

Magna Global Supplier Operational Requirements

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As part of an increasingly competitive and demanding industry, Magna has a diversified, global supply chain that supports our global operations and, ultimately, our OEM Customers. Magna is constantly innovating and improving, and with our focus on delivering superior value to our Customers, we will continue to work with competitive suppliers who are similarly focused on quality and innovation.

We recognize that our supply chain is an integral part of what we do, and we are committed to continue to standardize many of our supply chain management processes and systems. As part of that effort, this Global Supplier Operational Requirements Manual (GSOR) is a fundamental component helping define our business relationship with our suppliers, through definition of key manufacturing, logistics and quality requirements. Additional supplier requirements related to ESG (Environmental, Social and Governance) will be communicated separately to our supply base. Existing ESG requirements and expectations can be found in our Supplier Code of Conduct & Ethics and Global Labor Standards at https://www.magna.com/company/suppliers. Future additional ESG requirements will also be posted on this same site.

This Global Supplier Operational Requirements Manual defines Magna's operational requirements on behalf of all global manufacturing locations. There may be additional, customer/Division specific requirements that are also required at a Division level, which may be more detailed or stringent than requirements defined in the GSOR, and suppliers are expected to comply with both sets of requirements. Every attempt has been made to ensure that requirements in this Manual and requirements defined by a Division level document, are not in conflict. If such conflict does in fact occur, you are expected to contact your local Division representative who will work to ensure resolution of that conflict.

Our suppliers are important to Magna, and we will continue to strive to ensure a relationship of mutual respect and benefit, and we thank you for your support.

Purchasing and Supplier Requirements
Magna International

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1.0 Introduction

The expectations, requirements and standards defined within this manual are applicable to all suppliers providing materials, products, and services to any Magna manufacturing facility. This includes suppliers of direct materials and, as appropriate, indirect 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. The requirements as detailed in this manual define basic requirements and are supplemental to requirements as defined within the latest ISO 9001, and IATF and VDA Standards, and any specific requirements as communicated by your procuring division. The latest version of this manual will be posted on the Magna website supplier portal (https://www.magna.com/company/suppliers) or the eRFX portal (Magna Supplier Portal), and the Magna Quality Platform – QPF (https://qpf.magna.com). Suppliers must review any one of these sites on a regular basis to ensure they have the most recent version available. Suppliers must have access to eRFX (Magna Supplier Portal) and to QPF (https://qpf.magna.com). All suppliers must register and maintain a valid Quality, Sales, and Financial contact in eRFX. Failure to maintain proper contact information may impact your scorecard and supplier rating.

1.1 The Magna-Supplier Relationship

Magna is committed to maintaining its position as a global leader within the automotive and mobility sectors 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. Magna is committed to a zero PPM strategy and expects all suppliers to support this strategy and manage their own operations, similarly. 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 GSOR Manual outlines the fundamental operational requirements for all suppliers to Magna International's global operations. The Quality Systems requirements have been aligned across all our global manufacturing sites, to the greatest extent possible. In addition to the requirements defined in this document, there may be additional Division standards applicable to the Magna operating Group(s) with which you conduct

business. The quality and delivery requirements defined herein are to be considered an addendum to the Purchase Order and Terms & Conditions issued to all Suppliers and do not replace or alter the terms and conditions covered by these purchasing documents, the Statement of Work (SOW) or warranty agreements. Suppliers are also expected to comply with any terms and conditions imposed on Magna, by the Customer to whom the final products are ultimately being shipped. This includes compliance with any specific forms or documents specified by any global Customer of Magna. Suppliers to Magna are also expected to manage their sub-tier suppliers of products and services to ensure compliance to the requirements defined within this manual, Magna Purchasing Terms & Conditions, Magna's Supplier Code of Conduct and Ethics, Magna's Global Sourcing Policy, latest global automotive industry standards and any additional Customer or Division specific requirements.

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 Magna's Customer(s), 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 changes, manufacturing process changes, and all changes in process related to any 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, or more
    - Tooling refurbishment/replacement
    - Proposed use of new manufacturing equipment
    - Tooling transfer (re-source)
    - Packaging changes
4. Any potential manufacturing/quality issues, including suspension, revocation or withdrawal of Quality Management Systems certification status.
5. Any potential supply and/or capacity issues.
6. Changes to sub-suppliers of raw material, components, or services.
7. Information Technology (IT) or supporting system changes that might impact production or shipment of product to Magna.
8. Organizational changes with the potential for impact on manufacture or supply of product to Magna.
9. Changes to ownership structure.

Suppliers will support all tests, validations, approvals, and submissions required as a result of product or process changes, as defined by, but not limited to AIAG PPAP requirements, VDA Vol. 2 Trigger Matrix of Part History or any other submission requirements as directed by Magna. Suppliers cannot charge for samples or testing resulting from supplier related or requested changes, unless approved, in writing by Magna.

Suppliers must be proactive in their communication with their Magna customers (Reference Section 4.4) and all intended changes must be communicated to Magna, prior to proceeding with those changes. 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 and/or IATF Registrar will be contacted and asked to conduct any necessary investigations or assessments. In the absence of proactive communication of potential changes, any costs incurred by Magna as a result of late notification or insufficient lead time, from the supplier, will be the responsibility of the supplier and will be charged to the supplier, as appropriate. Continued non-compliance may lead to loss of business.

1.3 Continuity of Supply

Suppliers are required to have well defined business contingency plans in place to ensure continuity of supply in the event of disruption to their operations and/or supply of materials, as a result of man-made events, natural disasters, utility or labour disruptions, equipment or logistics failures or interruptions, or disruptions/attacks on information technology systems. These contingency plans shall be reviewed on a regular basis, or annually at minimum. Suppliers shall immediately notify all Magna Divisions to which they ship product, the moment they become aware of any potential supply disruption. Should production interruptions be of an extended nature, requiring a full or partial stoppage in production, we expect suppliers to conduct and document thorough shutdown and startup procedures. Magna retains the right to request copies of shutdown/startup checklists or audits, as deemed necessary by our own risk mitigation processes.

