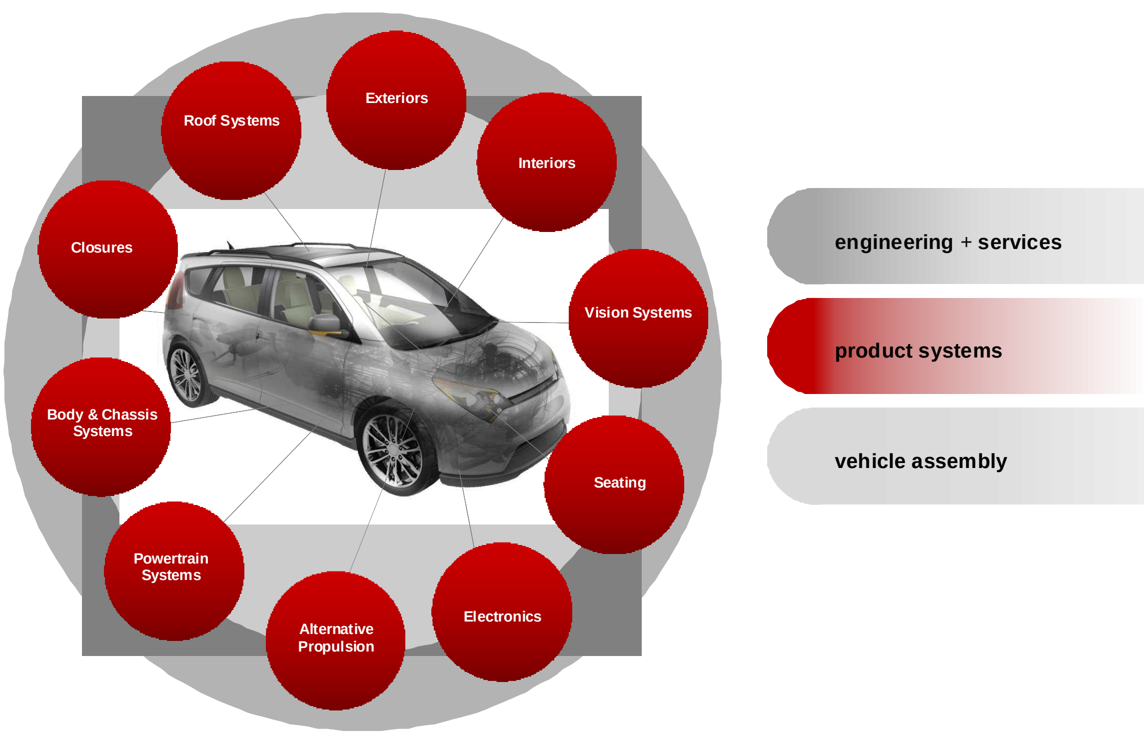
MAGNA INTERNATIONAL

NORTH AMERICAN OPERATIONS

SUPPLIER REQUIREMENTS



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1. INTRODUCTION

The expectations, requirements and standards defined within this manual are applicable to all suppliers providing materials, products and services to any Magna North America facility. This includes suppliers of direct materials, packaging materials and services (including containment, sorting and calibration services) with potential impact on any product characteristics affecting Magna's Customer requirements. These requirements also apply, in whole, to any supplier that is directed to Magna, by any OE Customer.

1.1 *THE MAGNA – SUPPLIER RELATIONSHIP*

Magna is committed to maintaining its position as a global leader within the automotive sector and we recognize the integral role that each supplier to Magna has in maintaining our position of excellence in innovation, technology, cost, quality and delivery. Our intent is to establish strategic, long-term relationships with our suppliers and it is incumbent on each supplier to maintain a position of cost leadership while demonstrating a commitment to sustained quality, highest levels of service and a strong focus on continuous improvement.

We will endeavour to make every effort to manage our supplier relationships with the highest degree of integrity and professionalism, and we will ensure that our decisions are based upon optimization of value to Magna and its stakeholders. We will not allow any undue influence or inappropriate activity to compromise those decisions.

This Supplier Manual outlines the fundamental requirements for all suppliers to Magna International's North American operations. The Quality Systems requirements have been aligned across all our North American divisions, to the greatest extent possible. You will also find additional, supplementary Customer specific requirements, applicable to the Magna operating Group(s) with which you conduct business. Suppliers are expected to comply with all applicable Quality Systems and Group-specific requirements. The quality and delivery requirements defined herein are to be considered an addendum to the Purchase Order issued to all suppliers of direct material, and do not replace or alter the terms or conditions covered by these purchasing documents, the ***Statement of Work (SOW)*** or warranty agreements. Suppliers are also expected to accept the terms and conditions imposed on Magna by the customer to whom the supplier's products are ultimately being shipped.

