

# Dynamic Manufacturing, Inc.

## Supply Chain Requirements

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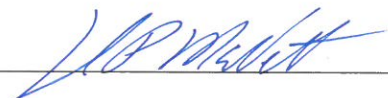
## Introduction

### Mission Statement

“Our focus is to provide products and services to a global market which are recognized throughout the world as “World Class”. Our products are not intended to meet a minimum standard rather they are produced as good as they possibly can be. Dynamic’s dedication to the pursuit of perfection and customer satisfaction is given to all of our customers – now and always.”

Dynamic Manufacturing, Inc. has been in business since 1951. The quality of our suppliers plays a crucial role in customer satisfaction and the achievement of Dynamic’s goals. These goals could not be achieved without the dedication of our supply base to deliver on their commitments to ensure the highest level of customer satisfaction.

The Dynamic Supply Chain Manual documents the minimum requirements of the products and services provided by our supply base in order to meet the expected on-time delivery and quality levels needed to accomplish our goals. Dynamic must ensure the highest level of customer satisfaction and expects the supply base to cascade those requirements into their organization. We strive to maintain and build relationships with our suppliers to foster a partnership that allows us both to produce the highest quality product.



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John McNett, Vice President  
Supply Chain and Customer Service



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Brian Peternell, Vice President  
Quality

## **Scope**

This document describes the requirements for Dynamic's supply chain. It is part of the purchasing agreement for parts and materials used to remanufacture transmissions, transfer cases, torque convertors, and battery packs. Contractual or other legal provisions shall take precedence over all requirements stated in this document.

## **Purpose**

These requirements are in line with Dynamic's Quality Policy: "Dynamic Manufacturing, Inc. will continuously improve its products and production processes to better satisfy the needs and expectations of its customers; and it is our intent to deliver to them, on time and every time, defect free products and services. Dynamic's dedication to the pursuit of perfection and customer satisfaction is given to all of our customers – today and tomorrow."

The sections which follow provides the requirements for our suppliers, the methods of compliance, and how they will be measured.

## 1.0 Supplier Qualification – Awarding Business

Dynamic Manufacturing is primarily a directed-buy supplier to its Original Equipment Manufacturer (OEM) customers. For a supplier to qualify for a business relationship with our company, we must receive a letter of approval to source the needed material for our products from the OEM with the pending supplier. Even though suppliers are part of the directed buy program with Dynamic, they are still subject to the Supplier Monitoring requirements by our organization.

## 2.0 Conforming to Customer (GM, FORD, CHRYSLER, and Allison) Requirements

At a minimum, suppliers are expected to meet all requirements of their specified OEM end customer, such as General Motors, Stellantis, Ford or Allison Transmission. Suppliers will be also held to Dynamics supply chain requirements.

## 3.0 Contractual Terms and Conditions

### STANDARD PURCHASE ORDER Terms and Conditions

**ACCEPTANCE AND COMPLETE AGREEMENT.** This order is Buyer's offer to Seller and is not an acceptance by Buyer of any offer to sell by Seller or of any terms and conditions contained in any such offer. Acceptance of this offer by Seller should be made by (a) executing and returning the acknowledgement copy, or (b) delivering any of the goods ordered herein or (c) rendering any of the services ordered herein. Any additional or different terms proposed by Seller are objected to and rejected unless expressly assented to in writing by Buyer. This order is a complete and exclusive statement of the terms and conditions of the agreement between Seller and Buyer.

**PACKING AND SHIPPING.** All goods shall be packed, crated and braced to prevent damage or deterioration in accordance with Uniform Freight Classification Rules and Regulations and Carrier Tariffs. No charges will be paid by Buyer of preparation, packing, crating or cartage unless separately stated in the order. All shipments to be forwarded on one day via one route shall be consolidated and shipped to protect lowest transportation charge. Each container shall be consecutively numbered and marked with order number and warehouse location. Container and order numbers shall be indicated on Bill of Lading. Two copies of packing sheets, showing order number shall be attached to No. 1 container of each shipment. Goods sold F.O.B. place of shipment, shall be forwarded collect, unless otherwise specified on face of order. Seller shall make no declaration concerning value of goods shipped, except at lowest rating.

Bill of Lading description of goods shall be described in Uniform Freight Classification of Carrier Tariffs and not by trade or technical name. Shipping costs for goods on back order shall be paid only at the rate which would have been applicable had the complete order been shipped at one time. All excess costs shall be borne by Seller. See section 5.0 for further information and details.

**CANCELLATION.** Time is of the essence in this order. Buyer reserves the right to cancel this order, or any portion of this order, without liability, if; (a) delivery is not made when and as specified; (b) Seller fails to meet contract commitments as to exact time, price, quality or quantity; (c) Seller ceases to conduct its operation in the normal course of business; (d) Seller is unable to meet its obligations as they mature; (e) proceedings are instituted against Seller under the bankruptcy laws or any other laws relating to the relief of creditors; (f) a receiver is appointed or applied for by Seller; or (g) any assignment is made by Seller for the benefit of creditors. Buyer also reserves the right to cancel for any other reason permitted by the Uniform Commercial Code then in effect in the state where Buyer has signed this order.

**INVOICE AND PAYMENT.** A separate invoice shall be issued for each shipment. Unless otherwise specified on this order, no invoice shall be issued prior to shipment of the goods and no payment shall be made prior to receipt of both the goods and a correct invoice. Applicable discount periods shall be computed from the date of receipt of the goods and a correct invoice to the date Buyer's check is mailed. Unless freight and other charges are itemized, discount shall be taken on the full amount of invoice.