Each supplier to Magna shall identify an individual from the supplier's manufacturing location, with sufficient authority to assume responsibility for dealing with any product quality and/or delivery related issues that may impact Magna or Magna's Customers. The identified contact needs to be available at any time such issues arise. Contact information shall be made available to the Magna Division being supplied, or uploaded in the appropriate database(s), as directed by Magna. In the absence of a specially designated contact, the Quality contact, registered in eRFX, will be assumed to have sufficient authority.

1.4 Corporate Social Responsibility/Sustainability

Suppliers shall comply with all Environmental, Social and Governance (ESG) requirements as directed by Magna and as defined within this Global Supply Chain Operational Requirements Manual, Magna Purchasing Terms and Conditions and as specified and detailed on the supplier page of Magna's public website (https://www.magna.com/company/suppliers). Suppliers are required to support any requests for ESG related information that are communicated including, but not limited to, requests related to the Carbon Disclosure Project (CDP) data, and supplier Self-Assessment Questionnaire (SAQ), as well as other Environmental, Social and Governance requirements as listed and detailed on the Supplier page of the Magna website. Recognizing that Environmental, Social and Governance requirements will continue to evolve, it is the responsibility of our suppliers to ensure that they are aware of the latest ESG requirements, by regularly reviewing the Supplier page at https://www.magna.com/company/suppliers. Compliance to Magna ESG requirements will be monitored and compliance and performance will be reflected in the Magna Supplier Scorecard. Failure to comply, or violation to Magna ESG policies may result in prevention of new business, or loss of existing business as determined by the nature and severity of such violation or non-conformance.

2. Leadership & The Organization

2.1 Supplier Qualifications

All direct material suppliers must have a valid DUNS number as issued by Dun & Bradstreet and, as applicable by region, a valid VAT or HST number. DUNS numbers are validated by Magna, and misrepresentation could disqualify you from Magna business. Suppliers of indirect materials and services may also require a DUNS number, as directed by your procuring Division.

Any suppliers shipping to any Magna group must be registered in both eRFX (Magna Supplier Portal) and QPF (https://qpf.magna.com/). This includes all suppliers that are directed to Magna, by any of our OEM Customers. Suppliers registering in these databases must complete all information fields profiling applicable business systems, commodity capabilities and identifying key contact personnel. When registering in eRFX, suppliers will be required to register one Quality contact, one Sales contact and one Financial contact, at minimum. If a supplier has multiple manufacturing sites with applicable unique DUNS identification, each manufacturing DUNS site is required to register in the appropriate database. Suppliers are required to maintain information in the database to ensure it remains current. At a minimum, data must be reviewed and, if necessary, updated at least annually. Maintaining current information is critical as these global databases are accessible to all Magna buyers and quality personnel, in each global region where we have operations. The eRFX and QPF platforms are also used

during the supplier assessment and supplier sourcing processes. Key performance metrics and supplier ratings are also communicated via these databases.

Suppliers to Magna must also meet key operational, financial, and quality criteria, which combined determine a supplier's status. These metrics are reviewed on a regular basis and assist in development of Magna's overall purchasing strategies, while at the same time driving Magna's supplier development processes.

2.2 Certifications

A supplier's top management shall demonstrate leadership and commitment to their quality management system, and they are ultimately accountable for the overall effectiveness of that system. Top management is responsible to ensure that risk-based thinking is evident and effective in all aspects of a supplier's management system. To ensure this, management's responsibilities should include:

- Conducting contingency planning reviews
- Identify and support process owners
- Support and participate in the escalation process related to all safety relevant products and processes
- Ensure achievement of customer quality targets and performance requirements
- Implement corporate responsibility initiatives dealing with all required ESG initiatives and requirements

Magna's goal is for all suppliers of materials and services, producing or affecting direct production material, to become certified to IATF 16949. At minimum, all suppliers of direct production material to Magna, must demonstrate conformity to the latest IATF 16949 Standard, and to other standards that might be directed by the procuring Division(s) including, but not limited to VDA, CCC, ISO 17025, ISO 45001, ISO/IEC 27001, TISAX/TPISR, ISO 26262 and ISO 15504-5 Automotive SPICE, latest revision of IPC-A-610, latest revision of DIN EN 61430 and ANSI/ESD S20.20. Suppliers who are not certified to IATF 16949 must, at a minimum, be certified to the latest ISO 9001 standard and comply with the "Minimum Automotive Quality Management System Requirements for Sub-Tier Suppliers" (Magna MAQMSR). Demonstration of compliance will be validated through a supplier's Operational Performance and/or the absence of any major or systemic issues. A supplier's compliance may also be validated through the completion of an annual MAQMSR on-site or self-audit.

Depending on the supplier's Operational Performance, Customer Specific Requirements, or other risk-based criteria (ie new program launch, warranty, etc.), suppliers may be subject to an onsite annual management system audit by a qualified Magna or 3rd party auditor. Both Audits will be conducted in Magna's QPF system. (https://qpf.magna.com). Should any existing certification expire, be revoked, or be placed in suspension or probation, the supplier must immediately contact every Magna Division to which the supplier ships product, notifying them of the change in certification

status. Any suspension in certification status must be reported to all applicable Magna Divisions within 5 working days. Suppliers who falsify any certification status or reporting, including forged documentation or use of non-accredited registrars, will immediately be placed on business hold with Magna International, and may lose any existing business as deemed necessary.

Suppliers shall also maintain all required CQI Assessments, as defined by their processes (Ref. http://www.aiag.org) and all applicable FMVSS, ECE, CMVSS or CCC Standards, including but not limited to FMVSS 302 (Flammability reporting) requirements, in support of applicable OE Customer-specific requirements (Ref. http://www.iatfglobaloversight.org/). CQI Assessments need to be renewed on an annual basis, as determined by the latest date of completion. Suppliers shall nominate a product safety representative for each applicable manufacturing location. The product safety representative must register in eRFX and should be designated as the “Product Safety Responsible” contact. If a supplier does not have a Product Safety Representative, the registered Quality Contact shall be deemed to have full authority and responsibility to act on behalf of the supplier, in all product safety related activities.