1.2 *COMMUNICATION – NOTIFICATION OF CHANGES*

It is critical that the relationship between Magna and our suppliers be premised on open, effective and proactive communication. The occurrence of non-conforming product, unauthorized changes or any related supply chain issues, present a risk to both Magna and to our customer, when not communicated and managed effectively. These risks also manifest themselves at the sub-tier suppliers and sub-contractors that comprise the overall supply chain. In order to manage these risks most effectively, all suppliers must communicate as early as possible, the following:

1. Any pending or potential issue which the supplier has identified.
2. All proposed material and/or process changes, including any change in process or product safety or critical characteristics.
3. All proposed changes, including:
    - Manufacturing location change

- Tooling capacity change
- Re-commissioning of tooling that has been inactive for one year
- Tooling refurbishment/replacement
- Tooling transfer (re-source)

4. Any potential manufacturing/quality issues.
5. Any potential supply and/or capacity issues.

Suppliers must be proactive in their communication with their Magna customers. Failure to notify Magna of potential issues or changes will result in internal elevation, as appropriate, and may result in notification of the issue to Magna's customers. If necessary, a supplier's ISO/TS Registrar will be contacted and asked to conduct any necessary investigations or assessments. Continued non-compliance may lead to loss of business.

1.3 *SOCIAL RESPONSIBILITY*

The Environment

Magna is committed to environmental responsibility and has many different programs designed to protect our environment and manage critical resources so as to sustain and replenish these resources for future generations. We expect our suppliers to show the same dedication and commitment to the environment, and recommend certification to ISO 14001 environmental standards. Suppliers not currently holding environmental certification are encouraged to develop a plan of execution having the objective of achieving certification status. Magna supports End-of-Life Vehicle (ELV) and International Material Data System (IMDS) directives and expects our suppliers to register and comply with all reporting requirements that are applicable to their products and processes.

Conduct and Ethics

Magna believes in conducting business with integrity, fairness and respect in all countries where we have a presence. Our employees will not, directly or indirectly, offer bribes, kickbacks or other similar payments for the purpose of influencing business decisions and we expect our suppliers to have policies and procedures in place that ensure the absence of similar corrupt practices with their own employees. We will manage our supplier relationships in good faith and we expect suppliers to exercise similar discretion in our relationship and in their relationship with their suppliers.

Global Working Conditions

Recognizing that our supply chain spans many different regions around the globe, Magna is committed to maintaining global working conditions and standards that result in dignified and respectful treatment of all employees within all our global operating locations, as well as those of our supply chain. It is therefore Magna's expectation that our suppliers will have appropriate policies, procedures and systems in place, to support the following standards:

a) Child labour shall not be utilized. Underage labour, as defined by local labour law, will not be utilized unless it is part of a government approved training or apprenticeship program that clearly benefits the participants.
b) Any form of forced or compulsory labour is prohibited.
c) Workers, without fear of reprisal, intimidation or harassment should be able to communicate openly with management regarding working conditions. They shall also have the right to associate freely and join labour unions and workers' councils in accordance with local laws.
d) Workers shall be protected against any form of harassment and discrimination in any form, including but not limited to gender, sex, age, religion, disability and political beliefs.
e) Workers shall have a safe and healthy workplace that meets or exceeds all applicable standards for occupational health and safety.
f) Workers shall be compensated with wages and benefits that are competitive and comply with local law, including minimum wages, overtime hours and legally mandated benefits.
g) Working hours shall comply with all applicable local laws regulating hours of work.

It is our expectation that all our suppliers will maintain these global working conditions in all their operations, while also promoting adoption of these principles with their own suppliers.

2. BASIC REQUIREMENTS

2.1 *SUPPLIER QUALIFICATIONS*

All suppliers to Magna International must be registered in Magna's supplier database (***http://supplier.magna.com)***. Suppliers receiving an invitation to register in the supplier portal must complete **all** information fields. If a supplier has multiple manufacturing sites, represented by unique DUNS, each manufacturing site is required to register. Suppliers are required to maintain information in the database to ensure that it remains current, and data must be updated annually, at minimum. Maintaining current information is critical as this database is accessible to all buyers and quality personnel for Magna, worldwide. Suppliers to Magna must also meet key operational, financial and quality criteria as detailed further in this manual.

2.2 *QUALITY & ENVIRONMENTAL CERTIFICATION*

Magna's goal is for all suppliers of materials and services producing or affecting direct production material to demonstrate conformity to the latest ISO/TS 16949 standards. Unless otherwise specified by your procuring Magna division, suppliers shall have a Quality Management System that, at minimum, is compliant to the latest ISO/TS 16949 requirements and certified to current ISO 9000 standards. Suppliers certified to ISO 9001:2000 are encouraged to work toward compliance to ISO 9001:2008 and Magna advises that all suppliers should achieve and/or maintain certification to the latest ISO/TS 16949 and ISO 14001 Environmental standards. Suppliers of laboratory services shall be accredited through certification to ISO 17025.

