ISO 14001:2004 is required by December 31, 2006.

- Suppliers are required to submit copies of all certificates and renewals to [SupplierQuality@CadenceInnovation.com](mailto:SupplierQuality@CadenceInnovation.com) or send via fax to (248) 585-1673.



## **11.0 PRODUCT MATERIALS CONTENT RECYCLABILITY REPORTING**

Product material content, recyclability, weight and other information is to be reported via IMDS as specified below. Product containing substances of concern that are restricted and/or prohibited must comply with current legal and customer requirements. Life cycle assessment (LCA) data may also be required for specific programs.

All suppliers must provide evidence of product data submission acceptance by Cadence with every PPAP submission, or as requested. A copy of the print out or "screen shot" of the 'Recipient Data' from Cadence IMDS Site 632 is considered to be the only valid evidence of acceptable submission. The part numbers in the acceptance note must match the part numbers submitted for PPAP or other approval. PPAP or other approvals will not be granted for the parts not accompanying this documentation. Cadence suppliers are responsible for cascading this requirement and collecting data from their respective sub-suppliers. Failure to do so will be reflected in the supplier's monthly scorecard performance as measured in "Customer Satisfaction." All Cadence suppliers must re-submit their part to Cadence for re-approval per IMDS and customer requirements.



## **12.0 SUPPLIER QUALITY TRACKING SYSTEM (SQTS)**

The SQTS is Cadence's Supplier Quality Tracking System for reporting & resolving supplier quality, delivery, customer satisfaction and warrant issues. It is an online 8D system that provides a standardized method of issuing Supplier Concern Reports (SCRs) / Defective Material Reports (DMRs) to all suppliers. Suppliers must respond to SCRs/DMRs by e-mailing or faxing completed forms to the issuing plant quality representative.

Data collected in the SQTS database is linked to the Cadence Purchasing SRS (Supplier Rating System) to generate Supplier Scorecards and Metric Reports. SCRs/DMRs created for a quality, delivery, warranty or customer satisfaction issues represent the number of Written Complaints on each supplier's scorecard. The number of rejects in a Quality SCRs/DMRs will be used in the calculation of a supplier's PPM that will be on each supplier's scorecard.

### **Requirements:**

- Initial Response to the SCR/DMR within 24 hours of issue.
- Root Cause Analysis & Identification within 72 hours of the initial response acceptance from the Cadence Plant.
- Permanent corrective action implementation and verification of effectiveness within 30 days.
- Maintain/Continuously improve performance at contracted levels.
- Suppliers may risk not being awarded new business / lose existing business if adherence to SQTS is not followed.



### **13.0 SUPPLIER PERFORMANCE**

To meet the ISO/TS 16949:2002 requirement of measuring supplier performance, the Cadence Supplier Rating System (SRS) Monthly Scorecard utilizes composite measures, which cover various aspects of supplier performance. It provides a monthly and year to date record of the suppliers' quality, delivery, written complaints and customer satisfaction metrics.

These performance metrics also provide:

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

These performance metrics are based on monthly receipt data and quality notices issued in the SQTS system by the Cadence receiving plants.

#### **Requirements:**

External Production Suppliers are required to submit written notification to the receiving Cadence Plant(s) and to the Corporate or Purchasing Buyer, the following information:

**13.1** All changes in Supplier's "Remit To" information

**13.2** Provide copies of all updated Third Party Quality Certification with expiration dates for each manufacturing site that ships to Cadence.

**13.3** Any changes in ownership of the company/corporation.

**13.4** Copies of Notification of Third Party Containment



## **14.0 PRE-PRODUCTION & NEW PRODUCT LAUNCH REQUIREMENTS (APQP)**

All approved external production suppliers involved in pre-production & new product launches are required to produce advanced quality plans to support the development of new products and/or services, in accordance with the guidelines in the *Advanced Product Quality Planning and Control Plan (APQP)* manual published by the Automotive Industry Action Group (AIAG), and any/all additional OEM requirements (e.g., PSO manual, Dimensional requirements, etc.). Quality Plan milestones must coincide with Cadence IPD timing requirements.