Suppliers shall establish and maintain a documented process to ensure identification of training needs and documentation showing achieved competence levels for all personnel performing activities affecting conformity to product and process requirements. This shall include documented verification of competence for personnel conducting internal audits, including Quality Management System audits and applicable CQI assessments.

In addition to direct material suppliers the scope of these requirements applies to suppliers of subassembly, sequencing, sorting and re-work (either on-site or at a remote location) and services. 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 of service parts, components or assemblies must comply with the AIAG Service Parts Production Approval Process (Service PPAP).

Suppliers shall post, and update all applicable certifications based on notifications received from the eRFX system.

Failure to upload required or renewed certifications will result in a penalty to your supplier scorecard and could impact future business.

Cyber and Information Security

Suppliers must have systems and procedures in place to protect computers, servers, mobile devices, electronic systems, networks, and data from any form of malicious attack.

Suppliers must have procedures in place, detailing response to any attempted or actual cyber-attack. These procedures must include immediate notification to Magna, for any potential impact to Magna data or business.

With the ever-increasing dependence on electronic systems and communications, and in recognition of the ever-increasing threats to information protection and security, all suppliers are encouraged to become certified to ISO/IEC 27000.

Magna is working to be a leader in the area of cyber/information security, and it is important that all identified confidential information such as, but not limited to, specifications, design and engineering data and other critical information, is managed and maintained in a secure environment. In addition to appropriate protection of technical and product information and data, all necessary steps shall be taken to ensure protection of personal information and data related to a supplier's employees, as well as personal data of Magna employees connected with any of our on-line platforms and systems.

TISAX (Trusted Information Security Assessment Exchange) (www.tisax.org) and TPISR (Third Party Information Security Requirements) (https://www.aiag.org/supply-chain-management/cybersecurity) define industry standards for information security and establish assessment requirements to ensure globally harmonized levels of information security.

As determined by the nature and need for protection of information and data, suppliers shall be able to demonstrate adequate safeguards and appropriate levels of information and cyber security. Specific cyber security requirements such as TISAX certification, TPISR, or any other mandated OE Customer specific Cybersecurity requirements will be directed by your procuring Division.

2.3 Supplier Assessments

Magna reserves the right to review and assess a supplier's financial, operational, information and IT security, quality, environmental and Health & Safety systems, for the purposes of validating compliance to standards established by applicable ISO, IATF, VDA 6.3 Standards, OE Customer Specific Requirements 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 suppliers, including Customer-designated or Customer-directed, are expected to provide, upon reasonable notice, access to their facility as well as those of sub-tier suppliers, as

necessary. Following notification of a requested assessment, suppliers are expected to acknowledge and respond to such request, within 30 days. All appropriate measures will be taken to protect confidentiality of operational and financial information.

Assessment results are intended for verification of applicable ISO, IATF, VDA and applicable Customer Specific Requirements and in no way reduce or negate responsibility to meet specific regulatory, health and safety or other legal requirements applicable to the supplier.

3.0 Operation – Design & Development Planning

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(s), all PPAP submissions shall be as per Level 3 requirements, at minimum. As determined by Magna's customer and upon request by Magna, suppliers must additionally meet submission requirements as per the current version of VDA2.

Suppliers shall ensure a multi-disciplinary approach is used throughout the product life cycle, and most especially through the design and development planning process. Suppliers shall conduct all necessary and prescribed activities to ensure clarity of all customer and Group-specific 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 shall conduct and document detailed feasibility reviews to ensure all technical, manufacturing, performance, specification, certification (homologation) and timing requirements can be supported. Suppliers shall submit such feasibility reviews to Magna, upon request. In cases where product certification (homologation) is required, the supplier is responsible for ensuring completion of all homologation specifications and requirements. Responsibilities shall be mutually agreed upon prior to the start of any certification activity. Suppliers will ensure that resources are available and able to communicate effectively, 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(s) and will maintain and review timelines on a regular basis.

The supplier shall have a documented sourcing process, for all sub-tier suppliers affecting customer requirements. The sourcing process shall include a risk analysis that takes into consideration any available past performance data, overall risk analysis (commodity, geography, financial stability, technology, supply interruption, manufacturing capability, etc.) of sub-tier suppliers. The risk analysis shall also include an evaluation of the sub-tier supplier's Quality Management System. Suppliers shall have similar requirements, as defined in this document, in place for all sub-tier suppliers. Upon request from Magna, suppliers shall provide any relevant information impacting upon product compliance or performance, including full transparency through the applicable sub-tier supply chain.

As defined specifically by the Magna group or Division involved, suppliers must have the ability to securely communicate CAD data, as required. The supplier shall have adequate safeguards in place to prevent any improper use or communication of this data.

Suppliers are expected to use all appropriate tools in the product and process planning phase including, but not limited to:

- Geometric dimensioning & tolerancing (GD&T)
- Design for manufacturing & assembly (DFMA)
- Design of experiments (DOE)
- Simulation & Modelling
- Failure Modes & Effects (FMEA)
- Finite Element Analysis (FEA)

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

As part of their risk analysis, suppliers will work with the appropriate Magna Division(s) to ensure definition of key program deliverables, including at minimum:

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

- Review of past warranty, field return or product recall 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, rework and scrap 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). All related sub-tier documentation shall be available for review, by Magna, upon request.

Special attention shall be given to all Customer attach or interface points on the final product and to critical processes such as, but not limited to heat treating, plating, coating, soldering, welding, 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. Suppliers with design responsibility shall ensure all personnel with design responsibility are competent in all applicable tools and techniques, as identified by the supplier. 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(s).

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(s).

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 groups 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 as defined by AIAG PPAP or the most current version of VDA2 requirements. PPAP approval will not be signed off without completion and signing of Magna approved bailment documentation (including bailment receipts incorporating pictures of tooling, gauges and test fixtures, and associated tagging or identification) reflecting the rights of Magna and its Customer in goods, including tooling, which are placed in Supplier's care and custody. At any time, following notification to the supplier, Magna reserves the right to complete an on-site inspection of tooling owned by any Magna Customer directly, or by Magna.