Where applicable, suppliers shall also maintain CQI-9 (Heat Treat System Assessment), CQI-11 (Plating System Assessment), CQI-12 (Coating System Assessment), CQI-14 (Warranty), CQI-15 (Welding), CQI-17 (Soldering) and all other FMVSS Standards, such as FMVSS 302

(Flammability reporting) requirements, if directed by your procuring Magna division and in support of applicable OE Customer-specific requirements.
(Ref. www.iatfglobaloversight.org)

The scope of these requirements applies to suppliers of subassembly, sequencing, sorting, re-work (either on-site or at a remote location) and calibration services in addition to direct material suppliers. Suppliers are expected to maintain the same level of quality and manufacturing controls for the production of service parts and assemblies (i.e. for the full life of the program). This shall include any service requirements transferred to any alternate site, location or organization.

Suppliers shall post, and update all applicable certifications in the supplier portal (***http://supplier.magna.com)***. In the event of a lapse between certification expiry and issue of a new certificate, the supplier shall post the issued letter of recommendation from their registrar. Suppliers without required certifications must post a target date for attainment of certification and attach the implementation plan in their supplier record. Any suspension in certification status must be reported to all applicable Magna divisions, within 5 working days.

2.3 *SUPPLIER ASSESSMENTS*

Magna reserves the right to review and assess a supplier's financial, operational, quality, environmental and Health & Safety systems, for the purposes of validating compliance to standards established by applicable ISO/TS Standards or requirements as detailed within this manual. Assessments or reviews may be conducted from time to time in order to ensure the on-going stability and viability of Magna's supply base. All appropriate measures will be taken to protect confidentiality of operational and financial information.

3. PRODUCT/PROCESS DEVELOPMENT & PART APPROVAL

3.1 *DEFINING THE SCOPE*

Magna requires suppliers to complete all advance product planning and submission in full accordance with the AIAG Advance Product Quality Planning and Control Plan manual. Unless otherwise directed and approved by your procuring Magna division, all submissions shall be as per Level 3 requirements, at minimum.

Suppliers shall conduct all necessary and prescribed activities to ensure clarity of all customer expectations as defined within Purchase Orders, Statement of Work etc. This includes activities and reporting related to design, testing, verification and/or validation and product conformance. Suppliers will ensure that sufficient resources are available and dedicated, as necessary, to ensure successful completion of all requirements to meet defined program timing. It is also the responsibility of suppliers to ensure any sub-tier suppliers for which they are responsible, also have sufficient resources assigned. Suppliers will develop timing and progress charts, in a format as defined by the procuring Magna division, and will maintain and review timelines on a regular basis.

The supplier's scope of planning will also ensure that all capital and tooling budgets necessary to support the program, are approved and in place in time to meet timing requirements.

3.2 *PLANNING & DEFINITION OF REQUIREMENTS*

Suppliers will work with the appropriate Magna division to ensure definition of key program deliverables, including at minimum:

- Definition of all customer expectations and government or legislative requirements (e.g FMVSS) related to product development and approval, as well as serial launch and production. Customer requirements shall include all requirements of the applicable Magna division as well as all final Customer and compliance expectations and requirements.

- Review of past warranty issues for any similar product design and/or application. Wherever possible, every attempt to benchmark competitor products shall be made. The warranty analysis shall include all sub-tier suppliers, where appropriate.

- Historical quality data on previous designs or revisions of the current part, or on similar parts and manufacturing processes, shall be reviewed. Problem reports and corrective actions shall be reviewed to ensure inclusion of adequate controls to prevent recurrence of previous non-conformities.

- Any campaign prevention data, or government recall or technical service bulletin data shall be reviewed, if available.

Suppliers shall work closely with Magna to ensure all processes are controlled adequately so as to prevent the manufacture and transfer of defects. Process controls must be sufficient so as to control failure modes identified through the Process Failure Modes Effects Analysis (PFMEA).

Special attention shall be given to critical processes such as heat treating, plating and appearance items.

3.3 *PRODUCT DESIGN & DEVELOPMENT*

Suppliers with design responsibility must receive Magna approval of all product design, test and validation specifications, including CAD specifications and transfer requirements. All deviations must be approved by Magna, in writing, in advance of implementation. Supplier requests for deviations and engineering approvals shall be documented and controlled as per the requirements and documents of the procuring division.

Suppliers with design responsibility must complete all appropriate Design Failure Modes Effects Analysis (DFMEA), in compliance with latest AIAG standards and have them available for review and approval by Magna. The supplier and Magna will establish performance approval expectations for each phase including Engineering Validation (EV), Design Validation (DV) and Production Validation (PV) as defined by the procuring division.

Data and results from EV, DV and PV testing shall be used in the design and construction of test and inspection equipment that will later control the manufacturing process.