### **14.1 Supplemental requirement, suppliers are also required to:**

**14.1.1 Submit** form GPM 6.1, Supplier Risk Assessment for all assigned programs within 30 days of actual date sourced.

**14.1.2 Submit** Supplier APQP timing for each program.

**14.1.3 All suppliers identified as High Risk are required to:**  
Provide weekly updates to timing and progress

Failure to meet program requirements for quality and supply may result in addition of a Cadence-directed Quality Engineer on site at the supplier's expense until issues are resolved.



## **15.0 LAUNCH READINESS MEASURES:**

Corporate Supplier Development monitors and manages selected suppliers from new product release through the start of production. New product/process launch readiness measures are implemented to ensure that suppliers are able to produce in accordance with all requirements of the Purchase Order and customer requirements, i.e. Part Branding/Identification.

### **15.1 Supplier Risk Assessment:**

Corp. Purchasing, Supplier Development and Program Management will conduct Supplier Risk Assessments to determine those suppliers whose products are identified as “High-Risk” suppliers” and will be tracked by Supplier Development.

Criteria includes, but is not limited to:

- Product / process complexity
- Product specifications to FMVSS
- New product / complexity for Cadence
- Product Environmental Impact
- Past product / process concerns
- Supplier launch history
- Impact on final product
- New supplier production location
- Past warranty concerns
- New supplier
- New product / process for supplier
- Mergers, Acquisitions or Affiliations associated with a Supplier

### **15.2 Component Review Meeting (CRM):**

Component Review Meetings are held with selected sub-suppliers to identify key product/process characteristics that are statistically monitored to ensure stability. Suppliers are required to conduct CRMs with their own sub-suppliers. Highlight / identify customer specific requirements, i.e. part branding/identification.

### **15.3 Supplier Document / Process Review:**

All external production suppliers are required to complete and return a Supplier Document and Process Review sheet for each representative part number that is scheduled to launch for the current year at the supplier’s manufacturing location.

- It is the responsibility of the Cadence Advanced Supplier Quality Engineer and the supplier to identify each representative part number that will be supported by the Supplier Document and Review sheets prior to PPAP submission.
- The cross-functional Cadence Program Team identifies high risk suppliers and Document and Process Reviews are conducted by the Advanced SQE.
- It is a Cadence requirement that the supplier will perform similar Document and Process Review audits with their sub suppliers and provide that information to Cadence upon request.
- Cadence Corporate Supplier Quality Engineering has the authority to request this information or conduct an on site Document and Process Review audit at any time for existing parts produced by a supplier for Cadence.
- All documentation will be provided to Corporate Supplier Development.
- The Supplier Document / Process review is utilized to demonstrate a supplier's compliance to and the continued improvement of their overall product quality plan.
- Compliance to the Process and Document Review does not relieve the Supplier of their responsibilities to comply with other specified A.I.A.G. requirements.
- The Supplier Document / Process Review documents the progress of the supplier's product quality plan.
- Corp. Supplier Development audits the supplier's documentation and manufacturing site, and monitors the supplier's progress in closing any open issues.
- Suppliers are required to audit their sub-suppliers and conduct similar document and process reviews. (Refer Fresh Eye Review)

#### **15.4 Pre-Launch Production Trial Run:**

- All suppliers are required to perform a Run @ Rate prior to PPAP, to verify that the supplier's actual production process is able to meet program volumes at an acceptable quality level. Results shall be recorded utilizing OEM documents and methods.
- Cadence Supplier Development will coordinate the Run @ Rate with the supplier in accordance with Cadence Run at Rate Procedures. (General Motors GP9)
- The supplier's process must be able to produce 115% of the quoted volume using production tools and equipment and within the actual manufacturing site and process.
- It is the responsibility of the supplier to enter the completed Run @ Rate documents as an attachment in LPMP.



- Suppliers are required to assure that Run @ Rate is conducted for all sub-suppliers and provide supporting documentation to Cadence upon request.