**WARRANTIES.** Seller warrants that:

- a. Price. The prices for the goods sold to Buyer under this order are not less favorable than those currently extended to any other customer for the same or like articles in comparable or less quantities.
- b. Quality. All goods delivered under this order will conform to the requirements of this order (including all applicable descriptions, specifications, and drawings), will be free from defects in material and workmanship and will to the extent be manufactured pursuant to detailed designs furnished by Buyer, be free from defect in design and fit for the intended purposes, and Seller's warranties and any more favorable warranties, service policies, or similar undertakings of Seller shall be enforceable by Buyer's customers and the users of Buyer's goods, as well as by Buyer;
- c. Compliance with Laws. In the performance of this order, Seller will comply with all applicable Federal, State, and local laws and ordinances and all lawful orders, rules and regulations thereunder, including the Fair Labor Standards Act, 1938, as amended (29 U.S.C. Sec 201-219), the Walsh-Healey Public Contracts Act, as amended (41 U.S.C. Sec 34-45), the Contract Work House Standards Act (40 U.S.C. Sec. 327-330), Occupational Health and Safety Act (Pub L 91-596), and all lawful rules and regulations thereunder, and, on its invoice or in other form satisfactory to Buyer, Seller shall submit certification with all applicable requirements of Sections 6, 7 and 12 of the Fair Labor Standards Act, as amended, and of regulations and orders of the U.S. Department of Labor issued under Section 14 thereof.

**INDEMNITY AND INSURANCE**

- a. Patent Indemnity. Seller, at its expense, shall protect, defend and indemnify Buyer, Buyer's customers, and the users of Buyer's goods against all claims and proceedings alleging infringement of any United States or foreign patent by any goods delivered under this order, and Seller shall hold them harmless from any resulting liabilities and losses, provided Seller is reasonably notified of such claims and proceedings. Seller's obligation shall not apply to goods manufactured pursuant to detailed designs furnished by Buyer nor to any infringement arising from the use or sale of goods in combination with goods not delivered by Seller if such infringement would not have occurred from the use or sale of such goods solely for the purpose for which they were designed or sold to Buyer. Seller's obligation shall extend to the U.S. government only if and to the extent Buyer has agreed to indemnify the U.S. Government.
- b. General Indemnity. Seller, at its expense, shall indemnify Buyer and save Buyer harmless from any and all liability, demands, causes of action or claims, whether well founded or otherwise, including the cost of defending the same, for bodily injury to any person or damage to property, either real or personal, of any person whomsoever in any way arising out of, in the course of, or in connection with the goods or services purchased hereunder or the operations of the Seller in carrying out the provisions and terms of this Agreement.

c. Insurance. Seller shall maintain such public liability insurance, including products liability, completed operations, contractors' liability and protective liability, automobile liability insurance (including non-owned automobile liability) and Workmen's Compensation, and employer's liability insurance as will adequately protect Buyer against such damage, liabilities, claims, losses and expenses (including attorney's fees) as are described in this paragraph 6. Seller agrees to submit certificates of insurance evidencing its insurance coverage when requested by Buyer.

**INSPECTION AND REJECTION.** All goods, except goods inspected and accepted by the government at source for direct shipment to the government, are subject to final inspection and acceptance by Buyer at destination notwithstanding any payment or prior inspection at source. Such inspection will be made or prior inspection at source. Such inspection will be made within a reasonable time after receipt of goods.

Buyer shall notify Seller if any goods delivered hereunder are rejected, and at Buyer's election and Seller's risk and expense, such goods shall be held by Buyer or returned to Seller. No replacement or correction of nonconforming goods shall be made by Seller unless agreed to in writing by Buyer.

**AGE SENSITIVE MATERIAL.** Certificate of Conformance for age sensitive material shall contain the following as a minimum: Date of Manufacture, Shelf-Life Expiration Date, and Storage Conditions to achieve shelf life (if not stated on normal package). Shipments with less than 70% remaining shelf life are not acceptable.

**CHANGES AND DISCREPANCIES.** Any discrepancies, omissions, or lack of clarity in drawings, specifications, or purchase orders, must be referred to the Buyer for written interpretation before this order is processed. Buyer shall have the right at any time before completion of the order, to make changes in quantities, in drawings and specifications, in delivery schedules, and in methods of shipment and packaging. If such changes cause an increase or decrease in price or in the time required for performance, Seller shall promptly notify Buyer thereof in writing and equitable adjustment shall be made. Changes shall not be binding upon Buyer unless evidenced by a purchase order change notice and issued and signed by Buyer.

**FORCE MAJEURE.** Seller shall not be liable for any delay or failure to deliver any or all of the goods covered by this purchase order in the event of delay or failure caused by governmental regulations, labor disputes, strikes, war, riots, insurrection, civil commotion, mobilization, explosion, fire, flood, accident, storm or any act of God, failure of crops or supplies, delays of common carriers, embargoes, or other causes beyond Seller's reasonable control. Similarly, Buyer shall not be liable for failure to take delivery of the goods for any of the above causes, or other causes beyond Buyer's reasonable control if they render it commercially impracticable for Buyer to receive or use the goods on a timely basis. Where only a part of Seller's capacity to perform is excused under this paragraph, Seller must allocate production and deliveries among itself and its various customers then under contract for similar goods during the period. The allocation must be made in a fair and equitable manner. Where either Seller or Buyer claims an excuse of nonperformance under this paragraph, it must give notice in writing to the other party. Seller shall not be obligated to sell nor Buyer obligated to purchase at a later date that portion of the goods that Seller is unable to deliver or Buyer is unable to receive or use because of any of the aforementioned causes. No goods are to be tendered by Seller after expiration of the terms specified in this purchase order without consent of Buyer.

**REQUIREMENTS FOR FEDERAL SUBCONTRACTORS.** Seller shall comply with all Federal requirements applicable to Federal subcontractors, including without limitation those requirements relating to equal employment opportunity, minority business subcontracting, small business subcontracting, labor surplus

area subcontracting and clean air and water, and at the request of Buyer, Seller shall execute and shall be bound by any certifications or agreements incorporating such requirements in forms approved by Buyer.