3.4 *TOOLING, GAUGES & TEST FIXTURES*

Tooling design and build is generally the responsibility of the supplier, however many Magna divisions have developed detailed Tooling Standards to ensure suppliers manufacture tools that will provide high quality parts throughout the life of the tooling. These Tooling Standards will be communicated to you via the procuring division, if necessary. Suppliers are responsible for the maintenance of all tooling, testing and inspection equipment. Customer owned tooling, gauges and test fixtures must be identified as prescribed by the customer, including identification with appropriate asset tags, or similar identification. Final payment of tooling will be contingent upon verification of proper identification and completion of PPAP. PPAP approval will not be signed off without completion and signing of all Tooling Bailee Bonds, including pictures of tooling, gauges and test fixtures and associated tagging or identification. At any time following notification to the supplier, Magna reserves the right to complete an on-site inspection of tooling owned by any Magna division directly or by a Magna customer.

Tooling payment is typically based on completion of key milestones in the design and fabrication process. However, as terms differ within various Magna divisions, you need to make certain that you reference your applicable divisional tooling purchase order for actual payment schedule.

3.5 *PROCESS DESIGN & DEVELOPMENT*

As part of the advance planning process, suppliers must design and develop a manufacturing process that will meet quoted production volumes and all quality requirements as approved by Magna. Quality planning documentation such as Failure Modes Effects Analysis (FMEA), Process Flow Diagram (PFD) and Process Control Plan (PCP) must be developed, reviewed and approved by the appropriate Magna division prior to production approval and launch. When a FMEA has a severity of failure mode of 9 or 10, or as defined by any unique requirements of a Magna customer, the risk must be addressed through design action/controls or process prevention/correction actions, regardless of the Risk Priority Number (RPN). Suppliers are expected to have a strong focus on prevention, as opposed to detection, and potential failure modes identified through the Advance Quality Planning process must have appropriate error-proofing designed into the manufacturing process to ensure capture and containment of product non-conformances.

Suppliers must ensure that sufficient floor space is available to support all necessary manufacturing and testing equipment. Once production approval is received from Magna, any change to the manufacturing process must be communicated to the Magna procuring division(s) prior to the change taking place. These changes must subsequently be approved by the Magna procuring division(s) prior to implementation.

The supplier will also develop necessary packaging and labeling, as per Automotive Industry Action Group (AIAG) guidelines, or as defined by Customer requirements. In the event that specialty handling or packaging is required, the appropriate Magna location will communicate requirements to the supplier.

3.6 *PRODUCT & PROCESS VALIDATION*

Prior to final production approval, the supplier shall validate all control documentation (FMEA, PCP, and PFD) to ensure the manufacturing process is properly detailed and all measurement and control systems are identified and implemented. The supplier shall establish appropriate production reliability/quality goals along with disciplined corrective action processes to drive improvement through the manufacturing process. Production Validation (PV) samples must come from the approved manufacturing process and flow, unless specifically authorized by the procuring Magna division, in writing. Final production approval will require completion of all AIAG prescribed activities including component part dimensionals, material certifications and all approved supporting documents. Deviations required to be part of a PPAP submission package, must be approved by the procuring Magna division, in writing, prior to PPAP submission. Unless otherwise specified by the procuring Magna division, all level 3 requirements as detailed in the AIAG PPAP Manual must be met. Unless otherwise approved in writing, by Magna, production approval will be contingent upon successful completion of run-at-rate production trials at the quoted rates, including low or high threshold rates as defined by the division and using the procuring division’s process and form. For suppliers with IMDS/REACH requirements, verification of data entry (using approved MDS number) must be submitted with PPAP. Failure to comply may result in a delay of PPAP approval and subsequent payment of tooling funds (for assistance with the IMDS system contact the IMDS Helpdesk at 717-506-1461, or www.mdsystem.com). Final approval will be determined by the procuring division. Suppliers are also expected to develop and implement detailed launch readiness reviews.

Special (Critical) Product Characteristics affecting design, manufacture, assembly, function and safety will be identified and communicated by the procuring Magna division. As part of the ultimate product and process validation, suppliers shall be required to establish, validate and maintain acceptable short and long term capability on all critical characteristics.

3.7 *FEEDBACK & ASSESSMENT*

As part of the production part approval process for all new and transfer product, suppliers shall develop an early product launch containment plan. The process shall include regular reviews of data collected as part of the containment checks, with appropriate controls and corrective action implemented to address all instances of non-conformance. Containment plans, results and corrective action must be approved by Magna and available for review upon request.

Early product containment must remain in place until the production process is validated to be stable and approval is obtained from Magna. Unless otherwise specifically directed by your procuring division, your early product containment plan must remain in effect for the first 2000 parts, or for the first 30 days of production (whichever is more stringent).

Suppliers shall not proceed with shipments of production material without full PPAP approval, unless an approved waiver has been granted by the Magna procuring division.

4. SERIAL PRODUCTION

4.1 CONTROL OF FIXTURES & TEST EQUIPMENT

Monitoring

The supplier must have a documented system in place to control, calibrate, and maintain the proper function and an accepted level of repeatability and reproducibility of all inspection fixtures, measuring / testing instruments and equipment. All customer-owned fixtures and test/inspection equipment must be clearly identified in the manner prescribed by Magna or by Magna's customer.