### **15.5 Launch Support:**

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

- Suppliers will be selected based on past quality performance and or complexity of components or assemblies being supplied. Suppliers will be identified by Corporate Advanced Supplier Development.
- Any component or assembly that is identified as a safety or critical item or contains any special record retention requirements must have additional inspection implemented prior to Cadence receiving the component or assembly for launch. Each component or assembly shipment must be certified for 30 days or 6 shipments of defect free product, which ever is the longest period of time. It is the responsibility of Cadence Corporate Supplier Development to approve part certification plans.
- Supplier's may be required to attend key event builds prior to production launch. Suppliers will be identified by Corporate Advanced Supplier Development.

### **15.6 Production Part Approval:**

**15.6.1** All external production suppliers are required to obtain full approval from the Cadence receiving facility per the requirements of the AIAG Production Part Approval Process (PPAP) Manual, according to the latest revision level.

**15.6.2** All sample submissions are to be Level 3 unless otherwise specified.

**15.6.3** Annual Layouts are required to verify continuing conformance on all parts & components.

- If the Cadence Plant is required to submit PPAP to their customer, all supplier PPAP documentation must be no more than one year old. PMCRR-IMDS data must be updated per IMDS and customer requirements.
- All PPAPs over one year old are to be updated UPON WRITTEN REQUEST from the Cadence Plant.



## **16.0 PRODUCTION PHASE / MANUFACTURING**

### **16.1 All Product / Process Changes**

**Advance written approval** from the receiving Cadence facilities and the respective Corporate Purchasing Buyer is required for all changes to a supplier's product/process, utilizing the appropriate OEM's process and forms (e.g. Forever Requirement, SREA, BTAB, etc.)

- Samples may be required for review and to evaluate potential impact on Cadence's manufacturing processes.
- Submission for PPAP approval is required unless specifically waived.

### **16.2 Production Location Changes**

External Production Suppliers must obtain **advance approval** for **ALL** production Location changes from both Cadence Corporate Purchasing and ALL receiving Cadence facilities as required in the most current edition of the AIAG, Production Part Approval Process (PPAP) under "Customer Notification & Submission Requirements." Suppliers are to submit a completed "Request for Written Approval for Global External Production Suppliers to Change/Move Production Location" form to their Cadence Corporate buyer and the Cadence receiving plant(s) to obtain approval for a production location change.

Copies of the "Request for Written Approval for Global External Production Suppliers to Change/Move Production Location" are available at <http://www.CadenceInnovation.com/> under Supplier Downloads, or contact your respective Corporate Cadence buyer for a copy.

Input from Cadence Corporate Purchasing, the Cadence CFD (for customer specific requirements), Program Management, and the receiving Cadence plant(s) is required for obtaining approval for the supplier location change. The Tool Move Plan must include the requirements of a production bank to ensure Cadence's Production and Service requirements are not affected. Additionally, all shared tooling must be called out and identified in the Tool Move Plan. PPAP submission (Level 3 unless otherwise directed by the receiving plant) and approval from the Cadence receiving plant is required **prior** to the shipment of production material from the new location. An Exit PPAP from the prior facility is also required.



### **16.3 PPAP Submissions Over 1 Year Old**

- Whenever Cadence Innovation is required to submit PPAP to their customer, all external production Supplier PPAP documentation must be no more than one year old.
- At that time, all PPAPs over one year old are to be updated upon request by the receiving Cadence Manufacturing location, regardless of the supplier's business relationship (i.e. customer directed) with Cadence Innovation's customer.

### **16.4 Extended Shutdown/Start-Up Audit (ESSA):**

Cadence Corporate Purchasing and ALL receiving Cadence facilities must be **notified in writing** prior to a supplier's extended production shutdown and must submit a completed ESSA audit that covers all products at each of their manufacturing locations that ship to Cadence. The complete audit(s) are submitted to the Cadence Buyer **with a copy to the** Supplier Development Mailbox ([Purchasing@CadenceInnovation.com](mailto:Purchasing@CadenceInnovation.com)), and the Subject line of the email should read: SESSA Audit Response. Copies of the "Extended Shutdown/Start-Up Audit" document can be downloaded from <http://www.CadenceInnovation.com/> under Purchasing downloads – Supplier Development Information & Forms. Alternatively, shutdown/startup audits may be completed using the respective OEM's process and documentation.