**ASSIGNMENTS.** No assignment of any rights, including rights to money due or to become due hereunder, or delegation of any duties under this order shall be binding upon Buyer until its written consent has been obtained.

**INSTALLATION.** If this order requires Seller to furnish services of its supervisor expert or other employee in connection with the installation or any other matter under this order to perform work on Buyer's premises, Seller agrees, whether or not a separate charge is made therefore, that such supervisor, expert or other employee of Seller, in performing such services, is not and shall not be deemed to be the agent or employee of Buyer. Seller assumes full responsibility for its acts and omissions and agrees to save Buyer harmless from any claims whatever arising therefrom. Seller assumes exclusive liability for any payroll or other taxes imposed upon the employer by a Federal or State law.

**NOTICE OF LABOR DISPUTE.** Whenever Seller has knowledge that any actual or potential labor dispute may delay this order, Seller shall immediately notify and submit all relevant information to Buyer. Seller shall insert the substance of this entire clause, in any subcontract here under as to which a labor dispute may delay this order. However, any subcontractor need give notice and information only to its next higher tier contractor.

**CLEARANCE OF MATERIALS INTENDED FOR PUBLIC RELEASE.** No news release, including photographs and film, advertisements, public announcement, denial or confirmation of same or any part of the subject matter of this order or any phase of any program thereunder shall be made without prior written approval of Buyer.

**APPLICABLE LAW.** This order shall be governed by the Uniform Commercial Code of the State of Illinois (810ILCS 5/), without regard to any conflict of laws or provisions that might otherwise apply.

**WAIVER.** The right of Buyer to require strict performance of this order shall not be affected by any prior waiver of course of performance.

**TOOLING.** Tooling furnished by Buyer shall be maintained indoors by Supplier. Supplier is responsible to ensure adequate care is utilized within their facility and to maintain the tooling in good working condition. Any damages to this tooling, while in the care of Supplier, shall be reported to Buyer in writing. Buyer shall disposition any damaged tooling prior to further processing by Supplier. Supplier rework of Buyer-furnished tooling shall be authorized in writing by Buyer.

**SUPPLEMENTAL TERMS.** The supplemental terms attached hereto, if any, shall constitute a part of this order.



### 3.1 Duration & Master Supplier Agreement

Supplier is expected to fulfil the lifetime of the part according to the OEM contract. If the sourced item is not in regular production, supplier will be obligated to fulfil service requirements to Dynamic. If a product line or material is being phased out, an option of all time buy/purchase must be offered to Dynamic to fulfill the lifetime requirements of the material per OEM requirements.

Holiday schedules or extended breaks such as “Shutdown/Slowdown” must be communicated to Dynamic prior to supplier’s shutdown period. Dynamic has the right to place additional, or increased orders in relation to a shutdown period. Notice must be given to Dynamic prior to materials full lead time.

Suppliers must notify Dynamic of any pending major changes at your company including but not limited to the following: changes in (ERP/MRP), ownership, management or management structure, union contract negotiations and/or strike. This must be submitted to Supply Chain and Customer Service (SCCS) department at Dynamic.

Upon request, Dynamic can supply forecasting data to the supplier. The information provided Dynamic’s forecast/EAU is only estimated volume and does not constitute a purchase order, contract of obligation, or commitment to buy complete volume. Actual purchase quantities may be higher or lower than forecasted data based on the needs of Dynamic’s customers.

#### **Short term changes in quantities- drop-ins:**

Demand in the automotive industry can fluctuate. It is expected that the supplier can accommodate, within reason, these fluctuations throughout the supply chain process. Dynamic suppliers must be able to support these short-term deviations based on the following percentages:

1 – 4-week orders: +/- 10%

5 – 8-week orders: +/- 15%

### 3.2 Payment/Pricing

Payment terms are net 30 unless otherwise specified. If discounts are available for paying less than N30 terms, then this must be disclosed to Dynamic. Accounts payable can be reached at: [AP@dmimail.com](mailto:AP@dmimail.com).

**Billing Address:** 4201 Raymond, Hillside, IL 60162

PH 708-343-8753

FAX 708-343-8768

#### Cost Changes:

- Decrease:

Supplier completes a new quotation & submits it to Dynamic SCCS team.

Dynamic SCCS will update the existing Purchase Order & acknowledge acceptance or denial of the change.

- Increase:

Notify Dynamic SCCS in writing at least 30 days prior to the requested effective date.

All increases in pricing to Dynamic SCCS must disclose the cost justification for the increase.

### 3.3 Compliance to Federal, State, and Local requirements

All suppliers are expected to be compliant with country, federal, state and local requirements. All material will be properly identified such as flammability, safety constraints on restricted toxic, hazardous material and environmental or electrical regulations. If special handling of material is required, then it will be identified properly accordance to regulation.

### 3.4 Warranty (During and After Warranty Period)

Dynamic's warranty period is 2 years and/or 50,000 miles, whichever comes first. Suppliers are expected to meet or exceed the same warranty Dynamic provides to its customers.

### 4.0 On Time Delivery Requirements

It is vital to Dynamics's business that all orders of material are shipped 100% on time according to our scheduled shipments on the day they are due, as well as the exact quantities that are ordered. If shipment is expected to not be available on time in exact quantities, the supplier must notify Dynamic SCCS in a timely manner prior to delivery due date. Dynamic will not accept unscheduled material or over/under shipments without prior authorization. Either condition could result in a delay of invoice payment or return of shipment at the supplier's expense. If supplier has past due orders, a reminder will be emailed to supplier's main contact weekly, on Fridays. It is important to promptly respond and include [DynOrdStatus@dmimail.com](mailto:DynOrdStatus@dmimail.com) to avoid chargebacks. If multiple occurrences of late or missed deliveries occur, a Part Status Report (PSR) may be issued to the supplier. The PSR will include information on all Dynamic open orders with the supplier. The expected information on the PSR will include the following: root cause, corrective action, and planned delivery date of material.