Updating Instructions

Operating instructions must be readily available at every inspection station with a standard, describing the proper methodology for use in inspection. These instructions must include a reference to the standard, and revision level, and be approved by appropriate personnel. Whenever there is any change to the inspection procedure that affects the use of the standard, or when any identification information is revised, the operating instructions must be updated to reflect the current status.

Validation

All measurement and test equipment must at a minimum be calibrated annually, or at a frequency as established by the supplier's Measurement Systems Analysis (MSA) process. The calibration record/certificate must be on file at the supplier's facility, and be traceable to the actual identification information and to the appropriate standard (e.g. NIST). Calibration Services of equipment must meet the requirements of the latest released edition of ISO and/or TS standards.

Inspection, Measuring, and Test Equipment Records

Records must include any revision information, traceable to the part revision level. External/commercial/independent laboratory facilities used for inspection, test or calibration services by the supplier shall have a defined laboratory scope that includes the capability to perform the required inspection, test or calibration and must have evidence that the laboratory is acceptable to Magna or must be accredited to ISO/IEC 17025 or national equivalent.

Measurement System Analysis

Gage and fixture Measurement System Analysis (MSA) must be performed as detailed in the latest released edition of the AIAG Measurement System Analysis manual, and must meet the standards of the procuring Magna division.

Record Retention

Suppliers are expected to maintain applicable retention periods as specified in ISO/TS 16949 latest edition standard, or as defined by your procuring division, unless subject to longer retention periods in compliance to all applicable legal or governmental requirements pursuant to requirements communicated in writing by the procuring Magna division.

4.2 MONITORING OF PRODUCT & PROCESS

Manufacturing process control must include a continuous monitoring of product/process characteristics and of all key parameters influencing the manufacturing process. Appropriate statistical process control methods, or error-proofing, must be applied on all characteristics identified through the APQP process and as directed by your procuring Magna division. Process parameters and product characteristics subject to legislative safety, environmental and/or emissions regulations must be documented in control plans in compliance with Magna specific requirements and ISO/TS 16949 requirements. Suppliers must submit annual PPAP validation of all current production parts, to the level of submission as directed by your procuring division.

4.3 NON-CONFORMANCE & CORRECTIVE ACTION

This system is designed to prevent the use of suspect and/or nonconforming purchased material. Purchased components found to be nonconforming through line rejections, mis-labelling, mis-packaging, testing failures, failed inspection results, customer concerns, warranty and/or customer returns, receipt of obsolete material or material certification or other failure mode are handled through the following procedure:

- Supplier will be notified of the concern. All relevant containment actions must be initiated immediately
- Upon notification, the supplier shall initiate the Corrective Action Report (CAR) and any other supporting documentation as directed by the procuring division. The initial CAR, detailing root cause and corrective action must be submitted to the Magna procuring division within 5 working days. Validation and closure will be determined by the procuring division
- Quality and delivery non-conformance will be reflected in monthly supplier operational ratings

At the discretion of the Magna division, suppliers may incur costs for non-conformance issues, based on (but not limited to) the following criteria:

- Division sort of supplier product on production line until certified stock arrives
- Production line shutdown
- Finished product sort and/or scrap of material
- Any material transfer of nonconforming supplier product
- Quality Department time for problem investigation
- Testing if required
- Any sort/rework charges incurred by the Division
- Related transportation expenses
- Any costs incurred by Magna for disruption of our customers
- Costs associated with the disposition/return of unapproved or unauthorized material sent by the supplier
- Costs incurred by Magna associated with customer recalls or product failures, caused by non-conformance

Controlled Shipping

When directed by Magna, suppliers may need to certify product after a lot rejection has occurred. Usually, two types of controlled shipping actions are employed when this situation occurs:

- Supplier conducted sort and certification of subsequent part shipments, and
- Third party sorting and certification

All controlled shipping actions are the responsibility of the supplier to coordinate and manage. Any third-party arrangements, not specifically directed by Magna, must be reviewed and approved by the procuring Magna division. Continued part supply to Magna must meet released quantities and without supply interruption.
The supplier and the Magna division will agree on the method to be used to identify all certified material.

4.4 ENGINEERING CHANGES & DEVIATIONS

All proposed changes with any potential impact on design or the manufacturing process (including changes at your sub-suppliers) must be submitted to the appropriate Magna division for approval, prior to implementation. Suppliers are not authorized to make changes without documented, written approval from Magna. Supplier must ensure that all supporting documentation is updated accordingly and may be subject to a PPAP submission.

Deviation approvals by Magna must be documented and approved in the format used by the procuring division, and are limited to a determined quantity of parts or duration of shipment. Suppliers are expected to effectively manage deviation expiry dates and must apply for any necessary extensions prior to the expiry of current deviations. Suppliers must be able to support any of Magna's customer-specific documentation required as part of the implementation of proposed changes. Suppliers must also allow sufficient time to complete all required approvals at Magna, and at our affected customer. Implementation of changes prior to final approval can result in:

- Loss of Customer status/designations
- Exposure to containment costs to secure all unapproved materials
- Mandate to return to previous level/design materials, and associated scrap costs
- Loss of future business

Suppliers must have documented approval prior to shipping any material or product for which a deviation from specification is required.

