SUPPLIERS MANUAL

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FOREWARD

The increasing global competition for leadership requires that companies reinvent and innovate every day, molding themselves to the new market demands.

Our mission is to produce quality products that meet the needs and expectations of our customers, at competitive prices and accomplishing the standard requirements, such as providing maximum satisfaction to employees and shareholders and contribute to the social and economic development.

We know the vital importance of IM Veneporte´s suppliers on achieving these goals.

Therefore, we are addressing this manual as a means of conveying the mutual commitment to achieve the proposed zero-defect on products/services goal, as well as some methodologies that we may believe that are pertinent to adopt in the course of the supply activities.

Should any questions arise from the content of this Manual, please do not hesitate to contact us.

Paulo Marques
(Purchasing Director)

Carlos Morgado
(Quality Manager)

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All suppliers shall ensure that the products and services provided are in accordance with the legal and regulatory requirements of the country of origin, the country of destination and the country of destination identified by IM Veneporte's customers for its products.

5 – DATA ENTERING AT IMDS – INTERNATIONAL MATERIAL DATA SYSTEM – DECLARATION OF CONFORMITY REACH REGULATION (1907/2006/ EC)

Within its supply chain, IM Veneporte intends its suppliers to register the chemical elements and their quantitative data in the portal *www.mdsystem.com*.

Data must be submitted to IM Veneporte approval at ID80906.

6 – SUPPLIER ASSESSMENT

6.1 – EVALUATION OF SUPPLIES

Suppliers are evaluated in order to check the compliance of the supplies, on the basis of Commercial, Logistics and Quality requirements.

The Global Suppliers Performance (PGF) is calculated based on those requirements.

PGF = (0.50 x PQ) + (0.30 x PL) + (0.1 x CS) + (0.1 x PGA)

PQ - Quality Performance; PL – Logistics Performance; CS - QMS Certification; PGA - Compliance with Supply General Prescriptions;

- **PQ – Quality Performance**

  PQ = 0, if the product is rejected

  PQ = 50, if the product is approved but under certain condition

  PQ = 100, if the product is approved

- **PL – Logistics Performance**

PL = (0,60 x PE) + (0,40 x QE)

PE = 0, if delivery delayed > 7 days

PE= 25, if delivery delayed >3 and <= 7days

PE = 50, if delivery delays <=3 days

PE = 100, if delivery made within the defined deadline

QE = 0, if quantity delivered <50% of the requested quantity

QE = 50, if quantity delivered >=50% and <100% of the requested quantity

QE = 100, if quantity delivered is equal to the requested quantity

- **CS – Certification**

Certification	CS				
	100	95		90	75
IATF16949	X				
ISO14001		X			
ISO45001			X		
ISO9001		X	X	X	

- **PGA – Compliance with Supply General Prescriptions**

PGA = (0,2 x CMP) + (0,3 x RNC) + (0,2 x PD) + (0,3 x CF)

Being:

- CMP – Sending of certificates of raw material / inspection reports;
- RNC – Reply to non-compliance within the established deadlines;
- PD – Sending of Derogation Request;
- CF – Product / Services provided according Supply Conditions

CMP = 0, if the product / service is not supplied with a certificate / inspection document

CMP = 100, if the product / service is supplied with a certificate, in the case of raw materials certificate 3.1 according to EN10204 standard, in the case of thermal or surface treatments, the inspection report, or if not applicable.

RNC=0, if the product / service is considered of maximum severity, and the NCR – Non Compliance Report – with containment measures within a maximum of 2 working days, is not received.

RNC=25, if the failure is considered of medium severity, e.g. if it´s necessary to rework products or modify fabrication processes to ensure production, and is not received the NCR within specified time limits (containment measures – 2 working days; Corrective and Preventive actions – 10 working days)

RNC=75, if the non-compliance is considered of minimum severity, e.g., whose product is usable without consequences for production, and is not received the NCR within specified time limits;

RNC=100, if the non-compliance is considered minor / major / medium severity, and the RNC is sent properly completed on Schedule, or if not applicable.

PD = 0, if the product / service is provided not according the specifications and without derogation request;

PD = 100, if the product / service is provided not according the specifications, but submitted under a derogation request (with time limit and quantity described), or if not applicable.

CF = 0, if the product / service is provided in disagreement with supply conditions;

CF = 100, if the product / service is provided in accordance with the supply conditions.

6.2 – GLOBAL SUPPLIER PERFORMANCE

The overall performance of suppliers is calculated based on the assumptions mentioned in the previous point.

Suppliers are ranked according to the following table:

PGF	Classification	
90 to 100	A	Excellent
85 to 89.9	B	Good
75 to 84.9	C	Regular
below 74.9	D	Inadequate

Buying to a supplier considered inadequate can only happen exceptionally, if there isn´t an approved alternative supplier.

6.3 – FOLLOW-UP OF SUPPLIERS

Monthly, the PGF is analyzed by IM Veneporte Quality and Purchasing Department.

The monthly assessment will allow the follow-up of the performance of the suppliers, and is send according to the following criteria:

- Annually, if the supplier has been rated Level A;
- Punctually, 15 days after the end of the 2nd consecutive month if the supplier has dropped down a level (to B / C / D) form the previous assessment. In this case, the supplier must submit an action plan so its performance can improve.

When a supplier´s PGF is lower than 85 points for a period of 3 consecutive months, IM Veneporte reserves itself in the right of starting a Supplier Development Process, in accordance to the point 14 of this manual.