### 4.1 EDI Requirements

Dynamic expects all suppliers to transmit electronic data interchange (EDI).

Dynamic requires that supplier provides the following information to complete EDI setup: **Trading Partner, ID, Qualifier**

Dynamics ID and qualifier are: **808040497:01**

Dynamic's Van trading partner is **OpenText**.

Dynamic transmits weekly DELFOR schedules and expects an ASN/DESADV for every shipment. See Dynamic's website for supporting document examples.

Supplier shall complete successful programming and testing of all EDI transactions at the time of sourcing a new part with supplier. This must be at least 30 days prior to first shipment to Dynamic.

Supplier is responsible for any set up or registration fees related to being compliant with Dynamic's EDI process or trading partners.

If supplier is unable to send or receive EDI schedules, then Dynamic will set them up to receive our weekly schedules via email. Supplier is required to email ASN information to Dynamic's buyers.

## 4.2 3<sup>rd</sup> Party Logistics

Refer to routing instructions document (see 5.2).

## 4.3 Launch Phase support

### Request for Quotes (RFQ):

Contact information for sales or account managers must be disclosed to SCCS representatives.

RFQ must be fulfilled within a timely manner. Initial response acknowledging RFQ should be answered within 48 hours. Thereafter acknowledging an RFQ, standard quotes must be fulfilled within 5 business days.

### Launch Support:

Dynamic Manufacturing utilizes phased build events that leads up to SOP. The timing between these events are typically 6-10 weeks depending on business conditions and the needs of the customer. They are as follows:

- 1) DV Build – 1-2 unit static build offline
- 2) Q Build – 1-5 units online
- 3) V Build – 5-10 units online
- 4) PPAP Build – 20-25 units online

These build events may correspond to Phased PPAP requirements (parts that haven't already been PPAP approved by GM, Ford, Stellantis, and Allison).

- 1) DV Build – None
- 2) Q-Build – Level 2 – PSW, Bubbled Drawing, ISIR, Material Cert, and PTR samples
- 3) V-Build – Level 4 – In addition to item 2), Prelaunch PFD, FMEA, and CP
- 4) PPAP Build – Full Level 3

Note: If the part is already PPAP'd by the OE customer, then we need a Level 1 PSW, signed approval letter from the customer, PTR samples, and IMDS submission. See section 8.0 for more details.

## 4.4 Capacity Verification

Capacity verification is required (when applicable) to ensure that the supply base can provide the correct parts on time every time. The criteria are as follows:

- 1) New supplier to Dynamic Manufacturing
- 2) New process at existing supplier
- 3) Current process at existing supplier that needs to increase production
- 4) Process moves to another location

The capacity verification with existing suppliers can be conducted through the self-survey, declaration on the PSW (i.e., confirmed ran XX pcs per 8-hour shift), or on-site assessment.

A risk analysis will be performed internally at Dynamic to determine which method will be used to determine capacity verification on a case-by-case basis.

#### **4.5 Return merchandise authorization (RMA)**

Initial response acknowledging an RMA must be done within 24 hours of notice from Dynamic. Thereafter supplier has 72 hours to disposition material. A reference or quality number must be given to Dynamic. Dispositions may include, but not limited to; scrapping material and Dynamic is reimbursed or product is shipped back to supplier at supplier's expense.

#### **5.0 Packaging & Labelling**

##### **5.1 Packaging Guidelines**

All material shipped to Dynamic will arrive without damage, rust/corrosion or contamination. Country of origin certification and package marking (unitized), or part marking (bulk) are required.

Country of Origin: COO

For bulk parts, the country of origin must be marked using ONE of following methods:

- etched, engraved, embossed, or stamped directly on the part,
- bagged or box labeled on the individual packaging.

For unitized parts, the country of origin must be marked on the part label on the outside of the merchandise packaging.

Returnable Dunnage or containers: (Need to follow packing standard for OE PPAP)

All returnable dunnage or packaging must be notified & communicated to Dynamic manufacturing at the time of sourcing new business. Dynamic and the supplier must agree upon freight charges of returnable material. In addition, Dynamic and the supplier must agree upon the frequency and volume of returnable material that is returned to the supplier. For example, ship all returnable material monthly, or ship returnable material once a full skid of containers (specific #) has been reached. Dynamic is not responsible for cleaning of the dunnage/or containers.

Packaging dimensions & criteria:

Refer to Standard practice for commercial packaging document.

##### **5.2 Shipping & Receiving**

Dynamics dock hours for shipping and receiving are listed below per address. Freight must be pre-arranged with Dynamic or coordinated through Dynamic's designated 3<sup>rd</sup> party logistics per Dynamic's Official Routing Instructions. Failure to comply with official routing instructions may result in freight chargeback and an administration fee of \$150.00 USD. Please see Dynamic's official routing instructions for additional information. If routing instructions indicate to reach out to Dynamics logistics department (instead of our current 3PL) the following information must be provided when scheduling a pickup & emailed to Dynamic's logistics team by email ([logistics@dmimail.com](mailto:logistics@dmimail.com)) or by phone (888-462-0114).

Shippers are required to enter correct shipment weight and freight class information via Dynamic's designated 3<sup>rd</sup> party logistics carrier portal for every shipment. All instances of reclassification and reweigh are subject to a \$50.00 USD fine per shipment.