Initial shipment of all modified product, following implementation of the approved deviation, must be clearly identified as directed by the appropriate Magna division.

4.5 WARRANTY

A primary focus of Magna's OEM Customers is expenses attributed to product performance after vehicle sale. Financial liability associated with warranty is more significant now due to consumer awareness and extended warranty coverage.

OEM Customers have stipulated that warranty costs will be shared with their supply base. As such, suppliers will be expected to participate in warranty activities including:

- Warranty returns reviews/analysis
- Improvement actions
- Warranty cost responsibility

When a supplier's component is implicated in a warranty, campaign or recall issue, with financial consequences to Magna based on Magna's customers' warranty or recall policies, the supplier must be prepared to accept these costs. The costs for which a supplier shall be responsible shall be determined by Magna Purchase Order Terms & Conditions, and in conjunction with your procuring division, and will be recovered in compliance with the Magna Purchase Order Terms and Conditions.

5. MATERIALS & LOGISTICS

5.1 PACKAGING

Suppliers are required to adhere to Packaging Guidelines as defined by the AIAG Standards and Global REACH requirements. In some cases Magna divisions have defined specific packaging requirements in support of automated assembly and manufacturing processes. Special packaging and labeling requirements, in support of specific Product Launch activity, may be requested by a division. In the event that special packaging is required, design and approval will be managed as part of our overall APQP Program Delivery Process.

In preparation for product launch, packaging approval must be obtained from the Magna procuring division prior to a line Run @ Rate, in order to ensure planned packaging fits with the divisional assembly line and assembly practices. Typically, a signed approval must be submitted with the PPAP submission. Packaging that will be used to support service requirements, also requires the approval of Magna.

A completed Supplier Packaging Form must be submitted to the Magna division, for approval of all new packaging or proposed changes to existing packaging. Approval must be granted prior to the first production shipment.

All suppliers supplying goods to Magna, that are considered to be "controlled" under the Workplace Hazardous Material Information System (WHMIS), must comply with appropriate legislated regulations for packaging and shipping, including MSDS documentation. No material requiring MSDS approval shall be shipped, without approval. All solid wood packaging/pallets and crates must comply with the International Plant Protection Convention Standard ISPM #15.

Suppliers are responsible for the removal of all expired labels and debris from containers prior to packaging new material. Suppliers are responsible for ensuring that all containers are clean and that all functional gates or hinges are operational and safe.

Any inquiries regarding packaging and all requests for changes to approved packaging must be submitted to the appropriate personnel at the procuring division.

5.2 LABELLING & LOT TRACEABILITY

All materials for prototype or production consumption, shipped to divisions of Magna, must be identified with labeling containing both human-readable text / graphics, and machine-readable, bar coded symbols.

These materials shall contain, as applicable: container labels, master labels, mixed load labels, primary metals labels, and part labels if specified by design records or specifications. All labels must be legible and able to be scanned, in compliance to AIAG Standards or standards designated by the Division.

Characters and symbols shall comply with the requirements of AIAG, B-8 standard – Quality Assurance Guide for Shipping Labels and Other Bar Code Applications.

Parts Shipping labels (container, master, and mixed load), shall comply with the layout formats defined in the AIAG, B-3 standard – Parts Shipping Label. Custom formats may be specified by a Magna division via a Customer Compliance Specification Sheet. Primary Metals labels shall comply with the layout format defined in the AIAG, B-5 standard – Primary Metals.

Part labels shall comply with the requirements defined in the AIAG, B-4 standard – Parts Identification and Tracking Application Standard, unless otherwise specified by design records or division specific requirements.

Label placement, orientation, quality and quantities shall follow the guidelines contained in the AIAG, B10 standard – Trading Partner Labels Implementation Guide, unless otherwise specified by division specific requirements. Barcodes shall be type Code 3 of 9 (Code 39) and shall conform to the standards published by the Automotive Industry Action Group standard (AIAG-B1). B-10 Label specification.

The supplier shall follow the traceability method as determined by the procuring Magna division (e.g. date and shift of manufacture along with sequential processing number). In some cases the component may be critical enough so as to warrant part identification; these instances will be communicated through the appropriate quality and engineering groups unless superseded by the procuring division.

A lot should contain a specific quantity of parts, and should not exceed eight hours or one day of production, at a maximum. In the event of certain commodity-based material, methods such as “dye lots” or steel coils will be acceptable. For approval of a traceability method exceeding 8 hours, or one shift of production, the division’s quality group must be contacted. The supplier shall ensure implementation and management of an effective FIFO method of stock rotation.

Failure to comply with traceability requirements may lead to rejection of material and issuance of non-conforming material reports. Traceability Records shall be maintained and accessible for the life of the product, including Service, plus one year. Certain traceability record retention deviations can be obtained only if received in writing from your procuring division.