6.3.1 – DEADLINE FOR CLASSIFICATION LEVEL RECOVERY

In this point, we intend to define the deadline and lead time the supplier must respect in order to recover its level of performance as follows:

- 10 working days for presenting the action plan, after dropping level for 2 consecutive months.;
- The 2 next monthly assessments to recover its initial performance level (A).

In the case that no action plan is received within the stipulated deadline, the situation will be reported to IM Veneporte Quality Director, so that it can be sent a warning to the supplier. If this warning is not enough to persuade the supplier to present an action plan, the situation will be reported to IM Veneporte's administration who will then decide what will be the measures to adopt towards this supplier.

7 – CUSTOMER VISITS

Suppliers must authorize any visit on its premises of IM Veneporte's workers or customers as long as indicated and informed by IM Veneporte. If any doubts arise regarding the product/service supplied, due to the assessment results, high complexity of the process or any other reasons, 2nd party audits must also be authorized by the supplier.

8 – SUPPLIERS DEFINED BY CUSTOMER

Suppliers defined by IM Veneporte's customers must be seen, assessed and followed-up as a normal supplier, being only excluded towards the QMS of the selection and approval process.

9 – SYSTEM, PROCESS AND PRODUCT AUDITS

In the case of System audits, suppliers, in particular, ISO 9001 certification, must establish a regular audit plan that should cover the requirements 9001 as well as the "Minimum Quality Management System Requirements for the Automotive Industry" - Mod.Q 103.

Process audits shall be performed in accordance with VDA 6.3 or equivalent approved by IM Veneporte.

Product audits shall be performed in accordance with VDA 6.5 or equivalent approved by IM Veneporte.

10 – LAY-OUT INSPECTION

Component suppliers, in particular, IATF 16949 certification, must perform a layout inspection in accordance with the standard when requested and with the requested periodicity, covering all specifications defined in the product design, whether dimensional, trial and/or testing. The records, if requested, must be sent to IM Veneporte.

For the ISO 9001 certified suppliers, the required tests and their frequency will be indicated on a case-by-case basis.

11 – PROCESS AND PRODUCT CHANGES

Any changes in process / product / supplier of raw material should not be performed without the prior analysis of the need for submission of samples / documentation for new PPAP approval.

12 – APPROVAL OF DEVIATIONS / WORKS

The supply of products with deviations from the specifications will only be accepted upon formal Derogation Request. The request must include the following information:

- Quantity envolved:
- Period of supply;
- The causes of the problem and actions to be taken to avoid recurrences;
- Additional control measures.

The same procedure will be applied in the occurrence of unanticipated rework on the originally approved process, and if it´s identified the risk of causing any damage at the application in the final product.

13 – NON-COMPLIANCE TREATMENT

In the event that a non-compliance is detected in the receipt of material, in production or in the Customer, the Quality Department requests the supplier, through the document "Mod. Q49 – Non-compliance Report", to identify the cause(s) of the occurrence and formally communicate the preventive / corrective actions that preclude the recurrence of non-compliance.

The supplier must respond within two working days, describing the preventive actions implemented.

The Supplier will also have a period of ten business days to send the permanent corrective actions, with the respective deadlines for each action and the people responsible for each task.

After implementing the defined actions, the supplier must document with objective evidence that the problem has been contained. This evidence will allow verifying the implemented actions, and later analyze the effectiveness on the actions.

If it deems it necessary, IM Veneporte reserves the right to opt for a verification of the actions implemented in the facilities of the suppliers.

13.1 – COST RECOVERY

In addition to a fixed management cost of the RNC (Non-Compliance Report) in the amount of 150 Euros, all the costs associated with the non-conforming product, such as sorting costs, line stops, product and component rework or recall will be allocated to the supplier.

14 – SUPPLIER DEVELOPMENT

IM Veneporte should require its suppliers to develop, implement and improve its quality management system in order to obtain IATF certification.

Unless specified by the customer another way, the process should be as follows:

1) 2nd party audit to define and ensure an approximation to ISO 9001 compliance plus the "Minimum Requirements of the Automotive Quality Management System" according to "Supplier Audit Checklist "(Model Q103), based on the document" Minimum Automotive Quality Management System Requirements for Sub-Tier Suppliers ";

2) ISO 9001 certification through 3rd party audit;

3) ISO 9001 certification in accordance with the "Minimum Requirements of the Automotive Quality Management System" for sub-tier suppliers, through 2nd party audits;

4) 2nd party IATF 16949 Audit;

5) IATF 16949 Certification through 3rd party audit.

This Supplier Development process is defined and monitored by IM Veneporte's Quality and Purchase Department and may include:

- Visits;
- 2nd party audits (Quality Management System or Manufacturing Process);
- Manufacturing processes validation;
- Allocation of personnel, in the supplier, representative for quality assurance;
- Development of action plans and improvement needed to solve problems or obtain improvements.

The final result of this process, as mentioned, is the supplier obtaining the IATF 16949 certification. If IM Veneporte observes a lack of interest on the part of the supplier in making this journey, there will be a proposal towards Top Management to select an alternative supplier whenever it is possible.

14.1 – SUPPLIER AUDITS

Supplier Audits are conducted by IM Veneporte to its suppliers and will be implemented taking into account the following table as well as the following criteria:

	5	3	1
Special Processes	YES	YES	YES
Risk Analysis	RED	YELLOW	GREEN
Supplies Assessment	C	B	A

Criteria that define a mandatory audit:

1 - When the supplier presents two of the criteria shown in column 5, an audit is planned

2 - In the case of presenting the three criteria shown in column 3, an audit is planned

In addition to these criteria, there is one that overlaps these, which has to do with travel costs. The final decision will be made by IM Veneporte's administration.

15 – CONTACTS

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