Information Needed:

- Dynamic Part Number(s) & Quantity:
- Pick up Address:
- Pickup Contact Phone/Name/Email:
- Shipping hours:
- Parts Ready for Pickup Time:
- Pallet/Box Count:
- Pallet Weight and Dimensions:
- Total Weight:
- Is there a loading dock at pick-up? (Yes/No):
- Freight Class & NMFC number if available:

Shipping/Receiving Hours

Dynamic - (HS1) – 4211 W. Madison St. Hillside, IL 60162

- Monday through Friday 6:00 AM – 8:00 PM (CST) (LTL Pickup/Deliveries - First Come First Serve)

Dynamic - (HS2) – 4300 W. Madison St. Hillside, IL 60162

- Monday through Friday 7:00 AM – 2:30 PM (CST) (LTL Pickup/Deliveries - First Come First Serve)

Dynamic - (HS3) – 4201 Raymond Dr. Hillside, IL 60162

- Monday through Friday 7:00 AM – 9:00 PM (CST) (All Pickup/Deliveries - First Come First Serve)

Dynamic - (HS4) – 4249 Raymond Dr. Hillside, IL 60162

- Monday through Friday 7:00 AM – 9:00 PM (CST) (All Pickup/Deliveries - First Come First Serve)

Dynamic - (MP1) – 1801 N. 32<sup>nd</sup> Ave. Melrose Park, IL 60160

- Monday through Friday 6:30 AM – 2:00 PM (CST) (All Pickup/Deliveries - First Come First Serve)

Dynamic - (MP2) – 1800 N. 32<sup>nd</sup> Ave. Melrose Park, IL 60160

- Monday through Friday 6:30 AM – 2:00 PM (CST) (All Pickup/Deliveries - First Come First Serve)

Dynamic - (Warehouse) – 2840 W. Lake St. Melrose Park, IL 60160

- Monday through Friday 7:00 AM – 2:30 PM (CST) (All Pickup/Deliveries - By Appointment Only)

Dynamic (JP) – 1930 N. Mannheim, Melrose Park, IL 60160

- Monday through Friday 7:00 AM – 2:30 PM (CST) (LTL Pickup/Deliveries - First Come First Serve)

Dynamic (HS5) – 250 North Mannheim, Hillside, IL 60162

- Monday through Friday 7:00 AM – 2:30 PM (CST) (LTL Pickup/Deliveries - First Come First Serve)

Packing slip must accompany each shipment and contain the following:

- Company Name
- Dynamic part number
- Total Quantity Shipped
- Date shipped
- Carrier
- DMI Order Number

## **6.0 – Premium Freight**

Premium freight will be at the responsibility of the supplier unless the respective Dynamic SCCS representative issues an authorization in writing to ship at Dynamic's expense. If Dynamic is late to its customer because of a shortage issue from supplier; supplier will be responsible to cover expedite charges directly related to our order to Dynamic's customer.

## **7.0 QMS Requirements (Reference DM8.4.0 – Control of External Provision of Goods and Services)**

Dynamic will require their suppliers to develop, implement and improve a quality management system certified to ISO9001:2015 at a minimum, unless otherwise authorized by the customer, with the ultimate objective of becoming certified to IATF16949:2016. The following sequence should be applied to achieve this requirement:

- a) Compliance to ISO 9001 through second-party audits (Second party audits are external audits. They're usually done by customers or by others on their behalf at the supplier's expense. However, they can also be done by regulators or any other certified external entity.) Suppliers must pass the second party audit and have a plan to be certified within a defined time on the audit report.
- b) Certification to ISO 9001, through third party audits bearing the accreditation mark of a recognized IAF MLA member and where the accreditation body's main scope includes management system certification to ISO/IEC17021;
- c) Certification to ISO 9001 with compliance to other customer defined QMS requirements;
- d) Certification to ISO 9001 with compliance to IATF 16949 through second party audits;
- e) Certification to 16949 through third-party audits (valid third-party certification of the supplier to IATF 16949 by an IATF-recognized certification body).
- f) Compliance to OE CSRs.

## **8.0 PPAP Requirements (Reference DM8.3.0 – Design and Development of Products and Services)**

### **8.1 Submission Requirements:**

If the component being purchased already has customer approval, a level 1 PSW, copy of the customer's approval with PTR samples, and IMDS submission will only be required.

PPAP submissions shall be made in accordance with AIAG Manual latest edition guidelines. All submissions are to be Level 3 unless otherwise specified. The PPAP must be submitted to the corporate quality representative. After the corporate SQE approves the PPAP, it will then be transferred to the respective plant. The table below provides a guide for PPAP submission.

<u>Scope of Change</u>	<u>PPAP Level</u>	<u>Requirements</u>
New Part already Customer PPAP Approved but never supplied to Dynamic by an existing DMI Supplier	1	PSW submitted to Dynamic with a copy of Customer Approval, IMDS, and PTR samples.
Changes to parts grandfathered in with existing supplier. <b><i>(I.e: Parts that have not been produced over a year).</i></b>	2	PSW, Material Certs, IMDS, Full dimensional Layout with Ballooned drawing, PTR Samples (typically 5)
New Part never supplied to Customer or Dynamic by an existing supplier	3	Full level 3 requirements per AIAG along with IMDS and PTR samples (unless otherwise specified). This may require an onsite assessment before proceeding with production.
Part customer approved but moved to different location before supplying to Dynamic	3	Full level 3 requirements per AIAG along with IMDS and PTR samples (unless otherwise specified). This may require an onsite assessment before proceeding with production.
New Part never supplied to Customer or Dynamic by a <b>new DMI</b> supplier	3	Full level 3 requirements per AIAG along with IMDS and PTR samples (unless otherwise specified). This may require an onsite assessment before proceeding with production.
OE contract that expired but DMI is still required to purchase	3	If it has been more than 12 months since the last lot was manufactured, then a full level 3 PPAP is required. Any exceptions will be reviewed on a case-by-case basis at DMIs discretion.
Part pending approval or require an interim approval	4	PSW, Interim Approval Form, IMDS Approval, Appearance Approval, Functional Approval with Critical Dimensions, Material Certs, PTR Samples (typically 5 parts), Control Plan with Early Launch Containment
New Business	5	Full level 3 requirements per AIAG along with IMDS and PTR samples (unless otherwise specified). This will be conducted onsite at the supplier after the onsite assessment has been completed and approved.
Note: The above may have additional requirements per Dynamic's CSRs.		