- Examples of Extended Shutdown/Start-up periods include Customer change-over, unscheduled preventative maintenance for Tooling, Machinery, extended Holiday closings, **or the anticipation of a work stoppage due to Union Contract Negotiations.**
- ESSA audits submitted for Union facilities that manufacture and ship product to a Cadence facility must be submitted six (6) months prior to the actual Union contract expiration date.
- All questions that are answered as "NO" require an action plan and the action plan must in place prior to the shutdown period to insure compliance.



## **17.0 SUB-CONTRACTOR DEVELOPMENT**

With the increasing demands of Cadence's customers for higher quality at a lower cost, the entire supply chain is responsible for increasing quality and contribution to a lower overall cost. By developing and improving sub-contractors, Cadence's external production suppliers could obtain substantial savings to themselves and ultimately, to Cadence. It is Cadence's expectations that all approved Cadence external production suppliers work closely with their supply base to insure that the quality level of received product meets our requirements and expectations.

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

Through the APQP process, the subcontractor is informed of customer requirements and expectations and develops the process foundation. Cadence Innovation conducts IQ meetings at the Cadence production facility. Top problem suppliers are required to attend and present containment / corrective actions and are identified based on the following:

- Performance History of Repetitive Quality Issues
- Responsiveness to Concerns
- Severity of Issues
- Warranty Issues

## **18.0 CONTROLLED SHIPPING STATUS:**

The Cadence Production facility or Cadence Management issues a SCR/DMR in the Cadence Supplier Quality Tracking System (**SQTS**) or in the Supplier Rating System, according to the launch schedule of the SQTS application. The Cadence facility initiates the written documentation to notify a supplier of Controlled Shipping Status, CS Level I or CS Level II as identified below:

### **18.1 Controlled Shipping - Level I (CS I)**

- CS I requires the supplier to implement extraordinary inspection of product to contain a specific failure.
- Containment actions must verify that requirements are met and approved by the Cadence production facility.

### **18.2 Controlled Shipping - Level II (CS II)**

- CS II requires the supplier to provide an independent third party to inspect product separated from normal production process prior to release for shipment to the Cadence production facility.
- CS II is initiated if the supplier fails to contain non-conforming product within their own facility. Regardless of introduction of CS II the additional inspection for CS I will stay in place. The Cadence Production facility and the supplier must agree on the documentation required, content and duration of containment.

Items to be inspected can include:

- PFMEA top 3 highest RPN
- Historic failure modes during launch
- Prototype phase quality issues (either internally at supplier or at the customer)
- Late engineering changes
- Federal Motor Vehicle Safety Standards (FMVSS) Requirements or Safety Related Issues
- Potential high-impact customer issues

### **18.3 Determination of CS I Status**

CS I is required when extraordinary inspections have to be implemented due to failures which have been detected by Cadence, or major discrepancies which have been identified during a process audit conducted by Cadence. The supplier must verify that the actions taken meet all Cadence requirements. Inspections and methods must be approved by the receiving Cadence production facility. All containment actions must be documented according to Cadence's requirements.

The supplier is required to:

- A.) Immediately establish a containment process at their location. Containment can be placed in line after final inspection or may be located off line in a separate area.
- B.) Ensure understanding of the nonconformance.
- C.) Return confirmation reply as required.
- D.) Purge pipeline of suspect material.
- E.) Commence the sort activities and display the results in a public and visible location.
- F.) Track clean point of non-conforming material, e.g. material in transit, storage, at a Cadence production facility, etc.
- G.) Provide proper layout and instruction documents, space and tooling.
- H.) Notify all additional Cadence facilities or customer facilities that receive the same part, informing them of the nonconformance and provide containment activities as required.
- I.) Parts, material and containers are to be marked, as agreed with Cadence production facility, to identify parts certified for production.
- J.) Perform corrective actions including all steps of the 8D process.
- K.) Review corrective actions for effectiveness and take further actions if required to eliminate issue long term.
- L.) Conduct a daily management meeting at the sort location.
- M.) Report results & findings to the Cadence receiving plant(s) on a daily basis.
- N.) Meet defined exit criteria.

#### **18.4 Additional Supplier Information about CS I**

The supplier is notified in writing of the containment status by the Cadence production facility. The Supplier must confirm CS I Status within 24 hours and include supplier contact information and detailed action plan. If the receiving Cadence Plant has implemented the SQTS System, all related documentation will be contained within the SCR/DMR.