Payment terms may differ within various Magna groups, and suppliers need to make certain that they reference any applicable tooling purchase order(s) 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. The supplier shall use a multi-disciplinary approach for risk identification and mitigation in developing and improving plant, facility and equipment plans. 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 Magna prior to production approval and launch. When a FMEA has a severity or 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 and detection actions, regardless of the Risk Priority Number/Level (RPN/RPL). 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 enough 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 Magna, prior to the change taking place. These changes must subsequently be approved in writing, by Magna, prior to implementation.

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

3.6 Product & Process Validation

The Production Part Approval Process (PPAP) shall apply to all suppliers supplying production parts, service parts, production materials or bulk materials. Bulk material PPAP is not required unless specified by the procuring Magna division. Suppliers supplying service parts shall comply with PPAP requirements unless such requirement is waived, in writing, by the procuring Magna division.

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 in writing by the procuring Magna Division. Final production approval will require completion of all AIAG/VDA prescribed activities including component part dimensions, material certifications (as defined by procuring Division) and all approved supporting documents, and any additional requirements that may be defined by your procuring Magna Division. Deviations required to be part of a PPAP/EMPB submission package, must be approved in writing by the procuring Magna Division, prior to PPAP submission. Unless otherwise specified by Magna, all level 3 requirements as detailed in the AIAG PPAP Manual, or as agreed upon per VDA2, must be met. If applicable, suppliers must meet submission requirements according to VDA2 specification agreed upon. 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, up to 15% above quoted production volumes, or as defined by Magna, and using the procuring Division’s process and form. Process validation run-at-rate must account for the highest level of part complexity and accommodate assumed scrap or defective product rejection rates. Successful run-at-rate must meet statistical capability requirements as defined through technical, AIAG/VDA standards, or as approved, in writing, by Magna. For PPAP of new or modified parts, the supplier must submit correct and complete Material Data Sheets (MDS) in IMDS. The PPAP Warrant/Initial Sample Inspection Report must include the version number and the ID number of the MDS approved by Magna. Failure to comply may result in a delay of PPAP approval and subsequent payment of tooling funds. For

IMDS assistance, contact the IMDS Helpdesk at imds@magna.com or the contact numbers listed within the IMDS site at www.mdsystem.com. For assistance with the CAMDS system, contact the corresponding CAMDS support within the CAMDS site, at www.camds.com. Final approval will be determined by the procuring Division. Suppliers are also expected to develop and implement detailed launch readiness reviews.

All product characteristics, as identified by Magna or its OE Customer, affecting design, manufacture, assembly, fit or function (including future/subsequent processing), 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 short and long term capability, as defined by Magna. Customer designated special characteristics, as identified by Magna or its OE Customer, affecting safety or compliance with regulations, must be validated to have acceptable short and long term capability, and must be controlled through acceptable statistical process control methods. As determined by Magna's OE Customer(s) and as directed by your procuring Division, all FMEA items with a severity score of 8, or higher, must be controlled through appropriate error/mistake proofing.

As dictated by IATF 16949 Customer Specific Requirements, and unless otherwise directed by Magna, Suppliers must complete annual revalidation to the technical specifications and submission level as determined by their procuring Division(s).

In the absence of specific direction from Magna, suppliers must complete an annual revalidation and submit the ISIR/PSW to the procuring Magna Division. Any reduction in validation requirements must support applicable OEM requirements and can only be at the direction of Magna. Suppliers cannot charge for annual validations, unless specifically agreed to, in writing, by the Magna Division requesting the validation.

Reference samples must be provided at no cost, for any product requiring surface finish or appearance requirements. These samples shall be taken from a production run made under serial production conditions. Suppliers shall provide the number of samples required by Magna and all samples must be regarded as controlled samples, along with approval signatures and expiry dates, if applicable. Samples will represent the minimal acceptance standards.

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, or Safe 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, in writing, 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 90 days of production (whichever is more stringent).

Suppliers shall not proceed with shipments of production material without full PPAP approval, unless an approved waiver, deviation or interim approval has been granted in writing by Magna. Suppliers can only ship the volume of parts, or for the duration of time specified by the interim approval.

4. Operation – Control of 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 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 along 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 be calibrated annually, at a minimum. Any lesser frequency of calibration must be supported by appropriate MSA data and in consideration of any risk presented by the manufacturing environment or use of the equipment. Such data must be made available to Magna, upon request. Any lesser frequency of calibration of measurement and test equipment must be approved, in writing, by Magna. 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 IATF 16949 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, by an accreditation body of the ILAC MRA (International Laboratory Accreditation Forum Mutual Recognition Arrangement).

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(s).

Record Retention

Suppliers are expected to maintain applicable retention periods as specified in IATF 16949 latest edition standard, unless subject to longer retention periods in compliance with all applicable legal, governmental or Customer specific requirements, pursuant to requirements communicated in writing by the procuring Magna Division(s). Records must be stored in a location and/or environment that protects against inadvertent destruction.

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(s). 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 IATF 16949 requirements.

Suppliers must validate compliance to product and process requirements on a regular basis. This can be accomplished through layered process audits (Ref. CQI-8 LPA Guidelines), systems self-audits or similar methods of verification. Records of such audits shall be immediately available for review when requested by Magna.