Suppliers are not authorized to ship material to Dynamic plants prior to PPAP approval unless Dynamic issues the authorization.

Dimensional layout data must be provided for every dimension by cavity, specified on the part drawing(s), including notes. A reference drawing must accompany the layout report so that a relationship can be made between the report and the drawing specifications.

Dimensional layouts are not required for bulk materials (e.g.-Resin, colorants, glue, etc.)

If there is any change in the supplier process, then the supplier must notify Dynamic and proceed with PPAP submission.

Measurement system analysis (MSA) shall be performed to analyse the variation present in the results of inspection, measurement and test equipment identified on the control plan.

Suppliers/Sub-contractors are expected to have in place systems and procedures to ensure the capability of the measurement system used to evaluate key characteristics (KPC's).

All submissions for prototype part approval must include warrant, supporting dimensional and testing data as per the program requirements.

PPAP Submission shall be required for the following:

Components:

All components shall be PPAP approved before the first production shipment to any Dynamic receiving facilities.

Purchased components PSW must have the OEM part number with Dynamic part number for approval.

Suppliers shall be responsible for costs associated with the expedition of testing, missed schedules, etc. resulting from late or incomplete submissions.

Six (6) sample parts per cavity will be required for dimensional layouts.

All components other than shelf items require a run @ rate.

Product/Process Changes:

Dynamic Purchasing and all receiving facilities must be notified prior to any change in product or production process. Samples may be required for review and to evaluate potential impact on Dynamic's manufacturing process. Submission for PPAP approval is required unless specifically waived. Unapproved changes will result in Containment Shipment Level 2 and New Business Hold.

Location Changes:

Dynamic Purchasing and all receiving facilities must be notified prior to any change in production location. Supplier should submit the location change plan to Dynamic Purchasing for location change approval. The location change plan shall include the requirements of a production bank if necessary, to ensure Dynamic's production is not affected. Where applicable, this will require documented approval from DMI's customer.

Upon approval, the supplier quality engineer shall work with the supplier quality team to complete the PPAP process due to change of location.

PPAP Approval is required prior to the shipment of production material from the new location as an exit PPAP from the prior facility.

Outsourced Suppliers:

A Level 3 PPAP shall be submitted unless otherwise specified by corporate SQE. In the case the part is not fully approved, the supplier shall complete the Interim Approval request and submit to corporate SQE for approval 7 working days prior to MRD shipments.

The following needs to be submitted to get an Interim Approval:

1. PSW
2. Interim Approval Form
3. IMDS approval
4. Appearance Approval (when required)
5. Functional Approval with Critical Dimensions



6. Material Certs
7. PTR Samples (typically 5 parts)
8. Control Plan with Early Launch Containment

Note: Direct all PPAP questions to DMI's corporate Supplier Quality Engineer.

## 8.2 PTR Samples

Dynamic requires Production Trial Run (PTR) samples to be submitted with each PPAP submission. Quantities will be determined based off size and commodity by the corporate SQE and the customer but will be a sufficient amount to verify the component in production.

## 8.3 IMDS

### **Dynamic IMDS (International Material Data System) Reporting:**

As a part of each Production Part Approval Process (PPAP), suppliers are required to provide confirmation that the IMDS Report has been submitted (in IMDS) for each Dynamic part number affected. This requires the submission shall be provided and approved by the Dynamic/IMDS Coordinator.

The IMDS can be accessed via the Internet at the following address:

<http://www.mdsystem.com/>

#### **DYNAMIC IMDS ID:**

- DYNAMIC Corporate - 112073

Supplier shall provide evidence within PPAP submission that the IMDS reporting are approved by Dynamic. IMDS Submission ID must be provided on the Part Submission Warrant.

## 9.0 Change Control (Reference DM8.5.0 – Product and Service Provision)

Engineering changes will be processed via Engineering Change Notice (ECN) Procedure.

Any requests affecting price of a supplier component will utilize the ECI/PCI Router to itemize applicable cost and timing.

Cost and timing response to all RFQs are expected within 5 business days, unless otherwise arranged with the designated Buyer.

Approved ECN will be provided to supplier via the designated Buyer and/or Supplier Quality Engineer/Product Engineer with all required supporting documentation.

#### Engineering Changes to Tooling:

Engineering Tool Changes shall be coordinated through Dynamic Program/product engineering.

#### PPAP to the Engineering Change Level:

The supplier shall submit a PPAP after the implementation of the Engineering change. DMI's Supplier Quality Engineer will direct the level of the PPAP submission.

The appearance approval report (when required) must be filled out. On occasion, the supplier may be requested to obtain end customer appearance directly. Suppliers will be notified accordingly.

Laboratory testing must be conducted by an accredited facility ISO/ IEC 17025. A copy of this accreditation with scope of testing must be included with the submission.

Significant characteristics must demonstrate preliminary process potential and capability indices of 1.67 or greater. Long-term process potential and capability indices must be 1.33 or greater.

Restricted and reportable chemicals contained in the raw materials and parts used in the manufacture of supplied components must be reported (www.mdystem.com). This form must be submitted with packages whether reportable chemicals are contained in components or not. For all new Products, Components, Materials and Color Concentrates need SDS entered in the www.mdsystem.com with 1st shipments.