5.3 MATERIALS PLANNING AND FORECASTING

The nature of the manufacturing and assembly processes, within our divisions, varies greatly. Based on the complexity of the manufacturing process, as well as the location and distribution of the supply base, each division has unique materials planning requirements. Logistics and scheduling are division-dependent and the Supplier should contact the Purchasing and Materials Groups at the procuring division, for details.

Suppliers will be issued production material requirements and forecasts, weekly at a minimum, or as need dictates. Schedules will be communicated through a variety of options including FAX, e-mail or Electronic Data Interchange (EDI). Each division will dictate the method of communication. It is the responsibility of the Supplier to immediately contact the responsible division in the event they are unable to meet all requirements for delivery date, time, quantity and quality or if the supplier has not received weekly release.

Suppliers must respond to all Material Releases received from Magna in order to ensure their own supply of components and materials can support division demands. During critical stages, such as Product Ramp or Product Launch, suppliers shall meet all release demands necessary to support system fill and launch. If the product or component is not fully approved (PPAP) suppliers must receive written authorization or an approved interim Part Submission Warrant (PSW) from the appropriate divisional personnel, prior to shipment. If the Supplier has not received such authorization, they shall elevate immediately, to the procuring division's Materials Management organization, in order to ensure support of system fill and launch. Under no circumstances should unapproved material be shipped without proper, signed authorization.

Material forecasting information will be communicated to the suppliers through their weekly scheduled releases. While this information is an indication of future material requirements, it is for the supplier's planning purposes only and does not constitute a binding release authorization on the part of Magna.

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

Contingency Planning

Suppliers need to maintain an effective contingency plan, in order to mitigate undue risk to Magna, in the event of a supplier's utility or labour disruption, equipment or logistics failure. The intent of the contingency plan is to reasonably protect the procuring division from disruption of supply in the event of an emergency. Suppliers who are shipping to Magna from a unionized facility are required to submit a strike plan at least 3 months (unless otherwise stipulated by Magna) prior to contract expiry, detailing plans to meet material commitments in the event of a labour disruption.

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

5.4 TRANSPORTATION, SCHEDULES & ROUTING

It is important that our suppliers are aware of transportation and delivery requirements, as it is one of the key performance metrics upon which they will be assessed. Magna supports the industry initiative of inventory reduction, recognizing however the importance this places on accurate and timely delivery of quality product, while also ensuring no customer production interruptions. It is our expectation that suppliers will deliver 100% on time to our locations, in compliance to schedules.

In an effort to support JIT delivery, we expect our suppliers to constantly strive to reduce lead times with their suppliers, improve flexibility and minimize changeover times. If necessary to support JIT schedules, the supplier may be asked to support local warehousing.
All appropriate scheduling, routing, and delivery requirements will be communicated early in program award, typically through the Supplier Statement of Work or similar documentation used by the applicable division. All transportation arrangements and requirements should be signed and agreed to by both organizations.

Suppliers may receive routing information including transportation method, pick-up and delivery window times as communicated by the Magna division you are working with. Your procuring division will make certain that all transportation and routing details are clearly specified. Suppliers must question any ambiguous or unclear instructions. Unauthorized deviations from these routing instructions may result in a debit to the supplier for any incurred excess freight charges, including resultant administrative charges.

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

C-TPAT/PIP and NAFTA/Customs Compliance

Suppliers to any Magna facility shall cooperate with Magna in support of compliance to requirements of the US Customs and Border Protection and Canada Border Services Agency joint security program known as the Customs-Trade Partnership Against Terrorism (C-TPAT) and Partners in Protection (PIP).

http://www.cbp.gov/xp/cgov/trade/cargo_security/ctpat/
http://www.cbsa-asfc.gc.ca/security-securite/pip-pep/menu-eng.html

Suppliers, who are currently registered to C-TPAT or PIP, must complete the appropriate sections of the **Magna C-TPAT/PIP Security Questionnaire**, available at http://supplier.magna.com. Suppliers who are not currently registered to C-TPAT or PIP must complete the entire questionnaire. All suppliers must post the appropriately completed questionnaires to their supplier record, in Magna's Supplier Portal (http://supplier.magna.com). Suppliers must provide an updated Security Questionnaire on an annual basis. Failure to complete or post the questionnaire may affect a supplier's rating and have potential impact on future business opportunities.

Shipments that cross international borders should ensure that the truck container shipments have a high security seal that meets or exceeds the standards outlined in ISO/PAS 17712. The seal number must be included on the supplier's ASN for production and service shipments.