4.3 Non-Conformance & Corrective Action

Nonconformance notices will be issued upon discovery of any defective product identified at any Magna operating site. Nonconformance notices will be issued for materials or logistics noncompliance issues. The nonconformance process is typically managed through the following procedure:

- Supplier will be notified of the concern, through the QPF system. All relevant containment actions must be initiated immediately and remain in place until corrective action has been reviewed and approved by Magna. Unless otherwise specified, initial response to the nonconformance must be completed within 24 hours of notification. The 24 hour response is one of the metrics in the supplier scorecard.
- Upon notification, the supplier shall initiate the Corrective Action Report (CAR) and any other supporting documentation as directed by the procuring Division(s). The initial CAR, detailing root cause and corrective action must be submitted to the Magna procuring Division within 5 days, unless otherwise specified by Magna. Validation and closure will be determined by the procuring division
- Suppliers shall assess the risk of any reported non-conformance for potential impact at any other Magna location, globally, that they ship to. If the potential for such risk exists, they will immediately contact all affected Magna locations
- Quality and delivery non-conformance and response will be reflected in monthly supplier scorecards
- Suppliers are responsible to review their monthly scorecards, on-line, in eRFX

Under-performing suppliers may be escalated to the Magna Top Focus Supplier process. Suppliers will be expected to support any development activity that is part of this process. Costs related to the Top Focus process may be the responsibility of the supplier, as appropriate.

Suppliers will be responsible for all validated costs for non-conformance issues, based on (but not limited to) the following criteria:

- Division sorting of supplier product at the Magna facility, 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 Magna, either directly or via 3rd Party sort/rework
- Related transportation expenses

- Any costs incurred by Magna for disruption of our customers, including costs associated with sorting, rework, yard holds and applicable field actions
- Costs associated with the disposition/return of unapproved or unauthorized material sent by the supplier
- Costs related to unauthorized deviations
- Costs incurred by Magna associated with customer recalls or product failures, caused by supplier non-conformance

Traceability

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, in writing, by the procuring Division(s). Traceability requirements on prototype production parts may be defined by Magna and must be supported by the supplier.

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 must ensure implementation and management of an effective FIFO method of stock rotation in both the production and shipping process. The FIFO date used in determining stock rotation, must be the manufacturing date of the material affected.

Failure to comply with traceability requirements may lead to rejection of material and issuance of non-conforming material reports. All costs related to containment, material disposition and corrective action resulting from failure to meet proper traceability requirements, may be assigned to the supplier. Traceability Records shall be maintained and accessible for the life of the product, including Service, plus one year. Traceability record retention deviations are only permitted if approved in advance in writing from your procuring Division(s).

Controlled Shipping

When directed by Magna, suppliers may need to certify product after a lot rejection has occurred. Two types of controlled shipping actions are usually 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 sorting, re-work, inspection, and containment activity must be

conducted by a supplier that is designated or approved, in writing, by Magna. Any third-party arrangements, not specifically directed by Magna, must be reviewed, and approved by the procuring Magna Division(s). 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.

Suppliers who are under controlled shipping or containment conducted by a third party, or external source, must notify all Magna Divisions they ship product to, of the containment activity.

Supplier Top Focus and Escalation Process



The Magna Top Focus and Escalation Process is designed to assist Divisions in their efforts to reduce chronic supplier quality and delivery issues and drive improvement in overall supplier performance. A key trigger of the Top Focus process is the 6-month quality or logistics score, as documented in the eRFX Supplier Scorecard. A 6M logistics or quality score identifies a supplier as underperforming, which initiates a risk analysis and decision for potential supplier development activity.

The Escalation Process, which may be independent of the quality or logistics score, is only initiated after reasonable efforts have been made at the Division level, to address specific concerns and drive improvement, but without satisfactory results.

The escalation process ensures that:

- Appropriate levels of management are aware of issues and engaged in the resolution process

- Adequate resources are assigned to drive resolution of issues and ensure improvement
- Magna leverages the Customer and the supplier's ISO and/or IATF 16949 Registrar appropriately, in the event suppliers fail to respond and provide necessary support
- As becomes necessary, Magna may decide to place the supplier on new business hold status, or remove existing business, if warranted and appropriate
- Appropriate communication is made to both supplier and Magna executive management

The length of time spent at each step will be determined by the risk level and cost being incurred by Magna, as well as by the supplier's subsequent performance in meeting defined exit criteria.

Specific activities at each escalation stage may vary minimally, depending on the Magna Division involved, however in general the escalation process is as follows:

Standard SCM Process occurs at the Division level, and includes:

- Standard/normal complaint management
- Performance Monitoring
- Development activity with under-performing suppliers, where underperformance is not yet chronic or systemic

Escalation E-1 includes escalation to the Group/Business Unit level and includes:

- Magna Top Focus Process
- Performance review & risk assessment across all Magna Groups
- Necessary containment and controlled shipping activities
- Supplier assessment & corrective action
- Potential new business hold

Escalation E-2 includes escalation to the Magna Corporate level and includes:

- Magna monthly review (Region & Global)
- Potential notification to Registrar
- New business hold and potential re-source

Suppliers who are identified as high-risk suppliers, via our Top Focus/Escalation process, will be expected to support Magna in appropriate development activities. Magna may, at its discretion, engage with third-party support as part of this development activity, and depending on the circumstances and risk level, suppliers may be held responsible for an appropriate portion of the financial impact of this additional support.

4.4 Product or Process Change & 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(s) for approval, in writing, 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/VDA submission.

Changes impacting legal requirements of chemical substances (e.g., REACH, ELV Directive, Global Automotive Declarable Substances List, etc.) on any supplied products, shall be submitted in a timely manner via the IMDS system. Submissions must be on a complete and correct Material Data Sheet.

Deviation approvals by Magna must be documented and approved in the format used by the procuring Division(s) and are limited to a determined quantity of parts or duration of shipment. Requests must be made in advance and with ample time for implementation, if approved. Suppliers will be required to build and maintain sufficient inventories of parts, as determined by Magna, to support any changes and required approvals.

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 existing status/designations
- Financial impact due to exposure to containment and other related 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 Customers is expenses attributed to product performance after vehicle sale. Financial liability associated with warranty is increasingly significant as consumer awareness improves, and OEM Customers extend warranty coverages.

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 in accordance with Magna Purchase Order Terms & Conditions, and as defined by any Division specific Statement of Work (SOW) or Statement of Requirements (SOR) or warranty agreement.

5. Operation – Control of Materials & Logistics

In support of lean and efficient business processes, suppliers must be able to support electronic data interchange via Standard or Web EDI. Acceptable message standards include VDA, ANSI and EDIFACT.