Other PPAP related documents should be updated to reflect the current ECN level and kept at supplier location for records.

For Engineering change level PPAP submissions, refer to the AIAG PPAP manual.

### **10.0 Issues Management (Reference DM10.2.0 – Nonconformity and Corrective Action)**

If a supplier/sub-contractor has reason to believe that a non-conforming condition exists in the areas of Quality, Delivery, or other services, then the following needs to take place:

- Immediate action must be taken by the supplier/sub-contractor to contact Dynamic Supplier Quality, Division Quality Representative and Supply Chain. Contact shall be made by e-mail and telephone for emergency issues.
- Notification to Supplier Quality shall be followed up by providing immediate action to sort or replace the material in house within 24 hours.
- Long-term corrective action with irrevocable conditions to prevent any further occurrence of similar non-conformance and with applicable statistical documentation to support evidence of verification of irrevocable corrective action taken, needs to be submitted in the customer's required format within 10 calendar days unless otherwise directed sooner.

### **10.1 Nonconformance Notification (CARs)**

In the event of receiving any non-conformance in the areas Quality, Delivery or other services at Dynamic Receiving Plants:

The Operating Division Quality Personnel shall issue a Corrective Action Request (CAR) as it relates to Quality, Delivery, and other issues. The supplier has 24 hours from receipt of CAR to respond with a disposition of the defective material. After 48 hours passes with no response, the Operating Division reserves the right to scrap the material and charge the supplier back in full for the component(s). The Operating Division Supplier Quality Representative will be the main point of contact for quality problems and resolution. If the problem affects delivery, then the Buyer and Supply Chain must be notified immediately as well by phone and email.

A Delivery Performance Review may be issued at the Supply Chain's discretion for delivery problems or other non-conformances.

Delivery and Quality problems will negatively affect the supplier's monthly performance rating. Continued problems could result in de-sourcing.

After receiving the Non-conformance notification from Dynamic, Suppliers are required to:

1. Initiate containment and respond within 24 Hours.

2. Complete a root cause analysis (Global 8D, 7-Step, 8 Phase, etc.) with escape point and submit a corrective action plan in 10 calendar days.

Failure to comply with the initial 24 hour and the 10 calendar day's response will result of Customer Satisfaction CAR with additional charges.

## **10.2 Supplier Charge Backs – Quality, Shipping Freight, and Packaging Errors**

The Supplier has the responsibility to cover the costs of all quality related activities due to suspect material.

For every CAR issued, the supplier will be automatically charged a minimal amount of **\$250 USD** towards administration charges, plus other expenses accrued from Dynamic customers.

All other expenses shall be charged at additional \$50.00 USD per labor hour for containment of discrepant product, scrap costs, and any transportation charges will be charged extra, at supplier cost.

Any major line downtime will be charged up to \$35,000.00/hour USD.

There will be a \$1500.00 USD administration charge for any repeat issue in similar product and process.

There may be additional charges incurred with the use of a 3<sup>rd</sup> party sorting company.

Repeated concerns will be result of controlled shipping Level 1 or Level 2 Containment.

### Late Response

In reference to items 1) and 2) in 10.1, there are charges that we will apply in the case of a late response to a CAR. If the supplier fails to provide an initial response within 24 hours of notification, then the charge will be \$250/day (USD).

If there is any dispute on debit note, Suppliers have 15 calendar days from the day of receiving debit note from Dynamic to dispute.

Supplier shall file a dispute note to Dynamic corporate via [SCDisputes@dmimial.com](mailto:SCDisputes@dmimial.com).

## **11.0 Performance Management**

Dynamic Manufacturing provides feedback in the form of a Supplier Performance Scorecard. This is intended to encourage excellence in terms of commercial expectations, quality performance, delivery performance, and supporting warranty and service.

Dynamic Manufacturing also measures supply chain performance by assessing and auditing compliance to our requirements. This takes place in two different methods: Self-Assessment and On-site Assessment.

### **11.1 Self-Assessment**

During the selection process, the Self-Assessment is required for any new suppliers not currently 3<sup>rd</sup> party certified to ISO9001:2015 or IATF16949:2016. It is an ongoing requirement for current suppliers to resubmit every three years. The purpose of the self-assessment is to survey the supplier's ability to meet our expectations in terms capacity, floor space, number of employees, manufacturing capabilities, outsourced services, quality

systems registration, etc. Resubmitting the self-assessment every three years provides DMI updates to changes in the business, location, quality management system and services provided.

## 11.2 On-Site Assessment

Dynamic Manufacturing reserves the right to conduct an On-site Assessment with our customer at our discretion. The supplier will be notified in advance when the audit will take place and the agenda during the visit. During the audit, any and all discussions, findings, shared information, etc. will remain confidential between the supplier and Dynamic Manufacturing. Reasons for conducting an on-site assessment may result from but not limited to:

- 1) Startup of a new business relationship
- 2) Adding new business to an existing supplier
- 3) Quality performance issues/concerns that consistently arise that is impacting our business goals and objectives (expectation is zero defects)
- 4) Ensure ongoing compliance to CSRs with DMI's OE customers.

## 12.0 Supplier Scorecard

Dynamic Manufacturing, Inc. tracks the performance of our supply base to ensure our goals continue to be met and to address any potential risks. There are four weighted categories that are measured monthly for supplier performance:

- 1) **Quality Performance** – 40%
- 2) **On-Time Delivery Performance** – 40%
- 3) **Service Performance**– 20%

### 12.1 Quality Performance

Quality Performance is rated based on PPM as received at Dynamic and the field as well as responsiveness to quality issues:

- 1) PPM as received at Dynamic Manufacturing – 10%
- 2) PPM as reported from the dealer or end user – 10%
- 3) Containment and Resolution timeliness (includes required documentation) – 10%
- 4) Adherence to PPAP requirements (which includes IMDS and change control) – 10%

See Appendix for an example of the Supplier Scorecard.