The Cadence Plant SQE, Supplier Development Manager and Purchasing Manager must receive the following information:

- A.) Supplier Name, SRS Common Vendor number, Location & Supplier Contact Information
- B.) Program, Customer
- C.) Number of non-conformances
- D.) Date CS I status initiated
- E.) List of all defined exit criteria

This information must be included in the Supplier's Containment Summary to provide cross communication between the Cadence plants with common suppliers and for use in future sourcing activities.



### **18.5 Exit Criteria for CS I**

The Exit Criteria is based on long term actions & results and must be agreed by the receiving Cadence production facility. The Cadence production facility will inform the supplier in writing of release from containment and will also notify the Cadence Supplier Development Manager and Purchasing Manager.

### **18.6 Determination of CS II Status**

CS II requires the supplier to inspect all suspect parts in an area separate from their normal production process prior to shipment to Cadence by an independent third party inspection source.

CS II may be initiated if:

- A.) The supplier has failed to contain non-conforming products in Launch Containment and/or CS I status
- B.) There are Safety related or FMVSS issues
- C.) There is a risk in the field with the Customer

The supplier must verify that all actions taken meet all Cadence requirements. Inspections and methods must be approved by the receiving Cadence production facility. All containment actions must be documented according to Cadence's requirements.

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

1. Contact a third party inspection source for the controlled shipping inspection.
2. Issue a purchase order to the controlled shipping third party inspection source within 24 hours of receiving the CS II letter and forward a copy of their purchase order for 3rd party inspection services to the Cadence Plant.
3. Provide adequate trained resources to continue with CS I inspections.
- 4. If requested by the customer, the supplier must submit corrective action plans to their TS 16949 registrar for review and/or assessment and authorizes their TS 16949 registrar to submit the review and/or assessment findings to the customer.**

### **18.7 Exit Criteria for CS II**

The Exit Criteria is based on long-term corrective actions and results by the supplier and must be approved by the Cadence production facility. The supplier's release from containment is given in writing by the Cadence



production facility and is co-authored with Cadence Platform Quality & Supplier Development.

The Cadence Plant SQE/Quality Manager can replace CS II with CS I if the long-term solution lead-time is too long and the reliability of supplier performing CS I.

Failure to meet exit criteria for CS II may result in new business hold status (NBH). Breakage of clean points, while on CS II, or failure to meet the exit criteria, including timing, may result in the addition of a Cadence-directed Quality Engineer on site at the supplier's expense until issues are resolved.



## **19.0 COST RECOVERY POLICY:**

External Production Suppliers are liable for all costs incurred by Cadence when the cause is the supplier's responsibility and are outlined below:

• **EXTERNAL PRODUCTION SUPPLIERS** – Charges to external production suppliers will be based on local rates of the affected Cadence manufacturing location but will not exceed \$75.00 (US) per hour. Refer to the guidelines below regarding applicable charge backs to external suppliers.

• **ADMINISTRATIVE CHARGE** - Each SCR/DMR has an administrative charge of 2 hours minimum covering the collection of data and documentation of the quality incident/spill.

• **OTHER CHARGES** - the following types of charges will be calculated on the actual time incurred for the associated action:

### **EXAMPLES OF COSTS THAT CAN BE CHARGED BACK TO THE SUPPLIER:**

- Rework / Repair (Supplier Fault)
- Premium Freight Costs including Air Charter, if required
- Overtime to Avoid Production Interruption
- Disposition of Scrap (Supplier Fault)
- Production Downtime for Cadence and End Customer
- Sorting of Suspect Material In-House, at Customer Location or Third Party Warehouse and Contractor Costs
- On-Line Containment
- Tear-Down (Minor, Major or Complete) and Outside Lab Testing
- Customer Returns including hourly charges,
- Receiving Inspection, Material Handling and Freight transportation on on-site inspections associated with Scrap and Replacement Material
- Delays in Customer PPAP or other approvals based upon submission of the necessary data to Cadence IMDS Site 632 in a timely and accurate manner or caused by the presence of substances of concern.
- Warranty costs
- Failure to comply with EDI requirements and validation