5.1 General Requirements Regarding Logistics Processes

Suppliers shall design and manage their logistics processes to ensure quality and on time delivery of directed quantities to the location and at the times specified by Magna.

In partnership with our suppliers, Magna will work to develop logistics planning that ensures:

- Minimal complexity in logistics business processes
- Maximum flexibility to support response to late changes in volume or timing of deliveries
- Optimal inventories in the supply chain
- Packaging designs support all handling and loading requirements

- Just in time delivery that complies with established delivery times
- Focus on continuous improvement
- Timely communication of all potential supply interruptions

Suppliers must be prepared to provide delivery costs based on:

1. FCA (Free Carrier)
2. DDP (Delivered Duty Paid)
3. Other (As directed by Magna)

Based on the information provided, Magna will determine the Incoterms that will be used. Suppliers will abide by the latest Inco Terms, as directed by Magna, or the terms that were in place as part of the contract award and Purchase Order.

Brokerage fees on all imported products are typically the responsibility of Magna, as dictated in the applicable Incoterms. Any deviation to these terms must be as dictated, in writing, by the procuring Magna Division.

5.2 Packaging

Suppliers are required to adhere to Packaging Guidelines as defined by the Magna Global Packaging and Shipping Guidelines, as well as all necessary AIAG/VDA Standards and Global REACH requirements. The Magna guidelines can be accessed via the Magna website (www.magna.com), eRFX Portal **(**Magna Supplier Portal**),** QPF Portal (https://qpf.magna.com) or from the Magna packaging representative. Special packaging and labeling requirements, in support of specific Product Launch activity, may be requested by a Magna facility. 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, production packaging approval, as well as back up packaging approval must be obtained from the Magna procuring Division(s) prior to a line Run @ Rate.

In order to ensure planned packaging optimizes the cube utilization of the transport vehicle, the Division assembly practices and lean operations, suppliers are responsible to validate packaging design to these requirements if not directed differently by Magna. Approval must be submitted with the PPAP submission. A unit load, regardless of returnable or expendable packaging, must be stackable with overall dimensions that allow for optimum cube utilization of the transport vehicle. Packaging that will be used to support service requirements, also requires the approval of Magna. Magna encourages suppliers to initiate design and cost improvement ideas, and Magna both recommends and strongly encourages suppliers to design both expendable and returnable packaging manufactured from viably recyclable material as outlined in the Automotive Industry

Guidelines (https://www.supplierspartnership.org/sustainablepackaging/). Magna approval must be obtained prior to implementation of any packaging changes.

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 materials, must comply with appropriate legislated regulations for labeling, packaging, and shipping, including MSDS (Material Safety Data Sheet) documentation. Material requiring MSDS shall not be shipped, without prior approval.
All solid wood packaging/pallets and crates must comply with the International Plant Protection Convention Standard ISPM #15, as detailed in Magna's Global Packaging Guidelines (https://www.magna.com/company/Suppliers).

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.

5.3 Labelling

The supplier shall be responsible for the clear identification of products during all phases of production and delivery and shall ensure appropriate labelling prior to shipment.

All materials for prototype or production consumption, shipped to Magna Divisions, must be identified with labelling 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 or VDA Standards or standards designated by the Division(s).

Characters and symbols shall comply with the requirements of AIAG, B-8 standard – Quality Assurance Guide for Shipping Labels, VDA 4994 Standard and Other Bar Code Applications.

Parts Shipping labels (container, master, and mixed load) shall comply with the layout formats defined in the latest AIAG or VDA Standards. Customer specific content may be specified by a Magna Division. Primary Metals labels shall comply with the layout format defined in the latest AIAG Primary Metals Standards.

Part labels shall comply with the requirements defined in the AIAG, B-4 standard – Parts Identification and Tracking Application Standard or VDA 4994 Standard.

Label placement, orientation, quality, and quantities shall follow the guidelines contained in the AIAG, B10 Trading Partner Labels Implementation Guide, the AIAG B16 Global Transport Label for the Automotive Industry, or the VDA 4994 Standard, unless otherwise specified by Division specific requirements. Barcodes shall conform to the standards published by the Automotive Industry Action Group standard (AIAG-B10) B-10 Label Specification or VDA 4994 Standard.

5.4 Materials Planning & 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 specific, and the supplier should contact the Purchasing and Materials Groups at the procuring Division(s), for details.

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 a weekly or scheduled production release. Unless otherwise negotiated with the Magna Division(s) supplied, Magna is responsible for only those production releases identified as firm or locked releases. Similarly, Magna is responsible for only those raw material or component releases identified as firm or locked. Forecast volumes are for forecasting purposes only.

Suppliers must respond to all Material Releases received from Magna in order to ensure their own supply of components and materials can support Magna 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 Division, 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 regularly 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 assume the risk associated with lead times, of various raw materials and/or components, where quantities extend beyond those required to support Material Releases.

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.

Suppliers with production contracts with Magna must maintain the ability to provide after-market and service components for a minimum 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 Magna'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.

5.5 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, excluding premium freight resulting from supplier related issues, which will be the sole responsibility of the supplier, should be signed and agreed to by both organizations.

Suppliers may receive routing information including transportation method and pick-up and delivery window times, as communicated by the Magna Division(s) you are working with. Your procuring Division(s) 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 by your procuring Magna Division. All fees and charges resulting from the export / return of defective product shall be the responsibility of the appropriate supplier.