### 12.2 On-Time Delivery Performance

On-Time Delivery Performance is rated based on adherence to the required means and methods to deliver product to Dynamic:

- 1) Electronic Data Interchange (EDI) capable and/or compliant – 10%
- 2) On time delivery – 10%
- 3) Correct carrier and zero expedited freight costs– 10%
- 4) Correct documentation, ASN accuracy and adherence to NAFTA certifications – 10%

### 12.3 Service Performance

Service Performance is rated based on the following:

- 1) ATB/ATR (All Time Buys or All Time Run)
- 2) New Launch Programs – Support new programs that contain build events (DV, Q, and V) leading up to SOP.
- 3) Responsiveness to VOR (Vehicle Off Road) and SPAC (Service Parts Assistance Center) drop in.

### 12.4 Supplier Scorecard Rating

Suppliers with a score of > 92% will be considered GREEN with no actions necessary.

Suppliers with a score of 80-91% over a three-month period will be considered YELLOW and could be subject to resourcing as directed by Dynamic's customer.

Suppliers with a score of < 80% over a three-month period will be considered RED and could be subject to resourcing if the performance does not improve within 60 days. This will require a documented action item list with periodic updates showing effectiveness of actions completed.

If for whatever reason the supplier thinks their organization has been scored incorrectly, then they can submit their concerns to [SCDisputes@dmimail.com](mailto:SCDisputes@dmimail.com). Be sure to provide details and records as to why the scores need to be changed in each category of concern.

### Glossary of Terms

<u>Acronym</u>	<u>Definition</u>
AIAG	Automotive Industry Action Group
ASN	Advance Shipping Notice
CIR	Continuous Improvement Request (based on Non-Conformance)
COO	Country Of Origin
CP	Control Plan
CSR	Customer Specific Requirements
DELFOR	Delivery schedule message
DESAVD	Advanced shipping notice
DV-Build	Design Validation Build (Static)
EAU	Estimated Annual Usage
ECI	Engineering Change Implementation (Letter)
ECN	Engineering Change Notice
EDI	Electronic Data Interchange
ERP	Enterprise Resource Planning
IATF	International Automotive Task Force
IMDS	International Material Data System
ISIR	Initial Sample and Inspection Report
ISO	International Standards Organization
IAF MLA	International Accreditation Forum Multilateral Recognition Agreement
MRD	Material Required Date
MRP	Mandatory Replacement Parts (or Material Planning Requirements)
MSA	Master Supplier Agreement
MSA	Measurement Systems Analysis (Gage R&R)
NMFC	National Motor Freight Classification
OEM	Original Equipment Manufacturer
PCI	Process Change Implementation (Letter)
PCR	Process Change Request
PFD	Process Flow Diagram
PFMEA	Process Failure Mode and Effects Analysis
PPAP	Production Part Approval Process
PSR	Part Status Report
PSW	Product Submission Warrant
PTR	Production Trial Run
Q-Build	Qualification Build (production)
QMS	Quality Management System
RFQ	Request For Quote

**Glossary of Terms (Cont'd)**

<b><u>Acronym</u></b>	<b><u>Definition</u></b>
RMA	Return Material Authorization
SAM	Specified Automotive Manufacturer
SCCS	Supply Chain and Customer Service
SDS	Safety Data Sheet (Material)
SPAC	Service Parts Assistance Center
SQE	Supplier Quality Engineer
SQM	Supplier Quality Manager
USD	United States Dollars
V-Build	Validation Build (production)
VOR	Vehicle Off Road

## Appendix

DELFOR Schedule

ASN/DESADV Requirements

Dynamic's Official Routing Instructions

AIAG Packing Slip Requirements

DM8.3.0 Design and Development of Products and Services

DM8.5.0 – Product and Service Provision

DM10.2.0 – Nonconformity and Corrective Action

Nonconforming Material Report / Corrective Action Request

Dynamic Supplier Contact and Self-Assessment Form

Dynamic Supplier Scorecard



<b>Supplier Scorecard</b>		<b>Total Score:</b>	<b>98.80</b>
Supplier Name:	XXXXX		
Location:	XXXX, XX		
Month:	3-2022		
Qty Received:	500,181		
Qty Approved:	500,181		
Warranty:	0		
CAR/CIR Issued:	0		
CAR/CIR Responsiveness (24 Hours):	0		
PPAP Submitted (Accepted):	1		
Shipments Received:	216		
EDI Compliant (1 or 0):	1		
Shipments (Qty) Received on Time:	190		
Packing Slip Supplied:	1		
Expedited Freight:	0		
ATB/ATR Compliance (1 or 0):	1		
New Launch Support Requests (1 or 0):	1		
VOR/SPAC Drop Ins Compliance (1 Or 0):	1		
<b>Quality Performance (40%)</b>	Weight		3-2022
Dynamic PPM	10%		<b>10.00</b>
Warranty PPM	10%		<b>10.00</b>
CAR/CIR - Responsiveness	10%		<b>10.00</b>
PPAP	10%		<b>10.00</b>
<b>On-Time Delivery Performance (40%)</b>			
EDI Compliance	10%		<b>10.00</b>
On-Time Delivery Performance	10%		8.80
Carrier and Freight Costs	10%		<b>10.00</b>
Documentation	10%		<b>10.00</b>
<b>Service Performance (20%)</b>			
ATB / ATR	8%		<b>8.00</b>
New Launch Support	6%		<b>6.00</b>
VOR/SPAC Drop Ins	6%		<b>6.00</b>