Suppliers within the North American NAFTA region must complete the NAFTA Certificate of Origin, as directed by your procuring division(s). Suppliers outside the North American NAFTA region must complete a Statement of Origin, as directed by your procuring division(s). Both the NAFTA Certificate of Origin and the Statement of Origin are available at http://supplier.magna.com. Suppliers requiring assistance in completing these documents can reference instructions posted at http://supplier.magna.com. At times, other documents may be requested to fulfill our obligations under the North American Free Trade Agreement. All completed documents shall be submitted as per direction from your procuring division(s). It is your responsibility, as a supplier, to notify your procuring division(s) within thirty (30) days of any change in the NAFTA status of a procured good. Failure to complete the requested documents, or advise of a change in NAFTA status, may affect your rating and have potential impact on future business opportunities.

It is also expected that suppliers maintain sufficient and required expertise to ensure, in partnership with Magna, all necessary NAFTA and Customs Compliance regulations and documentation.

http://www.cbsa-asfc.gc.ca/trade-commerce/tariff-tarif/ (Canada)
http://www.cbsa-asfc.gc.ca/publications/pub/bsf5083-eng.html (Canada)
http://www.usitc.gov/tata/hts/bychapter/index.htm (United States)
http://www.cbp.gov/xp/cgov/trade/trade_programs/international_agreements/free_trade/nafta/verification_audit_manual/ (United States)

5.5 DOCUMENTATION

Prior to each shipment, an Advance Shipping Notice (ASN) must be sent to the Material Planner, or appropriate divisional contact. In the event of a known shortage or late shipment, the supplier shall contact the appropriate Magna division and advise of the shortage or late shipment. The supplier shall also indicate the anticipated time of delivery of the expedited material required to complete the original schedule. This notification is critical in allowing communication to production and, if necessary, to a Magna Customer.

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

Suppliers must ensure that all material shipped is identified on a Packing Slip or Bill of Lading. While individual division specifications may differ, the information typically required includes:

- Shipment date
- Invoice/Packing Slip number
- Address Sold to
- Address Shipped to
- Individual line item for each part number shipped

• Part Number and Part Description
• Purchase Order number, for each part number
• Order release number
• Quantity ordered & Quantity shipped
• Number of cartons/skids/containers shipped
• Total number of cartons/skids/weight

5.6 MATERIALS MANAGEMENT OPERATIONS GUIDELINES (MMOG)

The "M-7: Global Materials Management Operations Guideline Logistics Evaluation (MMOG/LE)" guidelines were developed to reduce the time and work required by suppliers and customers to determine materials process compliance.
Using the guidelines, suppliers complete a self-assessment and receive "A," "B," or "C" ratings based on their compliance. While deficiency in one or more critical areas automatically earns a "C" rating, the MMOG/LE guide automatically develops an action plan to allow companies to address deficiencies and drive continuous improvement.

Suppliers shall complete the MMOG assessment if requested to do so, by their procuring division. Suppliers unfamiliar with MMOG shall contact the appropriate division, for assistance.

6. SUPPLIER PERFORMANCE

6.1 SUPPLIER PERFORMANCE REPORTING

Supplier performance and overall status is monitored via Magna's Spend Database, as well as through group or division-specific reports. Group and division-specific reports may be available through local Purchasing or Quality departmental contacts. Refer to the Group-specific addendums of this manual to identify specific metrics and scorecard information.

6.2 OPERATIONAL RATING CRITERIA

Operational performance will be measured on Quality and Delivery criteria such as, but not exclusive to, the following:

Quality

- Quality defect rate (e.g. PPM)
- Number of quality incidents (IPM) and number of repeat incidents
- Responsiveness to incidents, including timing and quality of response
- Original Equipment Manufacturer (OEM Customer) pass-through issues
- Quality Management System compliance to ISO9001 and TS16949
- Production Part Approval Process (PPAP) performance
- Special status Customer notification (CS-1, CS-2, Yard Holds etc.)
- Violation of Magna's Communication-Notification requirements Section 1.2 (e.g. failure to notify another Magna division of a known product non-conformance)

Delivery

- On-time delivery performance
- Magna or OEM line interruptions
- Failure to meet scheduled service requirements
- Compliance to delivery information records such as ASN, shipping records, labels, etc.
- Premium/expedited shipments

6.3 CONTINUOUS IMPROVEMENT

Suppliers are expected to establish continuous improvement targets and use all appropriate data to drive continuous improvement and improve customer satisfaction. Therefore, suppliers are expected to incorporate rating results into measurement, analysis and improvement processes of their Quality Management System.

Supplier performance is monitored closely and is a key component of sourcing decisions. Suppliers exhibiting elevated operational risk levels due to chronic performance issues, or systemic deterioration of key performance metrics, may be requested to attend a Supplier Performance Review meeting with Magna. It will be incumbent upon the supplier, to present to divisional and/or corporate Magna management, the supplier's plan to address the systemic drivers contributing to deteriorating or unacceptable performance levels.

RECORD OF REVISIONS

Old Revision Level	*New Revision Level*	*Page #*	*Description of Change*
NA	10-01-2010	ALL	Initial release
10-01-2010	11-07-2011	ALL	References to e-RFX changed to http://supplier.magna.com
		16, 17	C-TPAT/PIP and NAFTA requirements updated
		18	Supplier performance in e-RFX removed