5.6 Border Security

CTPAT/PIP/AEO

In an effort to secure the supply chain and help protect the borders of our respective countries Suppliers shall cooperate with Magna, and as directed by your procuring Division(s), in support of compliance to minimum security requirements of the US Customs and Border Protection (US CBP), Customs-Trade Partnership Against Terrorism (CTPAT), Canada Border Services Agency (CBSA), Partners in Protection (PIP) and Authorized Economic Operator (AEO) Border Security programs.

https://www.cbp.gov/border-security/ports-entry/cargo-security/CTPAT
http://www.cbsa-asfc.gc.ca/security-securite/pip-pep/menu-eng.html
https://ec.europa.eu/taxation_customs/general-information-customs/customs-security/authorised-economic-operator-aeo_en#self

Suppliers, who are currently registered to CTPAT, PIP or AEO must complete the appropriate sections of the **Magna Border Security Questionnaire**, available at https://qpf.magna.com/ and Magna Supplier Portal. Suppliers that are CTPAT Certified must issue an SVI (Status Verification Interface) monitoring request to their respective Magna divisions. Suppliers that are participating in the PIP or AEO programs must also provide (to the applicable Magna division) a copy of the current certification, as evidence of active status. Suppliers participating in the AEO program must be in the AEO-S (Security) or AEO-F (Customs and Security) program. Suppliers who are not currently participating and Certified to CTPAT, PIP or an AEO Border Security Program, or those participating in an AEO Customs or General program, must complete the entire questionnaire. All suppliers must upload the completed questionnaire in eRFX (Magna Supplier Portal).

Suppliers must provide an updated Security Questionnaire on an annual basis. Failure to complete or upload the questionnaire may affect a supplier's rating and have potential impact on future business opportunities.

For shipments that cross international borders, suppliers must ensure (where applicable) for all FTL/Dedicated loads, that a documented CTPAT/PIP/AEO trailer or container inspection is conducted and that the trailer or container is affixed with 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 shipping documentation and in the ASN for production and service shipments.

5.7 FTA/Customs Compliance (Applicable regions only)

Suppliers within the North American USMCA region must complete the USMCA Certificate of Origin, as directed by your procuring Division(s). Suppliers outside the North American USMCA region, as well as Suppliers in Europe and Asia, must complete a Declaration or Statement of Origin, as directed by your procuring Division(s). At times, other documents may be requested to fulfill our obligations under the United States-Mexico-Canada (USMCA) Free Trade Agreement or in compliance to third country deliveries within the European Union. 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 USMCA status of a procured good, or any change in status with any import security certifications. Failure to complete the requested documents, or advise of a change in USMCA status, may affect your rating and have potential impact on future business opportunities. Suppliers shall be responsible for costs incurred as a result of missing, late, or inaccurate reporting. Suppliers must inform Magna immediately, in the event of any change to the origin of goods.

It is also expected that suppliers maintain sufficient and required expertise to ensure, in partnership with Magna, all necessary USMCA 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)

5.8 Documentation

An Advance Shipping Notice (ASN) must be sent to the Material Planner, or appropriate Division contact, within 30 minutes of each shipment leaving the supplier's location. In the event of a known shortage or late shipment, the supplier shall contact the appropriate Magna Division(s) 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

5.9 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 new browser based MMOG.np application (available at https://www.odette.org/mmog/information), 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, at minimum, complete the Basic MMOG v5 Assessment, or the Full Assessment or any other specified assessment, as requested by their procuring Division. Completed MMOG v5 self-assessments must be sent to the Magna mailbox at Odette-6211@mail2.mmogle.com. Suppliers unfamiliar with MMOG shall contact Odette for assistance (China – cs@cedex.cn, North America – mmogle_help_desk@basics-llc.com, Others – mmog@odette.org).

6. Control of External Products & Services

6.1 Supplier Performance Reporting

Supplier performance and overall status is monitored and reported through various reporting systems such as eRFX, QPF and other internal reporting systems, designed

to report supplier status to other Magna Divisions. Group and Division specific reports may be available through local Purchasing or Quality departmental contacts.

6.2 Operational Rating Criteria

Supplier quality and delivery performance is the basis for a supplier's operational status and is monitored by Magna on a regular basis. Suppliers can access online performance data through eRFX (Magna Supplier Portal). Suppliers will be notified once their most recent performance results are available, through an automated message via eRFX. Suppliers must access and review their latest monthly scorecard as published in eRFX.

Key operational metrics will include, but not be limited to:

- Defective parts per million (PPM)
- Number of non-conformance incidents
- Response time
- Costs of non-conformance
- Special status (CS1, CS2 etc.)
- On time delivery
- Material expedites
- Incidents of premium freight

Suppliers are expected to take immediate and appropriate action to address any performance shortcomings that are identified through the performance metrics. The Magna escalation model will be used, as necessary, to address under-performing suppliers. Suppliers shall have documented processes showing similar rating criteria, escalation processes and development strategies, for sub-tier suppliers.

6.3 Continuous Improvement

Suppliers must establish continuous improvement as an integral part of their management systems and business planning process. Continuous improvement activities must by documented and tracked as key performance indicators. Suppliers are expected to establish continuous improvement targets and use all appropriate data to drive continuous improvement and improve customer satisfaction. It is expected that suppliers will use all appropriate tools, such as the PDCA cycle, Six Sigma, and other appropriate methodologies to ensure a disciplined and systemic approach to continuous improvement.

Glossary of Terms

AEO	Authorized Economic Operator
AIAG	Automotive Industry Action Group
APQP	Advance Product Quality Planning
ASN	Advance Shipping Notice
CAD	Computer-aided Design
CAMDS	China Automotive Material Data System
CAR	Corrective Action Request
CCC	China Compulsory Certification
CDP	Carbon Disclosure Project
CMP	Conflict Minerals Platform
CMRT	Conflict Minerals Reporting Template
CMVSS	Canada Motor Vehicle Safety Standard
CQI	**Continuous Quality Improvement** Series of self-assessment standards for specialized processes including heat treat, plating, coating, warranty, welding and soldering.
CS	Controlled Shipping
CTPAT	Customs-Trade Partnership Against Terrorism
DDP	Delivered Duty Paid
DFMA	Design for Manufacturing and Assembly
DFMEA	Design Failure Modes Effects & Analysis
DOE	Design of Experiments
DUNS	**Data Universal Numbering System** A unique nine-digit identification number, issued by Dun & Bradstreet, identifying each unique business location.
DV	Design Validation
ECE	Economic Commission for Europe
EMPB	Erstmusterprüfbericht (German Initial Sample Test Report)
ERFX	Magna Global Supplier Management System
ESG	Environmental, Social and Governance
EV	Engineering Validation
FCA	Free Carrier

FEA	Finite Element Analysis
FIFO	First In First Out
FMEA	Failure Mode and Effects Analysis
FMVSS	Federal Motor Vehicle Safety Standards
GADSL	Global Automotive Declarable Substance List
GD&T	Geometric Dimensioning & Tolerancing
GSOR	Global Supplier Operational Requirements
IATF	International Automotive Task Force
IEC	International Electrotechnical Commission
IMDS	International Material Data System
ISO	International Organization for Standardization
ISPM	International Standards for Phytosanitary Measures
JIT	Just in Time
MMOG	Materials Management Operations Guidelines
MSA	Measurement Systems Analysis
MSDS	Material Safety Data Sheet
OE(M)	Original equipment (manufacturer)
OHSAS	Occupational Health & Safety Advisory Services
PCP	Process Control Plan
PDCA	Plan-Do-Check-Act
PFD	Process Flow Diagram
PFMEA	Process Failure Modes Effects & Analysis
PIP	Partners in Protection
PPAP	Production Part Approval Process
PSW	Part Submission Warrant
PV	Production Validation
QPF	Supplier Quality Management Platform
REACH	Registration, Evaluation, Authorization and Restriction of Chemicals
RPL	Risk Priority Level
RPN	Risk Priority Number
SPICE	Software Process Improvement and Capability Determination

SOR	Statement of Requirements
SOW	Statement of Work
SQA	Supplier Quality Assurance
SQD	Supplier Quality Development
SVI	Status Verification Interface
TISAX	Trusted Information Security Assessment Exchange
TPISR	Third Party Information Security Requirements
TS	Technical Specification
USMCA	United States-Mexico-Canada Agreement
VDA	Verband der Automobilindustrie (German Automobile Industry Association)

References

Automotive Industry Guidelines	https://www.supplierspartnership.org/sustainablepackaging/
ERFX (Electronic Request for Information)	Magna Supplier Portal
QPF (Quality Platform)	https://qpf.magna.com/
Conflict of Interest Policy	https://www.magna.com/company/Suppliers
Conflict Minerals	http://www.conflict-minerals.com
CQI (Continuous Quality Improvement)	https://www.aiag.org
CTPAT – Customs & Trading Partners	https://qpf.magna.com
IATF – International Automotive Task Force	http://www.iatfglobaloversight.org/
IATF 16949	https://www.aiag.org
ISO 9001:2015	https://www.aiag.org
ISPM – International Standards for Phytosanitary Measures	https://www.magna.com/company/Suppliers
Magna Global Packaging Guidelines	https://www.magna.com/company/Suppliers
MMOG – Materials Management Operations Guidelines	https://www.aiag.org
Minimum Automotive Quality Management System Requirements (MAQMSR)	www.iatfglobaloversight.org
USMCA/Customs Compliance	Trade and investment agreements (international.gc.ca) Canadian customs tariff (cbsa-asfc.gc.ca) Harmonized Tariff Schedule PDFs (usitc.gov) Free Trade Agreements | United States Trade Representative (ustr.gov) Mexico - Customs Regulations (trade.gov)
RMI (Responsible Minerals Initiative)	http://www.responsiblemineralsinitiative.org/
TISAX (Trusted Information Security Assessment Exchange)	www.tisax.org
TPISR (Third Party Information Security Requirements)	https://www.aiag.org/supply-chain-management/cybersecurity

Record of Revisions

(Cited revisions are those that are substantive, in nature, and do not include minor wording changes)

Old Revision Level	***New Revision Level***	***Section***	***Description of Change***
06-01-2016	03-30-2017	ALL	Revised and updated for ISO 9001:2015 and IATF 16949
03-30-2017	08-20-2018	Sec. 1 & References	Links to new Magna website updated
08-20-2018	04-30-2019	Sec. 2.1 (Pg.8)	Requirement for DUNS added
08-20-2018	04-30-2019	Sec 2.2 (Pg.10)	Cyber security requirements added
08-20-2018	04-30-2019	Page 7	Addition or requirements for counterfeit product
08-20-2018	04-30-2019	Page 16	Reference to Top Focus process added
08-20-2018	04-30-2019	Page 24	Border Security revised
08-20-2018	04-30-2019	Page 25	FTA/Customs Compliance revised
04-30-2019	01-01-2021	Sec 1.4, Pg 6	Sustainability language updated
04-30-2019	01-01-2021	Sec 1.4, Pg 7	Responsible Sourcing of Raw Materials added
04-30-2019	01-01-2021	Sec 2.1, Pg 8	Contact information added for eRFX registration
04-30-2019	01-01-2021	Sec 2.2, Pg. 10	Cyber & Information Security updated
04-30-2019	01-01-2021	Sec 3.1, Pg. 11	Sub-tier supplier risk analysis added
04-30-2019	01-01-2021	Sec 5.3, Pg.22	Labelling & Packaging – updated references
04-30-2019	01-01-2021	Pg. 19	Top Focus and Escalation Process revised
04-30-2019	01-01-2021	Pg. 25	Border Security – Requirement for trailer inspection added
01-01-2021	01-01-2024	Sec. 1.3	Documented shutdown/startup requirements added
01-01-2021	01-01-2024	Sec. 1.4	ESG detailed requirements removed and language updated
01-01-2021	01-01-2024	Sec. 2.2	Language for Product Safety Responsible Representative clarified
			Language added to ensure protection of personal information and data
01-01-2021	01-01-2024	Sec. 3.6	Requirements for AIAG/PPAP submissions for service components added
01-01-2021	01-01-2024	Sec. 4.1	Validation requirements frequency clarified
01-01-2021	01-01-2024	Sec. 4.3	Requirement added for supplier development support, including necessary third-party engagement
01-01-2021	01-01-2024	Sec. 5.2	Recyclable material recommendation added to Packaging section
01-01-2021	01-01-2024	Sec. 5.6	Enhanced requirements for Magna Border Security Questionnaire



Forward.
For all.